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FEATURED Q&A

Has the Thaw in U.S.-Cuba Relations Frozen Yet Again?



Cuban President Raúl Castro this month criticized U.S. President Donald Trump's policies on immigration and trade. Trump has threatened to roll back the Obama administration's thaw with the island nation. // File Photo: Mexican Government.

Q U.S. airlines Frontier and Silver on March 13 announced they would be canceling service to Cuba, citing market saturation and lower-than-anticipated demand. Is the promise that Cuba showed when the United States and Cuba first announced a warming of relations materializing? What is the future for U.S. businesses hoping to expand in Cuba, and how eager is Cuba to accept the United States as a business partner? Will U.S. President Donald Trump help spur stronger business ties between the two countries, or will he roll back Obama administration efforts to renew relations?

A Vicki Huddleston, retired U.S. ambassador and former chief of the U.S. Interests Section in Havana: "Neither Americans nor the Cuban diaspora support a punitive policy toward Cuba. But that will not stop President Trump from rolling back Obama's opening. His conservative Cuban-American backers demand a post-Castro Cuba, which is no longer run by the Communist Party and the Revolutionary Armed Forces. In the hope of achieving this goal, they will end the current détente with Raúl Castro. In fact, this seems to have already occurred. Once the policy review now underway is completed, we can expect that many of the Office of Foreign Assets Control general license categories will be ended, notably for U.S. travel to Cuba. There will also be much stricter travel enforcement; tourists beware. Specific licenses for trade, investment and finance will not be curtailed, but many will not be renewed. At best, sanctions will resemble those of the early years of the Obama administration. At worst, relations will revert to the punitive and hostile years of President George W. Bush's second term. The tragedy

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POLITICAL

Moreno Has Slight Lead in Ecuador Election Polls

The final voter polls allowed under Ecuador's election laws suggest governing-party candidate Lenín Moreno will win narrowly in the runoff election scheduled April 2.

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BUSINESS

Meat Scandal Cuts Into Brazil Market Share: Maggi

Brazil's Agriculture Minister, Blairo Maggi, said that an investigation into unsanitary and corrupt practices in Brazil's meatpacking industry could cut more than 10 percent off the sector's global market share.

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POLITICAL

U.S. Border Wall Only Needed in Some Locations

In a Senate budget hearing Wednesday, the head of the union representing U.S. Border Patrol agents, Brandon Judd, said that a physical wall along the border with Mexico was only necessary in "strategic locations."

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Judd // Image: C-Span video grab.

POLITICAL NEWS

U.S. Border Wall Only Needed in Some Locations: Official

In a Senate budget hearing Wednesday, the head of the union representing U.S. Border Patrol agents said that a physical wall along the border with Mexico was only necessary in “strategic locations,” ABC News reported. National Border Patrol Council president Brandon Judd said, “We don’t need a great wall of the United States. We do not need 2,000 miles of border wall. I will tell you, however, that a wall in strategic locations is absolutely necessary.” Judd said the current fencing “can be defeated” by criminals and those seeking to cross the border. President Donald Trump has pledged to build a “great wall” along the border with Mexico with promises that Mexico will pay for it, a position that has led to the worst diplomatic relations between Mexico and the United States in a generation. Trump also made immigration enforcement a priority since taking office,

The number of apprehensions at the Mexico border has dropped to levels last seen in the 1970s.

directing CBP to hire 5,000 additional agents and ICE to hire 10,000 additional agents. Amid concerns that people are increasingly making illegal crossings into Canada, Judd said he doesn’t want to see a situation where the only focus is on the southern border. “What I am scared of is we are going to throw all of our resources to the southern border and leave the northern border wide open,” said Judd. The number of apprehensions at the U.S.-Mexico border—a proxy for how many Mexicans, central Americans and others are attempting to cross into the United States—has dropped to levels last seen in the 1970s, according to the

Financial Times. While Border Patrol officials complained Wednesday of a lack of staffing, the agency has been forced to pay out millions of dollars to settle abuse claims and other crimes committed by employees. The family of a 16-year-old boy who died from acute meth intoxication after Customs and Border Patrol officers forced him to “prove” that a liquid he tried to cross the border with was juice will receive \$1 million from the U.S. government, the Washington Post reported this week. None of the employees involved in the incident have been fired, according to the report. On Tuesday, two sisters from Guatemala, age 19 and 17, filed a \$750,000 law suit against CBP, claiming that they were taken by a Border Patrol officer to a closet where he forced them to strip and sexually assaulted them in July last year, the Los Angeles Times reported.

