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FEATURED Q&A

What's Driving New U.S. Restrictions on Cuba Activity?



In addition to travel restrictions on U.S. citizens, the administration of U.S. President Donald Trump has also blocked the import of cigars and rum from Cuba. // File Photo: Marcus61 via Pixabay.

Q U.S. President Donald Trump recently announced new restrictions that will prohibit U.S. travelers from staying at properties owned by the Cuban government, as well as block the import of Cuban cigars and liquor. What motivated the Trump administration to draw up the new rules, and how significant are they? In what ways will they affect Cuba's economy, its citizens and the Communist government's hold on power? Will Trump's clampdown on Cuba, the latest in a string of reversals over the past four years of the Obama-era loosening of restrictions related to the island, help achieve U.S. goals with the country and in the region more broadly?

A **Angela Mariana Freyre, principal at Squire Patton Boggs and former special advisor for Cuba policy at the U.S. National Security Council:** "The new measures are the continuation of an electoral strategy to win Florida, which the president won by a very narrow 1.2 percent margin in the last election and where he is currently trailing Vice President Biden in the polls. Given that there is no travel to Cuba during this pandemic, the significance of the hotel/rum/cigar/travel prohibitions is primarily symbolic and calculated for domestic political effect. In a post-pandemic Cuba, the prohibitions will have some negative impact on Cuba's economy, people and government as a result of the lack of revenue. That said, to be removed from the restricted list, a hotel could be sold to foreign investors thus transferring title away from the Cuban government and becoming available to U.S. travelers. Also, rentals of private rooms and residences would see an increase in activity and have a beneficial effect on the growing class of self-employed in

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TODAY'S NEWS

ECONOMIC

Latin America Loses 34 Mn Jobs

The International Labor Organization's latest count of jobs lost in Latin America is more than double its previous estimates, set in early August, that 14 million jobs had been lost in the region.

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ECONOMIC

Peru to Allow Some Int'l Flights

President Martín Vizcarra announced that his government will allow international flights to seven countries starting next week. The flights have been halted for months due to the coronavirus pandemic.

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Bolsonaro Lashes Out at Biden Over Debate Remark

Brazilian President Jair Bolsonaro attacked U.S. presidential candidate Joe Biden for saying in Tuesday's presidential debate that the South American nation would suffer "significant economic consequences" if devastation of the Amazon rain forest continues.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Brazil's Bolsonaro Lashes Out at Biden Over Debate Remark

Brazilian President Jair Bolsonaro on Wednesday attacked U.S. presidential candidate Joe Biden for saying in Tuesday's presidential debate that the South American nation would suffer "significant economic consequences" if devastation of the Amazon rain forest continues under his presidency, the Associated Press reported. "The greed that some countries have over the Amazon is a reality," Bolsonaro said on Twitter. "But the confirmation by someone who is fighting for the command of his country clearly signals that he wants to give up a cordial and profitable coexistence." The far-right Bolsonaro, who has repeatedly alleged



Biden // File Photo: Biden Campaign.

that foreign entities are trying to take over the Amazon, also labeled Biden's comments as "disastrous and gratuitous." Biden said during Tuesday's debate with U.S. President Donald Trump, an ally of Bolsonaro, that he would work with international partners to raise \$20 billion for Brazil to stop Amazon deforestation. The Trump administration has been relatively quiet amid an unprecedented international outcry over the Amazon. Deforestation in Brazil's Amazon rose 34 percent between July 2019 and the same month this year, Brazil's official period for measuring deforestation, according to preliminary statistics from government space research agency Inpe, Reuters reported this week. Bolsonaro has found a supporter in Trump despite international pressure from traditional U.S. allies in Europe to take action

to prevent the Amazon's destruction. The president's son, Federal Deputy Eduardo Bolsonaro, has made frequent trips to Washington, sometimes wearing a hat with Trump's slogan, "Make America Great Again," and in a recent tweet endorsed Trump for president in this year's election, Foreign Policy reported.

ECONOMIC NEWS

Latin America Loses 34 Million Jobs

The U.N.'s International Labor Organization said Wednesday that at least 34 million jobs have been lost in Latin America due to the coronavirus pandemic, the Associated Press reported. The ILO urged countries in the region to adopt "immediate strategies" to deal with the problem. The count was more than double the ILO's previous estimate, set in early August, that 14 million jobs had been lost in the region. The ILO figures are based on data from nine countries which account for 80 percent of the region's workforce. The ILO lists Latin America and the Caribbean as the worst-hit region in the world in terms of lost working hours, with a drop of 20.9 percent in the first three quarters of the year, compared to an average of 11.7 percent worldwide. Most employment in Latin America is concentrated in the service sector, which is typically more informal and has higher self-employment rates, the World Bank said in a report published this week. "The economic impact of Covid-19 is unprecedented in size and scope. It has quickly evolved from a health emergency into an employment crisis," its authors wrote. "The accelerated transformation of jobs calls for a rethinking of labor regulations and social protection policies geared towards wage earners employed in the formal sector of the economy," they added. In Brazil, South America's largest economy, the unemployment rate reached an unprecedented 13.8 percent in the quarter ending in July, Folha de S.Paulo reported Wednesday, citing new data from the state-run Brazilian Institute of Geography and Statistics, or IBGE. Experts worry that some countries of Latin America and

