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FEATURED Q&A

Will U.S. Pledges to Central America Lower Emigration?



U.S. Vice President Kamala Harris this month announced nearly \$2 billion in new private sector commitments as part of an effort to increase economic opportunity. // File Photo: National Aeronautics and Space Administration.

Q U.S. Vice President Kamala Harris on June 7 announced more than \$1.9 billion in new private sector commitments in an effort to increase economic opportunity in northern Central America, bringing the total of such commitments to more than \$3.2 billion. The pledges follow a Call to Action that Harris made in May 2021 as a way to address the root causes of migration from Central America. What are the most significant commitments in response to this initiative, and what do the pledges entail? How different is this effort by the U.S. government from its past investment drives in Central America, and what advances in economic opportunity have been made in the initiative's first year?

A Jonathan Fantini-Porter, co-founder and executive director of the Partnership for Central America: "The Partnership for Central America has a clear mission: mobilize investment and deliver social impact in northern Central America by nearshoring supply chains and creating the enabling environment to support economic opportunities across the Americas. In our first year, the partnership has mobilized more than \$3.2 billion in the region and served more than two million people. These investments have translated into Internet access for more than 1.9 million families who were previously disconnected, 310,000 individuals brought into the formal economy with bank accounts and access to credit, nearshoring of more than \$500 million in a manufacturing capacity, economic empowerment and skill-building services to over 450,000 individuals, and more than \$250

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TODAY'S NEWS

ECONOMIC

Argentina's Central Bank Hikes Key Interest Rate to 52 Percent

Argentina's central bank raised its benchmark Leliq rate by three full percentage points to 52 percent amid spiraling inflation in the South American country.

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BUSINESS

Santander Taps Mexico Head as New CEO

Banco Santander named Héctor Grisi, the leader of the Spanish bank's operations in Mexico and North America, as its new chief executive officer. He is to begin in the role next January.

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POLITICAL

Haiti Needs Help Immediately Amid Violence: Envoy

Gangs are increasingly taking control of Port-au-Prince as violence worsens in Haiti, U.N. Special Representative Helen La Lime told the U.N. Security Council, urging more assistance for the country.

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La Lime // File Photo: United Nations.

POLITICAL NEWS

Haiti Needs Help Immediately Amid Violence: U.N. Envoy

Gangs are increasingly taking control of large parts of Haiti's capital as killings, kidnappings and other violent crimes are on the rise in the Caribbean nation, a U.N. special envoy told the U.N. Security Council Thursday in a briefing. "More than ever, Haiti requires immediate assistance to develop its national police and counter increasing criminality and violence," U.N. Special Representative Helen La Lime told the Security Council, according to the United Nations' news service, U.N. News. "It is essential that Haiti remain at the forefront of the international community's agenda, and that national authorities receive the assistance they need to address these interconnected challenges. Nonetheless, only Haitians hold the key to unlocking sustainable solutions to the country's protracted crisis," La Lime added. The Haitian National Police is seemingly unable to address the country's worsening violence and impunity, she said. The police force lacks the human, financial and material resources in order to carry out its duties, she said, adding that the instability in the country is largely due to its "prolonged institutional vacuum." Additionally, it has been nearly a year since the assassination of Haitian President Jovenel Moïse, and the investigation into the killing is almost completely paralyzed, La Lime said. "The stalled investigation into the assassination of late President Moïse—to which a fifth judge in 11 months was recently assigned—epitomizes the deeply entrenched issues affecting Haiti's justice system, a branch crippled by limited financial and material resources, frequent strikes by judicial personnel and the deterio-

SUBSCRIBER NOTICE

The Latin America Advisor will not be published on Monday, June 20 in observance of the Juneteenth holiday in the United States. We will resume publishing on Tuesday, June 21.

rating security situation," she said. The country has also been without a functioning parliament for more than two years, she added. The country's economy is also deteriorating, La Lime said. Haiti's gross domestic product contracted 1.8 percent last year, and some 4.9 million people in Haiti will need humanitarian aid this year, U.N. News reported.

