

## 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

# What Factors Will Decide Guatemala's Presidential Race?



Former Guatemalan First Lady Sandra Torres, pictured Sunday after casting her ballot in the first round of the country's presidential election, will face former prison system director Alejandro Giammattei in the August runoff. // Photo: Torres Campaign.

**Q Former First Lady Sandra Torres emerged as the top vote-getter in the first round of Guatemala's presidential election on Sunday. However, no candidate garnered more than 50 percent of the vote, so Torres will face four-time presidential candidate Alejandro Giammattei in a second round of voting on Aug. 11. What is driving support for Torres and Giammattei? What factors will decide the election between now and the runoff? To what extent will questions of legitimacy complicate the next president's mandate after two front-runners, including former Attorney General Thelma Aldana, were forced out of the race before the election?**

**A Salvador Paiz, president of FUNSEPA and vice president of FUNDESA in Guatemala City:** "Just three days before the election, 48 percent of Guatemalans were still undecided. On Sunday, we ended up with a chessboard of 18 candidates, down from the original 24, but with no real options. Torres' UNE party is a well-oiled machine that runs on a social-democratic ticket with a heavy dose of populist promises. Giammattei's Vamos party represents a newly created conservative platform. The second round will probably lean toward mutual disqualification rather than the merits of any real substantive proposals. These were atypical elections due to the latest reforms to the Political Party and Electoral Law (LEPP). Both Torres and Giammattei benefit from their investment over the course of several presidential bids. It is evident that name recognition is expensive and hard to achieve in Guatemala, a factor which is further aggravated by short campaign times and reduced expenditure ceilings, measures stipulated in the new law.

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Trump Cuts Aid to Central America's Northern Triangle

U.S. President Donald Trump slashed aid to Guatemala, El Salvador and Honduras. He has said the countries are not doing enough to stop their citizens from migrating to the United States.

Page 2

### BUSINESS

## Odebrecht Files for Bankruptcy Protection

The Brazilian construction conglomerate has been enmeshed in scandal, admitting to paying hundreds of millions of dollars in bribes to officials in several Latin American countries.

Page 2

### POLITICAL

## Venezuela Frees Legislator Ahead of Bachelet's Visit

Venezuelan authorities released opposition lawmaker Gilber Caro, who was arrested in April for unclear reasons. His release came just ahead of a visit to Venezuela by U.N. High Commissioner for Refugees Michelle Bachelet.

Page 2



Caro // File Photo: Facebook page of Gilber Caro.

## POLITICAL NEWS

## Trump Cuts Aid to Central America's 'Northern Triangle'

U.S. President Donald Trump's administration on Monday slashed hundreds of millions of dollars in aid to Guatemala, El Salvador and Honduras, the so-called "Northern Triangle" countries of Central America, Reuters reported. Trump has criticized the three countries and had threatened in March to cut aid to them, saying they are not doing enough to stop their citizens from migrating to the United States, which hundreds of thousands of migrants have entered in recent months. "This is consis-



Trump // File Photo: U.S. State Department.

tent with the president's direction and with the recognition that it is critical that there be sufficient political will in these countries to address the problem at its source," State Department spokeswoman Morgan Ortagus told reporters, Reuters reported. No aid money will be provided to the three countries until the White House is satisfied that they are reducing the number of migrants seeking to enter the United States, said Ortagus. Some lawmakers said the aid cut would be counterproductive and would exacerbate the Central American nations' problems with hunger and crime and lead more migrants to head north. "As feared, a presidential tantrum will limit our nation's ability to actually help address the challenges forcing people to flee to the U.S.," Senator Bob Menendez (D-N.J.) said in a tweet. Congressional aides said the Trump administration said it would reallocate \$370 million in Central America aid that Congress had approved for

fiscal year 2018 and suspend \$180 million in aid that lawmakers had approved for fiscal year 2017, Reuters reported. U.S. Customs and Border Patrol said June 5 that more than 144,000 migrants were taken into custody at the U.S.-Mexico border in May, a 32 percent increase from April. It was the highest monthly total in 13 years, The Washington Post reported, citing officials at the agency. May was the third consecutive month that border detentions exceeded 100,000.

