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FEATURED Q&A

Will Ecuador's Efforts to Boost Trade Ties Pay Off?



Ecuador's foreign trade minister, Pablo Campana (at far right), met with U.S. and Ecuadorean business leaders this month during his trip to Washington. // Photo: @CampanaPablo via Twitter.

Quadorean Foreign Trade Minister Pablo Campana visited the United States in November to restart talks on trade between the two countries at a meeting of the U.S.-Ecuador Trade and Investment Council, or TIC, after a nine-year pause. The same week, Campana outlined the "final hurdles" for Ecuador to join the Pacific Alliance trade bloc, which include establishing a trade pact with Mexico and updating its deal with Chile. How likely is it that Ecuador's efforts to deepen trade ties with other countries in the region will materialize in the near future? What are the key aspects of President Lenín Moreno's trade agenda, and how much does it diverge from former President Rafael Correa's approach to trade? Will countries and investors put off by Ecuador in the past be eager to engage commercially now?

Anathalie Cely, president of the Centro de Competitividad in Quito and former Ecuadorean ambassador to the United States: "The main difference between former President Correa's and President Moreno's trade policies is the political will to carry out an open trade agenda. President Correa's main foreign trade achievement was the signing of a trade agreement with the European Union, but relations with the United States and the Pacific Alliance remained distanced on ideological grounds. President Moreno's trade priorities are joining the Pacific Alliance and kickstarting the process of signing a trade agreement with the United States, the first step being the reconvening of the TIC after nine years. The likelihood of these efforts

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TODAY'S NEWS

POLITICAL

U.S.-Mexico Crossing Reopens After Border Clash

The San Ysidro Port of Entry in California was closed for several hours on Sunday after a group of Central American migrants attempted to force their way into the United States from Mexico. Migrants clashed with Mexican and U.S. authorities.

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BUSINESS

Venezuela Reaches Deal to Retain Citgo

The South American country reached a \$1.4 billion settlement deal with defunct Canadian miner Crystalllex in order to keep Citgo under its control.

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ECONOMIC

Mexico's Economy Grows in Year's Third Quarter

The economy grew 0.8 percent as compared to the previous quarter and 2.5 percent year-on-year. The July-to-September period was the final full quarter of President Enrique Peña Nieto's administration.

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Peña Nieto // File Photo: Mexican Government.

POLITICAL NEWS

U.S.-Mexico Border Crossing Reopens Following Clash

The U.S.-Mexico border crossing at the San Ysidro Port of Entry in California reopened Sunday afternoon following its closure for more than five hours after hundreds of migrants clashed with Mexican and U.S. authorities in an attempt to enter the United States, The San Diego Union-Tribune reported. The migrants, from a caravan that has been traveling north from Central America for several weeks, tried to breach the border in several locations, according to U.S. federal authorities. On Sunday morning, hundreds of migrants started marching from their shelter at the Benito Juárez sports complex in Tijuana to Mexico's El Chaparral border crossing, the newspaper reported. As they approached the border, several members of the group clashed with Mexican federal police in riot gear and then about 50 migrants bolted past police officers toward a small hole in a border fence. During the melee, migrants hurled rocks and other objects at U.S. Customs and Border Protection agents, striking several of them, and authorities deployed tear gas in an effort to get the

group to disperse. The confrontations led U.S. Customs and Border Protection to close the border at San Ysidro, one of the world's busiest land border crossings, at about 11:30 a.m. Pedestrian crossings reopened at about 3:45 p.m., and vehicle crossings reopened at about 5 p.m. Mexico's Interior Ministry said it would immediately deport Central American migrants who attempted to "violently" breach the border, adding that it would reinforce the border, The Washington Post reported. "We are going to act and proceed to their deportation," Mexican Interior Minister Alfonso Navarrete told the Milenio television network. "Far from helping the caravan, they are hurting it." In a posting on Twitter, U.S. Homeland Security Secretary Kirstjen Nielsen said federal officials will "prosecute to the fullest extent of the law anyone who destroys federal property, endangers our frontline operators, or violates our sovereignty." Additionally, the mayor of Tijuana, Juan Manuel Gastélum, tweeted, "We will not allow our binational relationship to be broken by the bad behavior of the migrant caravan." The border closure affected Tijuana residents who "work, study and visit the United States in peace," he added. More than 5,000 Central American migrants have been camped out at the Benito Juárez sports complex, and Mexican authorities say more than 1,600 others are headed toward the area from points further south in Mexico, The San Diego Union-Tribune reported.

