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FEATURED Q&A

Is Guatemala Done With Traditional Politicians?



Jimmy Morales, who once played a cowboy who accidentally became president, is the candidate to beat in Guatemala's upcoming presidential runoff. // File Photo: Morales Campaign.

Q Comedian Jimmy Morales emerged as the top vote getter in the first round of Guatemala's presidential election Sept. 6 and is to face either former First Lady Sandra Torres or businessman Manuel Baldizón in an Oct. 25 runoff. The election happened just days after President Otto Pérez Molina resigned amid a corruption scandal, though he has asserted his innocence in court. How good are Morales' chances of riding the wave of voter discontent with establishment politicians all the way to the presidency? Would he or any of the other leading candidates bring a significant change to how Guatemala's government is run? What are the first issues the country's next president should tackle?

A Salvador Paiz, president of FUNSEPA and vice president of FUNDESA in Guatemala City: "Guatemalan citizens are carving a brave new path through peaceful demonstrations. Sunday's election was the latest in a series of protests over the last four months clamoring to eradicate corruption. Voters went to the polls in record numbers with more than 71.3 percent participation and with annulled votes dropping from 5.8 percent to 4.2 percent. Massive participation is evidence of a citizen awakening and widespread dissatisfaction with a political system fraught with kleptocracy. Certainly, Jimmy Morales is no conventional politician; and he lacks experience in public office. But for these same reasons, he projects an honest image, different from the stereotypical politician. He may be a comedian, but he has garnered support from many Guatemalans that are desperate for change. His lack of experience may well be his biggest asset as he is untarnished

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TODAY'S NEWS

ECONOMIC

U.N. Approves Principles for Debt Restructuring

The U.N. General Assembly approved what it called "basic principles" for debt restructuring, a move in response to Argentina's debt crisis. Among other calls, the resolution urges both creditors and debtors to seek "a consensual arrangement" of sovereign debt.

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BUSINESS

Arca Continental Buying Stake in Peru's Lindley

The Mexico-based Coca-Cola bottler is buying nearly half of the Peruvian company for \$760 million.

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POLITICAL

Venezuela's López Sentenced to Nearly 14 Years

A Venezuelan judge on Thursday sentenced opposition leader Leopoldo López to nearly 14 years in prison. In a trial that was virtually closed to the public, López was convicted of inciting violence during last year's anti-government protests.

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López // File Photo: Facebook page of Leopoldo López.

POLITICAL NEWS

Venezuela's López Sentenced to Nearly 14 Years in Prison

A Venezuelan judge on Thursday sentenced opposition leader Leopoldo López to nearly 14 years in prison after his conviction on charges of inciting violence last year during deadly anti-government protests in the South American country. López has been jailed since February 2014 in a military prison outside Caracas, and, combined with time served, the prison term

“Today, democrats around the world are mourning for Venezuela.”

— Garry Kasparov

handed down amounted to the maximum sentence, the Associated Press reported. Judge Susana Barreiros sentenced him to 13 years, nine months, seven days and 12 hours behind bars. López's supporters say the trial was fraught with irregularities, as the judge reportedly allowed the prosecution to call more than 100 witnesses and rejected all but two that the defense had tried to call, the AP reported. The two defense witnesses ultimately declined to take the stand. Barreiros also abruptly ended the proceedings, which were virtually closed to the public, before several other witnesses had the chance to testify. López himself sometimes refused to attend the proceedings in protest of how the trial was conducted, the wire service reported. During the trial, prosecutors focused on public statements López made last year when he and other opponents of President Nicolás Maduro's government demanded the president's resignation. The prosecution argued that his statements led protesters to commit violence and destroy public property. López was also accused of engaging in a conspiracy with the United States to overthrow Maduro. López has denied the charges, and

U.S. officials have also denied the accusation. Washington has made normalizing ties with Caracas contingent on López's release. In a phone call on Tuesday, U.S. Secretary of State John Kerry, who had met earlier with López's wife, expressed concerns about the trial to Venezuelan Foreign Minister Delcy Rodríguez. After the judge handed down López's sentence on Thursday, Roberta Jacobson, the U.S. assistant secretary of state for Western Hemisphere affairs, said in a posting on Twitter that she was “deeply troubled” by the decision. She also called on Venezuela's government to protect human rights and democracy. Human rights groups also condemned the verdict and sentence. “Today, democrats around the world are mourning for Venezuela. The judge issued the decision one would expect from the authoritarian and militaristic regime ruling Venezuela,” Garry Kasparov, chairman of the New York-based Human Rights Foundation, said in a statement. “López's trial has confirmed that the fundamental rights and freedoms of Venezuelans are currently suspended, and that the individual is utterly defenseless in the face of government abuse.” About 200 supporters of López gathered in a Caracas plaza, with many hugging and weeping when they learned of the verdict, the AP reported. Government supporters gathered outside the courthouse and played folk songs with anti-López lyrics. “Hold him responsible,” was one chorus, the wire service reported. Maduro's government did not immediately issue a statement following the sentencing.

