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## FEATURED Q&A

# Will New Taxes & Restrictions Stifle Cuban Businesses?



Cuba imposed several new taxes and restrictions last month on private businesses. The country's capitol is pictured. // File Photo: Nigel Pacquette via Creative Commons.

**Q** Cuba's government on Wednesday implemented several laws and regulations that impose new taxes, restrictions and requirements on small and medium-sized private-sector businesses, as well as on self-employed people. Among the new rules are restrictions on which businesses can import and sell in the wholesale market. Why is Cuba's government imposing the new measures? Who will be most affected by the changes? What will the new rules and taxes mean for businesses in Cuba and for the country's economy?

**A** María José Espinosa Carrillo, executive director of the Center for Engagement and Advocacy in the Americas (CEDA): "The stated aim of the new regulations is increased order over the private sector in Cuba, but they risk undermining private-sector growth—a necessary component of the country's economic future. The mixed nature of the reforms—some offering protection for workers while others curtail entrepreneurial freedom—signals the Cuban government's ongoing reluctance to fully embrace private enterprise as a driver of the country's growth. Shifting regulations create uncertainty and distrust among entrepreneurs and potential investors, hindering investment and economic progress. The Cuban people are suffering an unprecedented multidimensional crisis. Over a million people have migrated since 2022, creating a massive brain drain—the effects of which we will see for decades to come. Meanwhile, civil society organizations, entrepreneurs and community leaders are at the forefront of promoting community

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## TODAY'S NEWS

### ECONOMIC

## Argentina's Economy Shrinks for Third Straight Quarter

From April to June, Argentina's economy contracted 1.7 percent as compared to the previous three-month period, its third consecutive quarter of contraction, the government's statistics agency announced Wednesday.

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### BUSINESS

## X Live Again in Brazil Despite Court Order

Social media site X was live again for some users in Brazil despite a court order that it be shut down.

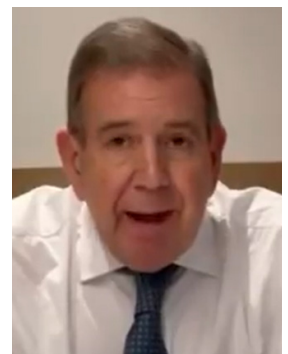
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### POLITICAL

## Venezuela's González Says He Was Coerced to Recognize Defeat

Edmundo González, the opposition's candidate for president in Venezuela's disputed July election, said Wednesday that he was coerced into signing a letter that effectively acknowledged his defeat.

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González // Photo: @EdmundoGU via X.

## POLITICAL NEWS

## Venezuela's González Says He Was Coerced to Recognize Defeat

Edmundo González, the Venezuelan opposition's candidate in the country's disputed July 28 election, said Wednesday that he was coerced into signing a letter that effectively acknowledged his defeat, the Associated Press reported. The document states that it was intended to remain confidential, but National Assembly head Jorge Rodríguez, an ally of President Nicolás Maduro, showed it during a televised press conference on Wednesday after a local news outlet published portions of it, the AP reported. González, a 75-year-old former diplomat, is listed as the sender of the letter, and Rodríguez signed it as the recipient. Rodríguez said González signed it freely, but González said he was coerced into signing it. "They showed up with a document that I would have to sign to allow my departure from the country," González, who fled to Spain on Sept. 8, said in a video posted on social media site

X. "In other words, either I signed or I would face consequences. There were very tense hours of coercion, blackmail and pressure," he added. González said that Rodríguez and Vice President Delcy Rodríguez, also a Maduro ally, presented the letter to him while he was holed up in the Spanish embassy in Caracas before flying to Spain to seek asylum. "At that point I considered I could be of more use free than if I were imprisoned and prevented from fulfilling the tasks entrusted to me," he said, The Guardian reported. When asked about González's message, Rodríguez threatened to release audio recordings of his conversations with him if he did not retract his assertion, the AP reported. Venezuela's National Electoral Council, which is stacked with Maduro loyalists, has said that Maduro won a third term with 52 percent of the vote, but it has released no proof to back up that claim. The opposition has released vote tally receipts that appear to show that González won more than twice as many votes as Maduro, a result that was backed up by exit polling on the day of the election. "The regime will try to use González's departure to demoralize and divide the opposition, and it is up to the opposition to stay united and focus on an uncontested fact: the underlying reality

## NEWS BRIEFS

## Haiti Creates Council to Organize First General Elections Since 2016

Haiti's government on Wednesday established a new provisional electoral council to organize the country's first general elections since 2016, the Associated Press reported. Smith Augustin, a member of Haiti's transitional presidential council, told the wire service that the council was established, though with only seven of the nine members that it is intended to have by law. The two other members would be announced soon, he said. Haiti's previous electoral council was dissolved in 2021 by then-Prime Minister Ariel Henry, who accused the body of partisanship.

