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FEATURED Q&A

Do Latin American Members Benefit From the OECD?



Latin American countries have been making efforts to join the Organisation for Economic Cooperation and Development. Colombian President Iván Duque (left) is pictured at a meeting at OECD headquarters in Paris last November. // Photo: OECD.

Q U.S. President Donald Trump recently expressed his support for Brazil to join the Organisation for Economic Cooperation and Development. Brazil would become the fourth Latin American country to be part of the OECD after Chile, Mexico and Colombia. Meanwhile, Costa Rica is in the process of accession to the OECD, and Peru and Argentina have both been making efforts to join the intergovernmental organization. What advantages and disadvantages does being part of the OECD bring for these specific countries and for the region in general? What is the accession process like, and what has stood in the way of membership for some countries in Latin America? How important is the support of the United States for countries to join the organization?

A Anabel González, nonresident senior fellow at the Peterson Institute for International Economics and former trade minister of Costa Rica: "Accession to the OECD can help Latin American countries in the design and implementation of public policies to improve the quality of life of their people, modernize and reform the state, and strengthen certainty and the rule of law, which in turn supports increased investment and economic growth. Former Costa Rican President Laura Chinchilla used to say that OECD membership would help Costa Rica become a better version of itself. To begin accession discussions, the interested country must convince all 37 OECD members to extend their respective invitation. The candidate must then undertake the implementation of a roadmap, which entails the review of its public policies by OECD committees in some 20 policy areas,

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TODAY'S NEWS

ECONOMIC

U.S. Cutting Aid to Northern Triangle Countries

The U.S. State Department confirmed that it is cutting direct aid to the "Northern Triangle" countries of Guatemala, El Salvador and Honduras. President Donald Trump complained that the countries are doing "nothing" to stem the flow of migrants to the United States.

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ECONOMIC

Venezuela to Ration Power for 30 Days

Venezuelan President Nicolás Maduro's announcement of power rationing came amid widespread blackouts.

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POLITICAL

Ecuador's Top Prosecutor Opens Probe of Moreno

Ecuador's chief prosecutor has opened an investigation of President Lenín Moreno and family members following a lawmaker's accusations about links to offshore companies.

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Moreno // File Photo: Ecuadorean Government.

ECONOMIC NEWS

U.S. Cutting Direct Aid to Three Central American Countries

The U.S. State Department said Saturday that the Trump administration is cutting off all direct foreign aid to Guatemala, El Salvador and Honduras, the so-called “Northern Triangle” countries of Central America, ABC News reported. “At the secretary’s instruction, we are carrying out the president’s direction and ending FY [fiscal year] 2017 and FY 2018 foreign assistance programs for the Northern Triangle,” a State Department spokesman said, referring to Secretary of State Mike Pompeo. “We will be engaging Congress as part of this process.” The announcement followed threats on Friday by U.S. President Donald Trump, who said the three countries are doing nothing to stop their citizens from migrating illegally to the United States. “I’ve ended payments to Guatemala, to Honduras and El Salvador. No more money is going there anymore,” Trump told reporters on Friday, *The Washington Post* reported. “We were giving them \$500 million. We were paying them tremendous amounts of money, and we’re not paying them anymore because they haven’t done a thing for us.” Democrats and aid groups criticized Trump’s move, saying they would mean the shrinking or elimination of programs that keep people who would otherwise migrate in Central America. “Ironically, our goals of having people stay and thrive in El Salvador are very similar to the current administration’s,” Ken Baker, chief executive of Glasswing International, which operates health, education and entrepreneurship programs in El Salvador with U.S. government funding, told *The Washington Post*. “Through our programs, we’ve been able to provide opportunities and the belief that they [would-be migrants] can thrive here.” Senator Bob Menendez (D-N.J.), the top Democrat on the Senate Foreign Relations Committee, also blasted the move. “If carried out, President Trump’s irresponsible decision to cut off our assistance to El Salvador, Guatemala and Honduras would undermine American interests and

