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## FEATURED Q&A

# What Will Peña's Presidency Bring to Paraguay?



Santiago Peña, a conservative economist, overwhelmingly won Sunday's presidential election in Paraguay, continuing the rule by the Colorado Party. // File Photo: Facebook Page of Santiago Peña.

**Q** Conservative economist Santiago Peña won Sunday's presidential election in Paraguay, defeating center-left candidate Efraín Alegre by more than 15 percentage points and continuing the Colorado Party's presidential rule. To what can Peña attribute his victory, and what does it mean for opposition rivals? What will be the main items on his agenda when he takes office in August, and what does his win mean for diplomatic ties with Taiwan? How effectively will Peña be able to work with the country's Congress in order to get legislation passed?

**A** Cordula Tibi Weber, research associate at the GIGA Institute for Latin American Studies in Hamburg, Germany: "Santiago Peña's victory can be explained by three factors: first, the Colorado party has a support base of more than 2.5 million members and often clientelist links. Second, Efraín Alegre ran as the main opposition candidate for the third time. Being part of the political establishment, he couldn't convince the electorate that he would bring the promised change. Third, Paraguayo Cubas, an anti-establishment, populist and right-wing candidate, got 22.9 percent of the vote. Many of those frustrated with the status quo voted for him, resulting in a strong loss for Alegre. When taking office, the main items on the new president's agenda will be to stabilize the economy, stop tax evasion and alleviate poverty. Since 2018, the decade-long positive trend in poverty reduction has stopped. Peña's main promise in this regard is the creation of 500,000 jobs. Contrary to Alegre, who was open to a switch to China to gain economic opportunities, diplomatic relations with Taiwan will be maintained

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## TODAY'S NEWS

### POLITICAL

## Lead Negotiator for Colombia's ELN Eyes Cease-Fire With Gov't

The top negotiator for the National Liberation Army, or ELN, rebels said Monday that the guerrilla group wants a preliminary cease-fire with the country's government.

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### BUSINESS

## U.S. Backing Sale of Citgo to Pay Venezuela's Creditors

The administration of U.S. President Joe Biden indicated that it would stop protecting Citgo from seizure.

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### ECONOMIC

## Brazil to Tax Income From Investments Obtained Abroad

Brazilian President Luiz Inácio Lula da Silva's government issued an order Monday that said it will start taxing income from investments held abroad.

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Lula // File Photo: Facebook Page of Luiz Inácio Lula da Silva.

## POLITICAL NEWS

## Lead Negotiator for Colombia's ELN Eyes Cease-Fire

The top negotiator for Colombia's National Liberation Army, or ELN, rebels said Monday that the guerrilla group wants a preliminary cease-fire with the country's government "that works 100 percent," Agence France-Presse reported. "It's not a cease-fire for the end of the conflict, it is a preliminary cease-fire. We're very interested in it working," Pablo Beltrán told reporters ahead of today's planned opening of negotiations in Havana. "In a conflict as complex as the Colombian one, where there are multiple [armed] groups and where there is a



**We feel like partners with the government."**

— Pablo Beltrán

very high level of distrust, we must be very cautious so that what is specified is achievable, because otherwise it will lead to more distrust," said Beltrán. The talks between the two sides nearly collapsed completely after ELN rebels killed nine soldiers in an attack last month. Colombian President Gustavo Petro, who took office last August, has vowed to bring "total peace" to the country. With the country's first left-wing government in power, "it is possible to move forward," Beltrán added, AFP reported. "We feel like partners with the government," he said. Beltrán also said that it is necessary for Colombian society to talk not just about how to end the violence but also on how to fix the economic and social problems that the ELN sees as the cause of its conflict with the government. Petro's history as a past member of the M-19 rebel group could mean that he will have more success in negotiating with the ELN, Jennapher Lunde Seefeldt, assistant professor of government and international affairs at Augustana University, told the Advisor in a [Q&A](#)

published Dec. 7. "The peace talks between Petro's government and the ELN could see some success this time, as Petro's personal history with M-19 makes him more approachable for negotiation than presidents of years past. ELN's left-leaning demands for social justice align with much of what Petro's vision is for Colombia," she said.

