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FEATURED Q&A

How Can Latin America Become More Competitive?



Latin America needs to free itself from a dependence on commodities in order to become more competitive globally, Kathleen Barclay writes below. A mine in Chile is pictured. // File Photo: Diego Delso.

Q Before the recent outbreak of violent protests in Chile, the World Economic Forum released its 2019 Global Competitiveness Report, ranking Chile as Latin America's most competitive country, ranking it 33rd out of 141 countries included in the report. Mexico follows at the 48th position. Brazil, while it was the most improved economy in the region over the last year, comes in eighth, at the 71st position worldwide. Why is Chile so far ahead from the rest of the region in terms of competitiveness, and what is holding other countries back? What sorts of policies would improve Latin America and the Caribbean's competitiveness? How does the region fare as compared to other parts of the world? Is the WEF's competitiveness index the right tool for policymakers to focus on?

A Kathleen C. Barclay, former president of the American Chamber of Commerce in Chile: "Chile is a leader in competitiveness within Latin America due to its macroeconomic soundness and the openness of its economy. The country has topped the list for many years since it has had a consistent and clear commitment to both principles over an extended period of time and across different political administrations. None of the other countries in the region have been as committed to these principles and, in many cases, there are broad swings in macroeconomic policies and market openness between different administrations. For these reasons, Latin America and the Caribbean generally lag behind the more competitive economies of Asia, Europe and North America. Going forward, the region will need to focus on improving in both areas. At the same time, lower

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TODAY'S NEWS

POLITICAL

El Salvador, Venezuela Expel Diplomats

Venezuela's Foreign Ministry said Sunday it was expelling El Salvador's entire diplomatic corps from the country, in response to the Central American nation's decision to kick out their counterparts.

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ECONOMIC

Brazil Oil Spill to Get Worse Before Better: Bolsonaro

Brazilian President Jair Bolsonaro said Sunday that "the worst is yet to come" with an oil spill that has affected fisheries and polluted more than 200 beaches on the country's coast.

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POLITICAL

Conflict Continues in Bolivia, Morales Decries 'Coup'

As street protests continued, Bolivian President Evo Morales claimed there was a "coup" underway against him and called on his supporters to reject an opposition bid to force him to resign.

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Morales // Photo: Bolivian Government.

POLITICAL NEWS

Venezuela Expels El Salvador Diplomats in Tit-for-Tat

Venezuela's Foreign Ministry said Sunday it was expelling El Salvador's entire diplomatic corps from the country, in response to the Central American nation's decision a day earlier to kick out their counterparts, Reuters reported. Salvadoran President Nayib Bukele, a conservative elected in February, does not recognize Venezuelan President Nicolás Maduro as legitimate and said on Saturday he would instead bring in a new diplomatic team representing opposition leader Juan Guaidó. Guaidó, who led massive but unsuccessful rallies earlier this year trying to unseat Maduro, applauded the decision on Sunday, Tal Cual reported. "El Sal-



Bukele // File Photo: Salvadoran Government.

vador has supported the Venezuelan cause and isolates the Maduro regime further," Guaidó said on Twitter. Bukele said that his decision is in line with El Salvador's August vote at the Organization of American States supporting a report from the United Nations' High Commissioner for Human Rights, Michelle Bachelet, that found the Maduro government has made "systematic violations" of human rights. Maduro, a socialist, calls Guaidó a U.S. puppet seeking to oust him. The United Nations continues to recognize Maduro's government, in part due to support for Maduro from Russia and China. Countries of the region that had banded together earlier this year to try to push Maduro either out of power or to the negotiating table with the opposition have found themselves under strain in recent weeks, as left-leaning

groups in countries such as Ecuador and Chile have taken to the streets to protest inequality, a development that has made Maduro stronger, some analysts say.