## BUSINESS NEWS

## Brazil's Odebrecht Files for Bankruptcy Protection

Brazilian construction giant Odebrecht, which has admitted to paying nearly \$800 million in bribes to officials across Latin America in exchange for public contracts, filed for bankruptcy protection in a São Paulo court on Monday, judicial sources said, Folha de S.Paulo reported. It is the largest judicial recovery case in Brazilian history, with debts totaling 98.5 billion reais, or approximately \$25 billion. The filing allows Odebrecht to continue its operations while giving it six months to settle with its creditors, Agence France-Presse reported. Several incidents precipitated the bankruptcy protection filing, putting pressure on the indebted firm. Earlier this year, subsidiary Odebrecht Atvos, the second-largest ethanol producer in the South American country, had filed for bankruptcy, and the sale of Odebrecht's interest in Braskem, a joint petrochemical company with Brazilian state oil firm Petrobras, was suspended. "With the maturity of several debts, the occurrence of unforeseeable events and recent attacks on business assets, [Odebrecht's] management ... concluded that the filing of the judicial reorganization became the most adequate measure to complete the process of financial restructuring," Odebrecht said in a statement, Folha de S.Paulo reported. [Editor's note: See related [Q&A](#) in the May 14 issue of the Advisor.]

## NEWS BRIEFS

## Puerto Rico's Oversight Board Defends Agreement With Territory's Creditors

The head of Puerto Rico's federally created oversight board on Monday defended its new agreement with creditors, saying it will allow the U.S. commonwealth to exit bankruptcy next year and will allow it to have a sustainable level of debt, Reuters reported. "We've reached a significant milestone for Puerto Rico. The end of bankruptcy's in sight," the board's executive director, Natalie Jaresko, told reporters. On Sunday, the board announced a deal that sets out terms for restructuring more than \$18 billion of the territory's debt. The deal calls for recoveries of some 64 percent of general obligation bonds and 73 percent of Public Buildings Authority debt.

## Venezuela Releases Opposition Legislator Ahead of Bachelet's Visit

Venezuela on Monday released an opposition legislator it had been holding for nearly two months, according to the National Assembly, Agence France-Presse reported. Gilber Caro had been in custody since his arrest on April 26 for unclear reasons. The move came days before U.N. High Commissioner for Human Rights Michelle Bachelet arrives in the country on Wednesday, where she is scheduled to meet with both President Nicolás Maduro and opposition leader Juan Guaidó.

## Remittances to El Salvador Grow 3.8 Percent for Year Through May

Family remittances to El Salvador grew to \$2.3 billion during the January-May period, a 3.8 percent rise as compared to the same period last year, according to El Salvador's central bank, Forbes México reported Monday. In May, El Salvador received \$504 million in remittances, most of which came from the United States.

## Brazil's Austral Re, Terra Brasis Re to Merge Operations

Brazil-based reinsurance providers Austral Re and Terra Brasis Re announced Monday that they have signed an agreement to merge their operations, Finance Colombia reported. The merger will create Brazil's second-largest reinsurer in terms of reinsurance premiums underwritten and the fourth-largest reinsurer in Brazil in terms of shareholder equity. It is expected to have annual premiums of some \$180 million, Reinsurance News reported. Vinci Partners will hold the controlling interest in the merged entity, along with the Brasil Plural Group and the World Bank's International Finance Corporation, which already have stakes in both Austral Re and Terra Brasis Re. The companies' business portfolios are reportedly complementary. The companies have offices in Rio de Janeiro, São Paulo, Colombia and Guernsey, and the combined company will have authorization to operate in other Latin American countries. "It is a unique opportunity to speed up the expansion strategies with a new strength and dimension. We are excited about the opportunity to gain scale, the product portfolio and the commitment of our teams," said Terra Brasis Re's president, Rodrigo Botti, who will be the merged company's CFO, Reinsurance News reported. Bruno Freire, Austral Re's chief executive officer, will be the CEO of the merged company, Finance Colombia reported. "The merger provides an extraordinary opportunity for long-term value creation. We expect the combined businesses to capture significant operating, administrative and economic-financial synergies," he said, Reinsurance News reported. "This is a partner which has a broad knowledge of the sector and will bring about an invigorated capacity for growth and international expansion of business." The deal's conclusion depends on approval of Brazilian antitrust agency CADE and the Private Insurance Supervisory Regulator, or SUSEP. Reinsurance News reported last August that the two companies were discussing a merger.

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

Most of us thought the reforms to the LEPP would end the participation of unsuitable and/or questionable candidates, or the endless abuses our democracy has had to endure throughout the years. The elections were also plagued by manipulation and arbitrary application of judicial prosecution. Clearly, the LEPP will have to be reformed to incorporate the lessons from this election. An important indicator of legitimacy was voter turnout, which was significantly lower on Sunday than in the last presidential election. Participation in the second round in August will shed additional light on this issue. We can only hope that the choice Guatemalans make will be what's best for the nation."

