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FEATURED Q&A

What Will Reopened Borders Mean for North America?



The White House announced last week that it will lift Covid-related border restrictions for fully vaccinated visitors beginning Nov. 8. // File Photo: Mexican Government.

Q The United States will reopen its land borders in November to fully vaccinated visitors coming from Canada and Mexico for nonessential reasons such as tourism, ending a 19-month closure due to the Covid-19 pandemic, the Department of Homeland Security announced Oct. 12. To what extent have the closures disrupted the lives of people who live near the U.S. border? How much of an economic impact will the border reopening have? What types of businesses along the U.S. border have been most affected by the shutdown?

A Thomas M. Fullerton Jr., professor and Trade in the Americas Chair in the Department of Economics and Finance at The University of Texas at El Paso: "Partial closures of international ports of entry to all but essential traffic have caused numerous difficulties for areas along the U.S.-Mexico border. For the Borderplex regional economy comprised by El Paso and Ciudad Juárez, those disruptions have been extensive. Chief among them is the damage to cross-border commerce. In El Paso, approximately 8 percent to 14 percent of all retail sales are to customers from Northern Mexico. By the time that the Nov. 8 reopening occurs, leakages of approximately \$317 million in lost sales will have been inflicted on El Paso merchants. Reopening the ports to fully vaccinated visa holders should boost commercial activity. Also encouraging is the fact that the White House intends to implement northern border parity for how it manages the boundary with Mexico. Several important questions have yet to be answered: How many lanes will be reopened at each port, and for how many hours each

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TODAY'S NEWS

POLITICAL

Five Charged in Alleged Venezuela Bribery Scheme

A federal grand jury in the United States has indicted five people, including a Venezuelan ruling party politician, in connection with an alleged bribery scheme involving a food distribution program.

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BUSINESS

Walmex Reports More Than 20% Rise in Profit for Third Quarter

Walmart de México posted net profit of 11 billion pesos (\$535 million) for the third quarter, a more than 20 percent increase.

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POLITICAL

Salvadoran Lawmakers Ban Mass Gatherings

El Salvador's Legislative Assembly banned mass gatherings for 45 days, saying the measure was needed to curb Covid-19. The measure followed mass protests against President Nayib Bukele and exempts sporting events.

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Bukele // File Photo: Salvadoran Government.

POLITICAL NEWS

Five Charged in Alleged Venezuela Bribery Scheme

A federal grand jury in the United States has charged five people, including a Venezuelan ruling party politician and an associate of a businessman linked to President Nicolás Maduro, on money laundering charges in connection with an alleged bribery scheme. The scheme involved defendants allegedly receiving approximately \$1.6 billion from the Republic of Venezuela and transferring some

The alleged scheme involved some \$1.6 billion in proceeds.

\$180 million to or through the United States, according to the U.S. Department of Justice. The grand jury in the Southern District of Florida charged Venezuelans José Gregorio Vielma-Mora and Ana Guillermo Luis as well as Colombians Álvaro Pulido Vargas, Emmanuel Enrique Rubio González and Carlos Rolando Lizcano Manrique, the Justice Department said in a statement. Vielma-Mora is a former Venezuelan ruling party governor, and Pulido Vargas is a longtime associate of Alex Saab, a fellow Colombian businessman who was extradited from Cape Verde to the United States earlier this week, Reuters reported. In 2019, the U.S. Treasury sanctioned Pulido Vargas and indicted him alongside Saab over an alleged money laundering scheme. Rubio González is Pulido Vargas' son, Reuters reported. The indictment that was unsealed Thursday alleges that Pulido, Vielma-Mora, Rubio, Lizcano, Guillermo and others obtained contracts from Venezuelan government entities to import and distribute boxes of food and medicine in the South American country through CLAP, a Venezuelan government program, the Justice Department

said. Defendants named in the indictment and co-conspirators allegedly secured contracts through bribery and inflated the costs of the government contracts. The indictment alleges that money related to the scheme was wired to bank accounts in Florida. The allegations contained in the indictment occurred between July 2015 and continued until at least 2020, the Justice Department said in its statement.

