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FEATURED Q&A

What Would Joining the Pacific Alliance Mean for Ecuador?



Ecuador is likely to join the Pacific Alliance next year under President Lenin Moreno. // File Photo: Latin America Advisor.

Q Ecuador will likely become the fifth member of the Pacific Alliance trade bloc by next year, Peruvian President Martín Vizcarra said July 6 at the group's summit in Lima. Peru, Mexico, Colombia and Chile created the Pacific Alliance in 2012 to promote free trade and strengthen ties in the Asia-Pacific region, but then-President Rafael Correa said Ecuador would not join the market-friendly group during his presidency. However, his successor, Lenin Moreno, last year submitted a request for Ecuador to be part of the bloc. Why did Correa refuse to join the Pacific Alliance, and why does Moreno now support Ecuador's potential membership? How likely is it that Ecuador will join the trade bloc within a year, and what are the next steps for that to happen? What advantages and disadvantages would membership in the Pacific Alliance bring for Ecuador, and what would Peru, Mexico, Chile and Colombia gain in return?

A Melissa Morris, director of Crowell & Moring International: "The Pacific Alliance, formed in 2012 among Chile, Colombia, Peru and Mexico, has the potential to be the region's most forward-looking and outward-oriented regional trade agreement. The four original members all had negotiated comprehensive free trade agreements with the United States, and with one another. The alliance is extending relations across the Pacific and to other partners in Latin America. Although Latin America has been at the forefront of regional economic integration for decades (at least in name), the Pacific Alliance agreement has the depth and breadth to lead to true cross-border

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TODAY'S NEWS

ECONOMIC

Economists Cut Forecast for Brazil Growth to New Low

Economists in a new central bank survey cut their forecast for Brazil's economic growth next year to 2.10 percent, down from their average estimate of 2.20 percent last week.

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BUSINESS

Protesters Block Peru Highway in Opposition to Copper Project

Demonstrators blocked part of Peru's main coastal highway in protest of Southern Copper's Tia Maria project.

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POLITICAL

Trump Seeks to Restrict Migrants' Asylum Claims

U.S. President Donald Trump's administration released a new rule that would prevent most Central Americans who travel through Mexico from applying for asylum in the United States.

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Trump // File Photo: White House.

POLITICAL NEWS

White House Seeks to Restrict Migrants' Asylum Claims

The administration of U.S. President Donald Trump on Monday moved to end asylum protections for most Central American migrants, one of its most restrictive rules yet and a major escalation in Trump's crackdown on the number of people crossing the U.S.-Mexico border, CBS News reported. According to a new rule published in the Federal Register, asylum seekers who pass through another country in order to get to the United States will be ineligible for asylum at the U.S. southern border. Migrants coming from Central American nations such as Guatemala, Honduras and El Salvador would be ineligible after passing through Mexico or other countries to reach the U.S. border. The rule, which is set to come into effect today, has some exceptions, including if the asylum seeker has been trafficked. Shortly after the new policy was announced, the American Civil Liberties Union said it intends to challenge it in

court. The Trump administration has also been pushing Guatemala, Mexico and other countries in the region to be designated as "safe third countries," which means migrants passing through must apply for protection there first. On Sunday, Guatemala's government postponed a meeting between President Jimmy Morales and Trump scheduled for Monday to discuss the designation. Hours later, Guatemala's Constitutional Court blocked Morales from declaring the Central American nation a safe third country, Reuters reported. The court ruling came after the government's human rights ombudsman and four former Guatemalan foreign ministers sought ways to stop Morales from signing a deal with Trump.

ECONOMIC NEWS

Economists Cut Forecasts for Brazil Growth to New Low

Economists in a Brazilian central bank survey released Monday cut their forecasts for the

that, within a specified and well-mapped out timeframe, Ecuador should implement the necessary changes to conform to the agreement."

