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FEATURED Q&A

Are Referendums a Good Way to Make Policy in Mexico?



The public referendum last month on Mexico City's controversial new airport halted the project, which was a third of the way to completion. // Photo: Notimex.

Q Mexican President-elect Andrés Manuel López Obrador announced that he will hold a public referendum later this month on his proposal for a railway network connecting the main tourist attractions spanning five states across the Yucatán peninsula. The public will also be able to vote on nine other proposals, including a project to build a refinery in Tabasco. Is López Obrador's referendum approach legitimate and sound, from a democratic point of view? Is it a wise way to make long-term economic policy decisions? What are the advantages and disadvantages of using citizen referendums to make such important decisions for Mexico, and how likely is it that López Obrador will continue organizing public consultations on large projects once he takes office on Dec. 1?

A Lorena Becerra, political analyst and head of polling at Grupo Reforma: "Judging by López Obrador's history, we can assume that public consultations will be one of the main components of his future government. Once he takes office, he will likely amend the Constitution to simplify the requirements to conduct these exercises. Even though public consultations are a desirable mechanism to involve the population in policy decisions, the rigor and transparency under which they are conducted is very important. Although the previous consultation was plagued with irregularities, the new referendum will be held using the same procedure and carried out in the same selection of municipalities. López Obrador has turned a blind eye to criticisms regarding methodology and accountability. He also seems oblivious to the negative economic repercussions resulting from the past consultation.

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Brazil's Moro Picks Colleagues for Ministry Posts

Brazil's incoming justice and security minister is recruiting part of his team that investigated the massive "Car Wash" corruption probe to serve in the government of President-elect Jair Bolsonaro.

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Air Travel Could Double in Latin America by 2037

The region's expanding middle class, which could grow from 350 million people to 520 million by 2037, underpins the forecast, as well as "evolving airline business models" that will make travel more accessible.

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POLITICAL

DHS Chief Visits Border, Migrants Consider Options

U.S. Department of Homeland Security Secretary Kirstjen Nielsen on Tuesday toured the U.S.-Mexico border, saying "the crisis is real."

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Nielsen (R) // Photo: U.S. Government.

POLITICAL NEWS

DHS Chief Visits Border as Migrants Consider Options

U.S. Department of Homeland Security Secretary Kirstjen Nielsen on Tuesday toured the U.S.-Mexico border, telling reporters that 6,200 individuals have camped out in Tijuana and another 3,000 were assembling in Mexicali to prepare to enter the United States, NBC News reported. "The crisis is real and it is just on the other side of this wall," Nielsen told reporters at Border Field State Park in Tijuana. President Donald Trump has publicly criticized Nielsen for not being "tough enough" on U.S. border security, with speculation in the media rising this month that she will be replaced in a cabinet shake-up. "This is a border wall with row upon row of concertina wire," said Nielsen. "Make no mistake—we are very serious. You will not get into our country illegally," she added, speaking to the migrants. Many of the so-called caravan travelers were weighing their options Tuesday after a U.S. court on Monday temporarily blocked President Trump's asylum ban for illegal border crossers. The judge's ruling means the Trump administration must allow all migrants to seek asylum, including those who cross illegally, The Washington Post reported. Officials in Mexico said this week they had arrested 34 caravan members for drug possession, public intoxication, disturbing the peace and resisting police, and they would be deported to their home countries in Central America, the Associated Press reported. Local residents clashed with some of the migrants in Tijuana earlier this week, saying they did not want their taxpayer funds supporting the group. In the buildup to the midterm elections, the Trump administration sent about 5,800 active duty, plus reserve and National Guard forces, includ-

ing 1,100 Camp Pendleton-based Marines, to install razor wire and assist U.S. Customs and Border Protection in the reinforcing of the border, according to the report. Active duty troops typically are not assigned to domestic border security because legally the military is barred from conducting law enforcement activities. Calling in federal troops will cost an estimated \$210 million under current plans, the Pentagon told Congress on Tuesday, with \$72 million slated for active duty troops providing support to Customs and Border Protection, plus \$138 million so far for 2,100 National Guard troops who have been performing a separate border mission since April, according to a report sent to Congress, the Associated Press reported. Critics of the plan to use active duty military for border security say the Trump administration called troops up as a political maneuver to rally Republican voters in the U.S. midterm elections. Supporters of the move believe a hard stance now will deter future waves of migrants that could overwhelm scarce resources in towns and cities across both Mexico and the United States.