## ECONOMIC NEWS

## Brazil to Tax Income From Investments Obtained Abroad

Brazil's government on Monday published an executive order that said it will begin taxing capital income from investments that the country's residents obtain abroad, Reuters reported. Congress would have to approve the measure for it to become law. Income obtained through foreign sources will be taxed when assets mature, and dividends and profits from controlled entities will be taxed once per year, Reuters reported. The executive order also applies to the taxation of assets held in trusts, the wire service reported. Income up to 6,000 reais (\$1,203) will be exempt from the order, while income above that level but below 50,000 reais will be subject to a 15 percent tax. Income higher than 50,000 reais will be subject to a 22.5 percent tax. Brazil's Finance Ministry said the order could lead to an additional 3.2 billion reais (\$641 million) in revenue this year, nearly 3.6 billion reais in revenue next year and 6.7 billion reais in 2025. The government published the order in a special edition of its official gazette, but President Luiz Inácio Lula da Silva did not mention it during his Labor Day speech on Monday. In that speech, he vowed to implement real increases in the minimum wage, and he said the government would raise the income tax exemption for low-income earners. Lula also renewed his attacks on the country's central bank over its interest rate increases. "We can no longer live in a country where the interest rate does not control inflation," Lula said in a speech in São Paulo, Bloomberg News

## NEWS BRIEFS

## Annual Inflation Rate Falls Below 8% in Lima for First Time in a Year

The annual inflation rate in Lima fell below 8 percent in April for the first time in a year, Bloomberg News reported Monday, citing the INEI statistics agency. Inflation in the Peruvian capital rose 7.97 percent last month as compared to the same month last year, the statistics agency said. That figure was higher than the 7.8 percent median estimate of economists in a Bloomberg survey. On a monthly basis, inflation increased 0.56 percent in April. The country's central bank targets inflation at between 1 percent and 3 percent annually.

## Four of 'El Chapo' Guzmán's Sons Face Drug Charges in U.S.

Four sons of Sinaloa drug cartel chief Joaquín "El Chapo," Guzmán's were charged with smuggling fentanyl in the United States, the Associated Press reported on Monday. With Guzmán serving life in prison, prosecutors alleged in an indictment that his sons kept fentanyl operations running and were working toward "manufactur[ing] the most potent fentanyl and to sell it in the United States at the lowest price."

## Chile's Boric Condemns Violence in Stadiums

Chilean President Gabriel Boric condemned violence in stadiums after a match between Universidad de Chile and Universidad Católica was suspended on Sunday amid disorder, Reuters reported. The National Professional Football Association said it will reschedule the game without spectators and request a meeting with the president to address the violence. "We will not let a small group of delinquents take over the stadiums at the expense of the great majority who come to watch a show in peace and joy," Boric said in a posting on Twitter.

reported. "In fact, it controls unemployment in this country, because it's responsible for a part of the situation we are living today," he added. On Wednesday, the central bank, led by Roberto Campos Neto, is expected to hold its benchmark interest rate unchanged at 13.75 percent for the sixth consecutive time, Bloomberg News reported. While inflation has cooled in recent months, core inflation levels that do not include volatile items remain elevated.

## BUSINESS NEWS

# U.S. Backing Sale of Citgo in Order to Pay Off Creditors

The U.S. government is set to approve the sale of Venezuela's ownership stake in Citgo after a bidder is selected by a court-supervised auction process, according to a special master appointed in Delaware federal court to oversee the potential transaction, The Wall Street Journal reported Monday. The Biden administration had been protecting the Venezuelan state-owned oil refiner from seizure by creditors, but it now supports a potential sale of Venezuela's most prized foreign asset, Reuters reported. The new U.S. position, outlined in a Justice Department letter dated April 7 and filed by the special master in federal court on Friday, represents a shift in its stance toward Citgo. The Houston-based company is the seventh-largest U.S. oil refiner, and reported a record \$2.8 billion in profits last year, Reuters reported. The United States transferred control of Citgo to Venezuelan opposition leaders in 2019 in a bid to increase pressure against the country's president, Nicolás Maduro, while also imposing sanctions that prevented creditors from foreclosing on the company, The Wall Street Journal reported. A change in Citgo's ownership requires approval from the Treasury Department's Office of Foreign Assets Control. Maduro condemned the possible loss of Citgo. "We indignantly reject and repudiate this robbery of Citgo by the U.S. government," he said.

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under Peña's government. Given that the United States in January sanctioned Peña's political father, Horacio Cartes, for 'rampant corruption,' relations with Washington might become more difficult. In view of an absolute majority in both chambers of Congress, the probability that Peña will face obstacles in getting legislation passed appears to be low. However, potential problems might result from tensions between the two factions within his party, Honor Colorado and Fuerza Republicana, and from his lack of leadership over Colorados. He might depend on Cartes' help to gain support for his politics, which would reduce his ability to govern."

