

## BOARD OF ADVISORS

### Diego Arria

Director, Columbus Group

### Devry Boughner Vorwerk

Corporate VP, Global Corporate Affairs  
Cargill

### Joyce Chang

Global Head of Research,  
JPMorgan Chase & Co.

### Marlene Fernández

Corporate Vice President for  
Government Relations,  
Arcos Dorados

### Peter Hakim

President Emeritus,  
Inter-American Dialogue

### Donna Hrinak

President, Boeing Latin America

### Jon Huenemann

Vice President, U.S. & Int'l Affairs,  
Philip Morris International

### James R. Jones

Chairman,  
Monarch Global Strategies

### Craig A. Kelly

Director, Americas International  
Gov't Relations, Exxon Mobil

### John Maisto

Director, U.S. Education  
Finance Group

### Nicolás Mariscal

Chairman,  
Grupo Marhnos

### Thomas F. McLarty III

Chairman,  
McLarty Associates

### Carl Meacham

Associate VP for Latin America  
Int'l Advocacy Division, PhRMA

### Carlos Paz-Soldan

Partner,  
DTB Associates, LLP

### Beatrice Rangel

Director,  
AMLA Consulting LLC

### Jaana Remes

Partner,  
McKinsey Global Institute

### Ernesto Revilla

Head of Latin American  
Economics, Citi

### Gustavo Roosen

Chairman of the Board,  
Envases Venezolanos

### Andrés Rozental

President, Rozental &  
Asociados and Senior  
Policy Advisor, Chatham House

### Shelly Shetty

Head of Sovereign Ratings,  
Latin America, Fitch

### Roberto Sifon-Arevalo

Managing Director, Americas  
Sovereign & Public Finance Ratings,  
Standard & Poor's

## FEATURED Q&A

# Can the Dominican Republic's Strong Growth Continue?



The Dominican Republic's economy saw healthy growth and low inflation last year, according to the country's central bank president, Héctor Valdez Albizu. // File Photo: Government of the Dominican Republic.

**Q** The Dominican Republic's economy grew 7 percent last year, while inflation remained tame at around 1.3 percent, central bank president Héctor Valdez Albizu said this month. The country's communications, construction and health care sectors were among the largest drivers of growth. What does this year hold in store for the country's economy? How well are President Danilo Medina's team and the central bank managing the economy? What headwinds could the Dominican Republic's economy face this year?

**A** Ariane Ortiz-Bollin, assistant vice president-analyst in the Sovereign Risk Group at Moody's Investors Service: "Fast growth in 2018 exceeded our initial expectations, but growth will likely moderate in 2019. We expect the Dominican Republic's economy to expand in line with lower but still robust potential growth of around 5 percent this year, supported by growth in construction, communications and other sectors related to tourism. In addition to boosting economic growth, strong tourism and remittance flows offset a higher oil bill last year, helping the government to modestly increase its foreign exchange reserves and to keep the current account deficit in check. Looking ahead, external risks—including rising oil prices and weaker external demand—are the most likely sources of economic headwinds in 2019. A stronger U.S. dollar following expected increases to U.S. interest rates also has the potential to affect economic output in the Dominican Republic, if the pass-through from a resulting peso depreciation fuels inflation, resulting in a tighter domestic monetary policy stance.

Continued on page 2

## TODAY'S NEWS

### POLITICAL

## Car Bomb Attack at Bogotá Police Academy Kills 21

The attack at the General Santander Police School in the southern part of the Colombian capital was the city's deadliest such incident in more than a decade. No group has claimed responsibility, but investigators are probing possible links to the ELN rebels.

Page 2

### BUSINESS

## Regulator Seeks to Ground 10 Avianca Brasil Planes

The regulator wants to ground the planes amid the airline's dispute with lessors. Avianca Brasil fell behind on lease payments and filed for bankruptcy in December.

Page 2

### POLITICAL

## U.S. Lawmakers Seek TPS for Venezuelans

Rep. Darren Soto (D-Fla.), one of the legislation's sponsors, said the United States should grant temporary protected status to Venezuelan migrants because of the country's economic crisis.