Brazil's Moro Picks Former Colleagues for Ministry Posts

Brazil's incoming justice and security minister, Sérgio Moro, announced Tuesday he was recruiting part of his team that investigated the massive "Car Wash" anti-corruption probe to serve in the new government of far-right President-elect Jair Bolsonaro, Agence France-Presse reported. Moro said he would be a "fool" not to recruit people he had worked with on the investigation because they "have already proven their integrity and efficiency," according to the report. Moro is nominating Maurício Valeixo as Brazil's federal police chief. Valeixo was state police chief in Paraná when Moro began the Car Wash investigation in 2014. Another veteran from the team, Érika Marena, will be put in charge of the Department of Asset Recovery and International Judicial Cooperation. Opposition leaders with the Workers' Party say Moro's corruption investigation

NEWS BRIEFS

U.S. Retailer Lowe's Plans to Exit Mexico Business

North Carolina-based home improvement chain Lowe's Companies said Tuesday it will sell its retail operations in Mexico. "The company intends to exit its Mexico retail operations and is exploring strategic alternatives," Lowe's said in a financial statement along with its third quarter results. The retailer will take a \$22 million pre-tax asset impairment charge over the decision to exit Mexico, where it currently has 13 retail stores in operation, a fraction of the more than 2,000 stores it operates in the United States and Canada, The Wall Street Journal reported.

Italy's Enel to Invest \$684 Million in Peru in Next Three Years

Italian energy producer Enel said Tuesday it would invest 600 million euros (\$684 million) in Peru between 2019 and 2021, El Comercio reported. Of that amount, more than 280 million euros is slated for Peru's power distribution sector, with 200 million euros in renewable energy and 100 million euros concentrated in thermal energy. Enel will invest a total of 8.4 billion euros in South America between 2019 and 2021, according to the report.

Colombia Asks Cuba to Hand Over ELN Rebel

Colombia has asked Cuba to capture and extradite the top leader of the National Liberation Army, or ELN, rebel group, Nicolás Rodríguez Bautista, known as "Gabino," the Colombian foreign ministry said Tuesday, Reuters reported. Rodríguez is receiving medical treatment in Cuba, where peace talks between former Colombian President Juan Manuel Santos and ELN leaders had taken place in the last year. President Iván Duque has suspended negotiations until the rebels free all hostages and cease all criminal activity.

SUBSCRIBER NOTICE

The Advisor will not be published this Thursday and Friday in observance of the Thanksgiving holiday in the United States.

unfairly targeted its party members and was ideologically biased.

ECONOMIC NEWS

Air Travel Expected to Double in Latin America by 2037

Latin America's air travel volume is expected to double in the next two decades, according to a market forecast report released Tuesday by European manufacturer Airbus. The region's expanding middle class, which could grow from 350 million people to 520 million by 2037, underpins the forecast, as well as "evolving airline business models" that will make travel more accessible, the report said. Passenger traffic in the region has more than doubled since 2002 and is expected to increase from 0.4 trips per capita in 2017 to nearly 0.9 trips per capita in 2037. "We continue to see growth in the region's air transport sector, despite some economic challenges," said Airbus regional president Arturo Barreira in a statement. Earlier this year, U.S.-based Boeing, an Airbus rival, announced it had expanded its commercial service capabilities in Latin America with Brazil's GOL Linhas Aéreas and Mexico's Aeroméxico. Boeing expects that by 2036, the region's aviation support and services market will be valued at \$530 billion.

BUSINESS NEWS

French Bank Fined \$1.3 Billion for Cuba Sanction Violations

French bank Société Générale has agreed to pay \$1.34 billion in penalties to settle allegations by U.S. and New York state authorities that the bank had processed and concealed billions of dollars in transactions related to Cuba and other countries under U.S.

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The questions for the upcoming referendum present the voter with a series of valence issues without alternative options as to what can be done with the money being allocated. The consultation process does not include a mechanism by which the public can become informed on the budgetary and environmental impacts of their decision. Moreover, AMLO has announced that the construction of the railway will begin in December, so the resolution to consult on this matter seems disingenuous. Complex public matters can be decided through a popular vote if the population becomes informed on the ramifications of its decisions and a certain degree of participation is guaranteed. However, if AMLO persists on conducting these opaque referendums, he runs the risk of increasing institutional uncertainty and, in the long run, discrediting this democratic mechanism altogether."