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materializing will depend on many factors. Ecuador has formalized its desire to join the Pacific Alliance, and member countries have been supportive. Chilean President Piñera will probably be supportive of an extension of the current agreement. However, it is not clear whether Mexican President-elect López Obrador and U.S. President Donald Trump will be willing to sign agreements with Ecuador. In Mexico, there is a lot of uncertainty on what the foreign trade agenda will be, whereas in the United States there are several factors that will probably place Ecuador on the lower end of foreign trade priorities. First, Ecuador has several international litiga-

gations with American companies that will have to be resolved (the TIC will help with this). Second, the United States currently has other trade priorities, such as ratifying the USMCA in Congress, where legislative gridlock will increase after the midterm elections as well as the ongoing trade dispute with China. Finally, there have been reports that the U.S. Justice Department is preparing to prosecute Julian Assange, who has been under political asylum in the Ecuadorian Embassy in London since 2012. The handover of Assange will surely come up as a condition in any trade talks. Given the current global macroeconomic conditions

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NEWS BRIEFS

Mexico's Economic Growth Edges Up at End of Peña Nieto's Term

Mexico's economic growth accelerated in the third quarter, the last full quarter of President Enrique Peña Nieto's term, The Wall Street Journal reported Friday, citing the country's statistics agency. Gross domestic product grew 0.8 percent in the quarter as compared to the previous three-month period, translating to an annualized growth rate of 3.2 percent, the statistics agency said. The economy shrank in the second quarter. Year-on-year, the economy grew 2.5 percent in the third quarter.

Costa Rica's High Court Backs Tax Reform Plan

Costa Rica's Supreme Court on Friday ruled in favor of a tax reform that would increase taxes and cut government worker benefits to address the country's mounting debt, Reuters reported. The bill, which President Carlos Alvarado endorses and which lawmakers approved in October, will now go back to the Legislative Assembly for a second vote. Opposition lawmakers had argued the government illegally fast-tracked the bill through the assembly. Thousands of public workers have been on strike to protest the reforms since September.

Honduran President's Brother Arrested in Miami on Drug Charges

The brother of Honduran President Juan Orlando Hernández was arrested in Miami on Friday on drug trafficking charges, the Honduran government said Friday, Reuters reported. Juan Antonio "Tony" Hernández, 40, a former lawmaker, has denied previous allegations of participating in a money laundering scheme with the Cachirois criminal group. Several prominent Hondurans, including three congressmen, have been recently charged in the United States for alleged links to drug trafficking.

ECONOMIC NEWS

Ecuador Estimates it Needs \$550 Mn for Migration Crisis

The Ecuadorian government said Friday that it needs \$550 million to cope with the influx of Venezuelan migrants, *El Tiempo* reported. Santiago Chávez, Ecuador's deputy minister of human mobility, said the Andean country hopes to raise the funds with the help of multilateral agencies and nearby countries, Reuters reported. Ecuador estimates some 600,000 Venezuelans have crossed into the country after traveling through Colombia, with most on their way to Peru. Officials from Ecuador, the United States, Canada, Japan, Qatar and the European Union are scheduled to meet on Nov. 30 in Quito to discuss how to deal with Venezuelan outmigration, which the United Nations estimates has reached around three million people since 2015. [Editor's note: See related **Q&A** in the Nov. 19 issue of the Advisor.]

BUSINESS NEWS

Venezuela Reaches Deal to Retain Control of Citgo

Venezuela has reached a \$1.4 billion settlement deal with Crystallex International to prevent it from seizing U.S. assets of Venezuelan state-owned company PDVSA, *The Wall Street Journal* reported Sunday. The Venezuelan government has agreed to pay the defunct Canadian mining company to resolve legal actions that will keep its U.S. refining subsidiary Citgo under its control. The case dates back to the beginning of late President Hugo Chávez's nationalization process a decade ago. The Venezuelan government expropriated a Crystallex project, leading the company to claim \$1.2 billion in compensation, which has grown to more than \$1.4 billion with interest, Reuters reported. Crystallex CEO Robert Fung

COMINGS & GOINGS

Former Deutsche Bank Exec Joins Colombian Gov't

César Augusto Arias Hernández on Nov. 13 took office as the new head of public credit and national treasury within Colombia's finance ministry, according to a government website. Before joining President Iván Duque's administration, Arias was the head of research of global markets at Deutsche Bank Securities in New York and previously directed the Latin America sovereignty ratings department at Fitch Ratings. He has also worked at the International Monetary Fund and the Organization of American States in Washington.

