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FEATURED Q&A

How Much Economic Growth Will Latin America See in 2022?



Analysts are expecting Latin America's regional economy to grow about 6 percent this year. // File Photo: Quotelnspector.com.

Q The past year has brought economic recovery for much of Latin America and the Caribbean due to the rollout of vaccines, favorable external factors and the reopening of some international borders. While the International Monetary Fund estimates that the regional real GDP will grow by 6.3 percent by the end of the year, the lender also notes that it will take several years for the state of the region's economies to reach pre-pandemic levels. Which countries struggled to recover in 2021, and what will it take for them to return to pre-pandemic levels of growth? What is the outlook for Latin America and the Caribbean's main economic indicators for 2022? What events and policies have been the most important for the economic recovery of the region, and how significant have increasing remittances been for the improvement of low- and middle-income countries?

A Alicia Bárcena, executive secretary of the United Nations Economic Commission for Latin America and the Caribbean: "For 2021, we expect that Latin American and Caribbean (LAC) countries will grow around 6 percent due to a statistical rebound, continued favorable external conditions and the ongoing reopening of economies. For 2022, we expect a slowdown in the growth rate of approximately 2 percent. This reflects weaker external conditions for LAC, given that lower global growth is expected for 2022 with less dynamic external demand and global trade, and with commodity prices expected to remain stable or even somewhat lower than 2021. Likewise, the probable increase in interest rates due to rising inflationary pressures in developed

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TODAY'S NEWS

ECONOMIC

Cuba Expects 4% Economic Growth Next Year

Cuba's economy is expected to grow 4 percent in 2022, following growth of about 2 percent this year, the government said.

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BUSINESS

Mapfre to Pay Out \$984 Million for Damages at Colombian Dam

Spanish insurer Mapfre said it would pay \$984 million for damages in the construction of the Hidroituango hydroelectric dam.

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POLITICAL

Governments Vow to Fight Human Smuggling After Crash in Mexico

The Mexican and Guatemalan governments vowed to fight human smuggling following the crash of a migrant-packed truck that left 55 people dead. Mexican Foreign Minister Marcelo Ebrard said those responsible would be brought to justice.

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Ebrard // File Photo: Mexican Government.

POLITICAL NEWS

Mexico, Guatemala Vow to Fight Migrant Smuggling Rings

The Mexican and Guatemalan governments vowed Saturday to fight human smuggling rings, an announcement that followed a horrific crash of a freight truck in southern Mexico that left 55 people dead, Reuters reported. In an effort to fight the smuggling networks, officials have established a regional "action group" with backing from the Dominican Republic, Ecuador, Guatemala, Honduras, Mexico, Nicaragua and the United States, Mexican Foreign Minister Marcelo Ebrard announced in a televised news conference. The task force will "investigate, identify, learn and bring to justice the leaders of the organization responsible for this human tragedy," said Ebrard, referring to last Thursday's crash, which occurred on a road leading into the city of Tuxtla Gutiérrez. The truck veered out of control and struck a pedestrian bridge, and the impact flipped the truck over on its side, piling the migrants inside on top of

each other, crushing people to death. The truck was carrying more than 160 migrants, mainly from Central America, The Wall Street Journal reported Friday. In addition to the 55 people who were killed, at least 104 were injured. Speaking alongside Ebrard at Saturday's news conference, Guatemalan Foreign Minister Pedro Brolo urged the United States to take more action to help fight poverty in the region. "We invite the U.S. government to support development and investment in our country, as well as in neighboring countries, to avoid and ensure these tragedies are not repeated," said Brolo, Reuters reported.

BUSINESS NEWS

Mapfre to Pay Out \$984 Mn for Damages to Colombian Dam

Spanish insurer Mapfre signed a contract on Friday to pay Empresas Públicas de Medellín (EPM) \$984 million over damages in the construction of the Hidroituango hydroelectric dam

up to 2019) will improve. The pandemic has inflicted lasting damage on the economies of much of Latin America and the Caribbean, exacerbating the structural problems that already characterized the region prior to the crisis."

A **Alberto M. Ramos, managing director and head of Latin American economics at Goldman Sachs:** "Looking forward, the

pandemic is expected to be less critical in shaping the macro outlook than during 2020-2021, given the significant improvement of the Covid-19 backdrop and the balance of risks around it. Rather than the pandemic, the macro outlook for Latin America and the Caribbean (LAC) will be shaped by some of its longstanding endemic structural challenges: low investment/savings and

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NEWS BRIEFS

Brazilian Supreme Court Justice Rules Visitors Must Show Proof of Vaccination

Brazilian Supreme Court Justice Luís Roberto Barroso issued a ruling Saturday requiring visitors to show proof of vaccination against Covid-19 in order to enter the country, the Associated Press reported. The ruling, which all 11 justices of the high court are to review this week, challenges a more lenient rule by the administration of President Jair Bolsonaro. Last Tuesday, Bolsonaro's government announced that it would not require proof of vaccination, though it would require visitors to quarantine for five days.

