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FEATURED Q&A

What Challenges Does Giammattei Face in Guatemala?



Alejandro Giammattei, a former director of Guatemala's prison system, takes office next week as the country's president. // File Photo: Facebook page of Alejandro Giammattei.

Q Alejandro Giammattei takes office Jan. 14 as president of Guatemala. Giammattei has balked at accepting the "safe third country" immigration deal that his predecessor, Jimmy Morales, reached with the United States. Giammattei has also expressed support for the death penalty and backs using the military for internal security. What are the biggest domestic and international challenges that Giammattei faces as president? Will he seek to reverse the safe third country deal with the United States? How will Guatemala's economy and businesses fare under Giammattei's presidency?

A Stephen McFarland, former U.S. ambassador to Guatemala: "President-elect Alejandro Giammattei ran on a conservative platform. He has a reputation as an effective manager with a strong work ethic. Internally, the main challenges Giammattei inherits are: 1.) The economy—close to 2 percent of the population attempted to migrate to the United States in 2019, responding to the fall in coffee prices, drought and the lack of decent paying jobs. Infrastructure, especially highways, has fallen behind in the last several years; 2.) Social needs—malnutrition affects close to half of the population. Government services in health, education and security are inadequate. Disparities in income and services are higher in the indigenous areas. Thus far, social inequities have not produced political challenges; 3.) Security, organized crime and corruption—the Morales government dismantled U.S.-supported police reforms that had improved security. Narcotraficking has increased sharply, and U.S. prosecutions of Guatemalan politicians underscore the increasing reach of organized crime. Morales also terminated

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TODAY'S NEWS

POLITICAL

Colombia's Duque Asks U.N. to Extend Mission

Colombian President Iván Duque has asked the United Nations to extend its mission to verify compliance with the country's 2016 peace agreement with the FARC rebels until the end of his term in 2022.

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ECONOMIC

Mexico's Inflation Rises at Slowest Pace in Four Years

Mexico's consumer-price index increased 2.83 percent last year, as compared to 4.38 percent in 2018. The low rate of inflation has allowed the central bank to cut interest rates.

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POLITICAL

Interim Bolivian Gov't to Probe Some 600 Officials

Bolivia's interim government announced that it will launch corruption investigations of nearly 600 officials from the government of former President Evo Morales, including Morales himself.

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Morales // File Photo: Bolivian Government.

POLITICAL NEWS

Interim Bolivian Gov't to Investigate Nearly 600 Officials

Bolivia's interim government announced Wednesday that it would open a corruption investigation of nearly 600 officials who were part of the government of former President Evo Morales, Agence France-Presse reported. "It has been decided to initiate investigations against 592 former officials," the chief investigator at the Bolivian justice ministry, Mathias Kutsch, told reporters in La Paz. The probe would "identify who are the people who committed corruption crimes, who diverted public resources and chiefly, who diverted them to other countries," he added. Among the officials to be investigated are Morales, former Vice President Álvaro García, as well as cabinet ministers and cabinet heads, vice ministers and public administration officials, said Kutsch. Morales and other officials of his government, including García, resigned and have sought asylum in other countries amid anti-government protests in November that followed Morales' disputed re-election. Morales fled to Mexico and then to Argentina after center-left President Alberto Fernández was sworn in there last month. About 10 former Morales government officials are holed up in the Mexican ambassador's residence in La Paz. Several state-owned companies have also been targeted in corruption investigations, including state oil company YPF and the National Telecommunications Company. The ministries of mining and health have also been targeted in graft investigations. Also on Wednesday, Bolivian Interior Minister Arturo Murillo said authorities in the Andean nation had activated an "international arrest warrant" against Morales to prevent him from traveling to Chile, where he has been invited to attend a forum on human rights. The interim Bolivian government of President Jeanine Áñez is planning a new presidential election for May 3. Morales has been barred from running in the election, but his Movement for Socialism coalition is to meet Sunday in Buenos Aires to

choose its candidates, Reuters reported. In an interview with the wire service, Morales said he plans to return to his home country by next Christmas. "I'll be back," he said.

