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FEATURED Q&A

Will Protesters Reverse Ecuador's Economic Reforms?



The International Monetary Fund and the government of Ecuadorean President Lenín Moreno agreed on the terms of a loan deal in March. // File Photo: Ecuadorean Economy.

Q A mission of the International Monetary Fund and Ecuadorian officials have agreed on the terms of a \$4.2 billion loan program, which is now up for consideration by the lender's executive board. If approved, it would give Ecuador access to \$250 million, in addition to \$550 million it has already received. What actions has Ecuador's government taken to comply with its commitments under the IMF agreement, and have they been successful? In what sectors or programs have the funds received to date been invested, and where would the additional money be targeted? How well is President Lenín Moreno's administration handling the economy, and to what extent will the IMF loans help boost growth in the short and long terms?

A Mauricio Pozo, former Ecuadorean finance minister and academic advisor at Universidad Internacional SEK: "In 2019, the government signed a three-year agreement with the IMF and other multilateral entities. The agreement established a financing amount of around \$10.3 billion to be delivered quarterly, given the fulfillment of macroeconomic goals such as fiscal balance, international reserves level and primary surplus. In addition to the quantitative goals, it established qualitative goals, such as a tax law, a labor law and issues related to the monetary and financial code. This means that in the quarterly reviews, the IMF will verify the fulfillment of goals in order to make disbursements. In the first two quarters, the quantitative goals were met, which would result indeed in a delivery of the funds. According to Ecuadorean law, public indebtedness must be used for investment

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TODAY'S NEWS

POLITICAL

At Least 17 Killed in Haiti Protests: Rights Group

At least 17 people have been killed and 187 others have been injured in violent demonstrations that have been gripping Haiti, according to the National Network for the Defense of Human Rights.

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BUSINESS

Antofagasta, Workers Negotiate as Strike Looms at Chilean Mine

The Chilean copper mining company and workers continued negotiating at the Antucoya mine in northern Chile. However, union officials said there was little progress in the talks.

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POLITICAL

Peru's Vizcarra Swears in New Cabinet

Peruvian President Martín Vizcarra swore in a new cabinet as challenges to his leadership by Congress, which he dissolved earlier this week, fizzled.

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Vizcarra // File Photo: Peruvian Government.

POLITICAL NEWS

At Least 17 Killed in Haiti Protests: Rights Group

At least 17 people have been killed, and another 187 injured, including journalists, during violent protests in Haiti demanding the resignation of President Jovenel Moïse, a human rights group in Haiti said Thursday, *The Jamaica Gleaner* reported. The National Network for the Defense of Human Rights also accused anti-riot police of repressive policing during recent weeks, calling for a probe of Haiti's National Police for alleged misuse of tear gas and incidents of police brutality. "The police, an apolitical institution, must be able to behave professionally," the group said. Haitians have taken to the streets for months to protest fuel shortages and alleged corruption within Moïse's government, but tensions escalated recently after Moïse last week called for a "unity government" following an incident in which Senator Jean Marie Ralph Féthière shot two people, leaving them with non-life-threatening wounds, outside of the country's parliament.

Also on Thursday, prominent Haitian-Americans met with U.S. House Speaker Nancy Pelosi in Miami, asking for the United States to stop meddling in Haiti's internal affairs, the *Miami Herald* reported. [Editor's note: See related [Q&A](#) in Wednesday's issue of the Advisor.]

Ecuador's Moreno Declares Emergency Amid Protests

Ecuadoran President Lenín Moreno on Thursday declared a state of emergency as protests erupted across the country over the end of decades-old fuel subsidies in a government fiscal package worth more than \$2 billion a year, *El País* reported. "To ensure citizens' security and avoid chaos, I have ordered a national state of emergency," Moreno said in a statement posted to Twitter. The measure suspends some citizen rights and gives way for the military to keep order, Reuters reported. Since midnight on Wednesday, public transportation has been suspended, as have classes all over the country. Protesters set fire to tires to block streets in several cities, and military officials were deployed to surround the Carondelet

NEWS BRIEFS

Peru's Vizcarra Swears in New Cabinet as Challenges to Leadership Fizzle

Peruvian President Martín Vizcarra swore in a new cabinet on Thursday as dismissed lawmakers' challenges to his presidency died down, Reuters reported. Vizcarra earlier this week invoked the Constitution to dissolve Congress and call new legislative elections, which forced him to reshuffle his administration as well. Vizcarra argued that the move was necessary to end a political impasse with the opposition-controlled Congress. The new appointments did not indicate any major shift in policy for Peru, Reuters reported.

