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FEATURED Q&A

How Can Costa Rica Retain More Foreign Employers?



U.S.-based health care company Baxter is among the companies that has eliminated jobs in recent months in Costa Rica. // File Photo: University of Kansas.

Q Unemployment in Costa Rica reached 11.3 percent in the first quarter of the year, with some 276,000 people looking for jobs, according to the national statistics institute. Over the past six months, Dole, Baxter and other foreign companies have laid off hundreds of employees in the Central American country. Why are businesses leaving Costa Rica or reducing operations there? What are the reasons behind the persistently high unemployment, and what plans does the government have to address it? What will it take to create quality jobs in Costa Rica, an economy with significantly higher wages than other nearby countries?

A Edna Camacho, economic coordinator in the administration of Costa Rican President Carlos Alvarado: "Costa Rica remains highly attractive for foreign companies in the advanced manufacturing sector and in services of various kinds. Its human resources continue to be the country's main strength, and proof of this is that foreign investment generates 30 percent of net employment in the country. While some companies have recently reduced their operations and workers have left, the reasons given relate to particular decisions of a corporate nature or the global environment. In addition, several new investments were announced during the first months of the year, as well as reinvestment projects for companies already installed in the country. Often, many of the companies already present in Costa Rica say that they could expand their operations if there were greater availability of human resources with certain knowledge and skills. This seems like a paradox given the high level of unemployment, but it is not: unemployment is

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TODAY'S NEWS

ECONOMIC

Trump Suspends Plan to Impose Tariffs on Mexico

U.S. President Donald Trump announced Friday night that Mexico had agreed to take "strong measures" to curb migration to the United States, leading him to suspend his threatened tariffs.

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POLITICAL

Four Million Have Left Venezuela: U.N.

Some four million people have left Venezuela amid the country's political and economic crises, the International Organization for Migration and the U.N. Refugee Agency announced.

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BUSINESS

Ecopetrol Seeking to Cut Costs by \$2.43 Billion

Colombian state oil company Ecopetrol, led by CEO Felipe Bayón, said it will seek to cut costs between this year and 2023. Some 71 percent of the cost cutting will be in the company's exploration and production activities.

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Bayón // File Photo: Colombian Government.

ECONOMIC NEWS

Trump Suspends Plan to Impose New Tariffs on Mexico

U.S. President Donald Trump on Friday night announced that he was suspending his plan to impose new tariffs on all Mexican goods imported into the United States. New 5 percent tariffs had been scheduled to go into effect today, and they were to have gradually risen as high as 25 percent. "The Tariffs scheduled to be implemented by the U.S. on Monday, against Mexico, are hereby indefinitely suspended," Trump said in a tweet. "Mexico, in turn, has agreed to take strong measures to stem the tide of Migration through Mexico, and to our Southern Border. This is being done to greatly reduce, or eliminate, Illegal Immigration coming from Mexico and into the United States."

The State Department followed up by releasing a "U.S.-Mexico Joint Declaration" that said the United States will "immediately expand the implementation" of a program that returns migrants seeking asylum in the United States to Mexico while their claims work their way through U.S. immigration courts, the Associated Press reported. At the same time, Mexico will offer migrants jobs, health care and education, the declaration said. In addition, Mexico has agreed to take "unprecedented steps to increase enforcement to curb irregular migration" that includes the deployment of the Mexican National Guard throughout the country, particularly along its border with Guatemala. Also, the State Department added that Mexico is taking "decisive action to dismantle human smuggling and trafficking organizations as well as their illicit financial and transportation networks." In response to Trump's announcement of the tariffs' suspension, Mexican President Andrés Manuel López Obrador tweeted, "Thanks to the support of all Mexicans, the imposition of tariffs on Mexican products exported to the USA has been avoided." At a rally Saturday in Tijuana, López Obrador reiterated his desire to have a good relationship with Trump and said he had spoken with the U.S. president earlier

in the day. "I'm not raising a clenched fist, but an open and frank hand," López Obrador told supporters, The Wall Street Journal reported. "We reiterate our disposition for friendship, dialogue and cooperation." In an earlier speech, Mexican Foreign Minister Marcelo Ebrard, who led a delegation to Washington last week to seek an agreement to avoid the tariffs, said both the United States and Mexico made concessions and that the duties, which would have cost Mexico 900,000 jobs, had been avoided. "We have no tariffs, Mr. President, and we left with our dignity intact." The agreement partially continues steps that the United States was already taking, the Associated Press reported. Last December, the United States announced that it would require some migrants who were seeking asylum to wait in Mexico while their claims were being adjudicated. Some 10,000 people have been returned to Mexico to await the processing of their claims. [Editor's note: See related [Q&A](#) in the June 3 issue of the Advisor.]

