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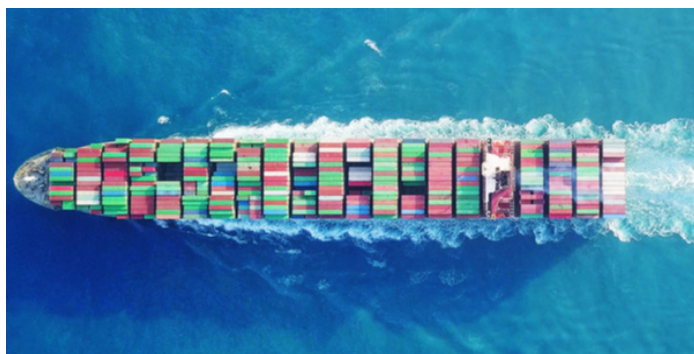
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FEATURED Q&A

How Can the Blue Economy Help the Caribbean Recover?



Sustainable use of ocean resources holds promise for the economies of the Caribbean, the World Bank said in a recent report. A container ship is pictured above. // File Photo: World Bank.

Q The Caribbean is better positioned than any other region in the world to take advantage of the “blue economy,” Valerie Hickey, a practice manager at the World Bank, said this month. The blue economy, which the multilateral lender describes as the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, has only now begun to take hold among countries in the region, she added. What opportunities would a focus on the blue economy bring to the Caribbean, and what are some possible obstacles standing in the way? What else can Caribbean nations do to snap back from recession, both individually and as a region, and what tools are at their disposal to finance their recoveries? How can the region’s countries diversify their economies, and which sectors should they invest in to become more resilient to external factors?

A Ronald Sanders, ambassador of Antigua and Barbuda to the United States and the Organization of American States: “For Caribbean countries to take advantage of the ‘blue economy,’ the sea making up their exclusive economic zone (EEZ) has to be mapped to determine the resources it has, including minerals. Caribbean countries must also complete maritime boundaries to avoid future conflicts and, at least, preliminary resource-sharing agreements should be reached where resources could overlap. Without knowing what their EEZs have, Caribbean countries cannot seek private-sector partners, whose capital and know-how will be needed. Investors would also be reluctant to invest without clear boundaries. Mapping requires money beyond the

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TODAY'S NEWS

POLITICAL

Ex-Mexican Defense Chief Accused of Taking Drug Money

U.S. prosecutors allege former Mexican Defense Minister Gen. Salvador Cienfuegos took bribes from a drug cartel. Cienfuegos was arrested last week.

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BUSINESS

Judge Rules Creditors Have Claims Over Citgo

A U.S. judge ruled that creditors of Venezuelan state oil company PDVSA have claims over the firm’s U.S.-based refiner, Citgo. The ruling could threaten the Venezuelan opposition’s control of Citgo.

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POLITICAL

Arce Appears to Win Outright Victory in Bolivia

Luis Arce, the candidate of leftist former President Evo Morales’ MAS party, appeared to have won a first-round victory without the need for a runoff in Sunday’s presidential election.

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Arce // File Photo: Arce Campaign.

POLITICAL NEWS

Arce Appears to Win Outright Victory in Bolivia Election

Luis Arce, the candidate of leftist former Bolivian President Evo Morales' Movement Toward Socialism, or MAS, party, appeared to win an outright victory in the country's presidential election on Sunday, according to an exit poll, La Razón reported. Arce and his running mate, David Choquehuanca, appeared before supporters, and Arce declared victory. "We are going to govern for all Bolivians, we are going to build a government of national unity, we are going to build unity in our country, throughout this day we are recovering certainty," said Arce. According to a quick count, pollster Ciesmori said Arce, a former economy minister under Morales, appeared to have won 52.4 percent of the vote. That percentage would be enough for Arce to avoid a runoff. In a distant second was former President Carlos Mesa, the top finisher of four other candidates, who appeared to have garnered 31 percent of the vote, the Associated Press reported. Interim President Jeanine Áñez, a political rival of Arce, said in a posting on Twitter that the leftist candidates appeared

to have won. "We do not yet have an official count, but from the data we have, Mr. Arce and Mr. Choquehuanca have won the election. I congratulate the winners and ask them to govern with Bolivia and democracy in mind," said Áñez. The election was a re-do of the country's October 2019 vote, which was marred by claims of fraud and resulted in Morales' resignation and self-exile. He first went to Mexico and now lives in Argentina. In a tweet early today, Morales celebrated Arce's apparent victory and said his party also appeared to win majorities in both chambers of the Legislative Assembly.

