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FEATURED Q&A

Will Nicaraguans Force the Ortegas Out of Office?



Nicaraguans have taken to the streets in recent days to demand the resignation of President Daniel Ortega. Dozens have been killed at the hands of police, human rights activists allege. // Photo: COSEP.

Q Spurred by public anger over a planned social security reform, Nicaragua has been wracked by some of its biggest protests since the country's civil war ended in 1990. President Daniel Ortega has backed off the reform, but protesters have continued taking to the streets to demand his resignation. Why has there been so much violence and carnage now in Nicaragua, which had enjoyed decades of relative calm? Will the Ortega family dynasty fall, and will authorities be held accountable for the deaths and repressive tactics that they are accused of by human rights activists? What will it take to appease protesters? Why has Nicaragua's state-run pension system run out of money?

A Mario Arana, director of the Nicaraguan Foundation for Social and Economic Development and a former Nicaraguan minister of finance and central bank president: "Ortega's administration until recently had extraordinarily positive economic circumstances in large part due to a generous stream of cash from oil loans given by Hugo Chávez, which allowed the government to invest in public goods, social spending and giveaways, including the enrichment of a small cadre of trusted allies, which in turn helped Ortega to accumulate unusually high amounts of power. A number of other economic conditions helped as well. The debt overhang was finally over, and CAFTA, as expected, produced trade and investment benefits. Economic growth rates were around 5 percent for the last five years. The model combined liberal economic policies with power centralized in the hands

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TODAY'S NEWS

POLITICAL

Immigrant Caravan Reaches U.S. Border

About 150 migrants were told Sunday afternoon that immigration officials could not process their claims, and they would have to spend the night on the Mexican side of the border in Tijuana.

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ECONOMIC

Argentina Protects Currency as Peso Hits All-Time Low

A stronger U.S. dollar pushed Argentina's central bank to raise its policy interest rate 3 percentage points on Friday to 30.25 percent, a surprise move that underscored mounting pressure on emerging market currencies.

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POLITICAL

Chilean President Retracts Brother's Appointment

Chilean President Sebastián Piñera on Saturday officially withdrew the appointment of his brother, Pablo Piñera, as ambassador to Argentina amid nepotism claims.

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Pablo Piñera // File Photo: BJPerez via Creative Commons license.

POLITICAL NEWS

Immigrant Caravan Stopped at U.S. Border in Tijuana

After weeks of contentious media coverage, a caravan of immigrants reached the border between the United States and Mexico on Sunday, *The New York Times* reported. More than 150 migrants, part a caravan that once numbered about 1,200 people that left Mexico's border with Guatemala in March, arrived at the border fence in Tijuana in a bid to seek asylum and raise public attention of U.S. immigration policy under President Donald Trump. But the migrants were told Sunday afternoon that immigration officials could not process their claims, and they would have to spend the night

on the Mexican side of the border. Immigrant advocates hoped the caravan would draw attention to the dangers migrants face on the trail north, such as robbery, kidnapping and rape. U.S. Attorney General Jeff Sessions has called the caravan "a deliberate attempt to undermine our laws and overwhelm our system." Some Republican strategists hope the caravan will galvanize anti-immigrant supporters in November's U.S. midterm elections.

Chilean President Retracts Brother's Appointment

Chilean President Sebastián Piñera on Saturday officially withdrew the appointment of his brother, Pablo Piñera, as ambassador to Argentina, *TeleTrece* reported. Opposition legislators

NEWS BRIEFS

Head of U.K.'s Home Office Resigns Over Caribbean Immigration Scandal

The United Kingdom's Home Secretary, Amber Rudd, resigned on Sunday over a scandal involving deportation quotas for Caribbean immigrants, *BBC News* reported. In a letter, Rudd said she had "inadvertently misled" a government committee about deportation quotas for immigrants from the so-called Windrush generation, the first large group of Caribbean migrants to arrive in the United Kingdom after World War II. While Rudd told the committee she had no knowledge of the matter, a leaked memo revealed Rudd had been aware of the deportation quotas.

Colombian Central Bank Reverses Course With Interest Rate Cut

Colombia's central bank lowered its benchmark interest rate from 4.5 percent to 4.25 percent on Friday, just three months after it declared its year-long easing cycle to be over, the *Financial Times* reported. The bank said that price pressures had eased and that it has lowered inflation forecasts for both this year and next. Analysts expect inflation to dip below the 3 percent mark this month for the first time since late 2014, according to the report.