A Carlos Aquino, professor of international and Asian economics at the Universidad Nacional Mayor de San Marcos

in Lima: "Correa did not join the Pacific Alliance (PA) because of his leftist policies and saw the PA as the opposite. Lenín Moreno is reversing that policy. He even has talked of having a free trade agreement (FTA) with the United States. One condition for a country to become a member of the Pacific Alliance is to have an FTA with the four members, but Ecuador still does not have a full FTA with Mexico (only a partial one). If it could achieve that in one

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NEWS BRIEFS

Protesters in San Juan Demand Rosselló's Ouster, Police Fire Tear Gas

Protests called to seek Puerto Rico Governor Ricardo Rosselló's ouster turned chaotic on Monday night as police fired tear gas and pepper spray into a crowd of demonstrators outside the governor's mansion, The New York Times reported. The protest followed the leak of a private chat in which Rosselló used crude language in exchanges with top aides as well as arrests of former Puerto Rico officials in a corruption probe.

Venezuela Reportedly Sells \$40 Million in Gold

Venezuela reportedly sold about \$40 million worth of gold last week, defying several U.S. sanctions, Bloomberg News reported Monday, citing unnamed sources. Venezuela's central bank sold nearly one ton of gold on July 12 as the country's dollar reserves fell to a near three-decade low of \$8.1 billion, the sources said. Maduro has been selling gold to companies in the United Arab Emirates and Turkey, among others, reaching approximately 24 tons of gold in sales since the beginning of April, according to the report.

Demonstrators Block Peru Highway in Protest of Southern Copper Project

Protesters on Monday blocked a part of Peru's main coastal highway, challenging a billion-dollar copper mining project that has sparked controversy since 2011, Reuters reported. Residents of the southern Arequipa region have long criticized Southern Copper's \$1.4 billion Tia Maria copper project, with farmers saying the mine will pollute their fields and affect water supplies. Peru's government last week granted a construction permit to Southern Copper, a move previous governments had dodged to avoid expected protests.

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economic cooperation. Ecuador, as one of the region's smaller economies, could benefit substantially from establishing closer economic and trade relations with the members of the Pacific Alliance. In doing so, Ecuador should accede to the group on the basis of full parity and not be allowed prolonged transition periods ('special and differential' treatment) for adopting reforms. Ecuador should not enter the alliance as a 'second class' citizen but rather be expected to harmonize its laws and regulations with those of the other partners within clear timeframes. In this way, Ecuador can best gain the confidence of business and investors to show that it has genuinely 'turned a new leaf' and is prepared to adopt competitive policies. Limited transition periods of three to five years might be allowed in a few cases, but in general the intent should be

country's economic growth next year to a new low of 2.10 percent, Reuters reported. The 72 economists in the weekly "FOCUS" survey cut their average estimate from 2.20 percent last week. In March, they had predicted growth of 2.80 percent, on average. The lowered forecast came despite a breakthrough on pension reform in Brazil's Congress. Last week, the

Economists now expect growth of 0.81 percent this year in Brazil.

Chamber of Deputies advanced legislation that would save the treasury approximately 1 trillion reais (\$267 billion) over the next decade. The measure is expected to boost investment in Latin America's largest economy. It may not be until August, however, that the full lower chamber gives its approval and sends the measure to the Senate. Also in the new survey, economists trimmed their growth forecasts for this year's growth in Brazil by a small amount—to 0.81 percent from 0.82 percent. Last week, the government cut its forecast for this year's growth in half, to 0.80 percent. It also lowered its forecast for next year's growth to 2.20 percent from 2.60 percent. Brazil's economy contracted 0.2 percent in this year's first quarter and may have slipped into a recession in the second quarter, according to economic indicators.

BUSINESS NEWS

Pan-American Life Using Fiserv to Prevent Laundering

U.S.-based financial services technology company Fiserv said Monday that Pan-American Life Insurance Group is using Fiserv's products to boost its anti-money laundering and financial services compliance measures in several Western Hemisphere countries where it operates. The insurance provider, which is based in New Orleans, is initially deploying Fiserv

THE DIALOGUE CONTINUES

Is the Caribbean Prepared for Hurricane Season?

Q A "normal" hurricane season, in line with the annual average of 12 tropical storms forming over the Atlantic Ocean, the Caribbean Sea and the Gulf of Mexico, is expected this year, according to the National Oceanic and Atmospheric Administration. What steps are Caribbean governments taking to prepare for the hurricane season? To what extent have hurricanes and tropical storms held back Caribbean countries' economic growth and social development over the years? What short-term and long-term measures should countries in the region implement to better deal with the preparation for, and recovery from, natural disasters?

