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FEATURED Q&A

Is Cuba's Economy Facing Even Bigger Hurdles in 2019?



Cuba's economy minister, Alejandro Gil Fernández, has blamed Cuba's anemic growth on lower levels of revenue from tourism, among other factors. // File Photo: Agencia Cubana de Noticias.

Q Cuba's economy was expected to close 2018 with around 1 percent economic growth, down from the 2 percent that analysts had previously forecast, according to Cuban state-run media. Economy Minister Alejandro Gil Fernández has blamed the lower level of growth on factors such as lower-than-expected revenue from tourism, the sugar harvest and nickel mining. The economic downward spiral of Venezuela, previously a major source of foreign support for Cuba, has also affected the island's economy, as did the loss of fees due to the recent departure of Cuban doctors from Brazil. What are the top factors driving Cuba's economy, and how will they perform in the year ahead? Are there reasons for optimism in 2019? How will Cuba's government seek to boost the country's economy in the coming year?

A Carmelo Mesa-Lago, distinguished service professor of economics and Latin American studies at the University of Pittsburgh: "There are five main factors affecting the Cuban economy. First is the selling of professional services, a major source of hard currency. Venezuela buys 75 percent of these services, but its economy contracted 18 percent in 2018. Also, the country is likely to suffer 10 million percent inflation this year, the International Monetary Fund's Alejandro Werner told columnist Andrés Oppenheimer. Hence, a continuous decrease is expected in Venezuela's buying of such services. Those purchases already fell 23 percent between 2014 and 2017. The second main factor affecting Cuba's economy is tourism. After a decline in tourism in the first half of 2018 due to Trump's restrictions

Continued on page 3

TODAY'S NEWS

POLITICAL

Brazil Orders 300 Troops to Ceará State

Brazil's government ordered the troops to the northeastern state in response to attacks against banks, stores and buses. The rise in attacks is reportedly in retaliation for stricter measures in local prisons.

Page 2

BUSINESS

ExxonMobil Starts Drilling Well Off Guyana's Coast

The U.S.-based oil major has started drilling the Haimara-1 exploration well, the first of two planned this month.

Page 3

POLITICAL

Thirteen Nations Urge Maduro to Step Down

Some members of the so-called Lima Group issued a statement calling on Venezuelan President Nicolás Maduro to step down, saying his election was fraudulent. The group met in advance of Maduro's scheduled swearing-in this week for a new term.

Page 2



Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Thirteen Nations Urge Venezuela's Maduro to Step Aside

Thirteen nations of the Western Hemisphere on Friday said they would no longer recognize Nicolás Maduro as Venezuela's president and urged him to cede power, The New York Times reported. The move by the countries came ahead of Maduro's scheduled swearing-in for a new term on Thursday. The 13 nations, part of the so-called Lima Group, denounced Venezuela's election last year as fraudulent. "The electoral process carried out in Venezuela on May 20, 2018, lacks legitimacy due to the lack of participation of all Venezuelan political actors, without the presence of independent international observers, or the guarantees and standards necessary for a free, fair and transparent process," the countries said in a statement. The statement was issued by diplomats from Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Guyana, Honduras, Panama, Paraguay, Peru and St. Lucia. The countries added that the only way to restore democracy in Venezuela was for Maduro to step down. Also on Friday, the Lima Group blasted the deterioration of the rule of law in Venezuela. "Only through the full restoration, as soon as possible, of democracy and respect for human rights" can Venezuela recover, the group said, The New York Times reported. The United States is not part of the Lima Group, but U.S. Secretary of State Mike Pompeo participated in Friday's meeting of the group via video conference, the State Department said. Earlier last week, Pompeo attended the inauguration of Brazil's new president, Jair Bolsonaro, and also met with the country's new foreign minister as well as Peru's foreign minister to discuss the situation in Venezuela, which has been battered by political and economic crises. Pompeo also traveled to Colombia, where he discussed Venezuela with President Iván Duque. In response, Venezuela's Foreign Affairs Ministry denounced the United States and Colombia, saying they "seek to subjugate and violate

