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FEATURED Q&A

What Is the Impact of Trump's Policy Shift on Cuba?



In a speech Friday in Miami's Little Havana neighborhood, U.S. President Donald Trump announced a rollback of parts of the U.S. opening with Cuba. // Photo: White House.

Q U.S. President Donald Trump on Friday announced a rollback of some parts of former President Barack Obama's thaw with Cuba by expressly prohibiting tourist travel to the island, restating the importance of the U.S. embargo with Cuba and banning Americans from conducting financial transactions with companies under the control of Cuba's military. What is the significance of the changes for Americans and for U.S. businesses? How will the changes affect Cuba? What are the reasons behind Trump's decision?

A Otto Reich, president of Otto Reich Associates LLC and former assistant secretary of state for Western Hemisphere Affairs under President George W. Bush: "Asking why President Trump is rolling back some of President Obama's Cuba policies must be preceded by asking why President Obama promoted an opening so incompatible with U.S. values. Pretending to help Cuba's oppressed population, Obama sided with the oppressors. Obama said his policy was intended to 'empower' the Cuban people, but the one truly empowered by the 'historic opening' (a term the media repeated ad nauseam) was the military-industrial complex of a one-party communist state, with the United States getting nothing in return. Enjoying the long-sought diplomatic recognition of the world's leading democracy, the Castro dictatorship redoubled its political repression. More than 10,000 arrests of dissidents have happened since the 'historic opening.' Raúl Castro welcomed Obama to Cuba on his 2016 visit by openly beating a group of unarmed women who were marching silently on their way from Palm Sunday Mass. The leader of the free world did not protest this gross violation of human rights—or any other—because of his need to protect what he

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TODAY'S NEWS

POLITICAL

Mexican Activists, Journalists File Complaint Over Reported Spying

A report in The New York Times said surveillance software bought by the Mexican government was used to infect the smartphones of journalists, lawyers and activists.

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POLITICAL

OAS Members Fail to Agree on Venezuela Resolution

Foreign ministers met in Cancún but could not reach consensus on a declaration to admonish the government of Venezuelan President Nicolás Maduro.

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ECONOMIC

Argentina Raises \$2.75 Billion With 'Century Bond' Sale

Finance Secretary Luis Caputo said Argentina was able to issue the 100-year bond because it has recovered credibility.

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Caputo // File Photo: Argentine Government.

POLITICAL NEWS

Mexican Journalists, Activists Complain Over Spying Report

A group of nine journalists, human-rights lawyers and activists on Monday filed a formal complaint with Mexico's attorney general's office following a report that their smartphones had been infected with spying software that an Israeli company had sold to Mexico's government in order to help it fight terrorists and other criminals, Reuters reported. The report in The New York Times said Mexico's government



Aristegui // File Photo: Municipality of Pátzcuaro.

had bought some \$80 million worth of software from the company, NSO Group, on the condition that it only be used for surveillance related to criminal acts. Journalists claiming to be targeted by the software, known as Pegasus, include Carmen Aristegui and Carlos Loret de Mola. Aristegui in 2014 helped break a story that President Enrique Peña Nieto's wife had acquired a house from a government contractor. Loret de Mola is a journalist at the Televisa television network. Others who participated in filing the complaint include lawyers representing family members of the 43 students of the Ayotzinapa Rural Teachers' College who were kidnapped and apparently killed in Guerrero State in September 2014. Daniel Millan, a spokesman for Peña Nieto's office, said there was no proof that Mexico's government had used the software for the spying that was described in The New York Times. "We condemn any attempt to violate the right to privacy of any person," Millan said in a statement, Reuters reported.

OAS Member Nations Fail to Agree on Venezuela Resolution

Foreign ministers from Organization of American States member nations failed to reach agreement Monday on a resolution criticizing Venezuela's government amid continuing violent protests in the South American country, Reuters reported. The foreign ministers met in the Mexican resort city of Cancún after they were unable to reach a consensus on Venezuela during a May meeting in Washington. The United States, Mexico and Peru have led the push for such a resolution, but Venezuelan allies, some of which receive oil from the Andean nation on preferential terms, have resisted that attempt.

ECONOMIC NEWS

Argentina Raises \$2.75 Billion in 'Century Bond' Sale

Argentina sold a 100-year bond on Monday, the first junk-rated government to do so, joining a small group of other countries that have sold "century bonds," The Wall Street Journal reported. The country's debt issue raised \$2.75 billion with a yield of 7.9 percent, according to Argentina's Ministry of Finance. The yield was lower than the initially proposed 8.25 percent, indicating that many investors were keen to own debt with yields higher than most emerging-market bond issuers. "The absolute yield level of these bonds will attract a certain type of investor, for instance insurance companies and pension funds," said Jan Dehn, head of research at fund manager Ashmore Group in London. Mexico, the United Kingdom and Ireland have also sold century bonds. The deal marks a rapid recovery in the international financial markets for the South American nation. At the start of last year, Argentina was unable to participate in the global financial markets, due

NEWS BRIEFS

Trump, Varela Discuss Security, Economic Issues

U.S. President Donald Trump and Panamanian President Juan Carlos Varela discussed economic issues, as well as the fight against drug trafficking and other security issues Monday during the Panamanian leader's visit to the White House, the Associated Press reported. Trump and Varela also agreed to work together to address the political situation in Venezuela.