FIFA Bans Brazil's Top Sports Official for Life

FIFA, the global governing body for the sport of soccer, on Friday banned the president of Brazil's football federation, or CBF, for life from all activity related to the sport, *ESPN* reported. Marco Polo Del Nero had been found guilty of receiving bribes. Charges of unethical conduct against Del Nero included bribery and corruption, offering and accepting gifts and other benefits, and conflicts of loyalty, FIFA said. Attorneys for Del Nero said he will appeal the decision.

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of the president and vice president. The executive branch controlled all major state institutions. That economic environment ended as export prices stagnated, Venezuelan trade and cash flow disappeared, fiscal gaps began to increase and it became clear that more challenging decisions and tradeoffs were to come. The question was how the regime would handle those choices under harsher economic constraints. The social security system was to run out of cash this year as decisions were postponed, questionable investments were made and expenditures increased as the population aged and the number of pensioners grew. Unfortunately, instead of building consensus around difficult choices, the regime sought to impose costs on the business sector and pensioners. College students saw their future employment prospects compromised as the business sector forcefully opposed the reforms. The regime's thugs attacked a small demonstration of university students, and then protesting retirees were attacked in León the next day. Both incidents went viral, and students from other universities began to spontaneously organize through

the Internet. The university student-led revolt only gained strength as students were violently repressed and the lives lost began to accumulate. As the massacre became evident, leading sectors began to issue statements of protest and support and on April 23, massive demonstrations took place on the streets of Managua and major cities in the country."

A **Christine Wade, associate professor of political science and international studies at Washington College in Chestertown, Md.:** "Though Nicaragua has generally received good marks from international creditors in fiscal management, there have been allegations that the Ortega administration was using pension funds to benefit programs and supporters. The reforms Ortega implemented were significantly milder than those proposed by the IMF and COSEP, Nicaragua's private business association which initially called for protests, but many are wary about paying into a system rife with abuse. Anger surrounding the protests quickly escalated in response to repression by police and Sandi-

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criticized the appointment as nepotism and last week filed an appeal challenging it. The president, who took office last month, said in a statement that he had named his brother to the post because of the importance and “urgency” of Chile’s relationship with neighboring Argentina. Meanwhile, Piñera last week wrapped up his first international tour as president, which included visits to Brazil and Argentina, *La Tercera* reported. In a meeting with Brazilian President Michel Temer on Friday, Piñera said he hoped that the Mercosur trade bloc, which includes Brazil but not Chile, and the Pacific Alliance countries, of which Chile has been a leader, could create closer commercial ties. “We have to take the lead in integrating the continent,” Piñera told Temer. The two presidents signed accords related to energy integration, environmental protection, cybersecurity, drug trafficking and organized crime. Earlier last week, Piñera met with Argentine President Mauricio Macri in Buenos Aires, where he was received with full honors on Thursday.

ECONOMIC NEWS

Argentina Protects Currency as Peso Hits All-Time Low

A stronger U.S. dollar pushed Argentina’s central bank to raise its policy interest rate 3 percentage points on Friday to 30.25 percent, the *Financial Times* reported. The surprise move underscored mounting pressure on emerging market currencies amid a tightening trajectory in U.S. monetary policy, according to the report. Last week alone, Argentina’s government spent about \$3 billion in reserves to support the peso currency, which has lost more than a quarter of its dollar value over the past year and nearly 10 percent year-to-date. “The external environment is becoming a lot less friendly to emerging market currencies,” Goldman Sachs economist Alberto Ramos told the newspaper. The central bank said it sold \$1.38 billion on the spot market on Friday after the peso slumped to an all-time low at just over 20 pesos per U.S. dollar, Reuters reported.

LEGAL BRIEFS

Kimberly-Clark Sues Venezuela Over Factory Seizure

U.S.-based paper products company Kimberly-Clark this month brought a claim to the World Bank’s International Centre for Settlement of Investment Disputes, or ICSID, over the seizure of its factory in Venezuela during a national toilet paper shortage, *LatinLawyer* reported. According to ICSID’s website, the case is premised on bilateral investment treaties signed in 1991 between Venezuela and Kimberly-Clark’s holdings in Spain and the Netherlands. Facing billions of dollars in claims, Venezuela’s government withdrew from ICSID in 2012, saying it would still honor previous commitments.

