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FEATURED Q&A

Will Ecuador & Mexico Be Able to Strengthen Trade?



Ecuadorian President Guillermo Lasso discussed the country's trade relations with Mexico last month during a meeting with President Andrés Manuel López Obrador (L-R). // Photo: Ecuadorian Government.

President Guillermo Lasso of Ecuador met with Mexican President Andrés Manuel López Obrador in Mexico City in late August. During the meeting, Lasso reiterated Ecuador's interest in developing a trade deal between the two nations, emphasizing the number of important Mexican companies that operate in various sectors in Ecuador. The ratification of a free trade agreement between these countries could be a step toward Lasso's objective of becoming an active member of the Pacific Alliance, which received support from Colombian President Iván Duque in April. How likely is an Ecuador-Mexico trade agreement to happen in the near future? In what ways would a trade pact benefit each country? With Peru and Mexico, two of the four members of the Pacific Alliance, demonstrating decreased interest in open markets, would a trade agreement with Mexico benefit Ecuador in the way that Lasso envisions?

A Francisco Jarrín, economist and president of the Chamber of Industries of Guayaquil: "There are good chances that the negotiations of a trade agreement with Mexico will be finalized. One of the obstacles—perhaps the most important—was the legal difficulty of establishing an arbitration mechanism between investors and the Ecuadorean state, which is very important for Mexico because of the various investments it has in Ecuador. This obstacle is being overcome with Ecuador's accession to ICSID. In market access issues, some products that are sensitive for each of the parties still have to be negotiated, but there is a series of mechanisms that can be used to successfully conclude the negotiation. A comprehensive trade

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TODAY'S NEWS

ECONOMIC

Ecuador Seeks to Cut Deficit in Half

Ecuador is seeking to cut its fiscal deficit in half next year to around \$2.4 billion, said President Guillermo Lasso. The plan includes austerity measures and layoffs of state workers, he said.

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BUSINESS

CNPC to Revamp Operations in Venezuela: Report

China National Petroleum Corporation is reportedly planning to revamp its operations in Venezuela. The move follows the government's bid to attract more foreign investment.

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POLITICAL

Nicaragua Charges Chamorro With Money Laundering

Nicaraguan prosecutors charged former presidential hopeful Cristiana Chamorro with money laundering. Chamorro, who denies wrongdoing, was the first of several opposition leaders to be arrested in the government's massive crackdown.

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Chamorro // File Photo: Facebook Page of Cristiana Chamorro.

POLITICAL NEWS

Cristiana Chamorro, Brother Charged in Nicaragua

Nicaraguan prosecutors announced Thursday that they were charging former presidential hopeful Cristiana Chamorro and one of her brothers, Pedro Joaquín Chamorro, with money laundering, the Associated Press reported. Prosecutors said they were also charging three former employees of the Violeta Barrios de Chamorro Foundation of money laundering and other crimes, the wire service reported. Cristina Chamorro, who was arrested on June 2, was the first of several opposition leaders whom the government of President Daniel Ortega detained in its sprawling crackdown on the opposition. She is also among seven potential presidential candidates who have been arrested as Ortega's government takes action against virtually anyone who might challenge him in the country's Nov. 7 presidential election, in which Ortega is seeking a fourth consecutive term. In its crackdown, Nicaragua's government has also targeted journalists, barred several U.S. and European nongovernmental organizations from operating in the country and banned the main opposition party from participating in the election. Cristiana Chamorro denied wrongdoing. Nicaraguan prosecutors said five others are fugitives in the case, including journalist Carlos Fernando Chamorro, another of Cristina Chamorro's brothers. The nongovernmental Nicaraguan Human Rights Center said Thursday that a hearing in the case took place in Managua at a prison where several opposition leaders are being held. Authorities did not allow any relatives or members of the public into the hearing, the AP reported. Ortega and his wife, Vice President Rosario Murillo, have cre-

ated a "police state," former U.S. Ambassador to Nicaragua Robert Callahan told the Advisor. "He has imprisoned dozens of his political opponents, many of whom are my friends, and held them incommunicado," said Callahan. "In many cases, their loved ones don't know where they are or how they are. It is a nightmare and, if Ortega is not halted, it will get worse." Amid the Nicaraguan government's crackdown on the opposition, the Advisor has repeatedly sought comment on the situation from the country's ambassador to the United States, Francisco Campbell, but has received no response.