put our national security at risk,” said Menendez, *The Hill* reported. “U.S. foreign assistance is not charity; it advances our strategic interests and funds initiatives that protect American citizens. This latest reported move shows the administration still does not understand that the United States cuts foreign aid to Central America at our own peril.” Officials in Central America said they are doing what they can to stem migration north. On Friday, El Salvador’s vice minister of justice, Raúl López, said the number of migrants leaving his country is declining. “We see that as proof that our investment—and the investment of the international community—in social issues is working,” he told *The Washington Post*. “U.S. assistance has had a positive impact in reducing migration from El Salvador, but we need more help to continue this fight.” Trump’s move to cut off aid came after U.S. Homeland Security Secretary Kirstjen Nielsen said Friday that she had signed a “historic” agreement with representatives of the Northern Triangle countries to “combat human smuggling and trafficking, crack down on transnational criminals fueling the crisis, and strengthen border security to prevent irregular migration,” *The Hill* reported. The move also came as a caravan of some 2,000 Central American and Cuban migrants is moving through Mexico and headed toward the United States, *The Washington Post* reported. Unauthorized crossings of the U.S.-Mexico border are at their highest level in a decade but still below the level in 2000, when they peaked at 1.6 million, the newspaper reported. On Friday, Trump also threatened to close the U.S.-Mexico border. “If Mexico doesn’t immediately stop ALL illegal immigration coming into the United States through our Southern Border, I will be CLOSING ... the Border, or large sections of the Border, next week,” Trump tweeted on Friday.

Venezuela’s Maduro Announces 30 Days of Power Rationing

Venezuelan President Nicolás Maduro on Sunday announced 30 days of electricity rationing, an announcement that came amid a series of

NEWS BRIEFS

Bolivia, India Sign Cooperation Agreements

Bolivia and India on Friday signed eight deals in various sectors including mining, space and medicine, *Asian News International* reported. Indian President Ram Nath Kovind visited Bolivia last week with his wife, Savita Kovind, and a delegation of roughly 100 ministerial officials. Indian exports to Bolivia total \$105 million, while imports from Bolivia are \$667 million, the Indian external ministry said. Kovind arrived in Chile on Sunday. [Editor’s note: See related [Q&A](#) in the March 5 issue of the Advisor.]

Thousands Protest Coup Anniversary in Brazil

Thousands of demonstrators filled the streets of several major Brazilian cities across 10 states on Sunday to protest against the 55th anniversary of the coup that marked the beginning of the country’s 1964-1985 military regime, the *Associated Press* reported. A day earlier, an appeals court judge overturned a previous decision barring coup commemorations President Jair Bolsonaro had sought. Bolsonaro, a former army captain, has expressed praise for the military government.

Peruvian Indigenous Leader Open to Talks to End Blockade of Mine

Gregorio Rojas, the leader of the indigenous Fuerabamba community in Peru, said on Saturday he was open to negotiating the end of the community’s blockade of a road surrounding a copper mine that China’s MMG operates, *Reuters* reported. It is the first sign of a potential resolution to a dispute that has halted the mine’s exports. The road crosses Fuerabamba’s farmland. Rojas was arrested last week on charges that he tried to extort MMG. He was released on Friday with no charges, but Fuerabamba’s lawyers remain in jail and under investigation.

large-scale blackouts in the country, Agence France-Presse reported. Maduro's government previously announced that it was shortening the length of the workday and keeping schools closed because of the outages. Experts say Venezuela has long underinvested in its electricity grid and poorly maintained it, though Maduro's government has blamed the outages on "terrorist" attacks on the Guri hydroelectric plant.

POLITICAL NEWS

Ecuador's Top Prosecutor Opens Probe of Moreno

Ecuadorian chief prosecutor Ruth Palacios has opened an investigation of President Lenín Moreno, his brother and three others following a lawmaker's accusations regarding alleged links to offshore companies, El Universo reported Saturday. Ronny Aleaga, a legislator for opposition party Movimiento Revolución Ciudadana who previously worked with former President Rafael Correa, issued a complaint claiming there is a connection between offshore companies and the acquisition of several properties for Moreno, his wife and his three daughters. The complaint was based on a recent article published on La Fuente, an Ecuadorian investigative journalism news site. According to the document, Ina Investment Corporation is an offshore firm with connections to Moreno's family and several other individuals mentioned in the report. Between 2012 and 2016, the corporation allegedly managed accounts in Panama's Balboa Bank that were used to buy a Mediterranean apartment for Moreno, as well as furniture and carpets that were sent to him in Switzerland, El Universo reported. Aleaga is scheduled to appear in court on Thursday to formally present his complaint. Alianza PAIS lawmaker Daniel Mendoza on Twitter said the chief prosecutor's response to the accusation was "curious" given her quick dismissal of accusations last week regarding Correa.

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and the adoption of recommendations to amend its legal framework. Once all these reviews have taken place, OECD members will unanimously decide whether or not to extend an invitation for the country to join the organization. The support of the United States throughout the process is decisive, particularly for Latin American countries. While the accession process has a very demanding technical component, it is ultimately a political decision. OECD membership sets a baseline—from there onward, it is up to the member to identify its own priorities and leverage the OECD's knowledge, peer reviews and standards to support improved public policies."

