

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

Retired VP, 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 Marinos

Thomas F. McLarty III

Chairman,
McLarty Associates

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

Will Bolivia See Continued Growth in the Years Ahead?



Bolivia's economy has seen average economic growth of 5 percent annually since President Evo Morales took office 13 years ago, Robert Albro points out below. // File Photo: Bolivian Government.

Q Bolivia's central bank on April 23 issued a new 200-boliviano bill, the last of a new family of banknotes in what it described as a sign of economic stability and low inflation in the country, EFE reported. How stable is Bolivia's economy?

What are the main factors behind the country's economic gains, and how will they perform in the months ahead? How well are Bolivian President Evo Morales' administration and the central bank managing the economy, and to what extent will this play a role in the country's upcoming presidential election in October?

A Robert Albro, research associate professor of the Center for Latin American & Latino Studies at American University: "Bolivia's economy has grown at an average of 5 percent since Evo Morales entered office in 2006, with GDP increasing four-fold and export revenue six-fold, marking an impressive macroeconomic turnaround. Government debt has been reduced, inflation remains low, the currency stable and the minimum wage substantially increased. Bolivia was recently credited with the highest ratio of cash reserves to the size of its economy in the world, passing China. Under Morales, state-owned economic resources have become the main generator of wealth. National control of the energy sector has enabled significant revenue reinvestment in social programs, including new pension benefits, agricultural subsidies, infrastructure projects and improvements in education and health. During this period, Bolivia ranks first regionally in reducing extreme poverty, while helping grow a new indigenous middle class. In March, Bolivia rolled out

Continued on page 4

TODAY'S NEWS

POLITICAL

Opposition Miscalculated Military Support: Guaidó

Venezuela's opposition overestimated the support that it could get from the country's military, said opposition leader Juan Guaidó, who called for an uprising against President Nicolás Maduro.

Page 2

ECONOMIC

Puerto Rico's Power Utility Agrees to Bond Restructuring

The U.S. commonwealth's electric utility agreed to a restructuring of \$8 billion in bonds.

Page 2

POLITICAL

Cortizo Declared Winner of Panama Presidential Vote

Laurentino Cortizo of the center-left Democratic Revolutionary Party was declared the winner of Panama's close presidential election, defeating Rómulo Roux of the Democratic Change party.

Page 2



Cortizo // File Photo: Cortizo Campaign.

POLITICAL NEWS

Cortizo Declared Winner of Panama's Presidential Election

In a tight race, businessman Laurentino Cortizo of the center-left Democratic Revolutionary Party was declared the winner of Panama's election late Sunday, defeating Rómulo Roux of the conservative Democratic Change party of former President Ricardo Martinelli, the Associated Press reported. Both candidates have been seen as business-friendly, and neither has been expected to make major changes to

“In Panama, there won't be anyone who's untouchable.”

— Laurentino Cortizo

the country's current economic policy. With 92 percent of the vote counted, Cortizo had 33 percent of the votes, while Roux garnered 31 percent. Electoral court magistrate Heriberto Araúz telephoned Cortizo to tell him he was the “virtual winner.” Cortizo told the magistrate, “With humility I receive the announcement, which is important for the country,” the AP reported. “An announcement of great responsibility.” Cortizo also declared victory to supporters. “I didn't get to power to steal, or repay favors to big economic and political groups,” he told supporters, Bloomberg News reported. “In Panama, there won't be anyone who's untouchable.” Roux, however, refused to concede on Sunday night, saying the race was too close to call, the AP reported. He also alleged that irregularities marred the contest. “We have to guarantee the protection of the electoral process and of democracy. Right now, it's in doubt,” said Roux. He did not provide any evidence of tampering with the election. The results are to be final on Thursday, and Cortizo's confirmation as president-elect would mean a return to power for the Democratic Revolutionary Party, or PRD, for the third time since the country's transition to democracy 30 years ago. The PRD was last

in power during the government of Martín Torrijos, who was president from 2004 to 2009. Panama has no runoff, so the next president is to take office July 1 for a five-year term. Cortizo, 66, served as agriculture minister under Torrijos and vowed during his campaign to fight corruption. Roux, 54, held several government positions during Martinelli's administration, including foreign minister and minister of canal affairs. Coming in third was Ricardo Lombana, 45, an attorney who campaigned on vows to fight corruption and impunity. He garnered nearly 20 percent of the vote. Turnout was a relatively strong 72 percent. Current President Juan Carlos Varela was constitutionally barred from re-election.

