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## FEATURED Q&A

# Will Partnerships on Semiconductors Boost Economies?



U.S. Commerce Secretary Gina Raimondo met in March with Costa Rican President Rodrigo Chaves as part of U.S. efforts to strengthen the supply chain for semiconductors. // Photo: @SecRaimondo via X.

**Q U.S. Commerce Secretary Gina Raimondo met in March with Costa Rican President Rodrigo Chaves in San José to discuss efforts to boost the supply chain capacity of semiconductors in the Western Hemisphere. In addition to working more closely with Costa Rica on semiconductors, the U.S. State Department announced last year that the United States would also work with Panama to explore strengthening the supply chain for semiconductors. The State Department also announced in March that it would work with Mexico to “grow and diversify the global semiconductor ecosystem.” What is motivating closer U.S. partnerships with Latin American countries on semiconductors? How much could the efforts lessen Western dependence on Asia for the electronics components? How much benefit can these partnerships bring to Latin American economies?**

**A Karim Lesina, executive vice president and chief external affairs officer at Millicom:** “The United States’ push for closer collaboration with Latin American countries on semiconductors stems from a multi-pronged strategy between diversifying semiconductor supply chains, strengthening the Americas and capitalizing on Latin American strengths. Countries like Costa Rica possess skilled work forces and potentially valuable resources for chip production. However, maximizing success hinges on creating an environment conducive to nearshoring—shifting production closer to home. This is where the United States-Mexico-Canada Agreement (USMCA) comes in as it can facilitate nearshoring success by reducing trade barriers, promoting regulatory coherence and enhancing predictability. The impact

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## Death Toll Rises to 29 in Southern Brazil Floods

At least 29 people have been killed, and at least 60 remain missing, amid floods caused by heavy rains in Brazil's Rio Grande do Sul state.

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## Pemex Sold Nearly \$400 Mn of Fuel to Cuba Last Year

Mexican state oil company Pemex sold nearly \$400 million worth of crude oil and other fuel to Cuba in the second half of 2023, according to a company filing.

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### POLITICAL

## Panama's High Court Allows Candidacy of Martinelli Ally

Panama's supreme court ruled Thursday that José Raúl Mulino, who replaced former President Ricardo Martinelli on the ballot ahead of Sunday's presidential election, can remain in the race.

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Mulino // File Photo: Facebook Page of José Raúl Mulino.

## POLITICAL NEWS

## Panama's High Court Allows Candidacy of Martinelli Ally

Panama's supreme court ruled today that José Raúl Mulino of former President Ricardo Martinelli's Achieving Goals party can legally be a candidate in Sunday's presidential election, the Associated Press reported. Mulino replaced Martinelli on the ballot after Panama's electoral tribunal ruled in March that Martinelli was ineligible because he was sentenced last year to more than 10 years in prison after being convicted of money laundering. The country's constitution bars anyone who has been sentenced to five years or more in prison from holding office, the AP reported. In ruling Mulino eligible to run, the high court rejected a challenge from lawyer Karisma Etienne Karamañites who argued that Mulino was not eligible because his party did not select him through a primary. In announcing the decision this morning, the supreme court's president, Magistrate María Eugenia López, said eight of the court's judges voted to reject the challenge, and there was one dissent. "What has moved this constitutional tribunal in the historic moment in which we find ourselves is the defense of our country and democracy, as well as institutionality, social peace, the right to elect and to be elected, political pluralism, and let's not forget the important role played by the political parties," said López. Before his disqualification, Martinelli had been leading polls, and when Mulino became his replacement, he instantly inherited the former president's support, Reuters reported. The most recent polls show Mulino as the front-runner ahead of Sunday's vote, Reuters reported. Martinelli has been campaigning for Mulino from inside the embassy of Nicaragua, where he has been living since February after that country granted him political asylum, the AP reported. "Martinelli no doubt is counting on Mulino's victory since it is likely he will grant the former president a full pardon," Orlando J. Pérez, professor of political science at the University of North Texas at Dallas, told the

Advisor in a [Q&A](#) published March 19. "It is apparent that if Mulino wins the real boss will be Ricardo Martinelli," he added.