Llorente & Cuenca Shakes Up Management

Llorente & Cuenca on Nov. 8 announced a series of management changes in its Latin America offices that will take effect in January as the Spanish consulting group opts for a new client-focused and region-based strategy, according to a statement. Latin America will be organized in three regions. Luis Miguel Peña will be the general director of the Andean Region, which includes Peru, Ecuador and Colombia, and Juan Carlos Gozzer will lead the South Region of Brazil, Argentina and Chile, while Javier Rosado will continue as head of the North Region, comprised of Mexico, Panama, the Dominican Republic and Cuba.

Publicis Groupe Expands Latin America Operations

As part of a global overhaul, French public relations firm Publicis Groupe is expanding its operations in Latin America with a new leadership team and a new country office in Mexico, the company said in late October. Monica Gadsby will take on the role of Latin America chief executive officer, with Alejandro Cardoso, previously president and CEO of Publicis Communications in Mexico, as regional executive chairman. Marta Ruiz-Cuevas will become the chief executive of Publicis in Mexico, leaving her positions as CEO of Publicis Media in Mexico.

A.M. Best Appoints New Regional Senior Director

A.M. Best announced that Carlos de la Torre has been named the credit rating agency's senior director for Latin America. Based in Mexico City, de la Torre will manage the region's subsidiary unit and its expansion. De la Torre's expertise are insurance and reinsurance markets, and he has previously worked at Marsh Mexico, Cooper Gay in London and Som.us, formerly known as Cooper Gay Mexico.

said Venezuela had already paid \$500 million in cash and liquid securities, adding that it must post collateral by Jan. 10 or the company may restart legal proceedings, *The Wall Street Journal* reported. Venezuela has agreed to pay the rest of the arbitration settlement by 2021. Under the new settlement, Crystallex agreed to suspend an auction of shares in Citgo's parent company. The cash-strapped South American

country has been able to protect Citgo amid a hyperinflation crisis and U.S. sanctions. In October, the government made payments of nearly \$1 billion to creditors with collateral rights over Citgo, the only bonds it has stayed current on during the economic crisis, the newspaper reported. [Editor's note: See related **Q&A** in the Aug. 24 issue of the weekly Energy Advisor.]

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(rate hikes in the United States, U.S.-China trade frictions, Chinese economic fragility), the panorama for countries like Ecuador in terms of foreign trade and investment is not optimistic. However, President Moreno and Minister Campana have demonstrated the will to start processes that will surely be beneficial to Ecuador in the long run."

A **Pablo Arosemena, president of the Guayaquil Chamber of Commerce:** "Ecuador is definitely on a new path regarding international trade. In contrast to the protectionist agenda of the recent past, there is now clear evidence of the government's intention to open markets and free trade. In the modern economy, this kind of agreements are key for development. Our society has understood that very well. Though we know that it is still complicated to reach free trade agreements with both the United States and the Pacific Alliance in the short run, to have had initial meetings in the past weeks is very positive news for the productive sector. We trust that the trade relationships are going to improve. Ecuador is working hard on its trade openness agenda, and we think this will pay off in the medium term. The current trade policy is to transmit confidence to investors, for them to eventually see Ecuador as an attractive country to do businesses."

A **Gregory J. Spak, chair of the International Trade Group at White & Case:** "Trade policy is difficult these days. Even countries that once supported the long, seemingly steady march toward trade liberalization within the multilateral system are questioning whether that was such a good idea. Trade and investment policy faced significant disruption in Ecuador in past decades amid the changes in the country's political and economic objectives. Viewed in this context, the recent

announcements are bold. The policy shift comes at a time when experts are urging Ecuador to make changes that will help insulate the country from external shocks, such as the international financial crisis of a decade ago and the more recent crisis in the oil sector. A report issued earlier this month by the Inter-American Development Bank (IADB) advised, among other things, that Ecuador move toward a more open trade regime with its Latin American neighbors and other countries to boost Ecuador's exports and attract new foreign investment. The approach to United States and the

“ It would be unrealistic (and possibly counterproductive) to hope for too much too soon...”

— Gregory J. Spak

desire to join the Pacific Alliance are part of this process. Will it work, and will a more open trading and investment system provide the stability and growth that policy makers seek? Much will depend on pace, conviction and perseverance. It would be unrealistic (and possibly counterproductive) to hope for too much too soon; trade negotiations take time, and their effect on the economy and on investors is seldom immediate. However, there is no reason why a sustained commitment to an open trade and investment environment cannot help Ecuador achieve its socioeconomic goals."

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

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