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## FEATURED Q&A

# What Did Ecuador's Moreno Accomplish on His U.S. Trip?



Ecuadorean President Lenín Moreno's visit to the White House to meet with U.S. President Donald Trump marked the first meeting between the countries' presidents in Washington since 2003. // Photo: Ecuadorean Government.

**Q** Ecuador's president, Lenín Moreno, on Feb. 12 met with U.S. President Donald Trump at the White House. The meeting was the first between an Ecuadorean head of state and his U.S. counterpart in Washington in 17 years. Following the meeting, Trump said the United States is working on a trade deal with Ecuador and is also discussing the sale of military equipment to the South American nation. What did Moreno accomplish during his visit to Washington? How important are closer trade ties to the two countries? How well are Ecuador and the International Monetary Fund working together following Ecuador's decision a year ago to agree to a \$4.2 billion lending program with the IMF?

**A** Nathalie Cely, president of the Centro de Competitividad in Quito and former Ecuadorean ambassador to the United States: "President Moreno's recent visit to the United States is, without doubt, a significant development in U.S.-Ecuador relations, which are at their best moment in recent years. President Moreno has been successful in setting a path going forward primarily in terms of trade and security cooperation. However, success will have to be measured by actual policy achievements. An important early signal going forward will be whether the Trump administration includes certain Ecuadorean products in the GSP program. The next step after this would be the start of a negotiation process for a vital trade agreement given that the United States is Ecuador's third-largest trade partner and could easily regain the top spot it has traditionally held. However, there will be com-

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## TODAY'S NEWS

### POLITICAL

## One in Three Venezuelans Face Hunger: U.N.

One in every three Venezuelans is facing hunger and in need of food assistance, according to a report by the United Nations World Food Program.

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### POLITICAL

## Protesters, Police Clash at Chile Music Festival

Thousands of protesters clashed with officers in Viña del Mar. It was the latest large-scale protest since a wave of demonstrations began in Chile in October.

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### BUSINESS

## Report Blames Conflicts of Interest in Vale Dam Collapse

Conflicts of interest were among the problems that led to a deadly collapse last year of Brazil's Brumadinho dam. Fabio Schvartsman, the then-CEO of mining giant Vale, was charged last month with homicide in the case.

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Schvartsman // File Photo: Vale.

## POLITICAL NEWS

## One in Three Venezuelans Facing Hunger: U.N. Study

One in every three Venezuelans is facing hunger and in need of assistance, the United Nations World Food Program said in a report released Sunday. According to the Food Security Assessment study, 32.3 percent of Venezuelans are “food insecure,” with 7.9 percent of the country’s population, or 2.3 million people, “severely food insecure.” Almost one household out of five has “an unacceptable level of food consumption,” according to the study. “The lack of dietary diversity is a major concern” that “indicates inadequate nutritional intake,” the World Food Program said. The U.N. agency added that 74 percent of families in Venezuela have “engaged in food-related coping strategies” that include “reducing the variety and the quality of the food they eat.” Additionally, 60 percent of the households in the study said they were reducing the portion size of their meals. The study also showed

that three of every four families in the Andean nation “engaged in at least one livelihood coping strategy,” such as accepting food as payment for working, which 33 percent of households in the survey have done. Also, 20 percent have sold family assets in order to pay for basic needs, and six of 10 families have spent savings on buying food. “As families deplete the coping mechanisms they have been using to sustain basic food consumption, there are great concerns that nutritional needs will not be met in the short term,” the World Food Program said. “This will affect the most vulnerable, including children, pregnant and lactating women, and the elderly.” In the study, seven out of 10 Venezuelans said food was always available. “However, access to food is difficult as the prices are too high when compared to household income,” the World Food Program added. The study was conducted through the collection of 8,375 questionnaires, the U.N. body said, adding that Venezuela’s government had invited it to conduct the assessment. The World Food Program said it “had full independence to design and implement the assessment, and had access countrywide allowing the collection of household-level data without impediment.”

