LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Monday, September 12, 2016

BOARD OF ADVISORS

Diego Arria
Director, Columbus Group

Devry Boughner Vorwerk
Senior Policy Advisor
Akin Gump Strauss Hauer & Feld, LLP

Joyce Chang
Global Head of Research,
JPMorgan Chase & Co.

W. Bowman Cutter
Former Partner,
E.M. Warburg Pincus

Dirk Donath
Senior Partner,
Catterton Aimara

Marlene Fernández
Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim
President Emeritus,
Inter-American Dialogue

Donna Hrinak
President, Boeing Latin America

Jon Huenemann
Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones
Chairman, ManattJones
Global Strategies

Craig A. Kelly
Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto
Director, U.S. Education
Finance Group

Nicolás Mariscal
Chairman,
Grupo Marhnos

Thomas F. McLarty III
Chairman,
McLarty Associates

Carlos Paz-Soldan
Partner,
DTB Associates, LLP

Beatrice Rangel
Director,
AMLA Consulting LLC

José Antonio Ríos
Chief Executive Officer,
Vadium Technology Inc.

Gustavo Roosen
Chairman of the Board,
Envases Venezolanos

Andrés Rozental
President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty
Head, Latin America
Sovereign Ratings, Fitch Inc.

Roberto Sifon-Arevalo
Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

THEDIALOGUE

FEATURED Q&A

Will New Efforts Reduce Crime in Central America?

Presidents Jimmy Morales of Guatemala, Salvador Sánchez Cerén of El Salvador and Juan Orlando Hernández of Honduras (L-R) last month announced a new joint effort to fight crime. // Photo: Salvadoran Government.

Q Honduras, Guatemala and El Salvador on Aug. 23 announced a new joint effort to step up security in the region, a day after the Obama administration announced $30 million in aid for security initiatives in Costa Rica. The governments are cracking down on gang violence, as well as drug and human trafficking, as illegal migration through the region has spiked. What does this latest regional security plan encompass? Are Central American countries taking the right steps to address the problem? Will the countries be able to convince Nicaragua, which closed its southern border last year, to coordinate on gang and migration policy? Amid allegations of human rights abuses after Honduras stepped up security in recent years, have the new security plans and measures done enough to protect the civil liberties of those affected?

A Ray Walser, retired U.S. Foreign Service officer and vice-chair of the Latin American working group at the John Hay Initiative: "Since independence, the Central American states have struggled with a fundamental political challenge: unity or nationality. Past threats—foreign intervention, caudillo politics, left-right polarization—divided Central America. Today atomization, fear, greed and an absence of economic opportunity are the drivers of both politics and migration. For many, the region's decades-long existential crisis persists. Today's winds of destruction are driven primarily by international criminal enterprises and gangs as well as by the well-documented shortcomings of governing elites, right and left. To its credit, the Obama

Continued on page 2

TODAY'S NEWS

POLITICAL

Supporters, Opponents of Gay Marriage March in Mexico City

Hundreds of supporters of gay marriage took to Mexico City's streets on Sunday, a day after tens of thousands rallied in opposition.

Page 2

BUSINESS

Xapo Offering Bitcoin Purchases in Venezuela

The Bitcoin wallet provider and merchant has started offering Venezuelans the ability to purchase the digital currency through its Web site.

Page 2

POLITICAL

Poll Indicates 72% Back Colombia Peace Deal

The Ipsos poll continues a string of encouraging poll results for the "yes" campaign, led by President Juan Manuel Santos. Voters will decide whether to accept the peace accords that the government and the FARC concluded last month in a plebiscite on Oct. 2.

Page 2

Santos // File Photo: Colombian Government.

