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FEATURED Q&A

Which Economic Ties Are Most Critical for Cuba?



Chilean President Michelle Bachelet is among the foreign leaders who have met recently with Cuban President Raúl Castro. // Photo: Chilean Government.

Q The European Union's top diplomat, Federica Mogherini, wrapped up a two-day visit to Havana on Jan. 4 by meeting with President Raúl Castro and saying the E.U. member countries combined were Cuba's most important economic partner. Mogherini's visit came just days before outgoing Chilean President Michelle Bachelet met with Castro in Havana and vowed to strengthen the two countries' economic and commercial ties. Which economic and trade relationships are most critical for Cuba in the months and years ahead? Would closer trade relations with other countries encourage Cuba to transition to a more open economy? Will economic relations between the United States and Cuba cool further during the administration of U.S. President Donald Trump, and to what degree are U.S. sanctions holding back other countries from trading with Cuba?

A Frank Calzon, executive director of the Center for a Free Cuba: "Havana knows that President Michelle Bachelet's promises to strengthen ties between Chile and Cuba are meaningless. Sebastián Piñera, who has no illusions about the regime's totalitarian nature, will be president of Chile in a few weeks. It is up to General Raúl Castro to improve relations. The White House wants returned several hundred million dollars stolen from Medicaid/Medicare that remain in Cuba's National Bank. Mr. Trump wants Havana to return American terrorists living in Cuba to face justice in America. He asserts that his Cuba policy is to deny resources to Castro's military and security forces, which control tourism on the island. Havana has 15,000

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Pope Francis to Meet With Immigrants in Chile

The pontiff is to meet with immigrants in the northern city of Iquique before heading to Peru for the second and final leg of his trip to South America.

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The Pittsburgh-based company posted a net loss of \$196 million for the fourth quarter and failed to meet analysts' estimates.

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Mexico to Seek Extradition of Former Governor

Mexico's government will seek the extradition from the United States of former Chihuahua Governor César Duarte, who is wanted in Mexico on charges of electoral crimes and corruption.

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Duarte // File Photo: Mexican Government.

POLITICAL NEWS

Pope Francis to Meet With Immigrants in Chile

Pope Francis plans to wrap up his visit to Chile today by meeting with members of the country's immigrant population, the Associated Press reported. The pope is heading to the northern city of Iquique, where there are more than two dozen migrant slums. He is scheduled to celebrate Mass there before leaving for Peru, the second and final country on his



Violence begets violence, destruction increases fragmentation and separation."

— Pope Francis

current Latin America trip. Francis has long urged countries to welcome immigrants and refugees who are fleeing wars and other hardships. Upon arriving in Chile earlier this week, the pontiff said the South American country's future depends on its ability to listen, including "to the migrants who knock on the doors of this country in search of a better life, but also with the strength and the hope of helping to build a better life for all." Between 2010 and 2015, Chile had Latin America's fastest annual rate of migrant growth, according to estimates by the United Nations and churches, the AP reported. Many Haitians, who face language barriers in Chile, have migrated to the South American country. Immigration groups have said they fear that Sebastián Piñera will clamp down on immigration after he returns to the country's presidency in March. Piñera, who also served as Chile's president from 2010-2014, said during his most recent campaign that the country would keep welcoming migrants as

long as they follow the law and are productive. "We want to shut the doors to drug trafficking, contraband that is often associated with it and, above all, we want people who come to Chile to respect our law," Piñera told local radio station ADN in October. On Wednesday, Pope Francis celebrated Mass for the indigenous Mapuche in the Araucanía region. His visit to the region followed several incidents of violence in the area, where almost a dozen churches and three helicopters were recently torched. "Violence begets violence, destruction increases fragmentation and separation. Violence eventually turns a most just cause into a lie," the pope told a crowd at Maquehue air base in the city of Temuco, The Guardian reported. The air base is located on land that was taken from the Mapuche a century ago and is the site of a former detention center that was used during the country's military dictatorship. The recent attacks on churches in the area have been blamed on radical activists. At the site of one burned church, investigators discovered pamphlets demanding the release of Mapuche prisoners, prosecutor Enrique Vásquez told local media on Wednesday, The Guardian reported.

