

## BOARD OF ADVISORS

**Diego Arria**  
Director, Columbus Group

**Devry Boughner Vorwerk**  
CEO, DevryBV Sustainable Strategies

**Joyce Chang**  
Global Head of Research,  
JPMorgan Chase & Co.

**Paula Cifuentes**  
Director of Economic & Fiscal Affairs,  
Latin America & Canada,  
Philip Morris International

**Marlene Fernández**  
Corporate Vice President for  
Government Relations,  
Arcos Dorados (McDonald's)

**Peter Hakim**  
President Emeritus,  
Inter-American Dialogue

**Donna Hrinak**  
Senior VP, Corporate Affairs,  
Royal Caribbean Group

**Jon E. Huenemann**  
Council Member,  
GLG Inc.

**James R. Jones**  
Chairman,  
Monarch Global Strategies

**Craig A. Kelly**  
Senior Director, Americas  
Int'l Gov't Relations, Exxon Mobil

**Barbara Kotschwar**  
Executive Director, Visa Economic  
Empowerment Institute

**John Maisto**  
Director, U.S. Education  
Finance Group

**Nicolás Mariscal**  
Chairman,  
Grupo Marhnos

**Thomas F. McLarty III**  
Chairman,  
McLarty Associates

**Beatrice Rangel**  
Director,  
AMLA Consulting LLC

**Jaana Remes**  
Partner,  
McKinsey Global Institute

**Ernesto Revilla**  
Head of Latin American  
Economics, Citi

**Gustavo Roosen**  
President,  
IESA

**Andrés Rozental**  
President, Rozental &  
Asociados

**Shelly Shetty**  
Managing Director, Sovereigns  
Fitch Ratings

## FEATURED Q&A

# Has the Mérida Initiative Failed the U.S. and Mexico?



Through the Mérida Initiative, the United States has provided funding to Mexico for equipment including Bell 412 helicopters. // File Photo: U.S. Department of Energy.

**Q** The Mexican government recently announced it is seeking to overhaul the Mérida Initiative, a \$3 billion U.S. aid program that for more than a decade has aimed to foster security cooperation between the two countries. Mexican Foreign Minister Marcelo Ebrard said the initiative “doesn’t work” and is “dead.” What does the Mérida Initiative encompass exactly, and to what extent has it failed to reach its stated goals? Is the program likely to be reformed any time soon? What could a potential replacement of the Mérida Initiative look like, and what elements of the aid program need to be improved for U.S.-Mexico security cooperation to work more effectively?

**A** Roberta Jacobson, former U.S. ambassador to Mexico and former assistant secretary of state for Western Hemisphere affairs: “As an architect of the Mérida Initiative with Mexico in 2008, let me say what others have alleged: the Mérida Initiative is dead. I disagree, however, with those who think that Mérida failed. For those who believed that the Mérida Initiative was to reduce or end drug trafficking from Mexico to the United States or end gun running from the United States to Mexico, the initiative clearly has failed. That perspective, however, fundamentally misunderstands its purpose. The real goal of the Mérida Initiative was to be a process—a way of developing a culture of security cooperation between Mexico and the United States. Following the launch of the initiative, Mexican and U.S. law enforcement worked together for more than a decade, fulfilling the goal of the initiative. Mérida was designed to be adaptable, changing emphasis so that as transna-

Continued on page 3

## TODAY'S NEWS

### POLITICAL

## Aid Arrives as Haiti Copes with Quake, Floods

Rescue and recovery work in Haiti following Saturday's 7.2-magnitude earthquake has been hampered by heavy rains brought by Tropical Storm Grace on Monday.

Page 2

### ECONOMIC

## Peru Growth Up, Employment Data Remains Weak

Peru's economy expanded 23 percent in June this year as compared to the same month in 2020, but the number of “underemployed” people remains well above the number recorded in 2019.

Page 2

### POLITICAL

## Nicaragua Targets Foreign NGOs

The government of Nicaraguan President Daniel Ortega on Monday canceled the registration of six nongovernmental organizations, or NGOs, from Denmark, Spain, Sweden and the United States. The move follows similar crackdowns on domestic NGOs.

Page 2



Ortega // File Photo: Government of Taiwan.