Page 2



Soto // File Photo: U.S. House of Representatives.

## POLITICAL NEWS

## Car Bomb Attack at Bogotá Police Academy Kills 21

Twenty-one people were killed and 68 were wounded Thursday morning when a pick-up truck packed with explosives sped past a security checkpoint at a police academy in Bogotá and detonated, *El Tiempo* reported. The attack happened at 9:30 a.m. at the General Santander Police School in the southern part of the Colombian capital. Bomb-sniffing dogs had reportedly alerted the presence of explosives when the driver appeared at the academy's gate. The driver then sped past the checkpoint, and the vehicle, packed with 175 pounds of pentolite explosives, detonated moments later in front of a dormitory for female cadets, the

### SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Monday, Jan. 21 in observance of the Birthday of Martin Luther King, Jr. holiday in the United States. We will resume publishing on Tuesday, Jan. 22.

Associated Press reported. The attack was the deadliest such incident in Bogotá in more than a decade. The suspected driver, José Aldemar Rojas, 56, who had no criminal record, was killed in the attack. Authorities released little information about Rojas. According to vehicle records, he bought the 1993 Nissan pick-up truck last year and had it inspected in the city of Arauca, near Colombia's border with Venezuela. The area is a stronghold of the National Liberation Army, or ELN, rebels. Investigators are looking into unconfirmed reports that Rojas was a longtime explosives expert with a cell of the ELN, the AP reported. The ELN has been increasing its attacks on police installations and oil infrastructure amid tensions with the government of President Iván Duque over stalled peace talks. A year ago, the ELN claimed responsibility for a bombing at a police station in Barranquilla that killed five officers. At about 2 a.m. today, police arrested a suspect in connection with Thursday's bomb attack, *El Tiempo* reported. Ricardo Carvajal was arrested in Bogotá's Los Laches neighborhood and is expected to be charged today, the newspaper reported. Duque visited the academy following the attack, which he called a "miserable" terrorist act, the AP reported. "The terrorists are looking to intimidate us as a society and attack the state," he said in a televised

## NEWS BRIEFS

## Nearly 1,000 Central American Migrants in New Caravan Enter Mexico

Nearly 1,000 migrants traveling in groups from Central America toward the United States entered southern Mexico on Thursday, Reuters reported. Mexico's National Migration Institute said 969 migrants from Honduras, El Salvador, Guatemala and Nicaragua arrived in Ciudad Hidalgo in a "very orderly" manner. Mexican authorities are using wrist bands to monitor the migrants, who will be allowed to stay on humanitarian visas if they meet certain requirements. An additional 700 people are waiting to cross into Mexico from Guatemala, an official said.

## Argentina's Wholesale Inflation Reaches Highest Level Since 2002 Crisis

Wholesale inflation in Argentina reached 73.5 percent last year, according to government data, the highest rate since the country's economic crisis in 2002, when wholesale prices shot up 118 percent, Reuters reported. President Mauricio Macri's administration and the International Monetary Fund expect the ongoing recession to end toward the half of this year, and inflationary pressures are expected to ease. Argentina's annual inflation rate hit 47.6 percent in 2018, the country's statistics agency reported earlier this week.

## Teck Resources Clears Bechtel for Work on Chilean Copper Mine

Canada-based Teck Resources has cleared U.S.-based engineering firm Bechtel for work on the expansion of the Quebrada Blanca copper mine in Chile, Bechtel said Thursday in a statement. Bechtel will be responsible for engineering, procurement and construction management on the project, located in the northern Chilean Andes.

### FEATURED Q&A / Continued from page 1

More broadly, the Dominican Republic's overall credit profile is exposed to the aforementioned external risks, as we view the recent improvement in the country's external imbalances (accumulation of reserves and a very narrow current account deficit in 2018) as unlikely to improve further in the next one to two years, with some deterioration likely. It is important to note, however, that we view risks to both the economic outlook and the Dominican Republic's external balances as contained at this time. Even though a severe storm could affect economic activity, the Dominican Republic is less vulnerable to climate-related events when compared to other smaller island economies, and despite our expected moderation in economic growth,

growth rates at around or above 5 percent will continue to be one of the highest in the Latin America and Caribbean region, only comparable to those reported in Panama."