COPYRIGHT © 2016, INTER-AMERICAN DIALOGUE

POLITICAL NEWS

Poll Shows 72% of Colombians Back Peace Accords

A new Ipsos poll shows that 72 percent of Colombians who disclosed their opinion plan to support the government's peace deal with the Revolutionary Armed Forces of Colombia, or FARC, rebel group, Reuters reported Friday. The result continues a recent string of encouraging poll results for the "yes" campaign, led by President Juan Manuel Santos, though some surveys in early August showed "no" with a slight lead. Opposition leader and former President Álvaro Uribe is leading the campaign to reject the accords, which he says are too soft on criminals and amount to amnesty for human rights violations. For the deal to be ratified, the "yes" campaign must receive more than 4.54 million votes and a majority of the support in the Oct. 2 plebiscite. If approved, the deal would mark a historic end to the 52-year conflict that has claimed 220,000 lives. The poll also revealed that 22 percent of Colombians have yet to make up their minds. The most recent Ipsos poll has a 3.5 percent margin of error.

ECONOMIC NEWS

IDB Among Backers of $103 Mn Nicaragua Geothermal Project

The Inter-American Development Bank said Friday it would back a $103.4 million program to develop Nicaragua's geothermal energy

FEATURED Q&A / Continued from page 1

administration, especially Vice President Joe Biden, has not abandoned Central America. The administration's actions are based on a sound mix of policy objectives: slow the flight of illegal migrants northward, stimulate economic growth, promote equity and social justice, curb impunity and combat illegal drug flows. In support of the Alliance for Prosperity, the United States has promised roughly $750 million aimed at improving the security environment, strengthening governance and addressing out-migration and poverty. Most Central American leaders have responded positively. They clearly want to demonstrate a readiness for major reforms. The commitment of hundreds of dedicated reformers and civil society is genuine. What is unclear, however, is the overall strength of political will and the willingness of the elites and the elected to eschew the benefits and temptations of power. Too often in Central America, it appears that every step forward is met with two steps back. In Nicaragua, a leftist caudillo prepares to steal an election and solidify a family dynasty. A string of corruption investigations in El Salvador reveals an unrelenting pattern of betrayal of public trust in the nation's highest office. In Honduras, the endless debate over presidential succession distracts from urgent matters of security and justice reform. Nonetheless, proximity, a shared sense of humanity and faith in the power of democracy and rule of law will keep the United States engaged in Central America for the long haul."

José Antonio Muñoz, founding partner of Arias & Muñoz in Costa Rica: "For the past decade, we have been hearing from international analysts and press about the growing security problems in Central America. We are aware of the two main issues regarding security: in the north, countries face a huge problem with migration and violence; and in the south, Costa Rica and Nicaragua have been struggling with increasing drug trafficking, illicit trade and specific waves of migration; two related but different situations. President Solís and President Obama recently signed a $30 million international cooperation agreement.

Continued on page 4

NEWS BRIEFS

Supporters, Opponents of Gay Marriage Rally in Mexico City

Hundreds of supporters of gay and lesbian rights marched on Mexico City's Metropolitan Cathedral on Sunday, a day after a march involving tens of thousands of people that had been organized in protest of President Enrique Peña Nieto's proposed bill in May to legalize same-sex marriage nationwide, the Associated Press reported. Demonstrators in favor of same-sex marriage held signs saying "We are families too" and "I respect your family, respect mine." In Mexico, same-sex marriage is currently legal in Mexico City and some states.

Rio Court Accepts Charges Against 10 in Olympic Ticket Scalping Case

A Rio de Janeiro court on Friday accepted prosecutors' charges against former senior Olympic official Patrick Hickey of Ireland and nine others that they were involved in an illegal ticket-scalping ring during the Games in August, Reuters reported. Hickey stepped down from his position on the executive board of the International Olympic Committee last month after allegations of his involvement in the ring surfaced. All of the accused except Hickey and Kevin Mallon, a director of international sports hospitality company THG Sports, are outside Brazil and are now considered fugitives. All 10 of the accused have denied wrongdoing.

