

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Devry Boughner Vorwerk

CEO,
DevryBV Sustainable Strategies

Joyce Chang

Global Head of Research,
JPMorgan Chase & Co.

Paula Cifuentes

Director of Economic & Fiscal Affairs,
Latin America & Canada,
Philip Morris International

Marlene Fernández

Corporate Vice President for
Government Relations,
Arcos Dorados

Peter Hakim

President Emeritus,
Inter-American Dialogue

Donna Hrinak

Senior VP, Corporate Affairs,
Royal Caribbean Group

Jon E. Huenemann

Former Corporate and
Government Senior Executive

James R. Jones

Chairman,
Monarch Global Strategies

Craig A. Kelly

Senior Director, Americas
Int'l Gov't Relations, Exxon Mobil

John Maisto

Director, U.S. Education
Finance Group

Nicolás Mariscal

Chairman,
Grupo Marhnos

Thomas F. McLarty III

Chairman,
McLarty Associates

Beatrice Rangel

Director,
AMLA Consulting LLC

Jaana Remes

Partner,
McKinsey Global Institute

Ernesto Revilla

Head of Latin American
Economics, Citi

Gustavo Roosen

Chairman of the Board,
Envases Venezolanos

Andrés Rozental

President, Rozental &
Asociados

Shelly Shetty

Managing Director, Sovereigns
Fitch Ratings

FEATURED Q&A

What is Fueling the Growth of Mexico's Money Transfers?



Mexico's level of remittances rose 10.5 percent in the first half of this year, an unexpected increase, according to the country's central bank. // File Photo: Pixabay.

Q Remittances to Mexico rose unexpectedly by 10.5 percent in the first half of this year, according to the country's central bank. Between January and June, Mexicans sent home approximately \$19 billion, as compared to \$17.25 billion in the first half of last year, despite record job losses due to the coronavirus pandemic in the United States, the source of most money transfers. What are the main factors driving remittances to Mexico? Will the growth continue in the second half of this year? How important are remittances to Mexican households and to the businesses that operate there?

A Jonathan Heath, deputy governor at the Bank of Mexico: "Given the strong seasonal pattern of family remittances from the United States to Mexico, it is better to examine them over a 12-month flow; in June, this flow reached a record high of \$37.9 billion, following an almost uninterrupted upward trend over the past seven years. In 2019, remittances represented a record high of 2.9 percent of GDP. Continued growth of this flow, coupled with the sharp contraction in economic activity expected for 2020, could push remittances to a new record for the year, as high as 3.8 percent of GDP. Remittances are an important complement for lower-income families, especially in certain regions of the country, where flows can represent more than 10 percent of a state's GDP. In 2009, remittances fell sharply, in line with the high unemployment rate of almost 13 percent registered in the United States among the Hispanic-Latino population. This year, remittances have continued to grow in spite of the same segment registering

Continued on page 2

TODAY'S NEWS

POLITICAL

U.S. Offers \$5 Mn Reward for Leader of Colombia's ELN

The U.S. State Department is offering a \$5 million reward for information leading to the arrest or conviction of Wilver Villegas Palomino, a leader of Colombia's National Liberation Army, or ELN, rebel group.

Page 2

ECONOMIC

Ecuadorian Court Allows Cuenca Mining Vote

Ecuador's Constitutional Court said it approved an application from the Cuenca City Council to hold a referendum on mining activities that could affect the city's water sources.

Page 3

POLITICAL

Bogotá Mayor Lifts Most Quarantine Rules in City

Bogotá Mayor Claudia López said she is lifting most of the Colombian capital's quarantine measures that are aimed at curbing the spread of the novel coronavirus.

Page 2



López // File Photo:
@ClaudiaLopez via Twitter.