**A** **Richard Francis, director of Latin American sovereigns at Fitch Ratings:** "The preliminary 7 percent growth figure is the highest growth figure in Latin America, and certainly one of the highest in the world. The Dominican Republic's sustained high growth rates are impressive with average 10-year growth of 5.3 percent and are a key sovereign rating strength. The Dominican Republic's economic management has been prudent under Danilo Medina's presidency

Continued on page 4

address. "Colombia will demonstrate that it is a strong state, united and won't break in the face of the dementia of these aggressions."

## U.S. Lawmakers Seek Temporary Protected Status for Venezuelans

A bipartisan bill introduced in the U.S. House of Representatives on Thursday seeks to grant temporary protected status to Venezuelan migrants in the United States, NBC News reported. The Venezuela TPS Act of 2019 would protect Venezuelans by allowing them to legally remain and work in the United States for 18 months. Temporary protected status, or TPS, is granted by the Department of Homeland Security to citizens of countries that are experiencing armed conflict, environmental disasters or other extraordinary and temporary conditions. "During [Venezuelan President Nicolás] Maduro's tyrannical rule, Venezuela's economy has deteriorated at alarming rates, causing a scarcity of basic foods and medicine in the country," said Representative Darren Soto (D-Fla.), who together with Representative Mario Diaz-Balart (R-Fla.) introduced the legislation, the Voice of America reported. More than three million Venezuelans have fled the country in recent years, according to the United Nations.

### BUSINESS NEWS

## Brazil Regulator Seeks to Ground 10 Avianca Planes

Brazil's aviation regulator on Thursday said it would ground 10 of Avianca Brasil's airplanes, or 20 percent of its fleet, leading the airline to file an emergency motion seeking to block the decision before it is enforced, Reuters reported. The regulator's announcement was seen as a surprise because Avianca Brasil had reached a deal with the carriers' owner and other lessors in court on Monday, which allowed the

## HEALTH BRIEFS

### U.S. Senators Condemn Cuba's Doctor Program as 'Human Trafficking'

The Cuban government program that sends doctors to foreign countries qualifies as human trafficking, according to a resolution introduced in the U.S. Senate on Jan. 10, Reuters reported. The condemnation, which was introduced by Senators Bob Menendez (D-N.J.) and Marco Rubio (R-Fla.), was seen as mostly symbolic, as a way to raise awareness of the situation, rather than penalizing, the wire service reported. The resolution specifically mentioned the roughly 8,300 doctors who had been working in Brazil under a contract with the Cuban government. The administration of Cuban President Miguel Díaz-Canel withdrew the medical workers late last year after Brazil's then-President-elect, Jair Bolsonaro, harshly criticized them, calling them "slave labor." Venezuelan President Nicolás Maduro in mid-January said more than 2,000 Cuban doctors that were previously stationed in Brazil had arrived in Caracas, the government-funded news site Venezuelanalysis reported.

### Mexican Health Secretary Meets With Congress

Mexican Health Secretary Jorge Alcocer Varela on Jan. 16 met with the Chamber of Deputies' Health Commission, outlining the López Obrador administration's priorities for the sector in the coming years, among which are nationwide medicine supply and maintenance of hospital and health centers, Alcocer said, El Universal reported. The secretary added that the government would move to offer free services and medicine at key health centers or clinics in the country's poorest states, in an attempt to provide basic health care to the more than 20 million Mexicans who currently do not have health insurance. "Access to health care will be gradually increased and every person affiliated with [the public health insurance plan] will continue receiving benefits," Alcocer said.

