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FEATURED Q&A

Will Díaz-Canel Shake Up Cuba's Foreign Policy?



Cuban President Miguel Díaz-Canel visited counterpart Kim Jong-un in North Korea earlier this month. // Photo: Cuban Government.

Q Cuban President Miguel Díaz-Canel visited Russia this month to meet with President Vladimir Putin, who vowed to expand his country's "strategic" ties with Cuba and urged the United States to lift its trade embargo of the island. Díaz-Canel then met with Kim Jong-un in North Korea, where the two also reportedly discussed U.S. economic sanctions. Meanwhile, officials in the administration of U.S. President Donald Trump welcomed statements this month from Brazilian President-elect Jair Bolsonaro, who said he would consider severing ties with Cuba over human rights abuses. What sort of foreign policy is Díaz-Canel pursuing as Cuba's new leader? How have other countries of Latin America and the Caribbean perceived his efforts? Will conservative governments recently elected in Latin American countries such as Colombia, Chile, Argentina and Brazil side with the Trump administration to put more pressure on Cuba to reform?

A Stephen Johnson, director of the Latin America and Caribbean Division of the International Republican Institute and former U.S. deputy assistant secretary of defense for Western Hemisphere affairs: "The kind of foreign policy the Cuban government will pursue with Díaz-Canel nominally at the helm is easy to guess while Raúl Castro and his octogenarian army still have him on a leash. As in the past, the policy seems to follow a predictable path of crushing dissent at home, seeking handouts from other dictatorships, denouncing the U.S. trade embargo and fooling regional governments into believing the problem is U.S. policy and not the Cuban government's repression of its citizens and interventions in places such as Venezuela and

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Colombian Police Investigate Death of Witnesses

A whistle-blower in the Odebrecht corruption scandal, Jorge Enrique Pizano, died last week suddenly of what appears to be cyanide poisoning.

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Argentine Senate Approves Austerity Budget for 2019

The plan foresees a balanced primary budget for next year, a key condition under a massive standby loan agreement reached this year with the International Monetary Fund.

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Migrant Caravan Begins to Arrive at U.S. Border

As thousands of Central American migrants began arriving at northern Mexico border cities, U.S. Defense Secretary Jim Mattis on Wednesday traveled to Texas to meet with some of the 5,600 American troops deployed to support border security.

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Mattis // File Photo: U.S. Government.

POLITICAL NEWS

Colombian Police Investigate Death of Corruption Witness

Colombian prosecutors on Wednesday opened an investigation into the sudden death of the main witness in an international corruption investigation involving Brazilian construction conglomerate Odebrecht, *El País* reported. Jorge Enrique Pizano died last Thursday suddenly of what appeared to be a heart attack, but authorities became suspicious when his son fell ill after drinking from a water bottle in the family's home. He died Sunday from what doctors say was cyanide poisoning. Pizano worked as an auditor for the Ruta del Sol, one of Colombia's biggest infrastructure projects. Odebrecht's concession to build the highway was canceled in February 2017, after evidence

emerged that the firm paid more than \$20 million to get the contract. The project Pizano audited was a 2010 partnership between Odebrecht and a unit of Colombia's Grupo Aval, the country's largest financial firm, to link the center of the country to Colombia's Caribbean coast. The contract was worth about \$1.7 billion overall. Pizano had given an interview to a local television channel, Noticias Uno, which was broadcast on Monday but which the channel said was recorded in August, Reuters reported. Noticias Uno said Pizano insisted the interview could not be released until he was outside Colombia or dead, citing fears for his safety. In the interview, Pizano said he had informed Néstor Humberto Martínez, who was then Grupo Aval's legal advisor, about the suspicious payments. Martínez became Colombia's attorney general in 2016, after leaving his position with Aval. He has recused himself from the Odebrecht probe due to his prior work with the companies involved, according to the report.

NEWS BRIEFS

Migrant Caravan Begins to Arrive at U.S. Border

As thousands of Central American migrants traveling in a splintered caravan began arriving at northern Mexico border cities this week, U.S. Defense Secretary Jim Mattis on Wednesday traveled to Texas to meet with some of the 5,600 American troops deployed to support border security. Mattis told troops that their mission is to put obstacles in the way of the migrants. Approximately 800 travelers have arrived in the California border city of Tijuana, where the influx could overwhelm the city's resources, *The New York Times* reported.

Cuba Pulls Doctors From Brazil Over Contract Spat

Cuba on Wednesday announced it will withdraw thousands of its doctors from Brazil after the South American nation's president-elect, Jair Bolsonaro, demanded changes to their contracts and questioned their training, *The Guardian* reported. Under the terms of the agreement, brokered via the Pan American Health Organization, Brazil pays the bulk of the doctors' wages to Cuba's government, which provides only a small portion to the doctors in salary. Along with contracts in other countries, Cuba receives billions of dollars in hard currency from the doctor arrangements.

