



2019 Latin American Business Environment Report

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UNIVERSITY of FLORIDA

Brian C. Gendreau
Timothy E. McIlendon

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PREFACE

This is the 20th edition of the *Latin American Business Environment Report (LABER)*. The Report includes a review of the business, investment and legal environments in all of the Latin American states, including Cuba, Haiti, and Puerto Rico. As in past years the goal of the Report is to provide an accessible, balanced evaluation of the economic, social, political, policy and legal developments that affect the region's business and investment climate.

LABER is a publication of the Latin American Business Environment Program (LABEP) in the Center for Latin American Studies in collaboration with the Center for Governmental Responsibility (CGR) in the Levin College of Law at the University of Florida. Through graduate degree concentrations, courses and study abroad opportunities, LABEP (<http://www.latam.ufl.edu/research-training/la-business-environment>) draws on the diverse expertise and considerable resources of the University to prepare students for careers related to Latin American business. It also organizes conferences, supports the publication of scholarly research and provides professional consulting services.

CGR is a legal and public policy research institute at the Levin College of Law with research programs and grant projects in environmental law, social policy, international trade law, and democracy and governance. CGR provides academic and clinical instruction for law students, and public extension and information services through conferences and publications. CGR has a long history of collaborative work throughout Latin America, in Haiti, Europe and Africa. CGR (<http://www.law.ufl.edu/academics/centers/cgr>) hosts an annual "Legal & Policy Issues in the Americas Conference", now in its 19th year.

Andrea Calidonio helped with economic research, while Jacob Markham assisted with background research for the legal environment section. We thank them for their valuable assistance, but we alone are responsible for the content and analysis.

Brian Gendreau,
Director, Latin American Business Environment
Program, Center for Latin American Studies
and Clinical Professor of Finance
University of Florida
brian.gendreau@warrington.ufl.edu

Timothy E. McLendon,
Staff Attorney
Center for Governmental Responsibility
Levin College of Law
University of Florida
mclendon@law.ufl.edu

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CONTENTS

| | |
|-------------------------------|----|
| PREFACE | |
| ABBREVIATIONS AND DEFINITIONS | I |
| EXECUTIVE SUMMARY | 1 |
| REGIONAL OVERVIEW | 3 |
| COUNTRY PROFILES | |
| NAFTA II REGION | |
| Mexico | 12 |
| THE CARIBBEAN | |
| Cuba | 14 |
| Dominican Republic | 16 |
| Haiti | 16 |
| Puerto Rico* | 17 |
| CENTRAL AMERICA | |
| Costa Rica | 18 |
| El Salvador | 19 |
| Guatemala | 19 |
| Honduras | 20 |
| Nicaragua | 20 |
| Panama | 21 |
| ANDEAN SOUTH AMERICA | |
| Bolivia | 22 |
| Colombia | 23 |
| Ecuador | 25 |
| Peru | 26 |
| Venezuela | 28 |
| BRAZIL AND THE SOUTHERN CONE | |
| Argentina | 30 |
| Brazil | 32 |
| Chile | 35 |
| Paraguay | 37 |
| Uruguay | 37 |

*Puerto Rico is a commonwealth of the United States and not an independent nation, though it has its own constitution and an elected governor and legislature. Culturally and linguistically it is part of Latin America.

Abbreviations and Definitions

- ALBA:** *Alianza Bolivariana para los Pueblos de Nuestra América (Bolivarian Alliance for the Peoples of our Americas)*, an organization founded by Cuba and Venezuela in 2004 to foster regional economic, political, social integration. Its member states, which are socialist or populist in orientation, are Antigua and Barbuda, Bolivia, Cuba, Dominica, Grenada, Nicaragua, Saint Kitts and Nevis, Saint Lucia, and Saint Vincent, and Venezuela.
- Latin America:** The states in the Americas in which romance languages are spoken. This definition includes the Caribbean nations of Cuba, the Dominican Republic, and Haiti. For cultural reasons, we also include Puerto Rico, which the United Nations recognizes as a self-governing territory.
- LAC:** Latin America and the Caribbean. Includes English nations and Suriname.
- LA-7:** The seven largest countries in Latin America by GDP, in 2015 PPP prices. These are, in order of size, Brazil, Mexico, Argentina, Colombia, Venezuela, Chile, and Peru.
- Mercosur:** (Mercosul in Portuguese.) A customs union and trading bloc of countries established in 1991 to promote free trade. Its full members are Argentina, Brazil, Paraguay, and Uruguay. Venezuela's membership was suspended on December 1, 2016.
- Pacific Alliance:** A trade bloc founded in 2011 with the goal of promoting economic integration and free trade with a "clear orientation toward Asia." Its members are Chile, Colombia, Mexico, and Peru. Costa Rica and Panama are in the process of becoming full members. Its governments tend to be centrist and market-oriented.

Sources for the data, forecasts, and rankings used in this publication are listed in the footnotes to Tables 1 through 15.

2019 LATIN AMERICAN BUSINESS ENVIRONMENT REPORT

Brian Gendreau and Timothy E. McLendon

EXECUTIVE SUMMARY

Weakening economic activity in China and Europe have dampened but not stopped Latin America's emergence from its economic slowdown. Even countries like Argentina, which faced particular difficulties, are expected to recover by the end of 2019. However, political volatility and the ongoing corruption scandals continue to hamper many Latin American governments, while new populist governments in Brazil and Mexico add a further element of unpredictability to the policy and economic environment.

We classify the region's 20 economies into three broad categories – attractive, problematic, and mixed – according to the overall character of their business environments. The table below further indicates if the yearly performance has improved (▲), deteriorated (▼), no significant change (=) or uncertain (?). In 2018, six environments improved and six deteriorated, while the remaining were unchanged. In light of the ongoing reforms instituted by the current government of Ecuador, we have moved that country's environment from "problematic" to "mixed", the only such change in this edition. The 2019 outlook remains cautiously optimistic with the expectation that the region will weather a moderate slowdown in global growth and the resulting reduced demand for raw materials.

Latin American Business Environments

| | 2017 Environment | | | 2018 Environment | | | 2019 Outlook |
|--|------------------|-------------|-------|------------------|-------------|-------|--------------|
| | Attractive | Problematic | Mixed | Attractive | Problematic | Mixed | |
| NAFTA REGION | | | | | | | |
| Mexico | ▼ | | | ▼ | | | ▼ |
| ANDEAN SOUTH AMERICA | | | | | | | |
| Bolivia | | ▼ | | | ▼ | | ▼ |
| Colombia | ▲ | | | ▲ | | | ▲ |
| Ecuador | | ▼ | | | | ▼ | ▲ |
| Peru | ▲ | | | ▲ | | | ▲ |
| Venezuela | | ▼ | | | ▼ | | ▼ |
| BRAZIL & SOUTHERN CONE | | | | | | | |
| Argentina | | | ▲ | | | ▼ | ▲ |
| Brazil | ▼ | | | ▼ | | | ▲ |
| Chile | = | | | = | | | = |
| Paraguay | | | ▲ | | | = | = |
| Uruguay | ▲ | | | = | | | = |
| CENTRAL AMERICA & CARIBBEAN | | | | | | | |
| Costa Rica | = | | | = | | | ▲ |
| Cuba | | = | | | ▼ | | ▼ |
| Dominican Republic | | ▲ | | | ▲ | | = |
| El Salvador | | | ▼ | | | ▼ | ▼ |
| Guatemala | | | = | | | = | = |
| Haiti | | = | | | = | | = |
| Honduras | | | ▲ | | | ▼ | = |
| Nicaragua | | = | | | = | | ▼ |
| Panama | = | | | = | | | ▲ |
| Puerto Rico | | | | | | ▼ | ▼ |
| Total | 8 | 7 | 5 | 8 | 6 | 7 | |



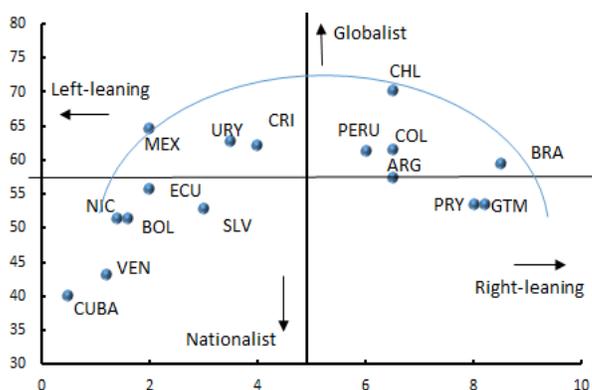
OVERVIEW

ECONOMIC AND POLITICAL OUTLOOK

The crisis in Venezuela has opened international fault lines reminiscent of the Cold War, with the United States, Canada, the United Kingdom, and the European Union recognizing National Assembly leader Juan Guaidó as Venezuela’s interim president, and Russia and China continuing to back Nicolás Maduro. It has also drawn attention to longstanding differences in foreign, economic, and social policies across countries within Latin America, as well as highlighting some new realignments. Most governments in Latin America, including those of Argentina, Brazil, Chile, Colombia, and Peru have recognized Mr. Guaidó as president, while most members of the ALBA alliance, including Bolivia, Cuba, Nicaragua, and several Caribbean islands, continue to back Mr. Maduro. Mexico and Uruguay have called for a dialogue. In general, the countries that have recognized Mr. Guaidó are more market-friendly and globalist in orientation, and those that continue to support Mr. Maduro or have called for a dialogue are more left-leaning and nationalist (Figure 1).

During the past year two large shifts in this alignment have occurred. In Mexico, Andrés Manuel López Obrador (AMLO), representing a largely leftist coalition led by AMLO’s National Regeneration Movement (MORENA) replaced President Enrique Peña Nieto of the Institutional Revolutionary Party (PRD). The center-right Peña Nieto government had pursued reforms in education and the energy sector, sought to break up monopolies, and tightened bank regulations. AMLO has proposed increased social spending, universal access to public colleges, a referendum on reforms that had ended the monopoly of Pemex, the state-owned oil company, and a crackdown on crime and corruption. During his election campaign he vowed that he wanted a relationship of respect with the United States, not “subordination”, and opposes the Trump administration’s policies on the wall and the deportation of undocumented immigrants. In Brazil, Jair Bolsonaro, a Congressman and former Army captain was elected president as the candidate of the conservative Social Liberal Party (PSL). Mr. Bolsonaro’s views are best described as nationalist and populist. Like AMLO, he has vowed to combat crime and corruption. His cabinet appointments have advocated market-oriented policies, including the privatization of state-owned enterprises. Mr. Bolsonaro has promised to make major changes in Brazil’s foreign policy to align it more closely to that of the United States. In November, before taking office, Mr. Bolsonaro demanded contract changes for the 8,300 Cuban doctors working in remote areas of Brazil, leading Cuba to begin bringing them home.

Figure 1. Governments in Latin America span the spectrum of views on policy



Countries have been categorized on the globalist/nationalist scale according to their World Economic Forum Global Competitiveness score. Their characterization as left- or right-leaning is subjective and is based on how they tend to be described in news reports and in country risk services’ reports.

Figure 2. Real GDP growth by trade alliance In percent

| | <u>2003-14</u> | <u>2015-18</u> |
|------------------|----------------|----------------|
| ALBA | 4.3 | -1.4 |
| Mercosur | 3.8 | -0.8 |
| Pacific Alliance | 3.3 | 2.6 |

Forecasts from Consensus Economics, Inc., weighted by 2015 real GDP in US dollars.

ALBA: BOL, ECU, NIC, and VEN.

Mercosur: ARG, BRA, and VEN (2003-14 only).

Pacific Alliance: CHL, COL, MEX, PER.

Figure 3. Inflation by trade alliance In percent

| | <u>2003-14</u> | <u>2015-2018</u> |
|------------------|----------------|------------------|
| ALBA | 16.0 | 64,010 |
| Mercosur | 7.8 | 13.3 |
| Pacific Alliance | 4.1 | 3.7 |

See notes to Figure 2.

Venezuela's self-inflicted collapse provides a vivid example of how policies matter. One might expect that the unusually wide differences across countries in economic policies and openness to the global economy would provide a natural experiment as to which approach is best. Such experiments ideally span several years, and for the past 16 years it was possible to contrast the performance of trade and political alliances such as the ALBA countries, which tend to be statist, populist, and nationalist, to that of the more market-oriented Mercosur and Pacific Alliance countries. The ALBA countries fared well during the 2003-14 commodity boom of 2003-14, only to suffer negative or stagnant growth and high inflation (most of it accounted for by Venezuela) in the years since (Figures 2 and 3). In the future, however, comparisons among those trade alliances will not have the same meaning: Mexico has switched ideological camps and Brazil's new cabinet is vowing to introduce market-friendly reforms.

Economic shocks and responses

New governments in Latin America have inherited economies that face major challenges. As recently as five years ago growth in Latin America seemed to be on a solid footing. Real GDP in the region had expanded at an average rate of 4% per year during 2003-14. Income inequality had declined even as it had increased in the developed countries. The portion of the region's population living in poverty had fallen from 44.5% to 27.8% by 2014, with cash transfer programs playing an important role. But the gains did not last. Following the abrupt decline in commodity prices in summer 2014, growth slowed markedly throughout the region. The seven largest economies in Latin America have managed to eke out an average real GDP growth rate of only 0.6% since 2014 with Argentina, Brazil, and Venezuela slipping into recession. Real income per capita in the region fell in 2015-16 and unemployment rose sharply. The policy responses varied across the region, but all countries with flexible exchange rates allowed their currencies to depreciate. This served as a shock absorber and made their exports — especially exports other than major commodities such as copper and oil that are priced in dollars — more competitive. The pass-through from currency depreciation to inflation was more subdued this time than in the past, allowing several countries, including Brazil, Chile, and Colombia to cut policy rates to stimulate their economies. (Mexico, facing a fairly high inflation rate, did not have the luxury of cutting interest rates.) After commodity prices came off their lows growth in the region picked up, and both per-capita incomes and unemployment stabilized.

In the year ahead most countries in Latin America are likely to experience moderate growth, according to the

Figure 4. Some of the economic gains achieved in 2003-13 have been reversed
Latin America and the Caribbean.

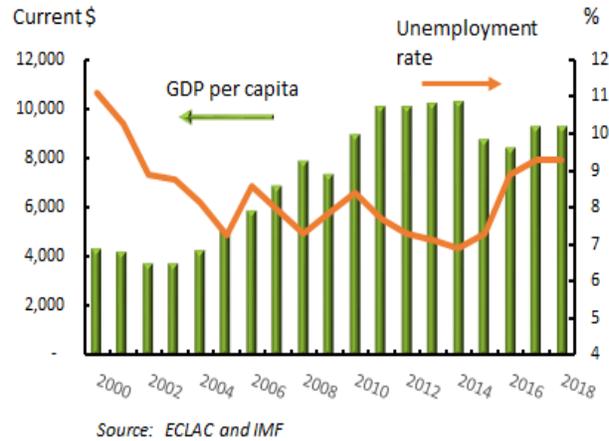


Figure 5. Commodity prices have yet to recover to their 2014 levels

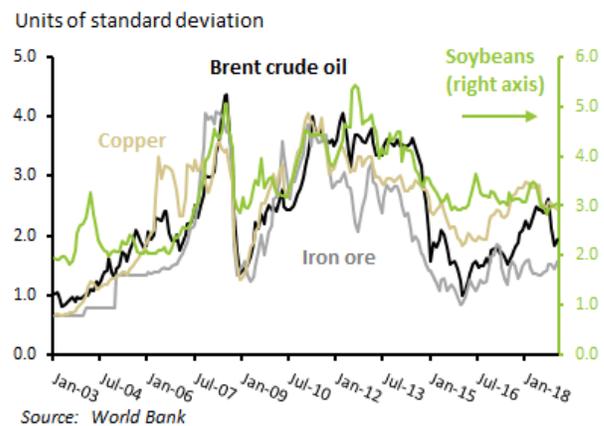
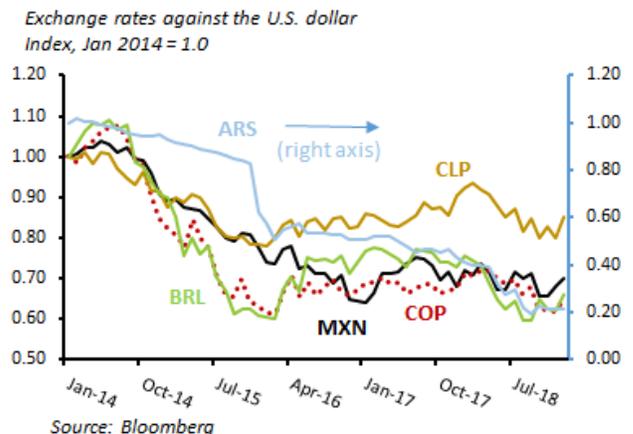


Figure 6. Currency depreciations have helped countries adjust to the commodity price shock



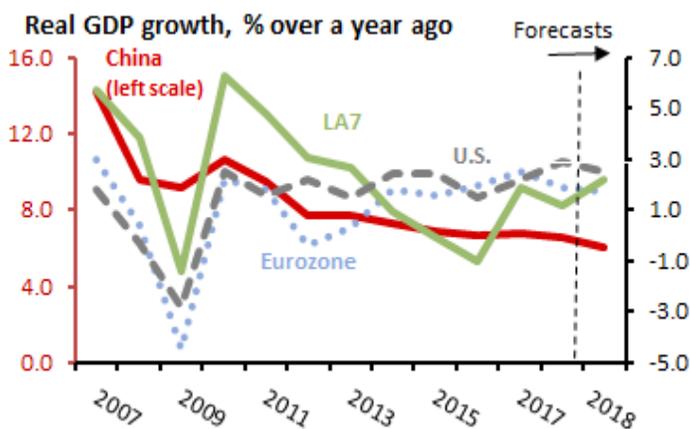
consensus. Argentina is forecast to emerge from its recession by the end of 2019, though output is expected to contract for the year as a whole. Barring regime change and massive international support, Venezuela's economy is likely to continue its downward spiral. Elsewhere in the region growth should continue at a modest pace, and inflation should remain under control.

The reason that growth is expected to remain modest in Latin America is that the global economy appears to be slowing. Last month, the IMF lowered its forecast for global GDP growth from 3.7% to 3.5%, and this month the European Union warned that the eurozone would grow by only 1.3% in 2019, down from the 1.9% growth expected in November. The consensus expects growth to be barely positive in Japan, and to slow in the United States, which has had one of the strongest economies in the developed world during the past two years, to a 2.2% rate from last year's 2.9% pace.

Economists offer several explanations for the slowdown in growth, including trade tensions, the uncertainty surrounding Brexit, the fading of the stimulus provided by the 2018 U.S. tax reform, and the bond market's apprehensions about Italy's populist government. Many economists and policymakers, however, concede that the effect of these factors on growth so far has been small. Of greater concern is the deceleration in China's growth, which has been underway for several years and is expected to continue as that country's corporations contend with heavy debt loads. According to the consensus China is expected to grow by 6% in 2019. While many developing countries would welcome growth at that pace, it is a far cry from the 10.2% average growth rate China achieved during 2003-14 that produced a boom in Latin America's commodity exports.

So far Chinese factories continue to operate at capacity, and the effect on demand for industrial inputs such as metals and minerals has been muted. Chinese firms, however, are reportedly balking at making new investments in plant and equipment. This means less demand for the capital goods (including robotics) that Europe and Japan supply to China. If prolonged, the slowdown in China, and by extension Europe and Japan, can be expected to have a knock-on effect on Latin America's raw material exports, which account for the largest share of the region's exports (29% in 2017). Latin America still exports far more to the United States than to China, but in recent years China has replaced the U.S. as the number one or two trading partner for several countries, including Argentina, Brazil, Chile, and Peru. The World Bank expects prices of minerals and metals to be flat or negative over the next three years, though they forecast modest increases in the prices of agricultural products.

Figure 7. Latin American growth is picking up a bit despite slower global growth



Source: Consensus Economics, Bloomberg

Figure 8. Commodity price forecasts - a mixed bag

| | | 2018 | 2019 | 2020 | 2021 |
|-----------------|--------|------|------|------|------|
| Crude oil, avg | \$/bbl | 72.0 | 74.0 | 69.0 | 69.1 |
| Coffee, Robusta | \$/kg | 1.82 | 1.85 | 1.88 | 1.91 |
| Soybeans | \$/mt | 410 | 419 | 428 | 437 |
| Copper | \$/mt | 6500 | 6540 | 6581 | 6622 |
| Iron ore | \$/dmt | 69.0 | 65.0 | 64.5 | 64.0 |

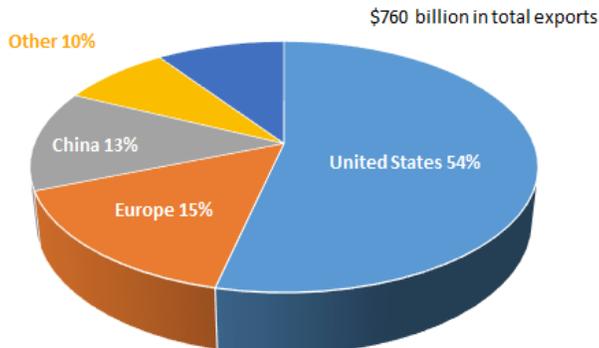
Source: World Bank, October 2018

Figure 9. Economic outlook for the LA-7 economies

| | 2017 | 2018e | 2019f |
|--------------------------|--------|-------|--------|
| Real GDP, % | 1.6 | 1.2 | 1.8 |
| Inflation, % | 26.6 | 6,056 | 21,441 |
| ex. Venezuela | 6.6 | 10.3 | 7.3 |
| Current account, \$ bil. | -115.0 | -77.8 | -79.3 |

Source: Consensus Economics, inc. The inflation forecasts ex. Venezuela are for the six largest economies in the region.

Figure 10. Exports of Latin America and the Caribbean to the Rest of the World



Source: IMF DoT Statistics, 2017. Europe includes Central Asia

Trade tensions between Mexico and the United States, meanwhile, have eased. NAFTA — now known as the United States-Mexico-Canada Agreement (USMCA) has been renegotiated and signed by the heads of all three states. Overall, the changes in the agreement are more modest than supporters of NAFTA had feared. The biggest change is an increase to 75% in the content of motor vehicles that must be made in North America in order to be sold free of tariffs. Each country's legislature must now ratify the agreement. Concerns on the part of other countries about a deterioration of trade relations with the United States, meanwhile, were always overblown. Unlike Mexico, the exports of most countries in the region are primary products, not manufactured goods, and there is little concern in the United States about production being moved to their shores.

LEGAL ENVIRONMENT

Two legal issues dominated many LABER nations in 2018. First, the fight against corruption, was a continuing struggle. Second, immigration became especially important this year due to two developments: the struggle of the Trump administration in the U.S. to counter illegal immigration, especially from Central America; and the exit of some two million Venezuelans from that country's misery into surrounding nations.

Corruption scandals continue to haunt LABER governments. The fallout from the massive Odebrecht scandal continued to work its way through investigative and judicial processes in Colombia, the Dominican Republic, Mexico, Peru, as well as Brazil. In Peru, President Pablo Kuczynski resigned rather than face a second impeachment over his connections to Odebrecht corruption, while ex-president Alan Garcia unsuccessfully sought asylum in the Uruguayan

embassy to escape corruption charges. Former president Alejandro Toledo is fighting extradition from the U.S. to face bribery charges. Peru's opposition was also impacted, with opposition leader Keiko Fujimori put in pretrial detention as she faced charges of receiving some US\$1.2 million from the Brazilian construction firm. In January, the Peruvian congress began investigating allegations involving corrupt activities between Odebrecht and a company partly owned by President Martín Vizcarra. In Colombia, the Odebrecht-related investigations took a sinister turn, as two key witnesses against a former infrastructure minister turned up dead. Citizens of the Dominican Republic protested as the investigations seemed to focus on small fry with higher ranking suspects excluded. Mexico's investigations of Odebrecht's corrupt activities with Pemex, the state oil company, are ongoing, but the Brazilian company has already been slapped with fines of some US\$ 60 million and banned from any contracts with the state or local governments for 2 ½ years.

However, national corruption scandals were prominent as well. In Argentina, the release of notebooks compiled by a deputy minister's chauffeur implicated officials and business leaders under the former governments of Néstor Kirchner (2003-07) and wife Cristina Fernández de Kirchner (2008-15), up to and including Ms. Fernández de Kirchner, who had already been under investigation. Only senatorial immunity prevented her detention. Colombia's Alvaro Uribe was accused of bribery and witness tampering in connection with an investigation of his activities with that country's paramilitary groups. At the same time, a former general of police and several other high military officials were charged with wiretapping phones in the attorney general's office and selling the information they intercepted. In Peru, leaked audio recordings revealed massive corruption in the judiciary, including a justice on the supreme court and members of the national judiciary council, which supervised judges. President Vizcarro included the dismantling of the national judiciary council and a new judicial supervision authority among his constitutional reforms. Ecuador lost a second vice president in December 2018 with the resignation of Maria Vicuna who faces charges over illegal campaign contributions during her time as a legislator. Former Brazilian president Michel Temer faces multiple corruption charges. Brazilian President Bolsonaro's first choice for environment minister was convicted of fraud during the period when he served as a state environmental official.

Four judges on the Costa Rican supreme court were suspended and one resigned over an influence peddling scandal involving a Chinese cement company. Former Honduran president Porfirio Lobo and family members face charges of corruption and drug trafficking. Guatemalan president Jimmy Morales provoked a constitutional crisis with his attempts to force out the UN Commission that has been investigating corruption and impunity in that country. The commission had accused him of illegal campaign finance activities. The U.S. trial of Mexican drug lord Joaquin "El Chapo" Guzman revealed massive corruption, including testimony of payoffs to federal police and security officials. Most sensational were allegations that former president Enrique Peña Nieto accepted a bribe of US\$ 100 million in 2012 in return for ending a police hunt for El Chapo. The former president denies the allegations.

Immigration causes concerns. Many LABER countries confronted increased immigration pressures, especially from Venezuela. More than 2 million Venezuelans have left that country, with the majority going to neighboring Colombia and Brazil. Both countries heightened security, and in Brazil, the small bordering state of Roraima saw services overwhelmed and tensions increase as a result of the newcomers. However, the supreme court struck down an attempt to close the border as a violation of Brazil's international humanitarian commitments. More distant countries like Peru and Ecuador sought to impose passport requirements on Venezuelans seeking to enter the country, though a court blocked Ecuador's attempt. Chile, mindful of the refuge given by Venezuela to its own dissenters during its military regime, maintained a more lenient policy for Venezuelans, but sought to restrict the immigration of Haitians. Representatives of 11 LABER nations met in Quito, Ecuador to discuss the problem, and coordinate assistance. In the Declaration of Quito, the countries committed to protect human rights of the migrants and combat discrimination and xenophobia. The countries agreed to accept expired passports of Venezuelan immigrants.

