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## FEATURED Q&A

# Why Is Duque's Approval Rating Falling in Colombia?



Colombian President Iván Duque has seen his approval rating fall and the country's unemployment level rise. // File Photo: Colombian Government.

**Q** Colombian President Iván Duque's approval ratings fell to 29 percent in May, according to a recent Gallup survey. Meanwhile, Colombia's unemployment continues to rise, reaching 11.2 percent in May, and the economy is growing at lower rates than what the government had forecast, Reuters reported. Nearly a year into his term, how has Duque fared? Why is the Colombian economy expanding at lower-than-expected rates, and what factors are driving key economic indicators? To what extent have the Venezuela migration crisis and congressional gridlock derailed Duque's economic plans, and what should his priorities be going forward?

**A** Maria Velez de Berliner, managing director of RTG-Red Team Group, Inc.: "Colombia has two inextricably intertwined economic sectors: the legal/informal sector, and the illegal/criminal one. While the first stumbles under the weight of high taxes, overvalued foreign exchange, insecurity, regulatory uncertainty, high costs of inputs and labor, inefficiencies and stagnant employment, the illegal/criminal economy grows with the help of domestic and international demand for drugs, rampant criminal/illegal activities, corruption, lack of regulatory constraints and money laundering. This is the reality President Duque must face and remediate domestically. However, he appears to have failed so far due to myriad reasons, not least the disintegration of the FARC's peace agreement and the political and insecurity risks and threats it has wrought. The economic, social, cultural, legislative and political tasks of absorbing more than 1.4 million Venezuelans aggravate

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The Venezuelan president expressed optimism as talks restarted with the opposition.

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### U.S. Slaps Tariffs on Steel From Mexico, China

The U.S. Commerce Department imposed preliminary tariffs on imports of fabricated structural steel from the countries, saying they are unfairly subsidized. Mexican Deputy Foreign Minister Jesús Seade said the action will not endanger the U.S.-Mexico-Canada Agreement.

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Seade // File Photo: @JesusSeade via Twitter.

## ECONOMIC NEWS

## U.S. Slaps Tariffs on Fabricated Steel From Mexico, China

The U.S. Commerce Department on Monday night announced that it was imposing tariffs on fabricated structural steel, or FSS, imports from Mexico and China, saying the products are unfairly subsidized, the Financial Times reported. "Commerce will instruct U.S. Customs and Border Protection to collect cash deposits from importers of FSS from China and Mexico," the Commerce Department said in a statement. A similar investigation did not find that fabricated steel imports from Canada were unfairly subsidized to the extent that new tariffs would be warranted, the department added. The announcement came a month after the administration of U.S. President Donald

## CORRECTION

A brief in the July 5 issue of the Advisor incorrectly reported that Jamaican officials were refusing last week to commit future payments to the Caribbean Catastrophe Risk Insurance Facility. In fact, they were refusing to commit future payments to the Caribbean Development Fund.

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the overall conditions within which Duque governs. And ex-FARC leader Jesús Santrich's release nailed the coffin of Duque's 'under the rule of law' governing style. First, Duque must build a legislative coalition that will eliminate the Special Jurisdiction for Peace (JEP) or do so by executive fiat. A legislative/executive fiat created JEP, and the same can eliminate it. Second, he must campaign strongly so his small governing coalition succeeds in the Oct. 27 elections. Third, Duque must enhance the Drug Enforcement Administration's actions to have Santrich

Trump threatened to impose tariffs on all imports from Mexico but then backed off that threat after reaching a deal with the neighboring country on measures to stem the flow of migrants to the United States. Mexico has until July 22 to demonstrate progress in curbing the flow of migrants north. Last year, U.S. imports of FSS from Mexico were valued at \$622.4 million, while such imports from China amounted to \$897.5 million, according to the Commerce Department. The investigation into subsidies on the products came at the request of the American Institute of Steel Construction and began in January. In response to the new duties, Mexico's economy ministry said it would defend the interests of the companies involved in the investigation and said the government had been actively participating in anti-subsidy procedures since early this year, Reuters reported. The economy ministry added that the new tariffs are unrelated to the duties that the United States previously imposed on imported steel from Mexico and Canada, which were lifted on May 20, the Financial Times reported. Mexico will continue to "participate actively" in anti-dumping procedures, the economy ministry added. The U.S. move does not endanger the U.S.-Mexico-Canada Agreement, which Mexico ratified last month, said Jesús Seade, Mexico's deputy foreign minister for the region. Monday's announcement on the tariffs was a preliminary ruling by the Commerce Department, which is scheduled to make a final ruling on the subject around Nov. 19.

