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FEATURED Q&A

Will AMLO's Mayan Train Project Be an Engine for Growth?



Mexican President Andrés Manuel López Obrador last month said his "Mayan Train" project would boost economic growth in southern Mexico. // File Photo: Mexican Government.

Q Mexican President Andrés Manuel López Obrador in December launched the construction of the "Mayan Train," a 1,500-kilometer railway that is to connect five states in southern Mexico. The project seeks to bring jobs and tourism to "the country's most abandoned region," López Obrador said. The government plans to initially invest six billion pesos, roughly \$295 million, and hold tenders for the private sector to finance the rest of the estimated 150 billion pesos in total investment. What benefits and drawbacks will the rail project bring to southern Mexico, and is it a wise way to spend government funds? Will the private sector be eager to participate in the auctions? How much is rail infrastructure needed in the Yucatán Peninsula, and will the train successfully boost tourism in the region?

A James R. Jones, member of the Advisor board, chairman of Monarch Global Strategies and former U.S. ambassador to Mexico: "Although I had privately expressed my doubts to the then-president-elect about the railway's ability to be a financial success, AMLO's move to launch this is further proof of his personal commitment to making southern Mexico a full partner in the future success of all of Mexico. Clearly, the five states through which the railroad will run are among Mexico's prettiest and most tourism-enticing areas. If tourism takes off there as it has along the northeastern corridor from Cancún southward, it will spur greater business development and more private sector jobs, thus narrowing the poverty gap. Bringing this project to fruition will not be easy. Already, certain indigenous and other

Continued on page 3

TODAY'S NEWS

POLITICAL

Guatemalan High Court Blocks CICIG's Expulsion

Guatemala's Constitutional Court suspended President Jimmy Morales' decision to expel the U.N.-backed International Commission Against Impunity in Guatemala, or CICIG, from the country.

Page 2

BUSINESS

Mexico Cutting Tax Rate on Initial Public Offerings

Mexico's government said it was cutting the tax rate for equity initial public offerings and broadening the types of allowable investments for pension funds.

Page 3

POLITICAL

Trump Demands Border Wall in Oval Office Speech

In a televised address from the Oval Office, U.S. President Donald Trump argued that a new border wall is needed for national security and to prevent illegal immigration. Democrats accused Trump of fearmongering.

Page 2



Trump // Photo: White House.

POLITICAL NEWS

Trump Demands Border Wall in Oval Office Address

In his first prime-time nationally televised address from the Oval Office, U.S. President Donald Trump on Tuesday night demanded that Congress appropriate \$5.7 billion for his long-promised wall along the U.S.-Mexico border, arguing that it is needed for national security and to prevent illegal immigration.

“This barrier is absolutely critical to border security.”

— Donald Trump

Trump's insistence on a wall and Congress' refusal to allocate money for it have led to a partial government shutdown that began Dec. 22. As a result of the shutdown, some 420,000 federal employees considered to be essential are working without being paid, and 380,000 public employees have been placed on leave without pay, The Wall Street Journal reported. In his address, Trump described a scene of danger along the southern U.S. border, saying immigrants in the United States illegally have been responsible for rapes and murders. “This barrier is absolutely critical to border security. It's also what our professionals at the border want and need. This is just common sense,” Trump said. He added that children being brought into the United States “are used as human pawns by vicious coyotes and drug gangs” and that “one in three women are sexually assaulted on the dangerous trek up through Mexico.” During the speech, Trump made several assertions that were widely criticized as misleading, including that agents of U.S. Immigration and Customs Enforcement had arrested 266,000 people with criminal records who were in the United States illegally. However, that number includes people arrested for nonviolent offenses including illegal entry

or re-entry, The Wall Street Journal reported. Trump, who has frequently vowed that Mexico will pay for the wall, also repeated his assertion that it will do so through the new trade deal between the United States, Mexico and Canada. The deal has not yet been ratified by the three countries, which must happen before it takes effect. Trump did not use the speech to declare a national emergency, which he has considered in recent days. With such a move, he would seek to divert funds from elsewhere in the government in order to pay for the wall, The Wall Street Journal reported. It is unclear where that money would come from, and the move would likely lead to legal challenges. In response to Trump's speech, top congressional Democrats, who have said a new border wall is unnecessary, accused Trump of fearmongering and urged him to allow the government to reopen while continuing the debate over border security. “Sadly, much of what we have heard from President Trump throughout this senseless shutdown has been full of misinformation and even malice,” said House Speaker Nancy Pelosi (D-Calif.). “The fact is, President Trump must stop holding the American people hostage, must stop manufacturing a crisis and must reopen the government.” Senate Minority Leader Chuck Schumer (D-N.Y.), who delivered the Democratic response alongside Pelosi, said Trump was governing by “temper tantrum.” On Thursday, Trump plans to fly to Texas in order to visit the border and continue making his case for the wall. [Editor's note: See related [Q&A](#) in the Dec. 20 issue of the Advisor.]