Illegal immigration played an increasingly prominent role in political disputes within the United States, most visibly in the recent struggles to fund a physical wall on the U.S.-Mexican border. The Trump administration, which has sought to combat illegal immigration, saw many of its proposals halted by the courts or stopped by Congress. Thus the courts have halted the attempt by the administration to terminate so-called temporary protected status enjoyed by many immigrants from Haiti, El Salvador, Honduras

and Nicaragua who had come to the U.S. to escape natural disasters or violence. The court found that the decision to end this program was racially motivated. These cases are ongoing, but the program will continue pending litigation and any appeals. The very public convoys of Central American migrants that traveled through Mexico seeking asylum in the U.S. prompted the administration to change asylum requirements to ban illegal immigrants from claiming asylum. This move was halted by the courts, and the U.S. Supreme Court rejected an administration appeal to reinstate the ban temporarily. U.S. courts have also halted the Trump administration's attempt to end an Obama-era program which sought to regularize the status of illegal immigrants brought to the U.S. as small children. Most recently, the Trump administration has also proposed rules that would limit the access of immigrants to public assistance, and deny visas or permanent residency to those who are unable to support themselves.

International organizations are in flux, while border disputes simmer. Several LABER countries boycotted the Union of South American States (UNASUR) as Bolivia took the chair of the South American organization, and Colombia announced its formal withdrawal from the bloc. Meanwhile, Ecuador announced its withdrawal from the ALBA bloc of leftist nations. Border disputes remain an issue in many places. The International Court of Justice (ICJ) announced minor modifications of Costa Rica and Nicaragua's border. The ICJ also ruled against Bolivia in its claim for access to the Pacific. Guatemala voted to refer its border dispute with neighboring Belize to the ICJ. Venezuelan naval forces harassed companies exploring for oil off Guyana's coast, and the UN Secretary General has referred that dispute to the ICJ. Venezuela disputes the jurisdiction of the international tribunal.

Social liberalization trend continues. Mexico's supreme court invalidated that country's restrictions against recreational marijuana. Gay marriage was recognized in Brazil and Costa Rica, bolstered by a 2018 decision of the Inter-American Court of Human Rights that required equal marriage rights. Transgender citizens were granted rights to change their names and gender on state registries in Chile, Mexico and Uruguay. These changes were likewise bolstered by a 2018 decision by the Inter-American Court of Human Rights mandating that states establish procedures that recognize the right to gender identity.

BUSINESS CLIMATE

Most economists agree that the efficiency with which labor and capital can be combined to produce output is crucial to growth, and that a key component to that efficiency is the ease of doing business. Each year the World Bank measures the regulatory, legal, and practical challenges involved in setting up and operating a business. It surveys regulatory practices in 11 areas. (The results of some of the individual surveys are reported in Table 15 in the back of this publication.)

Latin America does not compare favorably to other regions in this survey and has slipped in the rankings in each of the past two years. In the latest survey 14 out of 19 countries fell in the rankings; only Brazil and Chile improved their relative standing in 2019. No country in Latin America is ranked in the top quartile among countries and 10 are in the bottom half.

Figure 11: World Bank ease of doing business rankings

| | <u>2019 Rank</u> | <u>2018 Rank</u> | |
|----------------|------------------|------------------|---|
| Mexico | 54 | 49 | ↓ |
| Chile | 56 | * | ↑ |
| Peru | 65 | 59 | ↓ |
| Costa Rica | 67 | 61 | ↓ |
| Colombia | 68 | 58 | ↓ |
| Panama | 79 | 79 | - |
| El Salvador | 85 | 73 | ↓ |
| Uruguay | 95 | 94 | ↓ |
| Guatemala | 97 | 97 | ↓ |
| Dominican Rep. | 102 | 99 | ↓ |
| Brazil | 109 | 125 | ↑ |
| Paraguay | 113 | 108 | ↓ |
| Argentina | 119 | 117 | ↓ |
| Honduras | 121 | 115 | ↓ |
| Ecuador | 123 | 118 | ↓ |
| Nicaragua | 132 | 131 | ↓ |
| Bolivia | 156 | 152 | ↓ |
| Haiti | 182 | 181 | - |
| Venezuela | 188 | 188 | - |
| United States | 8 | 6 | ↓ |
| Puerto Rico | 64 | 64 | - |

Source: World Bank, *Doing Business 2019*. For 2019 the World Bank surveyed 190 countries; a rank of one is highest, 190 lowest. An upward-pointing arrow in the table indicates a rise in the rankings and improving business conditions. * Chile was not ranked in the 2018 survey because of a dispute regarding the survey methodology. Its improvement in the rankings is relative to 2017.

The *Doing Business* rankings do need to be interpreted with some caution. Because they are rankings they are relative ratings; a country can fall in the rankings even as its score in the survey improves if other countries are moving up the rankings. In the most recent survey several large developing countries seem to have made a concerted effort to improve their rankings. China moved up 32 places this year in the rankings, India moved up 30 places, and Brazil rose 16 places. Evidently some countries care a great deal about appearing to have a benign — or at least improving — business climate. In fact, as can be seen in the discussions of individual countries' business climate in the following pages, several countries had higher scores in 2019, as did Latin America as a whole.

Nonetheless, few doubt there is room for improvement. Surveys by other organizations, such as the OECD, find that infrastructure quality — a key element in the ability of companies to do business — is low in Latin America, reflecting low levels of investment.

Figure 12: Infrastructure quality is low

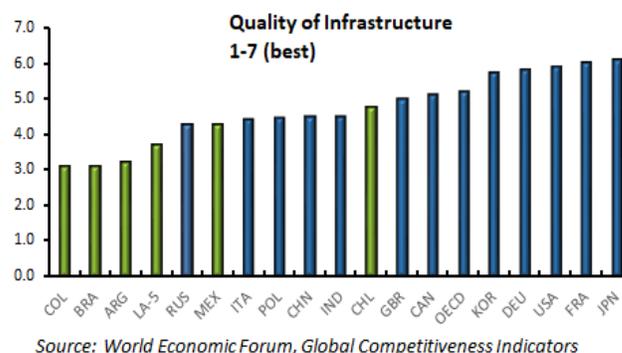
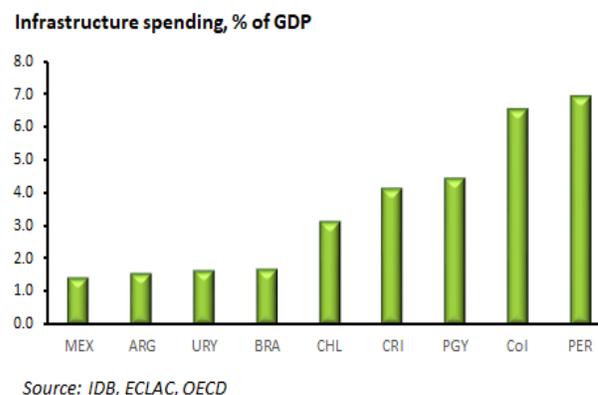


Figure 13: Investment in infrastructure is low



FINANCE AND INVESTMENT IN LATIN AMERICA

The slowdown in global growth appears to have eased a major potential constraint on Latin America's growth: a tightening of financial conditions. As the Fed hiked policy rates eight times beginning in December 2015, interest rates rose across the board in the United States making Latin American assets less attractive on a risk-adjusted basis. By the end of last October the yield on the benchmark 10-year U.S. Treasury note, which had traded as low at 1.40% in summer 2016, had risen to 3.15%. Suddenly, yields on Latin American U.S. dollar-denominated bonds were not as attractive on a risk adjusted basis, and capital flowed out of some countries, including Argentina and, briefly, Brazil. Then, after its January 29-30, 2019 meeting, the Fed abruptly decided to pause its tightening cycle citing global economic and financial developments and muted inflation. The U.S. Treasury yield curve, a barometer of market expectations about future interest rates, flattened, suggesting the market was no longer pricing in higher rates. Markets, including Latin America's, greeted the Fed's decision with relief. The region, for now, will face less competition in global markets for the investment it needs to generate growth.

Latin American governments and corporations found a less hospitable market for their international bonds last year. Total issuance by Latin American borrowers in 2018 was an estimated \$114 billion — below last year's record \$144.2 billion in issuance, though enough to go a long way in helping finance the region's aggregate current account deficit. The issuance occurred despite the tightening of financial conditions in the second half of the year, and estimated capital inflows increased for the year as a whole. Spreads on sovereign bonds have declined in recent weeks in all major countries in the region with the exception of Venezuela, which has defaulted on most of its sovereign bonds. As growth picks up (modestly) this year imports should rise and current accounts should widen. Latin America, however, should have little difficulty in financing those deficits.

China's growing interest in the region. While not initially part of China's Belt and Road Initiative (BRI), which was launched by President Xi Jinping in 2013, several Latin American countries have signed agreements that Chinese sources have interpreted as embracing the plan. The Belt and Road Initiative involves over 70 countries and has been likened to China's Marshall Plan. It aims to open new trade routes between Asia, Europe, and Africa by building a network of roads, railroads, ports, and pipelines. The goal is to generate business for Chinese firms and, many in the West believe, promote China's strategic interests. China has pledged to increase trade with the region by \$500 billion and investment by \$250 billion by 2025. It is already

Figure 14: Latin America's stock markets are closely correlated with commodity prices

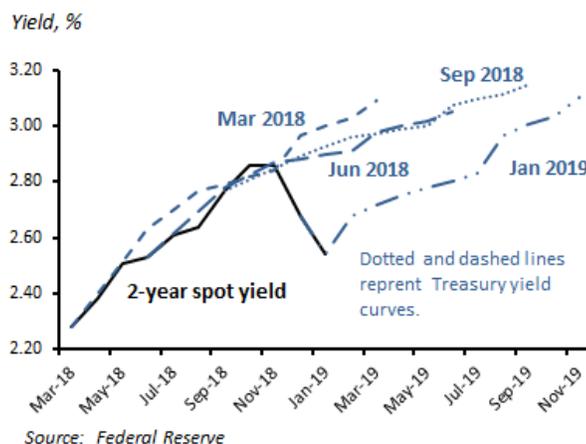
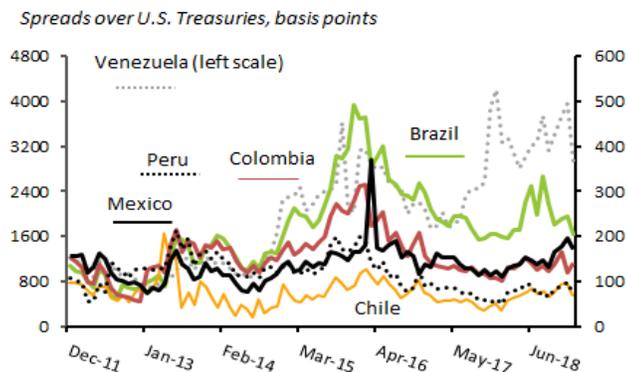


Figure 15: Sovereign spreads have narrowed



Spreads over U.S. Treasury yields on 10-year U.S. dollar-denominated government bonds

Figure 16: Capital flows to Latin America LA-7, \$ billions

| | 2017 | 2018e | 2019f |
|-------------|------|-------|-------|
| Argentina | 45.8 | 28.7 | 14.5 |
| Brazil | 3.8 | 27.9 | 28.6 |
| Chile | 0.3 | 7.1 | 7.9 |
| Colombia | 10.4 | 11.8 | 14.0 |
| Mexico | 23.2 | 22.8 | 32.7 |
| Peru | 4.3 | -1.2 | 1.7 |
| Venezuela | -3.8 | -4.6 | -3.0 |
| Total, LA7: | 84.0 | 92.5 | 96.4 |

Source: 2017 figures are financial account balances from the IMF except for Venezuela. The 2018-19 estimates and 2017 figures for Venezuela are consensus forecasts of current account balances and changes in reserves.

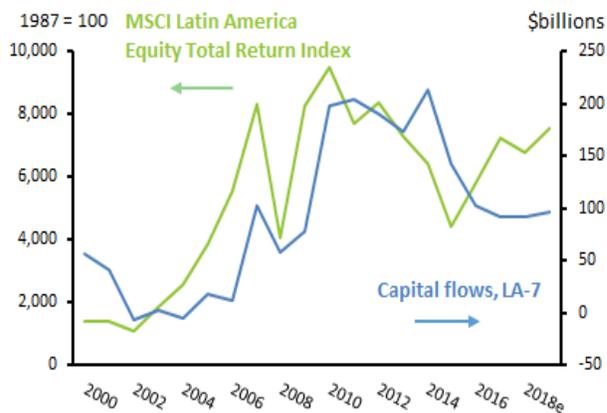
Latin America's second largest trading partner, exporting \$94.2 billion to China during 2013-17 and importing \$165 billion. President Xi made China's interest in the region obvious during the 12 trips he has made to region since 2013. He announced many "deliverables" — new economic initiatives — on these trips, including:

- Signing more than a dozen agreements on trade and investment during a December visit to Panama. China is interested in making Panama its transport and logistics hub for the region, and is investing in the region's largest container port in Balboa.
- Arranging a \$9 billion currency swap deal with Argentina last year to backstop that country's foreign exchange reserves, and signing 37 commercial agreements on energy, finance and infrastructure.
- Initiating discussions with El Salvador regarding development of the La Union port on the Pacific coast.
- Exploring opportunities for Chinese tourism in the Dominican Republic.

State-owned Chinese banks have made \$150 billion in loans to Latin America and the Caribbean countries (Figure 19). In addition, China has granted lines of credit amounting to \$48 billion. China is now Latin America's largest creditor, as well as its largest direct investor.

It is perhaps unsurprising that Latin America would welcome increased investment and credit from China. During his election campaign President Trump used inflammatory language about immigration and the wall and threatened to pull out of NAFTA if it were not renegotiated on terms that were more favorable to the United States. Soon after President Trump took office he withdrew the United States from the Trans-Pacific Partnership (TPP) which had been negotiated with Canada and several Latin American nations. With the United States veering toward economic nationalism, a vacuum seemed to be forming that China was eager to fill. Since then, the renegotiation of NAFTA and the willingness of the United States to promote regime change in Venezuela in cooperation with many nations in the region indicates that the impression the Trump administration was uninterested in Latin America was unwarranted. Secretary of State Mike Pompeo warned about embracing China during his visit to Panama in October. That same month President Trump signed into law the Better Utilization of Investments Leading to Development (BUILD) Act creating a new \$60 billion U.S. International Development Finance Corporation. The intent was to "help address development challenges and foreign policy priorities of the United States,"

Figure 17: Until recently, capital flows have driven stock returns in Latin America



Source: IMF, Consensus Economics, MSCI

Figure 18: China's loans to Latin America and the Caribbean

| | <u>No. of loans</u> | <u>Amount, \$ bil.</u> |
|---------------------|---------------------|------------------------|
| Venezuela | 17 | 62.2 |
| Brazil | 12 | 42.1 |
| Argentina | 11 | 18.2 |
| Ecuador | 13 | 17.4 |
| Bolivia | 10 | 3.5 |
| Trinidad and Tobago | 2 | 2.6 |
| Jamaica | 11 | 2.1 |
| Mexico | 1 | 1 |
| Other* | 8 | 1.3 |
| Total | 85 | 150.4 |

*Peru, Costa Rica, Guyana, Barbados, and Bahamas.

Source: *The Dialogue, China-Latin America Finance Database.*

one of which is countering Chinese influence in Latin America.

Participation in the Belt and Road Initiative may prove to be a mixed blessing for Latin America. Typically, China provides funds in the form of loans to sovereign borrowers (without awkward questions about human rights or corruption). The construction is done by Chinese companies, and often by Chinese workers. Recently, the IMF and private research centers have raised concerns about the ability of some countries, including Pakistan and several nations in Central Asia and Africa, to service BRI-related debt. Last year, A Chinese state-owned enterprise took over the \$1.5 billion Hambantota Port project under a 99-year lease after the Sri Lanka government struggled to repay its BRI debts.

INVESTMENT OUTLOOK

Emerging markets have evolved into a “high beta” asset class, meaning that their returns go up or down disproportionately with changes in global equity returns. Historically, emerging market equities have tended to be either the best performing or worst performing of asset classes each year. In 2017 emerging markets topped the charts with a 37.8% return (including dividends) in U.S. dollars, according to MSCI, a provider of international stock indices, only to wind up at the bottom with a -14.2% return amidst the volatility in global markets last year. The major Latin American markets were not down as much, with a decline in total return of only 9.8%. The decline was tempered by a strong rally in Brazil’s stock market in anticipation of the victory of Jair Bolsonaro in that country’s presidential elections. Mr. Bolsonaro is widely expected to adopt business-friendly policies. Argentina’s markets fared the worst, losing slightly over half their value in dollar terms as that country’s currency fell sharply. True to form, Latin America’s markets have risen sharply with the rally in global markets in the first few weeks of this year, with strong rebounds in Argentina, Brazil, and Colombia.

As a result of last year’s turmoil, valuations in Latin America’s stock markets are more attractive now than they were at this time last year. The average forecast price-earnings (P/E) ratio for the six largest markets in the region is currently 12.9X, down from 16.0X. Latin America’s markets are a bit more expensive than other emerging markets, but less than the U.S. market. According to the consensus among analysts, earnings are expected to grow at double-digit rates across the region, which should lend support to the markets.

Figure 19: Stock market performance

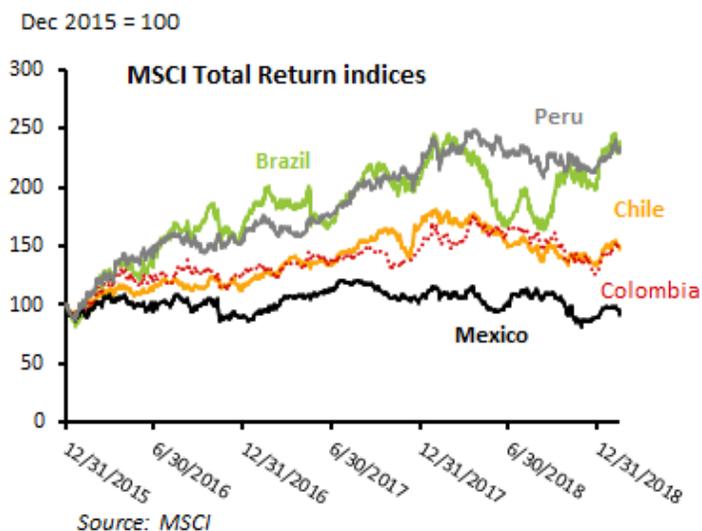


Figure 20: Valuations and earnings growth estimates
January 2019

| | Forward P/E | Dividend yield | Earnings growth, %: | |
|------------------|-------------|----------------|---------------------|-------|
| | | | 2018 | 2019f |
| Argentina | 9.0x | 0.7 | -14 | 59 |
| Brazil | 12.6x | 3.3 | 42 | 19 |
| Chile | 15.6x | 2.8 | 16 | 16 |
| Colombia | 11.8x | 2.8 | 35 | 10 |
| Mexico | 13.9x | 2.7 | 11 | 16 |
| Peru | 14.7x | 1.9 | 22 | 15 |
| Average: | | | | |
| Emerging Markets | 11x | 3.3 | 9 | 6 |
| EAFE | 13x | 3.2 | 7 | 6 |
| United States | 16x | 1.8 | 24 | 6 |

Source: Heckman Global Advisors and Yahoo Finance.

Figure 21: Estimated cost of equity, five major Latin American countries

January 2019

| | Brazil | Chile | Colombia | Mexico | Peru |
|------------------------------|--------|-------|----------|--------|------|
| Sovereign yield, %: | 4.70 | 3.07 | 3.55 | 3.65 | 3.21 |
| Beta: | 1.89 | 0.86 | 1.30 | 0.95 | 1.21 |
| Estimated cost of equity, %: | | | | | |
| Damodoran model | 18.7 | 7.8 | 11.9 | 7.2 | 10.2 |
| Citigroup model | 17.7 | 11.5 | 12.0 | 12.3 | 9.4 |

The sovereign yield is on 10-year government international bonds. Betas are calculated using the MSCI U.S. dollar return index for each country against the MSCI All-Country World index. The adjusted CAPM is a conventional capital asset pricing model with the risk-free rate replaced by the sovereign yield. The two factor model, which incorporates a global equity beta and a sovereign bond beta is described in Abuaf (1997). An equity risk premium of 5.8% was used in the calculations; it is the market capitalization-weighted average of the market risk premia reported for the world’s 10 largest equity markets among the 41 reported by Fernandez (2018).

NAFTA II REGION

MEXICO ▼

- Mexico’s new president, Andrés Manuel López Obrador (AMLO) has vowed to be “transformational.”

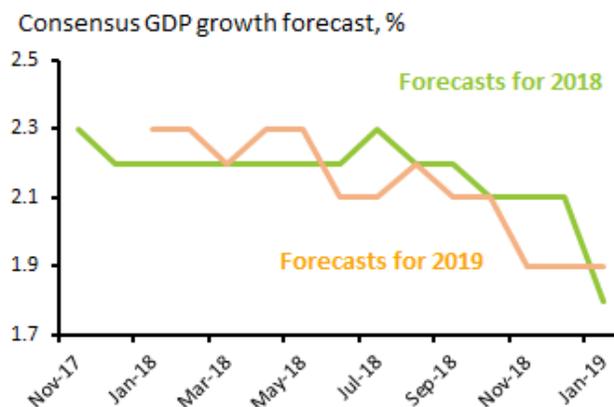
- AMLO will seek to reverse some reforms in energy and education and increase infrastructure spending.

- Uncertainty about the direction of policy likely to weigh on private investment in the near term.

Andrés Manuel López Obrador won the 2018 presidential election by a landslide, garnering 53% of the vote — more than both of his major opponents combined —and carrying 31 out of Mexico’s 32 states. His victory, and a majority in both houses of Congress for his Juntos Haremos Historia coalition, means that a party other than the Institutional Revolutionary Party (PRI) and its predecessors or the conservative National Action Party (PAN) will be ruling Mexico for the first time since the Mexican Revolution. Mr. Lopez has been described in the press as a “populist”, and “leftist”. In his inauguration speech he called neoliberalism a “disaster” and a “calamity”. Mr. Lopez has promised to focus on fighting crime and corruption and on expanding social spending and investment in infrastructure. AMLO has promised to roll back some of the previous government’s reforms which opened up the energy sector to private (and foreign) participation, and in his first weeks in office began the process of scrapping former president Peña Nieto’s education reforms, which had required teacher performance evaluations. AMLO, however, would like to see an increase in oil production, with an eye toward achieving energy independence, and has increased the budget for Pemex, Mexico’s state-owned oil company.

| Mexico: economic indicators | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 2.8 | 2.0 | 2.1 | 1.8 |
| Consumer prices, % Dec/Dec | 3.4 | 6.8 | 4.8 | 4.0 |
| Public sector balance, % of GDP | -2.3 | -2.5 | -1.9 | -2.4 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 381 | 406 | 470 | 496 |
| Imports | 387 | 417 | 485 | 512 |
| Current account balance, % of GDP | -2.1 | -1.7 | -1.8 | -1.8 |
| International reserves (\$ bil) | 169 | 169 | 165 | 165 |
| External debt (\$ bil) | 409 | 455 | 482 | 505 |
| % of exports | 99 | 103 | 94 | 94 |
| Public debt, % of GDP | 0 | 47 | 46 | 49 |

Figure 1. Forecasters became more pessimistic about Mexico’s growth after mid-year 2018



Source: Consensus Economics

In the near term business is likely to be wary of the new government, which could dampen private investment. Even before taking office AMLO held an unofficial national referendum in which a majority voted to cancel the construction of a new airport underway in Mexico City. (AMLO has promised to seek guidance on policy in future referendums.) Although bondholders were promised compensation, the cancellation rattled the markets and led one rating agency, Fitch, to lower its outlook on Mexico’s debt ratings. The new government, however, needs a strong economy to finance the increased social spending that it has promised, suggesting that outside of energy its policies are not likely to lead to a deterioration in the business climate. Similarly, macroeconomic policy is likely to remain committed to price stability and a manageable debt burden.

Donald Trump’s unpopularity in Mexico was an important factor in AMLO’s victory, raising apprehensions that U.S.-Mexican relations, already thorny, might worsen. Tensions have eased, however, since the renegotiation of NAFTA. The new agreement resulted in some concessions by Mexico, such as stricter rules of national origin in autos, but left the thrust of the original agreement intact. AMLO has shown, however, that Mexico will pursue a foreign policy of non-intervention: In January Mexico declined to join the United States and other countries in Latin America in calling for regime change in Venezuela, encouraging negotiation instead.

LEGAL ENVIRONMENT

Supreme court finds internal security law unconstitutional. The law adopted in late 2017 which allowed the military to be used in the place of.

the civilian police was a response to the increased violence and to the perception that much of the local police force was corrupted by the drug cartels. In its November ruling, the supreme court held that the law violated the spirit of the constitution. President Lopez Obrador has submitted his own security reform as a constitutional amendment package to allow the use of military forces for internal security purposes.

Congress adopts laws regulating crypto-currencies. In March and May, two laws regulating the status of crypto-currencies were enacted. The first law granted power to the central bank to supervise crypto-currencies, including authorizing their use in Mexico, defining conditions of use, and authorizing financial technology companies to perform transactions in crypto-currencies. The second law identifies transactions in virtual assets as particularly vulnerable to money laundering, and requires providers of services to report transactions above a set amount and to maintain records of verified client identities.

Mexico and EU sign free trade agreement. The April agreement will reduce tariffs and non-trade barriers, and will apply to trade in services. The agreement recognizes EU geographic indications. An amendment to Mexico’s industrial property law will allow for the registration of foreign geographic indications in Mexico.

Corruption investigations lead to fines and bans on Odebrecht. In April, as part of probes into the firm’s corrupt activities with the state oil company, Pemex, Mexico announced that federal institutions and state firms would be banned from entering into contracts with Odebrecht for 2 ½ years. In addition, the company was fined some \$60 million.

