

## 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

Retired VP, 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

### 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

# How Are Candidates' Removals Affecting Guatemala's Election?



Former Guatemalan Attorney General Thelma Aldana is among the candidates removed from the country's presidential race by the Constitutional Court. // File Photo: Guatemalan Government.

**Q** Guatemalan prosecutors in May launched a probe into an alleged corruption scheme in connection with ruling party presidential candidate Estuardo Galdámez, who has denied wrongdoing. Last month, another presidential candidate, Mario Estrada, was arrested in the United States for allegedly making deals with the Sinaloa drug cartel in Mexico. Meanwhile, prosecutors are investigating Supreme Court Judge Víctor Manuel Cruz, who earlier this year issued an arrest warrant for former Attorney General and presidential candidate Thelma Aldana, who is now barred from the race and has denied the charges against her. Also, Guatemala's Constitutional Court barred Zury Ríos, the daughter of late dictator Efraín Ríos Montt, from the race. How are recent developments in Guatemala affecting the presidential race? With less than one month to go until election day, how might events in the coming weeks influence the results? Have other important issues been sidestepped in the face of growing concerns over corruption?

**A** Édgar Gutiérrez, former Guatemalan foreign minister: "With one month to go before the vote, this strange election seems like bowling. Operators of justice roll out sentences that bring down one candidate after another, as a bowling ball does with the pins. Of the 23 registered candidates, one in three will probably fall. This is an unprecedented judicial cleansing of the political class, which started in 2015 and has not stopped. After blocking the candidacies of Zury Ríos and Thelma Aldana, the Constitutional Court will

Continued on page 2

## TODAY'S NEWS

### ECONOMIC

## U.S. Reaches Deal With Canada, Mexico to End Metals Tariffs

The administration of U.S. President Donald Trump reached a deal with the neighboring countries to remove tariffs on imported steel and aluminum.

Page 2

### BUSINESS

## Grupo Globalia to Launch New Air Carrier in Brazil

The Spanish company will launch the new carrier following a regulatory change that allows foreign ownership of airlines in Brazil.

Page 2

### POLITICAL

## Colombian Authorities Rearrest Former Rebel Leader

Colombian authorities rearrested former FARC commander Seuxis Hernández, also known as Jesús Santrich, on new evidence minutes after he was released from prison on the orders of a special tribunal.

Page 2



Hernández // File Photo: Colombian Government.

## ECONOMIC NEWS

## U.S. Reaches Deal With Canada, Mexico to End Metals Tariffs

The Trump administration reached an agreement with Canada and Mexico to remove tariffs on imports of steel and aluminum after nearly a year of having imposed them, The New York Times reported Friday. "I'm pleased to announce we've just reached agreement with Canada and Mexico, and we'll be selling our product into those countries without the imposition of tariffs." U.S. President Donald Trump said Friday. The move lifts 25 percent steel and 10 percent aluminum tariffs, Bloomberg News reported. Mexico and Canada agreed to lift their own retaliatory tariffs on U.S. goods as part of the deal. Instead of the tariffs, the three countries plan to set up a system for monitoring in case of import surges into the United States. "Tariff-free trade will be restored in these products," the Mexican government said in a statement, adding that

there would be no quotas. "Mexico reached a highly satisfying agreement with the United States," the statement said. Canadian Prime Minister Justin Trudeau said on Friday that the deal was "pure good news," adding that he was "very optimistic" that the ratification of the United States-Mexico-Canada Agreement, or USMCA, reached last year to replace the North American Free Trade Agreement, or NAFTA, will "move forward in the coming weeks." The trade deal requires ratification in all three countries before it can take effect, and the tariffs had been a major point of conflict for both Mexico and Canada and some U.S. lawmakers.

## POLITICAL NEWS

## Colombia Rearrests Ex-Rebel Leader Upon Prison Release

Colombian authorities on Friday rearrested former FARC rebel commander Seuxis Hernández, also known as Jesús Santrich, just

## NEWS BRIEFS

## Eleven Killed as Gunmen Burst Into Bar in Northern Brazil

A group of gunmen burst into a bar in the city of Belém in Brazil's northern Pará State on Sunday afternoon, killing 11 people and wounding one, The Guardian reported. The assailants arrived at the bar in three cars and one motorcycle and began shooting inside, killing six women and five men, according to news website G1. As of Sunday, the motive was unclear, and no arrests had been made. In March, Brazil's government sent federal troops to Belém to reinforce security for 90 days.

