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## FEATURED Q&A

# Will New Efforts to Integrate South America Succeed?



Brazilian President Michel Temer (R) welcomed his Chilean counterpart, Sebastián Piñera (L), to Brasilia in April. // Photo: Brazilian Government.

**Q** Chilean President Sebastián Piñera arrived in Buenos Aires on April 25, marking the beginning of his first foreign tour in his second stint as president. Piñera later visited Brazil, where he signed accords on the protection of financial investments and discussed a free trade deal with President Michel Temer, according to Agência Brasil. What was accomplished during Piñera's foreign tour? What stands in the way of Chile strengthening trade and other ties with the two Mercosur nations? Will Piñera's call for closer integration with the larger economies of Argentina and Brazil lead to closer cooperation more broadly in South America? Or is there a trend toward more fragmentation following the recent departure of six countries, including Argentina, Brazil and Chile, from the Unasur bloc?

**A** Monica de Bolle, senior fellow at the Peterson Institute for International Economics: "Piñera's foreign tour, particularly the rapprochement with Mercosur, can be seen as part of a broader Pacific Alliance-Mercosur strategy of pursuing greater integration. While a sound plan at this time of great uncertainty over trade—especially with the region's largest trading partners, China and the United States, at odds with one another—it is unlikely to prosper in the short term. The reasons have little to do with the breakup of Unasur, and everything to do with the realities facing Brazil and Argentina. Temer is nearing the end of his administration and the presidential race in Brazil is wide open, leading to great uncertainty over how economic policy

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The Central American nation's army on Saturday said it would not repress anyone for taking part in anti-government protests.

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## Brazil Retail Sales Raise Concerns Over Employment

Retail sales in Brazil rose in March, but the slow rate of growth suggests that South America's largest economy has hit a bump at the start of the year. A persistently high rate of unemployment could be to blame, analysts say.

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### BUSINESS

## Curaçao Court Allows Seizure of PDVSA Assets

A court on the Dutch Caribbean island of Curaçao has authorized U.S.-based ConocoPhillips, led by Chairman and CEO Ryan Lance, to seize \$636 million worth of assets held on the island by indebted Venezuelan state oil company PDVSA.

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Lance // File Photo: ConocoPhillips.

## POLITICAL NEWS

## Violent Protests Continue to Rattle Nicaragua

As violent street protests continued to rage across Nicaragua this weekend, the Central American nation's army on Saturday said it would not repress anyone for taking part in anti-government protests, Agence France-Press reported. "We are the same uniformed people, working for their own benefit and, as a conse-



A woman protesting in Nicaragua. // File Photo: Voice of America via Wikimedia Commons.

quence, we call for stopping the violence and actions that destabilize us," an army statement said, which also expressed solidarity with the families of those who have died in the protests. By some accounts more than 60 people have died since protests broke out last month, a figure the government of President Daniel Ortega disputes. Efforts by Ortega, 73, to calm protesters have thus far failed, as marches in cities across Nicaragua continue to draw thousands of people into the streets. In Masaya, violent clashes Saturday left one youth dead from a gunshot wound to the head, with dozens of other people wounded, La Prensa reported. Residents awoke Sunday to find the charred remains of eight sections of a handcrafts market and at least four businesses looted. On Sunday, Ortega reversed an earlier position, saying he will now allow an independent international inquiry into the killings, Al Jazeera reported. In a letter to the Episcopal Conference of Nicaragua, Ortega pledged to abide by its conditions for the investigation, which included the entry of the Inter-American Commission on Human

Rights. "We are all ready to attend your call for dialogue at the earliest possible date, for the peace of all Nicaraguans," the letter said. [Editor's note: See related [Q&A](#) in the April 30 issue of the Advisor.]

## Mexican Mayoral Candidate Killed in Guanajuato

Gunmen on Friday killed a mayoral candidate in Guanajuato state Friday, the Associated Press reported. The murder of Remedio Aguirre marked the third local candidate killed in the run-up to Mexico's July 1 elections within the past week. Mexico's federal government on Monday confirmed that 16 candidates have been killed while running for local office this year, El Universal reported. Most of the deaths have been in Guerrero state, where drug gangs have been particularly active. Although Aguirre was running with the leftist Morena party, candidates killed so far this year have represented nearly all major parties. In related news, two European bicyclists found dead in a ravine in southern Mexico were robbed and murdered, authorities said Friday, despite earlier claims that they plunged to their deaths in an accident.