Conflict Continues in Bolivia, Morales Decries 'Coup'

Bolivian President Evo Morales claimed Sunday there was a "coup" underway against him and called for an emergency meeting of groups supporting him to reject an opposition bid to force him to resign, La Razón reported. In a speech in Santa Cruz, Morales accused rivals of plotting violence against him after local opposition leaders set a 48-hour deadline for the long-time socialist president to resign, Agence France-Press reported. Deadly violence and unrest has paralyzed the Andean nation since Morales was named winner of the October 20 election, giving him a fourth term. His closest opponent in the race, Carlos Mesa, disputes the result and on Sunday called for a new election to be held, saying "the best solution to this crisis in the current circumstances is a new election, administered by an impartial new [electoral body] and with rigorous observation of the international community," Reuters reported. A team from the Organization of American States arrived in Bolivia last week to conduct an audit of the vote, but both Mesa and Morales have said they will not necessarily abide by its findings, with Morales asserting Sunday that the Constitution and Supreme Electoral Tribunal would trump the OAS audit. In related news, Morales' government on Sunday issued a decree overturning a massive joint lithium project with German firm ACISA, Deutsche Welle reported. The project is considered vital for the German auto industry's plans to develop electric batteries, according to the report. Residents in the city of Potosí, where the joint venture had planned to build a factory for electric vehicle batteries and a lithium hydroxide plant, have been protesting since early October against the project, claiming it would not benefit local communities. Potosí Governor Carlos Cejas said Sunday he had received

NEWS BRIEFS

Remittances to Mexico Continue Strong Run

Mexican workers living abroad sent home \$3.08 billion during the month of September, the Bank of Mexico said Friday. The amount is less than the record \$3.37 billion sent home in August, but it still represents a double-digit percentage increase over the amount sent in September last year, growing 13.3 percent year-over-year. Given the nearly 3 percent depreciation of the Mexican peso against the U.S. dollar over that period, remittances grew 16.7 percent in local currency terms, according to Goldman Sachs.

Brazil: Indigenous Activist Killed by Illegal Loggers

A young indigenous activist and land defender was shot dead Friday in Brazil's Amazon region, BBC News reported. Paulo Paulino Guajajara was reportedly attacked and shot in the head while hunting on Friday inside the Araribóia reservation in Maranhão State. He was a member of Guardians of the Forest, a group formed to combat logging gangs in the area. Media reports indicated illegal loggers carried out the attack, which left another man wounded. Brazilian far-right President Jair Bolsonaro has drawn criticism for his plans to develop the Amazon.

Cooper Tire Increases Stake in Mexico Plant

Ohio-based Cooper Tire & Rubber Company on Friday announced that it plans to take full ownership in its Mexico joint venture tire manufacturing facility, Corporación de Occidente, from 58 percent to 100 percent. Cooper's joint-venture partner, Trabajadores Democráticos de Occidente, which owns 42 percent of the joint venture, agreed to the purchase. No financial details were disclosed. Cooper said it plans to modernize the plant, which is located near Guadalajara, in Jalisco State.

orders to overturn a previous decree permitting the project, state news agency ABI reported.

ECONOMIC NEWS

Brazil Oil Spill Likely to Get Worse Before Better: Bolsonaro

Brazilian President Jair Bolsonaro said Sunday that “the worst is yet to come” with an oil spill that has affected fisheries and polluted more than 200 beaches on the country’s coast, Agence France-Presse reported. “What came so far and what was collected is a small amount of what was spilled,” Bolsonaro said in an interview with Record television. Oil slicks have been appearing for three months off the coast of northeast Brazil and fouling beaches along a 2,000 kilometer area. Federal police in the city of Rio de Janeiro last week raided the offices of Delta Tankers Ltd., the company responsible for a Greek-flagged tanker that has come under suspicion as the cause of the spill. However, employees at Delta Tankers told AFP they did not accept blame for the spill and the tanker’s voyage, carrying heavy crude oil from Venezuela to Malaysia in July, ended uneventfully. “There is no proof of the vessel having stopped, conducted any kind of STS [Ship to Ship] operation, leaked, slowed down or veered off course on its passage from Venezuela to Melaka, Malaysia,” the company said in a statement. Venezuela has also denied any responsibility for the spill. The chief executive of Brazilian state energy company Petrobras, Roberto Castello Branco, said last week that the oil spill could be the worst “environmental attack” in the country’s history, Oilprice.com reported. Petrobras also denies any involvement with the spill. Scientists say the spill is now threatening marine sanctuaries and coral reefs. The fishing industry is taking steps to reassure the public that its products are safe, IntraFish reported last week. Offshore shrimp farming remains unaffected so far, but warnings about the consumption of seafood have been issued in some areas of Brazil’s northeast.