POLITICAL NEWS

U.S. Offers \$5 Million Reward for Leader of Colombia's ELN

The U.S. government on Monday offered a \$5 million reward for information leading to the arrest or conviction of Wilver Villegas Palomino, a leader of Colombia's National Liberation Army, or ELN, rebel group. Villegas, a senior leader of the ELN, has been indicted in federal court in the Southern District of Texas on charges of narcoterrorism, one count of international cocaine distribution conspiracy and one count of international cocaine distribution, according to a statement by U.S. Secretary of State Mike Pompeo. "The United States values its partnership with Colombia and we will continue to strengthen U.S.-Colombian law enforcement information sharing and capacity building efforts which help disrupt and dismantle transnational criminal organizations operating in the region," Pompeo said. The State Department is offering the reward under its Narcotics Rewards Program, which it has

successfully used in cases against more than 75 drug traffickers since the program started in 1986, the State Department said. It added that more than \$130 million has been paid out from the reward program since then. Negotiations between Colombia's government and the ELN stalled after President Iván Duque took office in 2018. His predecessor as president, Juan Manuel Santos, signed a peace agreement with the larger Revolutionary Armed Forces of Colombia, or FARC, rebel group in 2016. [Editor's note: See related [Q&A](#) in the April 10 issue of the Advisor.]

U.S. Announces New Sanctions Against Venezuela, Iran

U.S. Secretary of State Mike Pompeo on Monday announced new sanctions against the Iranian defense ministry and also against Venezuela for its support of Iran's missile programs, UPI reported. The sanctions target Venezuelan President Nicolás Maduro for working with Iran to "flout the U.N. arms embargo" against Iran, Pompeo told reporters. "Our actions today are

NEWS BRIEFS

Bogotá Mayor Lifts Most of City's Strict Quarantine Measures

The mayor of Bogotá said Monday that she will lift most of the strict quarantine measures aimed at curbing the spread of the deadly novel coronavirus that were put in place in March, Reuters reported. Starting today, rules governing when people can shop or visit banks in the Colombian capital will be lifted. "If we maintain these bio-security rules, we can enjoy this new normality with more socializing, more activities and more work," Mayor Claudia López said in a video posted on Twitter, referring to the use of face masks and social distancing.

U.S. to Allow More Sugar Imports From Brazil: Bolsonaro

Brazilian President Jair Bolsonaro announced Monday that the United States has agreed to expand how much sugar the South American country can export there, Folha de S.Paulo reported. In a message on social media, Bolsonaro said Brazil will be able to export 80,000 more metric tons of sugar to the United States under the plan. In exchange, Brazil will allow more U.S. ethanol into the country, said Bolsonaro, Reuters reported. [Editor's note: See related [Q&A](#) in the Aug. 28 issue of the weekly Energy Advisor.]

Banco Bradesco Eying Spinoff of Agora Brokerage Unit

Brazil's Banco Bradesco is considering a spinoff and public listing of Agora, its brokerage unit, Reuters reported Monday, citing a note by Goldman Sachs to its clients. The note said investor relations executives at Bradesco, Brazil's second-largest private-sector lender, unveiled the plans in a video conference. The spinoff is planned before the end of the year, said Bradesco's investor relations officer.

FEATURED Q&A / Continued from page 1

a record 18.9 percent unemployment rate. A few hypotheses have been suggested to explain this unexpected behavior, although the most plausible one is that a good part of the unemployed were able to keep sending remittances thanks to the extended unemployment benefits and the CARES Act payments. If this is the case, we should expect remittances to slow down in the upcoming months as these programs expire."

