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FEATURED Q&A

Is China Going to Help El Salvador Develop Faster?



El Salvador's President, Nayib Bukele, signed new cooperation accords in China earlier this month. // Photo: Salvadoran government.

Q China will help El Salvador build several new infrastructure projects, including a water treatment plant and a stadium, as well as streets, parks and a water system in coastal tourist areas, the two nations announced Dec. 3, as Salvadoran President Nayib Bukele visited his counterpart in Beijing. Is El Salvador's recent decision to cut ties with Taiwan in favor of establishing them with China paying off? What benefits will the infrastructure program bring to the Central American nation, and does Chinese investment come at a price? Through such projects, can El Salvador become a realistic competitor for tourism in the Central America region?

A Margaret Myers, director of the Asia & Latin America program at the Inter-American Dialogue: "Bukele's agreements with China, though described as 'gigantic,' are little more than a series of development assistance projects totaling a few hundred million dollars. They are a far cry from the original Belt and Road-type projects proposed to the FMLN when Sánchez Cerén broke ties with Taiwan in August 2018. The originally proposed renovation of the La Unión port and a related special economic zone—though exceedingly problematic, having been negotiated entirely behind closed doors—could (if considerably re-worked or re-imagined) have been sizable and potentially transformative projects for the Salvadoran economy. Beijing might also have accepted other major infrastructure proposals from the Bukele government. However, in a seeming effort to gain something from newly established relations with China while limiting reactions from the United

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TODAY'S NEWS

ECONOMIC

House Democrats Fast-Track Vote on Trade Accord

Rep. Betty McCollum (D-Minn.) set rules that would allow the U.S.-Canada-Mexico trade package to come to a floor vote this week.

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POLITICAL

Chile's Piñera Sends Police Bill to Congress

Chilean President Sebastián Piñera sent a bill to Congress in a bid to strengthen protections for the country's security forces, just days after the United Nations issued a report saying that Chile's police and army personnel violated human rights norms.

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ECONOMIC

Argentine Peso Falls 8 Percent on Currency Rules

The value of Argentina's black market peso fell almost 8 percent against the dollar on news that Peronist Alberto Fernández would bring back the so-called "tourism tax" on spending in dollars.

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Fernández // File Photo: Facebook site of Alberto Fernández.

ECONOMIC NEWS

House Democrats Fast-Track USMCA

Democrats in the U.S. House of Representatives on Monday secured a fast-track route to a floor vote later this week on the long-awaited United States-Mexico-Canada trade deal, The Hill reported. In a motion to a near-empty chamber Monday afternoon, Rep. Betty McCollum (D-Minn.) proposed rules that would allow the trade package come to the floor without passing first through the Rules Committee. The trade agreement, which Democrats held up for more than a year over labor and other provisions, is scheduled to be marked up by the Ways and Means Committee on Tuesday and move to the floor for a vote of the full House on Thursday. Under McCollum's motion, the package will receive two hours of debate on the floor, divided equally between the two



McCollum // File Photo: Office of Betty McCollum.

parties. No amendments will be considered. The largest labor union in the United States, the AFL-CIO, recently took the unusual step of endorsing the USMCA after negotiators reached a deal to more reliably enforce the pact's new labor rules, which are stronger than those in the North American Free Trade Agreement, or NAFTA, which the new deal replaces. However, the agreement hit a snag over the weekend, when Mexican officials said they were "blindsided" by provisions that appeared to allow U.S. labor officials to make on-site inspections in the country, which Mexicans said violated their sovereignty. Jesús Seade, Mexico's deputy foreign minister for North America, flew to Washington Sunday for urgent talks, and after a series of meetings announced Monday that

he is "very satisfied" with revised restrictions governing the U.S. attaches. "These personnel will not be labor inspectors and will abide by all relevant Mexican laws," U.S. Trade Representative Robert Lighthizer said after the meeting, The Wall Street Journal reported.