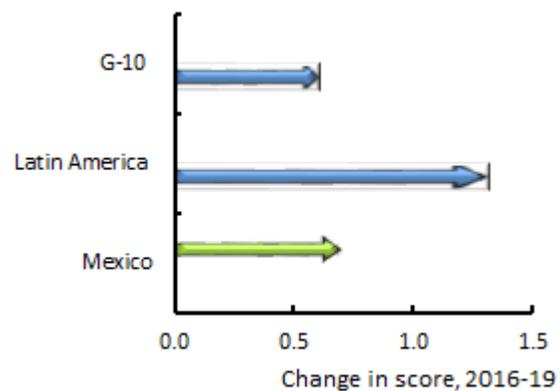
WTO rules for US in dolphin safe tuna-labeling controversy. In a case originally brought in 2008, the WTO found that US labeling rules for tuna do not unfairly harm Mexico’s fishing industry. The dispute involves the use of purse seine nets to catch tuna. The WTO upheld US claims that this fishing method, which is heavily used by Mexico’s fishing fleet, can inadvertently encircle and catch dolphins. Mexico had won earlier legal rounds in 2013 and 2016, prompting changes in US rules.

Supreme court finds ban on recreational marijuana unconstitutional. Mexico’s law prohibiting recreational marijuana use was held unconstitutional by the supreme court in November. The ruling will require congress to enact regulations allowing for recreational marijuana.

BUSINESS ENVIRONMENT

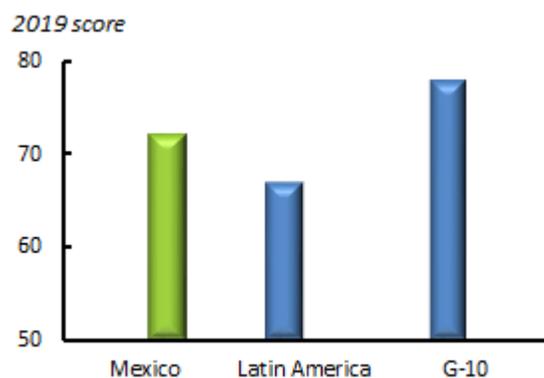
Following two years of slippage in the rankings, Mexico rose seven spots to number 54 in the World Bank’s 2019 *Ease of Doing Business* survey. Mexico is now in the top quartile of the 190 countries ranked by the World Bank, and has the highest ranking of any Latin American country. Doing business in Mexico, according to the World Bank’s survey, has improved in a number of ways in the past four years. It now takes fewer days to get construction permits, enforce contracts in the courts, get an electricity hook-up, and register property.

Figure 2. Mexico’s business climate has improved from a relatively high base



Source: World Bank Doing Business report

Figure 3. Doing business in Mexico is easier than in the rest of Latin America



Source: World Bank Doing Business report

Mexico is one of the main investment partners of the United States. Constitutional reforms in 2013-14 allowed foreign firms to bid on hydrocarbon products and partner with Pemex, the state-owned oil company. Crime and corruption, however, continue to hinder improvements in the investment climate for both foreign and domestic firms.

THE CARIBBEAN

CUBA ▼

- A new generation of leaders has taken over as Raúl Castro steps back.

- Relations between the United States and Cuba remain frozen.

When Miguel Díaz-Canel replaced Raúl Castro as President he became the first president not a Castro family member since 1959 and the first president born after the Cuban revolution. Mr. Díaz-Canel, 58, was previously First Vice President. His views are not well-known to the public, but so far he has shown no signs of departing from the economic or foreign policies of his predecessor, who will remain head of the Communist Party until 2021. A new constitution, to be ratified in late February, will diffuse power away from the president, but not alter the primacy of the Communist Party (see below).

After taking over from his ailing brother Fidel in 2008, Raúl Castro allowed market forces to play a larger role in the Cuban economy. Cuban citizens have been allowed to operate small businesses such as restaurants, barber shops, and room rentals, and to buy and sell homes. These reforms have occurred in the context of a broader opening of Cuba to the global economy, which has included relaxed restrictions on travel by Cubans abroad, and greater access to the internet. Although the non-state sector has growing and now employs about a third of the labor force, further economic reforms are likely to be gradual. For the time being, non-state jobs are likely to remain concentrated in businesses serving the tourist industry such as restaurants and hotels.

Figure 1: Tourism is driving fixed investment



Source: World Bank, EIU, and Cuba Ministry of Tourism.

A few months after taking office President Donald Trump announced a rollback of some of the actions taken by the Obama administration to normalize relations with Cuba. The Trump administration restored some restrictions on travel and prohibited transactions with businesses owned by the Cuban military or security services. Last month, the press reported that the administration is considering tightening the U.S. trade embargo on Cuba by allowing Americans to sue companies profiting from properties seized by the Cuban government after the 1959 revolution, including foreign companies. Title III of the 1996 Helms-Burton Act allows such lawsuits, but every president since the law's enactment has suspended that clause. Permitting such lawsuits, however, would lead to numerous conflicts with other nations whose companies do business in Cuba.

Economic growth is likely to be slow in Cuba over the next few years as it struggles to adjust to low prices for its main commodity exports, sugar and nickel, and the loss of Venezuelan aid and oil shipments. Although arrivals of tourists from the United States reportedly fell after the U.S. State Department issued a travel advisory after employees at the U.S. embassy in Havana developed health problems, the Cuban Ministry of Tourism estimates arrivals in the aggregate rose in 2018. Tourism now accounts for over 10% of Cuba's GDP. Cuba is seeking to diversify its trading and investment partners, and is trying to forge closer business relations with China, Russia, and the European Union.

Cuba: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 2.8 | 1.8 | 1.2 | 1.0 |
| Consumer prices, % avg | 6.2 | 7.3 | 5.3 | 5.0 |
| Central gov. balance, % of GDP | -3.0 | -8.6 | -8.2 | -5.2 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 5.3 | 2.9 | 2 | 2 |
| Imports | 13.5 | 10.0 | 11.0 | 11.0 |
| Current account balance, % of GDP | 2.8 | 2.1 | 1.5 | 0.0 |
| International reserves (\$ bil) | n/a | 11.4 | 11.0 | 10.5 |
| External debt (\$ bil) | 29.6 | 30.1 | 29.8 | 29.4 |
| % of exports | 168 | 233 | 248 | 267 |
| Public debt, % of GDP | 36 | 47 | 49 | 51 |

LEGAL ENVIRONMENT

New constitution will maintain role of Communist party. As this document goes to press, Cuban voters will be considering a new constitution in a referendum on February 24. The document was approved by unanimous vote of the National People's Assembly in December after a consultation process. As approved, the draft will secure the leading position of the Communist party and commit the country to advancing communism. The document recognizes private property and foreign investment, subject to regulation by the state. The new constitution will break with Cuba's past by imposing age and term limits on the presidency. Power will also be diffused by creating a prime minister responsible to the people's assembly, and governors in each of the states.

Government reverses after new regulations on private enterprise provoke widespread criticism. A series of new laws proposed in July would have had a heavy impact on the private sector in Cuba. Complaints prompted the government to modify the regulations. As originally proposed, the law would have allowed only one business occupation per individual. Thus, a Cuban who ran a bed and breakfast would have been prohibited from driving a private taxi as well. These dual activities will now be permitted as long as they are not carried out at the same time. A 50-person limit on restaurants was also removed. One proposal would have required private entrepreneurs to maintain special bank accounts in which a minimum of three months' worth of taxes were deposited. This requirement was reduced to two months.

Another controversial decree requires licenses for artists. Another controversial regulation targets the cultural sector. The decree requires artists and performers to register with the state in order to provide services in a place open to the public, including private establishments. Formerly these restrictions only applied to performances or exhibitions in state venues. Government inspectors would have the right to shut down events that are found to violate Cuba's revolutionary principles. The art would be subject to confiscation. The arts minister has given assurances that he will work with the arts community to arrive at consensus about the enforcement of the decree.

CHANGES IN U.S. SANCTIONS

In November 2017 the U.S. Treasury's Office of Foreign Assets Control (OFAC) and the Department of Commerce's Bureau of Industry and Security (BIS) announced changes toward the Cuba sanctions program, implementing the policy announced by the White House in June. The intent of these changes, according to the OFAC and BIS, is "to channel economic activities away from the Cuban military intelligence, and security services, while maintaining opportunities for Americans to engage in authorized travel to Cuba and support the private, small business sector in Cuba."

Visitors to Cuba are not permitted to engage in direct financial transactions with entities that are controlled by or acting on the behalf of the Cuban military or security services. These entities, which are listed on the U.S. State Department's Cuba Restricted List, include several well-known Havana hotels (some of them joint ventures with foreign companies) and organizations involved in tourism such as Gaviota and Compañía Turística Habaguanex S.A.

Travel to Cuba is still permitted under one of 12 general licenses for purposes that include, among others, family visits, journalistic activities, professional research and professional meetings, and religious activities. The new restrictions, however, require visitors to Cuba for three of the 12 licenses —educational, people-to-people, and support-for-the-Cuban-people — to do so in groups organized by an organization subject to U.S. jurisdiction and accompanied by a representative of that organization. Travelers to Cuba are expected to maintain a full-time schedule of activities consistent with the terms of the general licenses under which they are traveling. Visitors are allowed to travel by air and cruise ship, and to bring back merchandise acquired in Cuba (including tobacco and alcohol) for personal use. Travel for tourism, however, is still not permitted.

Commercial transactions with Cuba, except for food and medicine, are prohibited under the economic embargo originally put in place in 1960 and enforced by six statutes.

DOMINICAN REPUBLIC [=]

Strong earnings from tourism and increased family and worker remittances permitted the Dominican Republic's economy to grow by an estimated 6.3% last year, the fastest in Latin America. Remittances grew by 10.2% to over \$6.5 billion in 2018, according to *The Dialogue*. If growth in the United States slows this year, as the consensus expects, GDP growth should decelerate slightly in the Dominican Republic as well, but remain above 5%. (The Dominican Republic depends heavily on the United States for trade, tourism, and investment.) While still manageable, public debt has been creeping upward in recent years and is likely to increase further as if government expenditures rise ahead of the 2020 elections, as they typically do in the Dominican Republic.

Dominican Republic: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 5.8 | 4.6 | 6.3 | 5.3 |
| Consumer prices, % Dec/Dec | 2.7 | 4.2 | 3.6 | 3.6 |
| Current account balance, % of GDP | -3.4 | -0.3 | -0.7 | -1.0 |
| External debt (\$ bil) | 25 | 30 | 33 | 35 |
| % of exports | 148 | 153 | 151 | 156 |
| Public debt, % of GDP | 36 | 39 | 40 | 41 |

Decree streamlines IP regulations. Several executive decrees issued in July seek to improve the country's IP protection. The time to register a commercial name is reduced to one day. Another provision introduced electronic filing and harmonized filing requirements throughout the country.

Brazilian firm Embraer fined for bribery. In September a Dominican court ordered Embraer to pay a fine of \$7 million after the company admitted to paying bribes in the 2009 sale of 8 Super Tucano planes. A former minister defense is among those accused of receiving the \$3.5 million bribe.

Business environment shows some improvement.

Like most Latin American countries, the Dominican Republic slipped in the World Bank's 2019 *Doing Business* rankings, though its overall score actually improved. The time to get electricity fell, as did the frequency of interruptions, which is doubtless a welcome development to residents: the state-owned electricity network has been plagued with reliability problems in recent years. System reliability should improve further this year when the Punta Catalina thermoelectric complex becomes fully operational, increasing total generation capacity by 20%.

HAITI [=]

Haiti is heavily dependent on resources from abroad. Remittances from overseas amounted to \$3.3 billion, or 39% of GDP last year according to data assembled by The Dialogue, while foreign aid accounted for 20% of Haiti's government budget. Haiti runs a chronic current account deficit, and even though international lenders canceled much of its foreign debt after the 2010 earthquake it continues to borrow and its external debt burden continues to rise. This year, however, a more competitive currency and investment in textiles, its most competitive sector, should lead to a modest narrowing of its trade and current account deficits.

Haiti: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 2.5 | 1.0 | 2.5 | 2.5 |
| Consumer prices, % Dec/Dec | 8.6 | 13.3 | 12.0 | 10.0 |
| Current account balance, % of GDP | -5.2 | -7.3 | -6.8 | -5.3 |
| External debt (\$ bil) | 1.8 | 2.2 | 3.0 | 3.1 |
| % of exports | 108 | 132 | 174 | 178 |
| Public debt, % of GDP | 35 | 37 | 38 | 39 |

Prime minister suspends price rises in cost of fuel and resigns. The increase in fuel prices prompted riots during the summer which suspended air travel to and from Haiti. Prime minister Jack Guy Lafontant suspended the increases, but was forced to resign over corruption allegations.

Haiti's Senate seeks review of Petrocaribe. In February, the senate requested that the superior court of audit conduct a full review of how Petrocaribe funds were managed from 2008 through 2016. Following the 2010 earthquake and Hurricane Sandy in 2012, declarations of emergency allowed for the expedited use of funding. However, a senate commission has pointed to largescale waste and mismanagement of these funds.

Doing business in Haiti is exceptionally difficult. Haiti ranked 182 out of the 190 countries scored by the World Bank in its *Doing Business* survey, and its overall score was virtually unchanged. Tax, health, labor, and safety laws are loosely enforced. It is ranked 161 out of 180 countries in corruption perceptions by Transparency International.

PUERTO RICO ▼

- Reconstruction and relief after hurricanes Irma and Maria has been *despacito*.
- Fiscal consolidation and debt restructuring will dominate the policy agenda.

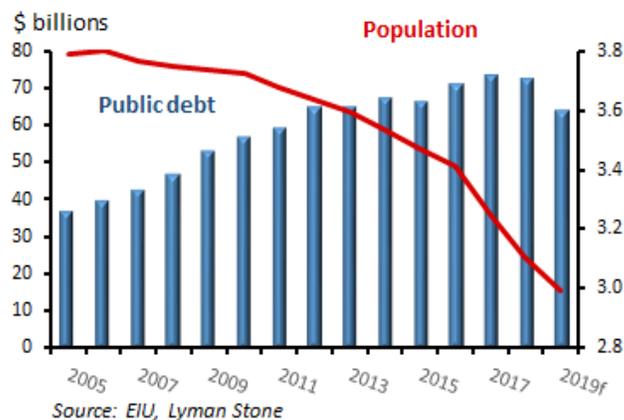
After falling 8.6% last year, the boost from construction to repair the devastation caused by hurricanes Irma and Maria and federal aid will give Puerto Rico's economy a boost that will restore growth this year. After that, the stimulus will fade and austerity, population loss, and declining investment will mean slower GNP growth —perhaps to a below-2% rate by 2021.

The United States had declared Puerto Rico a disaster area in 2017, paving the way for about \$40 billion in federal aid from several federal agencies. Electric power was restored to most of the island in August 2018, ending the largest blackout in U.S. history, but many roads and structures are still in bad shape. The hurricanes accelerated the loss of population, which had been underway as the island's economy went into secular decline after Congress began phasing out tax breaks for U.S. manufacturers in 2006. A shrinking labor force will make it difficult for consumption spending, tax revenues, and production to expand, while fixed investment, which fell 29.2% between 2007 and 2016, is unlikely to be reversed absent a sudden and implausible increase in business confidence.

Before the hurricanes struck the Federal Oversight and Management Board (FOMB) and the government of Puerto Rico had agreed on a fiscal plan. The FOMB was created by Congress in 2016 to oversee Puerto Rico's finances and supervise the restructuring of its debt. The plan involved austerity measures amounting to \$5.3 billion, including cuts to government payrolls, the state-funded insurance plan, the University of Puerto Rico, and public pensions. (Over \$30 billion in public pension liabilities are unfunded.) That plan was put on hold after the hurricanes, and the FOMB and the government clashed on a replacement plan. A federal court ruled in August that the FOMB had authority force the government to adopt its budget, meaning that the austerity measures will go forward.

Meanwhile, efforts to renegotiate Puerto Rico's defaulted debt are proceeding. In July PREPA, Puerto Rico's public utility, announced a restructuring deal that will replace \$3 billion in defaulted debt with new bonds and link payments to the island's recovery. The government has stated that it

Figure 1. A declining population makes it harder for Puerto Rico to service its debt



plans to privatize the utility, whose lengthy delays in restoring power highlighted the poor state of Puerto Rico's infrastructure. In August holders of \$18 billion in COFINA bonds, which are backed by sales tax revenues, reached an agreement with Puerto Rico's government on a debt deal. Holders of senior bonds will receive 93% of the face value of their bonds, while holders of junior bonds will receive 56%. The deal will save the government \$17.5 billion in interest payments over the life of the bonds, but the payments will step up over time and eventually represent a claim on as much as 5% of the government's tax revenues.

A slowly improving business climate. Puerto Rico is ranked number four among Latin American states in the World Bank's *Doing Business* report, though far below the United States. Its overall score has been improving gradually in recent years — though not for getting electricity. Its score on dealing with construction permits dropped in the latest survey, which does not bode well for the island's reconstruction.

| Puerto Rico: economic indicators ¹ | | | | |
|---|--------------|------|-------|-------|
| | Avg. 2012-16 | 2017 | 2018e | 2019f |
| Real GNP, % change | -0.7 | -2.4 | -8.6 | 5.2 |
| Consumer prices, % Dec/Dec | 1.0 | 0.6 | 1.8 | 2.0 |
| Government balance, % of GDP | -6.8 | -1.0 | -1.3 | -1.2 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 66.4 | 72.5 | 55.0 | 64.0 |
| Imports | 47.4 | 48.6 | 45.3 | 49.0 |
| Current account balance, % of GDP | 8.5 | 14.9 | -2.0 | 15.9 |
| Public debt (\$ bil) | 67 | 73 | 72 | 64 |
| % of GNP | 97 | 104 | 112 | 94 |

¹Fiscal years

CENTRAL AMERICA

Figure 1: Remittances to Central America fluctuate with U.S. GDP

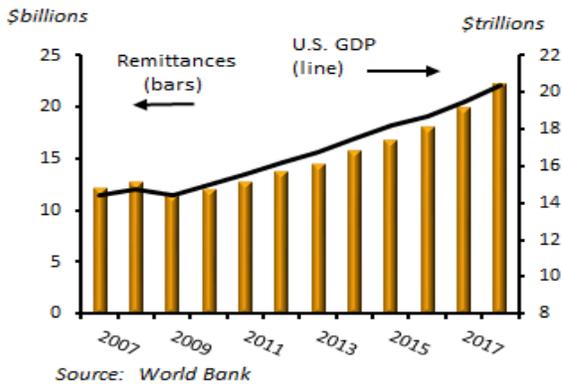


Figure 2: Higher levels of fixed investment have been associated with more rapid growth

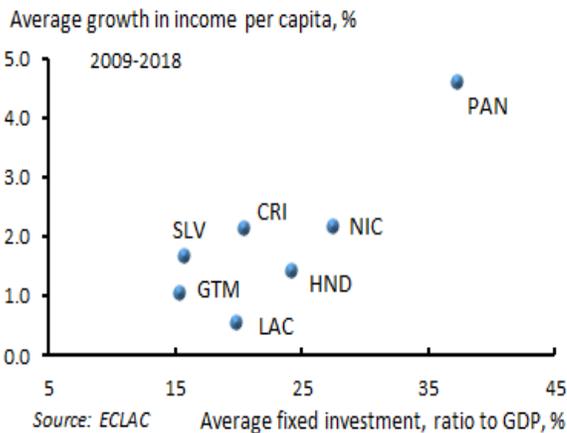
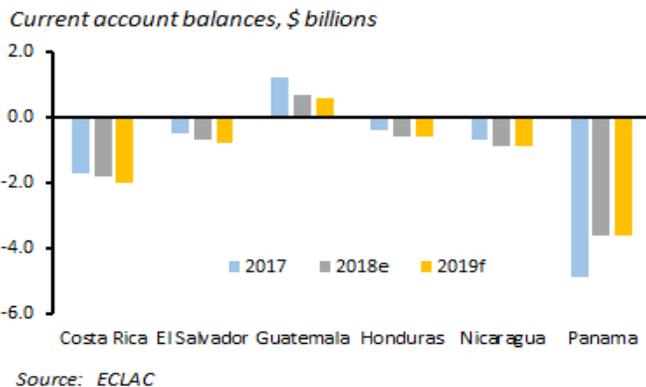


Figure 3: Central America tends to run current account deficits.



COSTA RICA ▲

Carlos Alvarado, who assumed office in May of this year, is expected to continue the orthodox economic policies of his predecessor, Luis Guillermo Solís of the center-left Civic Action Party (PAC), but with more efforts toward fiscal consolidation. Costa Rica's fiscal deficit has widened to an estimated 7.4% of GDP last year, and its public debt burden has almost doubled in the past 10 years to 66% of GDP — a level that begins to raise questions about debt sustainability. Costa Rica lacks an investment-grade sovereign bond rating, and spreads over U.S. Treasuries (a widely followed measure of country risk) have widened to 730 basis points. The ability of Costa Rica to obtain the foreign exchange service its \$30.2 billion in external debt, however, is not much of an issue because its export performance is strong — its external debt-to-exports ratio is a manageable 141%, and the central bank's foreign exchange reserves are ample.

Tax Reform package adopted. In December 2018, President Alvarado won a significant victory with the passage of a comprehensive tax reform intended to strengthen Costa Rica's fiscal position. The new law will replace a 13% sales tax with a 13% value added tax (VAT), and will expand the list of goods and services subject to taxation. Basic food products, medicines and medical services will be subject to a reduced 1-2% VAT. The reform makes the worldwide income of Costa Ricans subject to income tax.

A favorable business climate. Costa Rica has long had one of the more business-friendly climates in Latin America, and its governments have provided strong support for investment and exports. Costa Rica's business climate, however, is threatened by its persistent fiscal deficits which threaten to crown out private credit, and by basic infrastructure (roads, ports, and water systems) that needs to be upgraded.

| Costa Rica: economic indicators | | | | |
|-----------------------------------|--------------|------|-------|-------|
| | Avg. 2012-16 | 2017 | 2018e | 2019f |
| Real GDP, % change | 3.7 | 3.2 | 3.0 | 2.7 |
| Consumer prices, % Dec/Dec | 2.7 | 2.6 | 2.0 | 3.4 |
| Government balance, % of GDP | -5.3 | -6.2 | -7.4 | -6.4 |
| Current account balance, % of GDP | -4.4 | -2.9 | -3.2 | -3.1 |
| External debt (\$ bil) | 20.1 | 27.9 | 30.2 | 20.1 |
| % of exports | 118 | 138 | 141 | 135 |
| Public debt, % of GDP | 47 | 59 | 63 | 66 |

EI SALVADOR ▼

Nayib Bukele, the right-wing Gran Alianza candidate, won the presidential election in February 2019. Bukele has proposed to address corruption and clientelism by establishing an anti-corruption body. During his campaign he did not release any fiscal proposals but proposed more funds for education, policing, and pension reform. He is expected to follow orthodox macroeconomic policies and have more business-friendly policies than the outgoing FMLN party. Legislative gridlock and tepid growth will hamper the Bukele administration's efforts to combat poverty, inequality and crime. Higher interest payments and slow growth will result in a wider fiscal deficit, likely to average 3.7% of GDP in 2019-20.

El Salvador: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 2.4 | 2.3 | 2.4 | 2.4 |
| Consumer prices, %YoY | 0.4 | 2.0 | 0.4 | 1.9 |
| Current account balance, % of GDP | -4.6 | -2.3 | -2.1 | -2.6 |
| External debt (\$ bil) | 15.0 | 16.7 | 16.9 | 17.1 |
| % of exports | 224 | 228 | 215 | 211 |
| Public debt, % of GDP | 53 | 53 | 52 | 52 |

FTA between Central America and South Korea signed. In February 2018, Costa Rica, El Salvador, Honduras, Nicaragua and Panama signed a free trade agreement with South Korea that will eliminate tariffs on 95% of goods and services traded. El Salvador's national assembly ratified the agreement in June, followed by Nicaragua's national assembly in September.

Former president sentenced. In September former president Antonio Saca was sentenced to 10 years in prison for corruption and bribery. The attorney general also brought charges against former president Mauricio Funes, who fled to Nicaragua. In November, El Salvador began extradition proceedings.

El Salvador's business climate improved slightly on a global scale. Like most countries in the region, El Salvador slipped in the World Bank's 2019 *Doing Business* rankings, to number 85 out of 190, even though its score increased slightly. The U.S. State Department cites political polarization, a cumbersome bureaucracy, an ineffective judicial system, and widespread violence as contributing to a general perception that the El Salvador government is ineffective in improving its investment climate.

GUATEMALA [=]

Guatemala's president, Jimmy Morales of the FCN-Nación party, is facing allegations of misconduct. However he is expected to stay in office until the end of his term in January 2020. Elections for the president, legislation and, local offices will take place in June 2019. Challenges for the administration include a low-skilled workforce, corruption, a weak institutional framework, poor energy infrastructure, and fiscal constraints that will diminish economic performance. Alone among countries in Central America, Guatemala is running a current-account surplus, which will average 1.6% of GDP annually as a result of a steady growth of workers' remittances and services exports

Guatemala: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 3.6 | 2.8 | 3.1 | 3.3 |
| Consumer prices, % Dec/Dec | 3.6 | 5.7 | 2.3 | 3.9 |
| Current account balance, % of GDP | -1.2 | 1.6 | 0.9 | 0.9 |
| Total external debt (\$ bil) | 18.9 | 23.0 | 24.0 | 25.6 |
| % of exports | 137 | 157 | 165 | 172 |
| Public debt, % of GDP | 24 | 24 | 24 | 24 |

Dispute with president threatens UN Commission. The dispute between President Morales and the UN Commission investigating corruption worsened in 2018. In August, the president denied the director of the Commission permission to return to Guatemala. Forced by the constitutional court to allow the reentry, the president in December announced Guatemala's withdrawal from the agreement to host the Commission. The constitutional court then invalidated this decision as beyond the scope of the president's sole authority. The conflict arose as the UN Commission targeted the president's family with suspicion of corruption, and his election campaign with finance violations. Notwithstanding the dispute, the UN Commission and the Attorney General continued their work, securing 15-year sentences for corruption against a former vice president and other officials.

Border conflict with Belize referred to ICJ.

Guatemalans voted in April to request the International Court of Justice to resolve the territorial dispute with neighboring Belize. Belize welcomed the vote and promised to hold a similar referendum.

Guatemala's business climate has improved slightly. Its score rose slightly in the World Bank's 2019 *Doing Business* survey, mostly because the cost of getting electricity fell, is still ranked in the lower half.

