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FEATURED Q&A

What Does a Close Presidential Vote Mean for Uruguay?



Luis Lacalle Pou of the right-of-center National Party (or Blancos) is leading in the vote count in Uruguay's presidential runoff. // File Photo: Lacalle Pou Campaign.

Q Former Senator Luis Lacalle Pou appeared to have edged out his rival, former Montevideo Mayor Daniel Martínez, in Sunday's presidential election in Uruguay. Martínez has not conceded. A victory by Lacalle Pou, a conservative and the son of a former president, would put an end to 15 years of rule by the leftist Broad Front coalition. What are the biggest takeaways from Uruguay's election? What challenges will the eventual winner need to address first as Uruguay's next president? What will the closer-than-expected election result mean for the next president's ability to govern and set his own agenda?

A David Nelson, CEO of Global Business Policy and former U.S. ambassador to Uruguay: "Although the final results may not be available before Friday, Martínez would need to win 90 percent of the ballots left to count, but those are mostly from the interior of the country where Lacalle dominated. So it seems highly likely there will be a transition to the 'traditional' parties after 15 years of rule by the Frente Amplio. The close vote probably ensures that Lacalle will seek to unite the country, rather than pursue policies that would imply a 'domination' by the right. The non-Frente Amplio parties have a majority in Congress, but they are fragmented so it will be a challenge for Lacalle to maintain his coalition to pass laws—particularly with the new hard-right party led by General Manini Ríos. It may be time for Uruguayans to recognize a sea change in their traditional political structure—for many years the dominant parties, the Colorados and Blancos, were in fact each coalitions with diverse ideologies. Once again, Uruguay now has two ma-

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TODAY'S NEWS

ECONOMIC

Mexico Falls Into Recession Amid Stagnant Growth

Latin America's second-largest economy fell into a recession in the first half of the year, according to revised official statistics. The country saw no growth in the third quarter. President Andrés Manuel López Obrador had promised 2 percent growth for 2019 when he took office nearly a year ago.

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BUSINESS

Ecopetrol Plans Investments of as Much as \$5.5 Bn

The Colombian state-owned oil company plans to increase its capital expenditures, spending the bulk on upstream activities.

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POLITICAL

Peru Tribunal Frees Opposition's Keiko Fujimori

Peru's Constitutional Tribunal freed opposition leader Keiko Fujimori. She was jailed more than a year ago amid an investigation into corruption allegations that she denies.

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Fujimori // File Photo: TV Perú.

ECONOMIC NEWS

Mexico Falls Into Recession as Growth Stagnates

Mexico's economy fell into a recession in the first half of the year and saw no growth in the third quarter, according to revised data released Monday, Agence France-Presse reported. In the first and second quarters, Mexico's economy contracted by 0.1 percent and experienced zero growth in the third, according to national statistics institute INEGI. Preliminary figures had reported earlier that Latin America's second-largest economy had contracted 0.2 percent in the first quarter, grew 0.1 percent in the second and grew 0.1 percent in the third. In this year's third quarter, the economy contracted 0.2 percent as compared to the same quarter last year, according to the statistics institute's revised data. The data came as bad news for President Andrés Manuel López Obrador who on Sunday marks one year in office. He had promised to deliver economic growth of 2 percent this year and 4 percent across his six-year term. Mexico's central bank on Monday reported a larger-than-expected current account surplus of \$2.01 billion for the third quarter, Reuters reported. The third quarter's figure was driven by a record high non-oil trade balance surplus and a robust 8 percent increase in workers' remittances, Goldman Sachs analysts Alberto Ramos told clients in a research note.

POLITICAL NEWS

Peru Tribunal Frees Keiko Fujimori After More Than a Year

Peru's Constitutional Tribunal on Monday approved a habeas corpus request to free opposition leader Keiko Fujimori from preliminary detention while she is investigated for alleged

corruption, the Associated Press reported. The ruling does not constitute a judgment of Fujimori's guilt related to accusations that she accepted bribes from Brazilian construction giant Odebrecht. Prosecutors are investigating accusations that Fujimori, the daughter of imprisoned former president Alberto Fujimori, laundered money from Odebrecht to finance her 2011 and 2016 presidential election campaigns, allegations that she denies. She was jailed more than a year ago, while she was leading the opposition in Peru's Congress. Analysts say Fujimori's release will strengthen her Popular Force party for the 2020 parliamentary elections scheduled Jan. 26, El Comercio reported today. "I think that having a visible leader who articulates the candidates will help them a lot in the campaign," political scientist María Alejandra Campos told the newspaper. Hundreds of people took to the streets Monday evening to protest Fujimori's release, clashing with riot police, Bloomberg TicToc reported via Twitter. The rally was organized mainly by youth through social media with the hashtags #TomaLaCalle and #FujimoriNuncaMas, according to the report. All of the former presidents of Peru still living are currently in prison or under investigation for corruption or other misdeeds. [Editor's note: See related [Q&A](#) in the Nov. 19 issue of the Advisor.]