## Peruvian President Declares State of Emergency Amid Fires

Peru's president, Dina Boluarte, on Wednesday declared a state of emergency in three regions of the country that have suffered deadly forest fires, leaving at least 16 people dead, Reuters reported. The Amazonas, San Martín and Ucayali regions in northern Peru will be under the emergency measures, said Boluarte, adding that local officials in those areas had requested more government resources to fight the fires.

## MercadoLibre Signs \$250 Mn Deal With JPMorgan for Fintech Unit

E-commerce giant MercadoLibre has signed a \$250 million financing agreement with JPMorgan in an effort to expand the credit profile of its fintech unit, Mercado Pago, in Mexico, Reuters reported. The financing will bolster the company's commitment to small and medium sized businesses in Mexico, MercadoLibre said. At the end of this year's second quarter, Mercado Pago's had a \$1.5 billion loan portfolio in Mexico, MercadoLibre said.

## FEATURED Q&amp;A / Continued from page 1

initiatives that generate employment and create social benefits such as social services for elderly and vulnerable populations. With an entrepreneurial solidarity spirit, they are building partnerships among themselves, as well as with state institutions, when possible. We hope to see a more coherent regulatory framework that balances inequality stopgaps with the need for non-state sector growth and innovation. Increasing transparency, reducing barriers and fostering partnerships between state and non-state actors would help build confidence and stimulate investment, which the country so desperately needs. Further, the state must recognize the non-state sector and other civil society groups as legitimate actors. The government should send a clear message of support and encouragement to young entrepreneurs, who are currently looking anywhere but the island

to build their futures. Lobbying confusing laws and repeatedly shifting regulations is no way to empower them."

**A** **Pavel Vidal, professor in the Department of Economics at Pontifical Xavierian University in Cali, Colombia and former analyst in the monetary policy division at the Central Bank of Cuba:**

"The government's latest economic measures are once again misguided. Rather than addressing the insolvency of state-owned enterprises, inefficiencies in public spending and distortions in the exchange rate system, these measures focus on regulating the nascent private sector. The government aims to extract higher rents from the private sector, enforce banking of its financial operations and restrict the involvement of emigrated Cubans

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has not changed," Tamara Taraciuk Broner, director of the Peter D. Bell Rule of Law Program at the Inter-American Dialogue, told the Advisor in a [Q&A](#) published Sept. 12. "The regime failed to back up its alleged electoral victory and is scaling up repression," she added. Venezuelan authorities have arrested more than 2,400 people since the election.

## ECONOMIC NEWS

### Argentina's Economy Contracts for Third Straight Quarter

From April through June, Argentina's economy contracted for the third consecutive quarter, shrinking 1.7 percent from the quarter ending in March and contracting the same percentage from the second quarter of last year, according to government statistics published Wednesday, Bloomberg News reported. The country's capital investment, consumer spending and government spending all shrank in the second quarter, though a higher level of exports during the harvest season offset a portion of the declines. The farming sector grew 81.2 percent year-on-year, and fishing rose 41.3 percent, according to statistics agency INDEC, Reuters reported. The recession is Argentina's sixth in the past decade, Bloomberg News reported. President Javier Milei, who took office last December, has warned that his economic "shock therapy," which included a 54 percent devaluation of the peso, would be painful, but necessary.

## BUSINESS NEWS

### Social Media Site X Live Again in Brazil Despite Court Order

Social media site X has again become functional for many users in Brazil despite an order from a supreme court justice that it be shut down, Reuters reported Wednesday.

