

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Merike Blofield

Professor of Political Science,
University of Hamburg

Devry Boughner Vorwerk

CEO, DevryBV Sustainable Strategies

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes

Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados (McDonald's)

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

Director,
Adtalem Global Education

Jon E. Huenemann

Council Member,
GLG Inc.

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Senior Director,
Int'l Gov't Relations, Exxon Mobil

Barbara Kotschwar

Executive Director, Visa Economic
Empowerment Institute

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Beatrice Rangel

Director,
AMLA Consulting LLC

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

President,
IESA

Andrés Rozental

President, Rozental &
Asociados

Shelly Shetty

Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

Who Is Positioned to Become Guatemala's Next President?



Former First Lady Sandra Torres was the top vote-getter in Sunday's presidential election in Guatemala. But she now faces a runoff against former diplomat Bernardo Arévalo. // File Photo: Facebook Page of Sandra Torres.

Q Former Guatemalan First Lady Sandra Torres won the most votes in the first round of the country's presidential election on Sunday. However, with just 15 percent of the vote, Torres fell far short of the more than 50 percent threshold needed to avoid a runoff and will face another center-left candidate, Bernardo Arévalo, in the second round on Aug. 20. What factors will determine who wins the election in August? What explains the support for Arévalo, who had not been polling in the top tier of candidates before the first round? What were the most important results in Guatemala's congressional and mayoral elections, which also happened on Sunday?

A Juan Carlos Zapata S., executive director of FUNDESA in Guatemala City: "Guatemala had peaceful, transparent and free elections on Sunday, a true example for the region. Two candidates will be competing in the runoff, each trying to capture the support of voters who cast null or blank ballots during the first round. Voters have become increasingly frustrated with political corruption and are looking for results to some of the key developmental bottlenecks: urbanization, infrastructure, job creation, security, justice, human capital and transparency. Each candidate will have to convince the fragmented and disenfranchised voter base that they can deliver concrete results and not just promises. The support for Arévalo can be explained by a young urban generation that voted for the Semilla Movement and which was not captured in the polls. His campaign strategy went beyond traditional politics by leveraging social media. Three barred candidates

Continued on page 2

TODAY'S NEWS

POLITICAL

Ex-Official Arrested in Mexico Missing College Students Case

Mexican authorities have arrested the former head of a federal anti-kidnapping unit in connection with the disappearance of 43 college students in 2014.

Page 2

BUSINESS

Rosneft Transfers 49.9% of Citgo Stake to PDVSA

Russian oil company Rosneft has transferred a 49.9 percent stake in oil refiner Citgo to opposition-controlled Venezuelan state oil company PDVSA.

Page 3

ECONOMIC

Guyana Not Interested in Joining OPEC: VP

Guyana is not interested in joining the Organization of the Petroleum Exporting Countries, or OPEC, Vice President Bharrat Jagdeo said Monday. His statement followed a report that the oil cartel is courting the country.

Page 2



Jagdeo // File Photo: Guyanese Government.

POLITICAL NEWS

Mexican Authorities Arrest Ex-Official in Missing Students Case

Mexican authorities have arrested the former head of a federal-anti kidnapping agency in connection with the disappearance of 43 college students in 2014, the Associated Press reported Monday, citing officials. Gualberto Ramírez headed the unit at the Mexican attorney general's office when the students from the Ayotzinapa teachers' college vanished. Ramírez faces charges of disappearance, torture and conspiracy in connection with the botched probe of the abductions, said Assistant Interior Secretary Alejandro Encinas. Eight soldiers detained last week were also charged in the case, Encinas said. Security forces are believed to have turned the students over to a drug gang that presumably killed them.

FEATURED Q&A / Continued from page 1

also increased the protest vote. Regarding Congress, it will be interesting to see many political newcomers enter the arena of a very divided legislature, trying to negotiate for the benefit of their constituents, in a system that is very hard to operate. The mayoral elections had mixed results, with close to 40 percent of the municipalities won by Vamos. It will be an opportunity for dialogue with the next government on how to increase infrastructure projects, strengthen institutions and generate capabilities to work together with the private sector, academia and civil society organizations on initiatives that promote more investment in the country."