## POLITICAL NEWS

## Aid Efforts Underway as Haiti Copes with Quake, Floods

Rescue and recovery work in Haiti following Saturday's 7.2-magnitude earthquake has been hampered by heavy rains brought by Tropical Storm Grace on Monday, BBC News reported. At least 1,419 people are known to have died in the quake in the country's southwest region, with more than 6,900 injured and an unknown number still missing. Mexico and Colombia have sent four tons of humanitarian aid that arrived overnight, as well as 18 tons of equipment to assist in search and rescue efforts, Agence France-Presse reported. Meanwhile, the U.S. Southern Command is sending eight



A U.S. military team was deployed to Haiti on Monday. // Photo: U.S. Southern Command.

military helicopters to assist in the disaster relief effort, the Miami Herald reported. The deployment is double what Southcom detailed on Sunday and includes three CH-47 Chinooks and five UH-60 Black Hawks, according to the report. The relatively remote peninsula where the quake was centered has made access difficult, with narrow roads damaged by the quake and subsequent floods. Meanwhile, the U.S. Agency for International Development has taken the lead on U.S. efforts to deliver supplies to the disaster area. Grace's heavy rains caused flooding across Hispaniola throughout Monday before moving west. Overnight, the storm continued to reorganize and gain strength as it heads next to Jamaica, according to the U.S. National Hurricane Center. The storm's trajectory currently puts it on a path toward Mexico's Yucatán peninsula.

## Nicaragua Targets Foreign NGOs

The government of Nicaraguan President Daniel Ortega on Monday canceled the registration of six nongovernmental organizations, or NGOs, from Denmark, Spain, Sweden and the United States, Reuters reported. Nicaragua's official gazette reported that the interior ministry had suspended the registration of two Oxfam chapters, the faith-based Swedish development organization Diakonia, as well as the registration of the U.S. National Democratic Institute (NDI) and the International Republican Institute (IRI), among others. No statements on the matter were posted on NDI or IRI's websites as of today. Ortega's government declared that the NGOs "have failed to comply with their obligations under the laws that regulate non-profit organizations," according to the report. The gazette alleges that the NGOs did not report their financial statements properly. The government in the past canceled the registration of local NGOs that have been critical of Ortega, who has intimidated and imprisoned opposition leaders ahead of November's elections, which international election observers view as undemocratic as a result. [Editor's note: See related [Q&A](#) in the June 24 issue of the Advisor.]

## ECONOMIC NEWS

## Peru Growth Rises, Employment Data Remains Weak

Peru's economy expanded 23 percent in June this year as compared to the same month in 2020, with most sectors rebounding from the depths of economic lockdowns amid the coronavirus pandemic, state news agency Andina reported Monday. The exception was the country's substantial fishing industry, which contracted 38 percent in June, according to new data from the National Institute of Statistics and Informatics (INEI). National production increased 21 percent in the January-June pe-

## NEWS BRIEFS

## São Paulo Reports Nearly All Adults Vaccinated

The city of São Paulo, Brazil's largest, on Monday announced that nearly 99 percent of its adult population has received at least one dose of the Covid-19 vaccine, Folha de S.Paulo reported. The state of São Paulo, which surrounds the city, has surpassed 91 percent of its adult population with at least the first dose. The local government's "Virada da Vacina" campaign, under which more than half a million people received vaccines at some 600 facilities, ended Sunday. Gov. João Doria plans to start vaccinating adolescents on Wednesday.

## Nuvemshop Valuation Rises to \$3.1 Billion After Latest Funding Round

Argentina-based Nuvemshop, a start-up that helps small- and medium-sized sellers establish online stores, said today it has raised \$500 million in new funding. The company, which is also known as Tiendanube in Spanish-speaking countries, said the funding round was led by Insight Partners and Tiger Global Management, with significant participation from Alkeon and Owl Rock. The newest round of financing values the company at \$3.1 billion.

## Brazil's Cemig Registers 4.8 GW of Wind, Solar Power for Aug. 24 Tender

Brazilian utility Cemig has registered nearly 4.8 gigawatts (GW) of wind and solar energy projects for an auction planned for Aug. 24, Renewables Now reported Monday. The company said it will award long-term power purchase agreements to start power supply from January 2024 through December 2038. Cemig did not detail the amount of electricity it is hoping to contract but said in a tender notice that the new capacity will help cover demand in the southeast, midwest, south and northeast markets in Brazil.

riod, bringing growth over the past 12 months through June to 6.35 percent. Peru's working population totaled 16.8 million people in the second quarter of this year, up 52.6 percent compared to the same period in 2020, although the figure remains 143,000 below levels in 2019, according to INEI. Peru's "underemployed" population nationwide increased by 19 percent, or 1.44 million people, between July 2020 and June this year.