BUSINESS NEWS

Ecopetrol Planning as Much as \$5.5 Bn in Investment

Colombian state-owned oil company Ecopetrol said Monday that its 2020 investment plan will increase capital expenditures to between \$4.5 billion and \$5.5 billion, up from the \$3.5 billion to \$4 billion in 2019 forecast at the start of the year, S&P Platts reported. The new figures are 25 percent to 53 percent higher than the estimated figure for organic investment this year. Eighty percent of investments will be concentrated on upstream activities, the company said in a statement. Ecopetrol said the com-

NEWS BRIEFS

Final Results of Uruguay Presidential Election Expected Later in Week

Uruguayan electoral authorities are expecting to announce the final results of the country's presidential election later this week, after they count some 34,000 "observed" ballots—votes from people who could not get to their assigned polling stations in Sunday's election, MercoPress reported Monday. Conservative Luis Lacalle Pou leads leftist Daniel Martínez by approximately 29,000 votes.

Colombian Teen Dies After Being Struck by Projectile During Protest

A Colombian teenager who took part in a protest march last week to demand better access to education has died after being hit on the head by a projectile fired by riot police, BBC News reported. Outrage over the death of Dilan Cruz has sparked calls for fresh marches by protesters who object to the heavy-handed police response to marches that started last Thursday. President Iván Duque said he deeply regretted Cruz's death. He plans to meet with leaders of the protests later today.

Ericsson to Invest \$238 Million in Brazil for 5G Tech Assembly Line

Swedish telecoms equipment maker Ericsson plans to invest 1 billion reais (\$238 million) in Brazil to add a new assembly line dedicated to 5G cellular technology for export to other Latin American countries, an executive told Reuters on Monday. Brazilian telecoms regulator Anatel is still determining the rules for its highly anticipated 5G spectrum auction, which was initially scheduled for next March but later postponed as tests on interference with other services are still ongoing, according to the report. [Editor's note: See a [webcast](#) of the Dialogue's event on 5G in Latin America.]

pany would generate net positive earnings at approximately \$30 per barrel of oil, with plans to organically produce at least 750,000 barrels of oil-equivalent per day in 2020. The company added it will invest more than \$150 million in energy transition, carbon reduction and management of wastewater from operations, with expected investments of \$126 million for innovation and technology, focusing on the use of artificial intelligence, block chain and bots to improve productivity and efficiency. [Editor's note: See related [Q&A](#) in the May 24 issue of the weekly Energy Advisor.]

Spain's Acciona to Build Paraguay Biofuel Plant

Brazil's ECB Group on Monday announced it had contracted Spanish engineering group Acciona to help build what it calls Latin America's first plant to produce advanced biofuels at scale, Reuters reported. ECB plans to build the \$800 million plant in the Paraguayan municipality of Villeta, outside the nation's capital, Asunción. The plant will be capable of producing 20,000 barrels per day of HVO, or hydrotreated vegetable oil, a renewable substitute for diesel, and SPK, or synthetic paraffinic kerosene, a renewable aviation fuel. Erasmo Carlos Battistella, the president of ECB Group, made the announcement at an event alongside Paraguayan President Mario Abdo Benítez. Launched in February, ECB's Omega Green Project represents the largest private investment in Paraguay's history, Battistella said. Barclays and UBS are providing structured finance for the project. Minnesota-based Crown Iron Works and Honeywell are providing the core technologies for the facility. Honeywell says its green biofuels offer a 60-85 percent reduction in the life cycle of greenhouse gas emissions compared to petroleum fuels and provide better performance in diesel turbine engines. The plant's construction will begin in the first six months of 2020 and should be concluded in 30 months. The facility is expected to employ 2,400 people once operational.

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major political coalitions—with the Blancos and Colorados united as one facing the Frente Amplio. Can the traditional parties overcome historical rivalries to make that work? Immediate policy issues the new government faces include improving personal security, education and the somewhat stagnant economy. In the regional context, dealing with the new government in Argentina could be a challenge, and it seems likely Uruguay could move toward the majority South American view of Venezuela. But the big story is that at a time of popular political upheavals throughout the region, Uruguay celebrated a democratic election in which the popular will is respected.”

