

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 Marhnos

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

What Does Puerto Rico Need in Order to Move Forward?



Puerto Rico's secretary of justice, Wanda Vázquez, is next in line constitutionally to become governor after Ricardo Rosselló's resignation, but she has said she doesn't want the job. // File Photo: Commonwealth of Puerto Rico.

Q Following several days of protests and crumbling support from other top politicians, Puerto Rico Governor Ricardo Rosselló announced July 24 that he would step down, effective Aug. 2. His resignation followed the release of hundreds of pages of messages containing homophobic and misogynistic comments between Rosselló and top aides, as well as messages that appeared to confirm the cronyism and corruption that critics have long suspected of the island's government. Who will govern Puerto Rico in the period ahead, and what must the island's next leader do in order to heal wounds and establish legitimacy? What priorities should the next administration address first? What have the scandals of the past weeks revealed about what needs to change in Puerto Rico's government?

A Sergio M. Marxuach, policy director at the Center for a New Economy: "In an ideal world, Puerto Rico's next leader would be a person of unimpeachable reputation, solid character and proven judgment. Unfortunately, that is unlikely to happen. Politicians are already doing what politicians do, making their moves with an eye on the next election. The most probable scenario is that the island's attorney general takes over as governor, appoints a mediocre ex-politician as secretary of state—a consensus second or third choice—then resign to allow the new secretary to take over as governor. This caretaker governor would be a lame duck from the start. We can then expect a bitter political struggle for power among the Oversight Board, the resident commissioner and the president of Puerto Rico's Senate. The resulting political uncertainty would imperil, or at least significantly delay,

Continued on page 3

TODAY'S NEWS

POLITICAL

Number of Migrants Drops to Five-Month Low: Mexico's Ebrard

The number of migrants transiting Mexico in order to reach the United States has declined by 39 percent since May to a five-month low, said Mexican Foreign Minister Marcelo Ebrard.

Page 2

ECONOMIC

Cuban Gov't Imposes Broad Price Controls

Cuba imposed new price controls on all state-run and private businesses amid a deepening economic crisis and tougher U.S. sanctions.

Page 3

POLITICAL

Nicaragua Grants Citizenship to Fugitive Former Salvadoran Leader

Nicaragua granted citizenship to former Salvadoran President Mauricio Funes, who is wanted in his home country on corruption charges.

Page 2



Funes // File Photo: Salvadoran Government.

POLITICAL NEWS

Number of Migrants Drops 39 Percent Since May: Mexico

The number of migrants that have been traveling through Mexico in order to reach the United States has declined by 39 percent since May, Mexican Foreign Minister Marcelo Ebrard announced Tuesday, the Associated Press reported. The level of migrants, mainly Central Americans, dropped to 87,648 so far in July, said Ebrard. The total for July so far stands at a five-month low, said Ebrard, The Hill reported. The numbers that the foreign minister cited include migrants that U.S. authorities detain after they illegally enter the country and those who U.S. border agents turn away at ports of entry. Mexico has stepped up enforcement of its immigration laws and is investing in creating jobs in Central American countries, said Ebrard, the AP reported. Mexico also will soon host a conference to seek international donations for a development plan for Central America, he added. Ebrard also said Mexico's government will not be providing shelter to all of the migrants that the United States sends there while they await a resolution of their claims for asylum. "Who is offered shelter? The ones who need it, typically families," said Ebrard, the AP reported. "But not everybody is asking for it, I would say that more than half aren't asking for it." The number of migrants waiting to file asylum claims in the United States is declining in some areas along the U.S.-Mexico border, said Ebrard. "People shouldn't think that at all points along the border we are going to receive more migrants every day," he said. "In Tijuana there has been a very, very, very big drop. In Yuma, on our side in Sonora, in Ciudad Juárez, there has been a significant decrease." Mexico also plans to open a new service center for migrants in Ciudad Juárez, he said. In June, Mexico stepped up its efforts to stem the flow of migrants to the United States after U.S. President Donald Trump threatened to impose broad tariffs on Mexican goods if it did not do more to reduce the number of migrants attempting

to cross into the United States. In Mexico, public opinion has been turning against Central American migrants. Earlier this month, Mexican daily newspaper Reforma and The Washington Post released a survey showing that 64 percent of Mexicans see migrants as a burden, and 51 percent agree with President Andrés Manuel López Obrador's decision to use the country's new National Guard to enforce migration laws. [Editor's note: See related [Q&A](#) in the July 3 issue of the Advisor.]