A Cassandra T. Rogers, country representative for Belize and former lead disaster risk management specialist at the Inter-American Development Bank: "The socioeconomic impacts associated with hurricanes and tropical storms in Caribbean countries remain substantial. According to international databases, hurricanes in the Caribbean have affected 29 million people between 2000 and 2019. In 2017, Hurricanes Irma and Maria caused widespread destruction across the region, resulting in billions in losses. The region's high exposure to frequent natural disasters interrupts national efforts to sustain strong

technology for use in Panama, the Cayman Islands, Colombia and Costa Rica, and it plans to expand to more of the 22 countries where it has operations, according to the statement. Fiserv will provide anti-money laundering services that consider country-specific regulations and reporting requirements, which will allow Pan-American Life to monitor risk management processes in multiple countries through a single platform, the company said. "Effective risk management is an important part of how we do

economic and social growth and improve public finance. Notwithstanding the progress made in some countries to manage climate and disaster risk, undertaking the recovery efforts necessary to rebuild with appropriate reduced vulnerability remains a challenge for many Caribbean governments. The advent of mega storms as part of a new Caribbean disaster paradigm highlights the need for urgent and accelerated coordinated action to protect the region's fragile natural resource-based economies from predicted increases in frequency and intensity of extreme weather events and to minimize the erosion of development gains. These actions to build resilience should necessarily be above the norm and embrace bold innovation and technology. Disaster risk financing is key. Much work still remains to be done, including to strengthen capacity to routinely estimate disaster risk to inform robust comprehensive disaster risk management strategies; proactively incorporate, track and evaluate disaster risk management in public investment; and provide more hurricane-resilient social safety nets."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Monday's issue of the Advisor.

business," said Steven A. Friedman, executive vice president and chief investment officer of the corporate development and strategy division at Pan-American Life. "Working with Fiserv will optimize our ability to manage risk in an increasingly complex world so we can continue earning our customers' trust," he added. The insurance company offers life, accident and health insurance as well as other financial services in the United States and throughout Latin America and the Caribbean.

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year, then it could probably join the group. Ecuador could be a natural member of the PA because, for example, it's a member of the Andean Community together with Peru and Colombia. With Ecuador, the PA will gain a market of 17 million people, and in this sense, it will be an advantage for the group as a whole. For Ecuador, it could be a benefit because its products could get more access to the Pacific Alliance market, but it will have to consider that some of its industries—for example its automobile assembly industry—could face stiffer competition from the more advanced Mexican automobile sector. Ecuador already has a big trade deficit with Mexico. The more important question is perhaps if Ecuador's next government will continue its market-friendly policies and open markets and not reverse to a leftist position. Having the image of political and economic stability is the strongest point in favor of PA countries, and Ecuador would hopefully also achieve that—this would be the biggest gain of joining the Pacific Alliance.”

A **Juan J. Paz-y-Miño Cepeda, Ecuador-based contemporary historian:** “Rafael Correa, who was in office from 2007 to 2017, was part of the cycle of progressive governments and, therefore, he understood the Latin Americanist principles. He prioritized regional integration without discarding the globalizing realities, which is why he supported processes such as Unasur, Mercosur, Alba and Celac. Lenín Moreno,

on the contrary, not only broke with the previous administration's economic model, he also headed a 'de-Correazation,' subordinated himself to the business elites and abandoned all Latin Americanist principles. This explains, for example, his departure from Unasur. Consequently, he prefers agreements that exclusively interest entrepreneurs and transnational capital, such as the Pacific Alliance. But the indiscriminate openness that the alliance implies has sparked concern among various business unions, which have spoken out against it. In addition, there is ample questioning within social movements regarding Ecuador's entry into the alliance. Such stances are not disseminated in the hegemonic media. However, it should be clear that the agreement will benefit mostly traders and bankers. It will be detrimental to Ecuadorean society, whose living and working conditions will be affected. There are sufficient studies about the topic, and we can observe the historical experience of these current members themselves. Having less 'development,' Ecuador has greater disadvantages than the others, as well as by having a dollarized economy. But none of these serve as an argument for the government and top businessmen, who only see the possibilities of a profitable business and higher returns, regardless of social responsibilities.”

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

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