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FEATURED Q&A

How Hard Has the Pandemic Hit Cuba's Economy?



Cuba's government is seeking a moratorium on debt payments to the Paris Club. Havana is pictured above. // File Photo: Pedro Szekeley via Creative Commons.

Q Cuba has asked the Paris Club of major bondholders for a delay in the repayment of its debt until 2022, citing the economic fallout of the coronavirus pandemic. The island nation had already missed more than \$30 million in payments last year, originally committing to settling those debts in May. How significant is Cuba's request for a moratorium on payments for the next two years, and what does it mean for the country's debt situation? What are the most important ways in which the Covid-19 pandemic has hit Cuba's economy, which was already struggling prior to the health crisis, and is it likely to recover any time soon? What will it take to get Cuba's economy on a better growth trajectory?

A Jorge A. Sanguinetti, chairman and senior advisor at DevTech Systems: "Months before the coronavirus pandemic hit the world, there were unequivocal signs that Cuba would not be able to meet its obligations with the Paris Club as the result of its chronic economic crisis. Now the pandemic provides a good excuse for the Cuban government to request some flexibility on the payments by delaying them for as long as two years, but even if granted, it can be expected to worsen the dismal record of the country's credibility in international financial markets. The pandemic is already inflicting serious damage on the Cuban economy but interestingly more indirectly than directly as its foreign income derives from two of the most important sources of hard currency for Cuba: remittances from the United States and international tourism. Remittances seem to be severely reduced as the increase in unemployment due to the lockdowns affects Cuban

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TODAY'S NEWS

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Brazil Hits New Daily Record for Covid-19 Deaths

On Tuesday night, Brazil's health ministry said it had recorded 1,262 deaths in the preceding 24 hours, along with 28,936 new cases.

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BUSINESS

U.S. Sanctions Companies in Venezuela's Oil Sector

The U.S. Treasury stepped up its efforts to cut off cash to President Nicolás Maduro's government by sanctioning four companies operating in the country's oil sector.

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POLITICAL

Bolsonaro Has Abandoned Fight Against Graft: Ex-Justice Minister

Brazilian President Jair Bolsonaro has abandoned his efforts to fight corruption, said Bolsonaro's former justice minister, Sérgio Moro.

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Moro // File Photo: Brazilian Government.

POLITICAL NEWS

Brazil Hits New Daily Record for Covid-19 Deaths

Brazil on Tuesday hit a new daily record number of deaths from Covid-19, and a study showed that the country could reach one million cases by June 20. However, lockdowns in the South American nation are starting to ease. On Tuesday night, the country's health ministry said that in the preceding 24 hours, officials recorded 28,936 new cases of the highly contagious disease and 1,262 new deaths, Reuters reported. Altogether, Brazil has more than 555,000 confirmed cases, the second-highest total in the world after the United States, which has more than 1.8 million. Brazil also has more than 31,000 reported deaths from the disease, the fourth highest in the world after the United States, the United Kingdom and Italy. A new study by the Federal University of Rio Grande do Sul projects that the country could reach one million cases and 50,000 deaths in the next two and a half weeks, CNN reported. In another study, the Institute for Health Metrics and Evaluation says Brazil's number of Covid-19 deaths will surpass 125,000 by early August and will continue increasing after that. The escalating number of cases and deaths come as some parts of Brazil are beginning to reopen businesses that have been shuttered amid lockdown measures. Rio de Janeiro started opening some nonessential businesses on Tuesday. The city's mayor, Marcelo Crivella said he expects Rio de Janeiro to return "to the new normal" by early August. The city is allowing churches, car-repair shops and decoration stores to reopen under the new rules. Elsewhere in Latin America, Mexico reopened several parts of its economy on Monday, including the mining, construction and tourism sectors, CNN reported. On that day, the country surpassed 10,000 confirmed deaths related to the novel coronavirus. To mark the reopening of Mexico's tourism sector, President Andrés Manuel López Obrador visited the state of Quintana Roo, home to Cancún. The

trip marked López Obrador's first trip away from the capital since late March. He said the country's economy needs to reopen "for the good of the people." He added that the relaxing of lockdown measures needs to be managed cautiously.

Brazil's Bolsonaro Has Abandoned Fight Against Graft: Moro

Former Brazilian Justice Minister Sérgio Moro, well-known as the key judge in the massive Operation Car Wash graft probe, said President Jair Bolsonaro had abandoned the fight against corruption that had helped get him elected, Moro told The Wall Street Journal in an interview published Tuesday. Moro said that view ultimately forced him to step down as justice minister in April. "To fight corrup-

“I started to feel as if I were in the government as an anticorruption symbol...”

