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FEATURED Q&A

Are Drug Cartels Gaining Ground in Guatemala?



Guatemala has become a cocaine producer, the country's interior minister said last month. Pictured are packets of cocaine that authorities seized in September in Santo Tomás de Castilla, a port city in Guatemala's Izabal Department. // Photo: Guatemalan Government.

Q Guatemala has joined the ranks of cocaine-producing countries, Interior Minister Enrique Degenhart announced Sept. 19. The announcement followed authorities' discovery of coca plantations and laboratories in various areas in the eastern part of the country. What factors have led to Guatemala being not only a transit country, but now a producing country, for cocaine? Why has Guatemala not made more progress in fighting drug trafficking? Are Guatemalan authorities losing ground to cocaine producers?

A Salvador Paiz, director of Fundesa in Guatemala City and former member of Guatemala's National Drug Policy Commission: "A few weeks ago, authorities discovered and dismantled a fully equipped cocaine laboratory in Izabal Department. They also discovered an area of 9,296 square meters of coca cultivation, from which 5.67 kilograms of pure cocaine might be produced. This represents a tiny amount of cocaine as compared to the 1,976 metric tons that were produced globally in 2017 (0.0003 percent to be exact). The overwhelming concern for the country remains in the fact that, in 2017, more than 70 percent of the world's production transited Guatemala to reach the United States of America, the world's largest cocaine market. Certainly, there is an economic incentive in producing closer to the demand. Guatemala has the conditions to grow cocaine: an optimal climate and very little state presence. Yet there are geographical limitations that constrain the ability to replicate the huge plantations of certain South American countries. There is an approximate benefit of

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TODAY'S NEWS

ECONOMIC

Democrats Making Progress on USMCA: Pelosi

Democrats in the U.S. House of Representatives are progressing on ratification of the United States-Mexico-Canada Agreement, said House Speaker Nancy Pelosi.

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BUSINESS

Guaidó Needs More White House Support: Citgo Chairwoman

Venezuelan opposition leader Juan Guaidó needs more support from the Trump administration, said the chairwoman of Citgo.

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POLITICAL

'El Chapo' Gave \$1 Mn to Brother of Honduras' President: Claim

Drug lord Joaquín "El Chapo" Guzmán gave \$1 million, a bribe intended for Honduran President Juan Orlando Hernández, to the president's brother, a prosecutor alleged. The president's office strongly denied the allegation.

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Hernández // File Photo: Honduran Government.

POLITICAL NEWS

Prosecutor Alleges ‘El Chapo’ Gave \$1 Mn to Hernández’s Brother

Mexican drug lord Joaquín “El Chapo” Guzmán gave \$1 million to the brother of Honduran President Juan Orlando Hernández, a bribe that was intended to go to the president to buy protection for shipments of illegal drugs transiting the country, a U.S. prosecutor alleged Wednesday in a New York courtroom, *The Wall Street Journal* reported. Prosecutor Jason Richman made the claim during opening statements in the trial of the Honduran leader’s younger brother, Juan Antonio “Tony” Hernández, who stands charged with drug trafficking. Richman did not provide more details about the alleged bribe. The Honduran president is named in court documents as a co-conspirator in the case, but he has not been charged with any crime. The president’s office strongly denied Richman’s allegation in a statement posted on Twitter. “Any claim the President received or agreed to receive money from El Chapo or had anybody receive money for him, is 100% false, absurd, ridiculous, Alice in Wonderland crazy,” the office said. Last week in a speech at the United Nations General Assembly, President Hernández said criminals were responsible for the allegations against him. “Because of my

struggle against organized crime, I am the victim of a smear campaign led by drug traffickers, gang members, corrupt and purged police, confessed killers, colluding businessmen who finance these criminals, and politicians,” he said.

ECONOMIC NEWS

House Democrats ‘Making Progress’ on USMCA: Pelosi

Democrats are “making progress” on the trilateral trade deal between the United States, Mexico and Canada, known as USMCA, U.S. House Speaker Nancy Pelosi (D-Calif.) said Wednesday, *CNBC* reported. However, she said Democrats needed more assurance before ratifying the deal. “We want to be sure that as we go forward, we are strengthening America’s working families and our farmers, who are very affected by this,” Pelosi said at a news conference alongside House Intelligence Committee Chairman Adam Schiff (D-Calif.). “We’re on a path to yes,” she said. While Pelosi talked to reporters, U.S. President Donald Trump blasted the House speaker, saying her interest in working on the USMCA is “just camouflage for trying to win an election through impeachment.” On Sunday, Senate Majority Leader

NEWS BRIEFS

Mexico Will Unveil Infrastructure Projects to Boost Economy: AMLO

The Mexican government will soon unveil a series of major infrastructure projects designed to lift the economy, President Andrés Manuel López Obrador said on Wednesday, *Reuters* reported. The president said some 1,600 projects were under consideration to “reactive” Mexico’s economy, which did not grow from the first quarter to the second. The investment package includes projects worth more than \$400 billion over the course of López Obrador’s 2018-2024 term, two sources told *Reuters*.

