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FEATURED Q&A

Why Is Paraguay's President Seeing His Support Evaporate?



Paraguayan President Mario Abdo Benítez has been in office just more than a year and has seen his support plummet. // File Photo: Paraguayan Government.

Q Paraguayan President Mario Abdo Benítez on Aug. 15 marked one year in office. Abdo Benítez has faced a high disapproval rate, of nearly 70 percent, and he survived a recent push for his impeachment over a controversial energy deal with Brazil. What is behind Abdo Benítez's high disapproval rate? How well has he led Paraguay over the past year? What are the main challenges he faces in his second year in office?

A Flora Rojas, executive director of CEMAF in Asunción: "The most relevant reason for Abdo Benítez's high disapproval rate is how he dealt with the agreement for the annual contracting of energy from the Itaipú hydroelectric power plant. Engineer Pedro Ferreira, former president of the Paraguay electric company, in July denounced the actions that took place during meetings with Brazilian authorities, which unleashed a political catastrophe that led to Abdo Benítez being criticized as a traitor. This generated massive discontent, to such an extent that legislators were debating an impeachment process, which was truncated weeks later due to lack of support from legislators answering to former President Horacio Cartes, who opposed a trial. Last year, Abdo Benítez allowed justice to operate away from political concerns, such as with Senator Óscar González Daer being charged with influence peddling and Deputy Ulises Quintana being charged as a suspect in a similar influence-peddling case. In Paraguay, politicians enjoy protection from justice and the police—but are now being treated similarly to ordinary citizens, which has been seen as progress. Abdo Benítez faces many challenges. Politically, the challenge is implementing mechanisms where

Continued on page 3

TODAY'S NEWS

POLITICAL

Parts of Bahamas 'Decimated': Prime Minister

The death toll stands at seven but is likely to rise after Hurricane Dorian relentlessly pounded the island nation, said Prime Minister Hubert Minnis.

Page 2

ECONOMIC

Argentina Announces Hike of Minimum Wage

Argentina's government announced that it would raise the minimum wage by 35 percent over the next three months. The move follows President Mauricio Macri's stunning loss in last month's primary.

Page 2

POLITICAL

Pentagon Frees \$3.6 Billion for Border Wall

U.S. Defense Secretary Mark Esper authorized freeing as much as \$3.6 billion from military construction projects for President Donald Trump's promised wall along the U.S.-Mexico border.

Page 2



Esper // File Photo: U.S. Senate.

POLITICAL NEWS

Parts of Bahamas ‘Decimated’, Death Toll to Rise: Minnis

Some areas of the Bahamas have been “decimated” after slow-moving Hurricane Dorian relentlessly pounded the island nation, leaving at least seven dead, a number that is likely to rise, said Prime Minister Hubert Minnis, BBC News reported. “We can expect more deaths to be recorded. This is just preliminary information,” Minnis said Tuesday, calling the powerful



It’s total devastation.”

— Lia Head-Rigby

hurricane “one of the greatest national crises in our country’s history.” Aerial images over the Bahamas’ Abaco Islands showed widespread destruction, with roofs torn off homes, vehicles overturned and shipping containers and boats tossed over, as well as high water levels. Some parts of the Bahamas were doused with as much as 35 inches of rain during the storm. The extent of the damage on Grand Bahama Island was less clear as Dorian only stopped pounding the island on Tuesday night, following nearly two days of sitting stationary on top of it. Several communications lines on the island were down, and Minnis said Tuesday that major relief workers were yet to arrive. Lia Head-Rigby, who helps to operate a local hurricane relief group, viewed the Abaco Islands by air. “It’s total devastation. It’s decimated. Apocalyptic,” she told the Associated Press. “It’s not rebuilding something that was there; we have to start again.” Head-Rigby added that her representative on Abaco reported “a lot more dead” and that bodies were being gathered. Emergency workers struggled to reach victims on Tuesday and urged people to maintain hope. “We don’t want people thinking we’ve forgotten them ... We know what your conditions are,” Tammy Mitchell of the Bahamas’ National Emergency Management Agency told local radio station

ZNS, the AP reported. Speaking to reporters, Minnis said, “No effort or resource will be held back.” Dorian pummeled the northern Abaco Islands and Grand Bahama with winds as high as 185 miles an hour. Late Tuesday, it was downgraded to a Category 2 hurricane with winds a still-dangerous 175 miles an hour. As of 8 a.m. Eastern Time today, Dorian’s eye was located about 95 miles east-northeast of Daytona Beach, Fla., and moving north-northwest at 8 miles an hour, with maximum sustained winds of 105 miles an hour, according to the U.S. National Hurricane Center. More than two million people along the coastlines of Florida, Georgia, North Carolina and South Carolina were warned to evacuate. [Editor’s note: See related [Q&A](#) in the July 15 issue of the Advisor.]

