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## FEATURED Q&A

# Is Puerto Rico Ready for Another Hurricane Season?



Much of Puerto Rico was devastated last year by Hurricane Maria. Governor Ricardo Rosselló has said the recovery process has been "highly frustrating." // File Photo: Commonwealth of Puerto Rico.

**Q** Officials in Puerto Rico have stressed in recent days that the island is better prepared than ever to respond in the event of another direct hit by a hurricane. However, eight months after the U.S. territory was pummeled by Hurricane Maria, many residents remain skeptical, and some 18,000 homes are still without power. Is Puerto Rico indeed more prepared for this year's hurricane season, which began June 1? What has it done to get ready? To what extent have the commonwealth's electrical grid and critical infrastructure been repaired and fortified?

**A** Sergio Marxuach, policy director at the Center for a New Economy in San Juan: "The 2018 hurricane season has begun, and Puerto Rico is woefully unprepared to withstand the impact of another storm. Government public relations aside, the reality is that the electrical system is extremely fragile. The island-wide grid is held together with a quilt of jury-rigged patches, and the water company recently disclosed that it needs 550 electrical generators to back-up critical water pumps. Meanwhile, 70 buildings that served as shelters during Hurricane Maria will not be available this time due to the closing of public schools. The government has updated 'emergency plans,' but given the reaction of mayors and other first responders, it is by no means certain that the agencies in charge of operationalizing them have the capabilities to do so. It is particularly worrisome that the government seems not to have addressed the logistical problems at ports and airports that complicated and delayed the relief efforts after Maria. The preparedness status of critical infrastructure in private hands, such as

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## TODAY'S NEWS

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## Walmart Selling 80% of Brazil Unit to Advent Int'l

The U.S.-based retailer reached a deal for the stake with Advent International, a private equity firm.

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## Peruvian Finance Minister Steps Down

David Tuesta, who had spent just two months as finance minister, stepped down after raising excise taxes on diesel and other products. President Martín Vizcarra said he wants to focus on improving tax collection rather than raising taxes.

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### POLITICAL

## U.S. Secretary of State Calls for Venezuela's Ouster From OAS

At the OAS General Assembly, U.S. Secretary of State Mike Pompeo urged member countries to expel Venezuela from the organization and also called for additional sanctions against Venezuela.

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Pompeo // Photo: Organization of American States.

## POLITICAL NEWS

## U.S. Sec'y of State Calls for Venezuela's Ouster From OAS

U.S. Secretary of State Mike Pompeo on Monday called on the Organization of American States to oust Venezuela and also said OAS member countries should impose additional sanctions in order to increase pressure on President Nicolás Maduro's government, which he blasted as undemocratic. "There is no greater challenge today than the full-scale dismantling of democracy and the heartbreaking humanitarian disaster in Venezuela," Pompeo said at the opening of the OAS General Assembly in Washington. "We seek only what all the nations of the OAS want for our people: a return to the constitutional order, free and fair elections with international observation, and the release of political prisoners." Pompeo added that the United States welcomed Venezuela's release last month of Joshua Holt, an American who had been imprisoned in Venezuela. However, Pompeo added, "Our policy towards Venezuela remains unchanged." Pompeo also echoed widespread criticism of Venezuela's May 20 presidential election, in which Maduro was declared the winner and later sworn in for another six-year term. "Just two weeks ago, the Venezuelan government staged sham elections that offered no real choice to Venezuelan people and its voters," said Pompeo. Last year, Maduro announced he was pulling Venezuela out of the OAS, saying it was attacking the country's sovereignty. However, the withdrawal will not take effect until next April.

## Cuba Assembles Commission to Update Constitution

Cuba's National Assembly on Saturday approved a list of members for a commission to begin rewriting the country's constitution, the Associated Press reported. The commission,

whose members were chosen by President Miguel Díaz-Canel, will be led by former president and current Communist Party leader Raúl Castro. Díaz-Canel, seen as Castro's hand-picked successor, assumed office in April after nearly 60 years of rule by brothers Fidel and Raúl Castro. "This gives rise to a process of particular importance for the country, and we must all be aware of the duty and the civic responsibility that this demands," Díaz-Canel said in a speech to the 600-member National Assembly, which unanimously approved his list of commission members. The revised constitution is expected to impose a two-term limit on Cuban presidents, as well as introduce a maximum age for holding the office, Reuters reported. In May, Raúl's daughter Mariela Castro, who leads the country's Center for Sexual Education, said she would campaign for the new constitution to acknowledge same-sex marriage. Officials have indicated that Cuba may change the way it regulates private property in order to attract investment, according to Reuters. Castro downplayed the notion of radical change, ruling out any reform that would eliminate one-party rule by the Communist Party, which he is set to lead until 2021. Cuban officials have also maintained that Cuba's revised constitution will continue to limit freedom of expression for "the purposes of socialist society." Cuba's current constitution has been in place since 1976 and has been amended three times.

