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THEDIALOGUE

FEATURED Q&A

Will Businesses Remain Confident in Jamaica's Economy?

It is crucial for Jamaica to pursue job creation as it focuses on economic growth, Nigel Clarke, the country's ambassador of economic affairs, said last week. // File Photo: Jamaica Information Service.

Q More than 80 percent of companies in Jamaica are optimistic about the country's business outlook, and some two-thirds of them are planning to expand within the next three to five years, according to a survey released earlier this month by the Ministry of Labor and Social Security. What is behind companies' confidence in the island's business outlook? How business-friendly have the policies of Prime Minister Andrew Holness been? Which sectors of the country's economy are thriving, and which are struggling?

A Vangie Bhagoo-Ramrattan, head of research at First Citizens Investment Services in Port-of-Spain, Trinidad and Tobago: "Historically, the Jamaican economy was hindered by its unsustainable and onerous debt levels and lack of fiscal flexibility, resulting in very low economic growth over the years. The recent show of confidence in the economy has been supported by a series of structural reforms under a successfully implemented IMF program. Economic growth has been positive and relatively high compared to previous years. In fact, growth in fiscal 2017/2018 is projected to be in the region of 2 percent, bolstered primarily by tourism and construction. There has been a consistent improvement in the fiscal account, with the debt-to-GDP ratio moving from 145 percent in 2014 to 122 percent as of March 2016. Fiscal consolidation efforts are expected to result in a primary balance surplus of 7 percent of GDP in FY 2017/2018. The optimism of businesses stems not just from the reforms and fiscal consolidation efforts, but also from the government's goal of improving transparency and accountability. The

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TODAY'S NEWS

ECONOMIC

Peru Saw 'Quite Low' Economic Growth in March

Peru's economy in March likely saw economic growth of 0.5 percent, a figure that was affected by devastating floods that hit the country, a central bank official said.

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ECONOMIC

Chile Joining Asian Infrastructure Investment Bank

The multilateral lender was founded in 2015 as a counterweight to other development banks such as the World Bank. The government made the announcement during President Michelle Bachelet's trip to China.

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POLITICAL

Brazil's Temer Marks First Year With Vow to Push Reforms

Brazilian President Michel Temer, who is facing single-digit approval ratings, vowed to push for labor, pension and tax reforms.

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Temer // File Photo: Brazilian Government.

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POLITICAL NEWS

Brazil's Temer Marks First Year With Vow to Push Reforms

Brazilian President Michel Temer on Friday marked his first year in office with a vow to push for labor, pension and tax reforms before his term ends at the end of next year, the Associated Press reported. Temer, who served as former President Dilma Rousseff's vice president, was sworn in after Rousseff was impeached and removed from office on charges of violating fiscal laws. Temer on Friday expressed optimism about the economy and said the country is heading in the right direction. "We are on the right track," he told allies in a discreet ceremony. "We started preparing the country for a new phase of development." Temer praised legislators for passing austerity bills that he said will put the country on a path to economic growth. However, he also faces low approval ratings amid continued economic weakness. Latin America's largest economy is expected to grow by less than 1 percent this year, and recently released unemployment figures showed that unemployment has risen to 14 million from 13 million. The the high rate of unemployment is the result of "a heritage of uncontrolled spending," said Temer, who vowed to deliver "a restructured and happy" country in his second year as president. A recent poll by Datafolha showed that 71 percent of Brazilians disapprove of the president's reform package, while just 9 percent expressed approval for his job performance. Temer's approval rating was four percentage points lower than Rousseff's at the time she was suspended amid her impeachment process. The Datafolha poll also showed that just 2 percent of Brazilians would vote for Temer if he ran for office next year. The poll of 2,781 people was conducted April 26-27 and had a two percentage-point margin of error.

