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FEATURED Q&A

Will U.S. Sanctions Force Ortega From Power in Nicaragua?



Large-scale anti-government demonstrations began more than a year ago in Nicaragua. A demonstration last August is pictured above. // File Photo: Civic Alliance for Justice and Democracy.

Q Protesters in Nicaragua recently marked the one-year anniversary of large-scale demonstrations against the government of President Daniel Ortega. The administration of U.S. President Donald Trump has imposed multiple rounds of sanctions against Ortega's government, and U.S. National Security Advisor John Bolton included Nicaragua, along with Cuba and Venezuela, as part of what he calls the "troika of tyranny." To what extent will the U.S. sanctions succeed in forcing Ortega from power? What is the Trump administration's strategy in applying the sanctions against the Ortega government? What do the actions mean for investment in Nicaragua and businesses operating there? What unintended consequences could result from the sanctions, and how might the United States need to shift its approach as circumstances change?

A Marion Smith, executive director of the Victims of Communism Memorial Foundation in Washington: "The Ortega regime has been using false promises of electoral reform, dialogue, the release of political prisoners and the pretense of negotiations to manipulate the opposition and the international community. We were concerned when the United States gave Ortega an ultimatum and froze the sanctions for some months to promote the failed dialogue. Since the regime has ignored this opportunity, continued the repression and failed to start Nicaragua's return to democracy, it is appropriate for the U.S. government to issue new sanctions. The United States has added Laureano Ortega Murillo, the son of Daniel Ortega and Rosario Murillo, to the list of sanctioned individuals. The sanctions also included a continu-

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ECONOMIC

First Lawsuits Filed Over Seized Property in Cuba

The first of many lawsuits expected by U.S. citizens over property confiscated during the Cuban Revolution were filed in a U.S. court.

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BUSINESS

Heineken Acquires Majority Stake in Ecuador's Biela y Bebidas

The Dutch brewer acquired the stake in the Ecuadorean company from a group of investors. The country's economic growth and demographics led to the purchase, a company executive said.

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POLITICAL

Maduro Gov't Begins Pursuing Opponents

Venezuelan President Nicolás Maduro's government began pursuing opposition leaders, including Leopoldo López, who were involved in this week's violent protests.

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Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Venezuela's Maduro Pursues Opposition Following Protests

Venezuelan President Nicolás Maduro's government on Thursday began pursuing opposition leaders involved in this week's violent protests and calls for the military to overthrow his government, The Wall Street Journal reported. A court in Caracas ordered the jailing of opposition leader Leopoldo López, who appeared early Tuesday morning alongside National Assembly President Juan Guaidó at an air base, and joined Guaidó in calling for a military uprising. López, whom the court ordered to be locked up in Venezuela's Ramo Verde prison, had been on house arrest for two years and said Tuesday that sympathetic members of the country's intelligence services had freed him. López had previously been imprisoned in Ramo Verde for three and a half years. On Tuesday, López took refuge in the Spanish Embassy in Caracas. Spain's government said Thursday that it will not allow Venezuelan authorities to enter the embassy to arrest López, BBC News reported. At the embassy, López told reporters, "This dictatorship is going to end," The Wall Street Journal reported. He added, "We can't lose hope. That is what the dictatorship wants." Hours after López was ordered to be jailed, Venezuela's chief prosecutor filed criminal charges against National Assembly Vice President Edgar Zambrano, accusing him of treason, conspiracy and insurrection, among other crimes. The whereabouts of Guaidó, whom dozens of countries recognize as Venezuela's legitimate interim president, were unclear on Thursday. It was also unclear where several of Guaidó's top aides were located. Nearly a dozen aides to Guaidó, including his chief of staff, have been jailed in recent months. In a march that was billed as a display of loyalty, Maduro on Thursday strode with military officers at the main Caracas military base. At the march, Maduro called on Venezuelans to fight and defeat "coup plotters who sell themselves to Washington's dollars." In a televised address

on Wednesday Maduro said his government would pursue those who participated in what he has called an attempted coup. "Justice is looking for them, and sooner or later they will pay in prison for their treason and crime," he said. Among those marching alongside Maduro on Thursday was Defense Minister Vladimir Padrino, who reiterated his loyalty to Maduro. Venezuela's opposition and U.S. officials have said Padrino participated in secret discussions earlier in the week on ousting Maduro. However, an unnamed person familiar with the talks told The Wall Street Journal that Padrino appeared to remain loyal to Maduro and informed him about the talks. [Editor's note: See related [Q&A](#) in the Feb. 21 issue of the Advisor.]