Guatemala's High Court Blocks Expulsion of CICIG

Guatemala's Constitutional Court today suspended President Jimmy Morales' decision to withdraw from and expel the United Nations-backed International Commission Against Impunity in Guatemala, or CICIG, EFE reported. Four of the justices voted to reverse Morales' decision, and one opposed the measure, which ordered Guatemalan authorities to “facilitate the proper functioning of CICIG.” On Monday,

NEWS BRIEFS

Venezuelan Military Personnel Allegedly Tortured: Rights Group

Venezuelan security and intelligence forces have detained and tortured dozens of military personnel accused of plotting against the government in recent years, Human Rights Watch and Venezuelan nongovernmental group Foro Penal said in a report released today. In some cases, family members of military personnel have also been tortured in efforts to determine the whereabouts of suspects in alleged plots, the groups said. The report examined cases involving 32 people. Venezuela's Information Ministry did not respond to a request for comment by Reuters.

Brazil Withdraws From U.N. Migration Pact

Brazil has officially withdrawn from the United Nations pact on global mass migration, an unnamed Brazilian diplomat told Reuters on Tuesday. Foreign Minister Ernesto Araújo said last month that the South American country would pull out of the initiative once President Jair Bolsonaro took office, but he has said that Brazil will continue to take in Venezuelan refugees. [Editor's note: See related [Q&A](#) in the Jan. 3 issue of the Advisor.]

Service Stations in Eight Mexican States Facing Fuel Shortages

After Mexican President Andrés Manuel López Obrador deployed troops to protect the country's oil pipelines from theft last week, service stations across at least eight states have been facing fuel shortages for four consecutive days, the Associated Press reported Tuesday. State oil company Pemex on Tuesday said the shortages are due to “logistical adjustments” and urged Mexicans to avoid “panic purchases,” adding that supply will be restored in the short term.

Morales announced his government was ending the agreement it had struck with the United Nations to create CICIG and ordered the anti-corruption body's officials to leave Guatemala within 24 hours. It was Morales' latest move against CICIG, after announcing in August he



Morales // File Photo: Guatemalan Government.

would not be renewing the commission's mandate when it expired in September 2019 and later barring the agency's head, Iván Velásquez, from re-entering the country. CICIG had been investigating Morales' government for alleged violations of campaign finance laws. The president, who denies wrongdoing, has accused the commission of overstepping its bounds. CICIG officials have reportedly started leaving Guatemala to ensure their security, two sources told Prensa Libre on Tuesday. Spokesman Matías Ponce said the anti-graft commission had put in motion a contingency plan to secure its staff and protect its documents, the newspaper reported. [Editor's note: See [Q&A](#) on CICIG in the Sept. 20 issue of the Advisor.]

BUSINESS NEWS

Mexico Cutting Tax Rate on Initial Public Offerings

Mexico's government on Tuesday said it was cutting the tax rate for equity initial public offerings and expanding the range of instruments in which private pension funds can invest, the Financial Times reported. Finance Minister Carlos Urzúa, his deputy Arturo Herrera and central bank governor Alejandro Díaz de León announced the new measures,

FEATURED Q&A / Continued from page 1

civil society groups have criticized and opposed the project. The current laws of Mexico have shown that these groups can tie up such projects for extended periods of time. So AMLO may want to recommend amendments to the law to make it easier to get approval of worthy public works and energy-related projects. This public-private enterprise should attract private business to invest, especially if AMLO continues to lead the charge to complete it. However, there is also a growing private philanthropy in Mexico that could be called on to help finance it. So while I had my doubts, I wouldn't bet against AMLO achieving success."