and other fugitive ex-FARC leaders extradited to face justice in the United States. Fourth, he should seek a reduction of corporate and personal tax rates and legislation that unburdens the entrepreneurial proclivities of Colombians who want to create competitive, labor-generating enterprises. If Duque fails to achieve even a sliver of success in these areas, as it now seems, Colombia's future is open to the reactionary forces that have risen worldwide. Were this to happen, the relative stability of Colombia and the Andean region would be lost."

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## NEWS BRIEFS

## Maduro 'Optimistic' as Talks Begin in Barbados

Venezuelan President Nicolás Maduro said he was "optimistic" about talks between his government and the opposition, which opened Monday in Barbados, BBC News reported. Previous talks in Oslo ended in May without any agreement on a way to emerge from the country's political crisis.

## Brazil Temporarily Lifts Tariff on Auto Parts From Paraguay

Brazil has temporarily lifted its 16 percent tariff on auto part imports from Paraguay as the two countries negotiate a deal to regulate trade related to the automotive industry, the Paraguayan government said Monday, EFE reported. Paraguayan Industry and Commerce Minister Liz Cramer said the measure would bring "calm to the sector." Brazil had imposed the new tariff last week. The Brazilian auto industry has not yet been liberalized and consequently is not regulated by rules established within the Mercosur trade bloc, which includes both countries, EFE reported.

## Flight Bookings to Dominican Republic Rebound Following Deaths

The number of flight bookings from the United States to the Dominican Republic has started to rebound after dropping amid a series of tourist deaths in the Caribbean country, according to a report released by travel industry data firm ForwardKeys, USA Today reported Monday. Bookings for July and August fell 84.4 percent for July and August, as compared to the same months last year. Ticket sales began to rebound by June 22. At least eight U.S. tourists died while in the Caribbean country in May and June. An American Airlines spokeswoman said the carrier is operating its full schedule of flights to the Dominican Republic.

## BUSINESS NEWS

## Chile Allows Itaú Corpbanca to Boost Stake in Helm Bank

The Chilean central bank has given Itaú Corpbanca the green light to increase its stake in its Colombian subsidiary, Helm Bank, to 87.1 percent, Diario Financiero reported Monday. Itaú Corpbanca, which is controlled by Brazil's Itaú Unibanco and Chile's Corpbanca, currently has a 66.28 percent stake in Helm Bank, while Corpbanca owns 12.36 percent. "Itaú Unibanco could increase its participation in Itaú Corpbanca Colombia from 66.28 percent to 87.1 percent of the capital shares of said bank," the central bank said in the document, El Espectador reported. Itaú Corpbanca is Chile's fourth-largest commercial bank. Earlier this year, the International Court of Arbitration ordered Helm to offload the shares for \$299 million following a legal battle between the Colombian bank and Itaú Corpbanca after Helm claimed Itaú Corpbanca had breached the terms of two agreements. The transaction still needs regulatory approval in Colombia and Brazil. Chilean financial services watchdog CMF has already approved the acquisition, on the condition that the transaction be finalized once the deadline for any legal challenge has passed. The acquisition of Helm Bank would have an impact of nearly 80 basis points on the bank's capital, according to Manuel Olivares, the chief executive officer of Itaú Corpbanca, Diario Financiero reported. "What we have to do is incorporate this impact into the balance and manage it," he said.