HONDURAS [=]

Opposition parties continue to allege fraud in the November 2017 election that brought Juan Orlando Hernández of the center-right National Party (PN) into the presidency. Since August 2018 they have been in a UN-supervised dialogue with the government in an attempt to restore stability to the political system. The results of that dialogue will be non-binding, but have already reduced the risk of violent protests. With the support of the minority Patriotic Alliance party Mr. Hernández's can command a narrow majority in Congress, which will help him advance his agenda, which includes promoting public education, reforms to the police, and fighting corruption.

Honduras: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 3.5 | 4.8 | 3.7 | 3.7 |
| Consumer prices, % Dec/Dec | 4.4 | 4.7 | 4.2 | 4.4 |
| Current account balance, % of GDP | -6.7 | -1.8 | -2.9 | -2.3 |
| Total external debt (\$ bil) | 6.9 | 8.7 | 9.0 | 9.3 |
| % of exports | 102 | 116 | 133 | 129 |
| Public debt, % of GDP | 42 | 49 | 48 | 47 |

Supreme Court ruling undermines anti-corruption efforts. In May, the Honduran Supreme Court ruled on a legal challenge to the OAS Commission investigating corruption in Honduras. Although the ruling affirmed the Commission itself, the court found that the unit established in the attorney general's office to work with the Commission was unconstitutional.

But anti-corruption investigations continue. In July, the attorney general's office and the OAS Commission brought charges against 38 politicians and officials, including members of President Hernández's National Party and his brother-in-law for corrupt activities during the 2013 election. In November, charges were brought against close family members and associates of former president Porfirio Lobo for misappropriation of funds and organized crime.

Honduras's business climate remains challenging. Although its score remained basically unchanged, Honduras fell six places to 121 out of 190 nations. The government is striving to improve the climate through initiatives such as Honduras Plan 20/20 that seeks to attract foreign investment and create 600,000 jobs by 2020. Those initiatives, however, must contend with corruption, crime, low education levels, poor infrastructure, and an unreliable energy system.

NICARAGUA ▼

Protests that began in April against unilateral reforms to the social security system widened into a broader uprising against the authoritarian rule of President Daniel Ortega. National police and pro-government militias cracked down on the protesters, killing 300 and arresting hundreds on arbitrary charges, according to Human Rights Watch. Mr. Ortega remains under pressure domestically and internationally. The United States has sanctioned high-level Nicaraguan officials and in December the U.S. Congress voted to instruct U.S. delegates to multilateral institutions to oppose new loans to Nicaragua. Output declined sharply in 2018 as a result of the turmoil and is unlikely to recover this year.

Nicaragua: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 5.1 | 4.9 | -3.5 | -0.4 |
| Consumer prices, % Dec/Dec | 3.9 | 5.7 | 3.9 | 5.3 |
| Current account balance, % of GDP | -9.1 | -5.1 | -6.7 | -5.9 |
| External debt (\$ bil) | 10.0 | 11.5 | 11.2 | 11.7 |
| % of exports | 193 | 201 | 195 | 204 |
| Public debt, % of GDP | 31 | 35 | 38 | 41 |

New anti-terrorism law adopted in the midst of political crisis. In July, Nicaragua adopted a new law targeting terrorism and money laundering that may serve to criminalize opposition to the regime. The law defines destruction or damage to private or public property as a terrorist activity subject to a penalty of 15-20 years in prison. The UN High Commission for Human Rights pointed out that the law as drafted would allow charges of terrorism against people involved in simple protests against the regime. Quickly after adoption of the law, hundreds of opposition and dissident leaders were arrested on terrorism charges.

U.S. sanctions imposed against top officials. The US Treasury's Office of Foreign Assets Control added Rosario Maria Murillo de Ortega, who is both Vice President and first lady of Nicaragua, and other top officials to the list of persons prohibited from engaging in transactions with U.S. citizens or U.S.-based entities. These sanctions came in response to the ongoing political violence in Nicaragua.

Nicaragua's poor business climate has deteriorated. Political unrest, weak institutions, and the absence of the rule of law make doing business in Nicaragua exceptionally difficult. Since the protests intensified in 2018, property expropriations and land invasions —some assisted by the police— have increased.

PANAMA ▲

- Growth decelerated in 2018, but should rebound this year.

- Infrastructure investment to remain a key driver of growth.

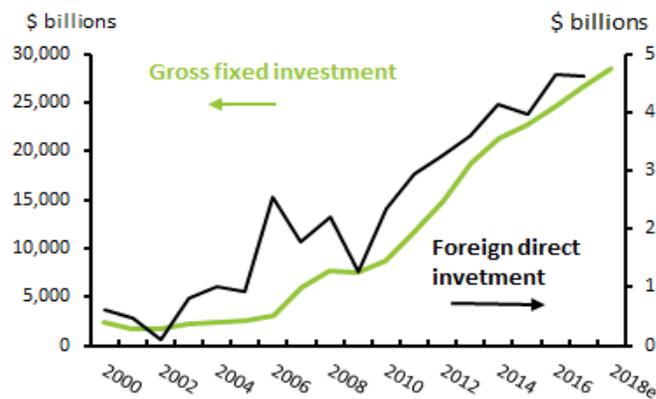
After the expansion of the Panama Canal was completed in 2016 it was widely expected that stimulus from spending on new public projects, such as include an expansion of the Panama City metro system, a trans-shipment terminal in Corozal, and urban renewal in the city of Colón, would take up the slack. It did, but strikes at a major copper project, Cobre Panama, and the Panama Canal took a toll on economic activity in the first half of 2018. Growth should pick up again this year as investment spending continues in support of Panama's role as a global transportation and logistics hub, and as social spending rises ahead of the May 2019 presidential election. That spending will keep the public finances in deficit, though the trend will be downward as required by the Social and Fiscal Responsibility Law (revised in 2012), to be achieved if need be by drawing funds from the Panama Canal Authority and Panama's sovereign wealth fund.

Panama's two major non-port service industries, tourism and banking, will continue to be sources of growth. In 2017 Panama had 1.84 million tourists according to the United Nations World Tourism Organization, and may have received as many as 2 million tourists in 2018. If each of those tourists spent \$1,000 while in Panama that would amount to 3% of GDP; if knock-on effects of that spending are taken into account the figure would be substantially higher. The broad financial fallout that was feared would follow the leak of the Panama Papers in April 2016, meanwhile, has failed to materialize. Banking assets have continued to grow and deposits have remained stable. In June 2017 the OECD declared Panama to be "largely compliant" with international tax standards.

New decree allows exchange of financial information. In June, the government issued a decree providing for the automatic exchange of financial information for tax purposes with 33 OECD countries. The decree follows a similar agreement adopted in 2017 that allowed exchanges with the U.S.

Former President Ricardo Martinelli extradited from United States. In June, U.S. authorities extradited former President Ricardo Martinelli to face trial for illegally surveilling his political opponents and for embezzling an alleged \$10 million.

Figure 1: Foreign investment has contributed To the growth in Panama's fixed investment



Source: ECLAC and IMF

Supreme Court ruling targets Canadian mining concession. A September ruling of the Supreme Court found that a 1997 contract between the state and a mining company to extract gold and copper in Colón province violated constitutional provisions protecting human rights and the environment. The concession is now owned by Canada's First Quantum Minerals which is developing a large open pit copper mine.

Little change in Panama's favorable business climate. Panama depends heavily on foreign investment and has gone to considerable lengths to make the investment process smooth. The U.S.-Panama Trade Promotion Act, signed in 2012, provides U.S. firms better access to Panama's services sector than other WTO members. Resolving commercial disputes in Panama, however, can still be lengthy and costly. The majority of land outside of Panama City is not titled, though Panama has been improving property registration procedures.

| Panama: economic indicators | | | | |
|-----------------------------------|--------------|------|-------|-------|
| | Avg. 2012-16 | 2017 | 2018e | 2019f |
| Real GDP, % change | 6.5 | 5.4 | 4.3 | 4.7 |
| Consumer prices, % Dec/Dec | 2.2 | 0.5 | 0.2 | 1.8 |
| Government balance, % of GDP | -3.6 | -2.9 | -3.9 | -2.3 |
| Merchandise trade (\$ mil) | | | | |
| Exports | 16.9 | 13.8 | 17.9 | 18.6 |
| Imports | 24.7 | 22.3 | 23.3 | 24.1 |
| Current account balance, % of GDP | -9.3 | -7.9 | -5.0 | -5.1 |
| International reserves (\$ bil) | 3.1 | 2.4 | 2.8 | 2.9 |
| External debt (\$ bil) | 77.2 | 91.9 | 96.6 | 99.6 |
| % of exports | 279 | 340 | 310 | 308 |
| Public debt, % of GDP | 36 | 38 | 39 | 39 |

ANDEAN SOUTH AMERICA

BOLIVIA ▼

The presidential election, slated for October 2019, is likely to dominate the agenda of President Evo Morales and his Socialism Movement (MAS) party. In a 2016 referendum voters rejected Mr. Morales's bid to abolish term limits, but the constitutional court struck down term limits as unconstitutional, allowing him to run again (see below). Bolivia's already wide budget deficit is likely to widen further as the government pumps up spending ahead of the election. After the election, the government will have to contend with several imbalances, which include a high real exchange rate, widening current account deficit, and a public debt burden that has almost doubled since Mr. Morales took office in 2006.

In foreign policy, Mr. Morales will continue to seek stronger relations with non-western partners such as China, Iran, and Russia. So far only China has been eager to sign onto infrastructure projects and provide the financing, though this means a further increase in Bolivia's debt. The rising debt burden is beginning to concern creditors, who are demanding a country risk premium (yield spread over U.S. Treasuries) on Bolivian sovereign bonds of over 480 basis points – almost three times as wide as in December 2017. Mr. Morales is still a vocal supporter President Maduro of Venezuela, despite calls by most other countries in the Western Hemisphere for Mr. Maduro to step down.

LEGAL ENVIRONMENT

Electoral court approves candidacy of President Morales. In December, the electoral court President Morales's bid for reelection. Although the constitution limits presidents to two terms, the constitutional court ruled in 2017 that Morales should be allowed to seek a fourth term of office.

ICJ rejects Bolivian attempt to secure access to the sea. In October, the International Court of Justice ruled against a Bolivian claim for sovereign rights of access to the Pacific Ocean through Chilean territory. Relations between the two countries have been embittered by Bolivia's loss of its Pacific coast in the 19th century.

New law on social enterprises allows workers to take over bankrupt firms. A law announced in May would allow workers to petition a court to take over operations of bankrupt private companies. Under the legislation, these companies would be converted to social companies with collective ownership.

Figure 1: Bolivia is a difficult place to do business

| | Ranking 2019* | Time |
|----------------------------------|---------------|------------|
| Starting a business | 178 | 44 days |
| Dealing with construction permit | 160 | 322 days |
| Getting electricity | 111 | 42 days |
| Registering property | 148 | 90 days |
| Getting credit | 134 | - |
| Protecting minority investors | 149 | - |
| Paying taxes | 186 | - |
| Trading across borders | 96 | 48 hours** |
| Enforcing contracts | 113 | 591 days |
| Resolving insolvencies | 102 | 1.8 years |
| Overall rank | 156 | |

*Out of 190 countries. ** Border compliance.

Source: World Bank 2019 Doing Business survey

President revokes controversial law targeting religious practice. Revisions to the penal code would have targeted religious recruiting, drawing criticism from Catholic and Protestant leaders who feared the law would forbid evangelism activities or even religious training in seminaries. In January 2018, President Morales announced the revocation of the controversial articles.

A harsh business climate. Bolivia is ranked 156 out of 190 countries in the World Bank's *Doing Business* survey. In Latin America, only Haiti and Venezuela have lower scores. Decision-making in Bolivia is often politicized, labor laws are rigid, and corruption is widespread. Bolivia does not recognize international dispute arbitration forums, and its constitution gives Bolivian investment priority over foreign investment. Currently, there is virtually no investment by U.S. firms in Bolivia.

Bolivia: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 5.3 | 4.2 | 4.3 | 4.1 |
| Consumer prices, % Dec/Dec | 4.6 | 2.7 | 1.5 | 3.6 |
| Public sector balance, % of GDP | -2.9 | -6.5 | -6.5 | -7.8 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 10.3 | 7.8 | 8.4 | 8.6 |
| Imports | 8.9 | 8.6 | 8.9 | 9.4 |
| Current account balance, % of GDP | 0.2 | -5.3 | -4.7 | -5.2 |
| International reserves (\$ bil) | 11.4 | 8.2 | 6.9 | 6.5 |
| External debt (\$ bil) | 8.9 | 13.0 | 13.5 | 15.1 |
| % of exports | 82 | 140 | 135 | 148 |
| Public debt, % of GDP | 31 | 59 | 58 | 59 |

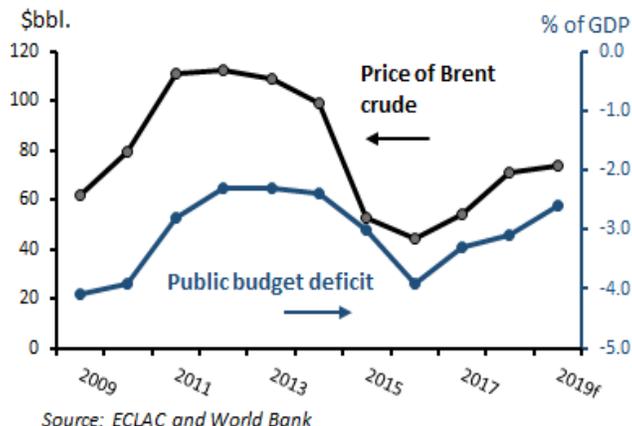
• Improving internal security and reducing the public deficit will dominate the political agenda.

• Most of the drag from lower oil prices is over.

President Iván Duque, who assumed office in August, will face two main challenges: establishing an enduring peace with the guerilla movements that were active in Colombia's 1964-2017 armed conflict, and putting the country's public finances on a sound footing. The peace accord was signed with the Revolutionary Armed Forces of Colombia (FARC) rebels in 2016. The FARC has put down its arms and formed a political party. Mr. Duque will take a harder stance on the peace accord, which has polarized Colombia, but his actions will be tempered by the reality that he depends for a majority in Congress on a coalition with the Unity Party of former president Juan Manuel Santos, which backs the accord. Further complicating peace efforts is the emergence of a power vacuum in many rural areas following the demobilization of the FARC that has been filled variously by FARC dissidents, drug cartels, right-wing paramilitary groups, and the National Liberation Army (ELN), a left-wing rebel group that was, and still is, in armed conflict with the government. Talks between the government and ELN have broken down, and a peace agreement with that group seems unlikely during Mr. Duque's four-year term in office. The government has reportedly increased the presence of the army in some of the rural areas that are still in conflict.

The collapse of oil prices in 2014 turned Colombia's public sector surplus into a deficit that widened to 4.1% of GDP in 2016 and led to a sharp slowdown in GDP growth. Depreciation of the peso, eventual interest rate

Figure 1. Colombia's public sector is heavily dependent on oil revenues



cuts, and a partial recovery in oil prices allowed growth to pick up and the budget deficit to narrow slightly. A December 2017 tax reform which featured a VAT increase to bolster non-oil revenues also helped reduce the deficit. Colombia, however, still has a structural deficit, and little scope for increasing taxes further. The government's medium-term goal is to reduce the central government deficit to 1.5% of GDP by 2022, but this seems unlikely to be achieved barring an unforeseen jump in oil prices and revenues. The Duque administration is mulling the sale of as much as an 8.9% stake in Ecopetrol, the state-owned oil company. The sale will be opposed vigorously by labor unions, but private economists support the sale provided the funds are used to increase production or reduce the structural deficit.

Colombia: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|-------|-------|-------|
| Real GDP, % change | 3.7 | 1.8 | 2.6 | 3.0 |
| Consumer prices, %YoY | 4.1 | 4.1 | 3.2 | 3.6 |
| Public sector balance, % of GDP | 0.5 | -3.7 | -3.1 | -2.2 |
| Merchandise trade (\$ mil) | | | | |
| Exports | 50.1 | 36.7 | 44.7 | 46.3 |
| Imports | 54.1 | 44.4 | 50.2 | 52.3 |
| Current account balance, % of GDP | -4.5 | -3.3 | -3.4 | -3.5 |
| International reserves (\$ bil) | 42.2 | 45.4 | 46.1 | 48.8 |
| External debt (\$ bil) | 101.7 | 124.4 | 131.0 | 134.0 |
| % of exports | 174 | 245 | 216 | 215 |
| Public debt, % of GDP | 47 | 54 | 58 | 59 |

LEGAL ENVIRONMENT

Anti-corruption referendum fails. In August, a referendum on seven reform proposals intended to combat corruption failed when less than the required 1/3 of the electorate turned out to vote. Among the unsuccessful provisions were measures: 1) applying term limits to congress; 2) extending the statute of limitations for corruption charges against public officials from 5 to 20 years; 3) banning companies involved in corruption from future public contracts; and 4) expanding corruption prohibitions to apply to private companies and property owners. The reform package may still be adopted by congress as legislation.

Meanwhile corruption scandals proliferate. The past year saw a continuation of the investigations of Odebrecht corruption scandal implicating some three dozen people, including governors and former ministers. The Colombian investigations took a sinister turn as two key witnesses were found dead, and even more so when the son of one dead witness died of apparent cyanide poisoning after drinking from a bottle of water found on his father's desk. At the same time, another scandal emerged involving the wiretapping of mobile telephones in the attorney general's office. Among those charged were several current or former military officers, an official in the technology ministry and a retired national police general. The group apparently sold the intercepted information.

Former president Uribe accused of bribery and witness tampering. The former president was charged with trying to bribe and tamper witnesses about his involvement in the creation of paramilitary groups. In response, Mr. Uribe submitted his resignation from the senate in an apparent attempt to have his trial shifted from the supreme court to the regular court system. Mr. Uribe, a mentor of President Duque, claims that the supreme court is biased against him. The ex-president later withdrew his resignation.

Former FARC peace negotiator arrested on US drug charges. In April, a leading FARC leader, Seuxis Paucis Hernández Solarte, alias Jesús Santrich, was arrested in Bogotá on a request by the US. Santrich, who had been due to take his seat in Congress in July under the provisions of the peace agreement, has been accused of conspiracy to export 10 tons of cocaine worth some \$320 million. He remains in custody pending extradition proceedings.

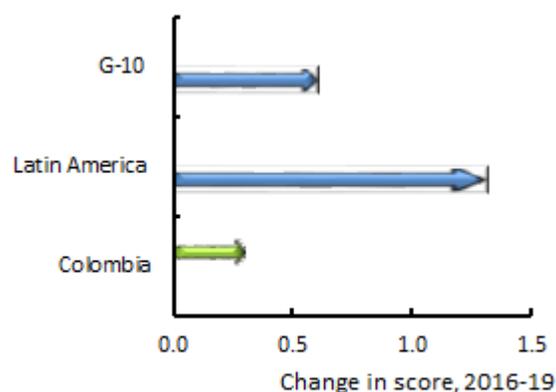
Supreme court orders government to increase protection in the Amazon. In response to a suit against the Colombian government over its failures to take sufficient measures to prevent climate change, the supreme court ordered urgent action to protect the Colombian Amazon from deforestation. In its April decision, the court noted that deforestation had increased greatly in recent years. Significantly, the court in its ruling recognized the Amazon forest as an "entity subject of rights" meaning that it had the same rights and standing to demand protection as a human being. The court ordered the national and local governments to devise a plan of action to combat deforestation in the region.

BUSINESS ENVIRONMENT

Colombia has long encouraged the entry of foreign capital and maintains a policy of national treatment for foreign investors. Security has improved markedly since the 2016 peace agreement with the FARC rebels, though the National Liberation Army (ELN) continues to pose a threat to commercial activity in rural areas.

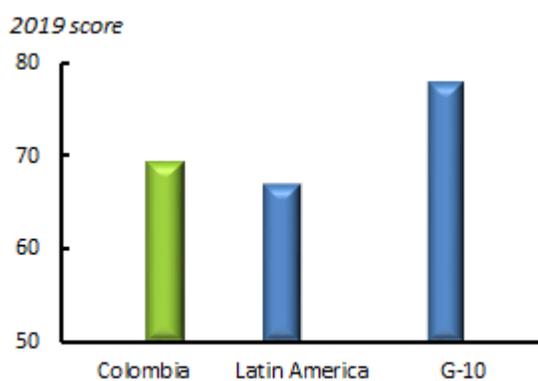
Colombia's score in the World Bank's *Doing Business* report deteriorated slightly for 2019, and it slipped six places in its ranking among countries, from 59 to 65. Still, Colombia scores better than most Latin American countries in the World Bank's survey, with modest improvements over the past four years in the ease of resolving insolvencies, registering property, and obtaining electricity.

Figure 2. Colombia's business climate is improving, but slowly.



Source: World Bank *Doing Business* report

Figure 3. Colombia's Doing Business score remains higher than the regional average



Source: World Bank *Doing Business* report

ECUADOR ▲

- The Moreno administration will focus on reducing the public deficit and diversifying away from oil.
- Growth to slow in response to austerity and low oil prices.

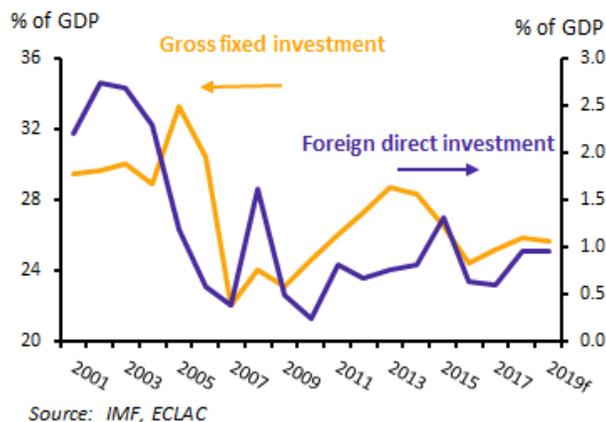
Voters in Ecuador approved all seven-parts of a February 2018 referendum that provided for presidential term limits, thus prohibiting Rafael Correa from running again in 2021. It was a victory for President Lenín Moreno, elected in 2017, in a power struggle with populist former president. The vote was initially seen mostly as an expression of voter dissatisfaction with the authoritarian style of former president Correa, who dominated Ecuadorian politics while in office during 2007-17. President Moreno, however, has taken actions since then that shift Ecuador away from the populist and nationalist policies of his predecessor. In June the Pacific Alliance, a trade bloc that includes the market-oriented economies of Chile, Colombia, Mexico, and Peru, accepted Ecuador's request to become an associate member, the first step to accession. In August, Ecuador parted company with ALBA, a regional trade and political bloc of statist nations that includes Cuba, Bolivia, Nicaragua, and Venezuela.

In coming months, President Moreno will seek to reduce Ecuador's fiscal deficit, which had widened after oil prices fell in 2014, and arrest the growth in public debt. The government will seek to restrain wage growth, close several ministries, and privatize state-owned assets. The austerity, plus oil prices that are well below their 2014 highs, will restrain GDP growth in the medium-term.

New tax law incentivizes foreign investment. In August, Ecuador adopted a tax reform to help attract private investors. The new law provides for a tax amnesty of interest, fines and other surcharges on taxes due in April 2018. The reform provides exemptions from income tax for new investments that generate employment in prioritized sectors of the economy. The exemptions range from 8 years in Quito and Guayaquil to up to 15 years for agro-industry investments in border areas. Other incentives include exemptions from dividends where profits are re-invested, and credits for value added tax paid in local acquisition of certain goods and services.

New investment law expands arbitration. The new investment law allows greater access to domestic and international arbitration. For investments over \$10 million, investors may initiate international arbitration proceedings before arbitral institutions other than ICSID (from which Ecuador withdrew in 2009). Arbitral awards will be immediately enforceable by Ecuadorian courts.

Figure 1. Business and foreign investment is lower than 15 years ago



Ex-president Correa charged with kidnapping, seeks asylum in Belgium. In November, an Ecuadoran court ordered former president Rafael Correa to stand trial for ordering the kidnapping of a political opponent in Colombia in 2012. Stating that the charges are a political persecution and that he cannot obtain a fair trial in Ecuador, Mr. Correa asked for asylum in Belgium where he has lived since 2017.

Ecuador's business climate may be about to improve. As part of an effort to diversify Ecuador away from its dependence on oil, the government will seek to attract private investment in the non-oil economy, including the electrical, mining, and transportation sectors. Ecuador's business climate has a lot of room for improvement. It ranked 123 out of 290 countries in the World Bank's 2019 *Doing Business* survey. It scored especially poorly in that survey in starting a business and resolving bankruptcies — two areas key to the creative destruction typical of vibrant economies.

Ecuador: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 2.6 | 3.0 | 1.2 | 1.0 |
| Consumer prices, % Dec/Dec | 3.0 | -0.2 | 0.3 | 1.4 |
| Public sector balance, % of GDP | -4.5 | -6.0 | -4.6 | -3.7 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 22.7 | 19.6 | 22.3 | 23.8 |
| Imports | 22.8 | 19.3 | 22.4 | 24.4 |
| International reserves (\$ bil) | 2.7 | 1.6 | 2.2 | 2.9 |
| Current account balance, % of GDP | -0.5 | -0.3 | 0.0 | -0.5 |
| External debt (\$ bil) | 24.0 | 39.5 | 43.0 | 45.7 |
| % of exports of G&S | 97 | 179 | 168 | 184 |
| Public debt, % of GDP | 56 | 45 | 47 | 49 |

PERU ▲

- Investment in mining and construction will continue to support Peru's expansion.
- President Vizcarra to continue business-friendly policies.
- Referendum approves political and judicial reforms.

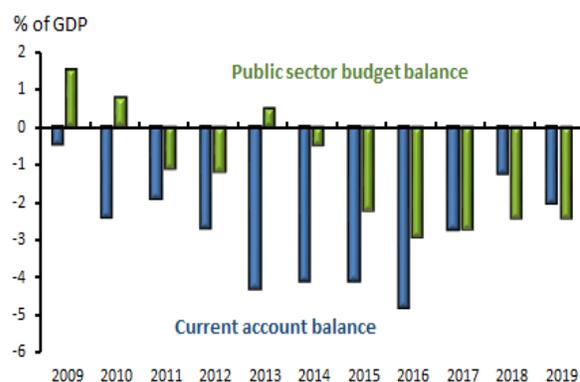
Peru has been one of Latin America's best performing economies since it tamed hyperinflation and initiated market-friendly reforms in the early 1990s. Real GDP has grown at an average rate of 4.7% between 1991 and 2018 — a rate matched only by Chile among the major Latin American economies. Over a succession of governments Peru has followed prudent fiscal policies, promoted private and public investment, and sought to become more closely integrated into the global economy.