A Richard Sinkin, founder and partner of InterAmerican Group in San Diego: "Latin American literature and politics have a long tradition of magical thinking. In Mexico, the latest political version is new President Andrés Manuel López Obrador's 'Mayan Train.' The fantastical vision calls for nearly 1,500 kilometers of tourist train linking major Mayan sites like Palenque, Chichen Itza and Tulum with popular Yucatán Peninsula tourist cities like Mérida and Cancún. Although about a third of the proposed train runs on already-laid track, much of it will cut through Latin America's second-largest pristine rainforest, over fragile cenotes and UNESCO World Heritage sites and on indigenous lands—all at an estimated cost of between \$6 billion and \$8 billion. While it is clear that the new government does want to stimulate development in Mexico's poorest, sickest,

which cut the tax rate for new equity issues to 10 percent from 30 percent and offer the same tax breaks for foreign investors in corporate bonds. Private pension funds will also be able to diversify into a wider range of investments. The aim is to boost Mexico's annual economic growth rate, which has averaged just above 2 percent in the last three decades. The country's benchmark IPC stock index was trading 1.6 percent higher on Tuesday, nearly a two-

least educated and most neglected region (except for the major tourist sites), there are many questions about whether this is the best way to actually bring badly needed help. There are no environmental impact studies.

“There are many questions about whether this is the best way to actually bring badly needed help.”

— Richard Sinkin

There has been almost no consultation with the indigenous communities, many of whom have already signed petitions against the train and the way it's been imposed on them. There are no solid economic studies that provide good estimates of ridership (this also happened with the many toll roads that went bankrupt several decades ago). And the government is only proposing to put in around \$300 million of the needed financing, with the rest coming from private construction companies. A far better use of that money with significantly more effective impact on development and much less environmental damage would be to invest it in teachers and schools, doctors and clinics, port infrastructure and low-cost financing for agricultural cooperatives and small businesses. This magical train for tourists will not do any of that."

Continued on page 4

month high, the newspaper reported. Mexican analysts applauded the announced measures. "Without doubt, our market will benefit. With more companies in the stock market, there are more benefits, because it generates greater marketability and attracts more companies," Sofía Robles, an analyst at InterCam Casa de Bolsa told El Economista. [Editor's note: See [Q&A](#) on investor confidence in Mexico in the Nov. 14 issue of the Advisor.]

FEATURED Q&A / Continued from page 3

A **Tapen Sinha, professor of risk management at the Instituto Tecnológico Autónomo de México and professor at the University of Nottingham Business School:** “Infrastructure building is often done by the governments in most countries. They may not directly produce additional revenues, but they can act as catalysts for the private sector to expand tourist-related activities, making such projects worthwhile for economic development. Thus, in purely

“**The first part of the project should be a long-term success. The second part, not so much.**”

— Tapen Sinha

economic terms, the Mayan Train project has merits. However, that does not mean that the entire project is going to produce the desired results. To wit, more than eight million people visited Cancún and the Riviera Maya, and another two million visited Mérida in 2018. For Mérida, 80 percent of the visitors were Mexicans. For Cancún, it is the other way around. As a consequence, the part of train route that will run between these two tourist hotspots, along with Tulum, has good potential. That accounts for less than a quarter of the 1,500 kilometers of rail. Connecting Palenque and Campeche may not be financially sound. So, the first part of the project should be a long-term success. The second part, not so much. There are other matters that have raised concerns, such as the environmental impact. The train would run through the area’s unique habitats of wildlife, which will be affected. No study has been done on that issue, so the extent of that effect is unclear.”

A **Amanda Mattingly, senior director at The Arkin Group in New York:** “AMLO’s ‘Mayan Train’ is akin to Trump’s ‘Wall’—ambitious, grandiose, expensive and not terribly well-conceived. These are campaign promises, lacking in data to support their claims for success. They are signature infrastructure projects that will likely go over budget, take longer to construct than anticipated and enrich the private entities that win the construction bids. They could also harm the surrounding communities and environments. Of course, the big difference is that AMLO’s mega-project is designed to bring people together, while Trump’s is designed to separate them. If successful, the ‘Mayan Train’ is supposed to connect the five states, create jobs and boost tourism throughout the Yucatán Peninsula and into the southern state of Chiapas. If completed, the train would likely be a boon to the local economies and the overall Mexican economy, which is still disproportionately driven by northern states such as Nuevo León. However, doubts exist about the impact the train would have on the indigenous communities in the region—some have expressed their misgivings and have claimed to be left out of the consultation process. Questions remain about the impact on the environment too—reportedly, environmental studies have not been completed, even as AMLO has announced tenders for the private sector. Meanwhile, the possibility for corruption remains high (recall the Odebrecht scandals that ignited throughout Latin America in the last couple of years). Without a comprehensive, regional security plan in place to safeguard the construction, cultural sites, workers and intended tourists, the whole project could be compromised.”

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

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