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## FEATURED Q&A

# How Could the CAFTA-DR Trade Deal Be Improved?



U.S. President George W. Bush signed the Central America-Dominican Republic Free Trade Agreement on Aug. 2, 2005. // File Photo: U.S. Government.

**Q** This year marks the 15th anniversary since the Dominican Republic–Central America Free Trade Agreement between the United States, five Central American nations—Guatemala, El Salvador, Honduras, Costa Rica and Nicaragua—and the Dominican Republic took effect. What have been CAFTA-DR's most significant contributions to the countries involved? To what extent does the trade pact need to be modernized, and what specific changes could be made to improve it? Is there political will both in the United States and in the Central American and Caribbean nations to revisit the accord, and how likely is a return to the negotiating table in the period ahead?

**A** **Kellie Meiman Hock, managing partner of McLarty Associates:** "The original proponents of CAFTA-DR saw the agreement as a means of supporting stability and economic development in a region of strategic importance to the United States. While there is much left to do in the nontrade realm to enhance rule of law and reduce corruption in Central America, CAFTA-DR has been a significant pillar of U.S. economic development strategy, particularly in the agricultural and textile sectors. However, the agreement has not met its promise of becoming a hub for 'fast fashion' and diverse apparel offerings, primarily due to CAFTA-DR's restrictive rules of origin for apparel. This has limited the agreement's ability to meet its employment potential in the strategically critical Northern Triangle countries of Guatemala, Honduras and El Salvador. To compete with Asian offerings and grow job opportunities, Central American nations must be able to access a broad

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Peru, Mexico Hold Major Elections on Sunday

Voters in Peru will elect a new president on Sunday in a runoff vote between a far-left political newcomer and an establishment candidate. Meanwhile, Mexicans will vote in midterm elections.

Page 2

### ECONOMIC

## Argentine Farmers in Talks With Gov't Over Meat Exports

Argentine meat producers will continue talks with the government aimed at lifting the one-month suspension of beef exports that was declared in mid-May.

Page 3

### POLITICAL

## U.S. Announces Vaccine Rollout in Latin America

U.S. Vice President Kamala Harris spoke Thursday morning to the leaders of Mexico, Guatemala, India and Trinidad & Tobago about plans to ship six million doses of Covid-19 vaccines to Latin America and the Caribbean in coming weeks.

Page 2



Harris // File Photo: U.S. Government.

## POLITICAL NEWS

## Peru Candidates Hold Final Rallies Before Election

Peruvian presidential candidates Pedro Castillo and Keiko Fujimori held rallies on Thursday to close their official election campaigns ahead of Sunday's runoff vote, El Comercio reported. Fujimori, 46, the candidate from the center-right Perú Libre party, led a rally in downtown Lima, while Castillo, a leftist with the Fuerza Popular party, met supporters south of the city center. People attending both rallies largely disregarded health regulations on mask wearing and minimum social distancing, despite an official emergency declared due to the pandemic, El Comercio reported. By law, starting today the candidates are prohibited from holding political meetings or demonstrations and as of tomorrow must suspend media interviews through Sunday's vote. Although Thursday's rallies were reportedly well attended by enthusiastic crowds, more than half of Peruvians have said they do not support either candidate in the race. Because so many candidates made the first-round presidential ballot in April, Castillo and Fujimori did not win a third of the votes, Deutsche Welle reported. Castillo is a socialist public school teacher and activist with no experience in government who came onto the political scene just a few years ago. Meanwhile Fujimori, the neoliberal daughter of imprisoned former authoritarian President Alberto Fujimori, is running a third time for the office. Although Castillo's stance on nationalizing key sectors of the economy such as the critical mining industry has softened since the first round of voting, he remains committed to rewriting the constitution that was approved under Alberto Fujimori, the Associated Press reported. Castillo's rivals have compared his leftist policies to communism, saying he threatens to turn Peru into another struggling socialist state such as Venezuela or Cuba. More than half of Peruvians do not support either candidate, which suggests that governing the country could prove a challenge for whoever wins, political

scientist Alberto Vergara said at an Inter-American Dialogue [event](#) this week. [Editor's note: See related [Q&A](#) in the May 17 issue of the Advisor.]