Argentine Senate Approves Austere Budget for 2019

Argentina's Senate early today approved conservative President Mauricio Macri's austere budget proposal for 2019, *The Wall Street Journal* reported. The plan foresees a balanced primary budget for next year, a key condition under a massive standby loan agreement reached this year with the International Monetary Fund, through cuts to subsidies for utilities and transportation while slashing spending on public works. Macri has struggled to stabilize the economy ahead of next October's elections.

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Nicaragua. It is doubtful that any democratic government will continue to buy into that stale approach, especially since the regime has no changes it is willing to concede on its own. It remains an open question whether the new, more conservative governments in the region will want to confront Cuba directly. Still, their leaders don't appreciate the fact that it has been sending intelligence operatives to Venezuela and Nicaragua to aid and abet the disintegration of those societies. Already, the Cubanization of Venezuela has caused some three million people to flee starvation and disease, the largest outmigration from any country in the region in recent history. Under Cuban tutelage, the Ortega government is following suit, battering citizens protesting corruption and loss of freedom. The rising exodus from these two is creating a costly humanitarian tragedy for Latin American neighbors to address. Who sides with whom is no longer the question. Latin American democracies will press Cuba when it is in their interest to do so. That time may be soon at hand."

A **Dan Erikson, managing director at Blue Star Strategies:** "President Díaz-Canel has only been in office for six months, but his foreign policy goals are beginning to come into focus: reinvigorating core alliances and gradually expanding ties to Europe. Since taking office, he has met with President Nicolás Maduro in Venezuela, traveled to the General Assembly of the United Nations in New York and now completed his first major foreign trip with stops in France, Russia, North Korea, China, Vietnam, Laos and England. While the European stops appeared to be driven in part by logistical needs, he did meet with the powerful U.K. finance minister and the French prime minister, although not with President Macron. However, the core objective of the trip was clearly to bolster ties with historic allies in the communist and post-communist world. While Beijing has been a magnet for Latin American leaders of all persuasions due to China's economic rise, and Russia and Vietnam are increasingly relevant for the region, the visits to Laos

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ECONOMIC NEWS

Head of Mexico's CNH To Step Down With New Gov't

The president of Mexico's Hydrocarbons National Commission, or CNH, announced on Wednesday he will leave his post on Dec. 1, the same day President-elect Andrés Manuel López Obrador will take office, *El Financiero* reported. Juan Carlos Zepeda, whose term as president of the agency officially ends next May, has been in charge of the auction process that has offered more than 100 exploration and extraction contracts after the current government's energy reforms in 2014. "I have made the decision to end my term as head of the CNH in December," Zepeda said in a statement, Reuters reported. He added that he will join the Energy Ministry as an advisor at incoming secretary Rocío Nahle's request, while also working at a company that focuses on development projects in the infrastructure and energy sectors. Zepeda's resignation did not come as a surprise. Legislators with López Obrador's Morena Party, now in control of Congress, have proposed legislation that would reduce the CNH's autonomy, the wire service reported. The president-elect has also said he will review all contracts awarded under CNH during the past four years for any sign of corruption or illicit activity.

BUSINESS NEWS

Arcos Dorados Reports Revenue Up 8.3 Percent in Q3

Uruguay-based Arcos Dorados Holdings, Latin America's largest restaurant chain and the world's largest independent McDonald's franchisee, on Wednesday said its third quarter revenues grew 8.3 percent on a constant currency basis as compared to the same quarter

SUBSCRIBER NOTICE

Jaana Remes Joins the Board of Advisors

We are pleased to announce that Jaana Remes has joined the Latin America Advisor's board of advisors.

Dr. Jaana Remes is an economist and a partner at the McKinsey Global Institute (MGI), McKinsey & Company's business and economics research arm, based in San Francisco.

Since 2003, she has led MGI's research on urbanization, productivity, competitiveness and growth. Her latest research maps the deployment of smart city solutions and sizes the potential benefits to urban citizens' health, safety, commute times and other factors impacting quality of life.

Remes leads MGI's Urban World research series that includes mapping of economic power of cities, identifying global consumer groups shaping global demand and mapping of the global company landscape, as well as the patterns of urban growth across the Americas. Her long-term research interests also include productivity prospects in the digital age, global growth prospects in an era of demographic decline, analyses of how

different policies have contributed to industry competitiveness and growth; as well as in-depth assessments of the barriers to competitiveness and growth across a range of economies, including the United States, Mexico, Brazil, Canada, United Kingdom, Finland, Sweden and South Korea.