## Death Toll Rises to 29 in Southern Brazil Floods

The death toll amid heavy rains in Brazil's Rio Grande do Sul state rose Thursday night to 29, and at least 60 people remain missing, according to the state's civil defense agency, the Associated Press reported. President Luiz Inácio Lula da Silva on Thursday traveled to the state, where he met with local officials and pledged the government's support. "Everything that is within reach of our government will be done to attend to the needs of the people who

**Everything that is within reach of our government will be done to attend to the needs of the people who are being affected by these rains."**

— Luiz Inácio Lula da Silva

are being affected by these rains," Lula said in a posting on social media site X. In addition to the people who have been killed and those who are missing, more than 10,000 people have been displaced in 154 cities across the state, according to the state civil defense agency, Reuters reported. "It's not just another critical case; it's the most critical that the state will probably have recorded in its history," Governor Eduardo Leite said in a broadcast over social media, Reuters reported. He added that the current situation is worse than the heavy rains that hit the state last year. Also on Thursday, electricity was cut off to more than 300,000 people after a dam burst at a small hydroelectric plant in the state, according to Rio Grande do Sul's main utilities company, Reuters reported. State officials also said there were numerous reports of flooded roads, collapsed

## NEWS BRIEFS

## Gang Violence Erupts Again in Port-au-Prince

Gang violence erupted again in the Haitian capital of Port-au-Prince on Thursday, just days after the internationally backed presidential transition council voted to appoint Fritz Bélizaire as prime minister on Tuesday, the Associated Press reported. Gangs rampaged through neighborhoods including Solino and Delmas, setting fire to homes and engaging in shootouts with the police. The attacks befell neighborhoods controlled by Jimmy "Barbecue" Chérizier, leader of the powerful G9 gang alliance, which was behind much of the recent wave of violence that forced Prime Minister Ariel Henry to resign.

## Milei's Budget Cuts Derailing Argentina's Nuclear Plans: Official

Argentina's plans to develop nuclear energy are being derailed by President Javier Milei's budget cuts, Adriana Serquis, head of the nation's National Atomic Energy Commission, told Reuters in comments published Thursday. New austerity measures have stymied the construction of a new CAREM small modular reactor, as well as other initiatives. "The budget problem is serious not only for large projects but for the entire operation of the institution," Serquis told Reuters.

## Venezuela Seeking to Increase Tax Revenue as Sanctions Return: Report

Venezuela's government is seeking to raise tax revenues to make up for losses amid the return of U.S. sanctions on the country's oil industry, Reuters reported Thursday, citing public and private sector sources. President Nicolás Maduro's government needs revenue as it is seeking to increase spending ahead of the July presidential election, the wire service reported.

bridges and landslides as the levels of streams and rivers rose, the AP reported. The heavy rains began Monday and are expected to continue through today. In some areas, more than six inches of rain fell in 24 hours, according to Brazil's National Institute of Meteorology, the AP reported.

## BUSINESS NEWS

# Pemex Sold Nearly \$400 Mn in Fuel to Cuba Last Year

Mexican state-owned oil firm Pemex sold almost \$400 million worth of crude oil and other fuel to Cuba in the second half of last year in an effort to help the nation with its power shortfalls, Bloomberg News reported Thursday, citing a company filing. Rolling blackouts and surging fuel prices have worsened an economic and humanitarian crisis in Cuba, spawning protests against the government and affecting everyday life. Pemex subsidiary Gasolinas Bienestar in the last six months of last year was selling 3,300 barrels of fuel and 16,600 barrels of crude daily to Cuba. Pemex CEO Octavio Romero had previously denied that his firm was selling oil to Cuba, which has been under a U.S. trade embargo since 1962. News of the sales was first reported by Mexican news outlet El Universal. "We have procedures in place to ensure such sales are carried out in compliance with applicable law," Pemex said, Bloomberg News reported. Shipments to Cuba in 2023 represented 1 percent of Pemex's exports of crude and 0.6 percent of its exports of fuel, around 6.3 billion pesos, or \$380 million, according to the company filing. Cuba's power crisis "is tied to the current economic crisis and, more broadly, to the prolonged stagnation of the Cuban economy," Ricardo Torres Perez, a research fellow at American University, told the weekly Energy Advisor in a Q&A published March 29. "In the short term, increasing fuel imports largely depends on favorable agreements with allies such as Russia or Mexico," he added.

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could be huge. According to a study by the Inter-American Development Bank, nearshoring could boost exports by \$78 billion in South America and Central America: \$64 billion in goods and \$14 billion in services. Expanding the USMCA to other countries in the region could further incentivize nearshoring. Indeed, more countries participating in the USMCA would create a larger market for nearshored goods, attracting further investment. And it would also help strengthen regional ties as an expanded agreement would foster deeper economic integration throughout the Americas. By combining strategic partnerships on semiconductors with an extended USMCA, the United States can significantly reduce dependence on Asia for these critical components. This strategy creates a win-win situation: bolstering Western economic security while fostering growth and technological advancement in Latin America."