ECONOMIC NEWS

U.N. Approves Principles for Debt Restructuring

Inspired by Argentina's debt crisis, the U.N. General Assembly on Thursday approved “basic principles” for sovereign debt restructuring, Reuters reported. Argentina welcomed the resolution, which is non-binding but has political significance. “It is a resolution in favor of

NEWS BRIEFS

Former Peruvian Dictator Ordered to Stand Trial on Kidnapping Charges

A Peruvian judge on Thursday ordered former military dictator Francisco Morales Bermúdez, 91, to stand trial on charges of kidnapping opponents in 1978, the Associated Press reported. Morales Bermúdez allegedly ordered 13 of his opponents, including three journalists, flown to Argentina. The 13 were later deported to Mexico and Europe after Argentina's military rulers began to face international pressure for their release. If found guilty of kidnapping, Morales Bermúdez could face 20 or more years in prison. Morales Bermúdez was connected to Operation Condor, a group of South American military dictators who worked together to crack down on dissent through abductions and killings.

Arca Continental Buying Nearly Half of Peru's Corporación Lindley

Mexico-based Coca-Cola bottler Arca Continental will purchase nearly half of Peru's Corporación Lindley in order to expand its share of the market in Latin America, Reuters reported Thursday. Arca is currently the second-largest Coke bottling company in Latin America. The company will pay \$760 million for a 47.52 percent stake in Lindley. The Peru-based company is buying \$400 million worth of shares that Arca will issue as part of a capital increase, pending approval, as part of the deal.

Colombia Gets Green Light to Proceed With Sale of Isagen Stake

Colombia's highest judicial authority has authorized the government to proceed with the sale of its 57.6 percent stake in power generation company Isagen, Reuters reported Thursday. The government plans to use the profits from the sale to fund infrastructure projects.

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by the massive corruption scandals that are currently being prosecuted by the attorney general in the courts. Corruption is not a recent phenomenon; it is a cancer that has been growing inside our system over decades and which has taken over our institutions. Whoever wins the runoff will face an observant and impatient population. The first priorities should be structural reform through purchasing, civil service, judicial and electoral legislation; clamping down on customs fraud and other forms of tax evasion in order to address the current fiscal gap; and being supportive to due process and opening up the government books to allow prosecution of corruption."

A Donald J. Planty, president of Planty & Associates and former U.S. ambassador to Guatemala: "Jimmy Morales' win last Sunday is a sign that voters are dissatisfied with business as usual in Guatemalan politics. Assuming that this wave of discontent continues in the weeks ahead, Morales could easily win the Oct. 25 runoff. The challenge for Morales – or any other winner on Oct. 25 – will be to design and implement a reform program that will change Guatemala's culture of corruption and impunity over time. As we have seen with the customs bribery scandal that toppled President Pérez Molina, corruption in Guatemala is deeply ingrained in the system. The next president will need to launch a serious, sustained program to root out corruption over the long term by establishing institutional norms and safeguards aimed at changing existing behavior. The next president should also call for a thorough reform of the informal process that produces presidential candidates in Guatemala. The current top-down system of choosing a candidate from the elite sectors of society because he or she has financial backing or has held office before should be replaced with a true political party process that reflects broad national participation in politics. The removal of Pérez Molina was a

historic act and an important precedent. The Guatemalan people should continue to insist on transparency and reform in the electoral and governance process in the months and years ahead."

A Risa Grais-Targow, senior analyst at the Eurasia Group: "Comedian Jimmy Morales heads into the Oct. 25 second-round runoff favored to win. Though the second round will probably be tight, Morales will be aided by the vote of smaller, conservative parties, who together received around 35 percent of the presidential vote. Moreover, Manuel Baldizón, who appears to

“ Morales will be aided by the vote of smaller, conservative parties, who together received around 35 percent of the presidential vote. **”**