the sovereignty and self-determination of the Venezuelan people." In response to Friday's meeting of the Lima Group countries, Venezuelan Foreign Minister Jorge Arreaza posted on Twitter that the group is taking orders from U.S. President Donald Trump through Pompeo. "What a display of humiliating subordination!" Arreaza tweeted. In related news, a former Venezuelan Supreme Court justice who was a longtime ally of Maduro fled to the United States in protest of Maduro's new term, Reuters reported. "I've decided to leave Venezuela to disavow the government of Nicolás Maduro," Christian Zerpa told Miami broadcaster ETV. "I believe [Maduro] does not deserve a second chance because the election he supposedly won was not free and competitive." Venezuela's Supreme Court confirmed that he had fled, adding that it had opened an investigation of him in November, involving allegations that he sexually harassed women in his office, Reuters reported. The court did not provide details about the allegations but said court leaders recommended that he be dismissed over them. For years, Zerpa had sided with Maduro and wrote a ruling in 2016 to justify Maduro's move to strip the country's elected National Assembly of most of its powers following a landslide win by the opposition to take control of the legislative body. In the interview with ETV, Zerpa said the Supreme Court has amounted to "an appendage of the executive branch," adding that Maduro's government sometimes summoned justices to the presidential palace to issue instruction on how to rule on sensitive matters. Zerpa said he did not criticize Maduro's election last May while still in Venezuela in order to ensure that he and his family would be able to leave the country safely.

Brazil Orders 300 Troops to Ceará to Combat Violence

Brazilian justice and public security minister Sérgio Moro on Sunday ordered the deployment of 300 troops to the northeastern state of Ceará in response to a surge in criminal attacks against banks, shops and buses last

NEWS BRIEFS

Guatemalan Authorities Detain CICIG Official at Airport, Deny Entry

Guatemalan authorities on Sunday were holding a member of a U.N.-backed anti-corruption agency, denying his entry into the country as tensions between the government and the International Commission Against Impunity in Guatemala, or CICIG, continue, ABC News reported. Yilen Osorio, who leads an investigation into alleged bribery in connection to the vice president of Guatemala's Congress, was detained by immigration officials at Guatemala City's international airport on Saturday despite a recent court ruling that Guatemala must grant visas and entry to members of CICIG.

Mexico's President Unveils Economic Development Plan for Border Area

Mexican President Andrés Manuel López Obrador on Saturday unveiled a new plan to boost the economy along the country's northern border areas, the Associated Press reported. Under the initiative, López Obrador wants to cut income and corporate taxes from 30 percent to 20 percent in 43 municipalities along the border. He also is planning to cut the 8 percent value-added tax in half.

U.S. Accuses Peru of Violating Accord to Protect Amazon Rain Forest

The United States is seeking formal consultations with Peru, accusing the South American country of violating the 2007 United States-Peru Trade Promotion Agreement after the Peruvian government's recent decision to limit the authority of its forestry auditor, U.S. Trade Representative Robert Lighthizer said in statement Friday, The New York Times reported. The forestry agency was established as part of the treaty with the aim of protecting the Amazon rain forest from deforestation.

week, Agência Brasil reported. The move represents the first major security challenge for President Jair Bolsonaro, who took office Jan. 1 and who during his campaign vowed to crack down on crime. “The decision was made after the recorded violence and difficulty [faced by] local forces fighting organized crime alone,” the ministry said in a note, the Financial Times



Bolsonaro // File Photo: Brazilian Government.

reported. The rise in attacks in Ceará is reportedly in retaliation for the government’s tougher measures in local prisons, where drug gangs wield strong influence, Agence France-Presse reported. Since last Wednesday, there have been 90 attacks and 103 arrests, according to the local police force. [Editor’s note: See [Q&A](#) on security in Brazil in the Nov. 13 issue of the Advisor.]

BUSINESS NEWS

ExxonMobil Begins Drilling New Well Off Guyana’s Coast

ExxonMobil has begun drilling a new exploration well off Guyana’s coastline, the company said today in a statement. The Haimara-1 exploration well, the first of two planned to be drilled in January, is located 19 miles east of the Pluma-1 discovery in the Stabroek block. “We continue to prioritize high-potential prospects in close proximity to previous discoveries in order to establish opportunities for material and efficient development,” Steve Greenlee, president of ExxonMobil Exploration Company, said in the statement. The second well to be drilled this month, Tilapia-1, is