> **"We are on the right track."**
>
> **— Michel Temer**

ECONOMIC NEWS

Peru Saw 'Quite Low' Economic Growth in March: Central Bank

Peru's economy saw "quite low" economic growth in March, in part due to devastating floods that hit the country, the central bank's chief economist told reporters Friday in a conference call. The statement from the official, Adrian Armas, came ahead of today's release of March economic data from the central bank. The economy likely grew 0.5 percent year-over-year that month, higher than forecasts, the Econony Ministry said. A Reuters poll of nine analysts released Thursday showed an expected 0.5 percent economic contraction in March, which would be the first monthly decline in seven years. Peru's economy has decelerated in recent months due to floods that hit the country's northern region. The floods were due to the El Niño weather phenomenon. In February, Peru's economy grew 0.74 percent as compared to the same month a year earlier, marking the weakest growth since the end of 2014. The country's rate of inflation was likely to re-enter the 1 to 3 percent range, the central bank's target, in this year's third quarter, said Armas. For May, inflation is likely to be negative for the second consecutive month, he added. Supply shocks related to the floods led to inflation of 0.32 percent in February and 1.3 percent in March, the largest monthly rise in nearly 20 years. The natural disasters left more than a hundred people dead and destroyed several highways. "That is obviously atypical in a low-inflation economy like Peru's and has to due with an extraordinary phenomenon," said Armas.

NEWS BRIEFS

Ecuador Expresses Concerns About Lack of Progress in Assange Case

The Ecuadorean government has said it is concerned over the "serious lack of progress" on the part of the Swedish government in dealing with WikiLeaks founder Julian Assange's sexual assault allegations from 2010, BBC News reported Sunday. Ecuador said it is a "serious failure" that Sweden's prosecutor has failed to complete an inquiry into the allegations. Assange has been confined to the Ecuadorean embassy in the United Kingdom, where he has asylum, for almost five years. Assange denies the allegations against him.

Fire Destroys Part of Market in Managua

A fire in Nicaragua's capital on Sunday destroyed more than 60 stalls that are part of a traditional market in the center of the city, BBC news reported. Authorities said there were no casualties as a result of the fire in Managua, which began at 6 a.m. local time. Shopkeepers rushed to their stalls to rescue their belongings from the blaze, which took firefighters four hours to get under control. Access to fire hydrants had been blocked by stalls that had been built illegally over the years. It's estimated that 100,000 people visit the market every day.

Chile to Join Asian Infrastructure Investment Bank

Chilean President Michelle Bachelet said the country will be joining the Asian Infrastructure Investment Bank, or AIIB, according to a statement from Chile's foreign ministry on Saturday during Bachelet's visit to China, Agence France-Presse reported. "We are very happy to have been accepted as members and as a government have to do our part to get full membership approved," Bachelet said during a visit to AIIB's headquarters.

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BUSINESS NEWS

General Electric CEO Expresses Support for NAFTA

During a visit to Mexico on Friday, General Electric CEO Jeff Immelt praised the country, saying it was not properly understood and that it had great potential, and he also affirmed his company's support for the North American Free Trade Agreement, which U.S. President Donald Trump has threatened to renegotiate or abandon entirely, Reuters reported. Immelt made the remarks during an event that marked the expansion of operations in the city of Monterrey, where he said the trade deal among

Immelt // File Photo: General Electric.

the United States, Mexico and Canada could be modernized, as Mexico has argued recently following Trump's election. "We're optimistic about Mexico, we're optimistic about what we can do here," Immelt said. He added that the country would be a "big part" of the country's future. "We will continue to work constructively in the context of wanting to see a close relationship between the U.S. and Mexico." He said continued trade between the three countries would be a "win-win" across North America. Immelt is a member of a Trump-appointed manufacturing council that Mexico has targeted in its lobbying efforts to convince U.S. business leaders to defend NAFTA. Earlier this month, Immelt told the Trump administration that it should avoid protectionist policies, and that it should instead use tax reform, export financing and improved trade agreements to make free trade in North America more fair for all U.S. businesses.

Ecopetrol Seeking to Invest in Light Crude Projects

Colombian state oil company Ecopetrol on Friday said it plans to take advantage of its nearly $6 billion in cash on hand at the end of the first quarter by focusing on purchasing light crude projects in other Latin American countries over the next 18 months, Reuters reported. The company more than doubled its net income for the first quarter year-over-year to 886 billion pesos, or $300.4 million, due to better crude prices and improved operating efficiencies, Ecopetrol said. "Our idea is to look for reserves of light crude outside Colombia," said CEO Juan Carlos Echeverry. "We're in no rush, but it could be something that happens over the next 18 months." The company has already met with banks regarding available projects in the region. Ecopetrol hopes to create a "better balance" in its crude portfolio, Echeverry said.