ECONOMIC NEWS

Ecuador Seeks to Cut Fiscal Deficit by Half Next Year: President

Ecuador will aim to reduce its fiscal deficit by half to around \$2.4 billion next year through austerity measures including layoffs of state workers, President Guillermo Lasso said Wednesday, Reuters reported. The economy ministry has forecast a deficit this year of \$4.8 billion, equivalent to about 4.6 percent of Ecuador's gross domestic product. "In the 2022 budget we will reduce spending by at least half of that deficit, approximately \$2.3 or \$2.4 billion," Lasso said Wednesday night in an interview with local television channel Ecuavisa. Former President Lenín Moreno signed a \$6.5 billion deal with the International Monetary Fund in a bid to cut the country's deficit but backtracked following massive protests in 2019 in response to announced austerity measures including the elimination of fuel subsidies. Lasso said he would review the subsidies to better target who receives them, arguing that many people that currently benefit from fuel subsidies do not actually need state assistance, Reuters reported. Lasso also said he would look at cutting taxes on commercial airlines in a bid to boost the tourism sector. The coronavirus pandemic coupled with low international oil prices hit the country's economy last year. Ecuador registered a contraction of 7.8 percent in 2020,

NEWS BRIEFS

Bolsonaro Signs Measure That Would Allow For Breaking Drug Patents

Brazilian President Jair Bolsonaro on Thursday signed a law that would allow vaccine and medication patents to be broken during a public emergency, such as the Covid-19 pandemic, Reuters reported. However, Bolsonaro vetoed provisions that would have required patent holders to share knowledge and supply raw materials needed to produce the drugs, with his office saying in a statement that those provisions were too difficult to enforce as well as discouraged investment in researching new technologies. [Editor's note: See related [Q&A](#) in the May 19 issue of the Advisor.]

Venezuela's Government, Opposition Return to Negotiating Table Today

Representatives of Venezuelan President Nicolás Maduro and the opposition will today resume negotiations aimed at resolving the country's political crisis, Agence France-Presse reported. The talks, mediated by Norway and taking place in Mexico City, follow a first round of dialogue held last month. Though the content of the negotiations has not been formally made public, sources have pointed at two recent major developments—the freeing of opposition leader Freddy Guevara and the opposition's announcement that it would participate in the November local and regional elections—as products of the talks, AFP reported.

At Least 16 Killed in Bus-Truck Collision in Mexico

At least 16 people were killed and 22 were injured Thursday when a bus and a semi-trailer collided in northern Mexico, the Associated Press reported. The crash happened in the northern border town of Sonoyta, in Sonora state. Six of the people injured were in critical condition, according to state officials.

SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Monday, Sept. 6 in observance of the Labor Day holiday in the United States. We will resume publishing on Tuesday, Sept. 7.

according to the World Bank. The IMF expects real GDP to grow 2.5 percent this year.

BUSINESS NEWS

CNPC Seeking to Revamp Operations in Venezuela: Report

China National Petroleum Corporation, or CNPC, is preparing to revamp operations in Venezuela after the government of President Nicolás Maduro finalizes legislation aimed at attracting foreign investment to the country, Bloomberg News reported Wednesday, citing unnamed sources familiar with the matter. China's largest oil producer, state-owned CNPC was once a top investor in the Andean nation, where it is now sending engineers and commercial staff, the sources said. The company is also looking at local firms to start maintenance work at an oil-blending facility it operates alongside Venezuelan state oil company PDVSA, as well as contacting local service providers with an eye toward increasing production of oil at five other ventures with the Venezuelan company, the sources added. CNPC and PDVSA did not respond to Bloomberg News' request for comment. U.S. sanctions on Venezuela's oil sector could still be an issue. Maduro's government is reportedly seeking to push for an end to U.S. sanctions on PDVSA in talks with opposition representatives that are set to restart today in Mexico City. Though the administration of U.S. President Joe Biden has signaled it is open to reviewing its Venezuela policy, some energy experts are doubtful it would lead to a total reversal in its sanctions regime. "We believe that more complex sanctions, including on PDVSA, will remain in place for a long time, and will be removed only when there are real and tangible changes in Venezuelan politics," Antero Alvarado, managing partner and Venezuela director at Gas Energy Latin America, told the Dialogue's weekly Energy Advisor in a Q&A published Aug. 6.

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agreement such as the one being negotiated benefits both parties, because the existing agreement within the framework of the Latin American Integration Association (ALADI) frees very few products from tariffs. By releasing additional products with the new agreement, practically 90 percent of the tariff sphere will be promoted bilateral trade. In Mexico's case, the country's industrial production will primarily benefit from the agreement, and in Ecuador's case, shrimp, roses, flowers, bananas, coffee, mango and chocolate, as well as other products with export potential, will be more competitive due to the reduction of tariffs. The Pacific Alliance is one of the most successful integration processes in recent times. It is a consolidated process, and we believe its maturity goes beyond the political ideologies of the current governments of the member countries. Ecuador wants to be part of this bloc, and for that it is necessary to finalize the negotiations with Mexico and have the support of the other members, which in one way or another have expressed their support to us on several occasions."