Mexico to Seek Extradition of Former Governor

Mexico's government is planning to request the extradition of former Chihuahua Governor César Duarte from the United States, El Universal reported Wednesday. Duarte, who was the state's governor from 2010-2016, is wanted in Mexico on charges of electoral crimes and corruption. He has federal charges as well as local charges in Chihuahua State pending against him. Current Chihuahua Governor Javier Corral, a member of the opposition National Action Party, has accused Duarte of diverting public money to the 2016 election coffers of the ruling Institutional Revolutionary Party, or PRI, the Associated Press reported. Last month, state authorities in Chihuahua detained a former top official of the PRI, Alejandro Gutiérrez, on allegations that he participated in a scheme to

NEWS BRIEFS

Two Former FARC Rebels Killed at Campaign Event

Two former rebels from Colombia's once-largest rebel group, the Revolutionary Armed Forces of Colombia, or FARC, were shot and killed Tuesday at a campaign event for the group's new political party, the Associated Press reported. Wilman Asprilla and Ansel Montoya were killed in northwestern Colombia while campaigning for a candidate running for Congress under the banner of the former guerrilla group-turned-political party. The U.N. mission in Colombia is condemning the attack and urging the government to ensure the safety of all who participate in the upcoming vote. As part of the peace negotiations process between the FARC and the Colombian government, the former rebel group has been guaranteed 10 seats in the country's Congress.

Venezuela's Oil Production Plummets

Venezuela's production of oil fell 29 percent last year and marked its 15th consecutive month of declines in December, the country's government reported to the Organization of the Petroleum Exporting Countries, or OPEC, The Wall Street Journal reported today. Venezuela's collapsing oil production is making it unlikely that it will be able to capitalize on rising oil prices, the newspaper reported.

Brazil's Caixa Replaces Four Vice Presidents

Brazilian state-owned lender Caixa Econômica Federal announced replacements for four of its vice presidents, who have stepped down amid a corruption probe, the bank said Wednesday, Reuters reported. The four vice presidents stepped down on Tuesday night at the demand of President Michel Temer, after prosecutors accused multiple vice presidents of legal "irregularities." All four will be replaced by other officials from Caixa, the bank said.

divert some 240 million pesos (\$12 million) for political campaigning. Duarte last year denied wrongdoing. He is among several former PRI governors who fled Mexico after being accused of corruption. Former Veracruz Governor Javier Duarte, who is not related to César Duarte, was arrested last April in Guatemala. Former Tamaulipas Governor Tomás Yarrington was arrested in Italy in the same month.

BUSINESS NEWS

Alcoa Misses Estimates for Q4 Amid Brazil Drought

Pittsburgh-based aluminum producer Alcoa on Wednesday posted its fourth-quarter results, showing a performance that failed to meet analysts' expectations, due in part to a drought in Brazil that hindered bauxite production, Reuters reported. The company posted a net loss of \$196 million, or \$1.06 per share, in the fourth quarter of last year, and \$775 million in adjusted earnings for the quarter before interest, taxes, depreciation and amortization, excluding special items, up 38 percent from the third quarter, due to the rising price of alumina, Alcoa said in a statement. The company also posted \$3.2 billion in revenue, up 7 percent sequentially, which it said was driven mostly by the higher price of alumina. Despite seeing earnings and revenue growth, Alcoa said its profit and revenue did not reach analysts' estimates because of the higher price of energy and changes in exchange rates, Bloomberg News reported. In particular, a drought in Brazil negatively affected bauxite production and higher energy prices in Spain increased expenses, the company said, Reuters reported. The drought in Brazil led to a water shortage that lowered its bauxite production and also affected profits from its hydropower system in the country, Alcoa said. "We have lower-than-expected global alumina segments due to weather delays and difficulties with shipload," Chief Executive Roy Harvey told analysts on a phone call.

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Cuban military personnel in Venezuela, according to Luis Almagro, Secretary General of the OAS, who told the U.S. Congress on July 19, 2017 that the Cuban troops are 'like an occupation army from Cuba in Venezuela.' Tourism is against U.S. law, but it was made possible by former U.S. President Barack Obama under the pretense that partying, going to the beach, attending nightclubs and government briefings is not tourism but rather 'people-to-people' outreach. Tourists had no impact on repression in the Soviet Union, nor in Cuba under Batista or in Chile under Pinochet. Havana has yet to pledge that it will cease the smuggling of warplanes and missiles to North Korea, which Raúl Castro attempted in 2013. Federica Mogherini is on record indicating that Cuba is a 'one-party democracy,' many Europeans disagree. Will European governments insist on Havana's compliance with the human rights clause, part of the E.U.-Cuba agreement? What do human rights organizations in Cuba think?"