FEATURED Q&A / Continued from page 1

and Hurricane Irma, a recovery began in the third quarter, and it is expected to continue in 2019. However, this increase is through cruises that generate less revenue than air visitors, thus revenue will probably be stagnant. Third, remittances will continue to rise. Trump hasn’t imposed restrictions. Fourth, foreign investment is rising, but it is still about one-fourth of what the country needs to sustain economic growth, which is 5 percent to 6 percent annually. Fifth, nickel output has been stagnant and may continue to be so; sugar production in 2017-18 was among the lowest in Cuba’s history. Though it will rise, it will contribute little to Cuba’s economy. The growth target for 2019 is 1.2 percent, the same growth as in 2018 and half of that year’s target. In conclusion, Cuba’s economy will continue to stagnate in 2019. To boost economic growth this year, the government will have to implement faster and deeper economic reforms, but the new Constitution and president are vowing continuity. The government wants to stay attached to the old model, which gives predominance to the central plan and state enterprise over the market and non-state property.”

A Vicki Huddleston, retired U.S. ambassador and former chief of the U.S. Interests Section in Havana: “The major impediments to a healthy and growing economy in Cuba are the embargo and the overwhelming control of the economy—and political sys-

located approximately three miles west of the Longtail-1 discovery in the Turbot area, which has been offering “significant development options that will maximize value for Guyana and our partners,” Greenlee added. The U.S.-based oil company also said it is progressing with the drilling of development wells in the Liza field, with preparations for subsea equipment to be installed and for pipe-laying activities to begin this spring. There is potential for at least five floating, production, storage and offloading

tem—by the Cuban government. Undoubtedly, revenues from tourism, sugar, nickel and overseas physicians make a difference as does subsidized oil from Venezuela and Russia. But if Cubans are to enjoy a prosperous future, the Communist Party and the Cuban

“**If Cubans are to enjoy a prosperous future, the Communist Party and the Cuban hierarchy must allow Cubans to innovate, make a profit and invest.**”

— Vicki Huddleston

hierarchy must allow Cubans to innovate, make a profit and invest. Artists—until the advent of the new Constitution—had this freedom, and their success is testament to the fact that Cubans will succeed if the government doesn’t interfere. Unfortunately, restrictions in the new Constitution will dampen even their ability to thrive economically and socially. The embargo only reinforces the government’s economic and political control by limiting Cubans’ access to travel, goods, ideas and knowledge. Meanwhile, National Security Advisor John Bolton’s threatening rhetoric mostly serves to give the Cuban hierarchy an excuse not to relax its economic and political controls.”

Continued on page 4

vessels, or FPSO vessels, on the Stabroek block to produce more than 750,000 barrels of oil per day by 2025, said ExxonMobil, which is headquartered in Irving, Tex. The company added that it is planning to resume conducting seismic surveys off Guyana’s coast that were suspended last month after a Venezuelan navy ship intercepted two ExxonMobil vessels. Both Venezuela and Guyana say the incident happened in their territorial waters, The Wall Street Journal reported.

FEATURED Q&A / Continued from page 3

A **Jaime Suchlicki, director of the Cuban Studies Institute at the University of Miami:** “The Cuban economy is in an irreversible downward spiral. Low productivity, low prices for its exports, a refusal to transform the system and move toward a market economy, plus the impact of the reduction of fees from Cuban doctors abroad and reduced support

support its bankrupt policies. It will try to increase tourism and will tax the private sector and engage in illicit activities such as drug trafficking and money laundering.”

A **Jorge Sanguinetti, chairman and senior advisor at DevTech Systems:** “The top factors driving the Cuban economy are expected to be fees for export of professional services as well as tourism and remittances from exiled Cubans, in cash and in kind. Subsidies from friendly governments are also important. The government will continue to rely on attracting foreign investment to give the stagnant, almost moribund economy a jump start. As I write, reliable reports from the island regarding the government’s inability to guarantee the steady supply of basic staples such as bread, plus the increasing unrest of consumers and sectors such as private small businesses and transportation do not provide a basis to be optimistic about the Cuban economy for 2019, which remains strangled by an extreme degree of government centralization and intervention.”

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

“**Unfortunately for the Cuban people, there are no reasons for optimism in 2019.**”

— Jaime Suchlicki

from Venezuela, Iran, Russia and other allies will all conspire to continue affecting the economy. Unfortunately for the Cuban people, there are no reasons for optimism in 2019. The rise of a new benefactor after Russia and Venezuela seems unlikely. The Cuban regime, while clinging to its old ways, will seek one or more countries willing to

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2019

Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gene.kuleta@thedialogue.org

Anastasia Chacón González

Reporter
achacon@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

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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 freetrial@thedialogue.org

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