Opposition Expected More Support From Military: Guaidó

Venezuela's opposition overestimated the military support it could gather for an uprising against the government of President Nicolás Maduro, opposition leader and National Assembly head Juan Guaidó told The Washington Post in an interview published Saturday. Guaidó had expected his call for rank and file and senior members to abandon Maduro on Tuesday to produce mass defections within the military. Instead, pro- and anti-government protesters clashed on the streets, leaving more than 100 people injured, without any major military defections, CNN reported, citing the independent Venezuelan Observatory of Social Conflict. “Maybe because we still need more soldiers, and maybe we need more officials of the regime to be willing to support it, to back the Constitution,” Guaidó said, The Washington Post reported. Adding, “I think the variables are obvious at this point.” Guaidó, whom the United States and dozens of other countries recognize as Venezuela's interim president, did not rule out allowing U.S. military involvement in Venezuela. However, he also said he would not support unilateral U.S. military action, saying any involvement by U.S. troops would have to be alongside Venezuelan forces who have turned against Maduro. He added that

NEWS BRIEFS

Brazil's Bolsonaro Cancels Trip to U.S.

Brazilian President Jair Bolsonaro has canceled a trip to the United States, his office said Friday, following protests against his being honored as the person of the year by the Brazilian-American Chamber of Commerce, Reuters reported. Multiple venues in New York, including the American Museum of Natural History, refused to host the gala dinner in his honor due to the far-right president's history of racist, homophobic and misogynist remarks. Sponsors such as Delta Air Lines and the Financial Times also pulled their support for the event.

Puerto Rico's Power Authority Agrees to Bond Restructuring

Puerto Rico's power authority has agreed to a restructuring of \$8 billion worth of bonds with a group of creditors, Reuters reported Friday. The deal among the bondholders of the Puerto Rico Electric Power Authority, the Assured Guaranty Corp., the U.S. commonwealth's government and the federal financial oversight board would lower the utility's debt by as much as 32.5 percent. The agreement is subject to approval by bondholders and a federal judge.

Ninety Cuban Migrants Escape Mexico Detention Facility

Ninety Cubans escaped the Siglo XXI migrant detention center in Tapachula, a town in Mexico's southern Chiapas State, in the early hours of Sunday, the National Migration Institute said, the Associated Press reported. It was the second such incident at the overcrowded center in recent weeks as migrants on their way to the United States grow frustrated with the slow processing of arrivals at Mexico's southern border. More than 600 Cubans broke out of the facility in late April, and Mexico sent 170 Cubans home last week.

if the U.S. government offered its help in an intervention, Guaidó would bring the matter to the country's National Assembly for a vote. The opposition leader said he welcomed the United States' recent deliberations on military options, saying it was "great news" for Venezuela. "It's good to know that important allies like the U.S. are also evaluating the option," he said. "That gives us the possibility that if we need cooperation, we know we can get it."

BUSINESS NEWS

Itaú Sees Continued Competition Among Card Processors

The chief executive of Brazil's Itaú Unibanco said on Friday that there is no sign that competition among card processors in the country will cool down, Reuters reported. Candido Bracher, who has led Brazil's largest private lender since 2017, said Itaú reduced this year's targets for fee income and financial margins with clients following a decision by its card processor, Rede, to stop charging interest rates to advance payments for merchants who use its machines and to pay them in two days instead of the usual 30-day period, the wire service reported. Other Brazilian card processors have pushed back against Rede's move, announcing new offers for small and mid-sized merchants. "We maintain our call that the aggressive pricing strategy adopted by Rede will have a negative effect on banking fees in the short term, while in the medium-to-long term, it should increase the banking franchise's cross-sell opportunities," analysts at Banco Santander said in a note to clients, Reuters reported. Bracher said the revised targets are unlikely to change Itaú's profit this year, as the bank also reduced estimates for operating expenses growth to between 3 percent and 6 percent, down from between 5 percent and 8 percent. The downcast follows slower-than-expected economic recovery in Brazil, and it will affect all of Itaú's areas, Bracher said.

IN FOCUS

Ecuador Needs Stronger State Institutions, Better Technology Use to Create Jobs: Lasso

By Gene Kuleta

WASHINGTON—Businessman Guillermo Lasso, who for the third time is seeking Ecuador's presidency, said last week during a visit to the United States that his main goals if elected in 2021 would include strengthening government institutions, boosting confidence in the economy and using new technologies in order to attract investment and create jobs.

"The best social policy is one that creates jobs," Lasso told the Latin America Advisor in an interview. "This is only possible if you create an ecosystem that allows for local investment, international investment and that generates jobs."