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plications given the pre-electoral political scenario in both countries and misalignment on the building blocks for the trade agreement. Moreno has signaled that he would like to base his agreement on the E.U.-Ecuador agreement, while the United States would like to use the USMCA (which includes digital trade and labor provisions) as a base. Other developments such as the visit of the U.S. International Development Finance Corporation CEO and the entry into the ‘América Crece’ initiative will have to be measured by the actual financing agreements signed. Last but not least, Moreno’s trip could have an effect on the EFF agreement Ecuador has in place with the IMF. A good relationship with the United States undoubtedly positions Ecuador positively with the IMF board and a positive move forward on this front would be a further renegotiation of certain quanti-

tative and qualitative targets that will be difficult for Ecuador to meet in the context of an economic slowdown, a pre-electoral scenario and recent legislative difficulties. The benefits Ecuador could reap from the trip could be significant, but this will require significant follow-up on behalf of the Ecuadorean authorities that face significant challenges at home and political will from a Trump administration whose priorities lie elsewhere.”



**Ramiro Crespo, president of Analytica Securities in Quito:**

“Faced with daunting debt inherited from wasteful previous

President Rafael Correa, a great deal of uncertainty regarding who will run the country from mid-2021 and a skeptical bond market, the Moreno administration is doing well to

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## NEWS BRIEFS

## Argentina Agrees to Start Consultations With IMF on New Financing Program

Argentina on Saturday agreed to begin consultations with the International Monetary Fund toward a new financing program, Reuters reported. Argentine Economy Minister Martín Guzmán met with IMF Managing Director Kristalina Georgieva on the sidelines of a meeting of G-20 finance officials in Riyadh, Saudi Arabia. There, Guzmán informed Georgieva of the government’s intention to initiate consultations, which the minister called a “valuable step that will deepen mutual understanding ... on the way toward a new program,” the government said.

## Ex-U.S. DEA Agent Charged With Laundering Colombian Drug Money

José Ismael Irizarry, a former special agent with the Drug Enforcement Administration until his resignation in 2008, was arrested last Friday, along with his wife, Nathalia Gomez-Irizarry, near their home in San Juan, Puerto Rico, on charges of laundering Colombian drug money, The New York Times reported. Authorities have accused Irizarry of working with a Colombian drug trafficker to launder funds seized from undercover drug operations during his time as a special agent in Cartagena. Both were released on bond and are scheduled back in court on Wednesday.

## Brazilian Central Bank Launches New Instant Payments Platform

Brazil’s central bank has launched a new payments platform, ZDNet reported Friday. The platform, known as PIX, will begin operating on Nov. 10 and will allow companies to transfer money between them 24 hours a day and seven days a week, the news site reported.

## Protesters, Police Clash at Chile Music Festival

Thousands of protesters armed with stones, sticks and Molotov cocktails clashed with police in Chile on Sunday as Latin America's biggest music festival began, the latest demonstration since they started in October over economic inequality and discontent, Agence France-Presse reported. Police blocked the entrance to a park where the festival was located in Viña del Mar, a seaside resort approximately 120 kilometers west of Santiago. Police used a helicopter and a balloon with surveillance cameras and also employed water cannons and tear gas to contain protesters. "Vandals and criminals are trying to do damage just four blocks from the entrance of the festival. But everything is under control," Jorge Martínez, the Valparaíso regional governor, told Chile's state news channel. Protesters also attacked shops near the festival after being unable to enter, as well as the O'Higgins Hotel where many of the performing artists usually stay. Protesters also burned at least seven vehicles. Nearly 2,600 police officials in Chile this month have undergone "re-training" for March, when at least 25 demonstrations have already been planned, La Tercera reported. The "March plan," as the training is called, includes courses on "dialogue with protesters," the use of force and human rights.

### BUSINESS NEWS

## Report Blames Conflicts of Interest in Vale Dam Collapse

Conflicts of interest between Brazilian mining giant Vale and its auditors, faulty information-sharing inside the company and a compensation structure prioritizing financial returns were all factors that contributed to a dam collapse last year that killed 270 people,

## THE DIALOGUE CONTINUES

### Is Panama's Weaker Economy a Sign of Trouble to Come?

**Q** Panama is facing economic headwinds that include a widening fiscal deficit and higher levels of government debt.

**Economic growth in the Central American country has also slowed in recent years.**

**Does Panama face growing economic challenges, and what will they entail? What factors will help to support the country's economy in the period ahead? How well is President Laurentino Cortizo, who has been in office less than a year, managing the economy?**