### Argentine Judge Orders 85 People to Remain Isolated After Hantavirus Outbreak

An Argentine judge on Jan. 10 ordered 85 people living in the Patagonian town of Epuyén in southern Argentina to stay home for at least 30 days to quell an outbreak of hantavirus that has killed at least nine people, the Associated Press reported. The people who are to remain isolated are those who have been in contact with others who have tested positive for the virus, which can be transmitted by infected rodents and the animals' urine and droppings or by close contact with an infected person. At least 26 people in the town have reported illness due to hantavirus, which could potentially result in serious lung disease, since early December, the AP reported. Argentina has registered 111 deaths from the virus in the last five years.

airline to operate the planes for 15 more days. Avianca Brasil filed for bankruptcy in December after falling behind with lease payments on many of its planes, leading to legal disputes with some of its lessors. ANAC, the aviation regulator, said its latest decision came at the request of GECAS, a General Electric subsidiary

and one of Avianca Brasil's lessors, Reuters reported. The motion is still pending. The airline said Thursday that it is "operating normally," but ANAC warned customers of a possible impact on flight schedules, Folha de S.Paulo reported. It could take five business days to take the planes out of service, the regulator said.

## FEATURED Q&amp;A / Continued from page 2

and generally supported the country's business environment. The private sector, especially sectors tied to the external sector such as tourism, are quite dynamic and competitive. However, the Medina administration's reform agenda has stalled in his second term, with little progress on electricity or tax reforms, which are key ratings considerations. From a sovereign rating perspective, weak public finances are its key weakness—with a low tax base, large nondiscretionary expenditures, a high interest burden and public utility losses. Despite the impressive growth rates, the country's debt-to-GDP ratio has inched up over the last few years. Fitch expects continued robust economic growth in 2019, although slowing somewhat to 5.3 percent. The external backdrop is expected to be somewhat less favorable for the country—slower U.S. growth, higher interest rates and oil price volatility. Despite this fact, the Dominican Republic will likely continue to be one of the highest, if not the highest, growth performers again this year."

**A** José Alfredo Rizek V., managing partner at Rizek Abogados in Santo Domingo: "In 2019, the Dominican economy will likely have lower growth than that registered in 2018. However, it will not be a significant deceleration, since it is expected that GDP growth will remain at or about 5 percent. Also, inflation will remain under control and will likely not exceed 3 percent. Tourism, free-trade zones and construction should maintain their dynamism. In general, the Dominican economy should maintain the elements that have characterized its performance in the past few years: robust growth with low inflation. An assessment will depend on which factors are deemed the most important in making the evaluation. If the macroeconomic results are to be judged (that is, growth and inflation), then the

government's handling of the economy will have been positive and successful. Some highlight the debt levels that have followed the country's economic performance in questioning the economic team's manage-



**Tourism, free-trade zones and construction should maintain their dynamism."**

— José Alfredo Rizek V.

ment of public finances. Although the Dominican Republic needs a fiscal reform that restructures public spending and increases the fiscal pressure, the fundamentals of the economy remain strong, and debt levels are within the Latin American benchmarks. Basically, the most significant risks hovering over the Dominican economy are tied to its international environment. Depending on how the commercial tensions between the United States and China evolve, those might slow down the growth of the global economy and reduce the external demand for Dominican exports and tourism. It might also reduce the flow of remittances from Dominicans living abroad. The behavior of international interest rates are also to be closely followed, since they might raise the cost of debt and make it more difficult to access international financing. Another risk factor could be the potential volatility of oil prices worldwide. These should be the main items to follow up closely in 2019 as potential risks to the country's economic performance."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

## LATIN AMERICA ADVISOR

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

**Erik Brand**

Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Anastasia Chacón González**

Reporter  
[achacon@thedialogue.org](mailto:achacon@thedialogue.org)



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

Michael Camilleri, Director, Peter D. Bell Rule of Law Program

Kevin Casas-Zamora, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Peter Hakim, President Emeritus

Claudio Loser, Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Margaret Myers, Director, Asia and Latin America Program

Manuel Orozco, Director, Migration, Remittances & Development

Jeffrey Puryear, Senior Fellow

Tamar Solnik, Director, Finance & Administration

Lisa Viscidi, Director, Energy Program

Denisse Yanovich, Director of Development and External Relations

**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](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [freetrial@thedialogue.org](mailto:freetrial@thedialogue.org)

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.