## Venezuela Talks Seeking 'Peaceful Agenda': Maduro

Talks between representatives of Venezuela's government and the opposition last week sought to "build a peaceful agenda" for the country, President Nicolás Maduro said on Friday, Reuters reported. Members of the opposition have remained skeptical about dialogue with the government, which is taking place in Norway, arguing that Maduro has in the past used talks to buy time to secure his grip on power. Norway's foreign ministry said the talks were in an "exploratory phase."

## Spain's Grupo Globalia to Launch New Air Carrier in Brazil

Spanish tourism and transportation company Grupo Globalia is to launch a new air carrier in Brazil following a regulatory change that now allows international companies to control airlines in the South American country, Brazilian Infrastructure Minister Tarcísio Gomes de Freitas said Saturday on Twitter. The company will hire people locally and increase competition in the sector, Freitas added. The legal modification still needs approval from the Brazilian Congress, which is expected to vote on the issue this week.

## FEATURED Q&amp;A / Continued from page 1

begin proceedings involving Sandra Torres. In her case, the Public Ministry's request for a preliminary hearing arrived 24 hours after it received her electoral credentials. Given the time allotted for each procedure, she will remain unscathed until June 16 and will likely go to the second round, keeping her immunity until Aug. 11. Of the three front-runners, two have been removed from the race. Then there is Alejandro Giammattei, Roberto Arzú, Mario Estrada and Edmond Mulet. Estrada, detained in the United States in connection with drug trafficking, has been ruled out. Arzú, the de facto candidate of former President Otto Pérez Molina and other former officials accused of corruption, is facing an arrest warrant from a Miami judge for contempt in a case related to a personal debt default. The electoral tribunal, as in other cases, could apply the 'not suitable'

criterion. Giammattei, for now, does not face any legal troubles, but he has been persistently pursued by the shadow of a media scandal."



**Donald Planty, senior advisor of the Albright Stonebridge Group in Washington and former U.S. ambassador to Guatemala:**

"The recent string of corruption cases and investigations in Guatemala should surprise no one. Guatemalans have become inured to widespread corruption, including systemic political corruption. The real question is when will political leaders and the body politic take real measures to cleanse the system. The Estrada arrest and the ongoing investigations will probably have only a marginal effect on the presidential race. Recent polls have consistently shown Sandra

**Continued on page 4**

minutes after he was released from prison on a controversial court order, *El Tiempo* reported. Hernández, slumped over in a wheelchair, was taken out of the La Picota prison two days after a special tribunal set up by the country's 2016 peace accord denied a U.S. request to extradite him on drug charges and ordered that he be freed. Almost immediately, authorities brought him back into the prison, with the attorney general's office saying it had new evidence to back accusations that Hernández was part of a conspiracy to traffic 10 metric tons of cocaine to the United States in 2017 and 2018, *The Wall Street Journal* reported. Hernández was then flown away on a helicopter to hear the new charges against him. A day after his rearrest, authorities said Saturday that Hernández had been hospitalized with symptoms of altered consciousness, the *Associated Press* reported. Hernández also had lacerations on his arms that authorities had previously described as self-inflicted. He was listed in stable condition. Colombia's Special Jurisdiction for Peace last Wednesday ordered Hernández's release, citing a lack of evidence against him. The ruling prompted the resignations of Attorney General Néstor Martínez and his deputy, María Riveros. Martínez called the ruling "an affront to judicial order." The magistrates' decision fueled debate on whether the country's peace accord is too lenient toward people accused of engaging in war crimes and drug trafficking. It was unclear whether the new evidence against Hernández, including testimony from one of his alleged accomplices, would lead to the former rebel's extradition to the United States, *The Wall Street Journal* reported. Colombian President Iván Duque on Friday night applauded authorities' rearrest of Hernández. "All of our institutions will be working so that there won't be impunity," said Duque.

## Former Argentine Leader to Seek Vice Presidency

Former Argentine President and current Senator Cristina Fernández de Kirchner announced on Saturday that she will be running for vice president in the country's October election, with

## THE DIALOGUE CONTINUES

### How Can Latin America Become More Productive?

**Q** **Low productivity has been the primary culprit for Latin America's limited capacity to transform productive resources into high-quality goods and services, according to a report released last month by CAF-Development Bank of Latin America. What are the reasons behind Latin America's persistently low productivity rates, and what consequences do they have on the region's overall growth? What measures should policymakers and businesses implement to reverse this trend? To what extent do non-economic factors such as weak rule of law and bureaucracy play a role in the region's stagnant productivity measures, and what can be done to improve countries' business environments in relation to these areas?**

