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FEATURED Q&A

What Will Arévalo's Presidency Mean for Guatemala?



Bernardo Arévalo, a former diplomat and son of former President Juan José Arévalo Bermejo, was elected Guatemala's president in Sunday's runoff election. // Photo: Arévalo Campaign.

Q Former diplomat Bernardo Arévalo, who has vowed to fight corruption, won a landslide victory over former First Lady Sandra Torres in Sunday's presidential runoff election in Guatemala. Arévalo was nearly removed from the ballot last month after a court, in an order that the Constitutional Court later overturned, sided with a prosecutor who alleged irregularities in the registration of his Semilla party. How likely are prosecutors' investigation of Arévalo's party to prevent him from taking office in January? What factors fueled Arévalo's landslide victory? In what direction is Arévalo likely to take Guatemala as president, and how well will he be able to work with Congress?

A Salvador Paiz, president of Funsepa and board member of Fundesa in Guatemala City: "Elections in Guatemala are powered by citizen volunteers who safeguard democracy and protect each vote. As with previous elections, this was a civic celebration that evolved with no major violence or tension. With a relatively low 45.1 percent turnout, Bernardo Arévalo was elected with a comfortable 60.9 percent of valid votes. The result follows the pattern of prior runoff elections against three-time presidential candidate Sandra Torres, with Jimmy Morales getting 65.5 percent of the vote in 2015 and Alejandro Giammattei receiving 58 percent in 2019. The election was marred by the judicialization of the electoral process. The 'cancellation' of candidates is comparable to what transpired in 2019. However, the judicialization became more disruptive by encroaching on the electoral period and by encompassing the electoral authorities. The investigation into the

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Tropical Storm Franklin Strikes Hispaniola

Tropical storm Franklin made landfall this morning in the Dominican Republic. Officials are concerned about potential flash floods there and in Haiti.

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Enel Unit in Chile Begins Building Solar Project

An Enel Green Power unit in Chile started construction on an 80-megawatt solar and storage facility, the Don Humberto Park project, located near Santiago.

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ECONOMIC

Brazil's Congress Approves Fiscal Framework in Win for Lula

In a win for President Luiz Inácio Lula da Silva, Brazil's Congress gave final approval Tuesday to a new fiscal framework that will allow for government spending that exceeds the level of inflation.

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Lula // File Photo: Brazilian Government.

POLITICAL NEWS

Tropical Storm Franklin Strikes Dominican Republic

Tropical Storm Franklin made landfall this morning on the southern coast of the Dominican Republic, bringing heavy rains to the country, as well as to eastern parts of Haiti, and raising concerns about potentially life-threatening flash floods, The New York Times reported. Parts of the island of Hispaniola, which the two countries share, are expected to receive as much as 15 inches of rainfall. Tropical storm warnings were in effect this morning for the southern and northern coasts of the Dominican Republic, the southern coast of Haiti and also the Turks and Caicos Islands. As of 8 a.m. Eastern Time today, the storm was centered about 25 miles south of the city of Barahona in the Dominican Republic, had maximum sustained winds of 50 miles an hour and was moving north at 10 miles an hour, the U.S. National Hurricane Center said in an advisory. Some flooding was already reported on Tuesday in Santo Domingo and other areas, the Associated Press reported. "We're scared of the river," Doralisa Sánchez, who lives near the Ozama River in the capital, told the AP. She said previous floods forced her to flee her home three times. Officials in the Dominican Republic closed schools, government agencies and airports, the AP reported. Heavy rainfall put more than 40 aqueducts in the country out of service, affecting more than 830,000 customers. In Haiti, Prime Minister Ariel Henry urged residents to stock up on supplies of food, water and medications, and authorities checked on some of the more than 200,000 people in the country who have been displaced by gang violence, the AP reported. Some of the displaced have been living in makeshift shelters or on the streets. Haiti is particularly vulnerable to catastrophic flooding because of severe erosion, the wire service reported. Last June, more than 40 people were killed in Haiti when a powerful thunderstorm caused severe flooding.