A Paul Hare, senior lecturer at the Frederick S. Pardee School of Global Studies at Boston University and former British ambassador to Cuba: "Less than 20 years ago, E.U. member states were the main sources of investment and tourism for Cuba. In the early 2000s, Venezuela came to dominate as Cuba's economic and political partner of choice. That is declining fast, and Trump has reverted to an adversarial relationship. What next? Though a new political chapter is opening, E.U. companies will be wary about rushing in again. The history includes many bad debts, expropriations of E.U.-owned joint ventures and even the jailing of some business executives. Cuba is still not promoting foreign investment and the 'self-employment' sector, at the expense of military-run conglomerates. And without Raúl Castro as president, the government will be nervous about policy shifts, which could boost inequality and uncertainty. The European Union likes to show collective diplomacy in

Cuba, saying it is a 'predictable partner.' But from the European Union's strong diplomatic reaction to the 2003 crackdown on dissidents, Cuba will know that the European Union is not promising unconditional politi-

“**Though a new political chapter is opening, E.U. companies will be wary about rushing in again.**”

— Paul Hare

cal support. And therein lies the rub. China, Russia, Iran and others are all giving Cuba the credit and oil it needs and won't interfere politically. The European Union won't offer that. Some economic factors are changing. The Trump administration has given Cuba's hardliners an unexpected gift: the old enemy is again at the door. But partners like China and the European Union will not be offering blank checks. Cuba must relax controls on individual initiative and wealth creation. Already, Cuba has agreed that E.U. engagement with Cubans can include 'the whole range of civil society, the private sector...' That is a remarkable change."

A Jorge Sanguinety, chairman and senior advisor at DevTech Systems: "Putting aside the relative volumes of current trade, the most critical trade and economic relations for Cuba are still with the United States, if we take into account the historical background and the permanent expectations and keep in mind the possibility that such relations can improve at any point in time. The current exchanges involving remittances from Cuban exiles to relatives and friends on the island represent a constant reminder of the geo-economic fact that both countries

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share a mutual degree of interdependence within their corresponding relative dimensions. Closer relations would definitely serve to more widely open the Cuban economy, if only the Castro government seized the opportunity and open the internal economy to the rest of the Cuban people. In fact, the main obstacle for the United States to improving relations with Cuba remains the unwillingness of the Cuban government to move to a more inclusive economy and allow Cubans on the island to participate in the same benefits granted to foreign investors. The Cuban government is still dominated by the fear that a more open economy for its citizens will lead to greater dependence on the United States, a condition that has created a Gordian knot between both countries and a profound divide between the Cuban government and its citizens. This helps to extend the U.S. embargo indefinitely, which at the same time represents the second major obstacle to Cuba's economic development and other foreign investors. As the Cuban government has become an extension of the Castro family, it is the latter that holds all the cards to free Cuba of its current quagmire."

A **Carlos Saladrigas, chairman of the Cuba Study Group and Regis HR Group:** "The recent overtures by the European Union, as well of those by Chile's outgoing president, are shrouded in the realization that there is very little business to be had in Cuba, unless the Cuban economy undergoes major reforms and the U.S. embargo comes to an end. Yet, in owning important amounts of Cuban debt and visualizing potential opportunities from a U.S. retreat in the face of a significant leadership transition in Cuba, Europeans have intensified their engagement, while at

the same time sending an important message to the U.S. President Donald Trump's administration. The changes implemented by the U.S. government, although not nearly as bad as they could have been, have virtually frozen diplomatic engagement and any new business opportunities. For Cuba's hardlin-

“**The Americans have proven once again to be unreliable and unpredictable, and are only interested in Cuba's collapse.**”

— Carlos Saladrigas

ers, this has been a godsend. The intense ideological battle unleashed by former U.S. President Barack Obama's policy and visit have since intensified, and have given the hardliners, once again, the 'I told you so' upper hand. The Americans have proven once again to be unreliable and unpredictable, and are only interested in Cuba's collapse. Obama's 'Trojan Horse' has been followed by a very detectable one. To be disengaged from Cuba at this time is disingenuous and downright stupid. Cuba is undergoing its most important leadership transition ever, and engagement helps to influence developments better than isolation. We are again creating a vacuum that other nations may find advantageous. Let us pray it is the Europeans and not the Russians that fill in the gap we left behind."

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