**A** Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:

"Like most Latin American countries, Panama seems to be en route to missing the 21st century. After a decade of growth rates exceeding 5 percent triggered, among other developments, by the Panama Canal's expansion, the dynamization of the Pacific Trade corridor and crises in many Latin American countries that prompted significant capital inflows, Panama should by now have set the pillars

according to an independent report commissioned by Vale into the incident, The Wall Street Journal reported Saturday. Vale released the report last week. It was the second study commissioned and released by Vale into the circumstances and causes that led to the dam burst in Brumadinho, in Minas Gerais state, in January of last year. The first report, focused on the technical and engineering aspects of the dam, showed there had been drainage problems at the complex for years. The new study addresses the corporate culture and practices that an independent committee, which included a former Brazilian supreme court justice, said contributed to the disaster. The report detailed that the company had information as far back

of technology and trade in order to foster self-sustaining growth. But the lack of fiscal virtue, corruption and sheer leadership short-sightedness have created a dual economy whereby most of the population continues to exhibit early 20th century living standards, while a highly skilled minority leaves with the standards of Singapore. To be sure, agriculture has failed to meet modernization, thus continuously expelling people into the cities where they earn close to subsistence income. These people could have turned into entrepreneurs with the right regulatory framework, skill enhancing education and appropriate labor laws. Unfortunately, it seems as if corruption, red tape and absence of a skill-enhancing education system will keep Panama as an underdeveloped country for the better part of this century."

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**EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Feb. 20 issue of the Advisor.**

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as 2003 that hinted at the fragility of the main B1 dam in the complex and that the measures taken to manage the structural problem and strengthen the dam's security were limited and ineffective, Reuters reported. State prosecutors last month charged Fabio Schvartsman, Vale's chief executive at the time of the burst, with homicide. Another 10 Vale employees were charged. All individuals charged have denied wrongdoing, and Vale has denied being aware of any critical or imminent risks to the Brumadinho dam. A Vale spokeswoman said recommendations made in the report match actions it is already taking and that it will more deeply analyze the report and act accordingly, The Wall Street Journal reported.

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restore frayed diplomatic relations. None is more important than the relationship with the United States, and President Trump's offer to have Ecuador obtain commercial terms similar to those of Canada and Mexico is remarkable. Despite the existing diplomatic expertise, Ecuador is unfortunately ill-prepared to immediately take advantage of this proposal, but the open door must not be shut. The government should therefore immediately work hard to solve legal problems and educate the public about benefits of trade for consumers. U.S. support is also fundamental given the domestic political uncertainties that could waylay even relatively uncontroversial reforms such as those necessary to fulfill the IMF program this year. Security and intelligence support is also key. Cuba, above all, is working to subvert the fragile democratic order and pave the way for a return of Correísmo. To keep that from happening, it's all the more important to have friends in high places."

**A** **Walter Spurrier, president of Grupo Spurrier and director of Weekly Analysis in Guayaquil, Ecuador:** "Moreno has retaken cooperation with the United States on drug traffic control over Pacific Ocean routes, as U.S. aircraft will be able to operate from a Galapagos airstrip. This also allows control of illegal migrants, not only ones from Latin

American but also ones from Africa and China who leave the coasts of Ecuador and Colombia in fishing boats for Central America. Moreno has become an ally in supporting Juan Guaidó as Venezuela's interim president. All this is very important to the United States, while under Correa, Ecuador was a key ally of Maduro. For Ecuador, this cooperation with the United States is paramount, as drug traffickers, if left unchecked, could gain significant power in Ecuador, as they have in other countries. Close ties are also important as the United States is the chief market for Ecuador's exports. Trump, in exchange for this collaboration, has firmly and openly backed Moreno. Ecuador is after a trade agreement with the United States, and the overworked USTR's office would not otherwise have found space in its agenda for Ecuador, with complex negotiations with China and details of the new USMCA requiring full attention. Not having a trade agreement with the United States has cost Ecuador market share in the U.S. markets for shrimp, bananas, tuna and flowers. Clearly, President Trump wants Moreno to be able to continue his policies and finish his term. The IMF has shown uncharacteristic sympathy with Moreno's difficulties in fulfilling his commitments and has agreed to tone down adjustment requirements. Without Trump's backing, the IMF might have suspended disbursements."

## LATIN AMERICA ADVISOR

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# Advisor Video

## El Futuro del Comercio Entre Ecuador y los Estados Unidos

Ante la visita del Presidente ecuatoriano Lenín Moreno a Washington en febrero, el Latin America Advisor entrevistó a Diego Caicedo, viceministro de producción, comercio exterior, inversiones y pesca de Ecuador.

VER AQUÍ