A Manuel Orozco, director of the Center for Migration and Economic Stabilization at Creative Associates International: "The 10 percent volume growth to Mexico may appear astronomically high insofar as it reflects an increase at a time when most countries have experienced negative growth. The reasons for the increase, however, are

twofold. First, 6 percent more Mexican migrants sent money, increasing the number of person-to-person transactions to 7.9 million (up from 7.5 million). Second, there is a slight increase of 4 percent in the average amount remitted, from \$320 to \$340. These increases relate to shifts in the use of online money transfers during the Covid-19 crisis. For one, most online remittance service providers reported growth in their transactions of more than 100 percent, while after six months, cash-to-cash money transfer operators registered growth of less than 5 percent. The market share of digital or online remittance companies increased from 37 percent to 45 percent during this period, and these companies typically have migrants sending a higher amount than other service providers. In addition, unlike other nationalities, a smaller share (60 percent-70 percent)

Continued on page 4

a warning that should be heard worldwide," said Pompeo. "No matter who you are, if you violate the U.N. arms embargo on Iran, you risk sanctions." In a statement, the State Department said Iran "poses a unique threat to the world," calling it "the world's leading state sponsor of terrorism and anti-Semitism." Pompeo also announced sanctions that target Hamid Reza Ghadirian, a group director in the Atomic Energy Organization of Iran, and Ahmad Ashhari Shivai, head of the Iran Centrifuge Technology Company, CNBC reported.

ECONOMIC NEWS

Ecuadorian High Court Allows Cuenca Mining Referendum

Ecuador's Constitutional Court announced Monday it had approved an application from the Cuenca City Council to hold a referendum on large-scale and medium-scale mining activities within the five water sources of the city, El Mercurio reported. "It has been a dream of Cuencans for so many years to be allowed, through popular consultation, to determine the future protection of our water sources," Cuenca Mayor Pedro Palacios told reporters. Participation in the referendum on mining will be mandatory. Cuenca is home to several mining projects already, including Loma Larga, a gold mine that has been operated by Canada's INV Metals since 2012. In a statement issued Monday, INV Metals praised the Constitutional Court's ruling, saying it upheld the rights of mining concession holders already operating within Ecuador. "Any referendums relating to mining activities would only apply to future mining rights that are not yet granted and may not be retroactively applied to concessions granted prior to the referendum," the statement said. "Therefore, the lawful rights of the company have been solidified by the Constitutional Court decision announced today." Critics of the referendum process have said it could add unpredictability to project planning and would deter foreign investment in the country's mining sector.

BUSINESS NEWS

Mexican Court Unfreezes Accounts of Libre Abordo

A court in Mexico has unfrozen the accounts of Libre Abordo, a local company that the United States blacklisted for trading with Venezuelan state oil company PDVSA, Reuters reported Sunday, citing Mexico's anti-money-laundering unit. In a statement, the Financial Intelligence Unit (UIF) said it disagreed with the court's decision to unfreeze Libre Abordo's accounts, adding that it was appealing the ruling. Late last year, Libre Abordo and a related company, Schlager Business Group, signed an agreement to trade in Venezuelan crude and fuel in return for corn and water trucks from Mexico. The companies said the agreement did not violate sanctions that the United States imposed on Venezuela in January 2019. The U.S. Treasury responded to the deal by slapping sanctions on the two companies in June, saying they were

helping Venezuelan President Nicolás Maduro's government evade sanctions, Reuters reported. The next day, the UIF froze the accounts of the two companies. "The UIF demonstrated to the court that the accounts were blocked due to a request for international assistance, cooperation and collaboration made by the Office of Foreign Assets Control (OFAC) of the U.S. Treasury," the Financial Intelligence Unit said in a statement after the Mexican court unfroze the accounts. It added that the judge's order violated Mexico's international obligations. Libre Abordo, which said in June that it was asking attorneys to evaluate the U.S. Treasury's decision on the sanctions, said the penalties are wrongly connecting the company to entities that are unrelated to it. In May, Libre Abordo said it was declaring bankruptcy after it incurred \$90 million in losses following what it said was "excessive" pressure from the United States. It said it had suspended trading with Venezuela. Libre Abordo and Schlager declined to comment to Reuters on the court decision, and the court did not respond to the wire service's request for comment. [Editor's note: See related [Q&A](#) in the Aug. 21 Advisor.]

