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FEATURED Q&A

What Challenges Face Puerto Rico's New Governor?



Puerto Rico's new governor, Pedro Pierluisi, faces a divided legislature and won election with just a third of the vote. // File Photo: Facebook page of Pedro Pierluisi.

Q Pedro Pierluisi took office Jan. 2 as governor of Puerto Rico, promising to help the U.S. territory become a state and also fight poverty, corruption and Covid-19. What are the biggest challenges facing Pierluisi? Will he succeed in achieving his stated goals, particularly given a politically divided legislature and an election victory with just 33 percent of the vote? How well will Pierluisi be able to navigate the territory through its debt restructuring and efforts to attract investment?

A Sila M. Calderón, president of Inter-American Global Links and former governor of Puerto Rico: "The recently sworn-in governor of Puerto Rico, Pedro Pierluisi, has endless challenges ahead. His stated objectives to fight Covid-19, poverty and corruption are right on target. In addition, the new governor has chosen an excellent group as members of his new cabinet in order to achieve his goals. However, getting our island out of bankruptcy is a priority that must also be tackled immediately, so that our good financial credit is restored and so we can go back to the markets. Our debt must be restructured in a fair way to the bondholders and our citizens. Governor Pierluisi, the leader of the New Progressive Party, won with just a 33 percent of the vote. In addition, both chambers of the legislature are led by the opposing Popular Democratic Party. In order to navigate the difficult agenda in the near future, he will need a large dose of negotiating skills. Most importantly, Pierluisi should not follow his announced path of advancing statehood for Puerto Rico. This is an enormously divisive issue on our island that will overshadow and disrupt his other public efforts. The im-

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TODAY'S NEWS

POLITICAL

Mexico to Invoke USMCA to Ensure Vaccinations: Foreign Minister

Mexico will invoke the labor section of its trade agreement with the United States in order to ensure that Mexican immigrants in the United States can be vaccinated against Covid-19, regardless of immigration status, said the foreign minister.

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BUSINESS

Banco do Brasil CEO Reportedly Steps Down

The bank's new CEO, André Brandão, reportedly resigned after angering President Jair Bolsonaro with a restructuring plan.

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POLITICAL

Bolsonaro Has Tried to Sabotage Efforts to Fight Covid: Report

Brazilian President Jair Bolsonaro has tried to sabotage efforts to fight Covid-19, Human Rights Watch said in a report.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Bolsonaro Has Tried to Sabotage Efforts to Fight Covid: Report

Brazil's Supreme Court and other democratic institutions have been forced to step up to slow the spread of Covid-19 and help protect human rights as President Jair Bolsonaro has pursued policies that undermine them, Human Rights Watch said in the Brazil chapter of its yearly report, published Wednesday. "President Bolsonaro has put the lives and health of Brazilians at great risk by trying to sabotage efforts to protect against the spread of Covid-19," Anna Livia Arida, Brazil associate director at Human Rights Watch, said in a statement. "The Supreme Court and other institutions have helped to protect Brazilians and to block many, although not all, of Bolsonaro's anti-rights policies. They need to remain vigilant," she added. Among the detrimental moves by the Bolsonaro administration that Human Rights Watch refers to in its report are anti-rights policies on women's rights and disability rights, harsh criticism of reporters and civil society groups and the weakening of environmental law enforcement, the statement said. It also mentions the federal government's response to Covid-19, with Bolsonaro repeatedly downplaying the severity of the virus, calling it a "little flu" and refusing to order lockdowns and social-distancing measures, Reuters reported. The president's office did not immediately reply to Reuters' request for comment. Bolsonaro has claimed that coronavirus-related lockdowns hurt the Brazilian economy and leave many unemployed.

Mexico to Invoke USMCA Provision to Ensure Vaccinations

Mexico will invoke the labor section of the free trade agreement that it signed with the United States to ensure that its workers in that country can be vaccinated against Covid-19, regard-

