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FEATURED Q&A

What Will Come of Costa Rica's Public Sector Strike?



Representatives of Costa Rican President Carlos Alvarado's government have been engaged in talks with striking public sector labor unions. // File Photo: Costa Rican Government.

Q Public sector labor unions in Costa Rica and representatives of the country's government have been engaged in talks about President Carlos Alvarado's proposed tax reform plan, which workers are protesting in a national strike that has paralyzed San José for more than two weeks. The tax reform seeks to address the country's growing fiscal deficit, which could reach 7.2 percent by the end of the year if the government does not act soon, according to Costa Rica's central bank. The unions argue the tax plan disproportionately burdens the poor. What is the purpose of the public sector strike, and will unions be successful in achieving their goals? What will come out of talks with the government? Will lawmakers approve this or a different tax plan in the near future?

A **Ottón Solís, Costa Rica representative at the Central American Bank for Economic Integration and founding member of the ruling Citizen's Action Party (PAC):** "Independent research shows that 80 percent of the tax revenue will come from the richest 20 percent of the population. The fact is that 262 goods and services, prominent in the consumer basket of the poorest 20 percent of the population, will be fully exempt from paying the 13 percent VAT or will pay only 1 percent. The real reason for the strike (supported at its peak by just over 2.5 percent of the total labor force of the country) is that for the first time, a government has had the guts to review public sector workers' benefits instead of increasing them. The plan aims to cut expenditures by placing upper limits on some very abusive pluses that exponentially beef up the wage bill of the public sector year after year.

Continued on page 3

TODAY'S NEWS

POLITICAL

Authorities Seize Control of Acapulco Police

State and federal authorities in Mexico seized control of the resort city's police force amid an investigation of the local police department's infiltration by drug gangs.

Page 2

BUSINESS

Cuban President Meets With Tech Execs in New York

Cuban President Miguel Díaz-Canel met with executives of companies including Google and Twitter, telling them that he wants to improve technology in Cuba.

Page 3

POLITICAL

U.S. Sanctions Venezuelan Officials Including First Lady

The Trump administration slapped sanctions on four members of Venezuelan President Nicolás Maduro's inner circle, including his wife, Cilia Flores. Maduro called the sanctions a badge of honor.

Page 2



Flores // File Photo: Venezuelan Government.

POLITICAL NEWS

U.S. Sanctions Venezuelan Officials Including First Lady

The administration of U.S. President Donald Trump on Tuesday slapped sanctions on four members of Venezuelan President Nicolás Maduro's inner circle, including his wife, on corruption allegations. In addition to First Lady Cilia Flores, the sanctions apply to Vice President Delcy Rodríguez, Communications Minister Jorge Rodríguez and Defense Minister Vladimir Padrino, the Associated Press reported. "We are continuing to designate loyalists who enable Maduro to solidify his hold on the military and the government while the Venezuelan people suffer," U.S. Treasury Secretary Steven Mnuchin said in a statement. The White House has previously sanctioned dozens of other Venezuelan officials, including Maduro himself, over claims of corruption, involvement in drug trafficking and human rights abuses. After the sanctions were announced, Maduro appeared on state television, calling the sanctions a badge of honor. "If you want to attack me, come at me directly. But don't touch Cilia and my family," he said. "Her only crime is being my wife." In addition to being first lady, Flores is a former member of Venezuela's elected National Assembly and is a current member of the Constituent Assembly, a powerful body that Maduro's government created last year and which sidelined the National Assembly. The new sanctions freeze any assets that the targeted individuals have in the United States and bar Americans from doing business with them. Trump suggested on Tuesday that Maduro could easily be toppled in a military coup. "It's a regime that, frankly, could be toppled very quickly by the military if the military decides to do that," Trump said on the sidelines of the U.N. General Assembly meeting in New York, the AP reported. "It's a truly bad place in the world today." Trump, who last year said he wouldn't take a "military option" in Venezuela off the table, did not respond to questions about the possibility of