Argentina Sees 6.4 % Slide in Industrial Output

Argentina's industrial output declined 6.4 percent in August, as compared to the same month a year earlier, according to data from the national statistics agency, Reuters reported Thursday. It was the 16th straight month of falling industrial output in Argentina, as the country continues to struggle to spur growth amid currency and debt crises. Industrial output fell 1.8 percent in July, as compared to the same month last year, according to revised data.

Brazil's Bolsonaro Eyes Bill to Allow Mining on Indigenous Lands

Brazil's government will introduce a bill this month aimed at expanding mining in the country, including legalizing mines on indigenous land, Mines and Energy Minister Bento Albuquerque said Thursday, Reuters reported. The bill will also seek to allow more small-scale, independent wildcat mines, many of which now operate illegally, he added. Critics have blasted President Jair Bolsonaro's efforts to open up indigenous reservations to mining, logging and farming, a policy observers say has helped fuel the upsurge of fires in the Amazon region.

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expenses, and if debts are contracted to pay previous debts, the new ones must be in better financial conditions. Therefore, it is to be assumed that these regulations are being complied with. However, since debt disbursements constitute cash flows that enter a budget where about 70 percent are current expenses, there may be use of resources in current expenses. Within what is earmarked for capital expenditures, the specific projects to which the funds are allocated are unknown, given the poor state spending structure. The president has implemented the IMF program despite political restrictions. However, the laws sent to the Assembly are of unpredictable results, due to the division between the different political sectors."

A **Caterina Costa de García,** president of the **Guayaquil Chamber of Industries:** "The IMF requires Ecuador to meet some quantitative targets, and it is up to the authorities to define the measures to be taken to meet them. The chief target has to do with the reduction of the non-oil deficit of the non-financial public sector. The NFPS is the wider gauge of the public sector, including social security, which in Ecuador is mainly separate from the government, public sector enterprises (such as those for oil, electric energy and telecommunications) and local governments. The figure being monitored includes all non-oil revenues and all non-oil expenditures, plus fuel subsidies. So, the target may be met by a combination

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government palace, El País reported. "Down with the package!" some protesters yelled, in reference to measures that Moreno enacted this week, which also included tax reforms, Reuters reported. Economy Minister Richard Martínez said Wednesday that the government hoped to save some \$1.5 billion a year from eliminating fuel subsidies, and a total of \$2.27 billion with the tax reforms, the wire service reported. Moreno is aiming to reduce Ecuador's ballooning fiscal deficit from an estimated \$3.6 billion this year to under \$1 billion in 2020. His government reached a deal with the International Monetary Fund earlier this year, but skepticism of the lender remains strong in Ecuador, where many see austerity policies as the cause for economic hardship, according to the report.

BUSINESS NEWS

Chile's Antofagasta, Workers Negotiate Amid Strike Threat

Chilean copper miner Antofagasta and its workers continued negotiating on Thursday in an effort to prevent a strike at its Antucoya deposit, but union officials said there was little progress in the talks, Reuters reported. Chile's government has been mediating the talks at the small copper deposit in northern Chile, the wire service reported, adding that the discussions followed the union's rejection of a final contract offer that Antofagasta had extended. Union president César García said the copper miner had made a proposal that was "the same as the one it had previously offered." He added, "There's no way to reach an agreement." The discussions between the company and the union are scheduled to last for five days, and the two sides may request an extension of the talks. The supervisors' union at Antofagasta's Los Pelambres mine, which is larger than Antucoya, also recently rejected a contract offer with the company. Union leaders at the larger mine said they would likely seek negotiations that are mediated by the government.