— Sérgio Moro

tion, you need to have a very strong program, including in Congress, and I didn't see support from the president for those reforms," Moro said. "I started to feel as if I were in the government as an anticorruption symbol, but without the government in fact implementing consistent public policies in that area," he added. In resigning earlier this year, Moro accused Bolsonaro of attempting to interfere in federal criminal investigations. "I didn't choose to leave, I was forced to resign by an act by the president," Moro told the newspaper. Moro was the face of the Operation Car Wash investigation, which imprisoned prominent businessmen and politicians, including former President Luiz Inácio Lula da Silva. Lula remains one of Brazil's most important political figures, most recently calling for Bolsonaro's impeachment in an interview with CNN also published Tuesday. "[Bolsonaro] has committed many crimes of

NEWS BRIEFS

Tropical Storm Cristobal Forms in Southern Gulf of Mexico

Tropical Storm Cristobal formed in the southern Gulf of Mexico on Tuesday, the earliest third named storm of an Atlantic hurricane season on record, the Associated Press reported. A tropical storm warning was in effect across the southern Gulf of Mexico from Campeche to the port of Veracruz in Mexico, with the biggest effect likely to be rainfall accumulation of 10 to 20 inches, and even more in isolated areas, according to forecasters.

Colombia's Supreme Court to Investigate Uribe Over Spying Allegations

Colombia's Supreme Court announced on Tuesday that it is opening a probe into former President Álvaro Uribe in connection with illegal military spying on journalists and politicians, Agence France-Presse reported. It is investigating Uribe as "the possible recipient of information provided by illegal military intelligence surveillance in 2019," the Supreme Court said. "Another preliminary investigation by an anonymous coward who says that I am the beneficiary of the reports," Uribe said on Twitter. [Editor's note: See related [Q&A](#) in the May 12 issue of the Advisor.]

Mexico Freezes Accounts Linked to \$1.1 Billion in Suspected Drug Money

Financial regulators in Mexico said Tuesday that they have frozen bank accounts belonging to 1,939 people and companies that are believed to be connected with approximately \$1.1 billion in illicit proceeds linked to the Jalisco drug cartel, the Associated Press reported. Mexico's anti-money-laundering agency said it worked with the U.S. Drug Enforcement Administration in the operation, known as "Operation Blue Agave."

irresponsibility, and I think he already deserves to be punished for that," Lula said, describing the president as the worst in Brazil's history. Bolsonaro's office did not respond to CNN's request for comment.

BUSINESS NEWS

U.S. Sanctions Firms Active in Venezuela's Crude Oil Sector

The U.S. Treasury on Tuesday sanctioned four companies operating in Venezuela's oil sector, as efforts to cut off revenues of President Nicolás Maduro continue, CNBC reported. "The illegitimate Maduro regime has enlisted the help of maritime companies and their vessels to continue the exploitation of Venezuela's natural resources for the regime's profit," Treasury Secretary Steven Mnuchin said in a statement. "The United States will continue to target those



Mnuchin // File Photo: U.S. State Department.

who support this corrupt regime and contribute to the suffering of the Venezuelan people," he added. The sanctions target four entities, including Marshall Islands-based Afranav Maritime, Adamant Maritime and Sanibel Shiptrade as well as Greece's Seacomber. All four companies own vessels that have transported crude to Venezuela this year. The sanctions come as the last of five Iranian tankers carrying fuel arrived in Venezuela this week, a move that has angered Washington. After the United States blacklisted Russian state oil company Rosneft earlier this year, Venezuela has been forced to turn to Iran, drug traffickers and other illicit networks to trade its oil and gold for fuel and cash, U.S. officials told The Wall Street Journal.

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workers in the United States, many of whom are recent immigrants with relatives in Cuba. By the same token, international tourism in Cuba is doubly affected because of the recent restrictions in transportation, added to the world economic contraction and the resulting decrease in tourist activity. Incomprehensively, the Cuban government continues failing to implement simple reforms, such as allowing small and medium enterprises to operate with less intervention and regulation, despite the recommendations of government economists and the strong evidence that the private sector can help stabilize the economy, stop its retrogression and help the country follow a path toward a modicum of growth."