She has led MGI's research on energy, with a focus on understanding the microeconomic underpinnings of global energy demand and the opportunity to reduce energy consumption through higher energy productivity. She advises

global business and government leaders on related topics and frequently contributes to policy debates through articles and conference presentations.

Remes has a Ph.D. on applied economies from Stanford University and an MSc degree in economics and philosophy from the University of Helsinki, Finland. She is a nonresident senior fellow at the Strategic Foresight Initiative of the Atlantic Council.

She also serves on the Board of directors of Girl Scouts Heart of Central California.

last year. Net income increased 68 percent to \$42.7 million, and earnings before interest, taxes, depreciation and amortization, or EBITDA, grew nearly 20 percent, to \$88 million. Sales grew 7.4 percent on top of the 10.4 percent growth the company achieved last year, "with strong contributions from most of our markets throughout Latin America and the Caribbean," said Sergio Alonso, Arcos Dorados' chief executive. However, the company excluded effects on its business from the ongoing crisis in

Venezuela in calculating this quarter's results. Alonso sees the outcome of political elections this year in Latin America's biggest countries a net positive for the company's business moving ahead. "With the uncertainty about Mexico's presidential election and the U.S. trade agreement behind us and the choice of Brazil's president decided, we are more optimistic about the macro environments of these two important markets," he added. The company's shares rose 6 percent Wednesday on the news.

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and North Korea made this trip uniquely Cuban. On his trip, President Díaz-Canel was received mostly by heads-of-state and acquitted himself with few errors, in keeping with his low-key style. The far-flung nature of the trip was also indicative of how much of Latin America has recently moved beyond Cuba's orbit, with conservative governments in a range of key South American countries, although Mexico's relations with island will likely warm up after López Obrador's inauguration. Still, the United States should not count on rallying Latin American pressure on Cuba, unless it wants to shift attention from the Venezuelan crisis that has occupied much of the region."

A Paul Webster Hare, senior lecturer at Boston University and former British ambassador to Cuba: "President Trump's policy mix on Cuba has virtually no international support as the U.N. vote on Nov. 1 showed. So, Díaz-Canel can still use the U.S. embargo to excuse Cuba's struggling economy. Trump's stance has given Díaz-Canel his best possible inauguration gift. Russia and China oppose Trump's position on the Iran nuclear deal and are not pressing the DPRK (North Korea) to denuclearize. Cuba is a long-time ally of the DPRK. China and Russia want to demonstrate they have global outreach beyond maintaining their old ties with communist Cuba. Bolsonaro will try to associate with Trump on trade, Israel and Iran, among others, but Trump's stock is falling internationally after his election loss. Bolsonaro may reduce Brazil's dependence on Cuban doctors—a lucrative business for Cuba. But it is hardly a priority for him to break diplomatic relations. I doubt whether China and Russia will bankroll Cuba again and will probably be urging economic reforms. They don't want to be landed with another Venezuela. Díaz-Canel's foreign policy is to rely on old friends in the hope they will provide credit and Russian oil. He wants to show Cuba can still be relevant, and he knows Trump's hostility greatly helps his cause. Conservative governments in

South America are more concerned with the migration impact of Venezuela than with rocking the Cuban boat. It is seldom popular politically in the region to align with the United States. Trump may find some support for his policies on immigration, but not for Cuba-related reasons."

A Jorge A. Sanguinety, chairman at DevTech Systems: "Given the stubborn stagnation of the Cuban economy and its poor prospects for the near future, it is safe to assume that the top priority of Cuban President Miguel Díaz-Canel in his visits to Russia and other former or current allies is to reach investment and trade agreements, and especially aid concessions, that alleviate the current situation while also preparing for setbacks that loom in the horizon. This assumption is confirmed by some Russian sources' references about the need for 'reciprocity' in the economic relations between Russia and Cuba, in apparent response to Cuban suggestions about a partial return to the good old days of massive subsidies that started in the early 1960s and lasted until the collapse of the Soviet Union. The fact is that, during all those years, Cuba's centrally-planned economy became addicted to foreign assistance and consequently its enterprises failed to develop the managerial and financial capabilities to stand on their own—a degree of economic dependence that continued as Venezuela replaced the Soviets as the main external source of support. Now, as Venezuela faces economic crisis and Brazilian President-elect Jair Bolsonaro threatens to cut off Brazil's purchases of medical services from Cuba (one of its main sources of foreign exchange), Díaz-Canel faces an economic contraction that could be worse than when Soviet generosity disappeared in the '90s. Additional external efforts to put more pressure on Cuba to reform will only make the situation worse."

Editor's note: The comments above were received before Cuba announced Wednesday it was pulling its doctors from Brazil.

LATIN AMERICA ADVISOR

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

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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

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