Pope Francis to Visit Chile, Peru in January

Pope Francis will visit Chile and Peru early next year, the Vatican announced Monday, the Associated Press reported. He will visit Chile from Jan. 15 through 18, and then will visit Peru through Jan. 21. The details of the pontiff's schedule are to be announced at a later date, but the Holy See said he will visit Santiago, Temuco and Iquique in Chile and Lima, Puerto Maldonado and Trujillo in Peru. The pope is also set to visit Colombia in September.

U.S. Supreme Court Sides With Chevron in Ecuador Pollution Dispute

The U.S. Supreme Court on Monday denied an appeal by New York-based lawyer Steven Donziger, who for more than two decades has been trying to force California-based oil company Chevron to pay Ecuadorean villagers \$8.65 billion for pollution in the Ecuadorean rain forest, Reuters reported. Though Chevron has not denied that the pollution occurred, it said it is not liable for the pollution, and has accused Donziger and his associates of bribing the judge presiding over the case in Ecuador. U.S. District Judge Lewis Kaplan in Manhattan barred enforcement of the \$8.65 billion pollution judgment in 2014, saying corruption led to the ruling. The New York-based 2nd U.S. Circuit Court of Appeals upheld Kaplan's decision last year.

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hoped would be seen as a rare foreign policy legacy. Trump's reversal of Obama's blunder will keep Americans from partnering with a military dictatorship's monopolies. Most Americans don't know that when they fly to Cuba, dock on a cruise ship, stay at a hotel, rent a car, buy gasoline or smoke a cigar, they are putting money into the pockets of entities like Gaviota, GAESA and the other government conglomerates that own Cuba's economy, some of which, in dynastic fashion, are run by Raúl Castro's son-in-law. Those dollars also fortify a Cuban military establishment that cooperates with fellow police states Syria, North Korea and Iran, and that supervises the lethal brutality of the Venezuelan security forces. Trump's action has just taken one important step to making the United States an ally of the oppressed in those countries instead of the oppressors."

A **Fernando X. Donayre, chief investment officer and founder of INCA Investments in Miami:** "While vowing to 'help the Cuban people themselves form businesses and pursue much better lives' President Trump's recently announced changes will unfortunately have the opposite effect. The most dramatic change he announced is the elimination of individual people-to-people travel to Cuba, which will significantly curtail travel to Cuba by Americans. The result will be to meaningfully lower the income of Cuban taxi drivers, tour guides, waiters, artisans, hotel service workers and the new breed of Cuban entrepreneurs who have benefited from the increase in U.S. travelers who rent rooms in their homes and eat at their private restaurants. They form the core group of Cuba's nascent middle class. If you want to help the Cuban people, as President Trump purports to do, you should encourage more, not less, travel to Cuba. The only other significant change in Cuban policy that President Trump announced was the banning of U.S. entities from conducting business with the Cuban military. Ironically, those U.S. institutions

that directly or indirectly work the most with the Cuban military—U.S. airlines, cruise companies and more recently, Marriott hotels—will be exempted from this rule. While there will be associated benefits that flow from these U.S. companies to the Cuban military, the greatest beneficiaries will be the Cuban people. Those of us who have been traveling to Cuba for some time have seen first-hand how the influx of U.S. travelers to the island has benefited the Cuban people. President Trump has failed to grasp this simple, but changing dynamic in his misguided effort to please the hardline minority of Cuban-Americans who believe the failed U.S. policies of the past should continue even as the opportunities for the Cuban people evolve."

A **Matthew Aho, special advisor on Cuba for the corporate practice group of Akerman LLP in New York:** "President Trump's Cuba policy speech—delivered alongside its chief architects, Sen. Marco Rubio and Rep. Mario Diaz-Balart, was a startling return to the macho Cold War-era posturing and fiery rhetoric of past Republican administrations that have kowtowed to South Florida's shrinking hardline Cuban-American constituency in exchange for loyalty at the polls. The only difference now is how senseless and divorced from reality the president's words and actions seem. Over the past decade, the Cuban government under Raúl Castro has undertaken a series of economic and political reforms that—however imperfect and incomplete—have fundamentally altered life on the island. Nearly every U.S. visitor is struck not only by the warmth and hospitality of the Cuban people, who welcome Americans like long-lost cousins, but also by the proliferation of small businesses on the island and by Cuban entrepreneurs' willingness to push boundaries and criticize their own government's excesses. U.S. businesses have embraced the opportunity to rebuild long-dormant ties with Cuba, generating billions in new revenues and thousands of

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to an \$80 billion debt default in 2001 that went unresolved until later in 2016, a few months after President Mauricio Macri's inauguration. After settling with creditors, Argentina re-entered the international debt markets in April of last year with a \$16.5 billion global bond, which was the largest-ever sovereign issuance by a developing country at the time. Argentine Finance Secretary Luis Caputo said Argentina was able to issue the 100-year bond because it had recovered credibility in world markets. Argentina has defaulted eight times since 1827, according to Harvard University economist Ken Rogoff.

