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FEATURED Q&A

Would Budget Cuts Hurt U.S. Interests in Latin America?



The administration of U.S. President Donald Trump is eyeing deep funding cuts at the State Department and the U.S. Agency for International Development. // File Photo: White House.

Q The administration of U.S. President Donald Trump reportedly wants to slash funding to the State Department and the U.S. Agency for International Development by 37 percent, while also pouring an additional \$54 billion into the country's defense budget. Both Republican and Democratic lawmakers quickly criticized the cuts, however, saying they would hobble U.S. influence in the world. What would such cuts, and increased defense spending, mean for the United States' role in Latin America and the Caribbean? Should the U.S. military have a larger role, with the State Department taking a smaller role, in the hemisphere? What are the implications for the region if more U.S. foreign policy is conducted through a military and security lens rather than through traditional diplomacy?

A U.S. Rep. Eliot L. Engel (D-N.Y.), Ranking member of the House Committee on Foreign Affairs: "Last week, I sent a letter to Secretary of State Rex Tillerson—signed by 103 of my colleagues—urging him to press the White House to reverse these draconian, short-sighted cuts to the Fiscal Year 2018 international affairs budget. I hope the administration quickly changes course and realizes that slashing support for diplomacy and development will only make our country less safe. In recent years, the Obama administration worked with Republicans and Democrats in Congress to renew the U.S. commitment to Latin America and the Caribbean, including through a bold, new foreign assistance package for Central America. We are now addressing the root causes of child migration from Guatemala, Honduras and El Salvador to the United States in order to stop children from being

Continued on page 3

TODAY'S NEWS

POLITICAL

Mexico Opens Legal Aid Centers in U.S.

Mexico's government opened 50 legal aid centers in its consulates in the United States. The move comes amid concerns about crackdowns on illegal immigration under the Trump administration.

Page 2

BUSINESS

Sagicor Group Jamaica Reaches New Earnings Record

The Jamaican subsidiary of Sagicor Financial Corporation reported approximately \$88 million in earnings for the 2016 calendar year. The Jamaican company's profit rose 15 percent.

Page 3

POLITICAL

Former Haitian President Préval Dies at 74

Préval, who served two nonconsecutive terms as Haiti's president, led the country at the time of its catastrophic earthquake in 2010.

Page 2



Préval // File Photo: Office of U.S. Trade Representative.

POLITICAL NEWS

Mexico Opens Legal Aid Centers in U.S.

Mexico's government on Saturday opened legal aid centers at its 50 consulates in the United States amid concerns about a crackdown on illegal immigration under the administration of U.S. President Donald Trump, Reuters reported. Mexico's foreign minister, Luis Videgaray urged U.S. officials to respect Mexicans' rights and



Videgaray // File Photo: Mexican Government.

called on the country to allow immigrants in the United States illegally to have a path to legality. "We are not promoting illegality," said Videgaray. Trump, who took office less than two months ago, campaigned on vows to crack down on illegal immigration, including through building a massive multi-billion-dollar wall along the U.S.-Mexico border, and since becoming president has issued orders to initiate more stringent deportation procedures. "Today we are facing a situation that can paradoxically represent an opportunity, when suddenly a government wants to apply the law more severely," said Videgaray. "It is becoming more than evident that to apply the law, which is the obligation of any state, would also imply a real economic damage to this country which highlights the need for immigration reform, an immigration reform that resolves once and for all the legal status of the people." During a visit last month to Mexico City by new U.S. Secretary of State Rex Tillerson and Homeland Security Secretary John Kelly, Videgaray expressed "worry and irritation" about the U.S. policies. On Feb. 28 Trump indicated to television news anchors during a luncheon at the White House that he would be open to immigration reforms.

"The time is right for an immigration bill as long as there is compromise on both sides," he said, The Washington Post reported. However, during his speech that evening to a joint session of Congress, Trump reiterated his tough stance on illegal immigration and repeated his vow to "begin the construction of a great, great wall along our southern border." He did not repeat his assertion during his speech that he would force Mexico to pay for it. [Editor's note: See [Q&A](#) on U.S.-Mexico relations in the Feb. 6 issue of the Advisor.]

