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FEATURED Q&A

Can Anything Derail Jamaica's Surging Economy?



Jamaican Prime Minister Andrew Holness has presided over an expanding economy. He said in a speech last month in Atlanta that Jamaica "must be known as the place of choice for business." // File Photo: Jamaica Information Service.

Q Jamaica has posted positive economic growth for 16 consecutive quarters, while the island has also seen record low unemployment and a rising stock market. What are the main reasons behind the Caribbean nation's economic growth, and will the trend continue? What economic headwinds might the island see in the near future? How big a role have the policies of Prime Minister Andrew Holness played in the country's economic growth?

A Vangie Bhagoo-Ramrattan, head of research at First Citizens Investment Services: "The Jamaican economy has benefited tremendously from the economic reforms that have been implemented under the IMF program, and this has largely supported the return in business and investment confidence. Economic reforms have stabilized economic growth at above 1 percent and have resulted in a notable decline in the country's debt-to-GDP ratio, which fell below 100 percent for the first time in almost two decades in FY2018/2019. The Bank of Jamaica is also playing a crucial role in ensuring that monetary policy is conducive to growth and continues to maintain an accommodative stance. Due to the positive developments in the Jamaican economy, we have seen favorable trends in the country's international credit ratings and an increase in investors' appetite for Jamaican assets. The heightened uncertainty in the global economy, particularly fears of a slowdown in the United States, can negatively affect Jamaica's outlook. Further, given the economy's dependence on the agricultural sector, weather-related shocks may undermine economic growth. The country's crime situation is another possible headwind. In the

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TODAY'S NEWS

POLITICAL

U.S., Guatemala Sign Deal to Stem Migration Crisis

U.S. and Guatemalan officials agreed to increase cooperation in order to reduce the flow of migrants headed toward the United States. The agreement was signed as acting U.S. Homeland Security Secretary Kevin McAleenan visited the Central American country.

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BUSINESS

Chair of Mexican Steelmaker Arrested in Spain

Authorities arrested Alonso Ancira, the chairman of Altos Hornos de México, on corruption charges.

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ECONOMIC

Mexico's López Obrador Vows to Alleviate Medicine Shortage

Mexican President Andrés Manuel López Obrador said he would work to alleviate a shortage of medicines in public hospitals by buying essential drugs abroad if necessary.

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López Obrador // File Photo: Mexican Government.

POLITICAL NEWS

U.S., Guatemala Sign Deal to Stem Migration Crisis

U.S. and Guatemalan officials on Tuesday agreed to boost cooperation in an effort to stem the number of migrants headed north toward the United States, according to a statement by the U.S. Department of Homeland Security. The department's acting director, Kevin McAleenan, signed an agreement with Guatemala's minister of interior and home affairs, Enrique Antonio Degenhart, to "target human smuggling and trafficking networks," the statement said. The agreement came as McAleenan began a four-day visit to Guatemala, where he is scheduled to be until Thursday. During the trip, U.S. and Guatemalan officials plan to discuss the "root causes driving the current high rate of irregular migration to the U.S., as well as viable options for enhancing protections of vulnerable populations." Under the agreement, the United States and Guatemala plan to cooperate on law enforcement training, collaboration to improve criminal investigations and take other actions designed to fight smuggling and human trafficking, the Department of Homeland Security said. "Through our continued collaboration and partnership, the U.S. and Guatemala are formalizing a number of initiatives to improve the lives and security of our respective citizens by combating human trafficking and the smuggling of illegal goods, helping to limit 'push' factors that encourage dangerous irregular migration to the U.S., perpetuating the ongoing crisis at our border," McAleenan said in the

CORRECTION

The first sentence of a commentary by Andrew Rudman published Friday in the Advisor incorrectly said that the Trump administration has imposed tariffs on \$250 million worth of Chinese exports to the United States. The figure is, in fact, \$250 billion.

statement. Officials from the two countries have also agreed to work together on boosting security at Guatemala's borders and working toward better understanding of the root causes of migration. In March and April, more than 200,000 migrants crossed the southern U.S. border, with many of them seeking asylum, UPI reported Tuesday. More than two-thirds of the arriving migrants were unaccompanied minors or adults traveling with children. The surge of migrants has overwhelmed detention facilities in the United States and left authorities trying to put together strategies on how to release asylum seekers. "Our immigration system is full, and we are well beyond our capacity at every stage of the process," McAleenan told a U.S. House of Representatives committee last week.