Pentagon Frees \$3.6 Billion for Border Wall Construction

U.S. Defense Secretary Mark Esper on Tuesday authorized freeing up \$3.6 billion in funding from military construction projects to instead build 175 miles of President Donald Trump’s promised wall along the U.S.-Mexico border, the Associated Press reported. Pentagon officials did not say which 127 projects will be affected, though they said half of the money will come from projects in the United States, and the remainder will come from projects in other countries. In a letter to the Senate Armed Services Committee, Esper wrote that he has “determined 11 construction projects along the international border with Mexico, with an estimated total cost of \$3.6 billion, are necessary to support the use of the armed forces in connection with the national emergency,” CNN reported. The letter does not include the word “wall,” but it outlines how the money will be diverted toward new fencing projects at various border locations, according to the report. Pentagon comptroller Elaine McCusker said the now-unfunded projects are simply being “deferred,” not canceled, but there is no guarantee from Congress that the money will be replaced, the AP reported. “It is a slap in the face to the members of the Armed Forces

NEWS BRIEFS

Ambush by Drug Gang Kills Four Colombian Soldiers

Four Colombian soldiers were killed, and two officers were wounded on Tuesday when they were attacked during an operation to protect rural peasants, the army said, blaming the ambush on the Gulf Clan, the Associated Press reported Tuesday. The drug gang, whose forces have grown since the government and the former Revolutionary Armed Forces of Colombia, or FARC, rebel group reached a peace deal in 2016, has been fighting for control of a drug-smuggling route near the western Colombian town of Cauca.

Argentine Government Announces Minimum Wage Increase

Argentina’s government announced Tuesday that it will increase the country’s minimum wage by 35 percent over the next three months, Bloomberg News reported. The move will hike the monthly minimum wage from 12,500 pesos (\$215) to 16,875 pesos. The move follows a rout of the peso after Peronist presidential candidate Alberto Fernández trounced President Mauricio Macri in the country’s primary.

Brazil’s Caixa Expects IPO of Insurance Unit This Year: Chief Executive

Brazilian state-owned bank Caixa Econômica Federal expects to hold an initial public offering of its insurance unit this year, but it has delayed its card business’ IPO to next year to avoid competition for the same investors in the insurance share sale, CEO Pedro Guimarães said Tuesday, Reuters reported. “It doesn’t make sense to take two operations of this size to market almost simultaneously,” he said. Guimarães added that regulatory hurdles are delaying the planned IPOs for several of the bank’s subsidiaries.

who serve our country that President Trump is willing to cannibalize already allocated military funding to boost his own ego and for a wall he promised Mexico would pay to build," Senate Minority Leader Chuck Schumer (D-N.Y.) wrote in a statement.

BUSINESS NEWS

Chevron Reportedly Preparing to Leave Venezuela if Needed

Chevron seems to be preparing to leave Venezuela in case the administration of U.S. President Donald Trump does not extend a waiver to sanctions that allows it to continue operating in the South American country, Bloomberg News reported Tuesday, citing unnamed sources. Over the past year, the U.S.-based company has been updating contracts with partners in Venezuela to allow for the possibility of early termination to avoid penalties, according to people with knowledge of the matter. Chevron, the last U.S. firm producing oil in Venezuela, is facing an Oct. 25 expiration of a special waiver that allows it to operate there despite the tough sanctions the United States has slapped on Venezuela in an effort to pressure President Nicolás Maduro to step down. In July, the U.S. administration extended the waiver for Chevron until October, when company spokesman Ray Fohr said he is hopeful it will again be renewed. "We are a positive presence in the country," he told Bloomberg News via email. If the license is not extended, Chevron's 100-year history in Venezuela would end. Venezuela's oil sector is already spiraling, with oil exports plummeting to their lowest level this year in August, Reuters reported. U.S. sanctions led Venezuela's second-largest buyer, China National Petroleum Corp., or CNPC, to halt purchases last month, sending exports of crude and refined products from PDVSA and its joint ventures down to 770,000 barrels per day (bpd) from 992,565 bpd in July, according to revised data. [Editor's note: See related [Q&A](#) in the July 26 issue of the Energy Advisor.]

FEATURED Q&A / Continued from page 1

negotiation—a clear and more open dialogue with political sectors and citizens—will be the only way to find a balance between the state's powers and instilling calm for Paraguayans."

A Brian Turner, professor and chair of the Department of Political Science at Randolph-Macon College: "President Abdo

Benítez came to office after having defeated the incumbent faction of the ruling Colorado Party in primary elections in December 2017 and then winning a very close general election in April 2018. This process set up an ongoing conflict between Abdo's faction, Colorado Añeteté (True Colorados), and ex-president Horacio Cartes' Honor Colorado (HC). On July 15, Abdo Benítez told the press that 'Paraguay will stop being a country known for contraband trade because it does not have a contrabandista president,' a clear allusion to Cartes' connections to cigarette smuggling. In just two weeks, the tables were turned on Abdo Benítez as the scandal over secret negotiations with Brazil over Itaipú were leaked to the public. Abdo Benítez avoided impeachment only with HC's decision not to support his removal. Cartes appears to many to have now subordinated Abdo Benítez to the ex-president's designs. Even before the scandal, Abdo Benítez was bemoaning unexpectedly sluggish economic growth, difficulties in controlling the budget from clientelist demands, opposition from the business community to a modernization of the tax code, growing public sector debt and a fiscal deficit pushed to the legal limits. Public opinion polling conducted during the height of the scandal showed Abdo's disapproval rate spiking to almost 70 percent. The survey shows that strong majorities believe the current administration is less transparent than the previous government, that corruption has increased and that Abdo Benítez has not exercised leadership. It is hard to see how he can regain initiative already lost before the recent scandal broke."