A **Mike Allison, professor and chair of the Department of Political Science at the University of Scranton:** "These elections took place amid deteriorating political conditions following the jailing and exile of journalists and judicial sector professionals, attacks against civil society, the arbitrary

ECONOMIC NEWS

Guyana Uninterested in Joining OPEC: Vice President

Guyana is not interested in joining the Organization of the Petroleum Exporting Countries, or OPEC, the country's vice president, Bharrat Jagdeo told Reuters on Monday. "We were not formally invited to join OPEC. That is not something we are interested in. We have been invited, however, to participate in OPEC meetings," Jagdeo told the wire service. Jagdeo's comments followed a report in The Wall Street Journal that said the oil cartel had been courting Guyana for membership. Jagdeo told the newspaper that Guyana needs to maximize its oil production and profits, especially as demand for oil is expected to fall in the coming decades. "Right now, the idea is to get as much of these resources out of the ground as quickly

disqualification of candidates at all levels, pervasive government corruption and high levels of citizen frustration. However, within Guatemala's notoriously fragmented party system, UNE's Sandra Torres and Semilla's Bernardo Arévalo will provide voters with a referendum on the status quo. UNE abandoned its leftist credentials long ago as it veered sharply to the right and situated itself within the Pact of the Corrupt. Now representing the status quo, Torres retains widespread support in rural areas of the country that benefited from social programs she oversaw as first lady more than 10 years ago. Semilla and its supporters, on the other hand, tend to be younger, more professional and urban. To the extent we can draw any conclusions, Semilla capitalized on its anti-corruption bona fides, outsider status, Thelma Cabrera's disqualification and Arévalo's name recognition. Even though Arévalo only captured 12 percent of the national vote, Semilla should be favored to win the runoff given high levels of Sandrafobia and null

Continued on page 4

NEWS BRIEFS

Peru's Land Under Coca Cultivation Grows 22% to Record High

The amount of land under the cultivation of coca, which is used to produce cocaine, grew 22 percent to a record high last year, the government's top anti-drug official said Monday, Reuters reported. Coca cultivation grew notably in Indigenous Amazon villages and other protected lands near the country's borders with Colombia and Brazil, said the official, Carlos Figueroa. Coca was planted on 95,008 hectares of land, or 367 square miles, he said.

Trafigura Eliminates Five Oil-Trader Positions in Mexico

Trafigura Group has eliminated five oil-trader positions in Mexico this month amid government policies that have hurt its profit margins, Bloomberg News reported. Trafigura's margins in Mexico have taken a hit due to fuel subsidies that the country's government announced last year. Additionally, in 2021, the government canceled Trafigura's fuel-import license, banning the group from doing business with state-owned oil firm Pemex's PMI oil-trading unit in the wake of corruption allegations, Bloomberg News reported. The government reinstated the permits last year, but Trafigura has not resumed much of the trading because of the subsidies.

Brazil's Petrobras Wins Appeal in Labor Case

Brazilian state oil company Petrobras has won an appeal in the country's Supreme Court against a 2018 labor conviction and is no longer liable to pay some \$3.57 billion in salary corrections, Reuters reported. Brazil's top labor court had charged Petrobras with not paying the minimum salary that the company and its employees had agreed upon, the wire service reported.

as possible given that we are not sure of the window we have in the future," Jagdeo told the newspaper. Jagdeo told Reuters on Monday that the South American country has been invited to attend OPEC's international seminar next month in Vienna. Guyana's Ministry of Natural Resources said the country had received an invitation to participate in a ministerial panel on diversifying the economies of energy-producing countries, in addition to attending the meeting in Vienna. In a statement on Tuesday, OPEC said that it has not invited Guyana to join but confirmed that the country was invited to attend the meeting in Vienna "as have a wide array of OPEC and non-OPEC producing countries, as well as representatives of consuming countries, intergovernmental organizations, oil and energy companies, academics and other industry experts." Guyana plans to hold an oil auction in July within the coming months in order to attract other oil and gas companies, Reuters reported. Currently, a consortium led by Exxon Mobil controls all of the country's offshore oil production through a production and sharing agreement.