less of their legal status in the United States, Mexican Foreign Minister Marcelo Ebrard said Wednesday, the Associated Press reported. "It is a responsibility of each of the countries to guarantee that all workers, independently of their immigration status, receive the vaccine," said Ebrard. Exclusion of Mexican workers from receiving the vaccine would violate the U.S.-Mexico-Canada Agreement, or USMCA, said Ebrard. Immigrant workers' access to the vaccine became an issue following remarks last week by Nebraska Governor Pete Ricketts. "You're supposed to be a legal resident of the country to be working in those plants, so I do not expect that illegal immigrants will be part of the vaccine with that program," Ricketts said when asked whether undocumented immigrants in Nebraska's meat packing plants would be vaccinated. An aide to Ricketts later clarified, saying that immigrants would still qualify for receiving the vaccine, adding that those who are undocumented would receive it after people who are in the country legally, The Washington Post reported last week. "Nebraska is going to prioritize citizens and legal residents ahead of illegal immigrants," Ricketts' communications director, Taylor Gage, said in a tweet. Many undocumented workers are employed in high-risk facilities that are essential to U.S. food supply, say advocates for immigrants. "This virus isn't discriminating based on immigration status," Dulce Castañeda, an organizer with the activist group Children of Smithfield, told The Washington Post in an interview. "It doesn't ask people if they're a citizen, if they're a resident, if they're on a visa. So why would we ask that for vaccines?"

ECONOMIC NEWS

Venezuela to Expand Use of Bank Accounts in Foreign Currency

Venezuela will allow expanded use of bank accounts in foreign currencies, President Nicolás Maduro announced Wednesday in an annual address, Bloomberg News reported. "The open-

NEWS BRIEFS

Cuba Shuts Down Schools, Public Transport Amid Surge in Covid Infections

The Cuban government has again shut down schools, public transport and cultural activities across the island as it undergoes the worst outbreak of the novel coronavirus since the pandemic began, Reuters reported. The Caribbean nation has registered new daily records for the last six days, including 550 new official cases on Wednesday. In the first 12 days of the year, Cuba has already recorded more infections than in the entire month of December. The government has also reduced incoming flights and introduced testing requirements before traveling to Cuba.

November Hurricanes Cost Guatemala \$770 Mn in Losses: Gov't

Guatemala estimates that losses from back-to-back Hurricanes Eta and Iota last November totaled more than 6 billion quetzals (\$770 million), the government said Wednesday, Reuters reported. The storms, which also ravaged through neighboring Honduras and Nicaragua, left at least 61 people dead, 30 others injured and 99 missing in Guatemala, the government said. More than 310,000 people were evacuated in the Central American nation.

Colombia Extending 'Selective' Quarantine Until End of February

Colombia will extend a "selective" quarantine until the end of February, President Iván Duque said during a nightly address on Wednesday, Reuters reported. The government imposed strict lockdowns for the first five months of the pandemic before moving toward a much looser selective quarantine at the start of September, with restaurants open and resumption of international flights. The selective isolation measure was due to expire on Jan. 16.

ing of bank accounts at all levels in convertible currencies, in dollars, is being authorized," he said. The move is the country's latest step toward dollarization, as the use of the U.S. dollar has become increasingly common in the South American country. Venezuela's level of inflation is estimated at 1,858 percent over the past 12 months, during which time the local bolívar notes have become virtually worthless. The hyperinflation has led to an increasing need for hard currency and more use of digital payments. Venezuelan banks can already offer bank accounts in U.S. dollars, but transactions have been limited because there is no clearing system to allow banks to transfer money among themselves by wire, Bloomberg News reported. Maduro's latest proposal would allow debit cards connected to those accounts to be used more widely. Venezuelans would also be able to make payments in bolívares through debit cards linked to dollar accounts.

BUSINESS NEWS

Banco do Brasil CEO Reportedly Resigns After Closures

The recently arrived chief executive officer of state-controlled Banco do Brasil, André Brandão, has reportedly stepped down after announcing an employee buyout program as well as a plan to close hundreds of branches, moves that angered President Jair Bolsonaro, Reuters reported Wednesday, citing television channel Bandnews. Shares in the bank fell 4.7 percent Wednesday after reports that Bolsonaro was considering a replacement for Brandão, who became the bank's CEO last September. The bank hopes that the buyouts and branch closures will save it 2.7 billion reais (\$512 million) by 2025, Reuters reported. In a statement that Banco do Brasil sent to investors, the bank said it would close 361 branches and other offices and offer voluntary severance packages, actions that are expected to lower its number of employees by 5,000, The Rio Times reported.

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mense responsibility of steering Puerto Rico through its intricate way to health, reconstruction, economic development and good credit standing is extremely complicated. The hurdles before the new governor should not be negatively affected by ideological preferences. This is a time to unite Puerto Ricans behind a common endeavor and not to provoke ruptures among them."

