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FEATURED Q&A

Has Duque Gotten Off to a Good Start in Colombia?



Colombian President Iván Duque marked his first 100 days in office earlier this month. // File Photo: Colombian Government.

Q Colombian President Iván Duque in mid-November completed his first 100 days leading the South American country. In a speech he shared on Twitter, Duque highlighted the administration's main challenges, citing "equity" among Colombians as his government's main objective. Has Duque gotten off to a good start as president? Which issues has he prioritized in his first 100 days in office, and which goals will he focus on in the coming year? How have markets and investors reacted to Colombia's new president and his economic policies?

A Gimena Sánchez-Garzoli, director for the Andes at the Washington Office on Latin America: "President Iván Duque's first 100 days in office have been tumultuous, and his popularity has plummeted. The problems that he must address are structural ones that any president would need to address—closing the fiscal deficit, advancing with peace in a polarized political environment and dealing with the influx of one million Venezuelans. Part of his lack of popularity comes from incoherence within his administration on policy issues, with ministers, the president and members of the Democratic Center Party presenting policies differently. Former President Uribe and others from the Democratic Center are continuously making statements that give the sense that Duque is not fully in control of the agenda. Duque is under great pressure to address budget gaps and to improve the economy. During his campaign, he criticized the Santos administration for attempting to raise the VAT. Now as president, he is seeking to do ex-

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TODAY'S NEWS

ECONOMIC

Canada 'Still in Discussions' With U.S. on USMCA: Trudeau

Just before leaving for the G-20 Summit in Buenos Aires, Canadian Prime Minister Justin Trudeau said his government is still discussing the trade accord with the United States. A signing could happen during the summit.

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BUSINESS

Ecopetrol to Invest as Much as \$4 Billion in 2019

The Colombian state oil company said it will invest between \$3.5 billion and \$4 billion next year as it aims to increase reserves and production.

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POLITICAL

Rio de Janeiro State Governor Arrested in Probe

Agents arrested Luiz Fernando Pezão in connection with the massive "Car Wash" corruption probe. He is accused of money laundering and other crimes.

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Pezão // File Photo: Brazilian Government.

ECONOMIC NEWS

Canada 'Still in Discussions' with U.S. on USMCA: Trudeau

Canada is "still in discussions with the Americans" about signing the revised North American Free Trade Agreement, known as USMCA, Canadian Prime Minister Justin Trudeau said Wednesday just before departing for Buenos Aires, where world leaders are gathering for the G-20 Summit, CBC News reported. On Tuesday, U.S. President Donald Trump's economic advisor, Larry Kudlow, said "representatives" from Canada and the United States would sign the deal on the sidelines of the summit. The same day, spokespeople of Trudeau's government said they were "tracking" toward a signing on Friday. The U.S. Trade Representative's office posted the text of an agreement online on Oct. 1, but some of the language was reportedly never approved by Canadian negotiators. Additionally, Canada has not released its official version of the deal, making it unclear about whether the U.S. version is the one that officials from the United States, Canada and

Mexico are expected to sign in Buenos Aires. Canada has so far not succeeded in winning a lifting of U.S. tariffs on imports of Canadian steel and aluminum, a condition that Canada and Mexico have sought before any final deal is signed. [Editor's note: See related [Q&A](#) in the Oct. 11 issue of the Advisor.]

Mexico's Central Bank Cuts Economic Growth Forecast

Mexico's central bank on Wednesday cut its economic growth forecast for next year to between 1.7 percent to 2.7 percent, from the previous 1.8-2.8 percent estimate, acknowledging investor uncertainty surrounding the incoming administration of President-elect Andrés Manuel López Obrador, who takes office on Saturday, El País reported. "It's a revision of one-tenth, and it has to do with an update of available information. It's a small adjustment. There are many uncertain factors that will soon be known, such as the budget for 2019," central bank chief Alejandro Díaz de León said in presenting the bank's quarterly report. López Obrador and members of his cabinet have

NEWS BRIEFS

Governor of Rio de Janeiro State Arrested in 'Car Wash' Case

The governor of Brazil's Rio de Janeiro State was arrested this morning in connection with the sprawling "Car Wash" corruption case, the Associated Press reported. Federal police took Governor Luiz Fernando Pezão into custody at the governor's palace in an operation called "Wolf's Mouth," the wire service reported. Brazilian Attorney General Raquel Dodge told reporters that Pezão stands accused of criminal organization, corruption and money laundering. Neither Pezão's attorney nor the state government replied to a request for comment by the AP.

