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## FEATURED Q&A

# Will More U.S. Financing Pay Off in Latin America?



David Bohigian, the acting president and CEO of the U.S. government's Overseas Private Investment Corporation said a new development agency will begin operating on Oct. 1. // File Photo: @DBohigian via Twitter.

**Q** The United States is planning to double its financing in the Western Hemisphere—to \$12 billion—through the creation of a new development agency, the U.S. International Development Finance Corporation, which is to begin operating Oct.

**1. The U.S. government's Overseas Private Investment Corporation, or OPIC, said the new agency will "help countries sidestep opaque and unsustainable debt traps being laid by Beijing throughout the developing world." To what extent will the new U.S. financing counter Chinese influence in Latin America, and what are the "debt traps" to which OPIC is referring? What strings will be attached to the financing, and will Latin American nations welcome it? What would the money be used for, and how much could it boost development in the region?**

**A** Robert Mosbacher Jr., former president and CEO of the Overseas Private Investment Corporation (OPIC) and chairman of Mosbacher Energy Company: "I strongly applaud the plans announced by Acting President David Bohigian to double OPIC's current commitment to projects in the Western Hemisphere from \$6 billion to \$12 billion under the auspices of the new U.S. International Development Finance Corporation (USIDFC). Although this increase will not take place overnight, the size and scope of the financing capacity will enable the new USIDFC to provide investors and governments with a very competitive source of financing, particularly as it relates to China, and PPP infrastructure projects. On many occasions over the past five years, China has agreed to finance infrastructure projects on terms that

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## TODAY'S NEWS

### POLITICAL

## No Signs Maduro Is Willing to Step Down: U.S. Envoy

There are no signs that Venezuelan President Nicolás Maduro is willing to leave, said U.S. envoy Elliott Abrams. He added that Maduro's exit is the only way out of Venezuela's crisis.

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### ECONOMIC

## Argentine Bonds See Continued Declines

The country's bonds continued to decline, though less dramatically than in recent days, after a "selective default" ratings cut by Standard & Poor's. The ratings agency said it would raise its rating back today amid new debt terms.

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### POLITICAL

## Colombia's Duque Vows to Pursue FARC Rebels

Colombian President Iván Duque vowed to hunt down members of the Revolutionary Armed Forces of Colombia rebels who appeared in a video to issue a new call to arms.

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Duque // Photo: Colombian Government.

## POLITICAL NEWS

## Colombia's Duque Vows to Hunt Down FARC Rebels

Colombian President Iván Duque in a televised address on Thursday vowed to hunt down leaders of the Revolutionary Armed Forces of Colombia, or FARC, who the previous day issued a new call to arms, BBC News reported. "Colombia takes no threats. Not of any nature. Least of all from drug traffickers," said Duque, Reuters reported. He called the FARC "narco-terrorists who have the shelter and support of the dictatorship of Nicolás Maduro," president of neighboring Venezuela, BBC News reported. Duque also offered a reward of 3 billion pesos (approximately \$863,000) for information leading to the capture of any of the FARC members who appeared in the video in which they announced "a new phase of the struggle." In the video, released on YouTube, former FARC commander Iván Márquez accused Colombia's government of betraying the peace accord it signed with the FARC in 2016. Hundreds of

activists and former FARC members have been killed since the two sides signed the accord amid the state's "indifference" and "indolence," said Márquez. In the FARC's video, Márquez was surrounded by several other members of the rebel group, including rebel leader Jesús Santrich, who in June was sworn in as a member of Colombia's Congress, under the provisions of the peace accord, which allocated 10 unelected seats in Congress until 2026 to former FARC members. In July, Colombian authorities issued a warrant for Santrich after he failed to show up for a court hearing related to drug smuggling charges against him. Santrich, who denies the charges, stands accused of helping to smuggle a large amount of cocaine into the United States. He faces possible extradition. The video in which the FARC issued its call to arms ends with Santrich shouting, "Long live the FARC-EP!" On Thursday, Duque said Venezuelan opposition leader Juan Guaidó, whom Colombia, the United States and several other countries recognize as Venezuela's legitimate interim president, pledged his support in helping Colombia to track down the rebels, the Associated Press reported. [Editor's note: See related [Q&A](#) in the June 5 issue of the Advisor.]