ECONOMIC NEWS

Brazil's Congress Approves New Fiscal Rules in Win for Lula

Brazil's Congress gave final approval Tuesday to new fiscal rules designed to strengthen public finances and ease concerns about President Luiz Inácio Lula da Silva's spending plans, Bloomberg News reported. In a major legislative win for Lula, the lower house approved the measure on a vote of 379-64. The legislation now goes to the president for his signature. Lawmakers originally approved the measure in May, but changes in the Senate required another vote in the lower chamber, Reuters reported. The new rules will allow the government to increase spending by a range of 0.6 to 2.5 percent above the rate of inflation, Bloomberg News reported. Spending would be able to rise annually by as much as 70 percent of the previous year's increase in government revenue, the Financial Times reported. The measure will replace a spending ceiling that has been in place since 2017 and that has kept government budgets from rising more than the rate of inflation. Lula and his Workers' Party have seen the current spending cap as an obstacle to improving livelihoods in Brazil, where some 60 million people live in poverty, the newspaper reported. The new framework also will allow for a major public works program that Lula's government is planning. However, some critics have said the government's goals for collecting revenue are too optimistic and have said the government has failed to put forward any significant reduction in spending. "The new framework is weaker than the spending cap when it comes to its ability to rein in the rise in public debt," Marcos Casarin, the chief Latin America economist at Oxford Economics, told the Financial Times. "By shifting the focus away from spending and into a primary balance target, the new rule grants the government more leeway to increase spending by allowing authorities to artificially boost the following year's revenue target. This perverse incentive is what weakens the rule," he added. Congress'

NEWS BRIEFS

At Least Three Killed in Floods in Central Chile

At least three people were killed and more than 34,000 were evacuated amid flooding in the central-southern region of Chile on Monday, CNN reported. President Gabriel Boric declared a state of catastrophe while visiting one of the worst-affected areas. It is Chile's heaviest rainfall in three decades, and forecasters expect more rain to fall across the country's mountainous area, which authorities warned increases the risk of flooding and landslides.

Drug Cartels Have Increased Use of Roadside Bombs in Mexico: Army

The Mexican army said Tuesday that drug cartels have increased their use of roadside bombs this year, the Associated Press reported. Defense Secretary Luis Cresencio Sandoval said 42 soldiers, police and suspects were wounded by improvised explosive devices, up from 16 in 2022. The use of drone-carried bombs has especially risen, with 260 incidents recorded so far this year. They were unknown in the country prior to 2020.

Ecuador to Extend Mobile Phone Contract With América Móvil

The Ecuadorean government said Tuesday that it will extend its contract for mobile phone concessions with América Móvil until the two sides sign a new contract, Reuters reported. Concel, a subsidiary of the Mexico-based company, will pay \$3.3 million monthly during the extension period, the government said. Concel and Ecuadorean officials signed a contract in 2008 to operate the country's mobile phone market until Aug. 26 of this year in a deal that included hundreds of million of dollars in planned investments. A new long-term contract will likely be signed in about six months, said Telecommunications Minister Vianna Maino.

passage of the measure came as the outlook for Brazil's economy, the largest in Latin America, has improved. Economists are expecting Brazil's economy to grow 2.3 percent this year, a stronger outlook than their forecasts of 0.8 percent growth at the beginning of the year, according to a central bank survey, the Financial Times reported. A strong agribusiness sector is expected to help fuel economic growth this year. At the same time, Brazil's central bank has started a loosening cycle, lowering the benchmark Selic rate by 50 basis points earlier this month to 13.25 percent.

BUSINESS NEWS

Enel Unit in Chile Starts Building Solar Project Near Santiago

Italian energy company Enel Green Power's subsidiary in Chile has begun building an 80-megawatt solar and storage project in the South American country, PV Tech reported Tuesday. The Don Humberto Park project, which will be located near Santiago, will also have a 67-megawatt battery energy storage system. Enel Green Power Chile currently has an installed capacity of more than two gigawatts of solar photovoltaics in the country, including Chile's largest single solar facility with a capacity of 398 megawatts. Chile has seen a rise in solar and storage projects that are in the works or reaching commercial operations this year, including the largest energy storage in the region built by AES Andes that was completed last month. Last year, Chile's Senate passed a bill to incentivize energy storage and electric vehicle technology, Energy Storage News reported. The legislation seeks to boost the country's use of renewable energy. In recent years, the South American country has accelerated its energy transition, through broad political support. It set an ambitious goal of converting 70 percent of its total energy consumption to renewables by 2030 and pledged to become carbon neutral by 2050, according to the World Economic Forum.

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allegedly fraudulent creation of Semilla is based on an accusation that the party itself presented. I cannot provide a legal opinion, but the case is unlikely to disrupt Arévalo's investiture as president in January. His victory is based on audacious campaign promises of 'change.' Guatemalans have grown weary of 'swamp politicians' and welcomed Arévalo's promise to fight corruption. His success will largely be based on his ability to deliver on the hope he has created. That will be no small feat given that his party will control only 14 percent of the seats in Congress and that he has a self-admitted lack of inner talent to staff his cabinet. Collaboration with other sectors, actors and initiatives such as 'Guatemala Moving Forward' seem like the logical move. May Guatemala flourish from his leadership and his ability to drive a nonpartisan development agenda."