ECONOMIC NEWS

Top Brazil Treasury Officials Resign as Gov't Eyes Spending

Four top officials in Brazil's Treasury resigned on Thursday amid signs that the government is looking to raise a constitutional limit on spending, hitting Brazil's stock market and currency while driving up interest rate futures, Reuters reported. President Jair Bolsonaro is pushing for an increase in government spending as his popularity ratings continue to tumble ahead of next year's presidential election, in which he is expected to run for a second term. Bolsonaro has insisted the spending cap will be respected. However, Economy Minister Paulo Guedes said late on Wednesday that the government may seek to exempt 30 billion reais (\$5.3 billion) of spending from its fiscal ceiling, with the money earmarked for welfare spending at Bolsonaro's request. Brazil's two most senior Treasury officials and their two deputies resigned on Thursday, citing "personal reasons," according to a statement from the Economy Ministry, but the move was widely interpreted as signs of tensions within the administration over the issue, the Financial Times reported. The government's apparent willingness to spend past the constitutional cap, which is in place to keep budget increases in line with inflation, has alarmed investors. The Ibovespa stock market index fell as much as 4 percent on Thursday, ending down 2.8 percent. The real currency also dropped 1.1 percent against the U.S. dollar to a six-month low, trading at 5.66 to the dollar, the Financial Times reported.

NEWS BRIEFS

Nicaragua Arrests Two Officials of Top Private Business Association

Nicaraguan authorities on Thursday arrested top leaders of the country's Private Business Superior Council, a move that came one day after the Organization of American States called on the country to release political prisoners, the Associated Press reported. The business group's president, Michael Healy Lacayo, and its vice president, Álvaro Vargas, stand accused of money laundering. The group broke with President Daniel Ortega after his government unilaterally overhauled the country's social security system in 2018.

Salvadoran Lawmakers Ban Mass Gatherings, Exempt Sporting Events

El Salvador's ruling party-controlled legislature on Thursday banned mass gatherings for 45 days for what legislators said were coronavirus-related reasons, the Associated Press reported. The move, which exempts sporting and cultural events, followed a series of protests against President Nayib Bukele over the weekend.

Paraguay's Central Bank Hikes Key Interest Rate by 125 Basis Points

Paraguay's central bank on Thursday hiked its base interest rate by 125 basis points to 2.75 percent, as it seeks to control spiraling inflation, Reuters reported. The bank's policy committee unanimously voted in favor of the latest increase, part of a monetary policy normalization process that started in August and which the bank said would continue through the end of the year. Other countries in the region, including Brazil, Chile and Peru, have also tightened monetary policy as inflation rates soar amid the global economic recovery from Covid-19.

BUSINESS NEWS

Walmex Reports More Than 20% Rise in Profit for Q3

Walmart's Mexico unit on Thursday said it is centering on its low-price strategy as inflation rose in the third quarter, helping boost the retailer's net profit by more than 20 percent, Reuters reported. The country's largest retailer, Walmart de México posted net profit of 11 billion pesos (\$535 million) in the July-September period, while revenue was up 6.4 percent to 176 billion pesos. "In moments of high inflation, our low price value proposition becomes even more relevant for our custom-



Loureiro // File Photo: Walmart.

ers," CEO Guilherme Loureiro said in a webcast to discuss third quarter results, the wire service reported. Consumer prices in Mexico have risen more than expected in early October, remaining above the central bank's target ceiling, Bloomberg News reported today. The inflation rate was up 6.12 percent compared to year earlier, according to the national statistics institute. Core inflation, which excludes volatile items such as fuel, was at 5.12 percent compared to the same period last year, the highest level in the biweekly measurement since 2009. During the webcast, Loureiro also said that Walmex, as the Mexico unit is known, was gearing up for the holiday season and was ready despite global supply chain problems, in part because about 93 percent of its goods are locally sourced. "We've been working with national suppliers and logistics providers to secure capacity ... we will continue monitoring delays at ports and other factors in the supply chain," he said.

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day? How long will the wait times be for automobiles as well as pedestrians? How many Northern Mexico residents are fully vaccinated and also hold border-crossing visas? Will pent-up demand from Northern Mexico worsen border inventory shortages? Will there be substantial export sales erosion in El Paso (and elsewhere) due to online purchasing habits on platforms such as Amazon, Alibaba and MercadoLibre? While uncertainty remains, reopening the ports of entry is a good development for the Borderplex that will help households and improve overall regional economic efficiency."