BUSINESS NEWS

Russia's Rosneft Transfers 49.9% of Citgo to PDVSA

Russian oil giant Rosneft has transferred a stake representing 49.9 percent of oil refiner Citgo to PDVSA, the Venezuelan state oil company said Monday in a statement. A Rosneft subsidiary delivered the certificate on June 21 after PDV Holding launched legal action to recover it, Bloomberg News reported. Venezuela's opposition controls the holding company. "Rosneft is no longer included in the long list of creditors that could have a right over Citgo," José Ignacio Hernández, a former opposition-appointed prosecutor general, told Bloomberg News. "That is good news, even when there are still many outstanding claims." Last month, the U.S. Treasury's Office of Foreign Assets Control gave PDV Holding a license authorizing the Russian company to

THE DIALOGUE CONTINUES

What Can Be Done to Reduce Peru's Rate of Poverty?

Q **Between 2004 and 2019, poverty in Peru dropped from 59 percent to 20 percent amid "vigorous economic growth," according to the World Bank. However, in a report released in April, the institution said the country's economy contracted by 11 percent in 2020—Latin America's sharpest downturn that year, as well as Peru's biggest fall in three decades. At the same time, Peru's poverty rate rose to 30.1 percent, and extreme poverty reached levels not seen since 2015, the World Bank said in the report. Despite the economy's recovery by the end of 2021, poverty rates continue to hover around 27 percent. To what extent has Peru's development prior to the pandemic been erased? What accounts for the backward turn, and how does it relate to the ongoing political crisis? What must be done in order to bring Peru's poverty rates back down?**

A **Javier Escobal, senior researcher at GRADE: Group for the Analysis of Development:** "Although Peru benefited from a strong reduction in poverty between 2004 and 2019. However, it is important to distinguish a period of high growth and substantial reduction in poverty from 2004 to 2014 (when poverty reduced at pace of more than 3.5 percentage points per year) from a second period of meager growth and minimum reduction starting in 2014, when poverty barely dropped at a pace of less

hand over the stake, the news service reported. The shares had been pledged to Rosneft as collateral for an expected oil payment amounting to \$1.5 billion. However, Venezuela's opposition deemed that operation illegal, PDV Holding said in its statement. Also on Monday, a U.S. federal judge in Delaware indicated that he was ready to allow a sale of Citgo's assets in

than half a percentage point per year. Peru experienced unprecedented mortality and economic downturn due to Covid-19 (excess deaths as a proportion of the population was the world's highest, and GDP fell 11 percent). This shock generated an increase of 10 percentage points in poverty within a single year. Poverty has barely fallen during the following two years, reaching 27.5 percent by the end of 2022. The fact that poverty reduction halted well before 2020 highlights the fact that strong growth is a necessary, albeit not sufficient, condition to make significant progress in reducing poverty. While Peruvian macroeconomic strengths are still present (reasonably solid monetary and fiscal policies and low external debt as compared to most emerging economies), the recent pandemic and political turmoil have exposed the reality of a public bureaucracy that is incapable of improving public health and education expenditures and of targeting social safety net policies toward the rural poor and addressing the growing vulnerability of urban populations. Urgent action is needed to overhaul the Peruvian civil servant system, which will help curb rampant corruption and enable the public sector to focus on fostering growth and reducing poverty."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the June 23 issue of the Advisor.

order to satisfy claims from creditors, Reuters reported. U.S. District Judge Leonard Stark said he would approve a timeline for an auction of Citgo shares and address any objections to the process by late July. Crystallex and ConocoPhillips are among the companies seeking compensation for assets that late President Hugo Chávez seized during his time in office.