– Risa Grais-Targow

have narrowly lost to former first lady Sandra Torres, is unlikely to explicitly endorse her, splitting his supporters. Torres also has relatively high rejection rates and is viewed as more establishment in an environment where voters are clearly demanding change. The latest second-round simulations from Prodatos suggest that Morales would beat Torres, 45 percent to 30 percent, but with 25 percent of voters undecided. Under a likely Morales administration, policymaking would be constrained by Congress, which will be highly fractured between 17 parties. Morales' FCN holds just 11 seats in the 158 seat congress and will have to cobble together alliances. He would likely struggle to garner the two-thirds majority of seats needed to call a constituent assembly, one of his campaign promises. This, in addition to still tense social dynamics, would leave Morales with little room to maneuver but

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economic stability, social peace and development," Foreign Minister Héctor Timerman told the General Assembly. "Today, debt is a cause of violence, of inequality, of situations whereby the powerful take advantage of less developed countries needing funds." The resolution



Timerman // File Photo: Argentine Government.

asserts that countries should protect foreign governments from minority creditors who refuse to go along with the majority of creditors who have mutually approved a restructuring plan, according to BBC News. Argentina has been in a long-running battle with U.S. hedge fund managers who have been demanding full repayment of defaulted bonds, though Argentina has countered that by paying the so-called "holdouts" back in full, the country would undermine the restructuring deal made with 90 percent of its creditors. The United States voted against the resolution in the General Assembly, saying it would create more uncertainty in global financial markets. A U.S. delegate to the Assembly called the language in the resolution "problematic," adding that countries do not have a sovereign right to debt restructuring.

Brazil's Real Falls to 13-Year Low

Brazil's currency on Thursday fell to a 13-year low against the dollar following Standard & Poor's decision to lower Brazil's credit rating to junk status, The Wall Street Journal reported. The real fell 2 percent to 3.865 per dollar. The central bank injected \$1.5 billion into the financial system in an effort to curb the decline, and President Dilma Rousseff called an emergency cabinet meeting to discuss the economy.

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ensure conservative macroeconomic policy stability. If elected, however, Morales would likely tackle political and electoral reform early in his term—one of voters' key demands in response to the wave of corruption scandals."

A **Mike Allison, associate professor and chair of the Department of Political Science at the University of Scranton:**

"The Guatemalan people's determination over the last several months through weekly demonstrations, as well as dogged work of the public prosecutor's office and CICIG, give the country an opportunity to overcome a legacy of corruption and an unresponsive political system. Former President Otto Pérez Molina's recent arrest does not guarantee a long-term transformation of Guatemalan politics, but it is a step forward toward undoing decades of impunity and in strengthening the rule of law. Unfortunately, CICIG's investigation into political parties and corruption did not come early enough to affect the parties and their candidates in the 2015 elections. Parties, especially Manuel Baldizón's Lider, paid no attention to campaign finance regulations. It would have been difficult anyway, but Congress was unwilling to pass recommended reforms to ensure greater transparency in the electoral process. Sandra Torres' UNE party politicized cash transfer programs to the poor during her ex-husband's term for electoral benefit. Finally, Jimmy Morales might be a relative political newcomer, but his party was founded by veterans of the government's 1980s counterinsurgency program. It is not yet clear whether Torres or Baldizón will advance to an October runoff against Morales. However, there is no single candidate who is clearly the positive force to capitalize on the momentum of recent months. The Guatemalan people, office of the public prosecutor and CICIG will have to continue the fight to

pressure the next Congress and president, and the economic powers that be, to adopt more just political, social and economic reforms."

A **César Marcelo Barceinas, director of sovereign and international public finance at Standard & Poor's Ratings Services in Mexico City:** "There is a good chance that Morales can make his way to the presidency. A clear Morales victory in the first round signaled voters' repudiation of traditional political parties and personalities. In the second round, Morales could benefit from the vote atomization observed in the first round, in which no single political party (other than Morales' FCN-Nación) reached more than 20 percent of the votes and seven minority parties got more than 3 percent of votes each. Whoever is elected, there is unlikely to be a significant change in how the country is run given that any of the leading candidates that become president will face a highly fragmented Congress with Lider and UNE holding 19 percent and 15 percent of representation, respectively. If Morales is elected president, his party would only hold 9 percent of the seats in Congress. A lack of consensus on fundamental policy initiatives has been constant in Guatemala over the last years, and national budgets recurrently face severe expenditure restrictions. Along with the current efforts to fight corruption, the next president will need to strengthen overall transparency and internal controls in government while looking after an integral fiscal reform that provides the country with additional resources to tackle historically high poverty levels, poor physical infrastructure and public safety issues."

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

LATIN AMERICA ADVISOR is published every business day by the Inter-American Dialogue, Copyright © 2015

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at:

1211 Connecticut Avenue NW, Suite 510
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www.thedialogue.org

ISSN 2163-7962

Subscription Inquiries are welcomed at freetrial@thedialogue.org

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