## BUSINESS NEWS

### Citgo Posts First Profit in Seven Quarters

Venezuelan state oil firm PDVSA's U.S. refiner, Citgo, on Monday posted its first profit in seven quarters, registering net income of \$3 million in the April-June period, the company said in a statement. Earnings before interest, taxes, depreciation and amortization, or EBITDA, reached \$214 million, and adjusted EBITDA was of \$208 million. It was the first time since the third quarter of 2019 that Citgo registered a profit. The company posted a \$5 million net loss in the second quarter of last year. Higher fuel exports in the second quarter helped offset weak margins as well as the impact of the nearly week-long shutdown of the Colonial Pipeline, which was taken offline in May following a cyberattack and affected operations at Citgo's Lake Charles, Louisiana, facility, Reuters reported. "Given the multiple challenges we have faced during 2020 and the first half of 2021, this return to profitability is particularly satisfying—especially given the slow margin recovery we are experiencing due to the lingering effects of the pandemic," Carlos Jordá, the company's president and CEO, said in the statement. Citgo has been under pressure since it lost access to Venezuelan oil due to U.S. sanctions on the Andean nation's government, as well as efforts from international bondholders to collect unpaid PDVSA debts. [Editor's note: See related [Q&A](#) in the Aug. 6 issue of the weekly Energy Advisor.]

## FEATURED Q&A / Continued from page 1

tional criminal organizations changed, so too would the focus of law enforcement agencies. This cooperation has eroded in recent years, and with it the utility of Mérida. Mexico and the United States must redefine their security priorities for a new binational strategy—one that respects sovereignty and responds to the actual causes of insecurity. A new strategy would focus on training for law enforcement and judicial authorities and teaching economic skills to young people who fall prey to cartel recruiting. It would also do a better job of 'following the money' on both sides of the border. Regardless of what we call this strategy, we need cross-border cooperation if we are to lessen the violence that claims over 70,000 lives in overdoses in the United States and more than 39,000 lives in drug-related homicides in Mexico."

**A** **Arturo Sarukhan, board member of the Inter-American Dialogue and former Mexican ambassador to the United States:** "The Mérida Initiative was never supposed to be mummified; it was conceived to allow for fine-tuning and adjustment, taking into account the context of bilateral ties—acknowledging that no two Mexican or U.S. administrations would have the same priorities and focus—as well as the circumstances on the ground in the fight against transnational criminal organizations. That is what precisely led to shifts in focus and the widening of its scope in the transition from the Bush to the Obama administration, something that should have also occurred with the passing of the baton from Calderón to Peña Nieto. Unfortunately, neither the Peña Nieto nor the López Obrador administrations understood this. And what many in Mexico have failed—then and now—to comprehend is that the process initiated in Mérida in 2007 achieved three critically important things. First, it institutionalized shared responsibility as the linchpin of cooperation against organized crime on both sides of the border

and ensured that the United States had 'skin in the game.' Second, it was more than just law-enforcement collaboration or training and transfer of equipment. It was, critically, more about processes, ensuring interagency coordination within each government and then between both governments, elimi-

“It became the midwife for a much broader and ambitious security and intelligence relationship between both nations...”

— Arturo Sarukhan

nating particular agendas of individual agencies and ensuring that resources and efforts did not overlap or duplicate. Lastly, it became the midwife for a much broader and ambitious security and intelligence relationship between both nations, spilling over into regional and global cooperation and nudging Mexico to embrace the critical importance of North American common domain awareness. After four years in which the Trump administration basically ignored it, ending the Mérida Initiative now may entail the proverbial boomerang effect for Mexico's interests; the disastrous handling of the Cienfuegos case by both governments recently is a taste of what might be in store for a post-Mérida bilateral relationship."