Chinese Companies Finish Construction of Argentina Solar Plant

Chinese companies have completed construction of a 300-megawatt (MW) solar plant in northern Argentina, the largest such project in the South American nation, Chinese state news agency *Xinhua* reported Wednesday. The solar farm has a total installed capacity of 315 MW and a contract value of \$390 million. Chinese firms PowerChina and Shanghai Electric Power Construction had jointly won a tender to build it, *Xinhua* reported. State-run Import-Export Bank of China financed 85 percent of the project.

Former Salvadoran Justice Minister Arrested

Former Salvadoran Justice Minister René Mario Figueroa has been detained in connection with a money and asset laundering investigation, prosecutors said Wednesday, the *Associated Press* reported. Authorities searched Figueroa’s home early Wednesday but could not find him. He later turned himself in, telling reporters he was innocent. Figueroa was justice minister during the government of President Tony Saca, who was sentenced to 10 years in jail for diverting \$301 million in government funds.

FEATURED Q&A / Continued from page 1

\$10,500 per kilo, as a kilo of cocaine produced in the Colombian jungle might yield around \$2,500, while in Guatemala the price is estimated at \$13,000 per kilo. Without a doubt, we must stay vigilant but without getting distracted from our real priority. Guatemala’s problem is one of drug-trafficking through its territory. Clandestine runways are no longer littered by the single-engine airplanes of old but rather higher capacity jets. Through ‘plata o plomo,’ the trafficking industry continues to control routes, buy off police, grease judges and launder funds.

NGOs and community leaders are co-opted to protect the alternatively governed spaces. Not enough can be said about its corrosive effects on our society. We must recognize the 6.25 percent increase in drug seizures in the last year, but the 13.6 metric tons seized in 2017 are not nearly enough. So, how do we define success? For as long as there is demand and it is highly lucrative to satisfy that demand, the supply from the south will continue to corrode the nations along the way. The narco knows no borders and no limits.”

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Mitch McConnell (R-Ky.) and House Minority Leader Kevin McCarthy (R-Calif.) co-wrote an op-ed published in The Wall Street Journal criticizing what they called Pelosi's delay tactics. "House Democrats need to put the country first and stop blocking this significant victory for the American people," they wrote. Pelosi has denied that Democrats are unwilling to approve USMCA for political reasons, instead insisting the deal needs enforceability, CNBC reported.

BUSINESS NEWS

Guaidó Needs More Support From White House: Citgo Chair

Venezuelan opposition leader Juan Guaidó needs more support from the administration of U.S. President Donald Trump in order to retain control of state oil company PDVSA's U.S.-based refiner Citgo, Citgo Chairwoman Luisa Palacios said Wednesday at a conference at the Inter-American Dialogue in Washington. Guaidó, whom dozens of countries recognize



Palacios // File Photo: Citgo.

as Venezuela's legitimate interim president, earlier this year named a board of directors to Citgo, effectively wresting control of the company from Venezuelan President Nicolás Maduro's government. Since then, Guaidó and his allies have been fighting to avoid the refiner's seizure. In May, the Venezuelan opposition made a \$71 million interest payment on a 2020 PDVSA bond to prevent creditors from seizing Citgo, one of the Andean nation's most important assets abroad. Another \$913 million payment on the 2020 bond is due Oct. 27. If the opposition fails to make the payment, creditors

THE DIALOGUE CONTINUES

Will Closer Ties Between the United States and Brazil Bring Lasting Benefits?

Q **Brazilian Foreign Minister Ernesto Araújo and U.S. Secretary of State Mike Pompeo met Sept. 13 in Washington and agreed to strengthen ties by boosting binational trade, creating a new investment fund to protect biodiversity in the Amazon rain forest and promoting private-sector development in the Amazon. How much will stronger ties in the areas identified benefit both countries? To what extent will the partnership protect the Amazon? How much has Brazil's relationship with Europe frayed over the Amazon fires issue, and what does that relationship mean for ties with the United States?**