Argentine Peso Falls 8 Percent on New Currency Rules

The value of Argentina's black market peso fell almost 8 percent against the dollar on Monday on news that the administration of center-left Peronist President Alberto Fernández would bring back the so-called "tourism tax" on spending in dollars in order to help prop up the peso and generate government revenue. The tax, which will apply to all expenses incurred using credit cards abroad, is spurring Argentines to stock up on dollars, according to the report. In December, the conservative government of then-President Mauricio Macri imposed limits on official purchases of dollars. The peso has lost more than 80 percent of its value over the past four years under Macri, as inflation rose at nearly the highest rates in the world, surpassing 50 percent annually. Santiago Cafiero, Fernández's cabinet chief, over the weekend said a bill would be sent to Congress that could hike taxes by as much as 30 percent on goods and services purchased in U.S. dollars. Argentines currently have more than \$300 billion of their savings abroad, according to Bloomberg News, citing data from state statistics institute Indec. Over the weekend, Fernández's government also announced it was bringing back export taxes on certain grains, a staple of Argentina's agricultural economy. Facing a default on Argentina's growing debt load, Fernández has few options to jump-start the economy and is resorting to increasing taxes on the wealthy. However, Argentines already carry one of the largest tax burdens in Latin America, at 30 percent of gross domestic product, as compared to a regional average of 22.8 percent, according to Bloomberg News. Fernández risks more capital flight and lost investors as a result, economists warn.

NEWS BRIEFS

Netflix Reports Strong Growth in Latin America

Netflix said Monday its subscriber totals in Latin America grew by 3.3 million during the first nine months of the year to 29.4 million, Barron's reported. Latin America has become the video streaming service provider's largest market outside of the United States and Canada, where subscriptions surpass 67 million. The average revenue per paid membership in Latin America is lower than elsewhere in the world, however, at \$8.63 per month.

Nicaragua Nationalizes Business With Links to Ortega Family

Nicaragua's National Assembly has approved the nationalization of a major gas station company in response to sanctions the U.S. government imposed on it last week over its alleged role in money laundering schemes that President Daniel Ortega's family is accused of running, Reuters reported Sunday. The company, Distribuidor Nicaragüense de Petróleo, or DNP, controls one-third of the country's gas sales. The U.S. Treasury Department says it is owned or controlled by members of the Ortega family, and that it was bought with public money before being transferred to the family.

Mexico Raises Minimum Wage by 20 Percent

President Andrés Manuel López Obrador on Monday raised Mexico's national minimum wage by 20 percent, the Associated Press reported. The Labor Department said the lowest legal wage will be 123.22 pesos a day starting Jan. 1, or about \$6.50 per day at current exchange rates, which is still below \$1 per hour and barley at poverty level. However, the increase is well above Mexico's 3 percent annual inflation rate, and wages will be higher in areas along the northern border with the United States due to higher living costs.

POLITICAL NEWS

Chile's Piñera Sends Police Protections Bill to Congress

Chilean President Sebastián Piñera on Monday sent a bill to Congress in a bid to strengthen protections for the country's security forces, just days after the United Nations issued a report saying that Chile's police and army personnel violated human rights norms during the past two months of social unrest, Reuters reported. Piñera said more than 2,500 police officers had been injured, some seriously, since the protests began in October. "Our government, as well as categorically condemning all abuses of the human rights of our citizens, also categorically condemns the aggression, mistreatment, humiliation that often affects our police," the president said at a public event, Reuters reported. The draft legislation upgrades attacks on law enforcement to "aggravated" offenses, which have tougher penalties. Additionally, it blocks offenders convicted of such crimes from applying for parole before having served at least two-thirds of their sentences.



Piñera // Photo: Chilean Government.

"What we are looking for with this is to recover the due respect our police deserve, but also to give them the protection that they not only deserve but also need to fulfill their important work," Piñera added. The Chilean president has been criticized for calling on the armed forces to patrol the streets after protests broke out. The United Nations' 30-page report details multiple allegations of torture, rape and other forms of sexual violence by the police and military against thousands of people held in detention.

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States, Bukele struck a series of deals with Beijing that are reminiscent of the sort of projects that China offered Central America and the Caribbean in the early 2000s, when China and Taiwan engaged in relatively unchecked dollar diplomacy in those regions. The stadium, in particular, is a throwback to that period of time—Costa Rica's 2007 soccer stadium was among the last gifted by China in Latin America and the Caribbean. Some of the newly promised projects will very likely have a positive impact in certain parts of the country. And there is probably more to come from China, although that will again be limited by pressure from the United States. At this juncture, though, it's hard to say that El Salvador is benefiting more from newly established relations with China than it did from ties to Taiwan."