Polls Give Moreno Slight Advantage in Ecuador Runoff

The final voter polls allowed under Ecuador’s election laws suggest governing-party candidate Lenín Moreno will win narrowly in the runoff election scheduled April 2, Telesur reported Wednesday. Moreno leads former banker Guillermo Lasso in five of the surveys released before the mandated 10-day quiet period ahead of an election. Polling firm Market predicts Moreno would win 52.1 percent of valid votes if the election were held today, while Lasso would capture 47.9 percent. The sample of 2,240 people was taken between March 19 and 20. Meanwhile, Cedatos, a firm that released a poll last month that put Lasso ahead of Moreno, found in its latest poll the Moreno would instead win by 4 percentage points. A CMS poll, the closest among five released, suggests that the race is a dead heat, with Moreno winning 35.17 percent compared to Lasso’s 35.01 percent. Both candidates have been campaigning heavily in recent days to attract young voters, with Lasso pledging to focus on drug use and creating more entrepreneurship among youth, and Moreno offering to make more scholarships and fellowships available to students.

NEWS BRIEFS

Latin America Market for Big Data Reaches \$2.48 Billion in 2016

Latin America’s market for “big data and analytics” reached a worth of \$2.48 billion last year, according to a Frost & Sullivan report released this week. Led by Brazil and Mexico, the market is expected to hit \$7.41 billion in 2022, TelecomPaper reported. Brazil accounted for 46.8 percent of the big data market in Latin America last year, generating revenue of \$1.16 billion. Globally, Latin America’s market represents only 5.1 percent of the global market, with IBM, Oracle, SAP, SAS and Teradata leading the industry.

Venezuelan Per Capita Income Falls 28 Percent

Per capita income in Venezuela has slid 28 percent in the past four years, El Universal reported Wednesday, citing research released by New York-based Torino Capital. A combination of “misguided” economic policies adopted since 1999 under a socialist government and a “massive external shock” stemming from low oil prices have cut deeply into the income levels of citizens, the report states. The average price of Venezuelan crude sold by state oil firm PDVSA last week was about \$42, down from a historical peak of \$126 in 2008.

Key Railway for Peru’s Mining Industry Crippled by Deadly Floods

The worst flooding in 20 years has crippled a key railway used by Peru’s important mining industry, Reuters reported Wednesday. Transportation minister Martin Vizcarra told the news service that the railway, used by copper, zinc and silver mines to transport concentrates from Peru’s central Andes to ports, will take at least two to three weeks to repair following deadly mudslides. “The damage wasn’t mild, it was seriously damaged,” Vizcarra said.

BUSINESS NEWS

Brazil Meat Scandal Could Shave 10% Off Market Share: Maggi

Brazil's Agriculture Minister, Blairo Maggi, said Wednesday that a police investigation into alleged unsanitary and corrupt practices in Brazil's meatpacking industry could cut more than 10 percent off the sector's market share worldwide, Reuters reported. China and Hong Kong, which last year bought nearly one-third of the \$14 billion worth of meat that Brazil exported, have suspended meat purchased from Brazil temporarily but have not yet taken a definitive stance on their bans. Saudi Arabia, the No. 2 buyer, ordered new inspections of meat shipments, while the European Union and Japan have also set restrictions. Brazil's meat exports plunged to \$74,000 on Tuesday, compared with the daily average of \$63 million, Bloomberg News reported. Maggi suggested it could take Brazil up to five years to recoup the global market share it would lose as a result of the scandal, made public last week. The U.S. Department of Agriculture on Wednesday said it was conducting "additional pathogen testing of all shipments of raw beef and ready-to-eat products from Brazil," CNBC reported. None of the slaughter or processing facilities implicated in the Brazilian scandal have apparently shipped meat products to the United States. "Keeping food safe for American families is our top priority," Mike Young, acting deputy secretary of the USDA, said in a release. Some U.S. meat producers compete with Brazilian companies for access to growing markets in Asia. However, the countries' meat industries are increasingly intertwined. The largest Brazilian companies at the center of the investigation, JBS and BRF, have extensive operations in the United States. The scandal broke weeks before JBS and BRF were due to launch an initial public offerings on Wall Street of their foreign-based units, JBS Foods International and One Foods Holdings, that were expected to fetch a combined \$2.5 billion and help accelerate expansion outside Brazil, Reuters reported.