FEATURED Q&A / Continued from page 2

votes, which surpassed the number of votes any candidate received in the first round and which are unlikely to break for her. While Giammattei will leave office in a few months, Vamos has spent the last several years burrowing into state institutions. Surprisingly, it will control roughly a quarter of the seats in the next Congress (depending on how transfuguismo develops) and an even larger share of municipal offices.”

A Naomi Roht-Arriaza, distinguished professor of law emeritus at the University of California College of the Law, San Francisco: “The big surprise here was the second-place (or third, if you count the null or spoiled ballots) finish of Bernardo Arévalo. Semilla’s strategy of retail, face-to-face politics in small cities and towns as well as the capital paid off. It traded on Arévalo’s name recognition as the son of a beloved former president as well as widespread disgust with the country’s corrupt political system. The emptying out of the countryside as violence and poverty push people to leave may have also favored Semilla, as the rural vote was considered the natural base of Sandra Torres of the UNE party. Going forward, the physical and legal security of Semilla activists will be a main concern. The party’s initial, popular candidate for Guatemala City mayor was disqualified and jailed (his replacement came in third, after the incumbent), and its 2019 presidential candidate fled after death threats. Semilla is now in the crosshairs of the so-called ‘Pact of the Corrupt’ which has dismantled the independence of the prosecutor’s office and the courts. Torres, despite her progressive-sounding rhetoric, has been accused in the past of making deals with the ‘Pact,’ with drug cartels, and with the military. The electoral tribunal just last week was accused of taking bribes from officialdom. The other concern is Congress, where Torres’ UNE and the current president’s party will have the largest blocs. Semilla would

have to find allies to pass legislation. But for now, the party’s immediate challenge will be convincing the 17 percent of voters who spoiled their ballots, and the much larger group that didn’t vote, that there is hope for change.”

A Donald J. Planty, president of Planty & Associates and former U.S. ambassador to Guatemala: “It is no surprise that Sandra Torres led in the first round – she had the highest name recognition among the various candidates stemming from her time as the wife of former President Álvaro Colom. Her unsuccessful presidential candidacies in 2015 and 2019 kept her name in front of Guatemalan voters. Torres is the odds-on favorite to win in the second round on Aug. 20 despite her checkered background – she was charged with campaign finance violations in the past, and her administration of social programs during the Colom administration drew corruption charges. If she is elected, we can expect more of the same in Guatemala. That is, she is unlikely to introduce the broad political and economic reforms that Guatemala sorely needs, particularly a serious anticorruption program that will begin to rein in the malfeasance that erodes trust in democracy and exacerbates Guatemala’s economic and social inequalities. Bernardo Arévalo, however, might bring some refreshing change to Guatemala. While his name is not widely recognized abroad, Arévalo is a well-known, historic surname in Guatemala that connotes democracy and good governance. Arévalo’s father, Juan José Arévalo, returned from exile in Argentina by popular demand to win Guatemala’s first democratic election in 1945, ending years of dictatorship in the country. He was an enormously popular president and is considered the father of Guatemalan democracy. His son offers Guatemalans the prospect of meaningful reform, which will appeal to a broad swath of the electorate.”

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

Gene Kuleta
Editor

Lara Kovandova
Reporter

Nili Blanck
Reporter



Rebecca Bill Chavez, President
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Álvaro Botero, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Kevin Casas-Zamora, Nonresident Senior Fellow
Cristóbal Cobo, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Rasheed Griffith, Nonresident Senior Fellow
Peter Hakim, President Emeritus & Senior Fellow
Selina Ho, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Michael Matera, Nonresident Senior Fellow
Ángel Melguizo, Nonresident Senior Fellow
Margaret Myers, Director, Asia Program
Manuel Orozco, Director, Migration, Remittances and Development Program
Jeffrey Puryear, Senior Fellow
Michael Shifter, Senior Fellow
Daniela Stevens, Director, Energy Transition and Climate Program
Tamara Taraciuk Broner, Director, Peter D. Bell Rule of Law Program
Lisa Viscidi, Nonresident Senior Fellow
Carlos Winograd, Nonresident Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005 www.thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.