A **Diego Guevara, professor at the economics department of Universidad Nacional de Colombia:** "The OECD is known as a 'rich nations club,' and it's an organization that promotes integration and development with a strong emphasis on the free market, balanced finances and macroeconomic equilibrium. The main advantages of belonging to this exclusive group are associated with a higher level of exchange and cooperation with developed countries, while at the same time standardizing many 'good practices' regarding governability and economic management. The problem emerges when middle-income countries and emerging economies, such as Colombia or Mexico, must make strong fiscal and trade adjustments in order to comply with the conditions that the OECD requires from member countries. Entering the 'rich nations club' when levels of GDP per capita are far below the median of the organization's members leads one to wonder if many of the new members are the club's 'Cinderellas,' and whether their primary production structures, based on raw materials and little value-added in their production, are consistent with OECD standards. It should be highlighted that the United States, as a superpower, is highly influential. In the case of Colombia's recent accession to the OECD,

the United States put up many obstacles because there were doubts regarding pharmaceutical and tax policies in the Andean country. Clearly, the United States has very strong clout within the organization."

A **Andrés Rebolledo, former director of Chile's general directorate of international economic relations and former minister of energy of Chile:**

"The OECD is not just a group of high-income nations, it is, above all, a 'club' of countries that apply the best practices in the fields of public policies and business conditions. For this reason, it is important for Latin American countries to participate and take advantage of its programs, recommendations and accumulated experience. Chile has been a member of the organization for nearly a decade and has benefited enormously in the design and implementation of its policies in many development areas. Accession to the OECD was not an easy process; complex economics reforms were necessary to reach the required standard. However, the benefits to the quality of policies and institutions are a sign that the effort was worthwhile. It would be advantageous for more Latin American countries to join the OECD, not just for each country in question, but also for the region as a whole. Latin America must address gaps in economic development. Brazil is the number-one economy in the region and the seventh-largest in the world, which means its accession to the OECD would be beneficial for all. The experiences of Mexico, Chile and Colombia, and those in the process of accession, are also an opportunity to deepen regional cooperation and integration. The region should aspire to converge toward the average income of the member countries of the OECD, for which important challenges must be addressed in order to increase productivity and equity in areas such as: reduction of poverty, reduction of inequality, the application of efficient policies in health and education, balanced protection

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of the environment and a solid macroeconomic-financial framework. To address all these challenges, the OECD is a fundamental partner and reference.”

A **Renata B. Vasconcellos,**
senior director for policy at the
Brazil-U.S. Business Council:

“In the eyes of investors, OECD membership is a seal of approval and adherence to good regulatory practices. It is also a forum for dialogue, cooperation and public policy alignment. U.S. support is paramount in the process of accepting a country’s accession to the OECD. Brazil’s engagement with the OECD dates back to 1998. Today, the country is the most active nonmember of the OECD (in 24 OECD programs and 36

“**In the eyes of investors, OECD membership is a seal of approval and adherence to good regulatory practices.”**

— Renata B. Vasconcellos

legal instruments). Since 2017, Brazil has expressed its desire for OECD accession, with concentrated efforts domestically to comply with OECD standards and directives. Brazil’s OECD accession campaign continues and is a priority for the new government. Note that a significant distinction should be made between accession and membership: the accession path may take years to translate into full membership. While recognizing that Brazil has to make significant progress domestically, especially in the areas of tax and intellectual property, the OECD accession path period would give Brazil motivation to pursue necessary reforms. With U.S.

support, Brazil’s chances of acceding to the organization are higher than ever. Brazil’s campaign and likely upcoming accession to the OECD would set good regulatory and policy precedents for other Latin American countries and would add to the region’s representation in this influential organization.”

A **Mario Alejandro Valencia, director de Cedetrabajo in Bogotá:**

“The OECD is the world’s leading organization in the implementation of a 2.0 version of the free trade model, camouflaged in the clothing of good practices. The OECD promotes a false idea that states must follow certain principles that guide enterprises, under the criteria of financial sustainability. No country in the world, at any stage of the capitalist system, has become developed by doing what the organization says it should. Its logic is to impose certain standards that developing nations don’t meet. Of course, what’s behind this is not a healthy interest in best practices, but rather a hope that the country will become an intermediary for certain corporate sectors of countries such as the United States, France, Germany and England. The organization imposes conditions on the Latin American countries that are part of it and to those in the process of accession that will not lead to further development, because the state’s participation in the economy is substantially limited. The defense of foreign investment is promoted over national rights, the economy is oriented toward the external market of commodities and the stimulation and protection of national companies is abandoned. In the case of Colombia, the United States’ support came with new demands with respect to investments and intellectual property rights.”

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