A **José J. Villamil, chairman of the board of Estudios Técnicos in San Juan:** "Puerto Rico is not only struggling with the pandemic, but also with an economy that has gone through a prolonged economic contraction, a seriously eroded institutional framework and, of course, the many strings attached to PROMESA. Governor Pierluisi is facing those challenges while facing a not particularly friendly legislature. The fact that he won the governorship with just 33 percent of the vote will require an effort to create alliances along various fronts, and the governor is aggressively doing so. In the short run, Puerto Rico's economic prospects will depend, more than anything else, on being able to achieve disbursement of the obligated reconstruction funds, particularly CDBG-DR and the CDBG-MIT funds. This process has been very slow for two reasons; the lack of capacity to absorb the available funds in Puerto Rico and the very restrictive conditions that the Department of Housing and Urban Development has placed on the disbursement of both funds. Biden's election could remedy the latter by introducing more flexibility in HUD requirements and by Governor Pierluisi insisting on revisions to the action plan that guides the use of CDBG-DR funds. His administration starts out with a major advantage over previous administrations. That is, his economic and reconstruction teams include experienced individuals who have recently been in government. This includes the treasury secretary, the head of the Fiscal Agency and Financial Advisory Authority, the secretary of housing, the head

of the Central Office for Recovery, Reconstruction and Resiliency (COR3) and, in the Department of Economic Development and Commerce, an experienced and respected businessman. One of the administration's objectives has been maintaining continuity in these key areas. The Puerto Rico resident commissioner's strong support for Donald Trump won't help in a Democratic Congress and Biden administration, but this is offset by the fact that the governor is a Democrat with excellent relations in Congress."

A **Sergio M. Marxuach, policy director at the Center for a New Economy in San Juan:** "Governor Pierluisi begins his four-year term under the most difficult conditions faced by a commonwealth governor in 45 years. The first challenge will be to handle the Covid-19 pandemic, including the vaccination of at least two million people,

“ Things get complicated, though, when we get to the restructuring of Puerto Rico's debt.”

— Sergio M. Marxuach

and the pandemic's economic fallout. At the same time, Pierluisi will have to work hard in Washington to unlock funding for the reconstruction of the damages caused by the 2017 hurricanes and the 2020 earthquakes. In general, the political opposition should support these efforts. Things get complicated, though, when we get to the restructuring of Puerto Rico's debt. PROMESA requires the filing of a Plan of Adjustment that, among other things, guarantees the provision of essential government services, reduces the debt to a sustainable level and provides adequate funding for public pensions. Achieving a balance among these objectives that is also acceptable to all political factions in

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Puerto Rico will be difficult. Finally, with respect to status, there is no agreement as to the path forward. The governor wants Congress to abide by the results of the November 2020 referendum, which statehood won by a slim margin. Other political leaders want to call for a constitutional status assembly. Thus, it is unlikely we will see much progress on this front, not only due to the lack of political agreement, but also because we will spend much of 2021 getting vaccinated against Covid-19 and negotiating with bondholders, while concurrently jump-starting both hurricane reconstruction work and a lethargic economy.”

A **Jennice Fuentes, founder and managing partner of Fuentes Strategies:** “Great things are expected from newly installed pro-statehood Governor Pedro Pierluisi. His immediate challenge will be to address urgent domestic needs in multiple areas, including a fiscal and economic crisis made worse by the Covid-19 pandemic. He must balance these priorities with his fervent wish to bring statehood to Puerto Rico in a Congress that is exhausted by developments following last week’s bloody attack. On the Island, the governor is making his own luck from the get-go. His cabinet decisions have demonstrated his intention to build a team that departs from the expected norm. For example, his decision to name former Senator Larry Seilhamer as his secretary of state (and to be his lieutenant governor) was applauded on both sides of the aisle and sends a strong message to the legislature,

where his party lost the majority. Seilhamer, a largely respected pragmatic pro-environment and pro-renewables legislator who recently retired, will be an asset in negotiations with lawmakers. Precisely because he does not have a clear mandate, Pierluisi

“**Precisely because he does not have a clear mandate, Pierluisi will need to govern from the center.**”

— Jennice Fuentes

will need to govern from the center—so far, so good. The newly appointed House and Senate leadership have agreed to publicly commit to legislate by consensus and to join the fight against corruption and for transparency. His well-known competence, work ethic and engaging personality, a far cry from his predecessor, should go a long way to making inroads in his first 100 days and, as a stateside Democrat and former member of Congress as Puerto Rico’s resident commissioner, he is also well-connected in DC circles, which doesn’t hurt. How soon Pierluisi can pivot from the domestic priorities—including debt restructuring and economic development—to the federal will require teamwork, focus and a plan of action that is committed to the long game.”

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

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