POLITICAL NEWS

Four Million People Have Left Venezuela Amid Crises: U.N.

Some four million people have left Venezuela amid the country's economic and political crises, the International Organization for Migration, or IOM, and the U.N. Refugee Agency, or UNHCR, said Friday in a joint statement. The agencies' estimate of the number of displaced people increased by one million since November. Venezuelans are the second-largest population displaced from their country in the world, only behind Syrians. "The pace of the outflow from Venezuela has been staggering," the statement said, adding that the number of refugees and migrants from Venezuela has skyrocketed to nearly four million from around 646,000 in 2015. "These alarming figures highlight the urgent need to support host communities in the receiving countries," Eduardo Stein, the joint IOM-UNHCR special representative

NEWS BRIEFS

Chile's Central Bank Unexpectedly Cuts Benchmark Interest Rate

Chile's central bank cut its benchmark interest rate by 50 basis point to 2.5 percent on Friday, surprising analysts, Reuters reported. The bank also slashed its outlook for Chile's economic growth this year, down to between 2.75 percent and 3.5 percent from between 3 percent and 4 percent just two months ago, citing impacts from global trade tensions. "The economic recovery has not been sufficient to close the productivity gap and drive inflation," the bank said in a statement. "Therefore, [the board] saw it necessary to re-calibrate its monetary impulse."

Ecopetrol Seeking to Cut Costs by \$2.43 Billion

Colombian state oil company Ecopetrol said Friday that it will seek to save 8 trillion pesos (\$2.43 billion) through cost-cutting measures between this year and 2023, Reuters reported. Some 71 percent of the cost-cutting measures will be in the company's exploration and production activities, Ecopetrol said. The company previously said that it will invest \$3.5 billion to \$4 billion this year, slightly above last year's amount, largely on exploration and production.

Ecuador's Moreno Denies Extradition of American Accused in Facebook Case

Ecuadorean President Lenín Moreno has denied the extradition to the United States of Paul Ceglia, a U.S. citizen charged with defrauding Facebook founder Mark Zuckerberg, Reuters reported Friday. In a document dated June 4, Moreno said he was blocking the extradition for "humanitarian" and "reciprocity" reasons. An Ecuadorean court had authorized the extradition last November. Ceglia was arrested in Ecuador last year and remains in jail. He has requested asylum in the South American country.

for Venezuelan refugees and migrants, said in the statement. "Latin American and Caribbean countries are doing their part to respond to this unprecedented crisis, but they cannot be expected to continue doing it without international help," he added. Venezuelans have poured mostly into Latin American nations, with Colombia hosting some 1.3 million refugees, Peru receiving nearly 768,000 and Chile some 288,000, according to the statement. Venezuelans have also fled to Ecuador, Argentina and Brazil, as well as Mexico and Central America and Caribbean countries. On Saturday, thousands of Venezuelans crossed into Colombia to buy food and medicine after Venezuelan President Nicolás Maduro reopened the border, which he had shut down for the past four months to block the opposition's attempts to deliver food and medical supplies into Venezuela, the Associated Press reported.

Nicaragua Approves Amnesty for Police After Crackdowns

Nicaragua's National Assembly on Saturday approved an amnesty law that protects police and others who took part in violent crackdowns on anti-government protesters over the past year, sparking criticism from the opposition and the United Nations' top human rights official, Reuters reported. The law was passed with 70 votes from President Daniel Ortega's Sandinista National Liberation Front, or FSLN, party in the 92-member chamber. The measure also allows for the release of people arrested during the anti-Ortega demonstrations. "We are witnessing an act of sovereignty that seeks peace and reconciliation," said Edwin Castro, who leads the legislature's FSLN caucus, Reuters reported. However, the law "could impede the processing of potentially responsible persons for grave violations of human rights," U.N. human rights chief Michelle Bachelet said Friday, *Público* reported. More than 700 people were arrested, and 325, mostly from the opposition, were killed in clashes during the demonstrations that erupted in April of last year.