## Brazil Watchdog Issues Fines for Alleged Collusion

Brazil's competition watchdog, known as CADE, on Monday fined 11 firms 535 million reais (approximately \$140 million), saying they illegally colluded on tenders for contracts to build metro lines and suburban trains, Agence

France-Press reported. Among the fined companies are France's Alstom and Canada's Bombardier, as well as Tokyo-based Mitsui, Spanish railway manufacturer CAF and Germany's Siemens, among several others. Forty-two people have also been fined 19.5 million reais. The firms were all involved in a "cartel" that distorted at least 26 tenders between 1999 and 2013 in four Brazilian states, seeking to "divide the market, fix prices, adjust conditions, advantages and modes of participation of companies in the tenders," CADE alleged in a statement, Notimérica reported. Alstom, a French rail transport company, was considered to be among the leaders of the alleged scheme,

CADE said. The company has been banned from participating in any tender process in Brazil's rail sector for five years. Alstom and Bombardier have also been barred from receiving public subsidies or tax exemptions for the same period of time. Siemens avoided punishment by signing a "leniency agreement" with Brazilian authorities. The fines could be subject to appeal, with Alstom Brazil saying it would "examine in due course the legal provisions" open to it. Bombardier said it had "fully cooperated with investigators and would continue to do so," AFP reported. CAF said it would evaluate the decision, adding that it disagreed with it, Notimérica reported.

# Subscriber Notice

## Guatemala's Presidential Runoff: What's Next for Rule of Law and U.S. Relations?

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

**A** **Sergio Guzmán, director of Colombia Risk Analysis:** “President Duque will now have to fight the dissatisfaction that exists within political parties over his handling of the legislature and the country’s poor economic performance. Duque must establish a productive relationship with Congress without giving in to the privileges they demand. With a less collaborative Congress and the October regional elections looming, the question is whether or not Duque will be able to find

“**The pessimism that exists in the country is evident.**”

— Sergio Guzmán

some support in Congress and, more importantly, within public opinion. The government is likely to pay more attention to recovering part of the anti-corruption agenda and avoid controversial or polarizing initiatives, but the latter would mean a deepening wedge with the ruling party’s own agenda. Meanwhile, the president’s approval rating continues to drop, reinforcing the vicious circle of an ineffective relationship with Congress. The pessimism that exists in the country is evident. According to the latest Gallup poll, 77 percent of respondents believe that the country’s economy is getting worse. According to the National Administrative Department of Statistics, or DANE, the national unemployment rate was 11.2 percent in May. What the figures reveal, as does the survey, is that Colombia is going through a worrying moment and that political leaders, instead of setting a clear course, increase uncertainty. The political polarization that absorbs the country also affects internal and external confidence in the economy. The lack of agreements between the president and the legislature hurt the government’s chances of approving the necessary reforms for the country, particularly those that affect

its operation in a structural way, such as pension reform. In the end, the dispute over economic growth and its alleged stagnation has to do with the medium- and long-term prospects and the effect this may have in order to provide greater security to national and international investors.”

**A** **María Angélica Arbeláez, consultant and research associate at Fedesarrollo:** “One of Colombia’s problems is polarization and a lack of confidence in institutions, which affect economic performance. When Duque’s government took office, it presented a tax reform that was very controversial. Even the ruling party did not support crucial aspects of it, and it generated a good dose of uncertainty. Given that the final result fell short of tax collection expectations, doubt remains regarding the need for a new tax increase. Additionally, President Duque made a series of campaign promises that he has not fulfilled. For example, he vowed to support the anti-corruption consultation that obtained about four million signatures. In the end, there was no overwhelming support from the government, and the project was not approved in Congress. The president’s support for the ‘orange economy’ has so far not yielded results, in part because of the country’s low productivity, and the boost to the economy is focused on oil and mining. The president’s objections to the Special Jurisdiction for Peace, in addition to the fact that these objections were eventually rejected in Congress, exacerbated the existing polarization, as did a wave of assassinations of social leaders. In sum, although it is true that the massive Venezuelan migration has had an effect, especially on employment, the atmosphere of pessimism, a lack of leadership and polarization are having a significant effect on economic performance.”

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

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