## Mexicans Head to the Polls Sunday for Key Midterm Vote

Mexicans head to the polls Sunday to elect 500 federal deputies, 15 state governors, as well as state lawmakers and thousands of municipal representatives including mayors and councilors. Polls suggest that a coalition led by President Andrés Manuel López Obrador's Morena party is on track to retain its majority in the lower house of federal Congress, but key races have tightened in recent weeks. Morena may not fare as well in close races in populous areas of northern Mexico, El Economista reported. López Obrador has positioned the elections as a critical chance to keep conservatives from returning to power, while opponents say it is a battle to defend the country's democratic institutions against a populist. Security analysts worry that gangs and drug cartels are playing a role in local politics in some towns. This has been among the bloodiest campaign seasons in the country's history, with 35 candidates killed, the Associated Press reported. More than 100,000 federal military troops will be dispatched to prevent acts of violence in Sunday's election, El Universal reported Thursday. [Editor's note: See the Advisor's [video interview](#) with Pamela K. Starr on Mexico's midterm election.]

## Biden Lays Out Plans for Vaccine Rollout in Latin America

The White House announced Thursday that it would distribute an initial 25 million doses this month across a "wide range of countries" in Latin America and the Caribbean, among other parts of the world, The New York Times reported. The doses are the first tranche of

## NEWS BRIEFS

## Long-Term Unemployed in Brazil Hits New High

The number of Brazilians who have been unemployed for at least two years has surpassed a record 3.48 million people, Folha de S.Paulo reported Thursday, citing data from state statistics agency IBGE's PNAD household sample survey. That figure, which can indicate how difficult a labor market is to re-enter once losing a job, represents almost 24 percent of the country's total unemployed.

## Quito City Council Votes to Remove Yunda as Mayor

Quito city council members on Thursday voted to remove Jorge Yunda from office as mayor after complaints about a lack of transparency, including failure to provide details about municipal budget spending, the Associated Press reported. Prosecutors looking into the Yunda case are also investigating allegations of organized crime. However, Yunda's attorney, Marcelo Icaza, says his client will appeal the vote, El Comercio reported. Deputy Mayor Santiago Guarderas, who would replace Yunda, told reporters Thursday he would continue in that role pending the outcome of Yunda's appeal.

## Black & Veatch Selected for Studies of Proposed LNG Plant in Colombia

Kansas-based Black & Veatch said Thursday it has been selected to conduct studies of the proposed Andes Energy Terminal in Buenaventura, Colombia. The work will focus on the development of a liquefied natural gas (LNG) regasification facility and 400 megawatts of natural gas-powered generation assets, which would deliver electricity to cities in central and southwestern Colombia. The feasibility studies, which are funded by a grant from the United States Trade and Development Agency, will verify the proposed project site's suitability, among other factors.

a total 80 million that President Biden has pledged to send overseas by the end of this month. Initially, about six million doses will go to Latin America and the Caribbean, seven million doses will go to Asia and five million will go to Africa, The Hill reported. Jake Sullivan, the president's national security adviser, said the administration had decided to give priority to "neighbors" of the United States, including Guatemala, Colombia, Peru and Ecuador. The list also includes Mexico, Canada and Haiti, the Miami Herald reported. Haiti is the only country in the hemisphere that has not yet administered a single shot of a Covid-19 vaccine. In the lead-up to the announcement, Vice President Kamala Harris spoke Thursday morning to the leaders of Mexico, Guatemala, India and Trinidad and Tobago, whose prime minister also serves as chairman of the 15-member Caricom group of countries. [Editor's note: See related [Q&A](#) in the April 20 edition of the Advisor.]

## ECONOMIC NEWS

### Argentine Farmers in Talks With Gov't Over Meat Exports

Argentine meat producers will continue talks with the government aimed at lifting the one-month suspension of beef exports that was declared in mid-May, Reuters reported Thursday, citing a statement from the country's Agroindustrial Council (CAA). Farm leaders have threatened to hold back sales on grains if progress is not made in talks with the government over beef exports. Farmers reportedly met Wednesday evening with Peronist President Alberto Fernández. On Monday, agriculture ministry officials temporarily shut down 12 beef exporters over "irregular" operations and seized over 220 metric tons of meat. The suspension is aimed at lowering domestic inflation, with red meat prices up about 65 percent this year, outpacing the country's 46 percent inflation, Bloomberg News reported. Argentina is the world's fifth-largest meat exporter, with most of its shipments destined for China.

## FEATURED Q&A / Continued from page 1

variety of cost-competitive fibers under the agreement. Republicans and Democrats agree that engendering job growth in Central America and diversifying apparel manufacturing away from China are policy imperatives, providing a potential rare moment of bipartisanship, should the U.S. Congress decide to offer additional flexibility to the textiles rules of origin under CAFTA-DR. Just as the Biden administration seeks to address the root causes of illegal migration from the region, trade policymakers should seek adjustments to the CAFTA-DR agreement to grow jobs and economic opportunity in Central America."

