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FEATURED Q&A

Are New Housing Apps Hurting Latin America's Hotels?



Online housing platforms, such as Airbnb, have changed the landscape for hotels in locations including Latin America. A hotel in Nuevo Tingo, Peru is pictured above. // File Photo: Catatine via Creative Commons.

Q Costa Rica will tax and regulate nontraditional housing platforms such as Airbnb in an effort to foster a more equal market between new services and traditional hotels, according to Tourism Minister María Amalia Revelo. To what extent has the entry of nontraditional housing platforms into markets in Latin America and the Caribbean altered countries' hospitality industries? What sorts of regulations are necessary, and what are some unintended consequences that such measures may have? Which governments have spearheaded efforts to regulate the changing industry, and which ones have the best policies in place to even the playing field while still promoting innovation and investment?

A Gustavo A. Toro Velásquez, executive national president of Colombia's Hotel and Tourism Association (Cotelco): "As the association that defends the hotel and tourism sector's interests in Colombia, Cotelco has expressed its position regarding the need to regulate accommodation offers advertised on digital platforms such as Airbnb, so that they operate under the same rules of the game as hotels. It's not about having these platforms disappear or about prohibiting them, but rather about having them assume the same responsibilities that legal establishments fully comply with, such as tax payments, social benefits, security norms and security standards, among others. Colombian entrepreneurs who have made a commitment to our country's productive development should not be put at a disadvantage in the face of informality, promoted by platforms that are mostly based elsewhere, don't pay taxes in Colombia and facilitate illicit activity by

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TODAY'S NEWS

POLITICAL

U.S., El Salvador Sign Deal on Asylum Seekers

The two countries signed an agreement that could require Central Americans to request asylum in El Salvador rather than continuing to the United States.

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BUSINESS

Brazil Announces Criminal Charges in Brumadinho Dam Collapse

Brazilian authorities announced criminal charges against mining giant Vale and German safety inspector TÜV SÜD following the deadly collapse of the Brumadinho dam in Minas Gerais State.

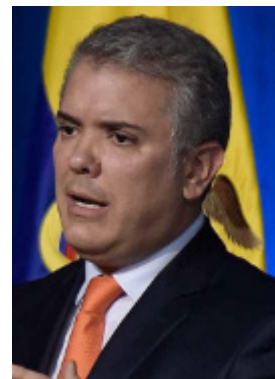
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POLITICAL

Duque Seeking Int'l Sanctions Against Venezuela

Colombian President Iván Duque called for coordinated international sanctions against Venezuela, whose president he accuses of supporting Colombian rebels and drug traffickers.

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Duque // File Photo: Colombian Government.

POLITICAL NEWS

Colombia's Duque Seeks Int'l Sanctions Against Venezuela

Colombian President Iván Duque on Saturday called for coordinated international sanctions against Venezuela, accusing the neighboring country's government of supporting Colombian rebels and aiding drug traffickers, Reuters reported. "We should look at communal sanctions and actions so that the threat of [Venezuela] protecting terrorism in its territory ends,"

“ We should look at communal sanctions and actions so that the threat of [Venezuela] protecting terrorism in its territory ends.”

— Iván Duque

Duque told the wire service before leaving for the United Nations General Assembly meeting in New York. "The international community must understand that the dictatorship has to come to an end soon because the humanitarian tragedy, in addition to the consolidation of a dictatorial regime that is coexisting with drug cartels and with terrorism, is a threat for the whole Western hemisphere and for the stability of the world." Duque accused Venezuelan President Nicolás Maduro of protecting rebels from Colombia's National Liberation Army, or ELN, as well as the demobilized Revolutionary Armed Forces of Colombia, or FARC. The Colombian president also compared his Venezuelan counterpart to late Serbian President Slobodan Milošević, who was put on trial for war crimes that destabilized the Balkans. For his part, Maduro has accused Duque of conspiring with the United States to attack Venezuela. Duque said coordinated action in Latin America against Venezuela could involve invoking the

Inter-American Treaty of Reciprocal Assistance, or TIAR. Under the treaty, an attack on any one of the signatories is considered an attack on all of them. "The TIAR has been invoked many times and many times with success, but the invocation of it doesn't necessarily have to refer in an explicit way to military actions," said Duque. "What's important first is coordinated action." In the United States, the Trump administration has expressed hopes that European countries will also slap sanctions against Venezuela, Reuters reported. The United States and several European and Latin American nations, including Colombia, consider Maduro to be illegitimate and recognize opposition leader Juan Guaidó as Venezuela's rightful president. Colombia also is ready to confront any attack of former FARC members, Duque added.