Xapo Begins Allowing Bitcoin Buys in Venezuela

Bitcoin wallet provider and merchant Xapo has started selling the digital currency to residents of Venezuela, the Merkle reported. Xapo, based in Palo Alto, Calif., is allowing Bitcoin purchases through its Web site, with a minimum purchase of $50 worth of the digital currency.

COPYRIGHT © 2016, INTER-AMERICAN DIALOGUE

sector and the construction of transmission infrastructure for the Central American country, SeeNews reported. The IDB will lend $51.4 million to the program, and another $25 million will come from the Korea Infrastructure Development Co-financing Facility in Latin America and the Caribbean, which the IDB manages. The Clean Technology Fund and the Scaling Up Renewable Energy in Low Income Countries Program will grant $17 million to the program, with the remaining $10 million covered by local counterpart funds. The money will be used to, among other things, conduct site investigation in order to determine the viability of harnessing the geothermal potential in the Cosigüina field in northwestern Nicaragua. The program will also help develop mechanisms to attract private investment in the country's geothermal sector.

BUSINESS NEWS

Grupo Clavijo Finishes Installation at Uruguay Solar Park

Spanish solar energy company Grupo Clavijo completed the installation of new fixed structures at the 26.5 megawatt Alto Cielo solar park in Uruguay, PV Magazine reported today. Alto Cielo is one of the country's largest photovoltaic plants, and is owned by SunEdison's yieldco TerraForm Global. Grupo Clavijo's installation took five months to complete.

Grupo Clavijo has also completed installations in locations including Chile, Brazil and Honduras.

The Spanish company has been expanding its portfolio in Latin America recently, and has completed additional installations in Chile, Brazil, Honduras, El Salvador, Panama, Mexico and Puerto Rico, and is working on partnerships in other countries in the region. Uruguay's solar energy sector has been slowly expanding, with 167 MW of photovoltaic power expected to be installed this year. The country's largest plant is the 64 MW plant in the Salto Department, which was completed in January and developed by Fotowatio Renewable Ventures. Energy generated in the Alto Cielo solar park will be sold to state-owned utility the National Administration of Power Plants and Electrical Transmissions, under a 28-year power-purchase agreement.

THE DIALOGUE CONTINUES

What Does Dilma's Rousseff's Impeachment Mean for Brazil?

Q Brazil's Senate on Aug. 31 permanently removed President Dilma Rousseff from office, formally ending her presidency and more than 13 years of presidential rule by the Workers' Party. What does Rousseff's impeachment say about the strength of Brazil's democracy? What is the future of the Workers' Party? How good a job has Michel Temer done since May as interim president, and how well will he be able to navigate the country's politics and deal with its problems, including an unusually deep recession that has pushed per capita GDP down by nearly 10 percent?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "The impeachment and removal of President Rousseff from office was often painful, sometimes raucous and occasionally tawdry. But the proceedings were supervised by Brazil's well-regarded Supreme Court and presented no obvious constitutional violations. Not by any stretch of the imagination was it a coup, nor has Brazilian democracy been seriously damaged. Still, the impeachment was tainted by the weakness of the charges against Rousseff, which involved relatively common budgetary manipulations, and even more by the fact that most of the legislators voting for her ouster are themselves on the take. It is also true, however, that the Rousseff government had been floundering, unable to make much headway toward resolving Brazil's multiple problems. Most Brazilians favored her removal. Whether Temer can do much better is now the central question. He commands little public support, and his performance as acting president was hardly encouraging. He clearly blundered in originally appointing an all-white, all-male cabinet, with many of its members enmeshed in corruption scandals. While Brazil's economy has begun to show a modest uptick, it is still deeply mired in recession. Nonetheless, the Temer government brings some advantages. He has assembled a first class economic team, which enjoys the full confidence of the business community and foreign investors. The new president can count, at least for a few months, on an ample majority in Congress to support his proposals for reviving the economy. But it will take time to end the country's prolonged slump and achieve a steady trajectory of growth, job creation and public investment. The prospect of higher taxes, continuing austerity, high inflation and unemployment, and poorly funded public services could well lead to a political backlash. None of the alternatives available to Brazil—the continuation of the Rousseff administration, her ouster and replacement by Temer, or even new elections—provided any real assurance that things would get better. Although brought to power by a disputed impeachment process and arriving with some clear deficiencies, the Temer government should be given the chance to govern before it is condemned."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Sept. 1 issue of the Advisor.

COPYRIGHT © 2016, INTER-AMERICAN DIALOGUE

FEATURED Q&A / Continued from page 2

This donation is unprecedented; for the first time in 30 years, Costa Rica and the United States will have coordinated actions and projects aimed at curbing problems related to organized crime, migration and public security. The donation will include aircraft hangers, boats and training facilities. The next crucial step has to be the coordination among countries including Nicaragua. Right now, on one hand, Guatemala, Honduras and El Salvador are working on specific efforts to address issues of migration and violence, while on the other, the United States has been coordinating bilateral programs with each of the nations individually. For these plans to succeed, a joint political strategy of cooperation is essential; otherwise the situation will only spread beyond, affecting the Americas as a whole."

Ursula Roldán A., migration coordinator in the Institute for Research and Policy Management (INGEP) at Rafael Landívar University in Guatemala City: "The countries of the Northern Triangle are undergoing a security crisis, and they have each shown severe weakness in their capacity to address it. This is because organized crime and drug trafficking groups are embedded in the states' institutions and have added to their territorial control and purchased support of many actors. The security crisis has also led to an increase in crime brought on by criminal gangs that recruit minors, extort and murder. Currently, the United States is implementing a strategy to support the removal of these mafias from the state mechanisms and to act on preventing violence. In the case of Guatemala, I approve of the United States' support of the International Commission Against Impunity and the attorney general's office, which since 2015 have been directly fighting the structures that have compromised the state through corruption and crime. What is not ideal is that regional security will also focus on 'illegal human trafficking,' which from our perspective targets migrants trying to reach the United States in search of economic opportunity and family reunification, and most importantly fleeing violence and extreme poverty. For this reason, it is necessary to make a distinction in strategies targeting organized crime, drug trafficking and migration. Migration policy should be approached with a focus on human rights and regional human mobility. None of this will change without modifications in the structural conditions of the three Northern Triangle countries, which would require the United States to update its vision for 'economic development' because the result of the Washington Consensus exacerbated inequality rather than resolving it."

Adam Blackwell, diplomat in residence at the William J. Perry Center for Hemispheric Defense Studies at the National Defense University: "Violence tends to be clustered around hotspots or pockets that tend to host various social, economic and institutional vulnerabilities. Each of these hotspots requires integrated and differentiated solutions to be sustainable and successful. It is an error to assume that the aspirations and needs of communities will be met through some broad top-down strategy applied across a region. It is also erroneous to assume that the gangs are a homogeneous franchise across the region. Rule of law is a basic human right and is not just law enforcement and putting more police on the streets. If there is not a fundamental shift in institutional culture that includes professionalization, merit and access to justice, services and mutual respect—then it will fail. The balloon effect is not just applicable to illicit drugs but to all of these security issues. Consequently, it is not just Nicaragua that needs to join this effort, but all of us in the Americas need to be part of a transparent and inclusive effort to build the security ecosystem, community by community, that this region so deserves."

LATIN AMERICA ADVISOR
is published every business day by the Inter-American Dialogue, Copyright © 2016

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

Michael Spak
Editorial Intern

THEDIALOGUE

Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Kevin Casas-Zamora, Director, Peter D. Bell Rule of Law Program
Ramón Espinasa, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Alejandro Ganimian, Nonresident Fellow
Peter Hakim, President Emeritus
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Director, Migration, Remittances & Development
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1211 Connecticut Avenue NW, Suite 510 Washington, DC 20036

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at freetrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.