A Andrew Nickson, honorary reader in public management and Latin American studies at the University of Birmingham in

England: "The beginning of Abdo Benítez's term coincided with a sharp economic downturn. Growth has been hit by the regional slowdown Brazil and Argentina, as well as by lower soybean prices and severe flooding that hit state road-building and the private construction sector. Brazil's recession has reduced the operations of the shopping tourism sector in border towns, while Argentina's recession has reduced the scale of migrant workers' remittances. However, the slow, lackluster and poorly coordinated response to this economic crisis has been the main reason for his high disapproval rate. Disapproval worsened following the revelation of his poor handling of a secret agreement with Brazil that was prejudicial to Paraguay's interests over the forthcoming renegotiation of the Itaipú hydroelectric treaty. Abdo Benítez's government consists of a disparate collection of Colorado Party groups and caudillos whose only commonality is their opposition to ex-president Horacio Cartes. Abdo Benítez has not addressed any of the key governance issues facing the country—and reform, fiscal reform and, most important of all, the need to reform the extremely corrupt and patronage-based public administration and establish a meritocratic civil service. Public criticism has increasingly focused on the very poor quality of the public education system and health service. Following the scandal of the secret agreement with Brazil, of which he was aware, Abdo Benítez narrowly avoided impeachment proceedings only thanks to support from his former arch-enemy, ex-President Cartes. A turbulent period is likely as Cartes exacts his 'pound of flesh' for saving Abdo Benítez. In an effort to ensure passage of key reform legislation demanded by the international community—on tax reform and money laundering—Abdo Benítez will have to come to an accommodation with his erstwhile enemies in the Honor

Continued on page 4

FEATURED Q&A / Continued from page 3

Colorado faction of the Colorado Party. As a result, he will come under much pressure to remove officials appointed on the basis of their technical competence and replace them with Colorado Party hacks, mostly beholden to Cartes. This will make his administration even more vulnerable to the corruption and unpredictability of members of Congress."

A **Cordula Tibi Weber, research fellow at the GIGA Institute of Latin American Studies in Hamburg, Germany:** "Abdo Benítez's high disapproval rate may partly be a consequence of the recent Itaipú scandal and the failed impeachment against him. But the main reasons seem to be rooted in the way he led Paraguay in the last year. The current political landscape is characterized by strong internal divisions within his Colorado Party as well as between Colorados and the Liberal Party. Due to these frictions, instead of working out effective solutions for the country's central problems, political debate has been centered mainly on distributions of political power among the rival groups. Contrary to Cartes, who had a more technocratic cabinet, Abdo Benítez's appointments seem to follow more the logic of political quota or favors. He promised a judicial reform and fight against corruption, but the reform plans are stuck, and the fight against corruption seems to be more focused on individuals instead of changing structures and often stops when political allies are accused. However, the reform that prohibited the use of blanket lists can be seen as a step into structural change. Abdo Benítez's main challenges in his second year in office are to show visible success and commitment in combating organized crime and increasing public security; and to provide comprehensive structural reform to combat corruption, mitigate the negative effects of the current economic recession and realize central projects such as the tax reform."

A **Miguel Carter, director of DEMOS in Caacupé, Paraguay:** "Discontent over the country's economic performance and the government's mishandling of negotiations with Brazil over the Itaipú hydroelectric dam are at the heart of President Mario Abdo Benítez's plunge in approval ratings. Brazil's economic stagnation and Argentina's recession have hampered Paraguay's growth outlook, while the country's stark social inequities undermine perceptions of shared prosperity. Revelations in late July that the government had negotiated a secret agreement that would harm Paraguay's interests in Itaipú and increase electricity rates galvanized public outrage and triggered an impeachment effort. Lacking a clear agenda and fearful of its powerful neighbor, the government ignored domestic sentiments as it sought to appease Brazilian demands. It was a colossal mistake. The ensuing scandal depleted the president's political capital. His survival now rests on the opportunistic support of a rival Colorado Party faction, led by former President Horacio Cartes. Itaipú is a sensitive issue in Paraguay. The 1973 treaty set out terms that were highly favorable to Brazil. It obliged Paraguay to yield all its unused energy for meager compensation. Research conducted by DEMOS has demonstrated that Paraguay could have obtained an additional \$75.4 billion for energy exports to Brazil, from 1985 to 2018, had it received a fair market value. This sum, almost twice the size of Paraguay's current GDP, would have allowed the country to double public investments in education and health care over a 34-year period, among other important development benefits. Growing public awareness and mobilization over Itaipú and the treaty's revision in 2023 provide the government with a unique opportunity to redeem some of its political capital."

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter
achacon@thedialogue.org

 THE DIALOGUE

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