ECONOMIC NEWS

First Lawsuits Filed Over Expropriated Property in Cuba

The first of an expected avalanche of lawsuits from U.S. citizens against companies doing business in Cuba was filed Thursday, as a new U.S. policy took effect allowing claims on property confiscated by the Castro regime, The Wall Street Journal reported. The filings in the U.S. District Court in Miami targeted cruise ship operator Carnival Corp. Javier Garcia-Bengochea, of Jacksonville, Fla., is seeking redress for his family's 82.5 percent stake in commercial waterfront property in the port of Santiago de Cuba, which the Cuban government confiscated in 1960, and Mickael Behn, based in Lexington, Ky., filed his suit over property he said Castro expropriated and Carnival used for embarking and disembarking its passengers in Havana, according to the report. Last month, U.S. President Donald Trump followed through on pledges to end a two-decade-old waiver on provisions of the 1996 Helms-Burton Act, in a bid to add more economic pressure on the struggling Communist island, which has been seeking billions of dollars in foreign investment. The Justice Department has certified nearly 6,000 claims for property confiscated in

NEWS BRIEFS

HSBC Reports Higher Revenues From Latin America, Beats Estimates

Global banking giant HSBC reported first-quarter earnings today that beat market expectations, in part due to increased revenues from Latin America, CNBC reported. The bank said its profit before tax in the first quarter was \$6.21 billion overall, a 30.7 percent jump from last year's \$4.75 billion. Adjusted profit from Latin America rose to \$387 million in the quarter ending March 31, up from \$148 million the quarter before, which was helped from a disposal gain of \$24 million in the region.

Heineken Acquires Majority Stake in Ecuador's Biela y Bebidas

Amsterdam-based Heineken said Thursday it had acquired a majority stake in Guayaquil-based brewer Biela y Bebidas del Ecuador from a group of mainly local investors. In a statement, Heineken's president for the Americas, Marc Busain, said Ecuador's favorable demographics and economic growth prospects led the company to make the purchase. Ecuador's beer market currently has a relatively low consumption per capita of 39 liters when compared to other South American countries, according to Busain. The companies did not disclose financial terms of the deal.

Brazil's Azul Registers for Avianca Brasil's Bankruptcy Auction

Azul Linhas Aéreas Brasileiras has registered to participate in an auction that will result in the distribution of assets of Avianca Brasil, Reuters reported Thursday. The auction is scheduled for next week, and Azul previously said it would not participate. Avianca Brasil filed for bankruptcy protection in December and said it would auction some of the slots that allow it to operate flights from crowded airports.

Cuba holding a value, with interest, of roughly \$8 billion. Officials in the European Union and Canada vowed to oppose the change in U.S. policy, potentially through the World Trade Organization. George Fowler, one of Carnival's attorneys and vice-chairman of the Cuban-American National Foundation, told the Miami Herald that the lawsuits would go nowhere because the Helms-Burton law excludes liabilities for commercial activities related to authorized travel to Cuba. Both plaintiffs are seeking a jury trial. [Editor's note: See related [Q&A](#) in the March 18 issue of the Advisor.]

Mexico Won't Ratify USMCA Until U.S. Drops Tariffs: Official

A top Mexican trade negotiator said his country will be unable to ratify a new North American trade pact unless the United States drops the aluminum tariffs it imposed last year, the Financial Times reported Thursday. Jesús Seade, the Foreign Ministry's undersecretary for North America, told the newspaper that "it may be inevitable to delay" ratification of the new United States-Mexico-Canada Agreement, which was negotiated last year to replace the North American Free Trade Agreement. Seade is in Washington this week for meetings with the United States Trade Representative, Robert Lighthizer. In related news, Sen. Rob Portman (R-Ohio) cautioned President Donald Trump in a meeting with other lawmakers Thursday that steel and aluminum tariffs imposed last year would make it more difficult for Congress to approve the deal. "These tariffs were put in place using a national security trade remedy and these countries are our allies, not national security threats," Portman said in a statement released before meeting with Trump, The Dayton Daily News reported. Other Republicans, such as Senate Finance Committee Chairman Charles Grassley of Iowa, have said the trade pact is "dead" in the U.S. Congress unless Trump drops the tariffs. [Editor's note See related [Q&A](#) in the April 19 issue of the Advisor.]

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ation of the July 5 sanction against the corrupt Venezuela-Nicaragua business Albanisa and Nicaraguan state-run bank, Bancorp. The United States needs to sanction more bad-acting businesses if it wants a real impact. So far, the sanctions have been sporadic and without a strategic approach; only seven individuals have been sanctioned and some undisclosed visa cancellations have occurred since December 2007. Sanctions are only good with a strategy, which should include additional measures that show a credible threat to the regime. Without other high-profile designations—Ortega himself, active and retired military officials, and business leaders close to Ortega—the impact will be diluted. More measures are necessary, but additional countries, particularly from the European Union and Latin America, need to actively engage so that sufficient pressure is placed on the regime, forcing a transition that will guarantee free elections. We must avoid supporting false negotiations and prevent the OAS from falling into another trap of Ortega's disingenuous promises of electoral reform. Ultimately, Nicaraguans will not be free until Ortega steps down. Stronger U.S. action can allow Nicaraguans to secure their freedom. Anything less and Nicaragua will likely collapse into an even worse dictatorship and Cuban domination, as in Venezuela."