JOB POSTINGS

EDITOR'S NOTE: We are pleased to share Latin America-related job postings that companies reading the Advisor and others have posted recently.

World Bank, International Finance Corporation.: Director, Latin America and Caribbean

Citigroup: Assistant Vice President, Latin America Controls and Compliance

Citrix: Vice President, Latin America and Caribbean

Mitsubishi Power Americas: Senior Director, Government Relations

International Center for Research on Women (ICRW): Senior Gender Advisor, Economic Development & Private Sector Engagement

National Democratic Institute for International Affairs (NDI): Program Assistant, Latin America and the Caribbean

Economist Intelligence Unit: Analyst, Latin America and Caribbean

Pan-American Development Foundation: Coordinator

FEATURED Q&A / Continued from page 2

of Mexican migrants have traditionally remitted. However, as they have stayed longer, the number of remitters has increased, showing progressive growth since 2005. The Covid-19 crisis has increased that number to 80 percent of all Mexican migrants. In addition, other cross-border migrant workers who have stayed on the U.S. side have performed cash transfers to their families instead of returning with money themselves."

A **Mario Trujillo, chairman, president and CEO of DoEx Dollar Express:** "Remittances to Mexico in 2020 so far have been performing above historical growth trends, but the first six months of the year were not all the same. The first quarter was exceptionally positive when, as a result of Covid-19, the peso hit more than 25 pesos per U.S. dollar at one point in March, and that drove many Mexicans to send increased amounts (some likely from savings) and send more often to take advantage of the exchange rates. April was relatively weak, and May and June reflected strong year-over-year growth. As the United States struggles with the pandemic, Latin America in general has been devastated. With poor health care infrastructure and already weak economies prior to Covid-19, the impact on the region will be immense and long lasting. Mexico has fared better than many other Latin American countries, as Mexicans in the United States disproportionately work in agriculture, food processing and other similar industries that have remained largely open. In the longer term, these double-digit remittance growth rates are not sustainable with increased and long-lasting unemployment trends in the United States that may take years to recover. In the meantime, our customers, who are mostly frontline workers, have proven to be very resilient in continuing to work or finding alternative employment enabling them to continue to send remittances. The need to receive remittances back home is ever more essential. Mid to long term, these macroeco-

omic conditions will increase migration to the United States from Latin America."

A **Michelle DiGruttolo, senior managing director, and Miyako Yerick, senior associate, at Ankura Consulting Group:** "Remittances to Mexico in the first half of the year saw an unexpected increase, possibly as a result of the unemployment boost from the CARES Act. Further growth is unlikely in the second half of the year. Experts project Mexico's GDP to fall by 10 percent this year, continuing the plunge into recession. Mexico does not have a federal unemployment program, and more than 50 percent of workers are now in the informal sector. Documented Mexican families in the United States have access to higher salaries, a social safety net of health insurance and unemployment insurance. The influx of remittances, and the importance they have in keeping families out of poverty, highlight the insufficient national safety net and the resulting tenuous hold on social stability in Mexico. However, as additional unemployment insurance from the CARES Act expires and the U.S. jobless rate increases, it will negatively affect the aggregate amount of the remittances Mexicans and Central Americans can send home. Absent remittance income, Latin Americans may start putting pressure on their governments for more social services, which will likely require tax reforms and could increase the costs of doing business. If Joe Biden wins the upcoming election and Latin American economies are still reeling at the beginning of 2021, we may see an influx of migrants attempting to enter the United States to work. This would put pressure on the United States to reconsider and prioritize its foreign and aid policies toward the region."

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

LATIN AMERICA ADVISOR

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

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gene.kuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org



Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Michael Camilleri, Director, Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Héctor Castro Vizcarra, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbein, Director, Education Program
Peter Hakim, President Emeritus
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia and Latin America Program
Manuel Orozco, Senior Fellow
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Mateo Samper, Nonresident Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development, External Relations & Special Projects

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

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.