## ECONOMIC NEWS

## Brazil Retail Sales Reveal Problems With Employment

Retail sales in Brazil rose in March, but the slow rate of growth suggests that South America's largest economy has hit a bump at the start of the year, Reuters reported. Retail sales rose 0.3 percent from February, government statistics agency IBGE said on Friday. The result brings first-quarter growth to 3.8 percent from a year ago, softer than the prior three quarters. A double-digit unemployment rate has kept a lid on Brazil's recovery from

## NEWS BRIEFS

## Authorities Confirm First Civilian Death at Hands of Military in Rio de Janeiro

A 25-year-old man was killed Saturday night in an army operation north of Rio de Janeiro, Folha de S.Paulo reported. The death marks the first confirmed killing at the hands of the military since federal troops were brought into Rio in February in order to improve public safety. Diego Augusto Ferreira was shot by a soldier when he tried to break through an army blockade and control post, according to authorities. Human Rights Watch said Friday it has been investigating the army's potential involvement in eight deaths on Rio streets last November.

## Colombian Rebel Group to Halt Military Activity During Election Week

Colombia's National Liberation Army, or ELN, rebels announced today that they will suspend military activities from May 24 to May 29 in order to "contribute to favorable conditions that allow Colombia's society to express itself" in the country's May 27 first-round presidential elections, El Tiempo reported. The announcement on Twitter comes after the resumption of peace negotiations last week between the rebels and government of President Juan Manuel Santos in Havana, Cuba.

## AccorHotels Buys Control of Atton Hoteles in Chile

AccorHotels today announced it had agreed to buy the management company behind Chile's Atton Hoteles for around \$105 million, MarketWatch reported. The deal gives the French firm management of 11 Atton hotels across Chile, Peru, Colombia and the state of Florida in the United States. In addition, AccorHotels will acquire 20 percent of the property company that owns the assets, while Chile-based firm Algeciras will buy the remaining 80 percent.

its deepest recession in decades despite record-low interest rates, according to the report. "The outlook for private consumption and retail sales remains constructive but not exuberant," Goldman Sachs economist Alberto Ramos told clients in a research note Friday. Higher sales of autos and auto parts helped boost the March figures. In related news, IBGE said Thursday that Brazil's inflation rate unexpectedly slowed in April and kept far below the official target, suggesting a recent period of currency weakness is unlikely to keep the central bank from cutting interest rates, Reuters reported.

## BUSINESS NEWS

### Curaçao Court Allows Seizure of PDVSA Assets

A court on the Dutch Caribbean island of Curaçao on Sunday authorized the local subsidiary of Houston-based oil company ConocoPhillips to seize \$636 million worth of assets held on the island by Venezuelan state oil company PDVSA, the Associated Press reported. PDVSA has defaulted on more than \$2.5 billion in debt and owes ConocoPhillips nearly that amount, according to an April ruling by an international arbitration court. Curaçao Economy Minister Steve Martina said Sunday that Conoco already had taken control of some oil products at the Isla refinery. PDVSA has already been seeking ways to sidestep legal orders to hand over assets, Reuters reported, such as transferring custody over the fuel produced at the refinery to the Curaçao government, the owner of the facility, as well as transferring ownership of crude to be refined at Isla to its U.S. unit, Citgo Petroleum. Some economists estimate the seizure could cut off exports of as much as 500,000 barrels per day out of the approximately 1.4 million bpd Venezuela produces, The Wall Street Journal reported. Other companies have also started efforts to seize assets that PDVSA holds outside of Venezuela, including tankers and oil cargoes. Canadian gold miner Rusoro is going after Citgo assets, according to the report.

## IN FOCUS

### Mexico Cooperation With U.S. Likely to Change If AMLO Wins Presidency

By Michael Spak

WASHINGTON—The United States could see a slowdown in cooperation with Mexico on stemming Central American migration if leading candidate Andrés Manuel López Obrador wins July's election, analysts said at a panel discussion at the Inter-American Dialogue on Friday. "I could see a different platform, frankly, from a López Obrador government" on the issue, said Shannon O'Neil, a vice president at the Council on Foreign Relations. O'Neil went on to say that putting resources into curbing immigration from south of Mexico's border would likely be "less of a priority" for López Obrador, also known as AMLO, who has promised to spend more on internal social programs like pensions and scholarships.