**A Brian Turner, professor and chair of the Department of Political Science at Randolph-Macon College in**

**Ashland, Va.:** "Peña's victory shows that there was enough unity in the Colorado Party to use its resources and electioneering know-how to win by the biggest margin since the country's transition to democracy. The key figure in the victory is Peña's political patron, former President Horacio Cartes, whom the U.S. State Department declared 'significantly corrupt.' Alegre's third straight loss will necessitate a leadership shake-up in the opposition parties that joined the Authentic Radical Liberal Party in an electoral coalition. The new 'third place' in Paraguayan politics is held by the National Crusade Party, led by populist Payo Cubas, who won 23 percent of the presidential vote. Previous 'third place' holders have largely disappeared from the political map, most notably former President Fernando Lugo's leftist Guasú Front. A key item on the new administration's agenda will be renegotiation of the Itaipú Treaty with Brazil. Nationalist pressure to negotiate a better deal will be intense. Paraguay will likely maintain its diplomatic ties with Taiwan, but that too may be subject to renegotiation given concerns that Paraguay is missing out on full access to the Chinese commodity market. The new Congress will

be the first since 1998 in which the Colorados control majorities in both chambers. Nevertheless, Peña will need to manage the intense factionalism that characterizes the party to get legislation passed. This was the first national election in which voters could cast a 'preferential vote' for a candidate, and many candidates ran personal campaigns, unusual for Paraguay. That too may weaken party discipline in Congress."

**A Barbara Ganson, professor of history at Florida Atlantic University:** "While the new president-elect, 44-year-old Santiago Peña, offers a young face for the traditional Colorado Party, Peña served as minister of finance under then-President Horacio Cartes, who was associated with corruption as one of Paraguay's richest men. Given the Colorado Party's long association with corruption, there is little hope that socioeconomic conditions will improve, especially given inflation is currently at 6.4 percent. One cannot count out Peña's future behavior, however, as a former one-time member of Paraguay's Authentic Radical Liberal Party. Yet the general expectation is that not much will improve in one of South America's poorest countries. With both congressional houses achieving a Colorado majority in Sunday's election, nonetheless, there is always room for legislation to improve unemployment, infrastructure, health care, women's rights, childcare and land reform, and also reduce crime. Peña's campaign slogan, which promised to 'make Paraguay better,' is vague. A conservative economist trained at Columbia University, Peña will not be interested in raising taxes on Paraguay's wealthy for social programs. With the hydroelectric Itaipú Treaty with Brazil expiring and negotiations to take place this year, there are new opportunities to transform Paraguay in a fundamental way. Since 1957, the Colorado Party has prided itself as a staunch supporter of Taiwan versus China, a key issue in this election. Paraguay gains much

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from its relationship with Taiwan. Paraguayan students study in Taiwan. Taiwan runs schools in Paraguay for Paraguayan children and built an engineering university. Taiwan has also provided both foreign aid and loans to Paraguay at very advantageous terms for several development projects."

**A** **R. Andrew Nickson, honorary reader in public management and Latin American studies at the University of Birmingham in England:** "The scale of the Colorado victory, across the board, was a surprise, especially in view of the increase in poverty, rampant corruption scandals in the judiciary and a surge in narcotics-related violence that characterised the past few years. Several factors explain the result. Among them was the unexpectedly high 22.9 percent vote share of the third-ranked candidate, Paraguayo Cubas, a populist with extreme anti-democratic views. The media interests of former President Horacio Cartes strongly supported his candidacy, which proved extremely successful in splitting the opposition vote. Also, building on the deep-rooted nationalism and xenophobia in Paraguay's political culture, Peña denounced U.S. sanctions against Cartes as an attack on the Colorado Party and unacceptable interference in domestic politics. Additionally, the party has pursued a strategy of converting thousands of jobs in ministries and other public sector bodies from 'contracted' posts without job stability

into permanent posts. Furthermore, a major plank of Peña's election campaign was a promise to create 500,000 new jobs, while at the same time adding that job selection in the public should be based as much on party affiliation as technical competence. There will be much soul-searching in the PLRA and left-wing Frente Guasú about the need to overcome the failure to construct a viable center-left opposition alliance that can attract voters away from the Colorado Party. Peña's main agenda item should be the renegotiation of the Itaipú Treaty with Brazil. This was worryingly absent from the presidential campaign, and there is a real danger of yet another sell-out to Brazil. Taiwan will breathe a sigh of relief as Peña is committed to maintaining diplomatic relations. However, powerful business interests in soybean and meat production will continue to lobby for a switch to China. The Colorado Party has an absolute majority in both houses of Congress, but the party always splits into congressional factions. When this starts to happen after his honeymoon period ends, Peña will be at a great disadvantage in negotiating intra-party coalitions to get bills through Congress because of his lack of experience in navigating the complexity of Colorado Party politics."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.*

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