Chahín Rejoins Diaz Reus as a Partner in Chile

After eight years serving in Chile’s lower house of congress, Fuad Chahín last week returned as a partner to Abdala & Cia., where he had previously worked. Chahín, who will specialize in regulatory and corporate law, was a member of the Chamber of Deputies’ Finance Committee. He was also a legislative advisor in the ministries of justice and mining. Founded in 1988, Abdala & Cia. is part of Miami-based law firm Diaz Reus.

Venezuela Shrugs Off \$2 Billion ConocoPhillips Loss

Venezuela’s government said Thursday that winning a \$2.04 billion award by an arbitration tribunal of the International Chamber of Commerce in Paris was a “tough lesson” for U.S.-based ConocoPhillips, given it was less than 10 percent of the original claim, Reuters reported. Socialist President Nicolás Maduro’s government said in a statement that it may try to appeal the ruling, which stems from a 2007 expropriation of oil and gas assets. The ICC arbitration is a separate legal action from ConocoPhillips’ investment treaty arbitration against Venezuela pending before a tribunal under the auspices of ICSID, which has already ruled that Venezuela’s expropriation of ConocoPhillips’ investments violated international law. Proceedings are underway to determine the amount of compensation in that case.

Holland & Knight Adds Partner to Mexico Office

Holland & Knight said this month that Salvador Fonseca González has joined as a partner to head the firm’s litigation and arbitration practice in Mexico City. He was formerly head of the litigation and arbitration practice in Baker McKenzie’s Mexico City office. Holland & Knight’s Mexico City office was established in 2013 and now includes 30 attorneys, including seven partners.

Baker McKenzie Hires Owens Corning Attorney

Baker McKenzie this month named Rodrigo Montemayor-Villarreal as a national partner in its Monterrey, Mexico practice. He was previously with Owens Corning, where he served as head of the company’s mergers and acquisitions department. The firm also announced that José Barnola, Jr. will be relocating for two years to Mexico City from Caracas.

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nista Youth mobs. This very quickly became an anti-government protest. Based on the massive turnout for Saturday's protests, the scale of which appears to be growing, not diminishing. Protestors have made numerous demands, ranging from accountability for the violence to the resignations of Ortega and his wife, Vice President Rosario Murillo. In recent days, the government has announced that it will install a truth commission to investigate the violence. It's imperative that this commission be independent and represent a broad cross section of Nicaraguan society. Aminta Granera, the once-popular police chief, has resigned. The demand that Ortega resign is unrealistic. There's no clear political alternative to Ortega at this moment, and he still enjoys popular support across a variety of sectors. A destabilized Nicaragua serves no one's interests. With general elections in 2021, there's a window for reforms that could lead to more democratic conditions. In addition to institutional reforms, Nicaragua needs new leadership across all political parties. It would help the current crisis if Ortega and Murillo would commit to not running in 2021."

A **Fulton Armstrong, senior fellow at American University's Center for Latin America Studies and former U.S. National Intelligence Officer for Latin America:** "President Daniel Ortega seemed to have found an effective governing model in recent years that, although eerily resembling that of the Somozas, served him well. Spreading the wealth from generous oil deals with Venezuela, he'd bought peace with some of his oldest political foes, including the country's two biggest business organizations—COSEP and AmCham. The economy was doing well, social indicators were edging upward, the streets were among the safest in Central America, and the drug trade largely stayed out. He is now learning that the margin of er-

ror for a revolutionary in his mid-30s backed by a nine-member National Directorate in the 1980s is much greater than it is for a lonely 72-year-old authoritarian and his ambitious wife. He may be able to hold on for a while, but his image of invincibility has been irreversibly pierced. Even in Nicaragua, as insensitive gringos might say, corruption and manipulation have their limits, and the political model of Ortega and Rosario Murillo—his wife and vice president—is passé. The slogans and images that have enabled Ortega to govern with mediocrity for 20 of the past

“ [Ortega] may be able to hold on for a while, but his image of invincibility has been irreversibly pierced.”

— Fulton Armstrong

38 years don't resonate with a population whose median age is 25.7 years. What they see is Murillo furiously building an economic and political power base for herself and their children to succeed Daniel. Ortega has reversed himself on social security reform, but his government seems to be running on empty. Murillo has used up the reserves. Nicaraguans want better governance. The next question is whether Ortega's political opponents, long hindered by venality and deep divisions, can provide it."

Editor's note: The Advisor requested a comment on this topic from Nicaragua's embassy in Washington but did not receive a response.

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org



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