ECONOMIC NEWS

López Obrador Vows to Fight Medicine Shortage

Mexican President Andrés Manuel López Obrador on Monday promised to alleviate a medicine shortage in public hospitals, saying he would purchase essential drugs abroad if necessary, and he blamed the situation on companies upset about his measures against overpricing, Reuters reported. Last week, the government promised to release nearly \$126 million to help alleviate shortages at Mexican public hospitals following the resignation of Germán Martínez, the head of the Mexican Social Security Institute, over budget cuts to the public health system, the Associated Press reported. "There is a problem of medicine shortages, but I'd tell you it was worse before," López Obrador said last Friday, adding that his government is reviewing contracts with medicine suppliers for signs of corruption, El Universal reported. López Obrador says the crackdown on overpricing, which he says was rampant under the previous government, has upset some companies. Health Minister Jorge Alcocer said some firms, which he did

NEWS BRIEFS

Judge Rules Bolsonaro's Attacker is Mentally Ill, Shouldn't Be Jailed

A Brazilian judge on Monday ruled that the man charged with stabbing President Jair Bolsonaro during a campaign event last September should not be punished because he is mentally ill, the Associated Press reported. Federal Judge Bruno Savino said Adélio Bispo de Oliveira cannot be jailed and should be put in a mental facility. Bolsonaro suffered serious internal bleeding from the wound in his abdomen. Bolsonaro has said de Oliveira had been part of a plot to stop him from winning the presidency.

Argentine Lawmakers to Consider Legalization of Elective Abortion

Argentine lawmakers on Tuesday introduced new legislation to legalize abortion for pregnancies up to 14 weeks, the Associated Press reported. Thousands of demonstrators marched in Buenos Aires in support of the legislation. Last year, a similar measure passed the lower chamber but failed in the Senate. Currently, abortion is only legal in Argentina in cases of rape or risks to a woman's health. However, the health ministry estimates that more than 350,000 clandestine abortions are carried out annually, with thousands of women being hospitalized because of complications.

Telefónica's Colombia Unit to Sell \$149 Mn in Bonds

Telefónica's Colombia unit, Coltel, will issue up to 500 billion pesos (\$149 million) in bonds on the local market, the telecommunications subsidiary said today, Reuters reported. Coltel, which operates under the brand name Movistar, will offer five- and 10-year paper with yields tied to inflation plus an additional margin, it said. Coltel is partially owned by the Colombian government, which last August said it was looking to sell its minority participation.

not name, had not responded to government tenders for drugs. Last month, López Obrador announced that three Mexican companies would be excluded from future public tenders for medicine, a move that some analysts said affected patient care.

BUSINESS NEWS

Spanish Authorities Arrest Chairman of Mexican Steelmaker

Spanish authorities on Tuesday arrested the chairman of a top Mexican steelmaker as part of a wider investigation into a bribery scheme with links to Mexican state-owned oil company Pemex, El Universal reported. Alonso Ancira, chairman of Altos Hornos de México, or Ahmsa, was arrested when he arrived on the Spanish island of Mallorca on his company's private jet, according to Spanish media. Ahmsa confirmed Ancira's arrest in a statement, which also denied any wrongdoing by him or the company. Mexican investigators said earlier this week they had filed corruption charges with federal prosecutors against Ancira and Emilio Lozoya, a former head of Pemex who also faces tax fraud and bribery charges, according to Santiago Nieto, head of the finance ministry's financial intelligence unit. Nieto's team also ordered a freeze on the bank accounts of Ahmsa, Ancira and Lozoya, as well as some of Lozoya's family and former aides, The Wall Street Journal reported. A Mexican judge on Tuesday issued an arrest warrant for Lozoya. Part of the probe is in connection with the sale of a fertilizer plant by Ahmsa to Pemex in 2014 for approximately \$273 million. Mexico's current government says the plant was only worth about \$50 million. Investigators allege that, in exchange for a higher price on the plant, Ahmsa funneled some \$3.5 million to Lozoya through a shell company set up by Brazilian construction firm Odebrecht. The Brazilian company declined to comment on the case.

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2018 WEF Competitiveness Index, Jamaica ranked poorly for both 'organized crime' (134th) and 'homicide rate' (137th) out of 140 countries globally. This may have implications for the investment climate. There are also some persistent structural issues that must be addressed, including key reforms to the public sector. Notwithstanding these headwinds, we do believe that Jamaica will continue on its path of economic growth, anchored by the government's adherence to the IMF-backed reform program."

