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FEATURED Q&A

Is Honduras' New President Getting Off to a Good Start?



Honduran President Xiomara Castro in March announced an initiative to reduce overcrowding in prisons and create a community police force to provide better services to citizens. // File Photo: Honduran Government.

Q May 7 marks the first 100 days in office for Honduras' first female president, Xiomara Castro de Zelaya. At her inauguration in January, Castro promised to fight corruption, drug trafficking, organized crime and gender-based violence early in her administration. She also committed to stemming poverty and unemployment in Honduras. What has Castro achieved in her first 100 days, and what roadblocks has she run into? What is the state of U.S.-Honduran relations, especially in light of the extradition of former President Juan Orlando Hernández to the United States? What can be expected from the rest of Castro's term in office?

A Emily Mendrala, U.S. deputy assistant secretary of state for Western Hemisphere affairs: "The United States enjoys a strong relationship with President Castro and her team. We partner with the Castro administration, with Honduran civil society and with the private sector to support the people of Honduras as they strengthen democratic institutions, generate inclusive economic opportunities and create a brighter future for themselves and their families. On April 25, Under Secretary of State for Civilian Security, Democracy and Human Rights Uzra Zeya and Honduran Foreign Minister Enrique Reina met in Washington for a U.S.-Honduras Strategic Dialogue. Vice President Kamala Harris proposed this dialogue during her meeting in Tegucigalpa with President Xiomara Castro on January 27 following the president's inauguration. Our April 25 dialogue is the first in a planned series of meetings between our governments focused on advancing joint priorities. These priorities include spurring economic recovery, combatting

Continued on page 2

TODAY'S NEWS

POLITICAL

E.U. Will Not Monitor Elections in Brazil After All

Citing technical reasons, Brazil's electoral authority said that the European Union will not be monitoring October elections despite an earlier announcement it had invited the European representatives.

Page 2

BUSINESS

Equinix Invests \$735 Mn to Expand in Latin America

The deal involves the acquisition of four data centers in Chile and one additional data center in Peru from Entel.

Page 3

POLITICAL

Leader of Haiti's Most Powerful Gang Extradited

Authorities in Haiti have extradited one of the nation's most powerful gang leaders to the United States, where he faces charges for kidnapping and smuggling weapons. Germaine Joly, known as Yonyon, allegedly leads the powerful 400 Mawozo gang.

Page 2



Joly // File Photo: via Twitter @pnh_officiel.

POLITICAL NEWS

Leader of Haiti's Most Powerful Gang Sent to United States

Authorities in Haiti on Tuesday extradited one of the nation's most powerful gang leaders to the United States, where he faces charges for kidnapping and smuggling weapons, BBC News reported. Germine Joly, known as Yonyon, allegedly leads the powerful 400 Mawozo gang. He had been serving time in jail in Haiti, according to the report. Joly's gang was responsible for last year's kidnapping of 17 Christian missionaries, most of them U.S. citizens, who were held hostage for two months. Last week, 400 Mawozo also kidnapped a the trade attaché at the Dominican embassy in Haiti's capital Port-au-Prince. Earlier today, the foreign minister of the Dominican Republic, Roberto Álvarez, tweeted that Carlitin Guillén Tatis had been released and is "safe and sound" following "four days of kidnapping," Al Jazeera reported. His captors had been demanding \$500,000 for Guillén's release, according to The Washington Post, although it is unclear whether any ransom was paid. Haitians have been facing more violence and instability since President Jovenel Moïse's assassination last July, with opponents demanding that Prime Minister Ariel Henry step down. Henry has

pledged to hold elections later this year. Commenting about the overall situation in Haiti last week, U.S. Secretary of State Antony Blinken told a U.S. Senate committee that the country has "a long path forward" and "the criminality, violence, the lack of basic law and order, is a fundamental problem," the Miami Herald reported.

E.U. Will Not Monitor Elections in Brazil After All: Court

Brazil's electoral authority said Tuesday that the European Union will not be monitoring October elections despite an earlier announcement it had invited the European representatives, the Associated Press reported. The electoral court said in a statement that "all the necessary conditions were not present to enable a comprehensive electoral observation mission," which requires the visit of dozens of technicians ahead of the vote. However, other groups that have previously observed Brazilian elections will be coming back, the court said, including the Organization of American States and the Community of Portuguese Language Countries. It also invited the Carter Center, among others, according to the report. President Jair Bolsonaro, seeking a second term, has repeatedly claimed that the country's electronic voting system is unreliable, but he

NEWS BRIEFS

Tamisa Iron Ore Project in Brazil Receives License

A mining project that aims to extract 31 million tons of iron ore over 13 years in Brazil had its environmental license approved at dawn last Saturday by the state government, Folha de S.Paulo reported Tuesday. The Serra do Taquaril Mining Complex, owned by Taquaril Mineração, or Tamisa, is located close to the city of Belo Horizonte, a major urban hub. Local officials have filed lawsuits to try to reverse the decision, which was made around 3:00 a.m.