"When they decide to enter Colombian territory we'll be here waiting with all of the strength of the armed forces," he said. "You can never minimize the effort to defeat terrorism." Last month, former FARC rebel leaders issued a new call to arms, accusing Duque's government of failing to adhere to the obligations of its 2016 peace accord with the rebels. Former Colombian Vice President Humberto de la Calle, the government's chief peace negotiator, told the Advisor last week that more than 90 percent of former combatants "remain firm in compliance with the peace accord." [Editor's note: See related [Q&A](#) in the Sept. 16 issue of the Advisor.]

U.S., El Salvador Sign Deal on Asylum Seekers

The United States and El Salvador on Friday signed an agreement that may require migrants passing through the Central American country to seek asylum there instead of continuing to the United States, The New York Times reported. The agreement is the Trump administration's latest move to prevent migrants from reaching the U.S. border. In July, the United States and Guatemala signed a similar agreement. However, the details of the new deal with El Salvador are unclear, including what must be done in order to carry it out.

NEWS BRIEFS

New Tropical Storm Takes Aim at Puerto Rico, Virgin Islands

A newly formed tropical storm, dubbed Tropical Storm Karen, could hit Puerto Rico and both the British and U.S. Virgin Islands as early as Tuesday, possibly bringing as much as half a foot of rain, flash flooding and heavy winds, according to the National Hurricane Center, The Wall Street Journal reported. The center has added tropical storm watches for Puerto Rico and the Virgin Islands. [Editor's note: See related [Q&A](#) in the July 15 issue of the Advisor.]

Ex-Argentine President Fernández to Face Fourth Corruption Trial

Former Argentine President Cristina Fernández, who is running for vice president in the country's upcoming presidential election, is to stand trial for a fourth time on corruption charges, Agence France-Presse reported Saturday. Fernández is accused of pocketing \$160 million in bribes in exchange for public works contracts for businessmen close to her and her late husband, former President Néstor Kirchner. She has denied wrongdoing. A date for the trial has not yet been announced.

SoftBank Group Seeking to Bring Some 40 Companies to Brazil

Japan's SoftBank Group is eyeing bringing about 40 companies with high growth potential to Brazil, the company's head in Brazil, André Maciel, said on Friday, Reuters reported. He also said he expects to announce a large investment in the South American nation within the next two weeks, without adding further details. In March, the Japanese group announced the creation of a \$5 billion fund for technological projects in Latin America, leading multi-million dollar investments in the region since then.

BUSINESS NEWS

Brazil Announces Criminal Charges in Dam Disaster

Brazilian authorities on Friday announced a series of criminal charges against mining giant Vale and German safety inspector TÜV SÜD in connection with a deadly dam collapse in January, which killed at least 270 people, Folha de S.Paulo reported. In the first such charges since the incident, the world's deadliest dam collapse in more than 50 years, police formally accused seven individuals from Vale and six employees from TÜV SÜD for covering up structural dangers at the dam during safety audits last year, The Wall Street Journal reported. A spokeswoman for TÜV SÜD declined to comment on the charges, while Vale said in an email that it would not comment until after it studied Friday's police reports, adding that the company and its employees will continue to collaborate with the investigation. Accused employers at Vale were all technical workers, managers and engineers. However, chief police investigator Luiz Augusto Pessoa Nogueira said Friday that authorities are still investigating the role of the company's directors in crimes related to the disaster, The Wall Street Journal reported. [Editor's note: See related Q&A in the Feb. 12 issue of the Advisor.]

ECONOMIC NEWS

Chile Warns of Increase in Credit Card Cloning

Chilean authorities have warned of an increase in the number of credit card cloning incidents, CNN Chile reported Sunday. So far this year, 7,677 cases of credit card duplication have been reported, more than what was registered all of last year. The warning came as Chile celebrated its "fiestas patrias," a days-long

FEATURED Q&A / Continued from page 1

having no control and being outside the authorities' radar. This struggle has been underway around the world in recent years, and Colombia is no exception. That is why we are working together with the government to adopt mechanisms that force platforms to only advertise housing establishments that comply with Colombian regulations. This will generate fair competition, and we will be on equal terms. Undoubtedly, these platforms are an interesting showcase for the hotel industry, but they must be managed under the parameters of legality and equity."