Martin Vizcarra, who assumed the presidency in March 2018 after his predecessor, Pedro Paul Kuczynski was forced to leave office amid allegations of corruption, has continued to support pro-market policies. Under his stewardship will be taking on a leadership role in the region. It assumed the rotating presidency of the Andean Community, a customs union of which Bolivia, Colombia, and Ecuador are also members, and is playing a key role in the Lima Group, a 14-country body established in 2017 that seeks a peaceful resolution of Venezuela's crisis. The Lima group has recognized opposition leader Juan Guaido as the legitimate president of Venezuela and recalled their ambassadors from Venezuela following presidential elections earlier this year that they condemned as unjust and undemocratic.

Peru's economy is on track to expand at a 3.8% pace this year, supported by increased capital expenditures in the mining sector, increased construction spending, and continued export growth. The expansion should lead to a

| Peru: economic indicators | | | | |
|-----------------------------------|--------------|------|-------|-------|
| | Avg. 2012-16 | 2017 | 2018e | 2019f |
| Real GDP, % change | 4.3 | 2.5 | 3.8 | 3.8 |
| Consumer prices, % Dec/Dec | 3.3 | 1.4 | 2.2 | 2.5 |
| Government balance, % of GDP | -1.3 | -2.7 | -2.4 | -2.4 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 40.3 | 49.7 | 50.8 | 50.3 |
| Imports | 39.4 | 38.2 | 44.2 | 45.7 |
| Current account balance, % of GDP | -4.0 | -2.7 | -1.3 | -2.0 |
| International reserves (\$ bil) | 60.8 | 61.4 | 60.0 | 61.0 |
| External debt (\$ bil) | 66.2 | 68.1 | 73.0 | 70.9 |
| % of exports | 138 | 112 | 116 | 114 |
| Public debt, % of GDP | 21 | 23 | 24 | 25 |

Figure 1. Peru's current account and budget deficits are under control



Source: ECLAC and Consensus Economics

widening of Peru's current account deficit, which can be financed easily given the country's ample capital inflows, investment-grade credit rating and ample international reserves. Peru is vulnerable, however, to slower-than-expected growth in China, its largest trading partner and market for its commodity exports.

Mr. Vizcarra has pledged to pursue labor, pension and anti-corruption reforms, but his ability to do so will be limited by a fractious Congress. His Peruvians for Change (PPK) party holds only 11 out of the 130 seats in Congress. Anti-corruption reform is popular with the public, but support for broader economic reforms is weaker. Enduring labor and pension reform will require finding ways to bring workers in Peru's large underground economy onto payrolls in the formal economy.

LEGAL ENVIRONMENT

Referendum approves political and judicial reform package. In December, voters gave President Vizcarra a victory when they approved three constitutional amendments that will restructure the council of magistrates, tighten restrictions on the financing of political parties, and barring immediate re-election of members of Congress. A fourth provision that would have restored a bicameral congress failed.

Free trade agreement with Australia finalized. In February 2018, Peru followed up its signature on the Comprehensive & Progressive Agreement for Trans-Pacific Partnership with a separate free trade agreement with Australia. The agreement will eliminate most tariffs over five years, and provides for recognition of degrees and professional qualifications.

Corruption investigations continue. President Pedro Pablo Kuczynski resigned after congress approved his impeachment over connections to Odebrecht corruption. Former president Alan García unsuccessfully sought asylum in Uruguay to escape corruption charges involving Odebrecht and government contracts. Opposition leader Keiko Fujimori was jailed in the midst of a corruption probe of her political party and presidential campaign.

Ex-president Fujimori returned to prison. In October, the supreme court overturned the pardon of former president Alberto Fujimori. Originally sentenced in 2009 to 25 years in prison for his role in a civilian massacre, former president Kuczynski pardoned Mr. Fujimori in December 2017 because of a heart condition. Mr. Fujimori will also face trial for the killing of farmers in 1992.

Intellectual property law will protect geographical terms and traditional specialties. A September decree introduced the TRIPS definition of geographical indications into Peruvian law. The decree also allows for the recognition of traditional specialties. The decree further provided for streamlining copyright infringement actions.

Pay equity legislation adopted. In September, Congress adopted a new law to equal pay between men and women for comparable work. Companies must implement an objective system to set worker pay and to harmonize job categories and duties in accordance with the new Equal Pay Act. The law, which applies to all businesses, allows for limited exceptions where a pay disparity is based on non-discriminatory reasons, including seniority, performance, labor shortages, education, workplace location or cost of living.

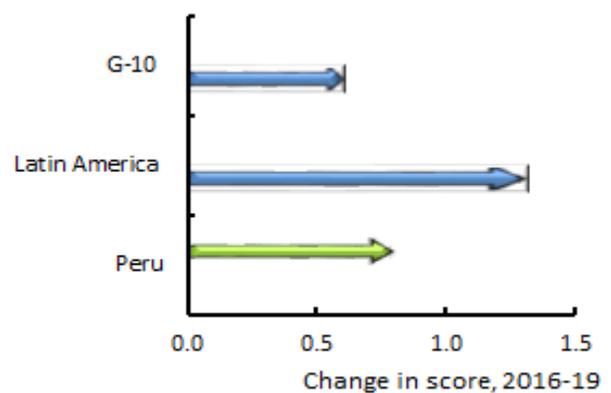
New environmental laws deal address climate change and limit use of plastics. The framework law on climate change, adopted in April, makes various climate instruments, including the Paris Agreement, binding in Peru, and introduces climate change considerations into public investment projects. The law regulates production and use of disposable plastics, including straws, packaging and tableware. Use of plastic items on beaches and other vulnerable environmental areas will be prohibited, broader limitation are phased in over three years. Other features include a tax on plastic bags and a recycling requirement for plastic bottles.

BUSINESS ENVIRONMENT

Peru's government has long sought to attract foreign and domestic investment in all sectors of the economy. Foreign investors have enjoyed national treatment in Peru since 1993, and both Peruvians and Americans have benefited from the large increase in trade that has occurred since the U.S.-Peru Trade Promotion Agreement (PTPA) went into effect in 2009. Corruption and conflicts surrounding mining projects, however, have had a negative impact on perceptions of Peru's investment climate.

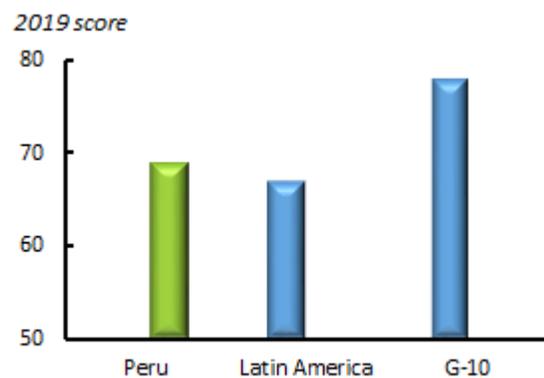
Peru's score in the World Bank's *Doing Business* survey rose in 2019 and remains above the average for Latin America, though it slipped in the rankings from 58 to 65 as other countries improved. Peru's scores on obtaining construction permits and starting a business improved in 2019.

Figure 2. Peru's business climate has been improving faster than the regional average



Source: World Bank Doing Business report

Figure 3. Doing business is slightly easier in Peru than in the rest of the region



Source: World Bank Doing Business report

VENEZUELA ▼

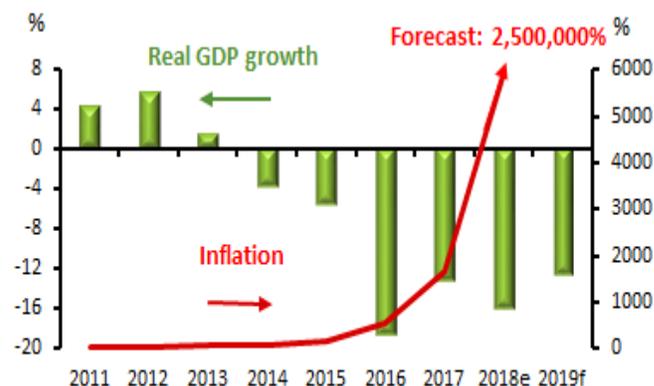
- **Venezuela’s downward spiral continues.**
- **Incomes are plummeting amidst widespread shortages and hyperinflation.**
- **Venezuela is in a “limbo default”.**

Venezuela is entering its sixth year of recession. Its GDP has declined by over 55% since 2012, and is likely to decline by a double-digit rate this year. Declines of this order are usually associated experienced only by countries at war. Once the wealthiest country in Latin America, it now has a lowest income-per-capita among the seven largest economies in the region. Store shelves are empty, medicines are in short supply, public services are failing, and Caracas has become the most violent city in the world. Over three million have fled the country, according to the United Nations, causing a refugee crisis in neighboring Brazil and Colombia.

Venezuela’s collapse is self-inflicted, the result of years of unwarranted subsidies, price controls, unrealistic exchange rates, and monetary and fiscal laxity. Despite having the world’s largest oil reserves, mismanagement and theft at PdVSA, the state-owned oil company, has led to a decline in output to than half of what was produced in 1990. A shortfall in oil revenues resulted in large budget deficits (over 25% of GDP in 2016) that have been financed with money creation. Hyperinflation followed, and private economists believe prices will rise by 2,500,000 or more this year. The hyperinflation has led the value of the official currency to drop so fast that official quotes have lost their meaning by the time they are published. Venezuelans increasingly rely on offshore websites, group chats, or cryptocurrency exchanges to get meaningful foreign exchange quotes.

| Venezuela: economic indicators | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|--------|---------|-----------|
| Real GDP, % change | -4.2 | -13.2 | -16.1 | -12.6 |
| Consumer prices, % Dec/Dec | 183.1 | 2337.0 | 705,148 | 2,500,000 |
| Public sector balance, % of GDP | -17.9 | -25.0 | -22.2 | -21.2 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 71.1 | 30.7 | 21.3 | 21.3 |
| Imports | 46.6 | 11.2 | 12.6 | 11.0 |
| Current account balance, % of GDP | -0.6 | 1.1 | 2.1 | 3.7 |
| International reserves (\$ bil) | 3.8 | 1.8 | 3.0 | 2.1 |
| External debt (\$ bil) | 127 | 106 | 112 | 111 |
| % of exports | 228 | 323 | 481 | 498 |
| Public debt, % of GDP | 29 | 15 | 38 | 47 |

Figure 1. A failed economy



Source: ECLAC, Consensus Economics

In addition to destroying the economy, the regime headed by President Nicolás Maduro has engaged in a brutal crackdown on dissent and subverted the country’s democratic institutions. In May 2018 he was returned to the presidency in what was widely condemned as a fraudulent election. In January of this year, dozens of countries refused to recognize Nicolás Maduro as president after he was sworn in. With Mr. Maduro’s legitimacy in question, opposition leader Juan Guaidó took advantage of a constitutional mechanism that makes him, as head of the National Assembly, the interim president. Dozens of countries immediately recognized Mr. Guaidó as president, and street protests calling for Mr. Maduro to step down followed. Now a stalemate has developed. Nearly all commentators say that it will be the armed forces who determine whether Mr. Maduro will stay in power. But in late January the heads of the armed forces, stated they would oppose any attempt to remove Mr. Maduro. Analysts estimate that Mr. Maduro enjoys strong support from no more than 20% of the population, but he has won the loyalty of the military by giving its leaders control of the food, mining, and oil industries.

To pressure the Maduro regime, the United States imposed sanctions on PdVSA and its U.S. subsidiaries, PDV Holding and Citgo, requiring that payments to those entities be placed into an account for the benefit of the opposition. Venezuela defaulted on its government bonds in 2017. PdVSA has stopped paying interest on most of its bonds, but had remained current on PdVSA’s 2020 bond, which is collateralized by Citgo’s assets in the United States. Now its ability to service that bond is in question.

LEGAL ENVIRONMENT

Foreign judgments in U.S. and Curaçao target Citgo and PdVSA. In May, U.S. oil company ConocoPhillips won a court order in Curaçao allowing the seizure of some \$636 million in assets owned by the state oil company on the island as part of an attempt to recover for expropriation of its oil projects in Venezuela. More ominously, Crystallex, a Canadian mining company, obtained a court order to seize and auction Citgo stock as it sought to enforce an arbitration order over claims for expropriation of its assets in Venezuela. The threat to one of Venezuela's few remaining assets prompted Venezuela to settle the claim to protect Citgo. Although the country made November payments to Crystallex and another Canadian mining company, the settlement is now in doubt because of U.S. sanctions which make it difficult to conduct financial transactions with Venezuelan entities.

U.S. imposes additional sanctions on first lady and other regime officials. In November, the U.S. added Venezuela's first lady, Cilia Flores, along with the vice president, communications and defense ministers to a list of sanctioned individuals. In addition, sanctions targeting Venezuela's gold trade will prevent U.S. entities from any participation or financial involvement. New sanctions imposed in January 2019 target funding of the state oil company, PdVSA.

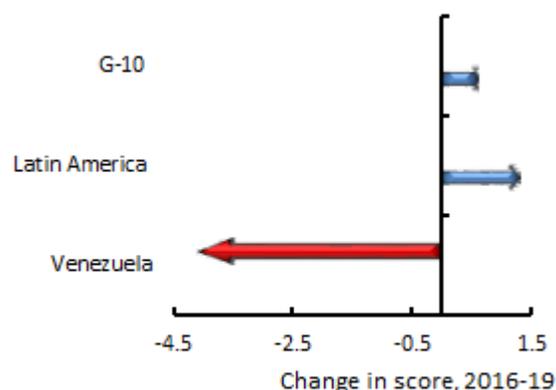
ICC examines human rights abuses in Venezuela. In February 2018, the International Criminal Court announced it was opening a preliminary examination of the situation in Venezuela. In September, the governments of Argentina, Canada, Chile, Colombia, Paraguay and Peru referred the situation in Venezuela to the court for further investigation. This represents the first time that members states made a reference to the court for events in another country.

Venezuelan dispute with Guyana referred to ICJ. As Venezuelan naval vessels stopped ships exploring for oil off Guyana's coast, the International Court of Justice considered whether it had jurisdiction to address the border controversy. Venezuela currently claims more than half of the territory of neighboring Guyana. Although Guyana embraced the ICJ's involvement, Venezuela has rejected the court's jurisdiction and denounced the proceedings.

BUSINESS ENVIRONMENT

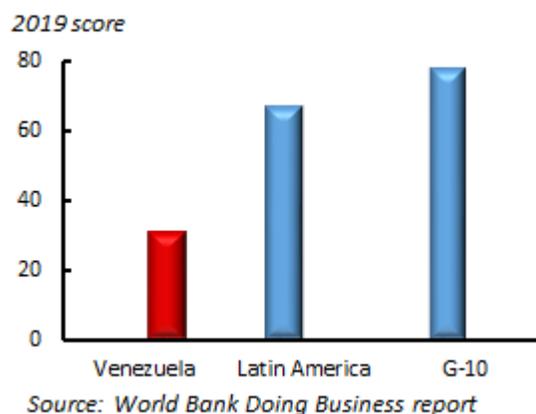
Macroeconomic and political instability, crime, corruption, price controls, and uncertain regulation have made Venezuela one of the worst places in the world to do business. It ranked 188th out of 190 countries in the World Bank's 2019 *Doing Business* report, outranking only Eritrea and Somalia. A mismanaged foreign exchange regime has made it difficult for firms to obtain the hard currency needed to repatriate earnings and import inputs and intermediate goods. Investment and trade links between the United States and Venezuela have weakened markedly as the government has sought to build commercial links with ideological allies. As the investment climate has deteriorated, many multinationals have shut down or reduced their operations.

Figure 2. Doing business has become markedly more difficult in recent years



Source: World Bank Doing Business report

Figure 3. Venezuela's business climate is the worst in Latin America



Source: World Bank Doing Business report

BRAZIL AND THE SOUTHERN CONE

ARGENTINA ▲

- **President Macri has committed to an austerity program amid a crisis of confidence.**
- **A large IMF loan has helped stabilize the currency, which had plummeted during 2018.**

Upon taking office in December 2015 President Mauricio Macri moved quickly to eliminate many of the distortions introduced into the economy during the previous 13 years of Peronist rule. But the market judged that it was not moving fast enough in addressing the country's large budget and current account deficits. Starting in May, market participants began fleeing the peso, which eventually lost about 50% of its value.

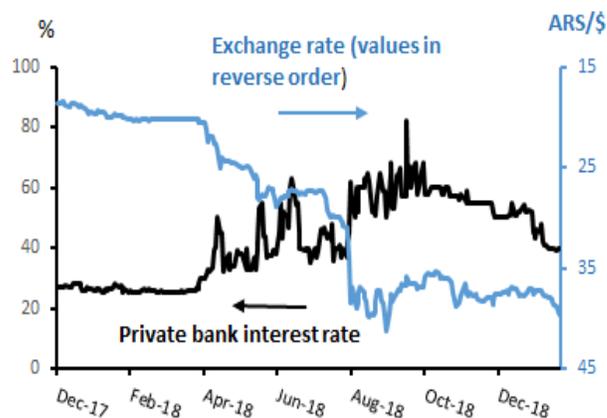
To provide the government with breathing space as it seeks to stabilize the economy, in June the IMF approved a \$50 billion stand-by credit for Argentina — later increased to \$56 billion — its largest ever. In return, the government agreed to an austerity program designed to achieve a balanced primary (non-interest) budget balance in 2019 and a surplus in 2020. It has placed strict limits on growth in the monetary base with the goal of reducing Argentina's inflation, which reached 47% last year.

With the peso now trading at a more competitive level the current account deficit is narrowing rapidly. The economy should come out of recession later this year, though growth will be negative for the year as a whole.

Argentina: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 0.0 | 2.9 | -2.3 | -1.1 |
| Consumer prices, % Dec/Dec | 22.3 | 25.0 | 47.1 | 28.7 |
| Government balance, % of GDP | -3.6 | -5.8 | -5.6 | -3.5 |
| Merchandise trade (\$ mil) | | | | |
| Exports | 67.9 | 58.7 | 67.4 | 71.4 |
| Imports | 63.6 | 66.8 | 60.7 | 64.8 |
| Current account balance, % of GDP | -1.7 | -4.9 | -5.5 | -2.8 |
| International reserves (\$ bil) | 28.4 | 50.1 | 54.0 | 58.6 |
| External debt (\$ bil) | 158 | 229 | 271 | 284 |
| % of exports | 193 | 298 | 310 | 304 |
| Public debt, % of GDP | 47 | 57 | 85 | 77 |

Figure 1. Interest rates are coming down as selling pressure on the peso subsides



Source: Bloomberg

LEGAL ENVIRONMENT

“Notebook” scandal implicates political and business class. In August, the handwritten notebooks compiled by the driver of former deputy planning minister Roberto Baratta from 2005-15 were released detailing corrupt activities in construction and public works during that period. The notebooks revealed a system of kickbacks paid by construction companies for access to public works contracts during the presidencies of the late Néstor Kirchner (2003-2007) and of his wife Cristina Fernández de Kirchner (2007-2015). More than a dozen businessmen and former ministers and officials have been arrested. In December 2018, former president Fernández de Kirchner was charged with corruption as well, and many of her assets were seized. According to the driver, the former president's residence along with the Casa Rosada were venues for many of the bribes. The former president herself enjoys immunity from arrest due to her status as a senator. Ms. Fernández de Kirchner is under investigation for five other corruption cases which range from foreign exchange manipulation, money-laundering to the protection of Iranian assets from charges relating to the 1994 bombing of a Jewish community center.

New decree modifies civil forfeiture law. In January 2019, President Macri issued a decree expanding the use of civil forfeiture in criminal investigations. Under the decree, proceeds of activities deemed to be illegal may be confiscated to the state. No criminal verdict is necessary for the courts to allow forfeiture, but an acquittal will oblige the state to return assets. Controversially, the decree will allow authorities to go back as much as 20 years in seeking of illegal assets.

President responds to scandals with decree targeting nepotism. President Macri issued a decree banning relatives of ministers from serving in the national government. The decree applies to relatives linked to a minister by blood or marriage to the second degree. At the same time, President Macri announced the elimination of certain politically appointed positions in government and the suspension of ministerial pay raises as cost-saving measures.

Controversial decree expands law enforcement role of armed forces. A July decree broadens the security role of the Argentine armed forces to include domestic and border law enforcement duties. The decree removed a previous ban on armed forces involvement in internal security matters, restricting them to defense of territory against attacks by another country. The decree raised concerns by opposition and human rights leaders with memories of the abuses which occurred under military rule from 1976-83. The president responded by affirming that the armed forces will be used to support law enforcement, but said the expanded role was needed to combat terrorism and other threats.

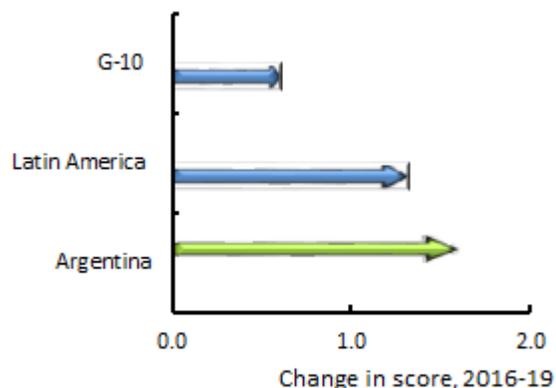
Former Ford executives convicted for crimes committed during military dictatorship. In December, two former executives of Ford's Argentine subsidiary were jailed for crimes against union leaders at Ford plants during the military dictatorship from 1976-83. The case involved a former security chief and manufacturing manager at Ford's plant in Buenos Aires who were sentenced to 12 and 10 years respectively for aiding the military in the abduction and torture of 24 workers in 1976. The case represents the first time that executives of a multi-national company were put on trial for crimes committed with the complicity of the dictatorship. Ford itself was not implicated in the illegal activity.

Abortion liberalization measure stopped by Senate. In August, a measure to legalize abortion failed in the Senate. The bill would have decriminalized abortion for any reason during the first 14 weeks of pregnancy. Currently, abortion is prohibited by the penal code unless in cases of rape, to preserve the mother's health or severe fetal abnormalities.

BUSINESS ENVIRONMENT

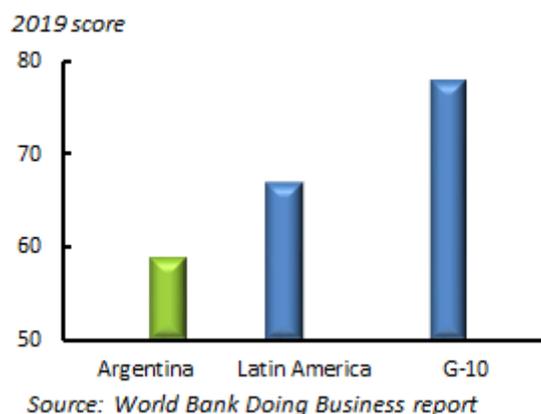
Since coming to power in late 2015, the pro-business government of President Macri has sought to improve the investment climate by removing currency controls, reducing export taxes and import restrictions, and streamlining administrative procedures. It has also issued new regulations to improve competition in and attract investment to the aviation, automobile, communications, and energy sectors. High labor costs, a turgid bureaucracy, high taxes, and widespread corruption remain obstacles to doing business. Argentina's score in the *Doing Business* survey has improved, but not its ranking.

Figure 2. Argentina's business climate has improved since 2016...



Source: World Bank Doing Business report

Figure 3. ...but there is considerable room left for improvement.



Source: World Bank Doing Business report

BRAZIL ▲

- The first item on President Bolsonaro's policy agenda is reform of the pension system.
- Pension reform is needed to avoid a fiscal crisis.
- Mr. Bolsonaro favors free-market policies.

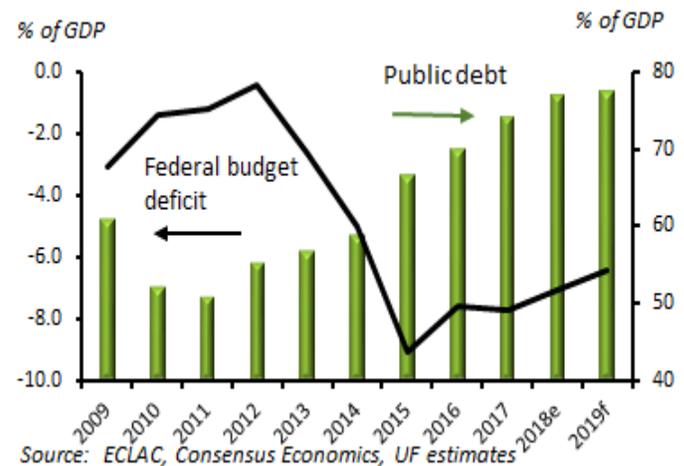
During his campaign for president, Jair Bolsonaro promised to crack down on crime and corruption and pursue pro-business policies. Most observers, however, knew that bringing Brazil's large budget deficit and burgeoning debt under control, would have to be at the top of his agenda. Getting the public finances under control would in turn require reform of Brazil's pensions. On February 20 — just 50 days after taking office — President Bolsonaro presented Congress with a proposal to bring pension spending, which accounts for about two-thirds of budget, under control. Brazil's pension system is one of the most generous in the world. The government spends 12% of GDP on pensions compared to 8% among the developed countries of the OECD. Under current rules Brazilians can retire in their mid 50s, and Brazilian males can expect to earn 70-percent of their pre-retirement income. Reforming the pension system would help bring the country's public debt under control and prepare the way for faster growth.

Mr. Bolsonaro's proposal would raise minimum retirement ages to 65 for men and 62 for women and increase the number of years people would have to contribute into the system from 15 to 20. It would raise contributions paid by people with higher incomes and limit the extent to which pensioners could collect more than one benefit. If Congress adopts the proposed changes the country would stand to save \$295 billion over ten years.