A **Eduardo Arcos, Mexico analyst at Control Risks:** "López Obrador's plans to hold a second referendum ahead of taking office on Dec. 1 highlight the inherent democratic and institutional shortcomings of the referendum itself. Firstly, the referendum will not be legally binding as AMLO is not yet president of Mexico and as it will not be organized by the National Electoral Institute, which is the autonomous institution that is constitutionally mandated to oversee these types of democratic exercises. The referendum will be organized by AMLO's Morena

sanctions, The Wall Street Journal reported Monday. The majority of the transactions and much of the total value involved a dollar credit facility designed to finance oil transactions between a Dutch commodities trading firm and a Cuban company with a state monopoly on the production and refining of Cuban crude, federal prosecutors said. The department that managed the scheme "engaged in a deliberate practice of concealing the Cuban nexus of U.S. dollar payments," prosecutors said. The

party, making it vulnerable to political interference and undermining its impartiality. As in the previous referendum on the airport for Mexico City, the options promoted by AMLO and Morena are expected to be favored by voters. However, this will not be indicative of overall support since a very low voter

“ If AMLO persists on conducting these opaque referendums, he runs the risk of increasing institutional uncertainty.”

— Lorena Becerra

turnout is expected (less than 2 percent) and voting booths will be scarce and located in bastions of popular support for AMLO. Referendums are valid democratic exercises that reflect popular support on contentious issues. However, AMLO's referendums do not follow institutional procedures that would validate their legality and legitimacy and, therefore, cannot be considered valid democratic exercises. The principal advantage of holding referendums is fomenting citizen participation, which is key in a young democracy like Mexico's. Although referendums can add uncertainty to the political agenda, they are also reflective of a consolidated and participatory democracy. Morena will promote legislation to expedite the process to hold citizen referendums

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total penalty amount is the second-largest imposed on a financial institution for violations of U.S. sanctions, according to the report. As part of the deal, prosecutors deferred criminal charges, including conspiracy to violate the Trading with the Enemy Act and the Cuban Asset Control Regulations, the Associated Press reported. The charges would be dropped entirely after three years. The bank said it is fully cooperating with U.S. authorities and has taken steps to strengthen compliance.

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during AMLO's presidential term. However, the legislation will likely have significant shortcomings. AMLO has stated that he will continue to pursue consultations on large projects and contentious policies throughout his term."

A **Michael Lettieri, fellow at the Center for U.S.-Mexican Studies:** "The incoming administration's fascination with referendums should surprise no one. López Obrador held five such 'consultas ciudadanas' (citizen consultations) during his time as Mexico City's mayor, and each time the result served to legitimize his preferred outcome. This is to say that, regardless of its flaws, López Obrador is unlikely to abandon the 'consulta.' But is it a sound way to govern? Three key points: First, the referendums are not particularly democratic exercises, even if the aspirations behind them are noble. They are not formal elections, lack independent oversight and are generally less than transparent. Participation tends to be low. Yet neither do they substantially damage Mexican democracy, especially given the country's tradition of non-democratic policymaking. At worst, they distract from creating better mechanisms for citizen par-

“The referendums are not particularly democratic exercises, even if the aspirations behind them are noble.”

— Michael Lettieri

ticipation. Second, referendums are not the most sensible way to govern. López Obrador received an unprecedented mandate, after a lengthy campaign in which he signaled many of his preferences on issues now being put to referendum. Rather than having participants reflect those preferences back, López Obrador would do better by leaning on his team to make thoughtful decisions on complicated issues. Adherence to referendum

results could foreclose better policymaking. The ultimate problem with referendums, lastly, is that they are a distraction, both from the work of deepening Mexican democracy—which is plagued by structural issues—and from the actual complexity surrounding important policy questions. A 'consulta' may provide political cover, but it is López Obrador who is ultimately responsible for the decisions."

A **Mark Keller, analyst at the Economist Intelligence Unit:** "The use of referendums continues AMLO's governing strategy from his time as mayor of Mexico City when he often submitted consultations to the electorate to take the public pulse. But these weren't straightforward binding referendums: sometimes he listened, and sometimes he didn't. By using referendums selectively, what AMLO can do—as in the case of the airport consultation—is claim public support for controversial decisions. I think we should expect this to be a continuing theme of his presidency. From a democratic point of view this sort of 'direct democracy' undermines the legitimacy of the legislature and its role as the elected intermediary between the president and the people. By electing AMLO's Morena party and its allied parties to majorities in the Chamber of Deputies and Senate, we can assume the people have already endorsed the president's agenda as laid out during the election campaign. This makes some of these consultations redundant. The risk of this appeal to direct democracy is that by undermining the legislature, it weakens the legislature's role as a check on executive power. It gives the president the ability to go over the legislature's heads and claim direct support from the people. The danger this poses to democratic norms in the case of a conflict between the legislative and executive branches is obvious. The best way to make economic or development policy is in negotiation between duly-elected legislators and between the legislative and executive branches. Investing elected leaders with these powers are the compromises we make in a democracy."

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