A Stephen McFarland, former U.S. ambassador to Guatemala: "Five factors drove Bernardo Arévalo's dramatic victory over former center-left, and now right-wing populist Sandra Torres, and the 'pact of the corrupt' mafia that runs Guatemala. Foremost was citizen fatigue with President Giammattei and the status quo he and Torres represented: incompetence in government, corruption and a sense of entitlement, with nary a whiff of the charisma of El Salvador's President Bukele. Second was the government's exclusion of three rival parties from the election, which triggered voters to protest by supporting Arévalo. Third was Torres, whose divisiveness pushed voters to Arévalo. Fourth was Arévalo's own sincere, no-frills campaign. Fifth were the monitoring roles of the Organization of American States, the United States and the European Union, which along with civil society and the economic elite kept the government from arbitrarily eliminating Arévalo. Guatemala's attorney general is likely to continue prosecution of Semilla if the 'pacto de corruptos' so orders; given Arévalo's mandate, it is unlikely she

could do much without causing massive protests. The potential for political violence against Semilla remains. Arévalo seeks to improve services—roads, security, health, education—and to reduce corruption. He must govern with a majority opposition Congress whose parties also dominate the judiciary, and his ministers must lead a civil service undermined by 12 years of corruption and incompetence. His assets include his and Semilla's reputation for honesty, his negotiating ability, his popular support and renewed citizen belief in change, emerging divisions within the corruption mafias and international support, especially by the United States."

A Dinorah Azpuru, professor of political science at Wichita State University: "People voted for Arévalo because he was seen as the only candidate who could rout the structures—including parties—involved in corrupt practices in Guatemala. A modest, nontraditional campaign, for example using personal vehicles to move around, also helped his party's image. The unprecedented involvement of younger Guatemalans who campaigned in his favor through social media was also key. The attacks against his party by the attorney general's office possibly backfired and benefited him in the end. Despite Arévalo's large margin of victory, as of Tuesday, Torres has not recognized the results, and there is a possibility that the ongoing legal process ends up in the cancellation of his party before his inauguration on Jan. 14. Many analysts believe that this would not prevent him from taking office in that he could govern without a party. Given the circumstances of his election, Arévalo will most likely govern as a moderate. Undoubtedly, he faces daunting challenges. He has said that his priority is repairing government institutions that have been severely damaged by corruption, but he will also need to enact policies on other pressing issues, such as citizen security and deep poverty, which affects around 60 percent of Guatemalans.

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Arévalo's experience in conflict resolution can help him reach agreements with different sectors, but he has clearly stated that he will not negotiate with corrupt actors, much less engage in vote-buying in Congress in exchange for legislative support, as has been done in Guatemala for decades. The jubilation of thousands of Guatemalans who took to the streets waving Guatemalan flags (not party flags) after Arévalo was declared the winner shows that this can be indeed a watershed moment for Guatemala's democracy, but the battle for democracy is far from over."

A **James M. Meyer, partner at Harper Meyer in Miami:** "The people of Guatemala know better than most that maintaining a democracy should not be taken for granted. The results of Sunday's runoff election are a case in point. Bernardo Arévalo defied the odds and all sorts of challenges during his unforeseeable ride to victory. However, even more difficult challenges still lie ahead. With zealous prosecutors trying to undermine the legitimacy of the election, no significant representation in Congress and the perennial residual issues that any incoming administration faces in Guatemala, including endemic corruption, organized crime, an inadequate budget and weak institutions, there will be nothing easy or ensured for the new president. Two goals that could give Arévalo his best chances at success would be to 1.) avoid even the slightest appearance of impropriety directly or indirectly through friends, family, associates or appointees, and 2.) avoid alienating the private sector and instead reach out to as many as possible as to support his agenda, which includes infrastructure projects, job creation and growing the economy. However, Arévalo's reputation as a progressive has made many business leaders skeptical of his

intentions, based on the destructive populist policies of similarly labeled administrations in the past. Therefore, it will be critical that Arévalo distinguish himself from those prior failed regimes by allying with and building the private sector's confidence, proving their fears wrong as quickly as possible. If he can achieve these two fundamental goals, both he and the people of Guatemala could prosper at least until the next election when democracy will once again likely be put to the test."

A **Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:** "Guatemala is yet another painful example of a democracy where people have voted but failed to elect. For too long a time, entrenched economic elites have put their candidates in the presidential palace in order to protect their holdings. Little or no resources are mobilized to improve public education, enhance job creation and foster civic society participation in politics. As drug trafficking progressed, most economic ventures and the government have been phagocytized by drug cartels. Corruption runs rampant. But from chaos comes the light. In these elections, civic society joined the all-pervasive anti-incumbent movement sweeping across Latin America's political spectrum and decided to choose a leader who could begin to address the situation, assuming he is not disenfranchised or killed. Bernardo Arévalo's tailwinds were generated by a deteriorating rule of law and democratic backsliding. His Semilla party represents the organized arm of civic society that has shouted loud and clear, 'No More Corruption!'"

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

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