## BUSINESS NEWS

## Walmart to Sell 80% of Brazil Unit to Advent International

Arkansas-based retailer Walmart said Monday it had reached a deal to sell 80 percent of its Brazil unit to private equity firm Advent International. In a statement, Walmart said it will record a non-cash, net loss of approximately \$4.5 billion in the second quarter related to the transaction, largely due to the recognition of cumulative foreign currency translation losses. The final amount "could fluctuate significantly

## NEWS BRIEFS

## Death Toll Rises to 65 Following Eruption of Guatemala Volcano

The death toll following the eruption of Guatemala's Volcán de Fuego, or Volcano of Fire, has risen to 65, Guatemalan disaster agency Conred announced Monday. The agency added that 46 people had been hospitalized and that 3,271 people had been evacuated from the vicinity of the volcano. Fuego erupted on Sunday, sending smoke and ash high into the air and unleashing torrents of lava that engulfed homes and victims in nearby villages. President Jimmy Morales declared three days of national mourning.

## U.S. Delegation Meets With Cuba's Díaz-Canel

A U.S. delegation led by Sen. Jeff Flake (R-Ariz.), former Google CEO Eric Schmidt, and the top U.S. diplomat in Havana met with Cuban President Miguel Díaz-Canel on Monday, making them the highest-level U.S. group to do so since Díaz-Canel assumed office in April. The delegation reportedly discussed improving Internet access, among other issues. "We had a good meeting with President Diaz-Canel," Flake told reporters. "We are hopeful for the future if we can have more connectivity, more travel, more meetings with Cubans and vice versa."

## Peruvian Finance Minister Tuesta Resigns

Peruvian Minister of the Economy and Finance David Tuesta resigned on Monday over President Martín Vizcarra's decision to target businesses that owe large amounts in taxes, El Comercio reported. Tuesta had been in his position for just over two months, having been appointed just after Vizcarra took office. Vizcarra confirmed the change in a televised address late Monday and also indicated he would continue to try to force businesses to pay the taxes owed.

due to changes in currency exchange rates up to the date of close," the company said. Walmart will hold on to 20 percent of the unit, which includes 438 stores employing 55,000 people in 18 states across Brazil. "We will retain a stake in Walmart Brazil and continue to share our global retail expertise, giving our Brazil business the best opportunity for long-term growth," said Enrique Ostale, Walmart's chief executive for the United Kingdom, Latin America and Africa. Walmart first entered Brazil 22 years ago, but its results in South America's largest economy have not been as strong as some investors expected. Walmart won't receive payment for the unit, according to a company spokesman, but it could receive up to \$250 million from Advent in the future based on performance, The Wall Street Journal reported.

## Enel Buys 73 Percent of Eletropaulo for \$1.48 Billion

Italian power company Enel purchased 73 percent of Brazilian power distributor Eletropaulo on Monday for 5.55 billion reais (\$1.48 billion), making Enel the largest power distributor in all of Latin America, O Estado de S.Paulo reported. The purchase ends a months-long battle between Enel and Spain's Iberdrola for control of Eletropaulo, Brazil's largest power distributor by number of clients. The battle for control of the firm began on April 17 when Enel submitted a bid of 28 reais per share, topping Iberdrola's original offer of 24 reais per share. After subsequent bids further raised the price, Brazilian securities regulators organized a live auction. Enel triumphed with the highest bid at 45.22 reais per share, 64 percent higher than its original offer. The purchase also makes Enel the largest power distributor in Brazil, bringing it from seven million to 17 million clients, according to Reuters. "The greatest challenge that Enel will face will be making the necessary investments for improving the quality of Eletropaulo's power distribution, which was falling," said Nivalde Castro, professor at the Federal University of Rio de Janeiro, told O Estado.

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hospitals and telecommunication facilities, is not clear due to a lack of publicly available information. In addition, there is no sign that communities in flood zones have taken affirmative actions to mitigate the risk of flooding, while thousands of households around the island still have blue tarps over their roofs. By any objective measure, then, to claim that Puerto Rico is better prepared than ever to withstand another hurricane is, at best, misleading. Puerto Ricans can only hope that the worst of the hurricane 2018 season spares us, by the redeeming grace of God."