ECONOMIC NEWS

Mexican Economy Minister Defends NAFTA in Detroit

Mexican Economy Minister Ildefonso Guajardo on Friday defended the North American Free Trade Agreement, or NAFTA, during a visit to Detroit, The Wall Street Journal reported. During the visit, in which he met with executives of U.S. automakers Ford and General Motors, Guajardo said both the United States and Mexico benefit from NAFTA. "Yes, we [in Mexico] are benefiting from this relationship," Guajardo said. "But it is important to understand this is a benefit that goes both ways." U.S. President Donald Trump has vowed to either renegotiate NAFTA in order to get a better deal or to pull the United States out of the accord. During his campaign, Trump frequently decried the loss of U.S. manufacturing jobs to other countries such as Mexico. However, Guajardo said increased automation, not Mexico, is to blame for the loss of U.S. manufacturing jobs. "We are part of the solution. We are not part of the problem," Guajardo told the Detroit Economic Club, The Wall Street Journal reported. "At the end of the day, we have to find a way to better compete with the world." A large part of Mexico's \$60 billion trade surplus comes from trade in the auto industry. Vehicle manufacturers in recent years have increasingly used Mexico as a platform for building cars for export to the United States and elsewhere.

NEWS BRIEFS

Former Haitian President Préval Dies at Age 74

Former Haitian President René Préval, who led the Caribbean nation during the massive earthquake in 2010, the deadliest natural disaster ever recorded in the Americas, died Friday at his home in Port-au-Prince at the age of 74, The New York Times reported. The cause of death was not released. Préval was the country's first and only president so far to be elected, serve out his term and hand over the position to an elected successor. Préval served as president from 1996 to 2001 and again from 2006 until 2011.

Bus Crash in Panama Kills 18, Injures 37 Others

Eighteen people were killed and 37 others were injured Sunday when a bus carrying farm workers veered off a highway and landed in a stream southwest of Panama City, the Associated Press reported. The crash occurred on the Pan-American Highway in Anton. Officials did not say what caused the crash. One person remained in critical condition Sunday night.

Bolivia's Morales Released From Hospital After Being Treated for Viral Infection

Bolivian President Evo Morales has left Cuba following medical treatment for a sore throat that led him to lose his voice, and traveled to Venezuela to participate in a meeting of the ALBA regional bloc, the Associated Press reported Sunday. Venezuelan state television showed images of Morales arriving in Caracas on Sunday, appearing noticeably slimmer. His voice was hoarse when he spoke, but in brief remarks he said that "thanks to the Cuban doctors, we are recovering." Morales flew to Cuba on Wednesday of last week for medical treatment. The government said Thursday that Cuban doctors had determined he was suffering from a viral infection.

BUSINESS NEWS

Sagicor Group Jamaica Reaches New Earnings Record

Financial services company Sagicor Group Jamaica reached a new earnings record last year, reporting approximately \$88 million in earnings for the 2016 calendar year, The Jamaica Gleaner reported Friday. The company, which operates in insurance, commercial banking, investment and wealth management, saw its profit rise 15 percent, and its revenue increase by more than 8 percent to nearly \$466 million. The company also disclosed a “breach of insurance regulations” at its flagship business in the financial report it released last week. The company, a subsidiary of Barbados-based Sagicor Financial Corporation, said that as of year-end last year, “Sagicor Life Jamaica Limited, exceeded the regulated 5.0 per cent maximum of related party balances to total assets of the company.” The company said its management is in discussions with the regulator in relation to the matter. Sagicor Group Jamaica’s Chief Financial Officer Ivan Carter said the group’s strong performance was due to the streamlining of its operations following the acquisition of RBC Jamaica, among other factors.

Mastercard Seeking to Boost Urban Mobile Payments

Multinational financial services company Mastercard is working on about 20 projects throughout Latin America that aim to increase and improve mobile urban access in the region’s cities, EFE reported Friday. Mastercard’s head of business development in Latin America and the Caribbean, Jorge Noguera, said the company is using its payment technology to contribute to expanding the region’s urban mobile access. Noguera said Mastercard is already using its technology in the public transportation systems of the Colombian cities of

FEATURED Q & A / Continued from page 1

forced to make the perilous journey from their home countries to the U.S.–Mexico border. Dramatically cutting the State Department and USAID’s budgets would make it very difficult to continue to do this, while also emasculating long-standing U.S. commitments to Haiti, Colombia and other key partners. Finally, increasing the military’s role in our policy toward Latin America and the Caribbean while reducing international affairs spending would severely undermine the civilian, democratic institutions that we have supported for so many years. I hope Secretary Tillerson is able to convince the White House to reverse course before the FY 2018 budget is released. But if not, I will do everything in my power to work with my colleagues in Congress to ensure that these cuts do not take place.”