Colombia's Duque Asks U.N. to Extend Verification Mission

Colombian President Iván Duque on Wednesday asked the United Nations to extend its peace verification mission in the country until the end of his term in 2022, El Tiempo reported. The mission's tasks include monitoring compliance with the 2016 peace agreement between the government and the former Revolutionary Armed Forces of Colombia, or FARC, guerrilla movement that ended five decades of conflict. The U.N. Security Council



Duque // File Photo: Colombian Government.

last year decided to extend the mission until the end of 2020. "The desire of our government is that the observation mission accompanies us for the duration of our mandate, until August 2022," Duque said following a meeting with the mission's chief, Carlos Ruiz Massieu, at government headquarters, Agence France-Presse reported. Ruiz Massieu said that "very important advances" have been made in the implementation of the peace deal but added that "great challenges" both in the short and long terms remain. Last year was the deadliest year for former FARC combatants since the peace agreement was signed, the United Nations has said, with 77 former rebels killed over the past 12 months. Eighty percent of such attacks were in connection to criminal groups and drug trafficking and illegal mining organizations, the United Nations said. Secretary General

NEWS BRIEFS

Guatemala Hasn't Agreed to Accept Mexican Asylum-Seekers: Morales

Guatemala's outgoing president, Jimmy Morales, said Wednesday that his administration has not made any agreement with the United States to receive Mexicans who have sought asylum in the United States, the Associated Press reported. Morales said his government agreed only to accept Salvadoran and Honduran asylum-seekers under a deal it reached last year with the United States. U.S. Acting Deputy Homeland Security Secretary Ken Cuccinelli confirmed Monday that the United States would start deporting some Mexican asylum-seekers to Guatemala.

Brazil's Bolsonaro Cancels Trip to Davos

Brazilian President Jair Bolsonaro has canceled a scheduled trip to the World Economic Forum in Davos, Switzerland, this year, presidential spokesman Otávio Rêgo Barros told reporters on Wednesday, Reuters reported. Security concerns were a factor in the decision, Barros said, though he denied any relation to recent events in the Middle East. He said "political and economic aspects" were also part of the decision.

Embraer to Expand Commercial Air Cargo Business With Elroy Deal

Brazilian plane maker Embraer announced Wednesday it has signed an agreement with drone manufacturer Elroy Air to expand its business into the commercial air cargo market, Reuters reported. "We believe the cargo market is prime for an autonomous aircraft," Antonio Campello, president and CEO of EmbraerX, the company's innovation-focused business subsidiary, said in a statement. Elroy's chief executive, Dave Merrill, said the firm's drones can operate without airports or charging stations.

Antônio Guterres has called for “more effective measures to protect the lives of former combatants,” AFP reported.

BUSINESS NEWS

Walmart Sees Largest Expansion in Mexico Since 2013

Walmart last year oversaw its biggest expansion in Mexico since 2013, opening 134 new stores and increasing its presence in the country by nearly 5 percent, the retailer said Wednesday, Milenio reported. Mexico is Walmart’s top foreign market, with a total of 3,407 stores, Walmart de México said in a monthly report. Nearly all new units belong to the Bodega Aurrerá family of stores, which are cheaper and quicker to build than Walmart’s biggest formats, Reuters reported. The Bodega chain offers cheaper goods, in line with Walmart’s “Everyday Low Prices” focus, and is also part of the retailer’s strategy to compete with informal marketplaces for low-income consumers. “This is where you find the great population mass that Walmart is going after,” said Valentín Mendoza, an equity analyst at Banorte, Reuters reported. Mendoza added that, although analysts see Walmart’s continued expansion in Mexico, that strategy can create headaches for a company that is already Mexico’s biggest retailer. “Where is the ideal point where you can keep growing without cannibalizing the sales you already have?” he said, the wire service reported.

ECONOMIC NEWS

Mexico’s Inflation Rate Rises at Slowest Pace in Four Years

Mexico’s inflation rate rose at its slowest rate in four years in 2019, leaving space for the

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the mandate of anti-corruption body CICIG. Corruption and organized crime remain major problems; 4.) Opposition in Congress—Giammattei’s Vamos party has only 17 representatives out of 160 in Guatemala’s unicameral legislature, while the opposition UNE party has 52. Internationally, Guatemala’s main challenge is the implementation of the 2019 immigration accord with the United States. The accord’s annexes have not been shared with Giammattei’s team. Giammattei, however, has signaled willingness to cooperate with the United States on migration and on investment and export opportunities. The business sector and others will likely benefit under Giammattei’s pro-private sector and pro-infrastructure policies. Some of the other structural problems that the new government inherits, however, will pose major challenges.”