Ex-Mexican Defense Chief Accused of Taking Drug Money

Former Mexican Defense Minister Gen. Salvador Cienfuegos allegedly accepted bribes from a drug cartel in exchange for allowing it to ship tons of drugs, including cocaine, to the United States and also is accused of using his position to transmit information about investigations to organized crime leaders, according to an indictment unsealed on Friday, The Wall Street Journal reported. Cienfuegos, 72, was arrested last Thursday after he and family

NEWS BRIEFS

Protesters Set Fires, Loot Stores in Santiago Ahead of Vote on Constitution

Protesters in the Chilean capital of Santiago set fire to two churches, looted stores and confronted police on Sunday, a year after massive, months-long anti-government demonstrations unleashed and a week before the country is to hold a referendum on whether to rewrite its dictatorship-era constitution, The Wall Street Journal reported. Santiago's archbishop and the government of President Sebastián Piñera condemned the attacks. [Editor's note: See related [Q&A](#) in the Oct. 9 issue of the Advisor.]

Costa Rica to Open Borders to Tourists From Around the World Nov. 1

Costa Rica will open its borders to tourists from all over the world starting Nov. 1, Tourism Minister Gustavo Segura announced last Friday, the Tico Times reported. To be allowed into the country, visitors will have to purchase travel insurance and present a negative Covid-19 test taken 72 hours before departure. The changes to restrictions apply only to the country's air borders, and its land borders with Panama and Nicaragua will remain closed.

Florida Unit of Chile's BCI Completes Acquisition of Executive National Bank

City National Bank of Florida, a subsidiary of Chile's Banco de Crédito e Inversiones, has completed its acquisition of Miami-headquartered Executive National Bank, the South Florida Business Journal reported Friday. The deal was first announced more than a year ago. The terms of the deal were not announced, and a bank representative declined to comment to the newspaper on the purchase price. Executive National Bank, which has \$522 million in assets, has three branches in the Miami area.

FEATURED Q&A / Continued from page 1

region's capacity. External resources will be necessary. The Caribbean now derives limited benefit from the 'blue economy,' particularly in cruise tourism and fisheries. Unequal contracts with major cruise lines, together with rivalry among Caribbean countries, result in the greatest benefits going to the cruise companies. Regarding fisheries, foreign vessels swallow fish from Caribbean waters with impunity. Regional countries lack the power to stop them. The disadvantages in these two areas must be reversed for real benefits to flow to regional states. Caribbean countries should act collectively. Current declines in Caribbean economies, especially the decimation of tourism

earnings, is a consequence of the imported effects of the Covid-19 pandemic. Most Caribbean countries have managed the virus effectively with low death rates and moderate numbers of infected persons. Covid-19 is yet another exogenous shock to the region over which it has no control, and there has been a poor response from the international financial institutions and official lenders, such as the Paris Club. Economic diversification and resilience will be prolonged over decades, unless the international community accepts the harmful effects of many of their policies on the region, including barring many regional nations from concessional finance."

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members landed at Los Angeles International Airport. Cienfuegos, who was Mexico's defense minister from 2012 to 2018 under then-President Enrique Peña Nieto, is the highest-ranking Mexican official ever to have been charged with drug-related offenses. Mexican President Andrés Manuel López Obrador said Cienfuegos' arrest showed that corruption is Mexico's largest problem. "I always said that it wasn't just a crisis, but a decadence that we were suffering from," López Obrador told reporters. Cienfuegos was unavailable to comment to The Wall Street Journal on the allegations, and Mexico's army declined to comment to the newspaper. The indictment, which alleges that corruption is deeply rooted in Mexico's military, claims that Cienfuegos used his position to aid the H-2 drug cartel, which is more commonly known in Mexico as the Beltrán Leyva organization. Cienfuegos was arrested on the request of the U.S. Drug Enforcement Administration and is expected to be transferred from Los Angeles to New York, where the case against him originated, the Associated Press reported. The case is seen as a major blow to Mexico's military, which recent presidents have deployed against drug cartels. Cienfuegos, nicknamed "the Godfather," engaged in direct conversations with the cartel's leader, U.S. prosecutors alleged. López Obrador added that Martha Bárcena, the Mexican ambassador to the United States, told him two weeks ago that there was an investigation involving Cienfuegos, the Associated Press reported. López Obrador also expressed confidence in the Mexican military's current leaders, whom he called "incorruptible." The president added that the current heads of the army and navy are not people Cienfuegos had recommended for their positions.

BUSINESS NEWS

U.S. Judge Rules Creditors Have Valid Claims Over Citgo

A U.S. judge ruled last Friday that creditors of Venezuelan state oil company PDVSA have valid claims over the firm's U.S.-based refiner,

THE DIALOGUE CONTINUES

Does Colombia's Mining Future Lie in Metals Output?