Costa Rica, Panama Arrest 50 in Human Smuggling Ring

Costa Rican and Panamanian authorities on Tuesday arrested nearly 50 people in connection with an international network that allegedly smuggles migrants from Africa, Asia and the Caribbean to the United States via Central America, prosecutors said, Reuters reported. In one of the largest operations against human smugglers in the country, Costa Rican migration officials raided 36 locations along its borders with Panama and Nicaragua and detained 37 people suspected of participating in the network. In Panama, federal police arrested 12 people linked to the same network, local authorities said. The smuggling ring charged between \$7,000 and \$20,000 to transport each migrant to the United States, according to Stephen Madden, deputy director of Costa Rica's migration police, El Universal reported. Costa Rican officials have documented 249 migrants who had been smuggled by the network, but "there have been many more," Madden said. Most migrants came from several Asian and African countries such as Angola, Cameroon, India and Bangladesh, as well as Cuba and Haiti, he added. Panama's attorney general's office said migrants paid \$1,500 or more to pass through the country. The investigation into the smuggling ring opened in 2018, according to a Costa Rican police report, which also detailed how migrants were moved by land or by sea to Honduras or Guatemala, where other organizations would pick migrants up and transport them to the U.S. southern border.

NEWS BRIEFS

Venezuela Talks to Resume This Week: Guaidó Envoy

Talks between Venezuelan President Nicolás Maduro's government and the opposition are to resume this week, according to Carlos Vecchio, opposition leader Juan Guaidó's ambassador to the United States, the Associated Press reported. Vecchio said in Washington that he expects a resolution to the standoff between the two sides by the end of the year. Maduro's government and the opposition held talks for several days earlier this month in Barbados.

Nicaragua Grants Citizenship to Fugitive Ex-Salvadoran President

Nicaragua on Tuesday granted citizenship to former Salvadoran President Mauricio Funes, who is wanted in El Salvador in connection with accusations of illicit enrichment and embezzlement, the Associated Press reported. Funes has been under political asylum in Nicaragua since 2016. The move blocks El Salvador from bringing Funes and his family before the country's justice system, since Nicaragua's Constitution bans extradition of Nicaraguan nationals. "Not today, nor in the first 100 days of [Bukele's] government, nor in years will extradition be possible," Funes posted on Twitter.

Ecuadorian Province Proposes Referendum on New Mining Projects

The government of Ecuador's southern Azuay Province, an area rich in gold, silver and copper, on Tuesday proposed holding a referendum on the development of new mining projects, Reuters reported. Provincial prefect Yaku Pérez asked the country's Constitutional Court to make mining development projects subject to a popular referendum, citing concerns with mining's environmental impacts. It is the latest challenge to President Lenín Moreno's efforts to attract foreign mining investment.

ECONOMIC NEWS

Cuban Government Imposes Sweeping Price Controls

Cuba's government on Tuesday imposed sweeping price controls on all state and private businesses, as the country is struggling to deal with a deepening economic crisis and tighter U.S. sanctions, Reuters reported. New resolutions published in the country's official gazette prohibited all retail and wholesale price increases, exempting products imported and distributed by the state where established profit margins cannot be increased. One resolution says all actors in the so-called nonstate sector "cannot increase current prices and tariffs of products and services." Though state-run companies make up the majority of Cuba's economy, recent reforms have allowed for a growing private sector of cooperative, farmers, small businesses and self-employed individuals, according to the report. The price controls are a short-term fix to a long-term production problem, said economist Omar Everlery Pérez, adding that price controls should only be temporary to avoid effects on inflation and black markets, WPLG reported. Earlier this month, Cuban President Miguel Díaz-Canel announced a set of emergency measures to address economic stagnation and falling foreign currency earnings that began in 2015 as key ally Venezuela's economy declined, a situation aggravated by a series of new U.S. sanctions. [Editor's note: See related [Q&A](#) in the issue of the May 23 issue of the Advisor.]

BUSINESS NEWS

Brazil's Lojas Renner Reports 14.4% Drop in Net Profit for Q2

Brazil-based fashion retailer Lojas Renner on Tuesday reported a net profit drop of 14.4

FEATURED Q&A / Continued from page 1

the restructuring of Puerto Rico's debt; the reconstruction of the island's infrastructure; and its economic recovery. Regardless of who ends up in the governor's office, the agenda for the next 18 months is daunting. The new governor needs to re-establish Puerto Rico's credibility in Washington, secure reconstruction funding for Puerto Rico and persuade the Oversight Board to execute a reasonable and sustainable debt restructuring. In addition, he or she would have to stand up to a predatory private sector making it clear the days of crony capitalism, sweetheart deals, and wasteful rent-seeking are over. A tall order indeed for a seasoned statesman, a mission impossible for a second-tier political hack."