Venezuela's Central Bank Reports to IMF 860% Inflation for 2017

Venezuela's central bank has reportedly shared the country's official data with the International Monetary Fund to avoid sanctions by the multilateral lender for withholding statistics, Bloomberg News reported Wednesday, citing three unnamed sources with direct knowledge of the matter. For last year, the central bank reported inflation of 860 percent, below the IMF estimate of 2,818 percent, and an economic contraction of 15.7 percent last year, one source said.

Braskem, EDF Sign Long-Term Power Purchase Deal

Brazil's Braskem and France's EDF Renewables have signed a long-term power purchase agreement for the supply of energy from a wind power farm to be constructed in Bahia State next year, the French company said in a statement on Wednesday. The facility will have 33-megawatt capacity and will be an extension of the Folha Larga 1 wind farm, which has 144-megawatt capacity.

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actly that. This, along with cuts including to public education, are being met with social protests. The protests are likely to grow and expand to more parts of Colombia. On corruption, he has not advanced as promised. Nor has he cut the 'peace accord into pieces' as he had promised during his campaign. On peace, since taking office, his administration has realized that implementation of the accord was much further along than it realized and that the international community does not want Colombia to take steps backwards on the agreement. Duque must show stronger leadership and rein in or distance himself from the voices that undermine him within his own party in order to build confidence in his ability to govern. Lastly, the Venezuelan migration crisis is placing an

undue burden on Colombia. Duque has taken a humane approach to the problem and has sought international support to address it as best as possible."

A James Watson, economist for Latin America at Oxford Economics: "When Duque was elected in June, we expected his riskiest promises to moderate after he took office. We also suspected that in Colombia's first divided Congress there would not be enough political will to pass serious economic reform. Duque's first 100 days have borne out these expectations as lawmakers have staunchly resisted a more moderate policy agenda. Economically, Duque's first budget was an impressive attempt to

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previously said that the administration's budget will be "austere and responsible," El País reported. Mexican stocks last week plummeted to their lowest level since 2015, as financial institutions reacted to news that López Obrador's Morena party would continue to push for legislation that would cut banking fees, Bloomberg News reported. In a statement, the bank outlined the reasons for increased uncertainty in recent months, citing the cancellation of the airport project in Mexico City, expectations of changes at increasingly cash-strapped state oil company Pemex and the proposed banking bill. "It's very important that they send a message of the public policies they are considering or not considering. What will generate confidence is a clear strategy and timely execution," Díaz de León said. [Editor's note: See related [Q&A](#) in the Nov. 14 issue of the Advisor.]

BUSINESS NEWS

Colombia's Ecopetrol to Invest as Much as \$4 Billion Next Year

Colombian state oil company Ecopetrol plans to invest between \$3.5 billion and \$4 billion next year in an effort to boost production and bolster reserves, the company said Tuesday in a statement. The planned investments represent an increase of as much as 33 percent over its investment for this year. "Investments have been prioritized with a view to maintaining capital discipline and a focus on ensuring the company's future sustainability by increasing reserves and hydrocarbon production," the company said. More than 80 percent of the new investments are to be concentrated on upstream operations, with 90 percent of those investments allocated to Colombia. Exploration capital expenditures are set to increase from \$250 million this year to more than \$460 million next year, the company said. Ecopetrol added that it "expects to continue pursuing opportunities to develop gas discoveries in the Colombian Caribbean offshore and participate in a pilot testing of non-conventional hydrocarbon reservoirs in the Middle Magdalena basin."

CAPITOL HILL WATCH

A Look at U.S. Congressional Activity on Latin America

House Dems Call on Bolton to Raise Human Rights Issues in Brazil Visit

Several Democratic members of the U.S. House of Representatives have called on National Security Advisor John Bolton to address human rights issues during his official visit to Brazil, where he met this morning with President-elect Jair Bolsonaro. On Wednesday, Rep. Eliot L. Engel, Rep. Albio Sires, Rep. Gregory Weeks, Rep. David N. Cicilline and Rep. Lois Frankel in a letter to Bolton urged him to address what they called Bolsonaro's "troubling record" on human



Bolton // File Photo: U.S. Government.

rights, outlining the far-right presidential elect's previous statements regarding Afro-Brazilians, women and the LGBT community. "The United States ... must closely monitor the human rights climate in Brazil in the coming years to ensure that the President-elect's rhetoric does not lead to further abuses of marginalized communities," the letter said. "A strong U.S.-Brazil relationship will depend on strong commitments to human rights from both of our governments."

