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FEATURED Q&A

How Will the U.S. Midterms Affect Latin America?



Rep. Richard Neal (D-Mass.) is expected to take over the powerful House Ways and Means Committee, which has jurisdiction over international trade issues, Frank Samolis writes below. // File Photo: Neal for Congress Committee.

Q In the U.S. midterm elections on Nov. 6, the Democrats won control of the U.S. House of Representatives, while the Republican Party of President Donald Trump expanded its control of the Senate. Will the shift in power in the House of Representatives bring any changes to U.S. policy toward Latin America in areas such as foreign aid, immigration policy, trade and Trump's promised border wall? To what extent will the midterm election results influence U.S. relations with Latin American and Caribbean countries?

A Frank Samolis, partner and co-chair of the international trade group at Squire Patton Boggs in Washington: "In light of the Democratic control of the House of Representatives, the dynamics of reaching a bipartisan consensus on trade policy have changed. There will be significant changes, for example, in the makeup of the House Ways and Means Committee, which has jurisdiction over international trade issues. Several Republican members of the committee lost their re-election bids, and the retirement or resignation of other Republican committee members also changed the dynamics. The committee's ranking Democrat, Richard Neal of Massachusetts, is expected to be the new chairman and will be a key policy player in the new Congress. The biggest issue to come up, with respect to trade policy in Latin America, is the approval of the USMCA, the successor to NAFTA. Rep. Neal has avoided taking a position on USMCA, and it is still uncertain how aggressive the Democrats will be in pushing for changes to the agreement. In 2019, President Trump will have to learn how to deal with Congress under the provisions of Trade Promotion Authority (TPA), but,

Continued on page 3

TODAY'S NEWS

ECONOMIC

López Obrador Under Pressure to Assure Investors

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Page 2

ECONOMIC

Argentina to See End of Recession Next Year: IMF

The International Monetary Fund said Saturday it expects Argentina's recession to end in the first quarter of next year, but for now, average growth for this year will be negative.

Page 2

POLITICAL

Colombia's Duque Renews Calls for Venezuela Action

In France on an official state visit, Colombian President Iván Duque on Sunday renewed calls for international action to halt Nicolás Maduro's "dictatorship" in neighboring Venezuela.

Page 2



Duque // Photo: Colombian Government.

POLITICAL NEWS

Colombia's Duque Renews Calls for Int'l Action on Venezuela

Colombian President Iván Duque on Sunday renewed calls for international action to halt Nicolás Maduro's "dictatorship" in neighboring Venezuela, which he blames for a humanitarian crisis and massive exodus of migrants numbering nearly three million people, Agence France-Presse reported. "The real cause of this migration shock is the dictatorship," Duque told AFP while on an official visit to France. "We must use all the diplomatic mechanisms, all the multilateral mechanisms available to allow this dictatorship to end." Tensions between Caracas and Bogotá have grown since Duque, a conservative, was elected president earlier this year. Last week, Duque's administration sent a letter of protest to Caracas after Venezuelan soldiers entered Colombian territory, the latest in a series of unauthorized crossings, Reuters reported. Armed members of the Venezuelan National Guard entered the Pica del Dos area of Tibú municipality on Nov. 1, the foreign ministry said in a statement. Last month, Colombian Foreign Minister Carlos Holmes Trujillo rejected news reports that Colombia would support any effort by Brazil's president-elect, Jair Bolsonaro, to topple Maduro, The Miami Herald reported. Venezuela routinely accuses Colombia of plotting to overthrow Maduro.

ECONOMIC NEWS

López Obrador Under Pressure to Assure Investors

Mexican President-elect Andrés Manuel López Obrador said on Friday he would not support a bill proposed by his party in Congress to limit commissions and fees banks can charge customers, Reuters reported. News of the legisla-

tion spooked investors last week, fueling new concerns that the left-leaning politician would implement anti-business policies. Stocks trading in Mexico City fell to their lowest level in over two years Friday morning before clawing their way back to modest gains after López Obrador said in a news conference he had no plans to change banking laws in the first half of his administration. "We won't make any modification to the legal framework relating to economic, financial and fiscal matters in the first phase of this government," López Obrador said, according to Reuters. "To be more precise, in the first three years, no modification." Senator Bertha Alicia Caraveo, with López Obrador's National Regeneration Movement party, or Morena, unexpectedly introduced the bill last week. On Sunday, the coordinator for the Morena party with the senate, Ricardo Monreal, defended the legislation, saying the goal is to bring the fees and commissions charged by banks in line with those charged in other countries, El Universal reported. In related news, thousands of people on Sunday marched in Mexico City in opposition to López Obrador's plans to cancel a \$13 billion airport for the capital, the Associated Press reported. Critics of the decision to cancel say the project is nearly a third complete and the one million people who voted against it did not understand the economic benefits the project would have brought to the city. López Obrador takes office Dec. 1.