a U.S.-led military intervention in the country, saying he does not reveal military strategy. Also on Tuesday, Trump's nominee to head U.S. military operations in Latin America told members of a congressional committee that there is no planning underway for any military action in Venezuela, Reuters reported. Vice Admiral Craig Faller, whom Trump nominated to head the U.S. Southern Command, was asked whether the president or other top officials had suggested preparing for a "surgical or other" military action. "We are not doing anything other than normal prudent planning that a combatant command would do to prepare for a range of contingencies," Faller said. Venezuela's crises took center stage Tuesday during world leaders' speeches at the U.N. General Assembly. "Not long ago, Venezuela was one of the richest countries on Earth," Trump told the General Assembly. "Today, socialism has bankrupted the oil-rich nation and driven its people into abject poverty. Virtually everywhere socialism or communism has been tried, it has produced suffering, corruption and decay. Socialism's thirst for power leads to expansion, incursion and oppression." In response, Venezuelan Foreign Minister Jorge Arreaza told reporters at the United Nations that the country can choose its own path. "It's not the problem of the United States," he said. In other speeches at the General Assembly, Brazilian President Michel Temer said his country has protected tens of thousands of Venezuelan migrants and expressed hope for a permanent solution to the crisis. Mexican President Enrique Peña Nieto said he doesn't support a military intervention, but said he wants a peaceful solution. [Editor's note: See related [Q&A](#) in Tuesday's Advisor.]

Authorities Seize Control of Acapulco Police Force

Mexican federal authorities and state police on Tuesday took over the entire police force of Acapulco, as the city's police department is being investigated for allegedly having been infiltrated by drug gangs, El Universal reported. Officials issued arrest warrants for

NEWS BRIEFS

Argentine Central Bank President Resigns

Luis Caputo, the president of Argentina's central bank, resigned Tuesday, less than four months in the position, The Wall Street Journal reported. Caputo cited personal reasons for his departure. His resignation came amid reports of disputes with the International Monetary Fund over the country's exchange-rate policy, the newspaper reported. Caputo will be succeeded by Guido Sandleris, a top official of Argentina's Finance Ministry.

Chile's Piñera Releases Austere Spending Plan

Chilean President Sebastián Piñera on Tuesday announced an increase of 3.2 percent in next year's budget, the lowest level of public spending expansion in eight years, Reuters reported. Piñera said in a broadcast statement that the trade war between the United States and China has taken its toll on Chile, as uncertainty has hit copper prices, the South American's country main export, and raised oil prices and interest rates.

Former Trump Hotel in Panama City Rebranded as JW Marriott

The former Trump Hotel in Panama City has been officially rebranded as the JW Marriott following clashes over control that ended with the company of the U.S. president's family evicted, the Associated Press reported. Investor Orestes Fintiklis, who had acquired most of the building's condominiums, sought to fire Trump's company last year on claims of brand damage and mismanagement. The Trump Organization refused to hand over control of the property, asking Panamanian President Juan Carlos Varela to intervene. An arbitrator ruled against reinstating the Trump management team.

two high-level Acapulco police commanders accused of homicide and confiscated guns, radios and bulletproof vests from other police officers. The reasons behind the move were “suspicion that the force had probably been infiltrated by criminal groups” and “the complete inaction of the municipal police in fighting the crime wave,” the state government said, the Associated Press reported. Last year, Acapulco had a homicide rate of 103 per 100,000 individuals, one of the highest levels in Mexico and the world. Soldiers, marines and

Last year, Acapulco's homicide rate was among the world's highest.

state police will control law enforcement duties in the seaside city indefinitely. Also on Tuesday, the National Statistics Institute released a survey showing common crime levels in Mexico increased last year from the previous year, The Wall Street Journal reported. The number of crimes such as muggings and kidnappings rose to 33.6 million, up from 31.1 million in 2016. Rising crime has cost households an estimated \$15.8 million, or 1.7 percent of GDP. The survey did not include drug trade, migrant trafficking or murders. The homicide rate in Mexico reached its highest level in decades last year and continued to increase in the first half of this year. [Editor's Note: See related [Q&A](#) in the Aug. 1 issue of the Advisor.]

BUSINESS NEWS

Cuba's Díaz-Canel Meets With Tech Execs in New York

Cuban President Miguel Díaz-Canel met with U.S. technology executives in New York on Monday as his government seeks to boost Internet access on the island, EFE reported. The meeting included officials from Google,

FEATURED Q&A / Continued from page 1

This breaks with the ritual imposed by the vote-seeking populism of the old traditional right-wing political parties. With the bill agreed between President Alvarado and several opposition parties, public sector wages will continue to rise in real terms but at a slower pace. In the face of a doubling of government debt as a percentage of GDP in the last eight years, Alvarado's multiparty team seems to be fully committed to the plan. The president has stated that the country is at a crossroads and that any alternative is far more painful. He has instructed his Labor Ministry to sit with trade unions in order to explain, listen and persuade, not to bargain a change of course. The weakening of the strike might show that the persuading is having some effect.”