**A** **Claudio Loser, former head of the Western Hemisphere department at the IMF and founder and CEO of Centennial Latin America:** "Latin America's GDP per capita is relatively high and compares favorably with most other emerging regions, with moderate poverty ratios. However, this image does not provide an accurate assessment of the region's performance. Issues of inequality come to mind immediately, with the region registering about the highest (most unequal) numbers for the Gini coefficient. Economic growth has been slow—with a recent performance well below other regions, including the advanced economies. What explains

this disappointing behavior? First, the high export-dependence on commodities, which has changed little over time, aggravated by complacency resulting from high prices until 2012-13, and which left the region unprotected when prices then declined sharply. A second factor is low savings and investment, caused by generally uncertain macroeconomic policies, a weak implementation of the rule of law and protective measures to special interests, be they public sector or domestic corporations. A third factor is the dismal growth rate of total factor productivity (which measures the change in output not explained by increases in the labor force and investment). This measure of productivity has remained almost unchanged over the last quarter century. Again, the main culprits are the dependence on non-innovative exports, discrimination against newer firms, restrictive labor legislation, poor educational results and the weak link between research and the real economy. Not all countries in the region suffer from all these problems, but most do. The task ahead is enormous, but the political economy of the region needs to change drastically for this to happen."

---

**EDITOR'S NOTE:** The comment above is a continuation of the Q&A published in the May 16 issue of the Advisor.

---

her former cabinet chief, Alberto Fernández, as the presidential candidate, *La Nación* reported. She had been widely expected to run for the presidency herself, but in a video posted on social media the former president said she had asked Alberto Fernández, 60, to run for president in her place. The two are not related. "I was never interested in political office, nor was it my main motivation," Cristina Fernández

said in the video. "Having been president of this country twice, personal aspirations or ambitions are subordinate to the general interest." Most pollsters had been saying the race is too close to call, with Cristina Fernández and current President Mauricio Macri, who is seeking re-election, the two most likely candidates to advance to the second-round runoff vote, the *Financial Times* reported.

## FEATURED Q&amp;A / Continued from page 2

Torres leading the pack, with Zury Ríos in second place and Thelma Aldana a distant third. Now that the Constitutional Court has disqualified Ríos and Aldana, Torres will probably benefit. If Guatemalans were serious about tackling corruption and installing good governance, she would not be leading the field. Serious corruption charges hang over Torres' head, both from her role in her former husband's administration and her last presidential campaign. None of these issues will interfere with ongoing government, ipso facto. President Morales will serve out his term as scheduled and in relatively better condition than most of his predecessors. While Morales is charged with campaign finance violations (the campaign finance law in Guatemala had never been enforced until the Morales administration), he is not corrupt in the same sense of his immediate forebearers, Otto Pérez Molina, Álvaro Colom and Alfonso Portillo. Guatemala desperately needs a new generation of political leaders who are willing to break with the past and launch serious across-the-board reform. Without such a reform, Guatemala will continue to limp along, as it always has, with the bad frequently outweighing the good."

**A** Virginia Garrard, professor of history and director of the LLILAS Benson Latin American Studies and Collections at the University of Texas at Austin: "In a crowded field of more than 20 contenders, every leading candidate in the race faces a serious legal or judicial challenge to his or her candidacy. Third-place candidate Thelma Aldana, who came to national prominence through her work in the nation's fight against impunity and corruption, is ironically facing corruption charges. Guatemala's Constitutional Court barred her last week from the race. One of the most controversial and popular candidates, Zury Ríos, was also banned from the race. Although Ríos has already served some four terms as an elected

member of the National Assembly, she is prohibited from running for the presidency by a binding clause of the Constitution that bars coup leaders and their family members from serving as president. Sandra Torres, the former wife of ex-President Álvaro Colom, is also a leading contender. The former first lady has been implicated in a case involving

“The nation's public officials should not be chosen by default by the judicial branch.”

— Virginia Garrard

alleged illegal campaign financing. She has also, rightly or wrongly, been the subject of a whisper campaign regarding a number of other cases, some of them criminal. As a candidate, she has immunity from prosecution, but the Constitutional Court can strip this away. The remaining candidates in the race all show very poorly in public opinion polls, most of them representing well less than four percent of the potential vote each. All in all, the current electoral field seems to represent a turn from an exercise in the democratic process to one determined by the judicialization of politics. Despite the fact that democracy has not yet served Guatemalans particularly well—as evinced by the kleptocratic behavior of so many of its elected leaders—the nation's public officials should not be chosen by default by the judicial branch. It also makes sense that the Guatemalan judiciary, which has earned public confidence through its aggressive legal pursuit of human rights abuse cases and other matters in respect to the public trust, would rise to the fore in the context of such a fragile democracy.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

## LATIN AMERICA ADVISOR

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

**Erik Brand**

Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Anastasia Chacón González**

Reporter  
[achacon@thedialogue.org](mailto: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](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [ebrand@thedialogue.org](mailto:ebrand@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.