## THE DIALOGUE CONTINUES

### What Will the Judicial Reform Mean for Mexico?

**Q** Mexican President Andrés Manuel López Obrador's controversial judicial reform, which requires thousands of judges, including Supreme Court justices, to stand for election rather than be appointed, took effect on Sunday. In just over a week this month, and despite protests, both chambers of Congress and a majority of states approved the constitutional change, just before López Obrador leaves office Oct. 1. **The president says the overhaul will weed out corruption from the judiciary, but opponents say it will politicize the judiciary and concentrate power in the hands of the ruling party. What does the overhaul mean for the rule of law in Mexico? To what extent does it undermine checks and balances, as its critics contend? What potential risk does it impose on investment in the country, and how might international agreements, such as the USMCA be affected?**

**A** Omar García-Ponce, assistant professor of political science at The George Washington University: "Mexico's controversial reform of the judiciary poses significant risks to the rule of law and judicial independence. Although presented as a means to enhance democracy, access to justice and accountability, the reform threatens to politicize the judiciary, compromising the separation of powers and allowing the government to manipulate the legal system to its advantage. By mandating that judges be elected from lists prepared by the executive, legislative and judicial branches,

Supreme Court Justice Alexandre de Moraes last month ordered the site to be shut down amid a months-long feud with owner Elon Musk over sites that are accused of spreading misinformation. However, an update to X's communications network circumvented the

the reform effectively places the judiciary under the control of political forces. Rather than promoting equal access to justice, this constitutional reform could lead to a judiciary swayed by political and economic power, where patronage networks determine judicial appointments and the administration of justice. The creation of Evaluation Committees and a Tribunal of Discipline with broad powers further exacerbates fears of governmental overreach and suppression of judicial independence. The erosion of judicial autonomy could have important economic consequences, as international investors and rating agencies may view these developments with apprehension, potentially leading to credit downgrades and reduced investment. It could also jeopardize Mexico's compliance with international agreements, which emphasize judicial independence. However, it is important to note with caution that the reconfiguration of Mexico's judicial landscape is still in progress. The reform's secondary legislation is currently under development, and President-elect Claudia Sheinbaum is also working on constitutional reforms to revamp Mexico's prosecutorial system and public defender offices. The first months of Sheinbaum's administration will be crucial in determining the country's trajectory."

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**EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Wednesday's issue of the Advisor.**

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order by allowing some users in Brazil to take a route outside Brazil, and without a virtual private network, to reach X. The head of Brazil's telecommunications regulator said he was aware of the maneuver and considering how to again block X, The New York Times reported.

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in micro, small and medium-sized enterprises. These actions align with the Communist Party's political vision of keeping the private sector as a complementary, rather than a fundamental, component of the economy. However, this vision is the primary obstacle to the structural restructuring required to tackle the distortions and inefficiencies that have stifled progress in the Cuban economy for decades. Expanding and building trust in the private sector is essential for overcoming the profound socioeconomic crisis currently affecting the country. Private-sector job creation is also crucial for restructuring insolvent state-owned companies. These measures are unlikely to curb inflation, reduce fiscal imbalances or alleviate poverty and emigration."

**A** **Ricardo Herrero, executive director of the Cuba Study Group:** "Facing a dire economic crisis in 2020 and 2021, the Cuban government implemented measures that significantly expanded the role and autonomy of the island's private sector, which for the first time could incorporate firms and engage in foreign trade of consumer products. However, Cuba's heavily sanctioned and deeply indebted military, which controls most productive sectors of the economy, quickly found itself losing market share to independent entrepreneurs able to deliver better goods and services and pay foreign suppliers on time. It appears the new legal

framework announced last month and put into effect on Wednesday—ostensibly aimed at 'correcting distortions' in a 'wartime economy'—is primarily designed to reassert the central role of state-owned enterprises, many of them inefficient and unproductive, and shore up the state's command over remittances and other currency inflows to the island. If strictly enforced, the new measures stand to disrupt imports and supply chains due to new wholesale trade restrictions on private actors, further aggravating Cuba's already severe food shortages. The new measures restrict foreign currency transactions for private businesses, seeking to redirect flows through foreign exchange-strapped, state-owned banks. They also impose new bureaucratic hurdles on the formation of private entities and establish a quasi-ministerial-level institute to regulate private sector activity. The full impact of these measures will largely depend on their interpretation and implementation. Factors such as enforcement by local authorities, loopholes or flexibilities in forthcoming regulations, as well as responsiveness to economic realities and public pushback, could force the policymakers to recalibrate the measures or introduce exceptions to reduce negative outcomes."

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

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**Gene Kuleta**  
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