Brazil: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|----------------------------------|--------------|-------|-------|-------|
| Real GDP, % change | -0.3 | 1.0 | 1.3 | 2.4 |
| Consumer prices, %YoY | 7.0 | 2.9 | 3.7 | 4.1 |
| Public sector balance, % of GDP | -4.9 | -7.7 | -7.1 | -6.4 |
| Merchandise trade (\$ mil) | | | | |
| Exports | 217.1 | 214.1 | 244.8 | 255.7 |
| Imports | 201.4 | 150.8 | 193.6 | 207.5 |
| Current account balance, % of GD | -3.0 | -0.3 | -0.8 | -1.3 |
| International reserves (\$ bil) | 354.3 | 365.4 | 376.4 | 378.8 |
| External debt (\$ bil) | 514 | 543.0 | 570.0 | 595.0 |
| % of exports | 197 | 200 | 184 | 182 |
| Public debt, % of GDP | 61 | 74 | 77 | 78 |

Figure 1. Brazil's public debt is unsustainable



Getting pension reform through Congress, in which 30 parties are represented in the lower house and 21 in the Senate, will be a key test for President Bolsonaro. Because the proposed changes require a constitutional amendment, passage will require three-fifths majorities in both houses of congress. Few expect it to pass in its current form. Congress cut half of the savings from pension reforms that Mr. Jair's predecessor, Michel Temer, had proposed in late 2016. The legislation went nowhere as the focus of both congress and the administration turned to Brazil's corruptions scandals. (Mr. Bolsonaro, then a congressman, voted against the legislation.) Left-leaning parties in Brazil, especially the Workers' Party (PT), can be expected to oppose the proposed reforms vigorously. But polls point to a consensus among members of congress that reform is needed. The question is whether enough of the current plan will make it through congress to stabilize Brazil's debt, which is on an unsustainable path; Brazil lost its investment-grade credit rating in 2015.

President Bolsonaro's cabinet appointments were largely establishment moderates and supporters of his proposed agenda of economic liberalization. His new Finance Minister, Paulo Guedes, has proposed a sweeping privatization program, and within days of taking office Mr. Bolsonaro announced plans to privatize 12 airports and four ports. Retired military officers in his cabinet, however, reportedly balked at the proposed sale of state-owned enterprises on strategic grounds, and Mr. Bolsonaro and has stated that Brazil's "crown jewels" of Brazil's state-owned enterprises will remain largely in state hands. These which would include Petrobras, the oil company, Banco de Brasil and Caixa Economica Federal, two large banks, and Eletrobras, the electricity company).

Bankers in Brazil, however, expect the government to go through with the sale of stakes in publicly listed companies held by BNDES, the national development bank, and Caixa. A holding company owned by BNDES, for example, holds stakes in several power companies and a meatpacking company.

President Bolsonaro's agenda includes reforms to labor markets, changes in lending policies of state-owned banks, and trade liberalization. Many of these reforms, however, will require congressional action and compromises. Mr. Bolsonaro's populist and nationalist leanings, meanwhile, may lead to inconsistencies in the execution of his market-oriented policies.

LEGAL ENVIRONMENT

New decree expands government ability to keep data and documents secret. A January 2019 executive order makes changes to Brazil's Freedom of Information Act by allowing a broader group of government officials to flag data and documents for protection from public view. Under the law, documents marked as "ultra-secret" are unavailable to the public for 25 years, while those marked "secret" are unavailable for 15 years. A lesser category of "reserved" provides 5 years of restricted access. The new order expands the category of officials able to flag information as "ultra-secret" to include senior management and advisory officials. Journalists criticized the move as likely to reduce transparency because officials may be more likely to use the heightened security classifications.

New general data protection law adopted. In August, Brazil adopted a new data privacy law that will take effect in 2020. The law defines personal and sensitive personal data that is subject to heightened protections. The law applies to public and private holders of data, whether online or offline. The law will apply to any foreign company having at least one branch in Brazil or offering services inside Brazil and collecting data in Brazil. Under the law, processing of personal data may only occur: 1) with written consent; 2) to comply with legal or regulatory obligations; 3) for public administration purposes; 4) for research (with anonymization whenever possible); 4) by mutual contract; 5) in judicial and administrative proceedings; 6) for protection of life, safety and health under certain circumstances; 7) for credit protection, as provided by law. Controllers are required to notify the data protection authority about any data breaches within a reasonable time frame.

Court overturns ban on popular weed-killer. In September, a federal court overturned a provisional ruling that would have banned the use of glyphosate in Brazil within 30 days until the health agency ruled on its safety. The federal court recognized the economic impact of a ban. Brazil is the world's largest exporter of soybeans, and farmers rely heavily on the herbicide. The health agency has been studying glyphosate safety since 2008 but has not yet issued regulations. Federal prosecutors brought the litigation to compel the health agency to reevaluate glyphosate safety.

Petrobras settles class action for \$2.95 billion. The Brazilian oil company agreed to settle a suit brought in New York brought on behalf of investors harmed by the corruption scandals at the company. Petrobras was subject to the suit because its securities traded in the United States. Under the settlement, the company admits no guilt or wrongdoing. Petrobras has described itself as a victim of Brazil's huge "car wash" scandal.

Supreme Court ruling limits lawmaker immunity. In May, the supreme court decided that the immunity from local prosecution of members of congress only applied to alleged crimes committed while they were serving in congress. Previously lawmakers could only be tried in the supreme court regardless of when the alleged crime occurred, whereas now local prosecutors may charge lawmakers with crimes occurring prior to their service in congress. One judge pointed out that the decision may not remove many cases from the supreme court as the court will still need to determine whether a lawmaker's case should be heard there or referred to lower courts.

Supreme Court opens Venezuelan border. In August, a judge on the supreme court denied a request by the government of Roraima state to close the border with Venezuela. The state claimed an influx of Venezuelan refugees has overwhelmed public services. The court noted that the constitution reserves border controls to the federal government, and explained that Brazil's adherence to international treaties prioritized freedom of movement by refugees.

Corruption cases continue, snaring former presidents and others. Former president Luiz Inácio Lula da Silva's 12-year prison sentence for corruption was upheld, and in August, the supreme electoral court barred him from running again for president. While in office, Congress barred the investigation of former president Michel Temer. However, as he left office, the prosecutor general indicted him again, along with ten close associates, for corruption and money laundering.

Court suspends patent on hepatitis C medicine. In September, a federal court suspended the patent for an oral hepatitis C drug granted to the U.S. pharmaceutical corporation Gilead Sciences only a week before by the patent office. The court found that the intellectual property issues involved in the patent could not be separated from the impacts on public health. The court found that involvement by generic manufacturers was essential to meet the government goal of eliminating hepatitis C by 2030.

Supreme Court rejects challenges to 2012 Forest Code. In February, the supreme court upheld the Forest Code against several challenges by environmentalists. The 2012 law included amnesties for illegal deforestation done prior to 2008, especially by small landowners, and released these landowners from an obligation to replant deforested areas. The law also expanded permitted activities, including farming, that could be done in forest areas. The ruling did provide some protection for springsheds, including intermittent springs. However, in the main the court affirmed the law's prioritization of agriculture over environmental protection.

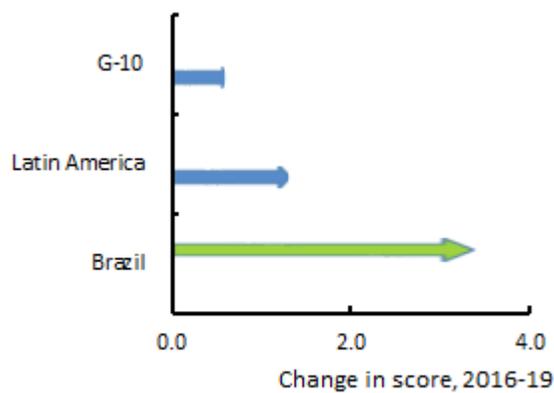
New decree transfers authority to create and regulate indigenous reserves to agriculture ministry. In January 2019, President Bolsonaro transferred authority over indigenous lands from FUNAI, the national Indian authority to the agriculture ministry. Critics fear that this move will increase deforestation. The president noted that currently some 15% of Brazil was reserved for indigenous and other special reserves, while only 1 million people inhabited them. The president maintained that the decree will help integrate those citizens into the mainstream of the country.

New order eases restrictions on private gun ownership. President Bolsonaro issued an executive order in January that will loosen restrictions on private purchases and ownership of firearms. The order removes requirements that a gun purchaser state why they need a weapon. It also allows citizens to have as many as four guns. The order removes requirements that guns be stored in gun safes, and lengthens the term of gun permits to 10 years. The order sets a criteria and process for citizens 25 years of age and older with no criminal record to purchase guns. The president hopes that this measure will enable citizens to better protect themselves from criminal violence.

BUSINESS ENVIRONMENT

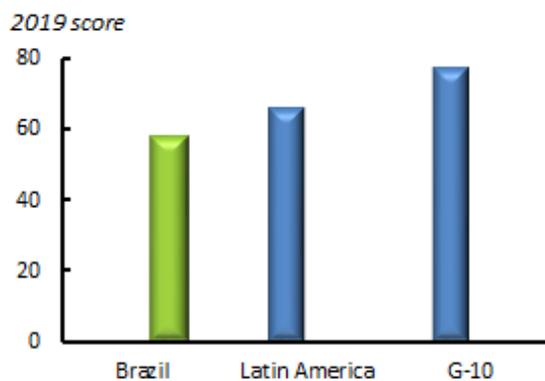
Brazil's business climate is not especially hospitable. Analysts speak of a "Custo Brasil" — the high cost of doing business in the country — pointing to complex taxes and regulations, low productivity, and rigid labor laws, all within an uncertain political and economic environment. Brazil is ranked 125 out of 190 countries in the World Bank's 2019 *Ease of Doing Business* report, with a score slightly below the average for Latin America as a whole. It also ranks 96 out of 180 in Transparency International's Corruption Perceptions Index. These drawbacks, however, have not kept foreign businesses from investing in Brazil on a large scale. With a population of over 207 million and a \$2.1 trillion economy — the world's ninth largest — Brazil represents a large potential market. In 2017 it was the destination for \$64.1 billion in net foreign direct investment. The business climate in Brazil, moreover, is improving according to the *Doing Business* survey.

Figure 2. Brazil's business climate has improved in recent years...



Source: World Bank Doing Business report

Figure 3. ...yet doing business in Brazil remains a challenge



Source: World Bank Doing Business report

CHILE [=]

- The Piñera administration will continue to pursue centrist, market-oriented policies.
- An opposition-controlled legislature could deter implementation of the administration's reforms.
- The major risk to Chile is the slowdown in growth in China, its major trading partner.

Chile's economy has recovered impressively from the collapse of commodity prices in 2014 and expanded by and estimated 4% in 2018 as prices of copper, its chief export, came off their lows and business confidence improved. It will be difficult to repeat that performance this year as growth slows in China, Chile's major trading partner and world's largest consumer of copper. Growth in consumption and manufacturing exports will take up some of the slack, but despite efforts to diversify its exports Chile will remain dependent on copper exports for years to come.

The administration of Sebastián Piñera will continue Chile's tradition of mainstream economic policies while it seeks wide-ranging reforms in a variety of areas. The administration has introduced a plan for tax reform, featuring simplification of the tax code and accelerated depreciation for investment. The administration is also considering tax incentives for investments in renewable energy to help reduce Chile's dependence on oil imports. Mr. Piñera has proposed raising the portion of energy sourced from renewable sources from the current 17% to 75% by 2030 and 100% by 2040. The administration is also exploring ways to cut red tape and make it easier to start a business. Mr. Piñera's Chile Vamos party, however, lacks a majority of seats in either the Chamber of Deputies or the Senate, and will have to negotiate any changes in policy.

Chile: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|-------|-------|-------|
| Real GDP, % change | 3.0 | 1.5 | 4.0 | 3.4 |
| Public sector balance, % of GDP | 3.2 | 2.3 | 2.6 | 3.0 |
| Government balance, % of GDP | -1.3 | -2.8 | -2.0 | -1.8 |
| Merchandise trade (\$ bil) | | | | |
| Exports | 70.4 | 67.6 | 79.1 | 83.1 |
| Imports | 66.6 | 60.4 | 73.1 | 76.2 |
| Current account balance, % of GDP | -2.4 | -1.5 | -2.5 | -2.4 |
| International reserves (\$ bil) | 39.0 | 38 | 38 | 38.8 |
| External debt (\$ bil) | 134.6 | 181.5 | 186.9 | 197.1 |
| % of exports | 147 | 215 | 194 | 197 |
| Public debt, % of GDP | 22 | 33 | 35 | 37 |

Figure 1. Chile outperforms the rest of the region in GDP growth most years

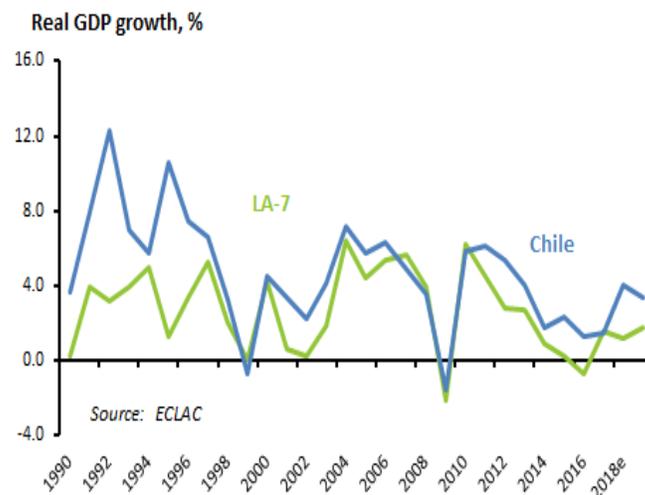


Figure 2. Copper prices are the main driver of Chile's growth



LEGAL ENVIRONMENT

New anti-corruption legislation adopted. In November, the Chilean Congress adopted an amendment to the criminal code targeting corruption. The law increases penalties and creates certain new crimes. Among the new possible sanctions for corrupt activities are a permanent or temporary ban on holding positions or working in a company which contracts with the state or in which the state has a controlling interest. The law also creates a new crime of bribery among private individuals, subjecting it to penalties of up to three years in prison. Another provision expands criminal penalties for corporate board members or managers acting in an area where they have an interest.

Chile signs trade continuity agreement with the UK. Looking to the imminent departure of the United Kingdom from the European Union at the end of March, Chile and the UK signed a January 2019 agreement to maintain beneficial trading arrangements between the two countries after Brexit. The agreement applies to goods and services, and also protects intellectual property rights.

New law tightens immigration rules. An April decree responds to an increase in immigration to Chile in recent years. The new rules ban visitors from seeking a temporary work visa while inside the country. The rules introduce special visas for graduate students to study in Chile. Under the new law, Venezuelans are able to apply for a special visa to stay in Chile for one year, after which they can seek permanent residency. The favorable treatment for Venezuela is in recognition of the hospitality given to Chileans in Venezuela during the days of the military dictatorship. Haitian visitors face less favorable treatment. Under the new rules, Haitians will need to secure visa from the Chilean consulate in Port-au-Prince to stay for 30 days without right to work. The government announced that it would create a humanitarian visa to allow reunification of Haitians with family members living in Chile.

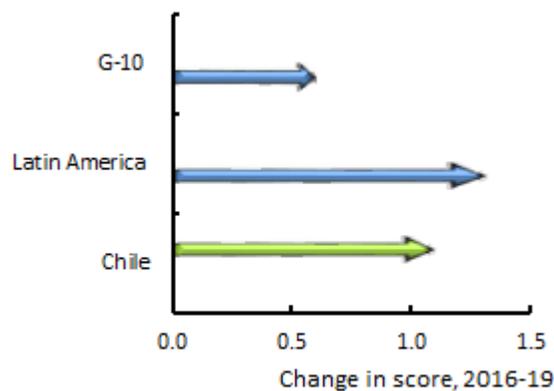
Chile bans commercial use of plastic bags. An August law restricts the use of plastic bags other than those which are necessary for hygiene or to prevent food wastage. The law will be phased in over six months for larger businesses and over two years for small businesses. Once fully implemented, violations will be subject to a fine. Chile's comprehensive ban follows an earlier one that only applied in the sensitive Patagonia region.

Outgoing Bachelet administration expands national parks. In January 2018, President Bachelet issued a decree creating new national parks from some 4.5 million hectares of land in Patagonia donated by Tompkins Conservation which was originally acquired by an American entrepreneur. The land will be used to expand the national parkland in Chile by 40%. In March, President Bachelet issued a decree creating new marine parks on some 1.3 million square kilometers of ocean. The new marine parks will surround Easter Island, the Juan Fernandez Islands, and the Diego Ramirez Islands at Chile's southernmost point. The Easter Island park preserves the rights of indigenous residents to fish and gives them a role in the administration of the park.

BUSINESS ENVIRONMENT

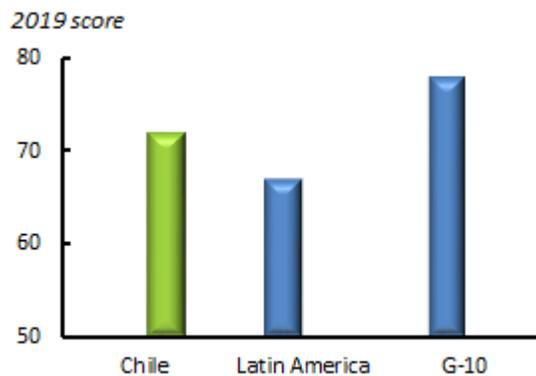
Chile's market-oriented policies have long fostered a favorable climate for domestic and foreign businesses. Chile has a sound legal system and property rights of both domestic and foreign investors are respected. It is one of only two countries in Latin America that rose in the World Bank's Ease of Doing Business rankings this year, and is currently ranked number 56 out of 190 countries. It is ranked in the top quartile globally in dealing with construction permits and getting electricity. Survey respondents reported improvement in the quality of judicial proceedings, credit bureau coverage, and ease in starting a business.

Figure 2. Chile's business climate continues to improve



Source: World Bank Doing Business report

Figure 3. Doing business is easier in Chile Than in most counties in the region



Source: World Bank Doing Business report

PARAGUAY [=]

Mario Abdo, the right-wing candidate from the Partido Colorado (PC) party, won the presidential election in April 2018. Although the PC has control of the Senate, the party does not have a majority, which will make it difficult to pass legislation. Mr. Abdo should maintain an orthodox economic policy stance during his presidency but opposition from labor unions and traditional elements in his own party will deter the pursuit of market-oriented reforms. The fiscal deficit was 1.4% of GDP in 2018; the consensus expects it to stabilize in 2019 at 1.5% of GDP. Economic recoveries in Argentina and Brazil should help Paraguay maintain a trade surplus, especially in agricultural goods, that should turn the country's small current account deficit into a small surplus this year.

Paraguay: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 4.0 | 5.2 | 4.2 | 4.0 |
| Consumer prices, % Dec/Dec | 3.8 | 4.5 | 3.8 | 4.1 |
| Current account balance, % of GDP | 0.2 | 3.6 | -0.2 | 0.7 |
| International reserves (\$ bil) | 5.6 | 7.3 | 7.4 | 7.6 |
| External debt (\$ bil) | 16.1 | 16.1 | 17.5 | 18.2 |
| % of exports | 123 | 103 | 95 | 110 |
| Public debt, % of GDP | 13 | 18 | 18 | 19 |

Supreme Court judges prosecuted for acquitting farmers involved in deaths of police officers. The prosecutor general brought charges against the three judges who overturned the conviction of farmers involved in 2012 violence in which several police officers died. The judges had found irregularities in the 2012 trial of the farmers.

Femicide law approved. The law criminalizes the gender-based killing of women and expands penalties for abuse of women and girls. The law also provides for free legal assistance and access to shelter for survivors of gender violence.

Paraguay's business climate is improving slowly. The Paraguayan government encourages private foreign investment. Its score in the World Bank's 2019 *Ease of Doing Business* survey rose slightly, though at 113 it is still ranked in the bottom half of the countries covered in the survey. Its improvement in the latest survey stems mostly from a reduction in the compliance hours needed to import across borders.

URUGUAY [=]

Uruguay's current president Tabaré Vázquez, of the Frente Amplio (FA) coalition, is in office until March 2020 and will continue to pursue fiscal consolidation. Presidential elections in Uruguay are set for October 2019 and a fourth consecutive victory by the FA seems uncertain given the presence of strong opposition from the center-right Partido Nacional party and weak economic growth. In October the fiscal deficit was 2.9%, a significant decrease from 3.9% in September. Argentina's recession has affected Uruguay's growth with the consensus expecting a slowdown in 2019. After that, GDP growth is expected to rise, helped by a \$2.4 billion investment in paper milling facilities and associated infrastructure by UPM, a Finnish paper company.

Uruguay: economic indicators

| | Avg. 2012-16 | 2017 | 2018e | 2019f |
|-----------------------------------|--------------|------|-------|-------|
| Real GDP, % change | 2.7 | 2.7 | 2.1 | 1.9 |
| Consumer prices, % Dec/Dec | 8.4 | 6.6 | 8.0 | 7.2 |
| Current account balance, % of GDP | -3.4 | 1.5 | -0.3 | -1.5 |
| Total external debt (\$ bil) | 39.6 | 41.2 | 42.6 | 35.3 |
| % of exports | 246 | 255 | 267 | 221 |
| Public debt, % of GDP | 47 | 52 | 59 | 59 |

Uruguay approves expanding FTA with Chile. In July, Congress approved an agreement to extend the 2016 FTA with Chile to include services as well as goods.

Uruguay joins China's One Belt One Road initiative. In August, the foreign minister signed a memorandum of understanding with China to incorporate Uruguay into that country's broad new infrastructure development initiative. Supporters hope the deal will lead to Chinese investment in major infrastructure projects in Uruguay.

New transgender rights law adopted. An October law will make it easier for transgender persons to change their names and sex. Other provisions help combat discrimination against transgender persons.

Uruguay's business climate is benign for foreign investors. Foreign investment fares better than Uruguay's 95 ranking in the Ease of Doing Business suggests. Foreign and domestic investors are treated alike under the law, and foreign investors are free to repatriate their capital and profits.

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Table 1
GROSS DOMESTIC PRODUCT
Annual Growth Rates

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018e ¹ | 2019f ¹ |
|--|------|------|------|------|------|------|------|-------|-------|--------------------|--------------------|
| NAFTA REGION | | | | | | | | | | | |
| Mexico | -5.3 | 5.1 | 3.7 | 3.6 | 1.4 | 2.8 | 3.3 | 2.9 | 2.0 | 2.1 | 1.8 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | | |
| Bolivia | 3.4 | 4.1 | 5.2 | 5.1 | 6.8 | 5.5 | 4.9 | 4.3 | 4.2 | 4.3 | 4.1 |
| Colombia | 1.7 | 4.0 | 6.6 | 4.0 | 4.9 | 4.4 | 3.1 | 2.0 | 1.8 | 2.6 | 3.0 |
| Ecuador | 0.6 | 3.5 | 7.9 | 5.6 | 4.9 | 3.8 | 0.1 | -1.6 | 3.0 | 1.2 | 1.0 |
| Peru | 1.1 | 8.3 | 6.3 | 6.1 | 5.9 | 2.4 | 3.3 | 4.0 | 2.5 | 3.8 | 3.8 |
| Venezuela | -3.2 | -1.5 | 4.2 | 5.6 | 1.3 | -3.9 | -5.7 | -18.6 | -13.2 | -16.1 | -12.6 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | | |
| Argentina | -5.9 | 10.1 | 6.0 | -1.0 | 2.4 | -2.5 | 2.7 | -1.8 | 2.9 | -2.3 | -1.1 |
| Brazil | -0.1 | 7.5 | 4.0 | 1.9 | 3.0 | 0.5 | -3.5 | -3.5 | 1.0 | 1.3 | 2.4 |
| Chile | -1.0 | 5.8 | 5.5 | 5.5 | 4.0 | 1.8 | 2.3 | 1.3 | 1.5 | 4.0 | 3.4 |
| Paraguay | -0.3 | 11.1 | 4.2 | -0.5 | 8.4 | 4.9 | 3.1 | 4.3 | 5.2 | 4.2 | 4.0 |
| Uruguay | 4.2 | 7.8 | 5.2 | 3.5 | 4.6 | 3.2 | 0.4 | 1.7 | 2.7 | 2.1 | 1.9 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | | |
| Costa Rica | -1.0 | 5.0 | 4.3 | 4.8 | 2.3 | 3.5 | 3.6 | 4.2 | 3.2 | 3.0 | 2.7 |
| Cuba | 1.4 | 2.4 | 2.8 | 3.0 | 2.7 | 1.0 | 4.4 | 0.5 | 1.8 | 1.2 | 1.0 |
| Dominican Republic | 0.9 | 8.3 | 3.1 | 2.7 | 4.9 | 7.6 | 7.0 | 6.6 | 4.6 | 6.3 | 5.3 |
| El Salvador | -2.1 | 2.1 | 3.8 | 2.8 | 2.4 | 2.0 | 2.4 | 2.6 | 2.3 | 2.4 | 2.4 |
| Guatemala | 0.5 | 2.9 | 4.2 | 3.0 | 3.7 | 4.2 | 4.1 | 3.1 | 2.8 | 3.1 | 3.3 |
| Haiti | 3.1 | -5.5 | 5.5 | 2.9 | 4.2 | 2.8 | 1.2 | 1.5 | 1.2 | 2.5 | 2.5 |
| Honduras | -2.4 | 3.7 | 3.8 | 4.1 | 2.8 | 3.1 | 3.8 | 3.8 | 4.8 | 3.7 | 3.7 |
| Nicaragua | -3.3 | 4.4 | 6.3 | 6.5 | 4.9 | 4.8 | 4.8 | 4.7 | 4.9 | -3.5 | -0.4 |
| Panama | 1.2 | 5.8 | 11.3 | 9.8 | 6.9 | 5.1 | 5.6 | 5.0 | 5.4 | 4.3 | 4.7 |

SOURCE:

Economic Commission for Latin America and the Caribbean and IMF

¹ Consensus Economics, January 2019. Forecasts for Cuba and Haiti are the Economist Intelligence Unit.