ECONOMIC NEWS

Argentina's Central Bank Hikes Interest Rate to 52 Percent

Argentina's central bank on Thursday raised its benchmark Leliq rate by 300 basis points to 52 percent, the steepest hike in three years, Reuters reported. The bank cited an increase in the perception of financial risk in the South American country, as well as high global prices and the need to encourage saving. The deci-

The 300-basis point hike is the central bank's steepest in three years.

sion comes as neighboring Brazil and several European countries have increased their own rates in recent days due to rising prices, the wire service reported. "The rise in rates acts mainly by encouraging savings in pesos," the bank said. Last month, prices in Argentina rose 5.1 percent, and analysts expect that this year's annual inflation will exceed 70 percent this year. "With high inflation and regulations on interest rates expected to continue, banks' inflation-adjusted profits will likely face a toll," Marcelo De Gruttola, vice president and senior analyst in the Financial Institutions Group at Moody's Investors Service, told the Dialogue's biweekly Financial Services Advisor in a [Q&A](#) this week. Analysts including Christian Viand, a managing partner at settlements and clearing agent Criteria, think the interest rate hike is a sign of the Argentine central bank's desper-

NEWS BRIEFS

Petro, Hernández Virtually Tied Ahead of Colombia's Presidential Runoff

Polls show that leftist Senator Gustavo Petro and populist Rodolfo Hernández, a former mayor of Bucaramanga, are virtually tied ahead of Colombia's presidential runoff election on Sunday, the Associated Press reported. Petro has vowed to make significant changes to Colombia's economy and change how the country fights organized crime. Hernández has promised to fight corruption and reduce government spending.

Petroecuador Says It's Working on End to Gas Flaring in Amazon

Ecuadorian oil company Petroecuador said it is working to end gas flaring in the Amazon in order to comply with a March 2023 deadline set by a tribunal in Sucumbios province, Reuters reported today. Nearby communities argue the state oil company's progress is too slow, saying the flares cause illnesses including cancer. The tribunal also ordered private companies to end flaring in inhabited areas. Fifteen companies have expressed interest in investing in the technology necessary to capture the 65 million cubic feet of gas emitted by flares every day, Petroecuador said.

Venezuela's Maduro Announces Direct Flights Between Caracas, Doha

Direct flights between Caracas, Venezuela and Doha, Qatar will begin in October, Venezuelan President Nicolás Maduro announced Thursday following his meetings with Qatari officials in Doha, Reuters reported. During his international tour of countries including Turkey, Algeria, Iran and Kuwait, Maduro's administration also announced direct flights from Venezuela to Algeria and Iran, the wire service reported.

ation to stem inflation, Reuters reported. “It feels like the central bank is playing catch in this fight,” he said.

BUSINESS NEWS

Santander Taps Mexico Head as New Chief Executive

Banco Santander today named Héctor Grisi, the head of the Spanish bank’s operations in Mexico and North America, as its new chief executive officer, The Wall Street Journal reported. Grisi, who joined the bank in 2015, is to begin in the position next January. During his role as Santander’s Mexico lead, Grisi improved earnings in the country and has been in charge of Santander’s effort to acquire Citigroup’s Mexico retail operations, the Financial Times reported. Grisi also was credited with helping to improve Santander’s operations in the United States and returning the unit to profitability. He will be replacing CEO José Antonio Álvarez, marking the first chief executive transition since 2014. Santander in 2018 appointed Andrea Orcel as its new CEO, but it revoked the offer a few months later, resulting in a legal battle that ended with Santander paying Orcel more than \$50 million, The Wall Street Journal reported. Álvarez will remain a member of Santander’s board. “Héctor will be an outstanding successor to José Antonio,” said Santander executive chair Ana Botín, the Financial Times reported. “He brings decades of experience and a deep understanding of our markets and business ... his track record as CEO of Santander Mexico and head of North America speaks for itself,” she added. Earlier this year, Botín relinquished some responsibilities under pressure from European regulators aiming to strengthen corporate governance, the Financial Times reported. The bank’s chief executive now reports directly to its board of directors. “Héctor Grisi is a seasoned expert who knows our business and is the right person to lead the bank with Ana,” said Bruce Carnegie-Brown, the bank’s lead independent director.

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million in new investments across agricultural production to create jobs and improve the livelihoods of farmers in the region. These outcomes, which we announced last week at the Summit of the Americas, are measures of tangible progress in our first year. Meanwhile, we are conscious of the many challenges that lay ahead in achieving our shared vision. We believe that only through a systemic approach—that unites the full potential of the public, private and social sectors—can we deliver meaningful impact against root causes of migration.”

A Manuel Orozco, director of the Migration, Remittances and Development program at the Inter-American Dialogue:

“Overall, one could say that anything that helps is welcome. From afar, however, the effort seems more a media exercise in public relations than a cohesive development strategy in motion. Apart from the immediate ‘show me the money!’ reaction, the announced commitments are not directly connected to the most important economic challenges that the region faces: low productivity leveraged by domestic oligopolies in food and export sectors controlled by a few corporations, where the overwhelming majority of businesses and labor are informal, with scant access to credit or financing and a noncompetitive enabling environment (in technology, rule of law and know-how). It seems as if these commitments are separate and detached from the Root Causes of Migration strategy. Overall, the magnitude of economic challenges dwarfs any effort so far concerning economic opportunities, and much more given the prevailing focus. But more importantly, this commitment seems to be dealing with problems elsewhere, but not Central America, and at the same time, Central American governments are amiss and averting in confronting their own demons: inequality in the 21st century that has made one in 100 people leave every year since 2012. There is still time for the Biden admin-

istration to take a turn toward solutions and use its economic might to prevent history from repeating itself in the region.”