Gas Natural Sues Colombia Over Company's Seizure

Spanish utility Gas Natural SDG has said it is suing the Colombian government after it seized one of its companies, electricity provider Electrificadora del Caribe, known as Electricaribe, The Wall Street Journal reported Wednesday. Colombian authorities on March 14 said they were liquidating Electricaribe, despite objections from Gas Natural, saying the company's distribution network, which provides electricity to Colombia's Caribbean coast, was responsible for frequent blackouts. Colombian Superintendent of Services José Miguel Mendoza claims the company has proven to be unable to provide adequate services to its 2.5 million customers in the region. But Gas Natural has accused Colombia of "expropriation" and said it is filing the case with the United Nations Commission on International Trade

Law, a legal body that arbitrates on disputes between states and foreign private investors. Gas Natural is demanding a full restitution of its electricity unit, as well as a "viable regulatory framework" from the government. Otherwise, it is seeking more than \$1 billion in compensation from Colombia's government, based on a preliminary valuation of the company's market value. Gas Natural has complained Colombia does little to control thousands of Colombians illegally tapping into power lines at a cost of \$100 million each year, MarketWatch reported. Colombian Minister of Commerce, Industry and Tourism Maria Claudia Lacouture declined to comment on the lawsuit specifically to the Journal, but said Colombia has followed precedents carefully, as well as local and international laws, throughout the entire process. "The first and most important thing is that the intervention is not a nationalization or an expropriation," she said Wednesday. "The Colombian government is guaranteeing the provision of an essential service for Colombians and because of this, it is acting within its rights."

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is less the shrinking of these recent hopeful links between our citizens, than it is the fact that it will not undo the Cuban Revolution. Cuba will find another benefactor—China, it seems. The Cuban diaspora and Cubans will lose their last chance for reconciliation. Latin America will disapprove of our mean-spirited policy. And we will tarnish our standing as a just world leader."

A Frank Calzon, executive director of the Center for a Free Cuba: "Frontier and Silver cancellations and American and JetBlue cutbacks in air service result from the collision of Mr. Obama's Cuban 'narrative' with the facts. The 'promise' by Cuba when the 'warming' of relations was announced ignored that the regime pays Cubans in worthless pesos, and many foodstuffs are only available in convertible currency at prices similar to those abroad. The dictator is not

'eager' to have the United States 'as a business partner,' unless he gets credits and the American taxpayer ends up picking up the tab for his unpaid bills. What 'expansion' of U.S. business could occur as long as Cubans get paid less than \$30 a month? President

“Havana continues to deny Cubans the same business opportunities it provides foreigners.”

— Frank Calzon

Trump should spur stronger business ties with the island when Havana returns American terrorists on the FBI's Most Wanted list, and Cubans who are not part of the Castro family or the military could partner with

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American companies. Havana continues to deny Cubans the same business opportunities it provides foreigners. Mr. Obama's decrees, negotiated in secret and ignoring Congress, if deemed not consistent with the law, need to be revoked. In the meantime, the Advisor's readers should be aware of the risks of doing business in a place where there is no rule of law, as The Guardian has recently described in **'From now on you have no name. You are prisoner 217: life in a Cuban jail.'** A brutal high-security prison was the last place Stephen Purvis expected to end up when he moved to Havana."

A **Pedro Freyre, International Practice chair at Akerman, LLP and lecturer of law at Columbia University School of Law:** "Cuba's promise is in the process of materializing, but there's work to be done by both it and the United States. More changes are needed on the Cuban side to streamline applications and incentivize foreign investment. The United States can do its share by continuing to foster business engagement and eventually lifting the embargo. Part of what we are seeing with the airlines is a normal readjustment to existing market conditions and limited traffic between Cuba's provincial destinations and the United States. U.S. businesses continue to show

strong interest in working with Cuba. Sectors like hospitality, pharmaceuticals, agriculture and telecoms are keenly interested in exploring opportunities. Further down the road, real estate developers and infrastructure companies see Cuba as the last frontier

“ President Trump has a lot of cards to play with Cuba if he chooses to do so.”

— Pedro Freyre

to be opened in the Caribbean. Those of us in the Cuba space are closely monitoring potential actions by the Trump administration. On the one hand, then-candidate Trump espoused a hardline approach in the final days of the campaign while addressing a group of conservative Cuban-Americans. On the other hand, consultants working for one of his companies apparently explored the possibility of doing a project in Cuba some time ago. President Trump has a lot of cards to play with Cuba if he chooses to do so; control of both houses of Congress gives him the ability to put the embargo on the table as part of a comprehensive deal with the Cuban government.”

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