HEALTH BRIEFS

Mexican Lower House Approves Junk Food Label Law

Mexico's lower house of Congress on Tuesday unanimously passed a bill forcing food manufacturers to place warning labels on junk food with the aim of protecting consumers' health, Agence France-Presse reported. The bill, which will now be discussed in the Senate, where it is also expected to pass, would require labels on the front of food packages if the contents are high on sugar, sodium or saturated fat. President Andrés Manuel López Obrador, who supports the initiative, would then have to sign the measure into law. "Despite strong resistance from the industry, we decided to push ahead ... for the common good," Mario Delgado, who leads López Obrador's Morena party in the lower house, said in a statement ahead of the vote. Mexico ranks among the countries with the highest obesity rates in the world. Nearly one-third of Mexican adults are obese, according to the Organisation for Economic Cooperation and Development, or OECD, which makes Mexico the second-most obese country after the United States in the 36-member group, AFP reported.

Venezuelans' Health Care Needs Among Colombian Official's Biggest Concerns

Felipe Muñoz, who serves as advisor to the Colombian president for the Colombia-Venezuela border, is most concerned with meeting Venezuelan migrants' health care needs, he said during an event in Washington last Friday, Devex reported. Many Venezuelans are fleeing their home country due to inadequate medical care, given the widespread shortages of basic medicines and supplies, Muñoz said. "As the coordinator for the response [to the border situation], if you give me \$100, I'm going to put almost \$68, \$70 of this \$100 into health," Muñoz added. As a result of Venezuela's migration crisis, previously eradicated diseases have resurfaced in Colombia, including 330 recorded cases of measles and eight registered cases of diphtheria, he said. [Editor's note: See related [Q&A](#) in the July 11 issue of the Advisor.]



Muñoz // File Photo: Colombian Government.

At Least 135 Have Died From Dengue In Honduras So Far This Year

At least 135 people have died from dengue this year in Honduras, of which nearly two-thirds are children, the Associated Press reported Sept. 20. That number is likely to rise, as other suspected deaths are awaiting lab confirmation, according to the report. Honduras has had the highest death rate from the mosquito-borne disease in Latin America this year, with the most prevalent dengue strains in the country being the most aggressive and the deadliest. Central America and Mexico have also recorded a surge in cases of dengue, with nearly double the number of cases registered so far this year than in the entire previous year. Additionally, Guatemala, Mexico and Nicaragua have seen double-digit death tolls, the AP reported.

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of raising taxes and reducing expenditures and oil subsidies. It excludes any possible improvement of finances from a higher price of oil. There are also commitments for changing laws to increase tax revenues, reducing costs of doing business and removing the Finance Ministry's control over the central bank. The IMF is also providing assistance to improve government institutions and enhance competitiveness, for instance in customs. The government is fully in agreement with the actions agreed to with the IMF. This is a sharp reversal as compared to the situation under the previous government, when the deficit grew every year as Ecuador's competitiveness deteriorated. We in business are sometimes impatient with the pace of reform. However, we are aware that this momentous policy changes are easier said than done."

A **Juan J. Paz-y-Miño Cepeda, Ecuador-based contemporary historian:** "Thanks to citizen pressure, the agreement with the IMF was unveiled. It has no conceptual difference with the 16 'Cartas' that Ecuador signed between 1983 and 2003. The agreement is not only with the IMF (of \$4.2 billion) but also with other institutions (of \$6 billion), whose disbursements will depend

on compliance with the IMF. The first funds have already been received. They cover the state's liquidity, internal payments and some assistance programs, but they do not change structures of the country's inequality and the concentration of wealth. Public investment remains paralyzed. However, the IMF evaluation is positive, expecting Ecuador to adopt new measures. These were just completed on Oct. 2, with the government's proposed tax reform, the release of fuel prices, a labor reform that threatens rights, future privatizations and further reduction of the state. The IMF will surely rate the country positively to continue with other disbursements—all in the framework of reviving a 'business model' inspired by neoliberalism, which only benefits private and conservative elites with no social responsibilities. As historical experience, existing studies and even official statistics have demonstrated, this model has again aggravated the population's living and working conditions. And it has awakened the first street protests. The IMF has once again gone down a well-known economic path, with dire social results."

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

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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

Sergio Bitar, Nonresident Senior Fellow

Joan Caivano, Director, Special Projects

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Pressures Building on China-Latin America Relations

A Latin America Advisor video production with Margaret Myers, Director of the Asia & Latin America Program Inter-American Dialogue



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