Mexico Seeks to Create Latin America Group to Develop Lithium Reserves

Mexican President Andrés Manuel López Obrador said Tuesday he has been in touch with counterparts in Bolivia, Argentina and Chile about creating an association to develop lithium, El Universal reported. López Obrador told reporters that, like Mexico, Bolivia has nationalized its lithium reserves, and the two countries have already begun sharing information. López Obrador plans to create a new state-run company to develop Mexico's reserves of the metal. [Editor's Note: See related [Q&A](#) in the April 29 issue of the weekly Energy Advisor.]

Colombia Rolls Out Plan for Offshore Wind Energy Development

Colombia's government on Tuesday unveiled a roadmap for developing offshore wind energy, with presentations in the coastal city of Barranquilla from President Iván Duque and Energy Minister Diego Mesa. The roadmap calls for \$1 billion in near-term investments, mostly along the country's Caribbean coast, which has the potential for 50 gigawatts of power generation through offshore wind projects. According to Colombia's Energy Ministry, offshore wind projects can attract investments of more than \$27 billion by 2050 and create 26,000 jobs.

FEATURED Q&A / Continued from page 1

corruption and strengthening the rule of law, preventing violence, including gender-based violence, and addressing the root causes of irregular migration while managing migration in a safe, orderly, humane manner. The U.S. government supports the Castro administration's anti-corruption efforts. Honduras' facilitation of the extradition of former President Juan Orlando Hernández demonstrates commitment to the rule of law. The United States recognizes the value of the Castro administration's request for an internationally-backed anti-corruption com-

mission and supports its implementation. Strengthening rule of law will improve the investment climate and, along with energy sector reform, can help Honduras unlock its economic potential as it recovers from the global pandemic."

A Roberto Flores Bermúdez, former Honduran foreign minister: "The first 100 days have prioritized putting the budget together. Unfortunately, the international energy crisis provoked by Russia's invasion

Continued on page 4

has not provided credible evidence. Democracy advocates fear that Bolsonaro is planning to use disinformation to undermine the credibility of the election result, a tactic that critics of former U.S. President Donald Trump accuse him of using and cite as a dangerous precedent for democratic institutions in the Americas. Leftist former President Luiz Inácio Lula da Silva, who is campaigning against Bolsonaro, saw his lead in voter opinion polls cut in half last month, Reuters reported. An opinion survey by Poder-Data showed Lula drawing 40 percent of voter intentions versus 35 percent for Bolsonaro if the October election were held then, Reuters reported. In mid-March, the incumbent drew just 30 percent. [Editor's note: See related Q&A in the April 8 issue of the Advisor.]

BUSINESS NEWS

Equinix Invests \$735 Mn to Expand in Latin America

California-based Equinix, a digital infrastructure company, on Tuesday announced it has invested \$735 million to expand deeper into Latin America. The deal involves the acquisition of four data centers in Chile from Empresa Nacional De Telecomunicaciones, or Entel, a telecommunications service provider. Equinix also announced it has signed an agreement to acquire one additional data center in Peru, also from Entel, subject to the satisfaction of closing conditions. The enterprise value for the five data centers is approximately \$735 million at current exchange rates. Equinix has been invested in Latin America for ten years, operating 11 data centers in Brazil, Colombia and Mexico that service local businesses and multinational companies. Equinix and Entel have agreed to form a strategic partnership as part of the deal, and approximately 100 Entel employees and contractors are expected to become Equinix employees or contractors under the terms of the agreement. Equinix employs 9,000 people worldwide with business operations in some 60 countries.

THE DIALOGUE CONTINUES

Will Cryptoassets Disrupt Latin America's Remittances Sector?

Q Remittances using cryptocurrencies grew 900 percent worldwide last year, with Venezuela, Argentina, Brazil, Mexico and El Salvador showing high levels of growth in crypto money transfers, crypto exchange Coinpay.cr said in February. How significant is cryptocurrency's share of remittances to Latin America and the Caribbean, and will high levels of growth continue in the coming years? What has fueled the growth of remittances using cryptocurrencies, and what do the trends suggest for Latin America's traditional remittances channels? What are the potential upsides and risks of greater use of crypto in sending money transfers?