**A** **Raúl Benítez Manaut, researcher at the Center for Research on North America at the National Autonomous University of Mexico (UNAM):** "The Mérida Initiative was born in 2007 with the objective of strengthening the capacities of the Mexican security forces to combat drug trafficking. The two governments quickly broadened the initiative to support justice reform in Mexico. During the Obama administration, it also expanded to strengthen social organizations to build

Continued on page 4

## FEATURED Q&amp;A / Continued from page 3

social cohesion. However, organized crime has grown. Homicides have risen in Mexico from eight per 100,000 inhabitants to 23. In that sense, Mérida has failed. Strengthening the military forces and giving them capabilities has not been enough. The great crisis with Mérida occurred in October 2020, with the capture and subsequent release of Gen. Salvador Cienfuegos. That began a serious crisis in the DEA's relationship with Mexico. Another major crisis with Mérida was the capture of Genaro García Luna in December 2019. The Federal Police, which he oversaw, received a large amount of money from Mérida. This was a great failure for Mérida due to corruption, which made U.S. aid not work well. The López Obrador government refuses to use the word 'Mérida,' but cooperation continues. Mexican criminals continue to be extradited. López Obrador does not want 'marks of the past.' Mérida's resources, under another name, will continue to be given, but the United States has changed its security priorities. Now the control of migrants has become primary, and the work of the security forces and the Mexican military is key. The fight against crime continues, and the main threat is the Jalisco Cartel, the most important exporter of fentanyl to the United States."

**A** **Laura Carlsen, director of the Americas Program in Mexico City:** "The Mérida initiative was designed under the Bush administration as support for Mexico's war on drugs that incoming President Felipe Calderón announced in 2006. The package delivered military and police aid and training over a three-year period, later extended 'indefinitely' by then-Secretary of State Hillary Clinton. The initiative was doomed to fail from the outset by replicating a supply-side approach to problematic drug use in the United States and the hyper-criminalization

of all phases of illegal drug production, transit and consumption abroad. Yet even skeptics did not expect the scope of the human disaster the model would cause in Mexico—it has been a direct cause in the estimated 250,000 homicides and an additional 85,000 disappearances in Mexico. Record

“The initiative was doomed to fail from the outset...”

— Laura Carlsen

rates continue despite repeated promises to abandon the model, while femicide rates have actually risen. There is significant inertia in binational drug war cooperation; it will take far more than another presidential declaration to change course. The Biden administration should take seriously the challenge to develop a new strategy. Urgent steps must include: 1.) continue to end prohibition in the United States (the market for Mexican cartels) with federal-level regulation of marijuana, harm reduction emphasis and studies on deregulation of other prohibited substances; 2.) develop economic options for vulnerable sectors involved in the drug trade, including young people who can't get jobs or education and resort to selling drugs on the street corner or work as lookouts, 'mules' who carry small amounts of drugs for cartels because they face dire need and consumers with addictions that need attention; and 3.) immediately demilitarize the strategy by ceasing all Pentagon and State Department funding to the Mexican armed forces, including the National Guard, for domestic policing activities."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

## LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

**Erik Brand**

Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**

Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Anastasia Chacón González**

Reporter & Associate Editor  
[achacon@thedialogue.org](mailto:achacon@thedialogue.org)

**Leticia Chacón**

Reporter  
[lchacon@thedialogue.org](mailto:lchacon@thedialogue.org)

**Michael Shifter, President**

**Rebecca Bill Chavez, Nonresident Senior Fellow**

**Bruno Binetti, Nonresident Fellow**

**Sergio Bitar, Nonresident Senior Fellow**

**Joan Caivano, Senior Advisor**

**Santiago Cantón, Director, Rule of Law Program**

**Kevin Casas-Zamora, Nonresident Senior Fellow**

**Julia Dias Leite, Nonresident Senior Fellow**

**Ariel Fiszbein, Director, Education Program**

**Sandra García Jaramillo, Nonresident Senior Fellow**

**Selina Ho, Nonresident Senior Fellow**

**Edison Lanza, Nonresident Senior Fellow**

**Nora Lustig, Nonresident Senior Fellow**

**Margaret Myers, Director, Asia Program**

**Manuel Orozco, Senior Fellow**

**Xiaoyu Pu, Nonresident Senior Fellow**

**Jeffrey Puryear, Senior Fellow**

**Tamar Solnik, Director, Finance & Administration**

**Lisa Viscidi, Director, Energy Program**

**Denisse Yanovich, Director of Development**

**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

[www.thedialogue.org](http://www.thedialogue.org)

Subscription inquiries are welcomed at [ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.