

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs
Cargill

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Dirk Donath

Senior Partner,
Catterton Aimara

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

President, Boeing Latin America

Jon Huenemann

Vice President, U.S. & Int'l Affairs,
Philip Morris International

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Director, Americas International
Gov't Relations, Exxon Mobil

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Carl Meacham

Associate VP for Latin America
Int'l Advocacy Division, PhRMA

Carlos Paz-Soldan

Partner,
DTB Associates, LLP

Beatrice Rangel

Director,
AMLA Consulting LLC

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados and Senior
Policy Advisor, Chatham House

Shelly Shetty

Head of Sovereigns Ratings,
Latin America, Fitch

Roberto Sifon-Arevalo

Managing Director, Americas
Sovereign & Public Finance Ratings,
Standard & Poor's

FEATURED Q&A

Would Billions of Dollars in Loans Benefit Guatemala?



During a meeting of the Alliance for Prosperity program this month in Washington, Guatemalan President Jimmy Morales said his government hopes to secure \$15 billion in development loans over the next decade. // Photo: Guatemalan Government.

Q Guatemalan President Jimmy Morales said earlier this month that his country wants \$15 billion in development loans over the next decade. Morales, who made the statement in Washington during meetings with the United States, Mexico, El Salvador and Honduras, said aid could come in the form of payable credits through the World Bank or the Inter-American Development Bank, adding that Guatemala had not received “a penny” of the \$2.6 billion the United States had pledged under the Alliance for Prosperity program, which aims to boost development in the Northern Triangle countries of Central America. How likely is it that the United States or international lenders will grant Morales’ request for billions of dollars in loans, and that the funds actually come through? What should Morales’ government do with the money? What was achieved at the Alliance for Prosperity conference?

A Arturo Matute, researcher at the faculty of social sciences at Universidad del Valle de Guatemala: “During the Conference on Prosperity and Security in Central America held in Washington, President Jimmy Morales reviled the fact that his government has ‘not received a cent’ of the aid pledged and expressed his concern on the possible non-certification to get a remaining tranche. The plan established from the start that the money would be used to fund projects administrated mainly by the United States Agency for International Development (USAID) and the Bureau of International Narcotics and Law Enforcement Affairs (INL), not direct transfers to national coffers. President Morales’ alternative proposal to get the funding through loans

Continued on page 3

TODAY'S NEWS

POLITICAL

U.S. Will Begin Cutting Aid to Central America: Trump

President Donald Trump said the United States would start cutting aid to Guatemala, Honduras and El Salvador, saying they have failed to stop people from illegally migrating to the United States.

Page 2

POLITICAL

Hurricane Takes Aim at Mexico's Pacific Coast

Thousands of people were evacuated as Hurricane Willa approached land. The storm is expected to make landfall south of Mazatlán.

Page 2

ECONOMIC

Mexico Eyes Tariffs on Canadian Goods

The tariffs would be retaliation following Canada's imposition of tariffs on Mexican steel. Mexican Deputy Trade Secretary Juan Carlos Baker said Mexico was “keeping all its options open.”

Page 2



Baker // File Photo: Mexican Government.

POLITICAL NEWS

U.S. Will Begin Cutting Central America Aid: Trump

President Donald Trump said Monday that the United States would begin cutting off aid to Central American nations, saying they are not doing enough to stop people from illegally migrating to the country. "Guatemala, Honduras and El Salvador were not able to do the job of

“Guatemala, Honduras and El Salvador were not able to do the job of stopping people from leaving their country and coming illegally to the U.S.”

— Donald Trump

stopping people from leaving their country and coming illegally to the U.S. We will now begin cutting off, or substantially reducing, the massive foreign aid routinely given to them," Trump said in a tweet. Trump's comments came as a group of thousands of migrants, mainly from Honduras, moved through Mexico toward the United States to escape violence and poverty at home, the Voice of America reported. In another posting on Twitter, Trump added, "Sadly, it looks like Mexico's Police and Military are unable to stop the Caravan heading to the Southern Border of the United States. Criminals and unknown Middle Easterners are mixed in. I have alerted Border Patrol and Military that this is a National Emergency [sic]. Must change laws!" The situation is unfolding two weeks ahead of the U.S. midterm congressional elections, and Trump blamed the mass migration on Democrats. "Every time you see a Caravan, or people illegally coming, or attempting to come, into our Country illegally, think of and blame the Democrats for not giving us the votes

to change our pathetic Immigration Laws! Remember the Midterms! So unfair to those who come in legally." On Sunday, Mexican authorities mainly left the migrants alone as they trekked north in Chiapas State, the Voice of America reported. Mexico's government has vowed to process asylum requests for any migrants who apply. Between Friday and Sunday, 1,028 migrants had requested status as refugees, Mexico's interior ministry said.