A Kai Schmitz, partner at Crestone Venture Capital: "Latin America includes some of the countries with the highest adoption of cryptocurrencies for purposes other than speculation, mostly as an inflation-proof store of value, a hard currency holding that is secure from government intervention or a means of transfer. In Venezuela and Argentina, people have looked to cryptocurrencies to achieve these objectives. Cryptocurrencies still have many shortcomings including complicated onramps and offramps, high fees, poor know-your-customer rules, a high risk of fraud and extreme volatility. Their success despite these problems is not only due to the investment returns some cryptocurrencies have generated, but it also demonstrates the demand for a truly digital currency that is easily transferable from person to person without intervention and costs associated with payment schemes and governments. This use case is driven by high merchant

discounts and strangling restrictions of card schemes, the ridiculously poor infrastructure for international transfers and government overreach. Using crypto for remittances solves several of these problems, but it has its own challenges: a high cost of conversion out of and back into fiat, a risk of money laundering, the volatility of value and limited acceptance. However, as crypto becomes more accepted and the overall infrastructure improves, these problems will gradually go away and will significantly increase the use of crypto for remittances and purchases. Gaming and social media in the metaverse will drive consumer adoption of web3 faster than most people imagine, including in Latin America. Tokens and cryptocurrencies are the native currencies for this new economy and will create the payment use case that is currently missing. Stablecoins offer people in Latin America the ability to save in hard currencies, inflation is high or savings in U.S. dollars are at risk of government seizure. El Salvador, where Bitcoin has become legal tender, is a different case because rather than the population trying to evade economic policies of the government, the government is using cryptocurrency for its own benefits. Western countries utilizing their hard currencies for political objectives through sanctions and restrictions of access to important payment infrastructure drive this other use case, although not one the cryptocommunity should embrace."

EDITOR'S NOTE: The above is a continuation of the Q&A that appears in the April 21-May 4 issue of the biweekly Financial Services Advisor.

FEATURED Q&A / Continued from page 2

of Ukraine and Honduras' galloping foreign debt are major challenges for the president's welfare state project. The much-needed direct foreign investment—vital for employment generation, social development and the control of immigration—depends largely on the strengthening of the rule of law, which got off to a bumpy start with the Congressional Board of Directors' irregular election in January, as well as the out-of-term replacement of the attorney general. Some law reforms, if not checked, could risk breaching international obligations. The extradition of former President Juan Orlando Hernández and the replacement of key police authorities has sent a clear message to Washington: President Castro prioritizes combating narco-activity and fighting organized crime. Additionally, the government is negotiating the installation of an international mission to help in the fight against corruption and impunity. Underway are initiatives to secure an independent judiciary and a robust Prosecutor's Office. National reconciliation, including within her party, will provide the rest of President Castro's term with much needed stability to achieve her goals. The degree of influence of former President Zelaya, President Castro's husband, remains an open question. The United States supports many of these initial efforts. In the alternative, Honduras' polarization and instability could be at stake amid a neighborhood already festered with populism, dictatorship and unpredictability."

A **Juan Carlos Sikaffy, former president of the Honduran Council of Private Enterprise (COHEP):** "The world is going through a series of challenges such as Covid-19, the effects of climate change, a logistics crisis, corruption and war. These are difficult times for any president, especially for one who governs a poor Central American country, which is very affected by all the problems that we have mentioned. Our first female president must also face

many challenges, including an energy crisis, job creation and improving the image of Honduras, which has been tarnished by corruption scandals at the highest levels of government. And now, with the world in a critical state, she will also have to guide us through an economic and financial crisis that will affect countries around the world. For our president, the reconstruction of the rule of law is a priority issue to focus on, defending against human rights violations, acts of corruption and impunity that we experienced in previous years. Although it is true that it is imperative to develop a legal

“ For our president, the reconstruction of the rule of law is a priority issue to focus on...”

— Juan Carlos Sikaffy

framework in which we find rules, procedures, schedules and obligations between the outgoing and incoming governments so that there is credibility and transparency, in her first 100 days, our president has been building her team, evaluating the situation, reorganizing the national budget and the structure of government, as well as working with the other branches of government to review the laws. It is too early to see whether or not those actions are what needs to be done to ensure the country's stability, the rule of law and more opportunities for our people. Entering into an economic crisis will undoubtedly be one more challenge to face, so the government must set its goals to improve conditions for national and international companies to invest in the country and create more jobs. Nearshoring is a great opportunity for us, considering that we have an excellent geographic location, logistics infrastructure and bilingual population. The private sector is there, ready to walk with President Castro every step of the way. We must always be partners in the development of Honduras, our Honduras."

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