## NEWS BRIEFS

## No Signs Venezuela's Maduro Willing to Step Down: U.S. Envoy

There are no signs that Venezuelan President Nicolás Maduro is willing to step down, according to U.S. envoy to Venezuela Elliott Abrams, The Wall Street Journal reported Thursday. "I have not yet seen any sign of willingness to negotiate that kind of compromise, which is of course very unfortunate," Elliott said, adding that Maduro's exit was the only possible solution to the country's political crisis. His comments followed reports that the U.S. administration had engaged in talks with some of Maduro's closest aides.

## U.S. Judge Wants to Hear More Detention Options for Peru's Toledo

A U.S. judge in California said Thursday that he wants to hear more options for detaining former Peruvian President Alejandro Toledo that do not include solitary confinement, the Associated Press reported. Wanted in Peru on corruption charges, Toledo is facing extradition. The jail where Toledo is being held has said it would be unsafe to house him anywhere other than a "separation unit."

## Canadian Solar Closes Financing for Two Brazil Power Plants

Solar photovoltaic manufacturer Canadian Solar has closed a non-recourse project financing of 487 million reais (\$120 million) for two of its solar power projects in Brazil, Power Technology reported today. The Guelph-based company reached a deal with Banco do Nordeste do Brasil, or BNB, for it to fund the 114.3 megawatt-peak (MWp) Francisco Sa plant and 112.4 MWp Jaiba plant during the construction and operation phases over a 23-year period. Construction is expected to begin in the fourth quarter of this year.

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were not in the best economic interests of the host country but that represented the only option available. Virtually all of those projects were negotiated behind closed doors under conditions that are ripe with the potential for corruption, and they are invisible to the local citizens who will end up saddled with the debt if things don't go well. The principal 'strings' that will be attached to the USIDFC financing will be a strong push for open, competitive and transparent bids, financing terms that are affordable but not so concessionary that they crowd out private sector lenders, and a thorough application of top environmental, social and governance (ESG) and impact measurement standards. In my judgment, all but a few Latin American nations would welcome such 'strings,' particularly if it helped them attract much more private sector investment. Although

infrastructure will likely represent a major area of focus, the USIDFC's commitments will be multi-sectoral with a clear eye on what has the strongest impact on national and regional development."

**A**ngela Mariana Freyre, principal at Squire Patton Boggs and former special advisor for Cuba Policy in the National Security

**Council:** "The USIDFC is intended to enhance the role of the U.S. private sector in achieving the U.S. government's development goals and economic interests thus providing an alternative to China's state-directed and state-led model. With the USIDFC's enhanced tool kit, Latin American governments will be able to choose U.S. goods and services, high standards and best practices provided by U.S. partners (including in the environmental

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## ECONOMIC NEWS

## Mexico Reportedly Close to Carrying Out Annual Oil Hedging

The Mexican government is close to carrying out its annual oil hedging program on Wall Street, Reuters reported today, citing three people familiar with the matter, following volatility in oil prices and changes to maritime fuel regulations that will come into effect next year. Mexico in past years has spent more than \$1 billion on financial contracts to protect revenue from oil sales against price volatility, a move that investment banks highly anticipate. However, there has been some debate within the administration of Mexican President Andrés López Obrador over the program. "There is an analysis of past years, of what it cost. You could think it's too much money [for a hedge] that you may not use," a government official told the Financial Times this week. Despite the internal debate, the official said that "what seems to be winning is that we will go ahead with it." Two unnamed investment sources and one Mexican government official also told Reuters that talks between banks and Mexico's finance ministry had recently intensified, with hedge transactions possible as soon as next week, one source said.

## Argentine Bonds See Declines Amid S&P Ratings Call

S&P Global Ratings on Thursday cut its credit rating for Argentina to "selective default," Bloomberg News reported. The ratings agency added that it would today raise its rating for the South American country back up to CCC because of new terms coming into effect for the country's short-term debt. The call led to continued declines in the country's bonds, though drops were less dramatic than previous days, likely because investors are already pricing in a more than 90 percent chance of default in the next five years, according to the report. Argen-

## HEALTH BRIEFS

## Venezuelan Migrants to Receive Regional Vaccination Cards Under New Pact

Ten Western Hemisphere nations on Monday agreed to provide Venezuelan migrants with a regional vaccination card beginning in October, with the aim of ensuring they receive needed vaccines and are not given double doses, Reuters reported. Health officials from the United States, Colombia, Ecuador, Panama, Canada, Haiti, the Dominican Republic, Argentina, Peru and Paraguay unanimously approved the initiative in a meeting in the Colombian border city of Cúcuta. The vaccination card will "accompany migrants from the middle of October and have the support of international agencies for its printing, distribution and training for its use," Colombian Health Minister Juan Pablo Uribe told journalists, the wire service reported. More than four million Venezuelans have left their home country, which is plagued by a political crisis and a dire economic situation, including widespread shortages of food and medicine. [Editor's note: See related [Q&A](#) in the July 11 issue of the Advisor.]