But Lasso said bringing more investment into the country requires stronger state institutions. "It requires an independent justice system, it requires regulatory bodies that work well," he said. "And it also requires an understanding that in a global world, international businesses require mechanisms and arbitration outside Ecuador." Lasso, who unsuccessfully ran twice before for president—against then-President Rafael Correa in 2013 and against current President Lenín Moreno in 2017—blasted Correa for pulling Ecuador out of international investment treaties and withdrawing from investor dispute-resolution mechanisms.

Lasso added that if elected, he would also focus on digitizing many government services, allowing citizens to perform more

tasks online, such as acquiring national identity cards, registering vehicles, obtaining birth certificates and applying for passports. In addition, Lasso said he wants to focus on modernizing the economy through the use of advancing technologies in order to create jobs. "Employment today is in a

process of change with new technologies, with artificial intelligence, with robotics," he said. "We have to understand how to customize all of this in Ecuador in order to achieve prosperity for all Ecuadoreans."

In addition to visiting Washington, where he met with Inter-American

Development Bank President Luis Alberto Moreno and officials on Capitol Hill to discuss topics including economic and trade relations between the two countries, Lasso also visited Miami, where he met with officials of a technology incubator.

During a week when Venezuelan opposition leader Juan Guaidó called for a military uprising against President Nicolás Maduro's government, Lasso lauded Guaidó, saying he has "great courage, great patriotism, great decisions" and is working to bring about change in Venezuela. Ecuador, the United States and dozens of other countries have recognized Guaidó as Venezuela's acting president. Lasso said he wants to see Ecuador join the Lima Group, the body of 14 Western Hemisphere nations that is calling for a peaceful exit to Venezuela's crisis.



Lasso // Photo: Anastasia Chacón González, Latin America Advisor.

FEATURED Q&A / Continued from page 1

a new state-backed system of free universal health insurance, which could cover up to 70 percent of the population. Morales and the MAS government's impressive economic success has been supported by a prolonged natural resource boom, debt forgiveness and Chinese investment. But, that boom is over, and China is cooling on Latin America. Bolivia's long-term economic stability remains vulnerable, given its lack of economic diversity, continuing corruption, dependence on fossil fuels for capital growth, failure to develop new industries such as lithium for export and overreliance on neighboring Argentina and Brazil as commodity markets. Nevertheless, there is no doubt that Morales' adroit handling of the economy will be a major advantage in the upcoming presidential election."

A Raúl Peñaranda, Bolivian journalist and director of news platform Brújula Digital: "The Bolivian economy is stable, and one of the fastest-growing in the region. Annual inflation is below 3 percent, while growth has exceeded 4.5 percent on average in recent years. This has helped reduce extreme poverty, and other measures have markedly reduced the Gini index. This has been possible in large part thanks to the high prices that minerals and oil have had in the last decade. The price of gas Bolivia sells to Argentina and Brazil is indexed to the price of oil, which has generated the largest economic boom in the history of the country. It is estimated that, during a decade of Morales' government, Bolivia had revenue equivalent to that of the entire last century. The raw material supercycle, unfortunately, has made the Bolivian economy even more dependent on exporting them. More than 90 percent of Bolivia's exports are raw materials, as part of a lamentable process of reprimarization. Despite the high prices, the levels of poverty reduction in recent years have been similar to those of previous governments, which were characterized by economic constraints. Therefore, the sup-

posed efficiency of the country's economic authorities is in doubt."

A Roberto Laserna, director of the Center for the Study of Economic and Social Reality (CERES) in Cochabamba, Bolivia: "In 2005, before Evo Morales came to power, I wrote a book titled 'The Rentier Trap' to warn about the economic risks of abundance. The natural gas export boom was about to begin. In a very weak institutional environment and with such deep inequalities, I predicted that concentration of resources was going to weaken institutions even more and reduce productive capabilities in the long run, harming the prospects for democracy and development at the same time. The export boom was greater than expected, and for some time those predictions seemed excessive. But now, we can see that behind the money flows of the last years, Bolivia faces a difficult future. Institutions are weaker than before: the justice system is untrustworthy, the police force is eroded by corruption, there are no respect or guarantees for the popular vote, and the government and the courts disrespect the Constitution. The economy is more vulnerable and dependent on a few items, traditional agriculture and manufacturing sectors are less productive, private investments are in decline, and so the quality jobs are too. The internal market became addicted to cheap dollars. That is why international reserves are plunging at a very fast pace while the central bank keeps increasing the amount of money, to finance the government's growing deficit, justified as 'public investment' that offers no efficient results. Bolivia is heading into a crisis, but the government is in denial because it needs to campaign on the image of success, in order to support the undemocratic bid for Morales' re-election."

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

LATIN AMERICA ADVISOR

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

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
ekuleta@thedialogue.org

Anastasia Chacón González
Reporter
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

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@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.