NEWS BRIEFS

Peru to Allow Some Round Trip International Flights

Peruvian President Martín Vizcarra announced Wednesday that his government will allow international flights to seven countries starting next week, El Comercio reported. The flights have been halted for months due to the coronavirus pandemic. At a press conference at the government palace, the president said 11 destinations in seven Latin American countries had been approved for round-trip travel: Colombia, Ecuador, Panama, Paraguay, Uruguay, Bolivia and Chile.

Migrant Caravan Gathers in Honduras, Heads North

Hundreds of migrants began walking Wednesday night from a city in northern Honduras toward the Guatemalan border, Telemundo reported. Calls on social media to begin a new migrant caravan from the San Pedro Sula bus station on Oct. 1 had been circulating for weeks. Guatemala reopened its borders in September after closing them for months to curb Covid-19 infections. Groups of migrants moving north toward the United States captured headlines last year as they clashed with border authorities in countries along the route.

Coca-Cola Moves South America Headquarters to Brazil From Argentina

Atlanta-based beverage company Coca-Cola is moving its Southern Cone headquarters from Argentina to Rio de Janeiro, La Nación reported Wednesday. The company has offered a voluntary retirement plan for those executives not wishing to make the transfer to Brazil. The company will seek to hire a Brazilian national to manage the new office, according to the report. Luisa Ortega, who currently runs the Buenos Aires office, will now work in Central America. The company says it will continue to operate in Argentina.

especially in the Caribbean will suffer a decade of historically high debt burdens as a consequence of social program spending needed to support jobless citizens through the pandemic. [Editor's note: See related [Q&A](#) in yesterday's issue of the Advisor.]

BUSINESS NEWS

UBS, Banco do Brasil Launch New Bank

Switzerland-based UBS and state-run Banco do Brasil today unveiled the new name of their strategic partnership in South America as well as its executive leadership team. In a joint statement, the companies said UBS BB Investment Bank will provide banking services in Brazil, Argentina, Chile, Peru, Paraguay and Uruguay. Based in São Paulo, Daniel Bassan, formerly the head of global banking for Brazil at UBS, will serve as chief executive officer. UBS holds a 50.01 percent ownership stake in the company, and Banco do Brasil holds 49.99 percent.

Argentine Mobile Payments Startup Opens in Mexico

Argentina's Ualá, a mobile payments startup, is launching its prepaid card operations in Mexico, Bloomberg News reported Tuesday. Ualá's founder and chief executive officer, Pierpaolo Barbieri, has been planning to set up operations in Latin America's second-largest economy for 18 months, with more than 100 employees now working on the launch, according to the report. Ualá, which has issued 2 million prepaid cards in Argentina since it started operating in 2017, has set a goal to sign up 30,000 new users in Mexico by year-end. The company is backed by early investors George Soros and Point72 Ventures, as well as more recent investments by Tencent Holdings and SoftBank Group.

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Cuba. Coupled with further restrictions on remittances, it is clear that the president has no concern for the Cuban people or Cuban-Americans who aid their families in Cuba. The pandemic, coupled with U.S. sanctions, has been particularly hard on the Cuban people, creating food shortages and other challenges, the effects of which have been partially mitigated by Cuban-Americans and U.S. humanitarian organizations engaged in Cuba. Limiting this assistance only hurts the Cuban people. These new policies are a continuation of the failed strategy pursued by U.S. administrations for decades and condemned by the global community. President Obama changed the course of that policy when he normalized relations with Cuba and allowed Americans and Cuban-Americans to engage with the Cuban people and create a new future of U.S.-Cuba relations based on mutual respect and benefit. We need to return to those principles swiftly."

A Frank Calzon, executive director of Center for a Free Cuba:

"Income from tourism, which goes directly to the GAESA and Gaviota military conglomerates, supports repression, the luxurious lifestyle of the Castros and their associates and what the OAS Secretary General has denounced as 'a Cuban army of occupation in Venezuela.' The recent restrictions' impact on the people is not great; if Cuba can pay in cash, it may buy American products. The U.S. embargo targets the regime, not the Cubans. Cuban tobacco farmers suffer a government tobacco monopoly, akin to Spain's during colonial rule. As the ILO has confirmed, Cuban workers enjoy no labor rights, no collective bargaining and no right to strike. A greater impact would occur if the regime lifted the internal blockade of its citizens and released farmers from prison. The treatment of Cubans in the island is not new. Independent farmers are coming together to demand property rights to the land they toil. Trump

has reversed many Obama administration concessions. However, he has not reversed the suspension of the wet foot-dry foot policy, which Raúl Castro obtained from Obama. The regime faces widespread unrest. The Europeans who joined America in the coalition against Nicolás Maduro should deny Havana resources as well. The end of Communism will bring about the end of Marxist agriculture, which resulted in hunger everywhere it was tried. Instead of importing U.S. frozen chicken, Cubans should be allowed to raise and sell their own, as it was done before 1959, just as other products. Havana's support for violence and mayhem throughout the region also would end. A prosperous democratic Cuba will not generate unregulated migration. A democratic Cuba will oppose all tyrannies at the United Nations."

A Lenier González, fellow at the Inter-American Dialogue and co-founder of Cuba Possible:

"These new measures, as well as those previously taken by the Trump administration, have at least two objectives. First, they want to satisfy sectors of the Cuban-American electorate settled in Florida. I wonder: why do they consider it ethical to obtain votes in Miami at the cost of the suffering of the immense majority of the Cuban people? Second, the administration has sought at all costs to block the entry of international currencies into Cuba in order to generate discontent and create conditions for an eventual 'popular outbreak' on the island. The concrete result of this policy, applied in the middle of a pandemic, and together with the known structural deficits of the Cuban economy, has caused a growing and dramatic deterioration of the living conditions of the Cuban people, a logical entrenchment by the authorities and increased government pressure on civil society actors. The Trump administration's actions could not be more counterproductive with respect to the strengthening of U.S. influence on the island. The broad ties and growing

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influence that the Obama administration managed to build through its diplomatic team in Havana—with the government and with the entire spectrum of civil society, the opposition, the more dynamic and empowered emerging sectors and the Cuban people in general—was destroyed by the actions of the current administration. Despite the defensive attitude that the Cuban government has assumed since 2016 regarding Obama's policies, this type of bilateral relationship continues to be the most plausible path for relations between the two countries, and the one that shows the most convergence with respect to the interest of both Cuban and U.S. citizens."

A **Lawrence Ward, partner at Dorsey & Whitney:** "According to President Trump, last week's sanctions were part of his administration's continued fight against Communist oppression. For the past year or so, that fight has been laser-focused on China—it is somewhat surprising that the Trump administration shifted focus to Cuba, which generally is not regarded as the same level of national security threat. The timing of the sanctions strongly suggests that President Trump was hopeful that the sanctions would bolster his support among the Cuban-American population in Florida. This latest round of sanctions continues to 'roll back' the Obama administration's efforts to normalize relations with Cuba. However, most of the travel general licenses that led to an influx of U.S. visitors to Cuba were abandoned more than a year ago by the Trump administration. That rollback was fairly significant because it meant that U.S. persons could visit Cuba for a very narrow set of activities. Any funds flowing to the Cuban government from U.S. visitors essentially ceased at that time. Because the Cuban government owns nearly all of the hotels there, the new sanctions further limit U.S. travel to Cuba since visitors will have few options for lodging. Additionally, the U.S. travel industry—which has been battered in recent months by the pandemic—will be hurt since travel service providers

will be able to support fewer types of travel to Cuba. It is hard to understand how these new sanctions will have any serious impact on Cuba's economy, its citizens or the Cuban government's power. To be sure, less U.S. money will flow into Cuba. Nevertheless, few U.S. persons are traveling right now or in upcoming months because of the pandemic. The United States is essentially alone in its stance as to Cuba. European and Asian travelers are free to go to Cuba for tourism purposes. There is little reason to think that the Cuban government will be motivated by these latest sanctions to try to normalize relations with the United States."

A **Anya Landau French, senior policy advisor in the Cuban practice group at Akin Gump:** "The Trump administration's new restrictions on travel to Cuba will not immediately affect Cuba, but they are expected to energize hardline Cuban-American voters to turn out to vote for President Trump. Once the Covid-19 pandemic is under sufficient control that travel to Cuba may resume at all, some would-be U.S. travelers will manage to adjust their lodging to stay in private homes. But for capacity, access and other reasons, many others will simply postpone their travel altogether. Because of the U.S. traveler's tendency to seek out Cuban entrepreneurs for transportation, meals and guide services during their stays, the lodging change and elimination of the general license for many group trips from the United States will further harm an already crippled private sector in Cuba if they continue beyond the pandemic. Given Cuba's ongoing financial difficulties, which have been magnified by the pandemic's impact on Cuban tourism, every source of income loss adds up. The restrictions will no doubt be felt by the Cuban government. But at this point, the administration is running out of means to further squeeze the Cuban government, if in fact doing so might have achieved the stated goals of the administration. In reality, the Cuban embargo long ago ceased to be an instrument of U.S. foreign policy."

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
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