A Adolfo Pastrán, director of digital news media at Informe Pastrán: "Any type of sanction directly affects the people of Nicaragua with lower employment and lower quality of life and torpedoes the negotiations between the government and the opposition, which should continue until a basic agreement that satisfies all is reached. So far, none of the external pressures have had the expected results. The resolution to the Nicaragua situation must be worked out in Managua and among Nicaraguans. International loans support health, free education, water and sanitation, electricity coverage, new

productive infrastructure and help reduce poverty. Blocking them affects the poorest Nicaraguans. Any external sanction certainly generates a climate of insecurity for investors, hitting the private sector directly. Therefore, the government and the opposition have agreed at the negotiating table that they will take steps before the international community 'to suspend all sanctions against the Nicaraguan people, to facilitate the right to human, economic and social development of Nicaragua, favoring the most vulnerable sectors of the population.' The decision on what should be done corresponds to the U.S. government. Evidently, Nicaragua's government will continue rejecting any sanction and pressure, proclaiming the defense of independence and national sovereignty and qualifying any such action as inappropriate, inconsistent, disrespectful, false and illegitimate."

A Samantha Sultoon, visiting senior fellow at the Atlantic Council's Scowcroft Center for Strategy and Security: "Despite early attention by the Trump administration to the deteriorating situation in Nicaragua with the December 2017 sanctions on Roberto José Rivas Reyes, then-president of Nicaragua's Supreme Electoral Council, attention to the political turmoil in Nicaragua remains sporadic. While U.S. messaging—when it is offered—indicates a clear desire to pressure the Ortegas and their supporters, the lack of consistent attention coupled with the overwhelming focus on Venezuela blunts the impact. The most recent sanctions on Laureano Ortega Murillo, as well as on Nicaraguan bank Banco Corporativo (Bancorp), were a significant step, but if the Trump administration is intent on regime change as previous actions and messaging indicate, then tougher sanctions are obvious ways to ramp up the pressure. Rather than pursuing unilateral sanctions, however, the Trump administration would be wise to rally likeminded allies. Specifically, efforts to

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harness the support of the 50-plus countries that have recognized interim Venezuelan President Guaidó should be made to coordinate policy and messaging on Nicaragua. Without regional and key international allies, the unilateral U.S. sanctions are unlikely to prove effective in the near term—and even less likely to facilitate the timely changes needed to ease the economic downturn that is hurting Nicaraguans. The political instability has already led to a decline in private consumption and exports. Since the Nicaraguan economy is largely dollarized, diligent investors have cut or limited their engagement, particularly as U.S. sanctions on Nicaragua increase. The designation of Bancorp, which the Ortega regime reportedly uses to launder and hide assets subject to U.S. sanctions, increased the need for thorough due diligence of Nicaragua-related business and transactions by those subject to U.S. jurisdiction.”

A **Mario Arana, director of the Nicaraguan Foundation for Social and Economic Development and former Nicaraguan minister of finance and central bank president:** “The Nicaraguan government, in part influenced by the U.S. sanctions, initiated a second round of dialogue in February. An understanding with the Civic Alliance for Justice and Democracy was expected on democratic reforms, including early new elections; no re-election; justice and civil liberties, including freeing all political prisoners; and the return of exiles. The Ortega regime, while agreeing to restore civil liberties and free all political prisoners, has lagged on fulfilling what has been agreed on, and no understanding has yet been reached on justice and democratic reforms. The window to reach results is closing, as this was not expected to be a long negotiation. This has meant that, during the negotiations, new

U.S. sanctions were imposed, and a process is ongoing at the Organization of American States that could mean the potential separation of Nicaragua from the organization, with drastic consequences for new capital flows from multilateral organizations. The uncertain outcome of this negotiation, plus the turmoil that has affected the country since April of last year, has taken a heavy toll on the economy. Growth is expected

“**The uncertain outcome of this negotiation, plus the turmoil that has affected the country ... has taken a heavy toll on the economy.**”

— **Mario Arana**

to fall between 7 and 11 percent this year, depending on whether the political crisis is resolved, from a drop of 4 percent in 2018. This environment has negatively affected direct foreign investment, and flows have been cut in half from last year’s estimates. The government is likely to accept electoral reforms sponsored by the OAS, but it is not clear whether it will agree to have early elections and no re-election. Thus, potential sanctions will affect individuals and the economy as a whole, as the U.S. government will be encouraged to harden sanctions against Nicaragua. A more direct and personalized diplomatic effort would be desirable to accomplish the objectives that could avoid an otherwise bleak economic outlook for the country, which would ensue as a result of sanctions.”

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