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concentrated in the segments of the labor force with lower levels of education. In this context, Costa Rica faces two very different challenges: on the one hand is increasing the supply of highly qualified human resources so that dynamic companies can expand and hire these people. On the other hand, the challenge in the short term is to boost the economic activity of those sectors that have greater capacity to absorb low-skilled human resources. In the latter case, the tourism sector, for example, has enormous potential, as Costa Rica continues to be a very attractive tourist destination, reflected in the increasing rate of tourist entry."

A **Carlos Montenegro, executive vice director of the Chamber of Industries of Costa Rica:** "The reasons why foreign companies are reducing activity in the country are diverse, but the truth is that foreign direct investment continues to come into the country. In fact, the service and high-tech sectors complain that they cannot find the personnel they require in the job market, particularly at the level of technicians and engineers. In these types of companies and sectors, new hires continue to be greater than the layoffs some of them have seen. Unemployment in Costa Rica has been growing due to the economic slowdown of recent years, which has driven a significant exit of workers—normally unskilled workers, who are not absorbed by the more dynamic sectors mentioned above—in the traditional sectors of the economy, such as commerce, agriculture and industry outside the free trade zones. Additionally, there is a mismatch between the offer of professional training and the needs of the business sector, which generates a large number of graduates in careers for which there is no demand in the labor market. Also, the technological shift and the new way of doing things starting from the fourth industrial revolution poses a challenge in terms of what companies require and the knowledge, abilities and skills of most of

the existing labor supply and of graduates at technical or university levels. Among the actions that should be carried out to close this dual education gap are: changing the curriculum, beginning in elementary school; promoting careers of professional training in those areas that require it; and the decisive promotion of entrepreneurship."

A **Roberto J. Gallardo N., professor at the University of Costa Rica and former minister of national planning and political economy in Costa Rica:** "The official version, which coincides with what the companies announcing their departure have expressed, is that these are common administrative restructuring processes in the companies' business deals. The Ministry of Foreign

“ It is perceived that the country has a climate of caution and pessimism... ”

— Roberto J. Gallardo N.

Trade has also indicated that although it is true that 1,000 jobs have been lost as a consequence of such departures, investments that other companies have announced in recent months will generate some 1,600 new positions in the country, taking advantage of the high qualifications of Costa Rica's workforce. However, some elements may be contributing to facilitate the companies' decisions to leave Costa Rica. It is perceived that the country has a climate of caution and pessimism, in large part due to the coming into effect of a new value-added tax, which would further increase operating costs in the country. Moreover, the population in general, and particularly productive sectors, have claimed they perceive a lack of clarity on the part of the government regarding the adoption of measures to reactive the economy, which recently has been growing below

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historical averages. All of this has contributed to the highest level of unemployment in recent years. The government is betting on the implementation of some road infrastructure projects to stimulate investment, and therefore employment, in addition to a restructuring of the public debt with external resources that will bring stability in interest rates. We will have to assess the results of such efforts in the coming months.”

A **Jorge Sequeira Picado, managing director of the Costa Rican Investment Promotion Agency (CINDE):** “The issue of unemployment in Costa Rica responds to several factors; however, in the case of employment generated by foreign direct investment (FDI), the picture is quite positive. Costa Rica is recognized as a strategic destination for multinational companies that seek process efficiency and greater value added. At the end of 2018, there were 305 multinational companies operating in the country. Last year, CINDE, an entity in charge of attracting FDI, confirmed a record number of 48 investment projects. From December to June, there have been 15 public announcements of expansions or new investment projects entering Costa Rica, a positive impact on employment. The task assigned to CINDE—to attract multinational companies and gen-

erate employment through them—has been effective. In 2018, employment generated by multinationals represented 31 percent of national private employment, creating nearly 13,000 new jobs. This year, Costa Rica has registered a couple of announcements from companies that decided to move their operations to other parts of the world. All of them affirmed that the changes were due to a rethinking in their business strategy. However, far from being able to say that multinationals are leaving Costa Rica, the flow of arrivals is in clear dynamism, and the overall balance continues to be very positive. For the country to maintain such successful results in terms of FDI, it is important to strengthen even more factors of competitiveness to keep attracting companies, such as: strengthening human capital in careers with greater demand (both inside and outside the greater San José metropolitan area), promoting multilingualism, a greater involvement of women in the workforce and improving energy costs and infrastructure. The 4.0 industry opens up endless opportunities to generate thousands of jobs, but the country must implement the necessary changes to truly take advantage of them.”

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