Violent Deaths of Venezuelans in Colombia Soar

The number of Venezuelans killed in violent deaths in Colombia more than tripled between January and September in comparison to the same period last year, according to a new report by Colombia's national institute of forensic sciences released Monday, El Espectador reported. In the first nine months of this year, 310 violent deaths of Venezuelans were registered in Colombia, a 244 percent jump from the 90 incidences recorded a year ago. Of these deaths, 56 percent, or 174 in total, were homicides, followed by car crashes,



Duque // File Photo: Colombian Government.

which accounted for 18 percent, the report said. Most incidents occurred in cities in the border departments of Norte de Santander and La Guajira, a reflection of the massive exodus of Venezuelans fleeing shortages of food and medicine amid an economic crisis in their home country and taking refuge in Colombia, Reuters reported. The Colombian government estimates that the number of Venezuelans living in Colombia could grow to four million by 2021, costing the recipient country some \$9 bil-

NEWS BRIEFS

Thousands Evacuated as Hurricane Bares Down on Mexico's Pacific Coast

Authorities on Monday evacuated thousands of people along Mexico's Pacific coastline as Hurricane Willa, a powerful category 4 storm, approached land, Reuters reported. The storm had maximum sustained winds of nearly 130 miles an hour and was located about 150 miles south-southwest of Mazatlán and moving north at 6 a.m. local time, according to the U.S. National Hurricane Center. The hurricane is expected to make landfall this afternoon.

Mexico's AMLO Vows Safe Environment for Banks

Mexican President-elect Andrés Manuel López Obrador on Monday told Banco Santander's executive chair, Ana Botín, that his government will create a safe environment for banks because "we need the investment," Reuters reported. Santander committed to an investment of 15 billion pesos (\$773 million) in Mexico between 2017 and 2019. The same day, Botín said the Spanish bank plans to continue investing in Mexico. López Obrador will take office on Dec. 1.

Facebook Shuts Down Pages Associated With Brazilian Marketing Firm

Facebook on Monday shut down 68 pages and 43 accounts associated with Brazilian marketing group Raposo Fernandes Associados, or RFA, for violating the social media website's misrepresentation and spam policies in the last week ahead of the country's highly polarized election, O Estado de S. Paulo reported. Facebook said RFA created pages through fake accounts or multiple accounts with the same name and circulated massive amounts of clickbait. The group was the main network of support for far-right candidate Jair Bolsonaro, the newspaper reported.

lion. Colombian President Iván Duque has been asking for international support. On Monday, Duque began a three-day trip to Europe, where he is scheduled to meet with E.U., Italian and Belgian officials to discuss the migration crisis, El Tiempo reported.

ECONOMIC NEWS

Mexican Gov't Considering Tariffs on Canadian Goods

Mexico is considering tariffs on a series of Canadian products in retaliation for Canadian tariffs on Mexican steel, government officials said Monday, Reuters reported. Mexican Deputy Trade Secretary Juan Carlos Baker said Mexico was “keeping all its options open,” including taking action at the World Trade Organization, in response to Canada announcing earlier this month that it would impose a 25 percent tariff on seven import categories to several countries, including Mexico, as of Oct. 26. Mexico estimates that Canada’s tariffs on its steel products would cost it some \$200 million worth of its exports. Earlier this year, the United States also imposed tariffs on steel and aluminum from Mexico and Canada. Also on Monday, Mexico’s deputy secretary for industry and commerce, Rogelio Garza, said he hoped to resolve the steel disputes with Canada and the United States before the three countries sign the revamped version of the North American Free Trade Agreement, known as USMCA, in late November Televisa reported.

BUSINESS NEWS

Julius Baer Closing Units in Panama, Peru: Report

Julius Baer Group is closing its operations in Panama and Peru as part of a strategic review

FEATURED Q&A / Continued from page 1

seems aimed at circumventing the conditions set in Congress’ appropriations acts that include cooperating with ‘commissions against impunity.’ In strict macroeconomic terms, Guatemala can take on a lot more debt. Its current liabilities amount to 23.4 percent of GDP, among the lowest in the world. But Morales’ government doesn’t provide the confidence necessary to ensure

“Morales’ government doesn’t provide the confidence necessary to ensure the correct use of funds.”