**A** **Pablo Duncan, senior partner at CLC Communications and Public Affairs:** "The U.S. strategy to strengthen partnerships with Latin American countries in the semiconductor sector responds to a global need for supply chain diversification. Given the concentration of production in Asia, specifically China and Taiwan, where a significant percentage of the world's most advanced semiconductors are manufactured, there is an urgent need to reduce dependence on this region for economic and political security and to minimize vulnerabilities to disruptions, such as those experienced during the Covid-19 pandemic. Working with countries like Costa Rica to establish a geographically proximate operational base will benefit logistics and costs through nearshoring. Costa Rica offers advantages like political stability, legal security and a growing pool of skilled technical and professional talent, making it attractive for direct foreign investment. It has also shown a solid commitment to developing this industry by

implementing a semiconductor roadmap, which includes specialized talent development, investment incentives and improving regulatory frameworks. These efforts aim to position the country as a regional hub and to drive socioeconomic development by creating high-skilled jobs and productive linkages. While reducing dependence on Asia for semiconductor production won't be immediate or total, diversification toward Latin America can significantly mitigate associated risks. In the long term, this strategy could lead to a more robust and resilient supply chain for the West. Latin American nations could benefit from these partnerships by investing in technological infrastructure, knowledge transfer and job creation, which would enhance their global competitiveness. Furthermore, fostering innovation and technological development can multiply the effects on other industries and sectors within each country."

**A** **Theodore Kahn, senior analyst in the Global Risk Analysis team at Control Risks in Bogotá:** "The recent semiconductor initiatives in Latin America are friendshoring in action. In February 2021, the Biden administration issued Executive Order 14017, which identified four groups of products, including information and communications technology, where the United States aimed to reduce dependence on China. Washington hopes that proactive steps to build out regional supply chains will allow it to exert more control over semiconductor technology, preventing (or at least slowing down) China's efforts to develop its own cutting-edge chips, while also reducing dependence on Asia. These are tall orders. Asian economies have established a dominant position in chipmaking, thanks to decades of massive government support and investment in research and development. Latin America, meanwhile, has historically underinvested in research and development, botched its attempts at industrial policy and lagged behind on human cap-

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ital and infrastructure. While U.S. support can certainly help, the Biden administration has limited policy tools and political leeway to promote high-tech investments in the region. Washington cannot deploy the type of long-term capital in Latin America to match Asian competitors, while supportive policies such as expanding the network of free-trade agreements in the Americas face formidable political hurdles. That said, the recently proposed bipartisan Americas Act offers a glimmer of hope. Even if Latin America does not become the world's new chip factory, any new investments in such a critical industry are good news for the region, bringing formal employment, technology spillovers and often crowding in key public investments. Costa Rica's own experience with Intel (despite some ups and downs) is a testament to these broader development gains."

**A** **Phillip Leon Euell, of counsel at Diaz, Reus & Targ:** "The United States is actively enhancing its partnerships with Costa Rica, Panama and Mexico to strengthen the semiconductor supply chain. This initiative is driven by a strategic desire to mitigate the risks associated with the United States' reliance on Asian sources for critical technology components. By diversifying and decentralizing the semiconductor supply chain, the United States aims to reduce geopolitical vulnerabilities. Although completely shifting away from Asian reliance may not be feasible in the short term, expanding production capacities within the Western Hemisphere could significantly reduce Asian semiconductor dependency, thus enhancing supply chain resilience and yielding economic benefits for both the United States and its partners. For the nations involved, these partnerships could result in substantial investments in technological infrastructure and the creation of high-skilled jobs. Costa Rica, the pillar of these efforts, has recently

seen a rejuvenation in its semiconductor sector, marked by Intel's decision to reopen its manufacturing plant in 2021. This move is part of a larger and ongoing strategy to develop the nation into a continental hub for semiconductors, spurred by U.S. investments as well as the collaborative efforts of local universities and government initiatives. Ultimately, the impact on Latin American economies will depend on the scale of investment, the effectiveness of technology transfer, and the integration of these countries into the global semiconductor supply chain. Successful implementation could lead to significant economic gains for these nations, promoting closer economic ties and strategic alignment with the United States under initiatives like the Americas Partnership for Economic Prosperity."

**A** **Lourdes S. Casanova, senior lecturer and director of the Emerging Markets Institute at the Cornell S.C. Johnson College of Business at Cornell University:** "Many Latin American countries are considering whether they should have a semiconductor industry. The decision is not easy because of the high costs and the need for qualified skilled labor, which is very much in demand. The initial investments for a chips manufacturing lab can run between \$3 billion and \$4 billion. The government of Brazilian President Luiz Inácio Lula da Silva, for instance, has decided to subsidize the industry by supporting Ceitec, a semiconductor company that former Brazilian President Jair Bolsonaro unsuccessfully tried to sell. The way to go would be to create a partnership with U.S. companies as Secretary Blinken is trying to do in order to be able to compete with Asia."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.*

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