A **Guo Jie, associate professor at Peking University's School of International Studies:** "Chinese president Xi Jinping invited Nayib Bukele to visit China soon after he took office with the intention of further cementing the countries' newly established bilateral relations. During the visit, China promised to grant strong aid through building several major infrastructure projects in El Salvador. It is no secret that the United States has been pressuring the Central American country to break ties with China. Therefore, China's move is, to a large extent, a response to U.S. pressure and has little to do with the Taiwan factor. In the joint statement issued after the meeting between the two leaders, in addition to reaffirming adherence to the One-China principle, it also specifically mentioned that the projects mentioned above 'are the result of the efforts of the new Salvadoran government led by Bukele.' Associated with Bukele's comments on China and on his country's relationship with China at the Heritage Foundation last March—which, objectively speaking, contained substantial groundless accusations—a prominent impression is that what the young president is

really concerned about is still the country's realistic interests, rather than the accusations he mentioned. China, for its part, directly responded to it. Since 2017, China has established diplomatic ties with Panama, the Dominican Republic and El Salvador, three long-time allies of the United States. This, on the one hand, reflects to some extent the weakening of U.S. influence in Latin America, while on the other hand, it highlights the pragmatism of these countries in handling their relations with China. For China, further expanding its economic, political and diplomatic engagement with the region, is also of practical significance."

A **Ricardo Cevallos, partner at BLP Abogados in El Salvador:** "Traveling to attract business opportunities for the country

has raised President Bukele's approval ratings. Getting deals such as this one with the Chinese government has attracted the attention of the younger population that largely elected him. He has charmed his social media followers, posting pictures and information about his meetings. Water treatment plants are badly needed in El Salvador, a densely populated country with failed water management policies. A stadium and the improvement of one of its beaches are not at the top of most of the population's priorities, but all of them will help continue to increase his popularity and maintain it for months to come. It is unclear what implications these new ties with the Chinese government will bring, but one thing is certain: the United States is watching this move closely. The same day he announced them, the U.S. ambassador warned that 'Chinese cooperation is not as beneficial as it seems to the receiving country.' Projects such as the ones offered (if built only by Chinese companies and workers) will not affect the economy as much as they could, and they will add to the tourism industry in El Salvador, but much still needs to be done regarding infrastructure and safety if the

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country wants to attract more tourists when competing with neighboring countries that have benefited from large influxes of tourists for decades. Bukele has scored some points, and his popularity is at an all-time high. Optimism is up and there is interest from foreign companies to come and engage in new businesses in the country, but few of his ideas have translated into tangible ventures that generate new job opportunities and much-needed development."

A **Ray Walser, retired foreign service officer and professor of practice at the School of Diplomacy and International Relations in Seton Hall University's Semester in Washington program:** "After promising transformative and progressive change to the people of El Salvador, a youthful, energetic President Nayib Bukele must be perceived as delivering. The red-carpet treatment lavished upon him by President Xi Jinping and company in early December certainly elevates Bukele's stature as an international player. The Chinese investment packet, moreover, was proffered despite Bukele's earlier criticism about China not playing by the rules and 'meddling in democracy.' It also raises questions about the future of a proposed, China-friendly 'special economic

zone.' While specific details, priorities and promised expenditures remain unclear, El Salvador's pressing need for infrastructure investment and development engines is ever present. That Chinese investments can, given extensive regional competition, turn El Salvador into a preferred tourist destination is questionable. As Bukele settles into his presidency, one assumes El Salvador will continue to walk the line between the United States and China. At the time of his inauguration, Bukele described the United States as El Salvador's 'natural number-one ally.' Migration issues, remittances, CAFTA, law enforcement cooperation and other links will keep El Salvador mindful of remaining in the U.S. orbit. However, Bukele appears to have slammed the door on re-recognizing Taiwan. How El Salvador votes on issues of concern to China in the United Nations or supports 'the peaceful reunification of China' will likely be the first signs of a quid pro quo. For now, Beijing will claim that it has placed another scalp on its Belt and Road Initiative and advanced its ongoing quest for strategic footholds in the Americas at Washington's expense."

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

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Advisor Video

5G in Latin America: An Interview With San Salvador's Mayor

The Latin America Advisor's exclusive interview with San Salvador Mayor Ernesto Muyschondt on the potential benefits of 5G wireless cellular technology for his city and Latin America



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