Table 2
ANNUAL INFLATION
(Percent change in CPI, December through December)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 ¹ | 2018e ¹ | 2019f ¹ |
|--|------|------|------|------|------|------|-------|-------|-------------------|--------------------|--------------------|
| NAFTA REGION | | | | | | | | | | | |
| Mexico | 3.6 | 4.4 | 1.9 | 3.6 | 4.0 | 4.1 | 2.1 | 3.4 | 6.8 | 4.8 | 4.0 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | | |
| Bolivia | 0.3 | 7.2 | 6.0 | 4.5 | 6.5 | 5.2 | 3.0 | 4.0 | 2.7 | 1.5 | 3.6 |
| Colombia | 2.0 | 3.2 | 3.1 | 2.4 | 1.9 | 3.7 | 6.8 | 5.7 | 4.1 | 3.2 | 3.6 |
| Ecuador | 4.3 | 3.3 | 4.7 | 4.2 | 2.7 | 3.7 | 3.4 | 1.1 | -0.2 | 0.3 | 1.4 |
| Peru | 0.2 | 2.1 | 4.0 | 2.6 | 2.9 | 3.2 | 4.4 | 3.2 | 1.4 | 2.2 | 2.5 |
| Venezuela ³ | 26.9 | 27.4 | 24.0 | 19.5 | 56.2 | 68.5 | 180.9 | 590.6 | 2,337 | 705,148 | 2,500,000 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | | |
| Argentina | 7.7 | 10.9 | 9.5 | 10.8 | 10.9 | 23.9 | 27.5 | 38.5 | 25.0 | 47.1 | 28.7 |
| Brazil | 4.3 | 5.9 | 5.4 | 5.8 | 5.9 | 6.4 | 10.7 | 6.3 | 2.9 | 3.7 | 4.1 |
| Chile | -1.4 | 3.0 | 3.5 | 1.5 | 2.6 | 4.6 | 4.4 | 2.7 | 2.3 | 2.6 | 3.0 |
| Paraguay | 1.9 | 7.2 | 4.2 | 4.0 | 3.7 | 4.2 | 3.1 | 3.9 | 4.5 | 3.8 | 4.1 |
| Uruguay | 5.9 | 6.9 | 7.4 | 7.5 | 8.5 | 8.3 | 9.4 | 8.1 | 6.6 | 8.0 | 7.2 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | | |
| Costa Rica | 4.0 | 5.8 | 3.5 | 4.5 | 3.7 | 5.1 | -0.8 | 0.8 | 2.6 | 2.0 | 3.4 |
| Cuba ⁴ | 2.2 | 4.0 | 5.3 | 6.5 | 7.3 | 7.6 | 4.2 | 4.7 | 7.3 | 5.3 | 5.0 |
| Dominican Republic | 5.7 | 6.3 | 7.5 | 3.9 | 3.9 | 1.6 | 2.3 | 1.7 | 4.2 | 3.6 | 3.6 |
| El Salvador | -0.2 | 2.1 | 5.1 | 0.8 | 0.8 | 0.5 | 1.0 | -0.9 | 2.0 | 0.4 | 1.9 |
| Guatemala | -0.3 | 5.4 | 5.7 | 3.4 | 4.4 | 2.9 | 3.1 | 4.2 | 5.7 | 2.3 | 3.9 |
| Haiti | 7.8 | 3.6 | 4.7 | 6.3 | 3.4 | 6.4 | 12.5 | 14.3 | 13.3 | 12.0 | 10.0 |
| Honduras | 3.0 | 6.5 | 5.0 | 5.4 | 4.9 | 5.8 | 2.4 | 3.3 | 4.7 | 4.2 | 4.4 |
| Nicaragua | 1.8 | 9.1 | 6.1 | 1.6 | 5.4 | 6.4 | 2.9 | 3.1 | 5.7 | 3.9 | 5.3 |
| Panama | 1.9 | 4.9 | 5.2 | 4.6 | 3.7 | 1.0 | 0.3 | 1.5 | 0.5 | 0.2 | 1.8 |

SOURCE:

Economic Commission for Latin America and the Caribbean

¹ Consensus Economics, January 2018. Forecasts for Cuba and Haiti are the Economist Intelligence Unit.

² Median of consensus forecasts

[INDEC: National Institute of Statistics and Censuses: Consumer price index](#)

Table 3
EXPORTS, IMPORTS, AND CURRENT ACCOUNT BALANCE¹
(Billions of Dollars)

| | 2014 | | | 2015 | | | 2016 | | | 2017 | | | 2018e | | | 2019f | | |
|--|---------|---------|-----------|---------|---------|-----------|---------|---------|-----------|---------|---------|-----------|---------|---------|-----------|---------|---------|-----------|
| | Exports | Imports | C/Account |
| NAFTA REGION | | | | | | | | | | | | | | | | | | |
| Mexico | 418.9 | 434.9 | -23.8 | 403.9 | 428.3 | -30.2 | 398.3 | 420.9 | -24.0 | 433.7 | 454.3 | -19.1 | 499.7 | 524.7 | -21.7 | 527.8 | 552.8 | -23.3 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | | | | | | | | | |
| Bolivia | 14.0 | 12.9 | 0.6 | 9.9 | 11.8 | -1.9 | 8.2 | 10.6 | -1.9 | 9.1 | 11.7 | -2.0 | 9.8 | 12.1 | -1.9 | 10.1 | 12.8 | -2.2 |
| Colombia | 63.9 | 75.5 | -19.5 | 45.3 | 64.1 | -18.6 | 41.4 | 54.2 | -12.1 | 44.7 | 57.4 | -10.4 | 53.7 | 63.2 | -11.4 | 55.3 | 65.3 | -11.7 |
| Ecuador | 28.9 | 30.2 | -0.5 | 21.4 | 23.9 | -2.1 | 19.5 | 19.0 | 1.4 | 21.9 | 22.6 | -0.3 | 25.4 | 25.6 | 0.0 | 24.8 | 26.4 | -0.5 |
| Peru | 45.1 | 48.8 | -8.2 | 40.3 | 45.6 | -9.2 | 43.2 | 43.4 | -5.3 | 56.7 | 47.2 | -2.7 | 58.8 | 53.2 | -4.3 | 58.3 | 56.7 | -4.7 |
| Venezuela ³ | 99.5 | 78.3 | 4.6 | 37.8 | 50.3 | -18.2 | 28.1 | 27.8 | -6.1 | 31.7 | 21.2 | 3.5 | 22.3 | 22.6 | 6.3 | 21.3 | 18.00 | 2.5 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | | | | | | | | | |
| Argentina | 81.8 | 83.7 | -9.2 | 70.0 | 79.2 | -17.6 | 70.7 | 76.9 | -14.7 | 72.9 | 90.9 | -31.3 | 82.4 | 85.7 | -25.0 | 87.4 | 88.8 | -10.5 |
| Brazil | 264.1 | 318.8 | -104.2 | 223.9 | 243.1 | -54.1 | 220.5 | 203.1 | -23.2 | 248.1 | 214.8 | -5.5 | 280.8 | 261.6 | -14.5 | 294.7 | 276.5 | -24.3 |
| Chile | 85.8 | 83.0 | -4.5 | 71.8 | 71.8 | -5.5 | 70.1 | 67.9 | -3.2 | 77.6 | 73.4 | -4.1 | 89.1 | 87.1 | -7.2 | 93.1 | 91.2 | -7.3 |
| Paraguay | 14.0 | 13.2 | -0.10 | 12.0 | 11.4 | -0.1 | 12.9 | 10.9 | 1.30 | 14.4 | 12.8 | 1.4 | 14.7 | 14.4 | -0.1 | 14.9 | 14.4 | 0.3 |
| Uruguay | 18.3 | 16.7 | -1.7 | 15.6 | 13.9 | -0.4 | 14.6 | 11.8 | 0.4 | 15.9 | 12.3 | 0.9 | 15.7 | 13.0 | -0.2 | 15.7 | 14.4 | -0.9 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | | | | | | | | | |
| Costa Rica | 16.6 | 17.4 | -2.4 | 16.9 | 17.2 | -1.9 | 18.4 | 17.9 | -1.3 | 19.8 | 18.8 | -1.7 | 21.0 | 20.0 | -1.9 | 22.0 | 21.0 | -1.9 |
| Cuba | 18.1 | 14.1 | 3.1 | 14.6 | 12.7 | 1.0 | 13.5 | 11.0 | 2.0 | 12.9 | 11.0 | 2.0 | 12.0 | 12.0 | 1.0 | 11.0 | 12.0 | 1.0 |
| Dominican Republic | 17.0 | 20.3 | -2.2 | 16.9 | 20.1 | -1.3 | 18.1 | 20.8 | -0.8 | 18.9 | 21.2 | -0.2 | 20.8 | 24.0 | -0.6 | 21.1 | 25.0 | -0.9 |
| El Salvador | 6.6 | 11.1 | -1.3 | 6.9 | 10.9 | -0.7 | 6.9 | 10.8 | -0.5 | 7.2 | 11.4 | -0.5 | 7.7 | 12.9 | -0.9 | 7.9 | 13.3 | -0.9 |
| Guatemala | 13.8 | 20.1 | -1.2 | 13.6 | 19.5 | -0.1 | 13.4 | 18.8 | 1.0 | 14.0 | 20.4 | 1.2 | 13.9 | 22.4 | 0.7 | 14.2 | 23.1 | 0.7 |
| Haiti | 1.7 | 4.8 | -1.3 | 1.7 | 4.5 | -0.8 | 1.6 | 4.3 | -0.4 | 1.6 | 4.7 | -0.6 | 1.6 | 5.1 | -0.6 | 1.6 | 5.2 | -0.5 |
| Honduras | 6.7 | 10.2 | -1.4 | 6.9 | 10.4 | -1.0 | 6.8 | 10.0 | -0.6 | 7.4 | 10.6 | -0.4 | 6.6 | 11.6 | -0.7 | 6.9 | 12.1 | -0.6 |
| Nicaragua | 5.5 | 7.4 | -0.9 | 5.3 | 7.4 | -1.1 | 5.2 | 7.4 | -1.0 | 5.7 | 7.6 | -0.7 | 5.7 | 7.3 | -0.9 | 5.7 | 7.2 | -0.8 |
| Panama | 28.2 | 30.7 | -6.7 | 26.1 | 27.3 | -4.3 | 25.2 | 25.6 | -4.6 | 27.2 | 27.0 | -4.9 | 31.3 | 28 | -3.2 | 32.5 | 29.0 | -3.5 |

SOURCE:

2018 Economic Survey of Latin America and the Caribbean and the Caribbean and UF estimates.

¹ Exports and imports are of goods and services; current account is the balance of exports of goods, services, primary and secondary income, and the capital account.² Consensus Economics, January 2019.³ Consensus Economics estimates for 2016 and 2017.

12,16,17 survey report

Table 4
TERMS OF TRADE

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 ¹ |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------|
| NAFTA REGION | | | | | | | | | | |
| Mexico | 92.9 | 100.0 | 106.8 | 102.9 | 102.8 | 97.6 | 93.0 | 89.7 | 91.2 | 83.5 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | |
| Bolivia | 95.2 | 100.0 | 118.1 | 112.3 | 100.4 | 95.1 | 76.9 | 66.5 | 76.9 | 70.8 |
| Colombia | 93.3 | 100.0 | 114.7 | 108.4 | 100.6 | 91.5 | 68.9 | 68.1 | 79.7 | 88.6 |
| Ecuador | 87.0 | 100.0 | 112.4 | 112.1 | 113.2 | 106.7 | 80.0 | 75.7 | 82.9 | 121.4 |
| Peru | 82.7 | 100.0 | 107.0 | 104.6 | 99.1 | 93.8 | 87.8 | 87.2 | 93.5 | 95.3 |
| Venezuela | 84.1 | 100.0 | 120.2 | 121.4 | 118.9 | 111.8 | 65.7 | 54.9 | n/a | n/a |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | |
| Argentina | 96.6 | 100.0 | 110.3 | 114.8 | 107.5 | 105.3 | 100.6 | 106.6 | 103.7 | 109.1 |
| Brazil | 86.2 | 100.0 | 107.8 | 101.5 | 99.4 | 96.1 | 85.5 | 88.1 | 93.2 | 92.3 |
| Chile | 82.3 | 100.0 | 101.8 | 94.6 | 91.7 | 89.9 | 87.2 | 91.2 | 100.9 | 100.6 |
| Paraguay | 100.0 | 100.0 | 102.4 | 103.4 | 102.8 | 103.3 | 95.5 | 94.6 | 92.0 | 126.9 |
| Uruguay | 100.5 | 100.0 | 102.4 | 106.3 | 108.1 | 112.3 | 114.5 | 117.6 | 108.1 | 109.8 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | |
| Costa Rica | 104.1 | 100.0 | 96.3 | 95.8 | 96.1 | 97.0 | 97.3 | 97.0 | 95.0 | 97.9 |
| Cuba | n/a |
| Dominican Republic | 103.8 | 100.0 | 94.7 | 93.8 | 91.5 | 93.3 | 97.9 | 98.9 | 95.2 | 101.5 |
| El Salvador | 105.9 | 100.0 | 97.5 | 97.1 | 94.5 | 96.7 | 105.6 | 108.6 | 106.2 | 102.5 |
| Guatemala | 100.5 | 100.0 | 99.1 | 93.7 | 91.8 | 92.3 | 97.2 | 105.0 | 99.5 | 86.4 |
| Haiti | 103.4 | 100.0 | 83.0 | 86.0 | 80.6 | 83.1 | 87.4 | 86.4 | 89.3 | 116.0 |
| Honduras | 97.3 | 100.0 | 108.4 | 94.6 | 88.6 | 90.4 | 84.5 | 87.4 | 84.8 | 82.8 |
| Nicaragua | 98.3 | 100.0 | 106.6 | 106.5 | 98.2 | 100.1 | 113.3 | 115.1 | 110.6 | 88.6 |
| Panama | 101.9 | 100.0 | 97.8 | 98.2 | 97.7 | 99.7 | 97.1 | 94.1 | 92.1 | 105.2 |

SOURCE:

2018 Economic Survey of Latin America and the Caribbean

¹ ECLAC 2018 Preliminary Overview of the Economics of Latin America and the Caribbean

Table 5
NET FOREIGN DIRECT INVESTMENT
(Billions of Dollars)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 ¹ |
|--|------|------|------|------|------|------|-------|-------|-------------------|
| NAFTA REGION | | | | | | | | | |
| Mexico | 8.3 | 13.0 | 12.0 | -1.1 | 33.8 | 23.3 | 24.3 | 28.2 | 25.6 |
| ANDEAN SOUTH AMERICA | | | | | | | | | |
| Bolivia | 0.4 | 0.7 | 0.9 | 1.1 | 1.8 | 0.7 | 0.6 | 0.2 | 0.6 |
| Colombia | 4.5 | 0.9 | 6.2 | 15.6 | 8.6 | 12.3 | 7.5 | 9.3 | 10.2 |
| Ecuador | 0.3 | 0.2 | 0.6 | 0.6 | 0.7 | 0.8 | 1.3 | 0.8 | 0.6 |
| Peru | 6.0 | 8.2 | 7.2 | 11.7 | 9.7 | 3.6 | 8.1 | 6.6 | 6.5 |
| Venezuela | -3.6 | -0.9 | 6.1 | 1.7 | 1.9 | -3.4 | 0.3 | 0.0 | n/a |
| BRAZIL & SOUTHERN CONE | | | | | | | | | |
| Argentina | 3.3 | 10.4 | 9.4 | 14.3 | 8.9 | 3.1 | 10.9 | 1.5 | 10.4 |
| Brazil | 36.0 | 61.7 | 85.1 | 81.4 | 54.7 | 71.1 | 61.2 | 65.4 | 64.1 |
| Chile | 6.6 | 6.6 | 3.9 | 9.7 | 10.9 | 10.9 | 5.0 | 4.9 | 1.6 |
| Paraguay | 0.1 | 0.5 | 0.6 | 0.7 | 0.2 | 0.4 | 0.3 | 0.3 | 0.4 |
| Uruguay | 1.5 | 2.3 | 2.5 | 2.2 | 2.8 | 2.5 | 0.8 | -0.8 | -1.1 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | |
| Costa Rica | 1.3 | 1.6 | 2.3 | 1.8 | 2.4 | 2.8 | 2.541 | 2.127 | 2.583 |
| Cuba | n/a | n/a | n/a |
| Dominican Republic | 2.2 | 2.0 | 2.3 | 3.1 | 2.0 | 2.2 | 2.205 | 2.407 | 3.57 |
| El Salvador | 0.4 | -0.2 | 0.2 | 0.5 | 0.2 | 0.3 | 0.4 | 0.3 | 0.8 |
| Guatemala | 0.6 | 0.8 | 1.0 | 1.2 | 1.3 | 1.3 | 1.1 | 1.1 | 1.0 |
| Haiti | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.4 |
| Honduras | 0.5 | 1.0 | 1.0 | 0.9 | 1.0 | 1.3 | 1.0 | 0.9 | 1.0 |
| Nicaragua | 0.5 | 0.5 | 0.9 | 0.7 | 0.7 | 0.8 | 0.9 | 0.8 | 0.8 |
| Panama | 1.3 | 2.4 | 3.0 | 3.3 | 3.6 | 4.1 | 4.0 | 5.0 | 5.4 |

SOURCE:

2018 Economic Survey of Latin America and the Caribbean

¹ECLAC 2018 Preliminary Overview of the Economics of Latin America and the Caribbean

Table 6
TOTAL GROSS EXTERNAL DEBT¹
(Millions of Dollars)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018e ³ | 2019f ³ |
|--|-------|-------|-------|-------|-------|-------|-------|-------|--------------------|--------------------|
| NAFTA REGION | | | | | | | | | | |
| Mexico | 194.8 | 210.7 | 226.5 | 260.0 | 286.6 | 298.4 | 316.2 | 334.0 | 482.0 | 505.0 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | |
| Bolivia | 5.8 | 6.2 | 6.6 | 8.1 | 8.9 | 9.9 | 11.0 | 13.0 | 13.5 | 15.1 |
| Colombia | 64.2 | 76.1 | 79.3 | 92.1 | 103.7 | 113.2 | 120.5 | 124.4 | 131.0 | 134.0 |
| Ecuador | 15.0 | 15.9 | 16.4 | 18.6 | 24.2 | 27.3 | 33.7 | 39.5 | 43.0 | 45.7 |
| Peru | 42.2 | 45.0 | 61.6 | 63.5 | 67.9 | 67.2 | 70.6 | 68.1 | 73.0 | 70.9 |
| Venezuela | 101.8 | 118.3 | 130.6 | 132.3 | 135.7 | 124.4 | 113.0 | 105.6 | 112.0 | 111.0 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | |
| Argentina | 126.6 | 126.6 | 126.6 | 126.6 | 126.6 | 126.6 | 126.6 | 126.6 | 126.6 | 139.5 |
| Brazil | 352.4 | 404.0 | 440.5 | 483.8 | 556.9 | 543.4 | 543.2 | 543.0 | 570.0 | 595.0 |
| Chile | 86.6 | 101.0 | 122.7 | 136.4 | 152.1 | 160.9 | 167.0 | 181.5 | 186.9 | 197.1 |
| Paraguay | 15.9 | 15.6 | 16.0 | 15.7 | 16.5 | 16.1 | 16.2 | 16.1 | 17.5 | 18.2 |
| Uruguay | 18.4 | 18.3 | 36.1 | 37.8 | 40.9 | 43.3 | 40.0 | 41.2 | 42.6 | 35.3 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | |
| Costa Rica | 8.2 | 10.3 | 14.3 | 17.1 | 19.7 | 23.6 | 25.6 | 27.9 | 30.2 | 17.0 |
| Cuba | 29.0 | 30.0 | 29.0 | 29.0 | 30.0 | 30.0 | 30.0 | 30.0 | 29.0 | 29.6 |
| Dominican Republic ² | 13.5 | 15.1 | 22.1 | 24.0 | 26.3 | 26.7 | 28.0 | 29.8 | 32.9 | 34.5 |
| El Salvador | 11.5 | 12.7 | 13.5 | 14.1 | 15.2 | 15.6 | 16.6 | 16.7 | 16.9 | 17.1 |
| Guatemala | 15.0 | 16.3 | 15.4 | 17.5 | 19.5 | 20.4 | 21.5 | 23.0 | 24.0 | 25.6 |
| Haiti ² | 1.0 | 0.8 | 1.2 | 1.6 | 2.0 | 2.1 | 2.2 | 2.7 | 3.0 | 4.1 |
| Honduras | 4.0 | 4.4 | 5.1 | 6.8 | 7.3 | 7.6 | 7.6 | 8.7 | 9.0 | 9.3 |
| Nicaragua ² | 7.0 | 7.9 | 8.9 | 9.7 | 10.1 | 10.5 | 10.7 | 11.0 | 11.2 | 11.7 |
| Panama | 15.0 | 16.3 | 15.4 | 17.5 | 19.5 | 20.4 | 21.5 | 23.0 | 24.0 | 25.6 |

SOURCE:

2018 IMF Preliminary Overview of the Economies of Latin America and the Caribbean

¹ Includes debt owed to the International Monetary Fund.

² External public debt.

³ University of Florida forecasts

Table 7
TOTAL GROSS EXTERNAL DEBT TO EXPORTS
(in percentage)

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018e ¹ | 2019f ¹ |
|--|-------|-------|-------|-------|-------|-------|-------|--------------------|--------------------|
| NAFTA | | | | | | | | | |
| Mexico | 77.7 | 87.4 | 98.9 | 102.9 | 103.9 | 104.0 | 102.6 | 94.4 | 93.9 |
| ANDEAN SOUTH AMERICA | | | | | | | | | |
| Bolivia | 65.6 | 53.2 | 62.8 | 63.0 | 98.8 | 132.2 | 140.2 | 135.2 | 147.7 |
| Colombia | 110.2 | 109.8 | 127.8 | 151.7 | 224.5 | 254.2 | 245.3 | 215.8 | 215.1 |
| Ecuador | 58.0 | 56.6 | 62.1 | 77.3 | 116.3 | 171.5 | 179.1 | 168.0 | 184.3 |
| Peru | 116.3 | 115.9 | 132.2 | 135.8 | 154.2 | 149.7 | 112.2 | 116.2 | 113.8 |
| Venezuela | 125.8 | 132.5 | 134.2 | 137.7 | 330.8 | 405.6 | 322.9 | 480.7 | 497.8 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | |
| Argentina | 137.5 | 140.1 | 157.6 | 171.8 | 239.1 | 258.6 | 297.8 | 310.1 | 304.1 |
| Brazil | 127.9 | 152.0 | 165.8 | 201.2 | 230.4 | 234.1 | 200.3 | 184.0 | 181.6 |
| Chile | 99.5 | 124.7 | 140.3 | 163.9 | 206.8 | 219.4 | 214.5 | 194.5 | 196.9 |
| Paraguay | 115.6 | 128.4 | 107.8 | 117.5 | 134.1 | 125.2 | 103.4 | 94.9 | 109.8 |
| Uruguay | 136.5 | 260.5 | 206.0 | 220.5 | 273.2 | 269.4 | 255.1 | 267.1 | 221.2 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | |
| Costa Rica | 71.5 | 92.7 | 106.2 | 116.3 | 137.4 | 136.5 | 138.2 | 141.1 | 134.7 |
| Cuba | 165.1 | 145.7 | 156.2 | 164.7 | 207.9 | 221.5 | 233.3 | 248.3 | 267.3 |
| Dominican Republic | 101.3 | 141.0 | 146.5 | 149.6 | 152.7 | 150.6 | 153.4 | 150.9 | 156.1 |
| El Salvador | 215.2 | 220.1 | 214.6 | 226.9 | 222.9 | 237.5 | 228.1 | 214.6 | 211.1 |
| Guatemala | 123.9 | 118.6 | 132.6 | 135.6 | 144.1 | 153.6 | 156.7 | 164.6 | 171.9 |
| Haiti | 56.8 | 82.5 | 96.7 | 116.0 | 115.2 | 130.5 | 131.6 | 173.8 | 178.3 |
| Honduras | 69.7 | 75.1 | 108.3 | 108.6 | 109.2 | 110.3 | 115.5 | 132.8 | 129.5 |
| Nicaragua | 179.2 | 177.1 | 193.1 | 184.6 | 198.5 | 211.4 | 200.5 | 195.1 | 203.6 |
| Panama | 208.2 | 197.0 | 224.4 | 275.8 | 340.9 | 356.9 | 340.0 | 309.9 | 307.6 |

SOURCE:

Calculated by Total External Debt (US\$ mil)/ ((Merchandise Trade Balance Exports + Services Exports + Net Transfers for Services)/1000)*100

¹ University of Florida forecasts

Table 8
TOTAL EXTERNAL DEBT AS PERCENTAGE OF GDP

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018e ¹ | 2019f ¹ |
|--|------|------|------|------|------|------|------|------|------|--------------------|--------------------|
| NAFTA REGION | | | | | | | | | | | |
| Mexico | 34.3 | 27.0 | 34.1 | 33.9 | 36.8 | 40.1 | 44.2 | 49.4 | 47.2 | 49.0 | 49.0 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | | |
| Bolivia | 39.5 | 34.6 | 33.7 | 31.3 | 30.4 | 30.0 | 31.6 | 34.1 | 37.2 | 39.7 | 39.9 |
| Colombia ² | 45.1 | 38.7 | 43.1 | 40.7 | 43.1 | 46.0 | 50.1 | 54.9 | 54.4 | 57.7 | 58.6 |
| Ecuador | 16.3 | 17.8 | 18.3 | 21.1 | 24.0 | 29.6 | 33.0 | 38.2 | 44.5 | 46.8 | 48.9 |
| Peru | 23.7 | 20.7 | 22.0 | 20.4 | 19.4 | 19.8 | 20.9 | 22.7 | 22.6 | 23.8 | 24.7 |
| Venezuela ³ | 25.2 | 29.0 | 25.1 | 27.5 | 32.9 | 28.5 | 31.7 | 24.5 | 14.8 | 38.2 | 47.1 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | | |
| Argentina | 39.6 | 43.5 | 38.9 | 40.4 | 43.5 | 44.7 | 53.5 | 53.3 | 57.1 | 85.0 | 76.9 |
| Brazil | 60.9 | 52.0 | 50.8 | 55.2 | 56.7 | 58.9 | 66.5 | 70.0 | 74.0 | 77.0 | 77.5 |
| Chile | 12.1 | 8.6 | 17.7 | 18.9 | 20.5 | 24.1 | 27.6 | 30.7 | 32.8 | 35.3 | 36.7 |
| Paraguay | 16.8 | 9.1 | 8.1 | 10.7 | 10.8 | 13.5 | 15.1 | 17.3 | 18.2 | 18.3 | 18.6 |
| Uruguay | 49.4 | 39.9 | 43.4 | 45.7 | 41.5 | 44.6 | 52.2 | 50.2 | 51.6 | 58.9 | 59.4 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | | |
| Costa Rica | 34.0 | 28.4 | 37.2 | 41.5 | 44.1 | 46.9 | 49.2 | 53.0 | 58.9 | 63.4 | 66.2 |
| Cuba ² | -- | -- | 32.4 | 31.9 | 37.8 | 38.5 | 40.3 | 42.7 | 46.9 | 49.4 | 51.0 |
| Dominican Republic | 27.1 | 27.2 | 28.5 | 32.2 | 37.4 | 36.0 | 35.1 | 37.0 | 38.9 | 39.8 | 40.6 |
| El Salvador | 45.2 | 49.4 | 50.3 | 53.3 | 51.3 | 51.9 | 52.8 | 53.4 | 52.6 | 52.5 | 52.4 |
| Guatemala | 23.3 | 24.0 | 23.9 | 24.5 | 24.7 | 24.5 | 24.3 | 24.1 | 23.9 | 24.0 | 24.2 |
| Haiti | 34.3 | 22.9 | 23.9 | 28.0 | 30.5 | 35.1 | 39.7 | 40.8 | 36.6 | 37.9 | 39.0 |
| Honduras | 23.9 | 30.4 | 32.5 | 34.7 | 43.1 | 43.6 | 43.0 | 46.8 | 48.8 | 48.5 | 47.5 |
| Nicaragua | 34.2 | 33.2 | 32.6 | 32.0 | 31.5 | 30.7 | 30.4 | 32.0 | 34.5 | 37.8 | 41.1 |
| Panama | 45.4 | 39.6 | 37.3 | 35.7 | 34.9 | 36.5 | 37.3 | 37.5 | 37.8 | 38.8 | 39.1 |

SOURCE:

Economic Commission for Latin American and the Caribbean.

