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FEATURED Q&A

What Challenges Await Uruguay's New President?



Luis Alberto Lacalle Pou has put together a coalition of five parties to support his government, the first non-leftist administration in 15 years. // File Photo: Uruguayan Government.

Q Luis Alberto Lacalle Pou on Sunday was sworn in as Uruguay's president, the first right-of-center politician to lead the nation since 2005. What will Lacalle Pou prioritize during his five-year presidential term? What do his cabinet picks suggest about his government's direction, and which ministers will take on leading roles during his administration? What are the most pressing challenges that Lacalle Pou will face as Uruguay's president, and how well prepared is he to address them?

A Nicolás Saldías, senior researcher at the Wilson Center's Latin America Program and Argentina Project and a PhD candidate at the University of Toronto: "The main priority of President Lacalle Pou and his coalition partners will be tackling Uruguay's large budget deficit, which stood at 4.6 percent in 2019. Their proactive approach to cut the deficit by reducing state employment, wasteful spending and a possible pension reform highlights the importance of signaling to creditors and investors the government's willingness to enact unpopular measures early in his administration. Although the IMF considers Uruguay to be in an 'enviable' position with strong fundamentals, such as large foreign exchange reserves, the downside risks of a possible Argentine default and the effect of the coronavirus need to be hedged by committing to macro-prudential policies now to ensure the country maintains its coveted investment grade status. The appointment of Azucena Arbeleche as the minister of economy suggests a moderate and technocratic economic policy program—she is the first woman to

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TODAY'S NEWS

POLITICAL

Guyana Election Results Could Be Declared Today

Although Monday's voting began peacefully, by the close of polls hostilities had erupted in some areas with riot police being called in to quell unrest. Officials said results could be declared by lunch time today.

Page 2

ECONOMIC

Mexico Money Transfers Up 5.2 Percent

A higher number of transfers, combined with an increase in the average amount of dollars sent per operation, helped spur the country's second consecutive monthly growth in remittances in January.

Page 3

POLITICAL

Duque, Trump Discuss Drugs, Venezuela

Colombian President Iván Duque met with his U.S. counterpart, Donald Trump, at the White House, where the controversial spraying of drug crops came up.

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Duque // Photo: Colombian Government.

POLITICAL NEWS

Guyana Election Results Could Be Declared Today

Guyana's chief election officer said last evening that he hopes to have final results of Monday's national elections by "lunch time" today, Starbroek News reported. Keith Lowenfield would not provide a definitive date for the declaration of results, saying officials were still compiling the returns. A total of 660,998 registered electors were expected to cast their ballots at 2,339 polling stations. Although voting day began peacefully, by the close of polls hostilities had erupted at areas in Regions 3 and 4 with riot police being called in to quell unrest, according to the report. Opposition leader



Ali // File Photo: Ali's Facebook page.

and former President Bharrat Jagdeo, with the People's Progressive Party, or PPP, accused incumbent coalition party forces of blocking roads in order to turn away the PPP presidential candidate, Irfaan Ali. "They are in full panic ... it is a desperate attempt," Jagdeo said, referring to the APNU+AFC supporters of incumbent President David Granger. Accusations of fake identification cards also came up at polling stations. Granger released a statement denying there were major irregularities. At one point, supporters of each major coalition faced off on a narrow village street with a line of riot police separating them, according to the report. In addition to electing a president, the 65 seats of Guyana's National Assembly were also in play Monday. Members are chosen using closed-list proportional representation, with voters selecting parties rather than individual candi-

dates, according to MercoPress. The election in the small country on the northeast of South America has drawn international attention. A coming oil boom is set to transform Guyana, after ExxonMobil in December began commercial exploitation of a huge 2016 discovery off its coast in waters that neighboring Venezuela claims as its own. The International Monetary Fund expects the country's economy to record the biggest growth worldwide this year, at 85 percent, the Associated Press reported.