The panel agreed that a López Obrador victory on July 1 is far and away the most likely outcome of the race. "Depending on whose numbers you look at, they will give you an expectation of victory for [AMLO] anywhere between 85 and 99 percent," Enrique Bravo-Escobar, a program officer for the National Endowment for Democracy, said at the event. Bravo-Escobar noted that most significant shifts in public polling for Mexican elections tend to occur in April and early May, though he cautioned that the election is "not over." Polls released May 10 showed that Ricardo Anaya, candidate for the left-right "For Mexico in Front" alliance, had narrowed the gap to 4 and 6 percent following the first of three debates, though

Bloomberg's poll tracker still has AMLO 14 points ahead of Anaya.

The United States has seen a precipitous drop in border apprehensions to their lowest level in 46 years despite recently heightened enforcement measures. Some observers

attribute the decline to Mexico's efforts to turn many away and absorb thousands more. However, López Obrador has signaled far less willingness to work with the United States, demanding that U.S. President Donald Trump treat Mexico with respect. "We will not accept the use

of force, the militarization of the border," AMLO said in a speech in April. On Friday, O'Neil added that she expects a "slowdown" in cooperation on border issues for several months if AMLO assumes the presidency, as his government re-evaluates the country's stance towards the United States.

The panelists also discussed relations with the business community and Venezuela as potential areas of significant change during an AMLO presidency. "As a businessperson ... I'm much more concerned, of course, about López Obrador," said Juan Pablo del Valle, chairman of Mexichem's board of directors. AMLO has promised to review contracts granted in Mexico's oil sector since the 2015 energy reform, as well as a \$13 billion project for a new airport in Mexico City. [Editor's note: See related [Q&A](#) in the May 4 edition of Advisor.]



O'Neil // Irene Estefania Gonzalez, Inter-American Dialogue.

## FEATURED Q&amp;A / Continued from page 2

will evolve in the near future and whether regional integration will be part of the broad agenda. Argentina is facing its own problems trying to stave off a financial crisis and returning to the IMF for financial assistance after nearly two decades without Fund support. Unfortunately, Chile's laudable priorities are currently inconsistent with either Brazil's or Argentina's immediate problems."

**A** **Thomas Andrew O'Keefe, president of Mercosur Consulting Group:** "The fact that President Piñera's first foreign visits were to Argentina and Brazil underscores that Chile will continue the role adopted by the previous Bachelet administration of trying to facilitate greater cooperation between the Pacific Alliance and Mercosur economic integration projects so as to enhance South America's trade and investment links with the Pacific Rim. Chile is uniquely suited for

**“ It is premature to conclude that Unasur is fragmenting.”**

— Thomas Andrew O'Keefe

this role, as it has had a free trade agreement with the four core Mercosur member states (including Argentina and Brazil) since 1996. Although the Piñera administration is ideologically in sync with the Macri and Temer governments, the election in Brazil in October could change that. Chile has also suffered from past changes in administrations and abrupt policy shifts in Argentina, which will make Santiago wary of relying too much on its neighbor, as it did in the 1990s, for example, when the Chilean energy matrix was transformed, premised on Argentine natural gas imports (which collapsed after 2004). It is premature to conclude that Unasur is fragmenting. For the moment,

Argentina, Brazil, Chile, Colombia, Paraguay, and Peru have suspended dues payments and will not participate in future Unasur meetings until the bottleneck in appointing a new secretary-general is overcome."

**A** **Rolando Dávila Rodríguez, secretary-general of the Chile-Argentina Chamber of Commerce:** "Piñera's foreign tour strengthened the solid relationship that already exists among the three countries, as he seeks to improve areas related to energy integration, trade and tariff barriers, including issues such as the transfer of data and the fight against cyberterrorism. In the case of Argentina, Piñera made progress in strengthening energy integration, a very advanced process, and agreements on environmental issues. In the case of Brazil, Piñera discussed designing a new, more innovative and modern free trade agreement. There is great opportunity among the three countries, despite the complexities, to expand markets. Chile and Argentina complement each other in strategic sectors such as mining, infrastructure and transport, oil & gas and energy, to name a few. And if we include Brazil, there are also opportunities to develop technologies, financial services and other sectors. There is also opportunity for regional integration. There are very important bi-oceanic corridor projects that include the three countries. President Macri, who participated as an observer at the meeting of the Pacific Alliance in Chile in 2016, could generate links between Mercosur and the Pacific Alliance, given the vision of the three countries regarding opening up to the world and economic integration, which coincides with that of the member countries of the Alliance. The three countries should take advantage of opportunities that are generated by these closer ties—including by organizing technical working teams that seek to resolve difficulties that could arise on the issues of tariffs, taxes, transportation, standardization, and more."

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