A Sergio Abreu, president of the Uruguayan Council for Foreign Affairs and former Uruguayan minister of foreign affairs: “Uruguay has held an exceptionally democratic event, in line with its mature institutional tradition. Lacalle Pou leads a coalition of five parties with majority in the Congress. The new government must reach macroeconomic stability due to the 5 percent fiscal deficit. Social programs will be maintained, although a strict evaluation of destined resources and results is needed. Dialogue will be key to governability because the country is divided. The new governments in Brazil, Paraguay and Uruguay will promote an open market within Mercosur, a new strategy which could affect Argentina's protectionist model. They will consolidate the European Union-Mercosur Treaty and other free-market agreements, including one with the United States. Uruguay is a hinge in the Southern Cone and is also part of the agriculture business chain. Multimodal transport plays an important role in terms of infrastructure, mainly the Paraná-Paraguay waterway, which is vital for Uruguayan ports. The Guarani Aquifer is the second-largest water reservoir in the world and became a priority in ecological policies; its one million square kilometers are shared by Brazil, Argentina, Paraguay and Uruguay.

The new government will carry out audits, mainly regarding Venezuelan business related to several frustrated projects. The current Uruguayan government defends Maduro's regime and maintains a solid relationship with the Foro de São Paulo. Lacalle Pou will revise these links without being involved in any interventions in third countries' domestic issues.”

A Charles H. Blake, professor of political science at James Madison University's School of Public & International Affairs:

“The Broad Front (FA) enjoyed successes in economic growth and poverty reduction, but it is difficult within a competitive democracy to govern without interruption for much more than a decade. The various opposition candidates who emphasized perceived shortcomings in the FA's anti-crime and pro-growth policies will now face the task of trying to meet the expectations they fanned during the campaign. While the FA is a center-left coalition with nearly five decades in existence, Luis Lacalle Pou's 'multicolor' center-right coalition did not emerge until after the October 2019 legislative elections. If this week's electoral recount confirms Lacalle Pou's victory, his presidency's dynamics will be shaped by his ability to retain majority support in the legislature. In the Senate, Lacalle Pou's National Party needs the support of the Colorado Party and of retired General Guido Manini Ríos' brand-new 'Open Town Hall' (Cabildo Abierto) movement to mobilize a maximum of 17 votes in that 30-seat chamber. In the Chamber of Deputies, the legislators from the National, Colorado, and Cabildo Abierto parties will hold 54 of the 99 seats. In contrast, although voters from the Independent Party and from the Party of the People were important to Sunday's narrow victory, those two parties' tiny legislative presence likely gives them less influence moving forward. Given that Manini Ríos ran a more successful presidential campaign that had been envisioned and that he likely plans

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to run again in 2024, it will be interesting to see whether his knack for seeking publicity disrupts this legislative coalition.”

A **Patricio Zamorano, co-director of the Council on Hemispheric Affairs:** “The recent presidential election in Uruguay shows, once again, the high level of polarization that characterizes several democracies in the hemisphere. Again, neither presidential candidate garnered an absolute majority, with only a narrow margin between Luis Lacalle Pou and Daniel Martínez so far. A relevant takeaway is how close this race turned out, considering that most pre-election polls showed a comfortable advantage for the conservative Lacalle Pou and electoral fatigue of the left, which has been in power for 15 years. Most polling companies projected a six-point, plus or minus, difference in favor of Lacalle Pou, but the election has ended up in a technical tie. Although Uruguay has shown great progress in decreasing poverty, maintaining a stable middle class, and implementing broad state-run programs, the electoral campaign was held in a context of high unemployment, low agricultural commodity prices and slow GDP growth. These factors help explain the decline in support for President Tabaré Vázquez’s party. However, Sunday’s results should create a sense of moderation for the incoming right-wing government. Voting is obligatory in Uruguay, so the virtual tie closely reflects the polarization of the electorate. This polarization ought to be considered as a base for permanent negotiation and the continuation of social policies that work for most of the population. The same tie emerged in recent legislative elections, reinforcing the need to find consensus and avoid acute social confrontations such as the ones seen in Ecuador, Chile, Bolivia and Colombia.”

A **Francisco Panizza, associate professor of Latin American Politics in the Department of Government at the London**

School of Economics and Political Science:

“If confirmed by the Electoral Court, Lacalle Pou’s victory will put an end to 15 years of rule by the center-left Frente Amplio. But the narrow victory and the composition of the winning coalition will present significant challenges for the new president. On the plus side for the new president, the ruling coalition will enjoy a parliamentary majority. There is also a common program that sets the basis for the legislative agenda. But questions remain about political differences within the government coalition, particularly concerning the far-right Cabildo Abierto party. A number of issues are set to get priority in the new administration. High among these is the fiscal deficit, which currently hovers around 5 percent of GDP. A pension reform will have to be an important part of the deficit reduction package in the medium term, but as shown almost everywhere, pension reforms tend to be politically conflictive. Together with the economy, education and crime, two issues on which the outgoing government fared badly, are likely to be at top of the reform agenda. The reforms, however, are likely to face strong opposition from the unions and other social movements. As for the Frente Amplio, it will remain by far the largest party in parliament. Together with the narrow nature of its defeat in the presidential runoff and its close links with social movements, it will be a strong opposition force and remain a key factor in Uruguayan politics.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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