Cuba Expects 4 Percent Economic Growth in 2022

The Cuban economy is expected to grow 4 percent in 2022 in its effort to recover from an economic crisis, Prime Minister Manuel Marro said in an annual report, Reuters reported. The economy recovered around 2 percent in 2021 following its decline of 10.9 percent in 2020, the report said. According to the Cuban government, the island country lost \$4 billion in revenues over the past two years due to new U.S. sanctions, the trade embargo and the Covid-19 pandemic.

Peru Seeking to Hike Mining-Sector Taxes by 3 to 4 Percentage Points

Peruvian Finance Minister Pedro Francke said Sunday that the Castillo administration is seeking to increase mining-sector taxes by three to four percentage points, Reuters reported. Citing an IMF study, Francke said that an increase in taxes can maintain the country's competitiveness in the copper mining sector. The Peruvian mining industry opposes the plan, arguing that miners pay enough taxes and that the government is failing to spend all the tax funds they receive.

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countries can increase financial volatility and have a negative impact on the cost of borrowing for the countries of Latin America and the Caribbean. These countries are also experiencing inflationary pressures, which constrain their capacity for expansionary monetary policy. The increase in public debt and fiscal deficits has reduced fiscal space, and many countries have been cutting fiscal spending this year. Macroeconomic adjustment will jeopardize future growth. ECLAC forecasts that by the end of 2022—almost three years after the pandemic began—more than half the countries in the region will not have recovered the pre-pandemic levels of GDP. And what is worse is that beyond 2022, there is no reason to anticipate that the low growth dynamics that the region had been exhibiting before the pandemic (with 0.3 percent growth on average in the six-year period

in Antioquia province, Reuters reported. Mapfre has already paid EPM \$350 million and will pay the company the remaining \$633 million on Jan. 31, BNamericas reported. Colombia's largest infrastructure project, the dam's construction began in 2010 but was delayed in April 2018 following the collapse of part of its infrastructure, forcing the evacuation of thousands of people, Reuters reported. This agreement with Mapfre cancels the Colombian comptroller general's Nov. 26 ruling that 26 individuals were fiscally responsible for issues and delays with the Hidroituango dam, including Sergio Fajardo, the former governor of Antioquia and a current presidential hopeful, Reuters reported. "Today Hidroituango was saved," Colombian President Iván Duque said in response to the agreement, the wire service reported. "This is a vital project for the energy security of our country." EPM expects that when complete the Hidroituango dam will eventually generate 17 percent of Colombia's electricity, Reuters reported. If all goes according to plan, EPM expects the first turbines of the dam to start generating electricity in the second half of next year, BNamericas reported.

Brazil's Nubank Gets Valuation of Nearly \$52 Billion in IPO

Brazilian digital bank Nubank received a valuation of nearly \$52 billion in its initial public offering on Thursday in New York, Reuters reported. The lender priced its shares at \$9, and the stock opened at \$11.25 per share. The offer price was at the top end of a range that Nubank had earlier lowered amid concerns about a rout in technology stocks. The IPO was oversubscribed by eight times, an unnamed source with knowledge of the matter told Reuters. Nubank, which has backing from U.S. billionaire Warren Buffett's Berkshire Hathaway, posted a profit in the first half of this year in its operations in Brazil. Founder David Vélez said Nubank will remain focused on Brazil, Mexico and Colombia. Nubank raised \$2.6 billion in the offering, which Vélez said would help fuel growth in the lender's operations in Mexico and Colombia, the Financial Times reported.

COMINGS & GOINGS

Bárcena Stepping Down as Leader of ECLAC

Alicia Bárcena, who has served as executive secretary of the United Nations Economic Commission for Latin America and the Caribbean, or ECLAC, for more than 13 years, announced Dec. 4 that she is stepping down from the post next March, EFE reported. The first woman in the position, Bárcena, a Mexican national, was tapped as the agency's executive secretary in July 2008 by then-U.N. Secretary General Ban Ki-moon. Bárcena made the announcement of her departure at the Committee of the Whole of ECLAC at the United Nations headquarters in New York. In a video address, U.N. Secretary General António Guterres called Bárcena a "progressive and visionary" who has displayed "stellar leadership" in her role and worked well with heads of state, local communities, civil society organizations and academia, EFE reported.