**A** **Carlos Sabino, director of the master's and doctorate in history program at the Universidad Francisco Marroquín in Guatemala:**

"Torres is a populist, more of a leftist, who organized social programs during the government of her then-husband, Álvaro Colom. They gave food and money to people in rural areas, and the very beneficiaries of this are her supporters now. Giammattei capitalized on the right-wing vote that Zury Ríos, who was banned from running, would have captured. He also has the support of urban areas from people who seek security and order. Neither one is truly charismatic, and that's why the vote was so divided: Torres with 26 percent, Giammattei with 14 percent, and the rest divided among some 20 different parties. It's difficult to say what factors will decide the election—a lot can happen. Torres will seek the support of the political left, which has grown substantially (from 5 percent to 15 percent), and Giammattei from the political right, which will have to come together (there are at least five different parties). I suppose that their attitude about corruption will be very important as well, and in this respect, Torres will be harmed, given her background. An important factor will be votes won by the third-place candidate, Edmond Mulet. But with such a divided

electorate, little can be foreseen now, except for the initial advantage of Giammattei, given the large rejection of Torres. Ríos and Thelma Aldana, who were banned from participating, will be pressure factors. Congress

“Neither one is truly charismatic, and that's why the vote was so divided...”

— Carlos Sabino

will be extremely divided, although with a slight advantage for Torres' UNE party. My first impression is that it will oppose whomever wins the presidential election. It will be an independent and uncontrollable power. Neither Torres nor Giammattei would have much legitimacy. The next president will win with votes borrowed from others, so it will be a rather weak government."

**A** **Mario Polanco, director of Grupo de Apoyo Mútuo in Guatemala City:** "The runoff will be between two candidates whose priorities have not been what benefits the population, but rather what benefits them or the sectors they represent. On the one hand, there is Sandra Torres, former wife of Álvaro Colom, who served as president from 2008 to 2012. Some of the most evident and brazen acts of corruption, in which she was allegedly involved, were committed during his administration. On the other hand, her rival, Alejandro Giammattei, though he has not held elected positions, has ties to soldiers linked to organized crime and to past human rights abuses. Sandra is well known, but given her background, there are some indications of anomalies in the vote that allowed her to reach the second round in first place. It is likely that the anti-Sandra vote will affect her in the runoff, to Giammattei's benefit. A potential win by Giammattei does not mean a greater opportunity for Guatemala-

Continued on page 4



## FEATURED Q&amp;A / Continued from page 3

la—it would be the continuity of those who are governing now, including Jimmy Morales, and impunity and corruption would be encouraged. The result will be known on Aug. 11. Independent of who wins, it is certain that Guatemala's population will be the loser. Guatemala has historically been governed by one political and ideological trend, which has sunk the country into impunity, corruption, inequality and backwardness. The Guatemalan people will have the last word, but unfortunately, it could be wrong again, as it has been in the past."

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

"Former First Lady Sandra Torres is likely to prevail in the second round of voting on Aug. 11. Torres' support derives from the national name recognition that comes from her high public profile during the administration of her former husband, Álvaro Colom. Torres managed the Colom government's social programs, and she was highly active in the Guatemalan countryside, which is largely populated by Guatemala's impoverished indigenous community. Her role in distributing government largesse helped her build broad support among Guatemala's rural poor, and she carried that vote overwhelmingly. Torres also ran for president in 2015 but lost to Jimmy Morales due to her reputation for corruption. Morales' anti-corruption platform earned him the presidency in the wake of the resignations and arrests for corruption of

former President Otto Pérez Molina and Vice President Roxana Baldetti. Giammattei's support is largely based in the Guatemala City area, but he has never come close to winning in his three previous presidential campaigns. Guatemalans will undoubtedly

“Guatemalans will undoubtedly put behind them the questions lingering over the disqualification of other candidates...”

— Donald J. Planty

put behind them the questions lingering over the disqualification of other candidates, including former Attorney General Thelma Aldana and former Congresswoman Zury Ríos. Neither was running a competitive campaign leading up to the disqualification decisions, and neither would have effectively challenged Torres. What the Torres first-round win unfortunately does demonstrate is that Guatemalan politics continues to be mired in the bad practices of the past. The country desperately needs an infusion of new political leadership willing to break with the old guard and the prevailing 'business as usual' ethic."

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

**Gene Kuleta**

Editor  
[gene.kuleta@thedialogue.org](mailto:gene.kuleta@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.

LATIN AMERICA ADVISOR

# Financial Services Advisor

The answers to questions that informed executives are asking.

SUBSCRIBE