Duque, Trump Meet to Discuss Progress on Drugs, Venezuela

Colombian President Iván Duque met with his U.S. counterpart, Donald Trump, Monday at the White House, with the crisis in Venezuela and drugs and illicit trafficking topping the agenda, the Associated Press reported. Venezuelan President Nicolás Maduro, who has been at odds with both Colombia and the United States, has managed to stay in power despite internationally backed attempts over the past year by opposition leader Juan Guaidó to overthrow him. Venezuela's economic crisis and political repression have driven more than 4.5 million people to flee the nation, with the biggest number taking shelter in Colombia. Last week Duque wrote an op-ed in The Washington Post calling on international support to mitigate the burden that migrants have put on receiving societies. On drugs, Trump said more needed to be done to eradicate coca crops, including controversial use of hazardous chemicals, as well as trafficking of narcotics, most of which end up in the United States. "If you don't spray, you're not going to get rid of them," Trump said, according to a White House readout of the press briefing. Duque broke in to add: "We have to combine all the elements that we have: obviously, precision spraying, but also the record highs that we reached in 2019 on manual eradication and also dismantling the drug cartels." Trump added that cooperation in fighting drug trafficking is a priority, as well as human trafficking, "which has become a very big problem."

NEWS BRIEFS

Brazil Spending on Military Up 11 Percent in Bolsonaro's First Year

During his first year in office, Brazilian President Jair Bolsonaro spent \$1.46 billion more than expected on the military, Folha de S.Paulo reported Monday. The figure is 10.9 percent higher than the previous year and is probably one of the largest historical increases in nominal terms, according to the report. Bolsonaro has named scores of military leaders to posts in his government, with 9 of 22 ministers in his cabinet now coming from the armed forces, The Wall Street Journal reported.

Japan's Takeda to Divest Latin America Portfolio to Hypera Pharma

Japan's Takeda Pharmaceutical on Monday announced that it has entered into an agreement to divest a portfolio of select non-core products exclusively in Latin America to Brazil's Hypera Pharma for \$825 million. Hypera is one of Brazil's largest pharmaceutical companies. The portfolio includes over-the-counter and prescription pharmaceutical products sold in Brazil, Mexico, Argentina, Colombia, Ecuador, Panama and Peru. Some 300 employees will be given the opportunity to transition to Hypera, Takeda said in a statement.

Chile's SQM Posts Lower Profit on Lithium Decline

Chilean mining giant SQM, the world's number-two lithium producer, on Monday reported a net income of \$66.9 million in the fourth quarter of last year, a 38-percent fall compared to \$108.6 million in the same three-month period a year earlier. For last year overall, the company posted net income of \$278.1 million. Gross profits fell 30 percent to \$137.8 million, while quarterly lithium revenues also plummeted 57.4 percent, amid lower prices for the metal.

ECONOMIC NEWS

Mexico Remittances in January Grow by 5.2 Percent

The amount of money Mexican workers living abroad sent home reached \$2.58 billion in the first month of 2020, 5.2 percent more than in the same month last year, *Expansión* reported Monday, citing central bank data. A higher number of transfers, combined with an increase in the average amount of dollars sent per operation, helped spur the country's second consecutive monthly growth in remittances, a substantial source of income for poor families. Last November, monthly remittances fell for the first time in three and a half years. But that decline appears to have been a temporary dip. "We expect workers' remittances growth to stabilize at a moderate positive level in coming

Economists have been steadily reducing the country's 2020 growth estimates to an average of just 1 percent.

months," Goldman Sachs economist Alberto Ramos told clients in a research note Monday. Although some sectors of Mexico's economy have been in recession in recent quarters, such as industrial production, remittances have helped buoy consumer spending. Economists have been steadily reducing the country's 2020 growth estimates to an average of just 1 percent from 1.7 percent six months ago, *Bloomberg News* reported last week. Prices for oil produced in Mexico have fallen sharply in recent months. On the positive side, Mexico has more room than some other countries to lower interest rates, which could help spark growth. Analysts expect the bank to cut borrowing costs by another half percentage point in the rest of 2020, ending the year at 6.5 percent. [Editor's note: See related [Q&A](#) in the Feb. 26 issue of the *Financial Services Advisor*.]

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hold that powerful post. The appointment of Colorado presidential candidate and current Sen. Ernesto Talvi as minister of foreign affairs suggests the government will advance with trade liberalization, an anti-authoritarian foreign policy (especially against Venezuela) and improving relations with the United States. Another important appointment is Jorge Larrañaga as minister of the interior. A proponent of 'mano dura' policies and a rival to Lacalle Pou inside the National Party, his tenure as minister suggests a more punitive approach to Uruguay's complicated insecurity crisis. Going forward, the main challenge for Lacalle Pou will be the survival of his ideologically unwieldy coalition, especially as the costs of governing become apparent."