A **Laura Macdonald, professor in the Department of Political Science and the Institute of Political Economy at Carleton**

University: "The Canada-U.S. border closure has had an immense impact, particularly in Canada, since the country depends much more on the U.S. market than vice versa. The Canadian population is also highly concentrated along the country's southern border; regular cross-border travel is therefore a way of life for many Canadians. The border closure also threatened tightly integrated supply chains operating across the Canada-U.S. border (and often including Mexican suppliers). In October 2020, Statistics Canada projected that travel restrictions would have a total impact of 1.3 percent to 1.7 percent on Canada's GDP, or 14 percent of the total decline in GDP resulting from the pandemic. The direct economic impact of the closure was mitigated to a large extent because the border remained open to 'essential travelers,' including truckers, although cross-border truck traffic did not return to pre-pandemic levels until the end of 2020. The most immediate impact was on tourism. These effects were felt unevenly across the country, but particularly intensely in tourism-dependent border communities such as Niagara Falls. The indirect economic effects of the closures are hard to measure but include the impact of the reduction

in business travel on efficiency and on decisions of U.S.-based businesses to invest in Canada. Beyond business, restrictions on travel intensely hit some families and potential immigrants to Canada. The impact of the border closures, combined with the effects of the Trump administration's imposition of tariffs on Canadian goods, continued protectionism under the Biden administration and Canadians' discomfort with the failure of many Americans to get vaccinated or adopt other measures to reduce the spread of the virus have profoundly disrupted what was once one of the closest relationships in the world. Perhaps an upcoming North American Leaders Summit will be a first step in rebuilding tattered ties."

A **Wolfram F. Schaffler González, director of institutional communication and engagement at the Association of Customs Agents of Nuevo Laredo:**

"Reopening the U.S.-Mexico border will bring a much-needed breath of fresh air (but mostly sales) for small U.S. business that were severely affected over the last 19 months. Retail, restaurant/enter-

“**Mexican pesos that used to be converted to dollars were instead spent in Mexico.**”

— Wolfram F. Schaffler González

tainment and some large department shops suffered on the U.S. side of the border while their counterparts in Mexico did much better, in some cases even thriving. Mexican pesos that used to be converted to dollars were instead spent in Mexico. This influx of fresh resources strengthened not only established shops but also greater additional offerings by individuals who started their own shops or services. These offerings ranged from prepared food to supplies that were either

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brought to the border from other Mexican states to items brought from the United States by U.S. citizens. Reopening the border will now represent a challenge for those new businesses in Mexico while creating a new competitive challenge by those on the U.S. side if they want to get back to pre-pandemic business as usual”

A **Laura Carlsen, director of the Americas Program in Mexico City:** The U.S. closure to nonessential land crossings hit the U.S.-Mexico border region hard, on both sides of the border. The closure has split up families and disrupted daily patterns of life. Both sides are anxious to restore commerce and transit and are working to set up mass vaccination centers (about 40 percent of the Mexican population is fully vaccinated, with slightly higher rates in the north). U.S. border cities report high rates of small business closures due to the lack of Mexican clientele. They predict some will reopen now and others that adapted can gradually rebuild. The opening in time for the ‘Black Friday’ shopping spree is a welcome relief. President Andrés Manuel López Obrador and Foreign Minister Marcelo Ebrard celebrated the decision, with good reason. However, in commercial terms, Mexican border cities consider it a mixed blessing. Mexican retailers saw an uptick in sales with the captured Covid market during the 19 months of the closed border. The Tijuana Chamber of Commerce predicted a 25 percent increase in sales at the end of the year, despite the return to cross-border competition in the key months of November and December. Migrants remain exempt as a class by the Trump-era Title 42. This decision rightly puts more pressure on the Biden administration to lift the restriction on asylum seekers under Title 42, an anti-immigrant crackdown thinly disguised as a health measure. Health experts and human rights advocates have

roundly condemned Title 42, which, with the lifting of overall border restrictions to vaccinated people, becomes even more exposed for what it is—a xenophobic violation of basic human rights.”

A **Rubén Olmos, president of Global Nexus in Washington:** “Travel and tourism internationally but mostly in North America was by far one of the most affected sectors by the Covid-19 pandemic. Therefore, since mid-September, when it was announced that the White House intended to overhaul the current system of rules for international travel, industry stakeholders in the three countries and the foreign ministries of Mexico and Canada had been lobbying hard for the United States to determine a start date, which as we know will be November. The three economies depend on each other substantially when it comes to air, land and cruise tourism. Entire border cities in the United States and Mexico benefit and depend immensely on day-to-day business from people going shopping, eating and even for medical tourism purposes. While Covid cases in many of these border towns are dropping, the private and public sectors need to work closer on making vaccines available for workers and create safe conditions for future business. One of the lessons learned from the pandemic is that we need to have better coordination between governments and industry leaders to confront future health challenges. An initial idea would be to set up a travel and tourism working group within the recently relaunched High Level Economic Dialogue (HLED); we clearly need better coordination to avoid future border shutdowns.”

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

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