**A** **Kenneth Davison McClintock, former lieutenant governor of Puerto Rico:** "Eight months after the largest disaster in the history of the Federal Emergency Management Agency (FEMA), Puerto Rico is entering its first hurricane season since Hurricanes Irma and Maria last September. Since then, for the first time, Puerto Rico's commissioner of safety and public protection, Héctor Pesquera, ordered that the private sector join public representatives to staff the territory's Emergency Operations Center (EOC) 24/7 so that the government will have better communication with food and fuel suppliers, hospital networks, trucking and shipping sectors, telecom carriers, among many others before, during and after an emergency such as a hurricane. Better coordination saves lives. A full 'tabletop' island-wide disaster simulation, whether a hurricane, earthquake or tsunami, will now include actual trucking and distribution of supplies to all 78 municipalities for use in case of a real disaster. Also, in addition to its existing warehouse in a central location, FEMA is establishing four regional warehouses so disaster supplies will be closer to the locations where they needed. In order to reduce the 'bastard-child-type' treatment of Puerto Rico, FEMA is prepositioning barges and personnel in Jacksonville, Fla., so help will only be four days away. The Pedro Rosselló Convention

Center is being prepared so an EOC can be activated in two hours, not two days. Better training and supplies save lives. While the



**Safer infrastructure and better communication save lives."**

— Kenneth Davison McClintock

electric grid will still be in worse shape than before, telecom grids are in better shape because infrastructure is being hardened, and cell towers are getting backup generators as well. Billions of dollars are being invested in infrastructure improvements, including the strengthening of the severely damaged Guajataca dam. Safer infrastructure and better communication save lives. Emergency authorities have placed this American territory in a better position than last year."



**Emilio Pantojas García, senior researcher and professor of sociology at the Center for Social Research at the University of**

**Puerto Rico:** "On May 10, the government of Puerto Rico announced that it was prepared for the new hurricane season that extends from June 1 to Nov. 30. But the critical period of hurricane season is from August to October. This premature announcement was the product of media hype and bad judgment on the part of the governor and the head of Department of Public Safety. To wit, on May 15, the subdirector of the Puerto Rico Electric Power Authority declared that the agency was not ready for the new hurricane season. He added that by June, it would be just finishing restoring electricity to all its customers. He omitted that the connection to the island municipalities of Vieques and Culebra will take at least a year to be re-es-

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established. The official communique posted on the governor's webpage mentions some of the new components of the emergency plan: 1) That the population gets supplies for 10 days, instead of the three that were previously recommended; 2) that there would be meetings with hardware store owners, food distributors and other businesses to include them in the emergency response teams; and 3) that the plans for all government agencies have been updated. One legislator declared that the people were prepared since the majority of the population had bought and installed electric generators or solar panels to provide electricity for their homes. History tells us that events like Maria happen a century apart and that hurricanes happen at intervals of three to seven years. The worry is climate change."

**A** **José J. Villamil, chairman of the board of Estudios Técnicos in San Juan:** "There is a broad consensus that a hurricane this season would be disastrous due to the still very fragile state of the power grid and the other infrastructure systems. In addition, the low-income, mostly informally built and very fragile housing stock, seriously affected by Maria, has not been improved and won't be for some time. Governor Rosselló himself has mentioned the island's vulnerability if faced with another hurricane. We must not lose sight of the fact, however, that the events from which we have to recover are not only natural ones. The prolonged and deep contraction of the economy also con-

tributed to a weak infrastructure, stimulated informal housing construction and affected the government's capacity to intervene effectively. The resilience equation must include strengthening the economy because it will

“The events from which we have to recover are not only natural ones.”

— José J. Villamil

be necessary for avoiding the consequences of future events. Strengthening the economy must be a key component of post-Maria recovery efforts, not just because a stronger economy itself is a good thing, but because it is essential in making the island better able to withstand future natural events and other external shocks. For one, the recently enacted federal tax reform will have very serious implications for Puerto Rico. Economic policymaking must be placed in a risk-management framework that considers both kinds of shocks to the system—natural and economic. The former cannot be avoided. The latter, if it can't be avoided, can at least have its impacts minimized with proper risk-based economic policies and strategies. In a small and very open economy, risk management and economic policymaking must go hand in hand."

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**Erik Brand**

Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Anastasia Chacón González**

Reporter  
[achacon@thedialogue.org](mailto:achacon@thedialogue.org)



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Subscription inquiries are welcomed at [freetrial@thedialogue.org](mailto:freetrial@thedialogue.org)

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