A **Arturo C. Porzecanski, chair of the International Economic Relations Program at American University's School of International Service:** "Lacalle Pou's three top priorities will be to reduce street crime, improve the business climate and shift foreign policy away from support for undemocratic regimes. Lacalle Pou has made three excellent appointments of relevance to the attainment of these objectives. He picked Sen. Jorge Larrañaga, a perennial rival from his own party, to be the new interior minister.

Larrañaga is known for having an aggressive law-and-order agenda, and he twice sponsored constitutional referendums on crime-related issues, which did not pass but revealed some of his top priorities: reducing to 16 the age of criminal responsibility, toughening prison sentences for crimes and establishing a national police force. Lacalle Pou appointed economist Azucena Arbeleche, also from his own party, as the country's first female economy minister. She is a strong believer in private initiative as the driver of economic progress and wants the government to play a supportive role by improving the investment climate while cutting back its own deficit spending. And he chose economist Ernesto Talvi, who was

another party's presidential candidate, to be the foreign affairs minister. The forthcoming change in orientation was made clear when the incoming administration pointedly did not invite Cuba's president, Miguel Díaz-Canel, nor Nicaraguan President Daniel Ortega nor Venezuela's Nicolás Maduro, to the inaugural ceremony. Given that Lacalle Pou has put together a coalition of five right-leaning parties that hold a majority of seats in both houses of Congress, chances are that his administration's priorities, though they will be opposed by the outgoing Frente Amplio party and the PIT-CNT labor union confederation, will mostly be passed and implemented."

A **Ignacio Bartesaghi, dean of the business studies department at the Catholic University of Uruguay:** "President Lacalle Pou receives the country with some challenges in the economic area. This is, in particular, due to the high fiscal deficit and the sluggish growth registered in past periods, which, additionally, saw a rise in the unemployment rate. The region's economic situation has been marked by progress with Argentina's debt restructuring and Brazil's still-needed economic recovery, which is being affected

“Lacalle Pou will have to improve the country's public safety.”

— Ignacio Bartesaghi

by the impact of coronavirus. Among the most important challenges, Lacalle Pou will have to improve the country's public safety, one of the population's biggest concerns. He has to implement significant reforms in education, and his government will have to address deficits that are still present in the infrastructure sector. Additionally, a social security reform cannot be postponed. Moreover, it will be key to increase the country's

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competitiveness and productivity in order to attract new investments, which will also need a reduction of production costs. To do this, a more efficient state is necessary, with more competitive fuel and energy prices, with a more flexible labor system, as well as a better insertion of Uruguay into the world. To address these challenges, Lacalle Pou has a team that is balanced in terms of the political and technical aspects, relatively young, with political and professional experience in different areas, and it's representative of the coalition that won the elections. However, in Congress, he will face a strong opposition that could slow down and even hinder aforementioned reforms, especially those that require special majorities. The new Uruguayan president will exercise a more fresh, pragmatic leadership, one less loaded with ideologies, which has generated expectations in a large part of the population."

A Daniel Buquet, professor of political science at Universidad de la República in Uruguay: "On March 1, a right-wing government entered office in Uruguay after 15 consecutive years of leftist governments. But, unlike those of the left, which were majority party governments, the new executive's party will have only about 30 percent of legislative support, one of the lowest in the country's

history. To deal with this situation, the president formed a coalition of five parties, which covers a broad ideological spectrum, from the center to the extreme right. This coalition is also the most fragmented and heterogeneous that has so far ruled the country. The cabinet appointments include names from the ruling party and faction leaders of coalition members, in order to transform the Council of Ministers into a decision-making body at the highest level. The appointments also indicate several stances of public policy. For example, Pablo Mieres of the Independent Party as labor minister indicates dialogue with unions and moderation; Ernesto Talvi of the Colorado Party as foreign minister indicates trade openness and alignment with the regional Lima group; Azucena Arbeleche in the economy ministry indicates a reduction of public spending and market-friendly measures; and Pablo Da Silveira in education indicates a reduction in the autonomy of education subsystems and the promotion of competitiveness. Both Arbeleche and Da Silveira are members of president's party. The government's main challenge in the short term is the reduction of the fiscal deficit, and in the medium term, it is to keep the coalition together, which, due to its ideological heterogeneity and the electoral incentives that will prevail, is destined to disintegrate."

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2020

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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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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](#)