Mexico Auctions Off Shallow-Water Oil, Gas Blocks

Mexico's government on Monday surpassed its own conservative expectations by successfully auctioning off 10 of 15 shallow-water oil and gas blocks to international oil companies, Reuters reported. The potential output from the blocks auctioned could total 170,000 barrels per day of crude equivalent, and investments could eventually reach \$8.2 billion, Energy Minister Pedro Joaquín Coldwell said. Twenty individual companies and 16 consortiums from 15 countries participated in the so-called "Round 2.1" auctions Monday, the fifth since Mexico launched its energy reforms opening the country's oil sector to foreign investment more than two years ago. Italy's Eni, Colombian national oil company Ecopetrol and Capricorn Energy, a unit of Edinburgh-based Cairn Energy, were among the biggest bidders. Russia's Lukoil also won a block, as did a joint bid from France's Total SA and Royal Dutch Shell. Mexican state oil company Pemex won two blocks in Monday's bidding: one in consortium with Deutsche DEA Erdoel, and another with Ecopetrol, which has entered Mexico for the first time though the auction. Mexico's oil production peaked in 2004 at 3.85 million barrels per day (mbd) and dropped to as low as 2.5 mbd last year, Rigzone reported. [Editor's note: See related Q&A in the April 21 edition of the weekly Energy Advisor.]

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new jobs. Normalization isn't a bad deal; it is a win-win that puts America's interests first, while extending our full-fledged support to the Cuban people. While the severity of the damage that Mr. Trump's Cuba policies will cause to U.S. businesses and jobs now depends largely on how many new regulations the administration ultimately imposes, the sour tone he has set will resonate for months and years to come. For every U.S. deal the White House scuttles, there will be Russian and Chinese-speaking suitors in waiting."

A Jorge Sanguinety, chairman and senior advisor at DevTech Systems: "In his policy statement regarding U.S.-Cuba relations, President Trump recognizes a critical condition of the Cuban political economy, almost always ignored by observers of Cuban affairs: the fact that the country's economy is strictly segmented into two systems, one owned and controlled by the government through its military establishment, and one composed by the rest of the population playing a subservient role. This duality has profound implications in any strategic design dealing with Cuba, as it determines who are the winners and the losers of changes in the current conditions under which the embargo is applied. Americans wanting to travel to Cuba as tourists or to do business will suffer, as their choices are reduced by the policy. Yet they face a moral dilemma, since when dealing with Cuba, anything they gain comes at the expense of underpaid Cuban workers, who lack freedom of choice as laborers or investors. The changes may affect Cuba positively if (perhaps a big if) in view of the current crisis of the Cuban economy, its government feels an incentive to somewhat liberalize the country's fledgling private sector by allowing it to do business directly with American enterprises and bypass the military. The obvious reason for Trump's decision is to fulfill a campaign pledge to Cuban-Americans to reverse some of the

Obama's 'normalization' policy announced in 2014. Nevertheless, in all fairness, Trump's sincerity on wanting to contribute to improving political conditions for Cubans in the island should not be discarded."

A Jonathan Benjamin-Alvarado, interim director of the Office of Latino/Latin American Studies and professor of political science at the University of Nebraska Omaha:

"The 'new' policy will make the already complex business interactions with Cuban enterprises even more frustrating. Even for those businesses grandfathered in the new policy, the depth of scrutiny and auditing required to meet the new policy provisions will severely constrain the potential revenue going to Cuba. None of it does anything to improve human rights. GAESA and the other state-run firms will see a drop in revenue, but there will also be a significant chilling effect across all of the Cuban economy. There are numerous private enterprises that rely on the presence of tourism. Although the state runs the hotels, transportation and supply firms, the vast majority of the beneficiaries are everyday Cubans who work for these enterprises. The Trump administration needed a 'victory.' These policy changes were low-hanging fruit and were essentially designed for domestic consumption in a small and shrinking pocket of South Florida. It is political theater that advances nothing other than the narrow perspective of backward-looking constituents. This policy returns us to an obsolete Cold War stance that has not worked and will not work. The policy also feeds Cuban suspicions that this administration cannot be trusted, and it erodes any gains that the Obama initiatives may have generated. It will just make things much more difficult under any scenario. This advances neither human rights nor freedom for the Cuban people, and simultaneously diminishes the capacity of the state and of private enterprises to create economic gains for the entire island."

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