Argentina Recession to End Next Year: IMF

The International Monetary Fund said Saturday it expects Argentina's recession to end in the first quarter of next year, Reuters reported. "The bottom of the recession, the floor, will be hit the first quarter of 2019, and in the second quarter we are going to see a recuperation," IMF mission chief for Argentina, Roberto Cardarelli, told reporters at a press briefing in Buenos Aires. But for now, average growth for this year will be negative. Analysts have forecast 2018 inflation at more than 40 percent this year, among the highest in the world, and the local peso currency has lost about half its

NEWS BRIEFS

Chilean Court Sentences Former Army Chief for Pinochet-Era Crimes

A Chilean court on Friday sentenced former army chief Juan Emilio Cheyre to three years under house arrest for his involvement in the so-called Caravan of Death, a military unit sent by Gen. Augusto Pinochet to kill left-wing opponents in the month after he ousted President Salvador Allende in a coup in 1973, Deutsche Welle reported. With the ruling, Cheyre, 71, has become the most senior figure to be convicted of crimes committed during the Pinochet regime, which ended in 1990.

Mexican Police Make Arrests in Killing of Legislator's Daughter

Police in the Mexican state of Veracruz have arrested five people suspected of involvement in the murder of the daughter of a Congresswoman, BBC News reported today. Valeria Cruz Medel, a student, was shot dead while working out in a gym in Ciudad Mendoza last week in an apparent case of mistaken identity. Her mother, Carmen Medel with the Morena party, broke down during a session in the Chamber of Deputies when she heard the news of the killing.

Bolsonaro Taps World Bank's Levy to Lead BNDES: Report

Brazil's incoming government has tapped World Bank managing director and chief financial officer Joaquim Levy to be the next president of the country's development bank, BNDES, O Estado de S. Paulo reported Sunday, citing a source with knowledge of the matter. Before joining the World Bank in 2016, Levy served as finance minister in former President Dilma Rousseff's administration. The source expects Levy to accept the offer. The World Bank and BNDES declined to comment, Reuters reported.

value this year. In response to market pressure, last month the IMF increased the size of its standby financing deal with Argentina to \$56.3 billion. Since then, Argentine bonds have outperformed other comparable emerging market credit thanks to the IMF's package, which is seen as an inflationary anchor, Forbes reported last week. Still, President Mauricio Macri and his conservative government have lost popularity ahead of his 2019 re-election bid, due to IMF stipulations for spending cuts and tax increases to bring the primary fiscal deficit, projected at 2.7 percent of gross domestic product in 2018, to zero next year.

BUSINESS NEWS

Global Banks Prep for More Brazil Business

London-based HSBC is preparing to re-establish its presence in Brazil, three years after selling most of its operations in the country, the Financial Times reported Sunday citing unnamed sources. Under chief executive John Flint, who took over the position in February, the bank is seeking to increase its São Paulo-based investment banking business, which lost domestic corporate clients after HSBC sold its assets to local private bank Bradesco for more than \$5 billion in 2015, agreeing to a three-year non-compete clause. HSBC could have a staff presence in São Paulo of 200 or more investment bankers, according to the report. However, the FT's sources said the bank has no plans to re-enter the consumer banking sector in Brazil. The election last month of conservative candidate Jair Bolsonaro as Brazil's president has given a boost to local financial markets. Citigroup is prepared to step up hiring for work on the \$176 billion of infrastructure investments it expects over the next five years, Bloomberg News reported Sunday, and Itáú Unibanco has said it may loosen credit standards given the improving economic outlook. [Editor's note: See related [Q&A](#) in the Oct. 4-17 issue of the biweekly Financial Services Advisor.]

FEATURED Q&A / Continued from page 1

ultimately, I believe the new Congress will approve the U.S. Mexico Canada Agreement, or USMCA, which is expected to be signed at the end of this month. A few weeks ago, President Trump also raised the possibility of reaching a trade agreement—whether a full free trade agreement or a more modest package—with Brazil under incoming President Bolsonaro. There are many hurdles before such an agreement can be reached, not only with respect to Brazil's internal market, but also new trade agreements, about which President Trump notified Congress in October, regarding the European Union, Japan and the United Kingdom. Given the priorities of these FTAs, already in process, it is unclear how much room there is for dealing with Latin American trade issues beyond approval of the USMCA. The recently reinitiated Trade and Investment Council with Ecuador, beginning in Washington next month, is a positive signal that the administration remains willing to engage on trade issues with Latin America beyond the USMCA."