A Alfonso José Quiñonez Lemus, Guatemala’s ambassador to the United States: “It is widely accepted that the main cause of irregular migration is the lack of opportunity. Therefore, the focus and efforts to reduce that ‘push factor’ must be the creation of prosperity and job opportunities. It is certainly a responsibility that primarily belongs to the countries from which people migrate. However, the United States, where there is also a very strong ‘pull factor,’ should play

“**It is widely accepted that the main cause of irregular migration is the lack of opportunity.**”

— Alfonso José Quiñonez Lemus

an important role in supporting countries’ efforts to create the ‘enabling environment’ that will generate greater prosperity. Hence, the ‘Call to Action’ of Vice President Harris to attract investment to Central America and thus generate jobs and thereby reduce migration is a key effort to achieve it. This must be accompanied by other measures to make it more effective, such as providing benefits for making ‘nearshoring’ a reality. Guatemala has done its part. We have the largest and most resilient economy of the region and have implemented the ‘Guatemala Moving Forward’ development plan. It is a tripartite alliance among the government, the municipality of Guatemala City and the private sector, aimed at increasing exports and attracting foreign investment on a scale to spur economic growth and job creation. The Call to Action is a perfect complement to this plan, including recognition of the key role that the private sector plays. I am sure

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that if all the tools available to President Biden's administration to promote investment and increase trade are aligned, coupled with a narrative conducive to promoting these objectives, the Call to Action will be a great success, and Guatemala wants to be an integral part of it."

A **Javier Bu, chargé d'affaires at the Embassy of Honduras in the United States:** "This initiative sets aside previous ones by mobilizing investment from the private sector, a different approach that goes beyond the traditional schemes of cooperation, so the expectation is to have a faster impact on creating opportunities. Including other sectors such as civil society also makes it a more comprehensive effort that includes the views and proposals of all important stakeholders. Being the right complement of the Root Causes Strategy and basing the Call to Action on the reasons as to why our people are migrating, plus recognizing the exacerbation of those due to the Covid-19 pandemic and natural disasters, makes it a cohesive effort that we hope is accomplished swiftly to respond to the urgency of the situation. Commitments such as CASC and In Her Hands are crucial for achieving success. Youths are the most prone to migration and are meaningful drivers of the economy. We refuse to keep losing entire young generations. Additionally, investing in women is a win for all of society. Countering economic inequality and achieving women's economic empowerment will be significant, as it transcends not only the financial aspect of their lives but targets a reduction in gender-based violence. Our government welcomes this approach and is committed to making this a reality. If the initiatives and pledges remain consistent and are fulfilled, while bringing in other development and economic tools like DFC, the DR-CAFTA agreement and nearshoring, we will achieve a much-needed

transformation in our countries, resulting in the safer and more prosperous hemisphere we all desire."

A **Michael Paarlberg, assistant professor of political science at Virginia Commonwealth University and associate fellow at the Institute for Policy Studies:** "I'm skeptical that a sudden injection of foreign direct investment (FDI) by U.S. corporations will resolve structural barriers to economic growth in the Northern Triangle. First, it represents a tiny fraction of the economy, about 1 percent to 3 percent of GDP. Domestic businesses employ far more people, and around three-quarters of the workforce is in the informal sector. Informal businesses lack credit and investment, and are subject to extortion by gangs. Providing financing and some security to existing businesses will help more people directly. Having more job options is certainly good, and formalizing the economy is a laudable long-term goal. But today, the biggest engine of economic growth in the region is not FDI. Nor is it foreign assistance or loans from international financial institutions. It's remittances, which make up as much as a quarter of GDP. The most effective economic development strategy is to simply let migrants in the United States stay and continue sending money home, which means reining in our deportation regime. There are also pitfalls to foreign investment projects, which involve public-private partnerships with often corrupt governments or the exploitation of natural resources, which generates public fears of things like water privatization. This can be disastrous in countries that lack food and water security. It can also be politically destabilizing, as we saw a couple decades ago in Bolivia. Combined with worsening climate crises and democratic backsliding in the region, this can lead to increasing migration flows in the future."

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