A **Anthony T. Bryan, nonresident senior associate at the Center for Strategic & International Studies and professor and honorary senior fellow at the University of the West Indies in Trinidad & Tobago:**

"Continuous stern fiscal discipline through two political administrations is the key to Jamaica's economic turnaround. Jamaica had experienced several unsuccessful IMF adjustment programs during its almost 57 years of political independence, but this time around it was different. Most sectors of civil society seemed to take ownership of the reforms over the six years of the latest IMF program and stayed the course. Tribal politics also took a back seat for the national well-being. The results: Jamaica's debt-to-GDP ratio has fallen to 96 percent after a record 147 percent in 2013 when the new IMF agreement came into play. It is expected to be 88 percent by 2020. Unemployment fell from 16 percent to 8.4 percent in 2018, and capital and social expenditure doubled. The icing on the cake is the rapid growth in tourism arrivals and the positive spinoffs for the hotels and restaurants subsectors. A major element of continued recovery is the reduction in the cost of energy. The introduction of an LNG and an integrated renewable energy program will reduce energy costs. The 2019/20 Fiscal Policy Paper tabled in the House of Representatives in January projects economic growth in the range of 1.5 to 2.9 percent over the next four fiscal years.

But Jamaica is not yet out of the morass. There is need for continued structural reforms to encourage growth and boost economic added value, reduce a bloated public sector, curtail bureaucratic red tape, and combat crime and corruption. There are lessons in the Jamaica experience for countries such as Barbados that are currently undergoing an IMF adjustment program. It's not all doom and gloom."

A **Curtis A. Ward, board chairman of the Caribbean Research and Policy Center, international consultant and former Jamaican ambassador to the United Nations:**

"The fact that the Jamaican economy has been growing for '16 consecutive quarters,' more than twice the period of the current administration's stewardship, is evidence of the importance of continuity of successful policies and programs established under the prior administration. Prime Minister Holness' administration is now reaping the economic growth benefit by its decision to maintain the structural changes of the Jamaican economy implemented by the previous government, though painful for the Jamaican people at the time. The Holness administration inherited a restructured economy that had the blessings of the IMF, World Bank and the Inter-American Development Bank. Continuity increased the confidence of domestic investors and foreign investors who had already targeted Jamaica as a place to invest. Hence, maintaining stability in the Jamaican economy meant continuation of an environment of confidence for foreign direct investments, in particular in the tourism, energy and bauxite/alumina sectors, as well as infrastructure development. The Jamaican stock market continues to grow on the heels of economic stability, business expansions and consolidations, as well as the huge profits of listed companies that benefit from a growing and stable economy. However, instability in Jamaica's currency is a growing concern to the local business sector and

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needs urgent attention. Also, warnings to Jamaica and the region of China's so-called 'predatory economic practices' by the Trump administration could have a chilling effect on the Jamaican economy in the future. One should not be overly optimistic that U.S. investors will supplant the Chinese and other foreign investors merely on President Trump's wishes."

A **Anthony Wilson, head of the multimedia business unit at One Caribbean Media:** "Jamaica's adoption and strong implementation of fiscal responsibility is central to the island's extraordinary economic achievements over the last four years. The adoption of a fiscal responsibility framework in March 2010 and a new fiscal rule in 2014 predate the second term of Prime Minister Andrew Holness, which began in 2016. Critical to Jamaica's success, therefore, has been its bipartisan commitment to fiscal responsibility, which has allowed a reduction of the country's fiscal deficits over time. Holness' achievement has been in his remarkable communication skills and his government's decision to stay the fiscal discipline course. That, in turn, has led to a sustainable reduction in Jamaica's debt-to-GDP ratio from above 135 percent in 2013 to an estimated 96 percent in March. A reduction of Jamaica's debt over time has meant that less of its budget is being allocated to pay interest, which contributes to more money available to fund capital expenditure. If Jamaica can maintain its fiscal discipline, there is no doubt that its outstanding economic performance can be sustained and enhanced. Potential future shocks to the economy include a destructive hurricane or other natural disasters and the impact that a global slowdown will have on the island's tourist arrivals and new investment in hotels and other tourism infrastructure. There is also a risk that hubris and over-exuberance, along with over-leveraged private sector

balance sheets, may trip up the country in the future."

A **Richard Bernal, pro-vice chancellor for global affairs at the University of the West Indies:** "The main reasons for Jamaica's growth performance are: macro-economic stabilization, which is sustained and has improved in recent years; favorable external conditions, particularly oil prices; the continued very strong performance of the tourism sector; an increase in bauxite/alumina following FDI by a private Chinese firm; political consensus by both parties on economic policy, especially fiscal discipline; and growing business confidence.

“The government is to be commended for taking the tough decisions required to stay the course of the IMF program...”
— Richard Bernal

The policies of the Holness administration are a continuation of those of the previous government in conjunction with the International Monetary Fund. The government is to be commended for taking the tough decisions required to stay the course of the IMF program while upgrading the country's physical infrastructure. The risks ahead are: exogenous factors, such as weather-related ones, ranging from drought to natural disasters, including hurricanes and floods; external shocks, in particular, oil prices; and internal factors, such as the adverse impact of crime on tourism and corruption in the public sector."

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