A Héctor R. Cordero-Guzmán, professor at the Marxe School of Public and International Affairs at Baruch College of the

City University of New York: "The younger generations in Puerto Rico are the most educated in the history of the island but face the worst prospects for meaningful employment, decent wages and opportunities for socioeconomic mobility. A prolonged recession, the impacts and consequences of natural disasters, a series of high-level arrests for corruption and the revealed sense of disdain from the governor's top aides led to generalized outrage and the governor's forced resignation. It is not clear who will govern next in Puerto Rico, and that in itself is quite troubling, but whoever does needs

percent year-on-year for the second quarter, Reuters reported. The company's net profit fell to 235.1 million reais (\$62 million) in the quarter, based on the new IFRS 16 international accounting standards. "This was the quarter with the slowest operational growth, but for the third and fourth quarters we expect a more positive scenario," Chief Financial Officer Laurence Gomes told the wire service in an interview. Inventory was at a good level, said Gomes, adding that the company will be able

to have the respect, competency and will required to ensure that the government will operate with credibility, transparency and integrity. The next administration needs to reach out to broad social sectors and civil society organizations to establish open dialogue about the kinds of changes that need to be made to the Constitution of Puerto Rico to make the electoral process and government operations more responsive to the needs of the population; lead to more open, transparent, effective and data-driven public administration; and begin to heal the wounds and restore legitimacy. Puerto Rico needs more democracy and citizen engagement, not less. The key priorities should be to clean up government; work with the Financial Oversight and Management Board to develop realistic fiscal plans; and lay out an economic development agenda that increases the quantity and quality of jobs on the island. The civil service system needs to be reformed to take politicking out of government, improve public administration and eliminate opportunities for corruption and malfeasance."

A Ricardo Barrios, program associate for the Asia & Latin America program at the Inter-American Dialogue: "While there is uncertainty regarding who will be the next governor of Puerto Rico, it seems safe to say that the government will remain in the hands of the New Progressive Party (PNP) for the remainder of the term. The current

Continued on page 4

to offer fewer discounts in coming months than it did in the second quarter. Additionally, a stimulus package that President Jair Bolsonaro's government announced last week is likely to boost sales, said Gomes. "Any stimulus measure improves confidence, but what will truly boost the economic recovery is the continuity of key economic reforms," he said. Net revenue at Lojas Renner grew 13.4 percent in the second quarter to 2.02 billion reais, and operational expenses grew 1.2 percent.

FEATURED Q&A / Continued from page 3

person in line to succeed Rosselló, Secretary of Justice Wanda Vázquez, has already indicated that she is not interested in taking the island's highest office. Vázquez is already widely unpopular, as claims have surfaced that she has failed to pursue corruption allegations. Circumstances surrounding other would-be successors, such as constitutional age limits on the governorship, suggest that the island's next governor will be whoever is appointed to be the next secretary of state. Not many are vying for the position, however, as the incoming governor will inherit a poisoned chalice. On top of the challenges faced by Rosselló (a sluggish economy, a brain-drain and ongoing bankruptcy proceedings), the next governor will face the twin pressures of a newly awakened civil society and calls from some sectors for increased federal involvement in the island's affairs. The new governor will in all likelihood be a transitory figure. Corruption should definitely be on the top of the new governor's agenda. A revision of government procurement policies, for example, should be popular both among average Puerto Ricans, as well as federal authorities. Greater scrutiny over lobbyists is another measure that may help reduce undue influence over government officials."

A **Zaire Z. Dinzey-Flores, associate professor in the Department of Latino and Caribbean Studies at Rutgers University:** "Following Ricardo Rosselló's resignation, Puerto Rico's current acting governor, and governor as of Friday at 5 p.m., is Wanda Vázquez. Vázquez holds the post of justice secretary, the third in line to become governor, but has become the default governor given that the position of secretary of state, the first in line according to Puerto Rico's Constitution, is vacant. Vázquez has said publicly that she does not want the job. And many Puerto Ricans agree, given what many felt was

her inadequate performance as director of the Office for Women, in addition to her failure to advance investigations on claims of government corruption in the utilization of Hurricane Maria funds as secretary of justice. The discontent in Puerto Rico is broad and far-reaching, fueled by what has been revealed to be a corruption epidemic in the ranks of government. For decades, Puerto Rican politics have subscribed to a two-party system with ideological and gov-

“The discontent in Puerto Rico is broad and far-reaching...”

— Zaire Z. Dinzey-Flores

erning orientations singularly focused on the archipelago's political status. In the electoral and governance spheres, social and public policy took a backseat, and clientelism and nepotism reigned supreme. The colonially framed fiscal debt crisis, given Puerto Rico's commonwealth relationship to the United States, and Hurricane Maria exposed a long-standing governance vacuum. The pressure to resign from all ranks and political persuasions display that Puerto Ricans have broken away from archaic configurations of governing that sacrifice people and their livelihoods for power grabs and corruption. Puerto Ricans are calling for a government focused on its people; a government that pays attention to questions of adequate governance and administration and social welfare, reducing inequality and poverty, improving education and addressing the fiscal debt crisis and the archipelago's ability to achieve greater solvency and self-determination."

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