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Economic Growth Council is mandated to follow up and report on the implementation of key strategic initiatives that were created as a result of consultations with various stakeholders in the Jamaican economy. We believe that the tourism and construction sectors will be the drivers of economic activity in Jamaica over the next year, with opportunity for an upsurge in foreign investments over the coming years. Within the context of consistently strong implementation under the IMF's Stand-By Arrangement, confidence has been and will continue to be buoyed by sustained macroeconomic discipline and reforms that have already started to produce results."

A Sally Yearwood, executive director of Caribbean-Central American Action in Washington: "At the recent World Bank Spring Meetings, a panel on 'Growth Challenges and Opportunities in the Caribbean' featured Ambassador Nigel Clarke, who serves as the deputy chair of the Economic Growth Council of Jamaica. Ambassador Clarke addressed this optimism among Jamaicans and the growing confidence that the private sector has for short- to medium-term expansion. What is particularly interesting is that when the current government came into power last year with a one-seat majority after a hard-fought election, there was concern that the government would not have a clear mandate. Prime Minister Holness, however, took a forward-leaning approach, and on the economic front this resulted in the establishment of the Economic Growth Council, which launched broad stakeholder consultations to establish consensus on economic policy. With the prime minister setting the target of achieving 5 percent GDP growth in four years, the council worked to identify the barriers to economic growth, job creation and doing business, and to provide suggestions on finding solutions to these issues. The result was 1.6 percent GDP growth in 2016, which is expected to continue to increase. The growth is accentuated by increasing macroeconomic stability, with Jamaica reducing its debt-to-GDP ratio by more than 20 percent since 2013. Expected growth in key sectors, including tourism, agriculture and business process outsourcing, bode well for job creation. Ongoing insecurity, relatively high unemployment and low productivity remain a challenge. How-

> **"Expected growth in key sectors, including tourism, agriculture and business process outsourcing, bode well for job creation."**
>
> **— Sally Yearwood**

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ever, investment in social protections and improving the investment climate, as well as a focus on sustainability, have combined to create a culture of optimism that is changing the narrative for Jamaica's future."

Earl Jarrett, chief executive officer of The Jamaica National Group: "The rising confidence of companies doing business in Jamaica is directly related to the country's economic performance under the International Monetary Fund's Extended Fund Facility and Stand-by Arrangement. During that period, macroeconomic stability was achieved with debt-to-GDP falling from 145 percent to 120 percent; inflation being contained; and for first time in many years, the country presented a balanced budget. This stability was also supported by a reduction in oil prices and a decline in crime levels within the country. Against this background, Jamaica recorded economic growth of approximately 1.4 percent in 2016 as reported by the Statistical Institute of Jamaica. Added to this is increased visitor arrivals; the planned reopening of Alpart, a closed bauxite plant in Manchester, under the ownership of the Chinese company JISO; and announcements of new hotel constructions. The rising confidence has also been attributed to the establishment of an Economic Growth Council and the preparation of an economic growth plan for the country that includes agreed timelines with resource allocation, giving confidence that the project should be successful. The government of Prime Minister Andrew Holness has sought to implement growth-inducing policies such as laws to establish a national identification system to facilitate greater levels of accountability and create opportunities for new businesses on the basis that each citizen will have a national and digital identification. In addition, the establishment of a financial inclusion strategy to enable all Jamaicans to have access to and use financial services will discourage continued participation of the 'underground' economy. The areas benefiting from this economic optimism include tourism, business processing outsourcing, and the financial sector; and it is expected that these sectors will pull the rest of the economy along."

> **"The government of Prime Minister Andrew Holness has sought to implement growth-inducing policies."**
>
> **— Earl Jarrett**

Advisor Video

Dominican Foreign Minister Miguel Vargas Maldonado

The Dominican Republic's foreign minister discusses relations with the United States and Haiti as well as Venezuela's political and economic crises with the Advisor's Nicole Wasson.

View a video of the interview.

PLAY

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Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

THEDIALOGUE

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