A **Peter Sufrin, independent Washington-based analyst:** "Brazilian-American collaboration on the Amazon Fund represents perhaps the significant greater trend of a turn to pan-American regionalism. While Brazil's current handling of the Amazon fires has drawn criticism from Europe, the possibility of a strengthening trade dynamic between the United States and Brazil is emerging in its place. Araújo's visit to the United States and the proclamation of a strategic partnership dialogue reveals

this collaborative effort. Trade between the two countries and Brazil last year was valued at \$103.5 billion, and it stands to grow. Furthermore, the recent announcement of Amazon protection funding reflects the larger implications of possible benefits to the Brazilian populace. Trade liberalization with the United States could provide a boost to Brazil, addressing issues of a high cost of living and low per capita income, which result from economic isolation. Although the Monroe Doctrine of U.S. regional hegemony no longer completely applies, competition from the European Union, China, the BRICS and Mercosur suggests the importance of strengthened hemispheric, north-south regional integration. While Brazil remains a soft power, it has the ability to leverage its position through agreements with the United States, in order to put the South American nation on a path to trade prosperity. The Amazon Fund appears, then, to be a step in the right direction toward pan-American predominance."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Sept. 27 issue of the Advisor.

could attempt to seize the company. Palacios said Wednesday that the Trump administration's backing had been key for the opposition to retain control of Citgo. However, she called on continued support from the U.S. government, saying it would be "contradictory" to not try to "save Citgo from shareholders" after all that was done to save it from Maduro's control. Her remarks echoed a statement Guaidó made earlier this week. "We're going to need help, and the first thing is to seek a [U.S. executive] order to protect Venezuela's assets abroad," he said, Reuters reported. Most of Citgo's shares are pledged to holders of PDVSA's 2020 bond,

for which the company had put up half of Citgo shares as collateral. The remaining shares are pledged to Russian state oil company Rosneft as collateral. Meanwhile, in a ruling on Monday, a U.S. appeals court lifted an impediment that had frozen efforts by defunct Canadian gold miner Crystallex to take control of Citgo, The Wall Street Journal reported. The U.S. Court of Appeals for the Third Circuit's decision allows Crystallex to resume attempts to seize Venezuela's 100 percent ownership stake in Citgo as compensation for a \$1.4 billion government debt. [Editor's note: See related Q&A in the Aug. 30 issue of the Energy Advisor.]

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A **Stephen McFarland, former U.S. ambassador to Guatemala:** “Minister Degenhart’s announcement is based upon the government’s discovery of coca cultivations and three coca-processing laboratories in the area of eastern Guatemala currently under a state of siege. He also said Guatemala was in the process of responding with U.S. assistance to this development. On Sept. 30, however, Defense Minister Ralda said Guatemala was not a coca producer. Journalist Sonia Pérez recently cited a prosecutor who said that the laboratories appeared unused. Mr. Degenhart’s statement is noteworthy and

“**Prosecutions and extraditions of drug capos from Guatemala surged 10 years ago only after the creation of the CICIG anti-corruption force...**”

— Stephen McFarland

revives concerns about narco influence in rural areas. The United States will likely require more information and clarity before it responds: exactly where the coca fields are; who the growers are; the nature of growers’ ties to nearby communities and how the government could win over the latter; which cartel receives the coca and processes it; why the traffickers decided to do this; and the extent to which the state effectively governs in the drug transit and reported growing areas. U.S. demand for cocaine, a growing supply of it in Colombia, and the combination of weak states and significant corruption have led cocaine transshipment through Guatemala and the region to expand fourfold in the last eight years. Prosecutions and extraditions of drug capos from Guatemala surged 10 years ago only after the creation of the CICIG anti-corruption

force and of U.S.-supported vetted units. Current efforts by Guatemala’s Congress to investigate judges and prosecutors who worked on anti-corruption cases may well also unintentionally undermine bilateral efforts against narcotics corruption.”

A **Kevin Healy, adjunct faculty member at the Center for Latin American Studies at Georgetown University:** “At first glance, the news of coca fields in Guatemala comes as a big surprise. Mayan Quiche as ‘coca farmers’ for cocaine and not cacao for chocolate? The Inca Emperor Atahualpa must be turning over in his grave, given the historic association in the Americas of coca exclusively with ancient Andean civilizations and the subsequent Andean republics. Unlike the Andean potato, and recently quinoa, coca has been neither a licit nor illicit globe-trotting agricultural resource. Yet, from the logic of a Mexican cartel such as Sinaloa or the Zetas, it is consistent with their efforts to shorten the coca-cocaine industry’s value-chain for greater efficiency, security and profits. Their first success was taking much of the U.S. market from the Colombian traffickers for whom they had previously worked as transporters of cocaine across the U.S.-Mexico border. Colombian cartels began supplying Mexican cartels with cocaine inside Mexico rather than taking it all the way to illicit U.S. cocaine markets themselves. Subsequently, Mexican traffickers began traveling to Colombia themselves to purchase cocaine directly from the producer communities/territories where they can better control for product quality. Mexican cartels have proven able to outsource poppy farming to Guatemalan farmers for processing heroin, so why not coca for cocaine? Although other factors influence these mentioned changes and numerous challenges for growing coca in Central America, there is a compelling business logic as well.”

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