Nathalie Cely, president of the Centro de Competitividad in Quito and former Ecuadorean ambassador to the United States:

"For several years, Ecuador has sought to close a trade agreement with Mexico, but it has not been possible. Mexico is Ecuador's largest investor in the food and telecommunications sectors, hence the importance of strengthening our ties. The lack of an agreement with Mexico also limits Ecuador's possibilities of becoming a full member of the Pacific Alliance. From President Lasso's visit and the joint statement with the president of Mexico, Andrés Manuel López Obrador, it seems that there is a political commitment to start negotiations. President Lasso also garnered the support of the private sector in his meeting with influential trade associations, as well as executives from Arca Continental and

Coca-Cola, who have significant investments in Ecuador. In the first half of 2021, the trade balance between Ecuador and Mexico was at a deficit of \$247 million. Between January and June, non-oil exports experienced an increase of 59 percent, mainly due to cocoa exports and a 93 percent increase in



Mexico is Ecuador's largest investor in the food and telecommunications sectors, hence the importance of strengthening our ties."

— Nathalie Cely

seafood preparations and preserves. There is potential and complementarities in terms of trade. For example, Ecuador's exports of agricultural and fishing products, plastics and wood stand out, while for Mexico the automotive sector is the most important, followed by capital goods. Both countries have sensitive sectors, and there are also industries opposed to the agreement in both countries. In this regard, both Ecuador and Mexico have expressed their interest in respecting certain asymmetries and granting more open conditions while establishing implementation schedules for various agreements."



Juan Paz y Miño, historian and academic director of the Association of Latin American and Caribbean Historians in Ecuador:

"The government's vision relies on the free market and private capital. It assumes that free trade agreements and joining the Pacific Alliance are convenient and therefore seeks to make both possible. But the Latin American historical experience and studies on the region have shown that such agreements and treaties are ultimately oriented for the benefit of hegemonic business

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elites in each country. By responding to the dogmas of neoliberalism, they neglect the consequences on small and medium-sized producers, they pressure to deregulate labor relations with the ensuing 'flexibilization' of labor rights and they affect the capacities of states to provide social goods and services. In Ecuador, producers are already warning how indiscriminate openness can wipe out nationally based economies. Additionally, the country has a trade deficit with Mexico, which will not change with a free trade agreement. Peru will surely head down a different path. In Ecuador, the great interest is guided by 'competitiveness' and the best returns. Unfortunately, it is still believed that the uncontrolled strengthening of the private sector represents progress and modernity. However, in Latin America, neoliberal business economic models have never solved the structural problems of extreme concentration of wealth, widespread poverty, unemployment and underemployment. Why would the opposite happen in Ecuador with the signing of free trade treaties and agreements?"

A **Francisco Sanchez, partner at Holland & Knight:** "No deal was finalized during Lasso's trip to Mexico, but he and López Obrador did sign a joint declaration that recognizes the importance of regional integration. If finalized, the pact would be a positive economic step for both countries. For Mexico, it would mean readier access to an eager market that already imports almost \$600 million worth of Mexican goods annually. For Ecuador, an agreement would mean greater competitiveness for its agricultural products in Mexico through lowered tariffs.

In both governments, the deal will provide yet another tool to combat the economic impacts of the Covid-19 pandemic. Beyond the economic benefits, this deal represents part of a larger opportunity for Ecuador on the regional stage. At the meeting, López Obrador expressed his support for Ecuador's joining of the Pacific Alliance, a regional trade agreement between Peru, Mexico, Chile and Colombia. At a time when



Beyond the economic benefits, this deal represents part of a larger opportunity for Ecuador on the regional stage."

— Francisco Sanchez

the Pacific Alliance seems to be losing momentum—in part because of Peru's recent election—the highly popular Lasso could reinvoke it. Ecuador's entrance into the Alliance, and signing of free trade agreements could jump-start that process. It remains unclear whether the trade deal will be finalized, largely because of López Obrador. Despite his openness with Lasso at the meeting, he has historically demonstrated skepticism toward trade agreements and has been known to cede large economic questions to referendums. Given the tone of the meeting and the economic upsides, optimism remains merited."

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

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