¹ University of Florida estimates and forecasts, except for Cuba and Haiti, which are EIU forecasts.

² Net debt.

³ UF estimates for 2018 and 2019.

Table 9
FISCAL BALANCE
(as percentage of GDP)

| | Primary Balance | | | | | | | Overall Balance | | | | |
|--|-------------------|-------------------|-------|-------|-------|-------|-------------------|-------------------|-------|-------|-------|-------------------|
| | 2013 ¹ | 2014 ² | 2015 | 2016 | 2017 | 2018 | 2013 ¹ | 2014 ² | 2015 | 2016 | 2017 | 2018 ³ |
| NAFTA | | | | | | | | | | | | |
| Mexico | -0.5 | -1.2 | -1.2 | -0.2 | 1.2 | 0.6 | -2.3 | -3.2 | -3.4 | -2.5 | -1.1 | -2.2 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | | | |
| Bolivia ⁴ | 2.0 | -1.7 | -3.6 | -2.8 | -4.4 | -5.3 | 0.6 | -3.4 | -6.9 | -6.6 | -6.5 | -6.5 |
| Colombia | -0.1 | -0.4 | -0.8 | -1.6 | -1.1 | -0.5 | -2.3 | -2.4 | -3.0 | -4.1 | -3.7 | -3.1 |
| Ecuador | -4.5 | -4.9 | -2.1 | -3.7 | -3.6 | -2.0 | -5.7 | -6.3 | -3.8 | -5.6 | -6.0 | -4.6 |
| Peru | 1.5 | 0.8 | -1.1 | -1.2 | -1.8 | -1.4 | 0.5 | -0.5 | -2.2 | -2.9 | -2.7 | -2.4 |
| Venezuela | -11.5 | -11.9 | -15.4 | -23.4 | -24.7 | -22.1 | -14.5 | -15.2 | -18.7 | -24.5 | -25.0 | -22.2 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | | | |
| Argentina | -1.3 | -2.3 | -1.9 | -2.1 | -2.9 | -1.7 | -2.5 | -4.2 | -3.7 | -5.8 | -5.8 | -3.5 |
| Brazil | 1.5 | -0.3 | -1.9 | -2.5 | -1.8 | -2.1 | -2.6 | -5.0 | -9.1 | -7.6 | -7.7 | -7.1 |
| Chile | 0.0 | -1.0 | -1.5 | -2.0 | -1.9 | -1.0 | -0.6 | -1.6 | -2.1 | -2.7 | -2.8 | -2.0 |
| Paraguay | -1.4 | -0.7 | -0.9 | -0.5 | -0.5 | -0.7 | -1.7 | -1.1 | -1.3 | -1.1 | -1.1 | -1.3 |
| Uruguay | 0.9 | 0.0 | -0.5 | -1.0 | -0.3 | 0.3 | -1.5 | -2.3 | -2.8 | -3.7 | -3.0 | -2.6 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | | | |
| Costa Rica | -2.8 | -3.0 | -3.0 | -2.4 | -3.1 | -3.6 | -5.4 | -5.6 | -5.7 | -5.3 | -6.2 | -7.4 |
| Cuba | n/a | n/a | n/a | n/a | n/a | n/a | 1.9 | 0.6 | -0.4 | n/a | n/a | n/a |
| Dominican Republic | -0.4 | -0.1 | 0.3 | 0.5 | 0.0 | 1.2 | -2.7 | -2.6 | -2.4 | -2.4 | -2.4 | -2.2 |
| El Salvador | 0.6 | 0.8 | 1.5 | 1.9 | 3.0 | 2.1 | -1.8 | -1.6 | -1.2 | -0.9 | -0.1 | -0.8 |
| Guatemala | -0.6 | -0.4 | -0.1 | 0.4 | 0.1 | -0.4 | -2.1 | -1.9 | -1.5 | -1.1 | -1.3 | -1.7 |
| Haiti | -1.0 | -0.5 | 0.3 | 0.9 | 0.7 | 0.8 | -1.4 | -0.9 | 0.1 | 0.6 | 0.4 | 0.4 |
| Honduras | -5.8 | -2.1 | -0.6 | -0.3 | -0.2 | 0.5 | -7.9 | -4.4 | -3.1 | -2.8 | -2.8 | -2.1 |
| Nicaragua | 1.0 | 0.6 | 0.3 | 0.4 | 0.5 | -0.4 | 0.1 | -0.3 | -0.6 | -0.6 | -0.6 | -1.5 |
| Panama | -1.9 | -2.3 | -2.0 | -2.1 | -1.2 | -1.9 | -3.8 | -4.0 | -3.7 | -3.8 | -2.9 | -3.9 |

SOURCES:

ECLAC 2018 Preliminary Overview of the Economics of Latin America and the Caribbean

¹ ECLAC 2016 figures.

² ECLAC 2017 figures.

³ For the LA-7 countries estimates are from Consensus Economics.

Table 10
CURRENCY & EXCHANGE RATES

| | Currency ¹ | Exchange Regime ² | | Dollar Exchange Rates | | |
|--|-----------------------|------------------------------|---------------------------|-----------------------|---------------------|----------|
| | | Exchange Rate Arrangement | Exchange Rate Anchor | Dec-18 | Dec-19 ³ | % Change |
| NAFTA REGION | | | | | | |
| Mexico | Peso | Free floating | Inflation target | 19.65 | 20.76 | -5.3% |
| ANDEAN SOUTH AMERICA | | | | | | |
| Bolivia | Boliviano | Stabilized arrangement | Monetary aggregate target | 6.91 | 6.91 | 0.0% |
| Colombia | Peso | Floating | Inflation target | 3,248 | 3,122 | 4.0% |
| Ecuador | US Dollar | No separate legal tender | U.S. Dollar | USD | USD | 0.0% |
| Peru | Sol | Floating | Inflation target | 3.36 | 3.38 | -0.5% |
| Venezuela | Bolívar | Other managed arrangement | U.S. Dollar | 563 | 987,716,448 | -100.0% |
| BRAZIL & SOUTHERN CONE | | | | | | |
| Argentina | Peso | Floating | Other | 37.65 | 48.18 | -21.9% |
| Brazil | Real | Floating | Inflation target | 3.88 | 3.82 | 1.5% |
| Chile | Peso | Floating | Inflation target | 694 | 655.5 | 5.9% |
| Paraguay | Guaraní | Floating | Inflation target | 5,961 | 6,012 | -0.8% |
| Uruguay | Peso | Floating | Inflation target | 32.41 | 34.04 | -4.8% |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | |
| Costa Rica | Colón | Crawl-like arrangement | Other | 609 | 601 | 1.3% |
| Cuba | Cuban Peso - CUC | Dual exchange rate | U.S. Dollar | 1.00 | 1.00 | 0.0% |
| Dominican Republic | Peso | Crawl-like arrangement | Inflation target | 50.2 | 48.81 | 2.8% |
| El Salvador | US Dollar | No separate legal tender | U.S. Dollar | USD | USD | 0.0% |
| Guatemala | Quetzal | Floating | Inflation target | 7.73 | 7.82 | -1.2% |
| Haiti | Gourde | Managed arrangement | Other | 77.63 | 77.20 | 0.6% |
| Honduras | Lempira | Crawling peg | U.S. Dollar | 24.33 | 25.34 | -4.0% |
| Nicaragua | Córdoba | Crawling peg | U.S. Dollar | 32.48 | 33.43 | -2.8% |
| Panama | Balboa | No separate legal tender | U.S. Dollar | USD | USD | 0.0% |

SOURCE:

¹The Economist Intelligence Unit

²IMF 2017 Annual Report on Exchange Arrangements and Exchange Restrictions

³December 2018 Consensus Economics forecasts.

Table 11
COUNTRY RISK AND IMF RELATIONS

| | Country Risk ¹ | | | Sovereign Spreads ¹ | | IMF Relations ² Summary: |
|--|---------------------------|------|-------|--------------------------------|--------------|---|
| | Moody's | S&P | Fitch | December '17 | December '18 | |
| NAFTA REGION | | | | | | |
| Mexico | A1 | BBB+ | BBB+ | 125 | 196 | \$53.5 billion flexible credit line arranged November 17, 2017. |
| ANDEAN SOUTH AMERICA | | | | | | |
| Bolivia | Ba2 | BB- | BB- | 141 | 413 | Consultation completed November 9, 2018. |
| Colombia | A3 | BBB- | BBB | 119 | 120 | \$7.8 billion flexible credit line arranged May 25, 2018. |
| Ecuador | B2 | B- | B- | 489 | 847 | IMF staff are visiting in support of Ecuador's policy plan. |
| Peru | A1 | BBB+ | BBB+ | 63 | 97 | Consultation completed July 9, 2018. |
| Venezuela | Ca | SD | RD | 3950 | 3960 | No agreement on mission dates/modalities. |
| BRAZIL & SOUTHERN CONE | | | | | | |
| Argentina | B1 | B | B | 307 | 884 | Receiving disbursements from a \$56 billion stand-by arrangement. |
| Brazil | Ba1 | BB- | BB- | 229 | 244 | Consultation completed July 9, 2018. |
| Chile | Aa2 | A+ | A | 51 | 97 | Consultation concluded November 9, 2018. |
| Paraguay | Baa3 | BB | BB+ | 151 | 218 | IMF staff concluded visit November 15, 2018. |
| Uruguay | A2 | BBB | BBB- | 101 | 160 | Consultation concluded February 13, 2018. |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | |
| Costa Rica | Ba2 | B+ | B+ | 393 | 730 | IMF staff concluded visit December 12, 2018. |
| Cuba | Caa2 | NR | NR | n/a | n/a | Cuba withdrew from IMF membership in 1964. |
| Dominican Republic | Ba1 | BB- | BB- | 295 | 333 | Consultation concluded April 23, 2018. |
| El Salvador | B1 | B- | B- | 361 | 502 | IMF staff concluded visit November 16, 2018. |
| Guatemala | Baa3 | BB- | BB | 194 | 289 | Consultation concluded June 8, 2018. |
| Haiti | NR | NR | NR | n/a | n/a | IMF staff completed discussions in June 2018; report delayed. |
| Honduras | Ba2 | BB- | NR | 283 | 380 | IMF staff concluded visit November 16, 2018. |
| Nicaragua | B1 | B- | NR | n/a | n/a | IMF staff concluded visit October 31, 2018. |
| Panama | A2 | BBB | BBB | 90 | 159 | IMF staff concluded visit February 14, 2019 |

SOURCE:¹ Bloomberg² IMF: Under Article IV of the IMF's Articles of Agreement the IMF holds bilateral discussions with members, visits the country, usually every year.

A staff team reviews economic and financial information and discusses the country's economic developments and policies with officials and, later, the IMF Executive Board.

Table 12
SOCIAL ENVIRONMENT

| | Population ¹ (Millions) | Avg. Pop. Growth ¹ | % | Literacy Rate ¹ (% age 15+) | GDP Per Capita ² (PPP \$US) | GDP (P/C) Growth % ³ | Income Inequality ⁴ (GINI Index) | HDI (World Rank) ⁵ 2016 | Population in Poverty ⁶ | % | Unemployment Rate 2017 ⁷ % | Internet Penetration ⁸ |
|--|---------------------------------------|----------------------------------|---|---|--|------------------------------------|---|--|---------------------------------------|---|---|--------------------------------------|
| NAFTA REGION | | | | | | | | | | | | |
| Mexico | 126 | 1.09 | | 94.9 | 18,273 | 0.7 | 51.8 | 74 | 11.7 | | 3.4 | 59.5 |
| ANDEAN SOUTH AMERICA | | | | | | | | | | | | |
| Bolivia | 11.3 | 1.48 | | 92.5 | 7,560 | 2.6 | 47.3 | 118 | 13.5 | | 4.0 | 39.7 |
| Colombia | 48.2 | 0.97 | | 94.7 | 14,473 | 0.9 | 52.5 | 90 | 13.5 | | 9.3 | 58.1 |
| Ecuador | 16.5 | 1.25 | | 94.4 | 11,587 | 1.5 | 47.6 | 86 | 10.4 | | 4.6 | 54.1 |
| Peru | 31.3 | 0.94 | | 94.2 | 13,434 | 1.3 | 44.7 | 89 | 9.0 | | 7.7 | 45.5 |
| Venezuela | 31.7 | 1.21 | | 97.1 | n/a | n/a | 38.1 | 78 | 33.1 | | 21.2 | 60 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | | | |
| Argentina | 44.7 | 0.89 | | 99.1 | 20,785 | 1.9 | 42.1 | 47 | 4.5 | | 8.4 | 70.2 |
| Brazil | 208.8 | 0.71 | | 92 | 15,484 | 0.2 | 51.7 | 79 | 9.2 | | 12.8 | 59.7 |
| Chile | 17.9 | 0.75 | | 96.9 | 24,635 | 0.7 | 48.2 | 44 | 2.9 | | 6.7 | 66 |
| Paraguay | 7 | 1.17 | | 94.7 | 13,082 | 3.5 | 49.3 | 110 | 8.8 | | 5.7 | 51.3 |
| Uruguay | 3.4 | 0.27 | | 98.6 | 22,562 | 2.3 | 42.6 | 55 | 1.9 | | 7.4 | 66.4 |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | | | |
| Costa Rica | 5 | 1.13 | | 97.8 | 17,074 | 2.2 | 50.6 | 63 | 4.5 | | 8.1 | 66 |
| Cuba | 11.1 | -0.27 | | 99.8 | 12,355 | n/a | n/a | 73 | n/a | | n/a | 38.8 |
| Dominican Republic | 10.3 | 0.99 | | 93.8 | 16,030 | 3.4 | 47.7 | 94 | 9.4 | | 5.4 | 61.3 |
| El Salvador | 6.2 | 0.25 | | 88.1 | 8,006 | 1.9 | 42.6 | 121 | 10 | | 6.9 | 29 |
| Guatemala | 16.6 | 1.72 | | 81.5 | 8,150 | 0.9 | 50.6 | 125 | 36.9 | | n/a | 34.5 |
| Haiti | 10.8 | 1.31 | | 60.7 | 1,815 | -0.1 | n/a | 168 | n/a | | n/a | 12.2 |
| Honduras | 9.2 | 1.56 | | 89 | 4,986 | 3.3 | 52.5 | 133 | 36.5 | | 5.6 | 30 |
| Nicaragua | 6.1 | 0.97 | | 82.8 | 5,842 | 3.7 | 51.5 | 124 | 16.1 | | 6.1 | 24.6 |
| Panama | 3.8 | 1.24 | | 95 | 24,469 | 3.7 | 50.2 | 66 | 7.5 | | 6.0 | 54 |
| Puerto Rico | 3.3 | -1.70 | | 93.3 | 38,867 | n/a | n/a | n/a | n/a | | 12.5 | 80.3 |

SOURCE & NOTES

¹ The CIA World Factbook, February 2019: For Literacy Rate, Data refer to percentage of population aged 15 or older who can, with understanding, both read and write a short simple statement on their everyday life

² World Bank, February 2019: GDP per capita (Purchasing Power Parity in \$U.S.). 1 PPP dollar has the same purchasing power in the domestic economy as 1 U.S. dollar has in the U.S. economy.

³ CEPAL, Economic Survey of Latin American & the Caribbean 2018.

⁴ IMF Regional Economic Outlook, May 2018: The Gini index measures inequality over the entire distribution of income or consumption. A value of 0 represents perfect equality, and a value of 100 perfect inequality

⁵ UNDP, Human Development Statistical Update 2018: The Human Development Index (HDI) measures a country's achievements in three aspects of human development: longevity (life expectancy at birth), knowledge (combination of literacy rate and enrollment ratio), and a decent standard

⁶ IMF Regional Economic Outlook, May 2018.

⁷ IMF Regional Economic Outlook, May 2018.

⁸ CIA World Factbook, February 2019: Data refer to number of users who access the internet.

⁹ Economist Intelligence Unit, February 2019

Table 13
POLITICAL ENVIRONMENT

| | Level of Democratic Consolidation | | Political Rights ² | Civil Liberties ³ | Current Government ⁴ | |
|--|-----------------------------------|----------------------------------|-------------------------------|------------------------------|---------------------------------|---------------------------------|
| | Election Inaugurating Democracy | Unscheduled Head of State Change | | | President/ PM | Term |
| NAFTA | | | | | | |
| Mexico | 2000 | | 3 | 3 | Lopez Obrador | 2018-2023 Government |
| ANDEAN SOUTH AMERICA | | | | | | |
| Bolivia | 1980 ¹ | 7 | 3 | 3 | Morales | 2014-2019 Government |
| Colombia | 1958 ¹ | | 3 | 3 | Duque | 2018-2022 Govt. Coalition |
| Ecuador | 1978 ¹ | 8 | 3 | 3 | Moreno | 2017-2021 Govt. Coalition |
| Peru | 1980 ¹ | 2 | 2 | 3 | Vizcarra | 2018-2021 Opposition |
| Venezuela | 1958 | 6 | 6 | 5 | Maduro/Guaidó ⁵ | 2019-2024 Opposition |
| BRAZIL & SOUTHERN CONE | | | | | | |
| Argentina | 1983 ¹ | 4 | 2 | 2 | Macri | 2015-2019 Opposition |
| Brazil | 1989 | 2 | 2 | 2 | Bolsonaro | 2019-2022 Govt. Coalition |
| Chile | 1989 | | 1 | 1 | Piñera | 2017-2021 Govt. Coalition |
| Paraguay | 1993 | | 3 | 3 | Abdo | 2018-2023 Govt. Coalition |
| Uruguay | 1985 | | 1 | 1 | Vázquez | 2014-2019 Government |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | |
| Costa Rica | 1949 | | 1 | 1 | Alvarado | 2018-2022 Opposition |
| Cuba | n/a | | 7 | 6 | Diaz-Canel | 2018-2023 Government |
| Dominican Republic | 1963 | 1 | 3 | 3 | Medina | 2016-2020 Government |
| El Salvador | 1984 | | 2 | 3 | Bukele | 2019-2023 Shifting Alliances |
| Guatemala | 1985 ¹ | 1 | 4 | 4 | Morales | 2015-2019 Opposition |
| Haiti | 1986 ¹ | 6 | 5 | 5 | Moise | 2017-2022 Shifting Alliances |
| Honduras | 1982 | 1 | 4 | 4 | Hernández | 2017-2021 Govt. Coalition |
| Nicaragua | 1984 | | 5 | 4 | Ortega | 2016-2021 Government |
| Panama | 1994 | | 2 | 2 | Varela | 2014-2019 Govt. Coalition |

SOURCE & NOTES

¹ Interrupted democracies² Freedom in the World 2018: <https://freedomhouse.org/report/freedom-world-2018> Freedom House definition: Those rights that enable people to participate freely in the political process. On this scale 1 represents the most free and 7 the least free³ Freedom in the World 2018: <https://freedomhouse.org/report/freedom-world-2018> Freedom House definition: Freedoms to develop views, institutions and personal autonomy apart from the state. On this scale 1 represents the most free and 7 the least free.⁴ CIA Factbook⁵ President Nicolás Maduro's reelection was not recognized by the United States or by most of the OAS member states. These countries recognize Juan Gerardo Guaidó Márquez, President of the National Assembly, as the lawful interim president of Venezuela.

Table 14
LEGAL ENVIRONMENT

| | Rule of Law ¹ | | Corruption Perception ² | | Economic Freedom ³ | | Property Rights ⁴ | | Global Competitiveness ⁵ | | Homicide Rate 2017 ⁶ | | Confidence in Judiciary ⁷ | |
|--|--------------------------|-----------|------------------------------------|-----------------|-------------------------------|-----------------|------------------------------|-----------------|-------------------------------------|-----------|---------------------------------|-------|--------------------------------------|------|
| | Rank 2017 | Rank 2018 | Rank 2018 | Percentile Rank | Rank 2018 | Percentile Rank | Rank 2018 | Percentile Rank | Rank 2018 | Rank 2018 | % Yes | % Yes | 2018 | 2018 |
| NAFTA | | | | | | | | | | | | | | |
| United States (for comparison) | 92 | 22↓ | 18↓ | 79↓ | 1 | 5.3 | n/a | | | | | | | |
| Mexico | 32 | 138↓ | 63↓ | 59↑ | 46↑ | 20.5 | 23 | | | | | | | |
| ANDEAN SOUTH AMERICA | | | | | | | | | | | | | | |
| Bolivia | 10 | 132↓ | 173↓ | 19↓ | 105 | 6.4 | 23 | | | | | | | |
| Colombia | 40↓ | 99↓ | 42↓ | 61↓ | 60↑ | 24.2 | 23 | | | | | | | |
| Ecuador | 25 | 114↑ | 165↓ | 37↓ | 85↑ | 5.8 | 23 | | | | | | | |
| Peru | 33↓ | 105↑ | 43 | 57↓ | 63↑ | 7.8 | 16 | | | | | | | |
| Venezuela | 0.5 | 168↑ | 179 | 5↓ | 127 | 51.1 | 18 | | | | | | | |
| BRAZIL & SOUTHERN CONE | | | | | | | | | | | | | | |
| Argentina | 46↑ | 85 | 144↑ | 41↑ | 81↑ | 6 | 24 | | | | | | | |
| Brazil | 44↓ | 105↓ | 153↓ | 56↑ | 72↑ | 30.3 | 33 | | | | | | | |
| Chile | 82↓ | 27↓ | 20↓ | 68 | 33 | 3.5 | 26 | | | | | | | |
| Paraguay | 29 | 132↑ | 82↓ | 38 | 95↑ | 7.4 | 24 | | | | | | | |
| Uruguay | 72↓ | 23 | 38 | 69↓ | 53↑ | 8.1 | 39 | | | | | | | |
| CENTRAL AMERICA & THE CARIBBEAN | | | | | | | | | | | | | | |
| Costa Rica | 68 | 48↓ | 57↓ | 55 | 47↑ | 13.4 | 49 | | | | | | | |
| Cuba | 35 | 61↑ | 178 | 30↓ | n/a | 4.3 | n/a | | | | | | | |
| Dominican Republic | 36↓ | 129↑ | 89↓ | 52↓ | 82↑ | 16 | 21 | | | | | | | |
| El Salvador | 20↓ | 105↓ | 75↓ | 37↓ | 98↑ | 60.1 | 14 | | | | | | | |
| Guatemala | 13↓ | 144↓ | 73↓ | 40↓ | 96↓ | 26 | 22 | | | | | | | |
| Haiti | 13↓ | 161↓ | 124↑ | 25↑ | 138↓ | 10 | n/a | | | | | | | |
| Honduras | 14↑ | 132↑ | 94↑ | 44↓ | 101↓ | 43.6 | 25 | | | | | | | |
| Nicaragua | 29↓ | 152↓ | 100↓ | 30↓ | 104↓ | 6.8 | 15 | | | | | | | |
| Panama | 54↓ | 93↑ | 54↑ | 61↑ | 64↓ | 10.1 | 21 | | | | | | | |
| ASIA | | | | | | | | | | | | | | |
| China (for comparison) | 45 | 87↓ | 110↓ | 47↓ | 28↓ | 0.6 | n/a | | | | | | | |

SOURCE & NOTES

- ↑ ↓ Up or down indicate, respectively, an improvement or a worsening of the environment from that reported in the 2016 *LABER*. The absence of an arrow indicates "no change" from the previous year.
- As measured by the World Bank's Governance Indicators: 1966-2018 <www.worldbank.org>. The percentages measure the extent to which agents have confidence in and abide by the rules of society, including perceptions of the incidence of crime, the effectiveness and predictability of the judiciary, and the enforceability of contracts
- As measured by Transparency International, *Corruption Perceptions Index 2017* <www.transparency.org>. Focuses on corruption in the public sector and defines corruption as the abuse of public office for private gain. The scores used in the index range from 10 (country perceived as virtually corruption-free) to almost 0 (country perceived as almost totally corrupt). The country ranks measure the corruption level in 180 countries as perceived by business people, risk analysts, investigative journalists and the general public.
- As measured by the Heritage Foundation's 2018 *Index of Economic Freedom*. Scores are based on a 1 to 100 scale, 1 being an economic environment that is least conducive to economic freedom, 100 being the most conducive. Countries are also ranked in order of economic freedom, 1 being the most free.
- As measured by the Heritage Foundation's 2018 *Index of Economic Freedom*. The percentages measure the degree to which a country's laws protect private property rights and the degree to which its government enforces those laws. 100% indicates that private property is guaranteed by the government. 0% indicates that private property is outlawed.
- As measured by the *Global Competitiveness Report 2018*, produced by the World Economic Forum <<http://www.weforum.org/reports>>. This ranking is based on a total of 140 countries and is determined by measuring 12 pillars of competitiveness, including: Institutions, Infrastructure, Health & Primary Education, Higher Education, Financial Market Efficiency, Labor Market Efficiency, