

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

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,
Monarch 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

Carl Meacham

Associate VP for Latin America
Int'l Advocacy Division, PhRMA

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

Jaana Remes

Partner,
McKinsey Global Institute

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

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

Shelly Shetty

Head of Sovereign Ratings,
Latin America, Fitch

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

Will El Salvador's New President Bring Change?



Styling himself as an anti-establishment rebel, President-elect Nayib Bukele greeted supporters on election day in a leather jacket. // Photo: Via Twitter @nayibbukele.

Q **Nayib Bukele, running as an anti-corruption outsider candidate, comfortably won El Salvador's presidency on Sunday. Bukele garnered 54 percent of the vote in preliminary results, defeating Carlos Calleja, a wealthy businessman with the conservative Arena Party, and Hugo Martínez, a former foreign minister who ran for the leftist governing Farabundo Martí National Liberation Front, or FMLN. What factors led to Bukele's victory? What sort of cabinet will he appoint, and what are the most important policy changes his administration will pursue? How well will Bukele be able to work with the country's Congress, which remains dominated by Arena and the FMLN?**

A **Mari Carmen Aponte, former U.S. ambassador to El Salvador and former assistant acting secretary of state for Western Hemisphere affairs:** "The results of the Salvadoran election are a reflection of voters' developing and growing dissatisfaction with the two mainstream political parties, left and right. The proximate cause of the FMLN's dismal showing, however, was the inability to show improvement in Salvadorans' daily lives after 10 years in power. The parties were acutely aware of this displeasure, as evidenced by the placement of young, centrist candidates at the top of their respective tickets. It was not enough. They are now presented with a great opportunity to correct past mistakes and rethink, reprogram and innovate their platforms, their structures and their leadership. The new president has a great opening as well. Through the appointment of his cabinet, he can send constructive signals, reaching out to both conventional political

Continued on page 3

TODAY'S NEWS

POLITICAL

Lima Group Pledges Aid for Venezuelans

Canada pledged \$40 million in humanitarian aid for Venezuelan refugees on Monday at a meeting of the so-called Lima Group countries in Ottawa.

Page 2

ECONOMIC

Puerto Rico Wins Court Approval for Bond Write-Off

Puerto Rico's government won court approval for a restructuring deal that wipes out one-third of its \$18 billion in sales-tax bond debt, marking the largest renegotiation yet of the U.S. territory's bond and pension obligations.

Page 3

POLITICAL

Mexico Allocates \$20 Million to Find Missing

Mexico's top human rights official, Alejandro Encinas, said Monday the government will dedicate more than \$20 million to help find and identify the estimated 40,000 people who have gone missing in the country over the past decade.

Page 2



Encinas // File Photo: Mexican Government.

POLITICAL NEWS

Lima Group Pledges Aid for Venezuela

Canada pledged \$40 million in humanitarian aid for Venezuelan refugees on Monday as pressure on Venezuelan President Nicolás Maduro to resign continues, Agence France-Presse reported. “Today, Canada is stepping up and announcing 53 million [Canadian dollars] to address the most pressing needs of Venezuelans on the ground, including almost three million refugees,” Canadian Prime Minister Justin Trudeau announced at a gathering of so-called Lima Group nations in Ottawa. “The bulk of the funds will go to trusted partners, and neighboring countries to help them support Venezuela and Venezuelans,” he added. The 14-member Lima Group, which includes most Latin American countries and Canada, met to discuss ways to support National Assembly head and opposition leader Juan Guaidó,



Vecchio // Photo: Inter-American Dialogue.

who in January proclaimed himself interim president under constitutional law and with the backing of numerous foreign governments, including the United States, Brazil and Colombia. Guaidó told Lima Group representatives in a video message that he looked forward to having “free and fair elections as soon as possible in order to restore democracy in Venezuela,” Agence France-Presse reported. Other countries, among them Russia, China, Bolivia and Cuba, have showed support for Maduro, whose government on Monday said it would “review bilateral relations” with several European Union countries that recognized Guaidó, including France, Germany and the United Kingdom. Mexico and Uruguay have said they will remain

neutral. The two countries are organizing an international conference for “neutral nations” this coming Thursday in Montevideo, seeking to establish “the basis of a mechanism for dialogue” between Guaidó and the Maduro regime, The Washington Post reported. U.N. Secretary General António Guterres on Monday said U.N. officials will not take part in any initiatives on Venezuela in order to remain neutral. Maduro has sent a letter to Pope Francis requesting a renewal a dialogue, according to the Vatican. Russian Foreign Minister Sergey Lavrov said today that the Venezuelan crisis could only be resolved by having the government and the opposition “sit down at a negotiating table,” Reuters reported. On Monday, Carlos Vecchio, the Venezuelan opposition’s chargé d’affaires to the United States, whom Guaidó recently appointed, said people should not believe Maduro’s calls for a “fake dialogue.” At an event at the Inter-American Dialogue, Vecchio said the only way to achieve a “democratic transition” and free and transparent elections in Venezuela was without Maduro in power. [Editor’s note: See related [Q&A](#) in the Jan. 29 issue of the Advisor.]

Mexico Allocates \$20 Million to Search for Missing People

Mexico’s top human rights official said Monday the government will dedicate more than \$20 million to help find and identify the estimated 40,000 people who have gone missing in the country over the past decade, the Associated Press reported. Alejandro Encinas said his country has become “an enormous clandestine grave,” with more than 1,100 registered but unexplored secret grave sites and some 26,000 unidentified bodies around the country. Encinas criticized past administrations for failing to address the issue. Encinas estimated that at least one in 10 of the disappeared are migrants traveling through Mexico, with the majority of victims being young people who fall prey to organized crime, according to the report. Plans include creating a new forensic institute, known as the National Search System, which

NEWS BRIEFS

Brazil Stocks Set New Record High

Brazilian equities ended trading Monday at a record closing high, Reuters reported. The benchmark Bovespa index closed at 98,588. Financial stocks posted strong gains, with Itaú Unibanco, the country’s top private lender, closing 2.3 percent higher. The election of a pro-business leader of Brazil’s Senate over the weekend has boosted investor confidence that contentious pension reforms could pass Congress early in the new term of President Jair Bolsonaro, according to the report.

Trump to Focus on Immigration, Border in State of the Union Address

U.S. President Donald Trump will focus on immigration and security along the U.S.-Mexico border in his State of the Union address tonight, The Washington Post reported. The Republican leader is expected to double down on his demand for Congress to support a hard-line immigration agenda. House Speaker Nancy Pelosi, D-Calif., has said she will not support a bill that includes money for Trump’s proposed expansion of wall-like structures along the U.S.-Mexico border. On Sunday, the Pentagon announced it was sending 3,750 additional troops to the border to support security agents there for three months.

Peru Exports Expand 7.5 Percent in 2018

Peru’s exports expanded 7.5 percent in 2018, surpassing \$47.7 billion, Foreign Trade and Tourism Minister Edgar Vásquez said Monday. The growth marked the third consecutive year of expansion and surpassed the record set in 2012, state news agency Andina reported. Non-traditional exports posted the strongest growth, especially from the agricultural sector, which grew 15 percent. Peru exported \$544 million in blueberries last year, up 49 percent.

will begin operating in March, Encinas said. The government will also launch a database that can be accessed by officials nationwide.

ECONOMIC NEWS

Puerto Rico Wins Court Approval for Major Bond Write-off

Puerto Rico's government won court approval Monday for a restructuring deal that wipes out one-third of its \$18 billion in sales-tax bond

debt, The Wall Street Journal reported. U.S. District Judge Laura Taylor Swain affirmed the plan, which covers revenue bonds known as Cofinas, marking the largest renegotiation yet of the U.S. territory's bond and pension obligations, according to the report. The deal allows Puerto Rico to cut its sales-tax-backed debt by 32 percent but requires the government to pay \$32 billion within the next 40 years as part of the restructuring, CBS News reported. Puerto Rico will save \$17 billion in interest and principal payments over the coming decades as a result of the ruling. Senior bondholders, who hold nearly \$8 billion, will be first to collect, receiving 93 percent of the value of the original bonds. Other investors could lose

nearly half the value of their holdings. Judge Swain acknowledged that the settlement "commits substantial portions of Puerto Rico's scarce revenues to bond payments over a period of decades," while also slashing claims from bondholders. The Cofina plan relinquishes more than 46 percent of the pledged sales taxes, which will supply the government with cash to fill a budget imbalance and help roll out austerity measures more gradually. The past couple of years have been especially difficult for Puerto Rico. Caught in a decade-long recession, the island has been buffeted by multiple shocks, particularly Hurricane Maria in 2017, which caused extensive damage to basic infrastructure and cost billions of dollars in damages. [Editor's note: See related [video](#) of the Inter-American Dialogue's event last week on Puerto Rico's outlook.]

FEATURED Q&A / Continued from page 1

entities that, combined, have a congressional majority. Although congressional bipartisan action is sporadic, the FMLN, having expelled President-elect Bukele from its ranks, may have more appetite to join with a traditional opposition than to work with someone they excluded and blame for their thrashing. El Salvador still has salient, longstanding governance issues unresolved. Security, access to education and government corruption are among them. President-elect Bukele can improve on them wisely and sensibly. But he will have to act strategically and attract some members of two divergent oppositions. It can be done, and Salvadorans certainly deserve a more secure, fulfilling life and transparency from their government."

A Douglas Farah, president of IBI Consultants and senior visiting fellow at National Defense University: "Nayib Bukele won as an outsider, crushing the two traditional parties in the first round, a clear indication of how disillusioned people are by the massive corruption, inefficiencies and violence that have plagued the recent administrations of both Arena and the FMLN, and the deep disgust for the traditional political elite.

Voter turnout was lower than past elections, showing the overall lack of enthusiasm, but Bukele was viewed as the least bad of the options. The stinging defeat of the incumbent FMLN, which won less than 15 percent of the vote after governing for the past decade, is a potent message for Bukele. The FMLN, born of a revolutionary movement promising transcendent change, ended up presiding over an endless series of failures in delivering on the promises of ending violence, creating employment and transparent, accountable government, and ending corruption. Bukele runs the risk of a similar fate. With little party structure to rely on and allied with GANA for the elections—a party whose founder is in prison after being convicted of stealing more than \$300 million—serious anti-corruption efforts will be difficult to implement. His priority must be reducing violence, and his key appointments will be in the security, defense and judicial sectors—notoriously weak and incompetent, but key to dealing with the gangs and other intractable drivers of the crisis. To achieve anything legislatively he will have to ally with one of the major parties, and that will likely come at a high political cost. Now in power, the question is whether he can break the cycle of failure."

Continued on page 4

BUSINESS NEWS

Barrick, Reunion Gold Team Up for South America Push

Canada's Barrick Gold said Monday that it has entered into a strategic alliance with Toronto-listed Reunion Gold Corporation to form a 50-50 venture to jointly explore for mineral projects in the Guiana Shield, a geological area covering Guyana, Suriname, French Guiana and the north and northeast regions of Brazil. In a statement, Barrick called the area "a significantly under-explored region and one of the most prospective in the world for large scale gold discoveries." Barrick will pay \$4.2 million for Reunion's existing projects in the area, with subsequent funding to be split 50:50 between the two companies. Barrick will also buy more shares of Reunion, increasing its interest in the company from 15 percent to 19.9 percent of outstanding shares. Since merging with Randgold Resources this year, Barrick has pledged to focus on its largest lowest-cost gold mines that produce over 500,000 ounces of gold, as well as develop its exploration pipeline, the Financial Times reported.

FEATURED Q&A / Continued from page 3

A **Ricardo Cevallos, partner at BLP Abogados in El Salvador:** “The polls showed a tight race, but Bukele—who ran with GANA, a party created by former President Antonio Saca—won on Sunday by an ample margin. Everyone was expecting a second round, probably between Arena and GANA, but with a low voter turnout, Bukele won. He capitalized on several factors: young voters who feel unheard by the two traditional parties, disappointment in those parties after 30 years—which translated into a low turnout—and the corruption scandals uncovered, with former presidents Saca (then with Arena) in prison and Funes (with FMLN) evading justice in Nicaragua. It is hard to foresee what his cabinet will look like, since GANA does

“**Another result from the election is what some are already calling the end of bipartisan politics.**”

— Ricardo Cevallos

not have many public figures who could be thought of to hold public offices in the executive branch. Judging by Bukele’s supporters, it will probably be a group of newcomers to politics and public service. He stated that he would fight corruption throughout his campaign, so proposing new laws to fight corruption, nepotism and money laundering would seem a logical direction for his first actions. As to his relationship with Congress, it will be a difficult task. GANA has usually sided with the FMLN in Congress, but after its terrible defeat on Sunday, it is uncertain if it will continue working with GANA. As for Arena, which did not receive the votes it was counting on, one would think that they will not negotiate with Bukele. Another result from the election is what some are already calling the end of bipartisan politics. But it seems that both Arena and the FMLN would

like to go back to the comfortable position of having people choose between them, alternating power as they have done in the past. If this is so, cooperation with Bukele is not very probable.”

A **Christine Wade, professor of political science and international studies and curator of the Goldstein Program in Public Affairs at Washington College:** “Nayib Bukele, a two-time mayor for the FMLN, won the election because he was able to capitalize on years of dissatisfaction with politics as usual in El Salvador. Salvadorans are fed up. They’re fed up with crime. They’re fed up with corruption. They’re fed up with a stagnant economy. El Salvador’s two dominant parties, Arena and the FMLN, have failed to deliver on these issues for the past 25 years. Bukele’s anti-corruption message and his ability to situate himself as a leader of the post-war generation resonated with voters young and old who are tired of ‘war by other means’ in Salvadoran politics. Bukele has three main tasks: to reduce crime, to invigorate the economy and to tackle corruption. These are issues that will require deep, structural change. To do this, he will need a solid team. At this point, the composition of Bukele’s cabinet is a mystery. We’ll have a better sense of this in the coming days, but I expect some surprises. These appointments are going to be crucial to the success of his administration. He’ll have to signal very early on that corruption will have no quarter in his administration. While Bukele will certainly face some challenges without his own party in the legislature for the next two years, I’m modestly optimistic that the beating delivered at the polls will cause both Arena and the FMLN to realize that working with him is far more advantageous than working against him. If they don’t, they may well find themselves irrelevant two years from now.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gene.kuleta@thedialogue.org.

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2019

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gene.kuleta@thedialogue.org

Anastasia Chacón González
Reporter
achacon@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Peter D. Bell Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development and External Relations

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

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.