A Paul Webster Hare, senior lecturer at Boston University and former British ambassador to Cuba: "To any long-term creditor of Cuba, the postponement request is nothing new. Most bondholders probably never had a strong expectation of prompt repayment. Lending to Cuba has had a strong political component. And Cuba still lacks any economic transparency. Even foreign exchange reserves are never published. The Cuban economy faces an unusual problem—the pandemic has devastated the entire global tourism and travel industry. In the past, Cuban tourism has been affected by local events such as hurricanes or by tightening of U.S. sanctions. The sector most affected is the self-employed, such as private Airbnb rentals and restaurants—those that the Trump administration's sanctions were exempting. The government has less hard currency for food and other imports. But Cuban tourism may rebound more quickly than most destinations when diaspora families resume visits. Remittances are a priority to maintain for Cuba during the pandemic to support families with lost income. But in five months, the government may see relief with the U.S. elections as Biden is seeking to reverse Trump's coercive policies. Both

the Cuban and Venezuelan regimes have so far survived despite the most stringent U.S. sanctions. The pandemic has made all trade sanctions less effective. And Russia, China, Iran and others have obviously had some success in evading U.S. sanctions. Meanwhile, Cuba has strategically promoted medical diplomacy during the pandemic to European and other countries, probably generating hard currency. And now Cubans are increasingly engaging on social media with others. The government's pandemic response is being monitored in new ways."

A John Suarez, executive director of the Center for a Free Cuba: "Covid-19 has been devastating to Cuba's economy due to the shutdown in tourism in late March and the downturn in remittances from the Cuban diaspora in the United States, and officials are using it as a pretext to delay repaying their debts until 2022. Regime officials rushed to make up for this shortfall by exporting medical workers, after they had been called back from Brazil (to avoid Cuban doctors being paid directly by Brazil's government) and expelled by Bolivia's new government due to Cuban intelligence agents masquerading as doctors interfering in their internal political matters. Despite U.N. human rights experts describing trade in health workers as human trafficking, the need for health care workers has led many nations to pay exorbitant amounts for Cuban health workers to supplement their own overtaxed health care professionals. But the question about Covid-19 and Cuban doctor diplomacy ignores the chronic, long-term crisis in Cuba's economy; the internal blockade that Castro erected in the 1960s, which prevents individual Cubans from playing a meaningful role in the economy by leaving decisions to central planners. Pouring money into Cuba's dying communist institutions is a fool's errand that the Paris Club has been on since the 1980s. In October 2017, it forgave \$8.5 billion of \$11.1 billion in official debt Cuba

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had defaulted on through 1986, plus interest. Despite repeated delays in debt repayments, Paris Club members continue with assistance through the European Union and some, such as France and Spain, are going further at the national level.”

A **Vicki Huddleston, retired U.S. ambassador and former chief of the U.S. Interests Section in Havana:** “Where, when and how will it end? Will the United States’ vetoing debt relief for Cuba at the Paris Club bring the Trump administration any closer to regime change in Cuba? Will placing Cuba back on the terrorist list—yet another contemplated punitive action—bring down that government? With the advantage of six decades of hindsight, the answer is clear. The Cuban government will soldier on; its people will stoically suffer food shortages and illness, even as the U.S. embargo and the impact of Covid-19 on tourism dismantle Cuba’s fledgling entrepreneurial sector. Yet, courageous Cuban medical teams abroad are doing more hands-on helping of others than any other nation. As the United States faces a great crisis, it is time to come to-

gether, putting aside our divisions because, without unity at home, we cannot lead—and in fact are not leading—the world community as it struggles to confront and mitigate the impact of coronavirus. We must put aside

“The Cuban government will soldier on.”
— Vicki Huddleston

partisan policies that do not reflect our core beliefs or our national interest. Nowhere is this more evident than in our approach to Cuba, where our dislike of that government has led us to ignore the fact that if we desire real change, we must employ policy tools that reflect our nation’s belief in justice and fairness. A firm tenant of American foreign policy has always been self-determination. As we look forward, let us empower—rather than punish—the Cuban people so that they may themselves determine their future.”

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2020

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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

ISSN 2163-7962

Subscription inquiries are welcomed at ebrand@thedialogue.org

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JOB POSTINGS

EDITOR’S NOTE: We are pleased to share Latin America-related job postings that companies reading the Advisor and others have posted recently.

NBC Universal: Finance and Affiliates, LATAM Networks, Miami

Euroclear: Relationship Manager for Latin America, New York

FTI Consulting: Public Affairs Consultant, Latin America, Washington

Inter-American Development Bank: Digital Government Senior Specialist, Washington

Center for Global Development: Research Assistant - Migration, Displacement and Humanitarian Policy, Washington

Partners of the Americas: Chief of Party, Bogotá