A **Larry B. Pascal, co-chair of the international practice group at Haynes and Boone LLP in Dallas, and Alejandro Antillón Appel, partner at EY Law in San José, Costa Rica:** "The entry of nontraditional housing platforms into the Costa Rican market has affected the local hospitality industry in an important fashion. The Costa Rican Institute of Tourism (ICT) has noted that in recent years the number of tourists entering Costa Rica has increased annually by 9 percent. However, this growth has not been reflected in the occupancy numbers of the local hotel industry. Analysts strongly suspect that tourists are electing to stay in non-hotel

commemoration of the anniversary of what marked the beginning of the country's independence process in 1810. "We are going to be in the presence of a considerable increase in payments through [credit cards], therefore it is strictly necessary for people to take this into account," said Cristian Lobos, who works with Chile's economic crimes investigation brigade, in reference to the hike in credit card cloning. "There are more incentives for people to use credit and debit cards rather than cash, and so there is this phenomenon in which criminals opt for these special dates, because there are more transactions per hour," said Pedro Huichalaf, a researcher at Universidad Mayor's cybersecurity center. A bill to regulate banking management is currently under review

accommodations, and the local industry has criticized these more informal arrangements as an unfair practice. The bill that the Costa Rican Legislative Assembly recently

Costa Rica and its neighbors will have to work hard to strike the right balance..."

— Larry B. Pascal & Alejandro Antillón Appel

approved seeks to regulate operational and financial aspects of the platforms and strengthen the local tourism industry by providing a more level playing field. For example, it requires the platforms to register with the ICT and imposes on them a single purpose tax of 5 percent over gross income. The platforms have harshly criticized this tax because they view it as protectionist and discriminatory. They argue such measures will likely discourage Costa Rican homeowners from joining an online platform, which of course could negatively affect economic growth as tourists opt for less expensive destinations. Costa Rica is one of the first countries in Central America to adopt specific legislation directed at the platforms.

Continued on page 4

in the Senate, amid controversy regarding the client's responsibility in instances of credit card cloning, Prensa Libre reported. In 2005, a law came into effect that establishes that the customer must prove innocence to a bank

So far this year, there have been 7,677 cases of credit card duplication in Chile.

when fraudulent use of a credit card in case of theft or loss is detected. The new bill seeks to increase the banks' responsibilities in such cases, according to the report.

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Although tourism represents an important component of local GDP, Costa Rica and its neighbors will have to work hard to strike the right balance between protecting consumers and the traditional hospitality sector on the one hand and being open to innovation and entrepreneurship on the other.”

A Margarita Cruz, assistant professor of strategic management and entrepreneurship at École Hôtelière de Lausanne: “The access economy has brought new challenges but also opportunities to the hospitality industry, and it is not surprising that certain countries want to regulate newcomers such as Airbnb. In some Latin American countries, nontraditional housing platforms are the fastest-growing sectors in the hotel industry. This may lead to more intense and diverse competition, but it is also an opportunity for hotels to focus on their strengths and reinvent what they do. Mexico is a good example of this. Mexico’s hotel industry, despite the success of Airbnb and its ilk, continues to develop with a strong focus on upscale and luxury hotels. They are also focusing on ‘microstays’ as a new business model, catering to business and leisure travelers who need a room for only a couple of hours. Thus, while Airbnb and similar players continue

to expand, innovation in service delivery is an opportunity for well-established hotels to stand out. Nevertheless, nontraditional accommodation options such as Airbnb—as they win more and more market share—are also expected to contribute to the tax sys-

“The access economy has brought new challenges but also opportunities to the hospitality industry...”

— Margarita Cruz

tem of the countries in which they operate. Mexico, for instance, has already vowed to standardize their tax rates, particularly for short-term rentals. Cities such as Barcelona or Amsterdam have also implemented measures aimed at streamlining the impact of nontraditional accommodation offerings. For instance, Amsterdam has reduced the maximum number of days a host can rent out their space from 60 to 30 days a year.”

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

Rebecca Bill Chavez, Nonresident Senior Fellow

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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

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