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world economic growth, combined with income inequality and the impact of climate change will add new pressures to economies that, in many cases, have weak institutional foundations and where leadership and effective policy response have been largely absent. In Chile’s case, there is an urgent need to invest in basic education and new technologies to enhance the value-added component of the export mix and reduce dependence on commodities, as well as to generate increased opportunities for a broader base of its citizens—together enabling greater levels of growth and social cohesion. Chile’s increasing base of tech entrepreneurs, many of whom are focused on the circular economy, is making a difference and potentially opening the door for the country to move ahead in competitiveness. The challenge will be for this to happen at a pace that is fast enough to deal with the increasing social pressures as reflected in the broad-based protests currently being experienced in the country.”

A Nelson Altamirano, professor of economics at the School of Business and Management at National University: “The WEF’s global competitiveness index is a good tool to recognize the strengths and weakness of countries in the Latin American and Caribbean region within a world perspective. The best performer, Chile, is in a group with Portugal, Estonia and Saudi Arabia, which are not top performers in their own regions. The lowest performer, Haiti, shares rank with the lowest countries of Sub-Saharan Africa and the Middle East. So, top and bottom countries in the region have the challenge of improving their economic, social, technological and political conditions to foster competitiveness. While Latin America and the Caribbean, in general, has a good level of macroeconomic stability and health indicators, these two relative strengths cannot compensate for a weak enabling environment with poor institutions and slow

adoption of information and communication technology, human capital with deficient skills, weak markets and a very deficient innovation ecosystem without business dynamism and innovation capability. Policymakers need to apply fiscal policies that invest in workers’ well-being and productivity (infrastructure, equal access to health care,

“**Macroeconomic stability alone is not enough to foster economic progress.”**

– Nelson Altamirano

high quality education, affordable housing, safety nets and innovation). Each country in the region has different capabilities, resources and ways to do it, but as the latest events show in Chile and Bolivia, top and bottom examples in terms of competitiveness, macroeconomic stability alone is not enough to foster economic progress, democratic stability and competitiveness.”

A Pablo Arosemena, president of the Chamber of Commerce of Guayaquil: “As the components of the Global Competitiveness Index suggest, Chile is performing better than neighbor countries in several metrics. However, what is remarkable under the Latin American context is its institutions’ quality. Property rights, checks and balances, and transparency are key aspects in which Chile has improved while other countries have declined. A large proportion of Latin American countries have dealt with authoritarian governments that have undermined institutions. Macroeconomic stability has been another key aspect of Chile’s success. Without a strong macroeconomic environment, it would be difficult to work in the development of other competitiveness pillars. Latin American countries must free themselves from dependence on commodi-

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ties. Such dependence makes the economy vulnerable to international price fluctuations. Also, it is a source of corruption that generates perverse incentives for politicians. The greater the dependence on commodities, the lower the odds of macroeconomic stability and improved institutions. WEF's competitiveness index is just one of a set of tools for decision making. However, it is the most important one because of its relationship with long-run growth and other economic and social indicators. The competitiveness index allows policymakers to assess the aim of public policy."

A **Juan Carlos Sikaffy C., president of the Honduran Council of Private Enterprise:** "Once again, Chile has been recognized as Latin America's best-ranked country in the Global Competitiveness Report. This achievement comes from the country's long-term work to address new challenges that the Fourth Industrial Revolution presents. Its high technological penetration rate has allowed Chile to reduce the digital gap that that rest of the countries in the region must still work on. The macroeconomic stability and good business climate are also factors that help Chile be more competitive than the rest of the region. Political, economic and social instability, the need to implement adequate development policies, as well as the

lack of or little advancement on technological areas such as artificial intelligence, virtual reality, mobile or online payments, drones, cloud services, big data and blockchain, hold back the progress of the rest of Latin American countries in competitiveness. Latin America needs to move quickly with policies and laws that regulate the use of technologies and facilitate the access of the

“ We must work hard toward closing the digital gap...”

— Juan Carlos Sikaffy C.

people and companies to them. Our region is still far behind other regions of the world, and we must work hard toward closing the digital gap and compete to attract new and better foreign direct investment. Ratings such as the WEF's competitiveness index not only show us how the countries are doing and which ones are the best to invest in, they also show us our challenges and goals. That gives our governments, enterprises and our society the roadmap for inclusive development, technology, policymaking and facilitation to help our countries get the push they need to become more productive and competitive in this globalized world."

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5G and the Evolution of Smart Cities in Latin America and the Caribbean

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