**A** **F. Tomás Dueñas, former trade minister of Costa Rica, ambassador to the United States and ambassador to the European**

**Union:** "Since the beginning of our efforts to lobby for the approval of CAFTA-DR, it became quite apparent that the agreement's stated purpose of 'creating new and better economic opportunities by opening markets, eliminating tariffs, reducing barriers' would not be enough to sustain political, social and economic stability in our region. Months before President Obama's election, a few of us were talking about the need to reinforce institutional reform, build capacity and strengthen democratic institutions as a complement to the agreement, and rewarding countries for doing so. Unfortunately, that changed with the new U.S. administration. All efforts toward continued support for Central American countries was practically abandoned, except for a proposal called Plan for the Alliance for Prosperity for the Northern Triangle (Guatemala, El Salvador and Honduras), which was more an effort to contain migration from those countries to the United States than anything else. Nothing improved during the Trump administration, except for the presence and interest of China in the region, filling the void that the United States left. Meanwhile, governance in the region has deteriorated, political insta-

bility is quite clear, social instability has led to mass exodus toward the U.S. border and Covid-19 has seriously damaged our economies. Thus, the challenges are great. If we are to rescue the region, our governments and institutions must make a serious effort not only to recognize our problems but also to commit to democratic reform. More funding will not suffice if it is not accompanied by serious and immediate institutional reform, which could begin with the Central American Integration System."

**A** **Jim Kolbe, senior transatlantic fellow at the German Marshall Fund of the United States and former member of the U.S.**

**House of Representatives (R-Ariz.):** "While CAFTA was proposed and largely argued in Congress as a free trade agreement, its intended effects were always more of a political nature. The Caribbean Basin Initiative, enacted more than 20 years earlier, already gave more than 80 percent of exports from these countries duty-free access to the U.S. market. That its impact on trade has been positive, but not substantial, is evidenced by

**“** **Judged by its social and political impact, CAFTA would not get a passing grade.”**

— Jim Kolbe

the modest 15 percent growth in total trade over the last decade between the United States and its six CAFTA counterparts. CAFTA has had more significant impact in the areas of trade regulation, legal protections for investors and intellectual property, labor rights and regulatory processes, with many of the countries upgrading their legal codes to reflect the requirements of CAFTA. However, in terms of bringing about substantial political change and increased democratization or reducing the levels of violence in

Continued on page 4

## FEATURED Q&amp;A / Continued from page 3

Central America, the agreement has not lived up to its expectations. Democracy has seen backsliding in some of the countries, notably Nicaragua and El Salvador. Corruption still grips the economic and political institutions of some CAFTA countries. Poverty and income inequality remain very high. Above all, violence in Honduras and Guatemala is at record levels, reflected in the increased flow of migrants north through Mexico and to the southern border of the United States. Judged by its social and political impact, CAFTA would not get a passing grade. It is hard to imagine what changes might be made to a 'trade' agreement that would reverse these negative indicators. Proposals for a massive infusion of economic assistance holds a better promise for CAFTA countries. In any event, there is little or no political will on either side to revisit the agreement. For better or worse, we are wedded to CAFTA for the foreseeable future."

**A** **Juan Carlos Sikaffy C., president of the Honduran Council of Private Enterprise (COHEP):** "It has been 15 years since CAFTA-DR came into effect and strengthened the commercial relationship between Central America, the Dominican Republic and their most important business partner, the United States of America. The idea behind this free trade agreement was not only to develop

more and better commerce, it was also to generate opportunities and prosperity for all parties involved, especially for the productive sectors of the countries. All trade agreements give the signing parties legal certainty, tariff benefits and the possibility of exchanging technology and innovation, to improve the national production. In the case of CAFTA-DR, trade has increased between the region and the United States, benefiting the exporters, importers and producers. Nonetheless, there is still a lot that can be done to take advantage of the opportunities granted in the FTA, which is key to improving the situation of the Central American countries and addressing the multiple causes of illegal migration. One of the main objectives of the region is generating more and better jobs. The pandemic, along with two hurricanes, have affected the countries enormously, increasing the unemployment and therefore reducing development opportunities for the people, especially the younger populations. With this in mind, the productive sectors of CAFTA-DR need to take more advantage of it, promoting the exchange of goods, implementing trade facilitation and using harmonized and simplified commerce and custom processes. Without a doubt, CAFTA-DR still has a lot to give to all its members and can promote more employment and socioeconomic development."

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# Advisor Video

## Peru's Troubled Democracy

Video of the Inter-American Dialogue's June 1 discussion with Michael Reid, "Bello" columnist & senior editor for Latin America and Spain at The Economist; Adriana Urrutia Pozzi-Escot, President of Asociación Civil Transparencia in Peru; and Alberto Vergara, Professor at the Universidad del Pacífico.



WATCH HERE