A Francisco Chacón, former Costa Rican congressman for the opposition National Liberation Party (PLN) and former minister of communications: “The proposed reform would transform the current sales tax into a value-added tax, as well as raise the tax rate from 10 to 13 percent and extend it to services. It would also increase some income tax rates. Official studies show that the tax burden would fall mainly on the wealthiest 10 percent of the population. This is not the problem. The unions' motivation lies, instead, in the possible changes to public sector workers' existing benefits and

abuses. Ultimately, their real goal is to by all means avoid that the government promote additional substantial reforms (in public employment, sale of assets and collective

“**The reality is that the government does not have room to make concessions with regard to its tax reform...**”

— Francisco Chacón

agreements, for example) that should be approved after the tax reform plan if we truly want to resolve the country's deficit problem sustainably. The union's movement tends to wear away over time, so an agreement is possible in the coming days. The reality is that the government does not have room to make concessions with regard to its tax reform, given the urgent need to obtain fresh resources and how insufficient it already is. The hope is that, in the face of pressure, the government won't cede in the other necessary public-sector reforms. If it does, it could put at risk the support of some legislative caucuses—which is crucial for the reform's approval—and even the continuity of some of the president's cabinet members.”

Continued on page 4

McKinsey & Company, Twitter, AirBnB and Bloomberg, among others. Díaz-Canel told the executives that the computerization of Cuban society is one of the government's main priorities, according to Prensa Latina, Cuba's state-run media agency. Cuba is preparing to roll out 3G services nationwide by the end of the year, with state-run telecommunications monopoly Etecsa pledging to provide Internet access to some five million mobile phone users for the first time in the island's history. The Cuban president, who is in New York for the United Nations General Assembly, said the

U.S. economic embargo on Cuba is the biggest obstacle to developing Internet access to its top capacity, the wire service reported. The tech executives “were interested in the orientation given by Cuba to society computerization with educational purposes to solve social problems and public services,” Prensa Latina reported. Díaz-Canel is to address the U.N. General Assembly today, where he is expected to denounce the U.S. embargo, according to Cuban state-run website Cubadebate. [Editor's Note: See related [Q&A](#) in the Sept. 11 issue of the Advisor.]

FEATURED Q&A / Continued from page 3

A Rogelio Douglas, founder of Caribbean Sustainable Development Group: “The national public workers’ strike is now in its third week of ‘conversations’ with the government. Since so many sectors of society disagree with the proposed tax reform, maybe an agreement will do some good. The business sector claims ‘no more taxes,’ even the tax evaders. The workers are saying ‘not my benefits,’ not even those that are exorbitant. Yet all would agree the path we are on is unsustainable. The current conversations (not negotiations) will eventually end the strike with some reform since even the international financial market is demanding fiscal changes. However, since the original question missed the root cause, the answer will unlikely solve the core problem. Costa Rica has the highest income gap in the Americas. Thirty percent of the population lives at or below poverty, and another 30-40 percent barely earn a living wage. This suggests that most of the population is excluded, underproducing and needs the minority overproducers to subsidize them. This inequity is unsustainable. Costa Rica,

like so many other countries currently struggling with public strife resulting from the global economy, needs leaders with honesty, courage, creativity, vision and passion to

“**Since so many sectors of society disagree with the proposed tax reform, maybe an agreement will do some good.**”

— Rogelio Douglas

redistribute the national economy embracing a broader sector of the population, boosting productivity and dispersing benefits to many more communities. At the pace of the current conversations, we will soon be back to business as usual, for the soft skills required to address the structural issue are missing.”

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

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Advisor Video

Brazilian Elections: Starting Over or More of the Same?

An Inter-American Dialogue Discussion with Monica de Bolle, Johns Hopkins School of Advanced International Studies
Mauricio Moura, IDEIA Big Data

View a webcast of the Sept. 25 discussion.

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