A James Jay Carafano, vice president at the Heritage Foundation: “The Fiscal Year 2017 Congressional Budget Justification for the Department of State, Foreign Operations, and Related Programs estimates that the fiscal year 2016 Budget of International Affairs was \$54.6 billion. Assuming that the Fiscal Year 2017 budget under the continuing resolution maintained that funding level, a 30 percent cut to the International Affairs Budget will mean a \$16.4 billion decrease. That sounds like a big cut—and it is. But it needs to be put in perspective. Looking back at previous budgets as listed above, the 30 percent cut would return the International Affairs Budget to levels last seen at the end

of the George W. Bush administration. And the International Affairs Budget during the Bush administration was hardly austere. To the contrary, it grew substantially from 2000 to 2008. Increased funding under the Obama administration seems to have gone in significant part to support the ideological

“**The 30 percent cut would return the International Affairs Budget to levels last seen at the end of the George W. Bush administration.”**

— James Jay Carafano

priorities and preoccupations of the previous administration. The Obama administration, for example, focused more than \$3 billion on climate change, biodiversity, family planning and gender. Certainly, some funding on these issues is warranted, but cuts in foreign assistance focused on these issues would not endanger core U.S. national security interests. Further, right now people are jumping to conclusions with little information. Budget reductions at the Department of State and at other international affairs agencies are not necessarily a threat to the security of the United States, nor would they necessarily impede the ability of the State Department to fulfill its core diplomatic mission.”

Continued on page 4

Bogotá, Cali, Barranquilla, Medellín and Pereira. Public transportation passengers can use their bank cards to pay fares using a “contactless” electronic payment method. Mastercard will also launch a contactless payment system for public transportation in the Brazilian cities of Curitiba, Rio de Janeiro and São Paulo, and the company has signed agreements with other Latin American cities to implement a similar system, though Noguera said each city and

country’s transportation system will have its own challenges to address. Mastercard said it is contributing to the creation of “smart cities” in Latin America via its payment technology, since it simplifies payment methods and reduces costs for transportation systems. Noguera added that the anonymous data collected by users when ordering transport tickets may prove useful for the government when making investment decisions.

FEATURED Q&A / Continued from page 3

A Douglas Fraser, retired U.S. Air Force general and former commander of the U.S. Southern Command: “U.S. national security policy is based on three legs—diplomacy, development and defense. Reducing funding to the State Department and the U.S. Agency for International Development (USAID) dramatically shortens two already shortened legs of the national security stool—diplomacy and development. Our national security is stronger when all three legs are strong and working together. U.S. security is not threatened by a military intervention from our Latin American and Caribbean neighbors. Instead, the threat to both the United States and our neighbors to the south is the violence and insecurity produced by transnational criminal organizations enabled by income inequality, poverty, corruption and inadequate police and judiciaries. The State Department, USAID and other U.S. government departments, including the Department of Justice, work with our partner governments to address these enduring problems. Reduced funding for their programs will hurt U.S. security interests in the region. Department of Defense partner-building programs in the region benefit directly from State Department and USAID-funded programs. International Military Education and Training programs, Foreign Military Finance programs, and Peace Keeping Operation programs are funded through the State Department, not the Defense Department. These programs directly support U.S. military training, capacity building and security interests. Reduced funding to these programs will reduce U.S. military influence and capacity-building efforts. Increased military influence in defense programs in Latin America without corresponding increases to diplomatic and development programs sends the wrong message to our neighbors. Based on the mixed results from the history of U.S. military involvement in the region, increased U.S. military engagement at the expense of diplomatic and development programs could be seen

as a return to that era of U.S. relations with Latin America. This perception will hurt U.S. military engagement. Therefore, like Secretary Gates and many of my fellow flag and general officers, I strongly support continued funding for State Department and USAID programs. U.S. national security interests are best served by maintaining three strong legs of national security policy—diplomacy, development, and defense.”

A James R. Jones, member of the Advisor board, chairman of ManattJones Global Strategies and former U.S. congressman and ambassador to Mexico: “If President Trump really wants the United States to ‘win’ as he says, it would be foolish to cut the foreign affairs budget by a third. That would be a surefire formula to make America a ‘loser’ among the nations of the world. The administration doesn’t seem to understand yet that American strength in the world comes from making friends, strengthening allies and cementing true partnerships with other nations. That is particularly true in this hemisphere, where American military might is much less important or effective than the fruits of U.S. diplomacy. As a former chairman of the House Budget Committee, I understand the difficult trade-offs needed to build a responsible budget. Priorities must be decided to properly fund them. The administration says defeating ISIS and similar terrorist organizations is among our highest priorities. That won’t be accomplished by spending billions on costly warships or airplanes. Those are not the frontline weapons against terrorism. In this hemisphere, America’s security rests more on building relationships and promoting democracy and free-market economic systems than on rattling our sabers. Diplomacy is our most effective tool to ensure that the United States is perceived as a ‘winner’ among our neighbors in this hemisphere. I hope Congress will not shortchange it.”

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