A **Ana Rosa Quintana, senior policy analyst for Latin America at The Heritage Foundation:** "Following the midterm elections, the shift of power in the House will play a minimal role, but partisan obstructionism should be anticipated. House Democrats won fewer seats than anticipated, while Republicans gained seats in the Senate, which will significantly improve odds of confirming administration officials. In the near future, we should expect to see momentum on U.S. policy towards Latin America increase. The administration has a strong team in place led by assistant secretary of state Kimberly Breier. She has played a key role in shaping and advancing the administration's regional policy, namely on Mexico and Venezuela. Mexico will remain a priority for the White House, and under the incoming administration of President-elect Andrés Manuel López Obrador, or AMLO, we should expect

to see efforts at deepening and broadening the bilateral relationship. Despite partisan disagreements on immigration policy, there should be bipartisan support for cooperating with AMLO on anti-corruption issues, addressing causes of Central American migration and passing the USMCA. We should also expect a continuation of the administration's muscular Venezuela policy. Addressing the humanitarian crisis caused by the narco-dictatorship will require bipartisan and Congressional support. The administration's robust Venezuela policy has started correcting almost a decade of U.S. indifference. The same goes for Nicaragua. The lingering political crisis and brutality of the Ortega regime will merit a stronger U.S. response. Following National Security Advisor John Bolton's speech in Miami, Congress should also understand that in order to address Venezuela and Nicaragua, the regime in Cuba must not be ignored."

A **Caroline Tess, senior fellow at the Penn Biden Center and former senior director for legislative affairs on the National Security Council in the Obama Administration:** "On immigration, President Trump remains committed to funding a border wall in the next appropriations bill. However, there is no sign he is able to make the necessary compromises. Despite modest Republican gains in the Senate, Democrats will significantly increase their leverage as they assume control of the House of Representatives. If the president really does want funding for the border wall, he'll need to compromise on legal status and a path to citizenship for Dreamers or another major Democratic priority, such as Obamacare—something he has not been willing or able to do thus far. On Central America, Democrats will increase assistance to Central America to address the root causes that force people to leave their homes and face such an arduous journey. Democrats, and even some Republicans, will also take issue with the

Continued on page 4

FEATURED Q&A / Continued from page 3

deployment of troops to the Mexican border, a U.S. military presence that has become larger than that in Syria. The House of Representatives will push back against the Trump administration's efforts to return to a failed policy with Cuba through the appropriations process and symbolic, but important, votes to lift the travel ban or the embargo on Cuba. Also, watch for oversight hearings critical of the administration's response to the sonic attacks on our diplomats in Cuba and China. If the administration is able to present a re-negotiated NAFTA to Congress for consideration, the incoming house speaker will demand a significant concession from the administration (Obamacare, Dreamers, etc.) for House Democrats to schedule a vote, which will require overwhelming Republican support to pass. House Democrats largely do not support free trade agreements. And, on Venezuela, I expect calls for additional sanctions, including sectoral sanctions, temporary protected status for Venezuelans and expedited asylum procedures for Venezuelans similar to Cubans as the 2020 campaign heats up."

A Vicki Huddleston, retired U.S. ambassador and former chief of the U.S. Interests Section in Havana: "The Democrat-controlled House of Representatives will likely only focus on Latin America when there is a crisis, which most likely will be mass migration from Central America, the Caribbean and/or Venezuela. Hopefully, either in expectation of such a crisis or in response to this crisis itself, the House will propose a new Caribbean Basin initiative, which includes Cuba, in order to reduce poverty and improve political stability through the provision of subsidized oil, investment and trade. In the meantime, the House and think tanks concerned about Cuba should be developing plans to normalize relations under a Democratic president in 2020, including legislation to end the embargo, talks to settle official and unofficial claims, and the development of proposals for shuttering Guantanamo Naval Base."

A Jonathan Benjamin-Alvarado, assistant vice chancellor for student affairs and professor of political science at the University of Nebraska Omaha: "I imagine there is a full expectation given President Trump's perception of a 'win' in the midterms that he believes he has the latitude and authority to move on the 'immigrant crisis' at the border. This means that more likely than not, the administration will double down on securing the border. This means he will necessarily 'create' a militarized border security regime at major points of entry and will enhance surveillance and detention capabilities. To signal that he is 'tough' on 'illegals,' there

More likely than not, the administration will double down on securing the border."

— Jonathan Benjamin-Alvarado

may also be a spate of executive orders that includes cutting foreign aid to Central American countries. With the Democrats taking control of the House of Representatives, we can surmise that, in general, there will be opprobrium to many of Trump's initiatives in the hemisphere. That being said, this does not eliminate the possibility that Trump may direct the State Department, and perhaps the Department of Defense, to execute policies, most punitive in nature, against what he has called the 'shithole' countries in the region. To me, this is particularly worrisome, as there seems to be neither rhyme or reason to policy, only knee-jerk reactions, and presumptive strikes against threats, real and perceived."

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