## U.S. Health Department Earmarks \$1 Million for Puerto Rico Community Health Centers

The U.S. Department of Health and Human Services has earmarked slightly more than \$1 million to improve the health services of 18 community health centers in Puerto Rico, El Nuevo Día reported Aug. 20. Among the health centers to receive the funding are the Migrant Health Center Western Region, Corporación de Servicios de Salud y Medicina Avanza and Costa Salud Community Health Centers. "The community health centers have consistently granted ... high-quality primary attention at a significantly lower cost than its counterparts and with above-average results in the control of chronic conditions," said Health and Human Services Secretary Alex Azar, the newspaper reported.



Azar // File Photo: White House.

## Amazon Fires Causing Health Problems in Brazil

The fires raging across Brazil's Amazon rain forest could have serious effects on Brazilians' health, France 24 reported Tuesday. The fires not only destroy trees that produce oxygen, but they also release toxins such as carbon monoxide into the atmosphere, according to the report. The state capital of Rondônia is one of the worst affected areas. An increase of such gases is harming residents, with the local children's hospital seeing three times more cases driven by smoke inhalation, such as breathing problems and pneumonia, in the week the smog reached its peak, France 24 reported.

tina had an economically tumultuous month, with bonds plummeting about 50 percent, the peso down more than 21 percent and the government proposing a debt reprofiling. Markets

took a hit following Peronist opposition candidate Alberto Fernández's wider-than-expected primary victory over incumbent President Mauricio Macri on Aug. 11.

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and social areas), great financial viability in projects and, as a result, better overall debt sustainability. The Chinese ‘debt traps’ are a combination of lack of transparency in financing, substandard construction quality and lack of local training and investment, all of which lead to unsustainable debt burdens. To the extent that the USIDFC aligns its finance strategy with broader U.S. government foreign policy goals, there may be strings attached, including those related to migration and trade. Note that the secretary of state serves as the chair of the USIDFC’s board of directors and that the USIDFC must give preferential consideration to countries in compliance with their international trade obligations as determined in consultation with the U.S. trade representative. Unlike OPIC, the USIDFC will be able to use its funding authority to take minority equity positions in investments, issue loans in local currency and provide financing for feasibility studies and technical assistance (at greater than current levels). These new tools, along with existing tools of loans, guarantees and insurance, an easing of the ‘U.S. connection’ criteria and a doubling of the financing limit of \$60 billion will certainly boost development in the region. That said, because the agency is not yet operative, it is not clear whether the focus of financing will be increasingly to align the USIDFC with U.S. foreign policy, trade policy and national security interests in Latin America.”

**A** **John Maisto, member of the Advisor board and former U.S. ambassador to Nicaragua, Venezuela and the Organization of American States:** “The Trump administration has come up with an innovative and substantially funded financial approach beyond OPIC. The USIDFC involves the private sector more effectively and responds to the Chinese state-directed model with its built-in trap of unstable debt burdens. Doubling U.S. hemispheric finance funding through the

USIDFC provides, beyond OPIC’s one-year time frames: first, more equity investment tools; second, seven-year investment periods; third, more financial capacity; and fourth, more specific management and oversight. Projects must either alleviate a credit market imperfection or achieve a goal of U.S. development or foreign policy—pretty loose ‘strings.’ The United States will now be more competitive in the international financial development game, but on Western terms,

“**The United States will now be more competitive in the international financial development game, but on Western terms...**”

— John Maisto

beginning with U.S. demands for accountability and transparency, such as closing space for corruption and projects that, 1.) require respect for internationally recognized workers’ rights; 2.) cannot support involving significant adverse environmental or social impact; 3.) must address women’s environment cooperation; and 4.) respect private enterprise and support small business. Though on paper U.S. funding is less than China’s, the difference is and will be between the promised and the delivered. Also, the USIDFC will have financial support programs, grants and studies for human resources, skills, technology and capital savings; these will include energy, women’s economic empowerment, microenterprise households and small business. Once the USIDFC, OPIC and USAID lines are sorted out, the new international financial ‘game on’ scene involving Washington will focus on Central America and Venezuela post-dictatorship.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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