A **Manfredo Marroquín, former presidential candidate and executive president of Acción Ciudadana, Transparency International’s Guatemala chapter:** “You can hardly expect a substantial policy change under the mandate of President-elect Giammattei. Teams that are very similar to those of outgoing President Jimmy Morales accompany him. On security issues, he can even become more radical, involving the army in internal security tasks. Regarding the safe third

central bank to cut interest rates as economic activity stagnated, the National Statistics Institute said today, The Wall Street Journal reported. The country’s consumer-price index increased 2.83 percent last year, lower than the 4.83 percent rise registered the previous year. Mexico’s central bank, The Bank of Mexico, or Banxico, lowered its overnight interest rate target four times last year, to 7.25 percent, as economic activity faltered and inflation moved back in line with its 3-percent target. More interest rate cuts are expected this year, according to the report. The country’s GDP is expected to have ended 2019 with zero growth.

country agreement, what is most likely is continuity, with some modifications. He will have the business sector’s backing until he faces serious governability problems; then, it will surely leave him to fend on his own.”

A **Édgar Gutiérrez, former Guatemalan foreign minister:** “Alejandro Giammattei is a 63-year-old politician who sought the presidency in four elections until he achieved it last August, on a ballot against Sandra Torres, a candidate with an overwhelming opposition in the decisive urban centers. Giammattei is conservative and

“**He will be a president without an organized electoral base, like his predecessor, Jimmy Morales.**”

— Édgar Gutiérrez

promotes a ‘tough hand’ in internal security. He has the credentials. He was director of prisons (2005-2007) and in 2010 he was arrested on charges connected to extrajudicial killings, though his case was dismissed because of the prosecution’s technical failures. He will be a president without an organized electoral base, like his predecessor

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“A large part of the fall we have seen in the price index is explained by energy and food products, which have also shown slower rates than the previous year,” Alejandro Saldaña, an analyst at Ve por Más, a Mexican financial group, told El Economista. Core CPI, which does not include energy and agricultural goods, ended last year at 3.59 percent, as compared to 3.68 percent in 2018, The Wall Street Journal reported. President Andrés Manuel López Obrador last month announced a 20-percent increase in the minimum wage, which some analysts say could increase inflation. [Editor’s note: See related [Q&A](#) in Wednesday’s Advisor.]

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sor, Jimmy Morales. His cabinet does not inspire credibility. Behind Giammattei, the true winners—as has occurred since the 1996 peace accords—are military veterans who led a dirty war. They will control the security institutions in the incoming government. Giammattei has rejected the ‘third safe country’ agreement between Morales and Donald Trump because, in violation of Guatemalan standards, it was handled as a ‘secret.’ But he will be attentive to this year’s U.S. elections and will go with the flow, since the immigration issue will be central to the electoral debate, and Guatemala will stand out as a reference point. Giammattei’s priorities include ambitious infrastructure investment projects, tourism, exports and attracting foreign capital. He is aware that the international isolation he inherits from Morales is harmful. But his biggest challenge is to ensure that Congress, where his party is in the minority, paves the way for his plans. Otherwise, a very volatile Giammattei could turn Guatemala into another anomaly of democracy in the hemisphere.”

A **Arturo Matute, associate researcher at Universidad del Valle de Guatemala:** “After President Jimmy Morales’ amateurish administration, frustration with the political system has deepened. President-elect Alejandro Giammattei’s National Plan for Innovation and Development promises to tackle the country’s most urgent needs, but during the protracted transition period since last year’s election, he hasn’t shown readiness to resume the democratization of security institutions, take on legal reforms to tackle corruption or promote social investment with the needed vigor. Guatemala’s homicide rate has steadily decreased over the past 10 years, thanks to technical and legal reforms achieved through professionalization of justice and security operators, a process initiated with the peace accords.

Giammattei’s announced appointment of retired military officers to the highest posts in the security institutions risks further de-emphasizing violence prevention and stalling the democratization of security. This may eventually reverse progress that has been achieved. The popular mobilizations that ousted a corrupt government in

“**After President Jimmy Morales’ amateurish administration, frustration with the political system has deepened.**”

— Arturo Matute

2015 provided political momentum to pass important reforms, including to the electoral law. But the status quo has since retrenched. Congress has sought impunity for its members, many of whom face corruption allegations and supported last year’s termination of the U.N.-backed commission investigating corruption. Although a few progressive candidates will join Congress in 2020, none are from Giammattei’s party. The prospects for the new government and its legislators to bring about a new spell of reforms is unlikely. Giammattei has not insisted in opposing the asylum deal with the United States and announced that Guatemala’s embassy in Israel will remain in Jerusalem, foretelling continuity in foreign affairs. Slow growth, anemic fiscal revenue and low access to credit for small businesses are not propitious for economic development. President Giammattei needs inspiration and boldness to provide Guatemala an unanticipated shot at progress.”

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