Q **Colombian Mines and Energy Minister Diego Mesa this month said the country's mining future lies in metals and not coal, citing the coronavirus pandemic as intensifying longstanding problems in the coal industry. What issues has Colombia's coal sector been facing, and how have its problems gotten worse? To what extent should the coal-exporting nation increase its focus on metals? What can Colombia do to ensure that the exploitation of metals including gold, copper and nickel is done in the most responsible ways possible?**

A **Gisselle Vila Benites, Ph.D candidate in geography at the University of Melbourne:** "The clean energy transition is an opportunity to diversify Colombia's productive sector. However, while this momentum has accelerated the expiration date of fossil fuels, it remains unclear what a strategy would look like. In this sense, Minister Mesa's observation does not necessarily entail a fossil-fuel economy's immediate discontinuation. To the extent that development policies, the implementation of the peace agreement and now the Covid-19

recovery strategy largely depend on coal and oil-based revenues, it remains unlikely that the government would lead efforts to discourage exploitation in the short term. However, regardless of the fate of fossil fuels, the Colombian government has been trying to create improved conditions for metal-based mining investment for quite some time—at least since the 2001 Mining Code. Among the difficulties to implementing this project are the overlapping mining rights and extraction practices between large-scale mining and small-scale mining, a bottleneck that continues to date: nearly 70 percent of formalization applications overlapped titled areas. Efforts to diversify Colombia's mineral resource portfolio will have to deal with the conflicted coexistence between competing subsoil claims, among other calls to curb large-scale mining from potentially limiting other local economic and development alternatives."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Oct. 16 issue of the Advisor.

Citgo, a decision that could threaten the Venezuelan opposition's control of the country's most valuable foreign asset, The Wall Street Journal reported. U.S. District Judge Katherine Polk Failla in New York ruled that bondholders are entitled to seize and sell the controlling stake in Citgo that Venezuela had put up as collateral in a 2016 debt deal. However, no such transaction can occur under current U.S. sanctions, although creditors have been lobbying the administration of U.S. President Donald Trump for an exemption, unnamed sources told the newspaper. The Venezuelan opposition, which is led by National Assembly

President Juan Guaidó, last October defaulted on \$842 million in principal and \$72 million in interest backed by a 50.1 percent ownership interest in Citgo, Argus Media reported. It also filed a suit to declare the bonds invalid. Since then, the U.S. Treasury Department has issued protection measures barring bondholders from seizing Citgo. "We are working with our allies, especially the U.S. government, to maintain the protection and advance toward a definitive preservation of Citgo for all Venezuelans," the Guaido-led faction of the opposition said in a statement, adding that it was considering an appeal.

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A **Scott MacDonald, chief economist at Smith's Research & Gradings and senior associate at the Center for Strategic and International Studies (CSIS):** "Covid-19 probably has done more damage to Caribbean economies than a bad hurricane season. Real GDP growth rates, with the exception of Guyana, have plummeted, unemployment has increased, and some governments have gone to the IMF for help. The global pandemic has pointed to weaknesses in many Caribbean economies, in particular the heavy dependence on external factors such as European and North American tourists as well as imported food, medical supplies and other goods. What will it take for the Caribbean to recover? The following are essential: a vaccine, sustainable North American and European economic recoveries and greater diversification of local economies. The last is important. The Caribbean can do more to feed itself (which would help reduce food security worries), deal with climate change challenges (such as rising sea levels and extreme weather events) and find new means of employment. Key to reactivating the Caribbean economy is taking advantage of the blue economy, which promotes generating growth by the sustainable use of the oceans. According to a 2012 report by the World Bank, the estimated gross revenues of ocean use in the Caribbean amounted to at least \$407 billion, powered by shipping, mineral resources, tourism and fisheries. The shock from Covid-19 underscores the need for a more unified regional response to develop the blue economy. The Caribbean should more aggressively pursue other options as well—software development, digital assets and pharmaceuticals. In doing so, the Caribbean is well-positioned to take advantage of the decoupling of the U.S. and Chinese economies, which is forcing U.S. multinational companies to look for business locations closer to home. While 2020 will go down as an Annus Horribilis for the Caribbean, 2021 could possibly see the

beginning of a more sustainable eco-friendly long-term trend."

A **Andrea Ewart, CEO of Develop-TradeLaw:** "It makes sense for a region surrounded by water to make sustainable use of those resources for economic growth, improved livelihoods and jobs. However, the challenges facing the Caribbean in taking advantage of the 'blue economy' are the same ones it faces in capitalizing on the 'digital economy,' or in making other advances away from countries' reliance on one primary economic driver—tourism or commodities export. The challenges include high levels of debt, high crime rates and high costs of doing business. These impediments coexist with an educated and talented work force, but entrepreneurs are stymied by the inability to access finance or do so only at a very high cost. Yet, with climate change posing an existential threat to the region, preserving the health of the ocean ecosystem is a matter of life and death to the Caribbean. Partnering with funders, the region could position itself as a thought leader on the blue economy. Small grants can support university researchers and innovators working to develop blue economy approaches and technologies, in particular climate change solutions, renewable energy, sustainable fisheries, waste management and efficient maritime transportation. Their small populations could also provide a real-world lab to explore the most promising innovations. Failures would be contained while successes could be scaled up for larger economies. Yes, the region needs to continue to address its systemic and structural deficiencies. However, a focus on the blue economy creates opportunities that could be pursued despite these challenges, perhaps also creating a way forward on post-Covid recovery."

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

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