Vivanco to Depart as Americas Division Director of Human Rights Watch

José Miguel Vivanco, who has been director of the Americas division of Human Rights Watch since 1994, announced Dec. 4 in tweet that he is stepping down in February. "After almost 30 years, I am going to start a new stage," Vivanco said in the posting. "It is a very difficult time for human rights in the region. I want to explore new ways of doing this task." In an interview with Argentine daily newspaper La Nación, Vivanco called Human Rights Watch "an extraordinary, highly professional organization." He added, "Monumental efforts will have to be made to defend what we have won and, where possible, keep moving forward. I want to explore new ways to work on human rights issues."



Vivanco // File Photo: Human Rights Watch.

Kraft Heinz Taps Keller as Head for Latin America

The Kraft Heinz Company said Dec. 8 that Bruno Keller, who is currently the food and beverage company's Canada Zone president, will assume the position of president for Latin America under a new regional leadership structure. He will report to Carlos Abrams-Rivera, who has been named Kraft Heinz's new North America Zone president, a role that combines oversight of the company's United States and Canada operations.

Costa Rica Names Alvarado Tourism Minister

Costa Rica has appointed Gustavo Alvarado as the country's minister of tourism, La República reported Nov. 30. The former tourism minister, Gustavo Segura, resigned effective Dec. 1, saying he planned to take on a new opportunity in the private sector. According to his LinkedIn page, Segura is now regional director for Central America and the Caribbean at AKEN Hotels & Resorts. Alvarado had served as the director of several departments of the Costa Rican Tourism Institute since 2007.

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total factor productivity growth amid high levels of labor and business informality and persistently high macro and policy/political uncertainty. The social picture worsened in 2020-2021, and low growth and high inflation are staging a comeback. By the third quarter of 2021, most LAC economies have seen levels of activity return to roughly pre-pandemic levels, in some cases already clearly above them (Chile and Colombia),

“**The macro outlook for Latin America and the Caribbean will be shaped by some of its longstanding endemic structural challenges...**”

— Alberto M. Ramos

and others still below them (Mexico). For the LA7 economies (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico and Peru) real GDP growth is expected to downshift to a modest 2 percent in 2022 given diminishing returns from reopening, high inflation, policy tightening, softer external impulse to growth and heightened effects of political uncertainty. Growth in 2022 should benefit from pent-up private spending and business inventory rebuilding. Inflation arrived during the second half of 2021 and will likely remain on the scene until 2023. It is projected to peak in the fourth quarter of 2021 and moderate gradually thereafter, remaining above target throughout all of 2022. High inflation, upward drifting inflation expectations and heightened political and policy risk are expected to lead central banks to embrace neutral-to-restrictive policy stances. LAC continues to be challenged to build the foundations for robust, sustainable and socially inclusive growth. We are not optimistic this will be achieved in 2022-23, particularly against a backdrop of high political and

policy uncertainty given a heavy calendar of political events: polarizing presidential elections in Chile, Colombia and Brazil, and the uncertain process of a new constitution in Chile.”

A **Claudio M. Loser, president and CEO of Centennial Group Latin America and former head of the Western Hemisphere**

department at the International Monetary Fund: “After a decline of 7 percent in GDP in 2020, the short-term prospects for the region are for a solid recovery—as noted, a growth of 6.3 percent this year. This is the second fastest growth rate among emerging economies, but then again, there was no other region with such a sharp contraction in 2020 after virtual stagnation in 2019. Moreover, only in 2022—with an expected growth rate of 3 percent—will Latin America reach its pre-pandemic output levels, behind most other regions. Though difficult to estimate, the 2020 contraction could have been much larger without the policy support, although considerable efforts are still necessary to recover from the pandemic and reduce poverty and inequality. Moreover, it may take until 2023-2024 to reach the levels expected for this year prior to 2020. Risks remain because of different rates of health recovery, the breakdown in the global value chain, tightening in labor markets and a higher rate of inflation, even as commodity prices have increased. Still, the pace of improvement is stronger than previously projected, thanks to improved prospects in Mexico, Brazil and to a lesser extent Argentina. Still, the share of the region’s GDP in the world total has declined from 7.7 percent in 2010 to somewhat above 5 percent now, with no per capita increase in income. In the end, the region will see favorable winds from abroad, including through remittances, but most of the recovery and future growth will depend on the pursuit of appropriate domestic policies.”

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Leticia Chacón
Reporter
lchacon@thedialogue.org

Mark Kennedy
Reporter
mkennedy@thedialogue.org



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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

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