Republican Senators Seek Congressional Passage of USMCA Before Year's End

Twelve Republican senators on Nov. 20 sent U.S. President Donald Trump a letter offering their help in securing "a pathway to Congressional consideration" of the United States-Mexico-Canada Agreement, or USMCA, the modernized version of the North American Free Trade Agreement finalized earlier this year. The lawmakers hope to speed up the process for the vote to take place before a new Congress, with Democrats in control of the House of Representatives, is sworn in on Jan. 3. "We are concerned that if the Administration waits until next year to send to Congress a draft implementing bill, passage of USMCA as negotiated will become significantly more difficult," the senators wrote in the letter, Politico reported.

Engel Questions Use of Tear Gas at U.S.-Mexico Border in Letter to Pompeo

U.S. Representative Eliot L. Engel (D-N.Y.), ranking member of the House Committee on Foreign Affairs, in a letter Wednesday to Secretary of State Mike Pompeo demanded answers on the use of tear gas by U.S. officials against Central American migrants at the U.S.-Mexico border last week. Agents reportedly deployed tear gas as migrants attempted to force their way across the border and into the United States. Engel also asked for a full response to the Mexican government's request for an investigation of the incident.

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balance multiple objectives. It cut corporate taxes for competitiveness, broadened VAT to raise revenues and increased the top rate of income tax to address distributional concerns. However, popular opposition to the regressive VAT reform has killed the measure, and we expect next year's fiscal balance to underperform targets by 0.2 percent of GDP. Still, not all economic policy is log-jammed, as by year-end authorities expect to have found funding for more than half of the ambitious 4G infrastructure program. Despite inaction due to legislative gridlock, markets have largely given Duque a pass, which we expect to continue. Sovereign spreads rose after the budget hit difficulties, but they remain contained. Equities have been resilient despite falling oil prices, and ratings agencies have been reticent. Looking ahead, we expect Duque to continue his balancing act between fiscal hawkishness and boosting investment. Vital for this will be a better ability to work with Congress and to connect with public opinion. We remain hopeful, but nothing is certain with a former president holding the keys to Congress and thousands of protesters on the streets."

A **Oliver Kaplan, associate professor at the Josef Korbel School of International Studies at the University of Denver and director of the Korbel Latin America Center:** "Duque's popularity rating has sunk from 54 to 27 percent. Yet, Duque himself recently asserted to have 'put the house in order,' pointing to declining crime rates. Although Duque leans conservative, he has perhaps been more moderate than both the political right and left expected. Take his appointments. Although he has received flack for controversial moves, he has also appointed experienced technocrats. He has also supported Venezuelan migrant 'brothers and sisters' with health and education services. Duque's thin margin in Congress may con-

tinue to pull him toward the center. Duque has also supported peace thus far, despite having campaigned on 'tearing up' the FARC agreement. He is seeking to fill budget gaps to fully fund the implementation framework he inherited from the Santos administration. And while he put the ELN talks on hold, he proposes to reopen negotiations with his own team if the ELN halts its offensives. Duque's most publicized challenge has been the continued killings of social leaders and human rights defenders. His campaign at times stigmatized political rivals. But, to Duque's credit, he met with community leaders in Apartadó in August, and seems to have listened. He announced a protection plan that promises improved inter-agency coordination and threat analysis and stronger punishments for attackers. Duque should continue to support the internationally endorsed peace agreement. Sustaining peace will also require confronting the remaining armed actors—the ELN, criminal bands and 'residual' FARC groups—and addressing exploding coca cultivation. Relatedly, his protection plan should directly involve members of the very social groups that are threatened. Duque has also cast himself as a good-governance reformer, and improving governance will be key as oil prices remain low and the country faces a budget deficit and protests for more education funding. Acting on this issue is ever more salient in the wake of the Odebrecht scandal and August's failed anti-corruption referendum. Is Duque following his political mentor, Álvaro Uribe, as opponents have claimed, or will he actually trend more centrist, like his immediate predecessor Santos? Since Duque has not yet faced the test of immediate crises, only time will tell."

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