— Arturo Matute

the correct use of funds. His continued fight against the International Commission against Impunity in Guatemala (CICIG) to avoid his own prosecution and of the conservative clique around him has produced political instability resulting in deteriorated financial risk assessments for Guatemala. His government has hidden its negligent response in emergencies and has faced continued scandals with regard to malfeasance in infrastructure projects, for which the money is being requested. The need to strengthen democratic institutions in the region seemed to be understood in the Obama era during which the conditions for funding through the plan were established. However,

of its Latin America branches, Bloomberg News reported today, citing a spokeswoman for the private bank. Beatriz Sánchez, head of the Swiss bank’s Latin America business, has been reviewing the Panamanian unit as part of an overall regional evaluation. Julius Baer manages roughly 40 billion Swiss francs, or \$40 billion, in assets in Latin America. The Panamanian business came under scrutiny after a former employee, Mathias Krull, was ar-

rested in connection with a billion-dollar money laundering scheme involving Venezuelan state oil company PDVSA. In August, Krull pleaded guilty to participating in a plan to launder \$1.2 billion from PDVSA, a scheme that prosecutors have said involved banks, real estate firms and money managers and brokerages. Krull is currently awaiting his sentence. Julius Baer has said it is undergoing an internal probe, though the bank has not been charged.

the follow-up conferences now seem to be more of an instrument to check on the progress of the countries in their fulfillment of U.S. demands for tighter borders.”

A Miguel Castillo, professor of political studies and international relations at Francisco Marroquín University: “Guatemalan President Jimmy Morales’ request for loans came as a surprise because of the very high sum he asked for and because there is no public record as to where the money would be invested, although it will supposedly finance infrastructure, which is currently in a state of virtual collapse (including roads, ports, airports and railways, among others). Over the past few decades, the main source of corruption in Guatemala has been infrastructure, and due to corruption, its quality has suffered since the 1970s. In an effort to avoid new graft cases, state procurement laws became stricter, to the point of making it nearly impossible to realize any type of sale or acquisition of products. Concessions of the most expensive projects to private companies have not advanced due to distrust and bureaucratic procedures. The request for loans seems to be President Morales’ last resort, taking into account U.S. support of him in other issues (including CICIG) and the scarce international credit that Guatemala uses. However, the argument that his administration has not had more access to the funds of the so-called ‘Alliance for Prosperity’ that the United States promotes to address social

Continued on page 4

FEATURED Q&A / Continued from page 3

conditions that provoke migration seems to be a call for Washington to be 'flexible' in the face of Guatemala's incapability to comply with the necessary requirements in exchange for the money. Jimmy Morales is in the final stage of his term, and evaluations of it constantly say it lacks results. The request is his last attempt to leave a legacy in the area of infrastructure and, in this, avoid being remembered as the most ineffective president in Guatemala's democratic era."

A **Gustavo Berganza, Guatemala-based sociologist, political analyst and journalist:** "In his opening remarks to Central American presidents during the 'Alliance for Prosperity' meeting in Washington on Oct. 11, U.S. Vice President Mike Pence told Guatemalan President Jimmy Morales, "We encourage you to devote even more resources to securing your border. Take full advantage of the border-security task forces the United States has already established.' One of the purposes of securing the border is controlling the passage of migrants at a border that has proven to be extremely porous. Less than a week later, thousands of Hondurans were crossing the Suchiate River from Guatemala to Mexico, on their way to the United States. In this context, with Trump urging the presidents of Honduras and Guatemala to

stop the migrants and threatening to cancel U.S. economic aid, it does not seem that the U.S. government will go out of its way to address Morales' requests. The photographs of massive migration on the front pages of The New York Times and The Washington

“ It does not seem that the U.S. government will go out of its way to address Morales' requests.”

— Gustavo Berganza

Post, and the importance that both CNN and Fox News have given the exodus, makes one think that Trump's administration will opt for the stick rather than the carrot. At least in the short term, Morales will not receive the United States' support for the World Bank and the Inter-American Development Bank to facilitate new loans and provide more donations."

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Anastasia Chacón González

Reporter
achacon@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Peter D. Bell Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Alejandro Ganimian, Nonresident Fellow

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development and External Relations

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at fretrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.

LATIN AMERICA ADVISOR

Energy Advisor

The answers to questions that informed executives are asking ... every week.

Upgrade your subscription with the Inter-American Dialogue's weekly Energy Advisor. Send an email to fretrial@thedialogue.org today.

SUBSCRIBE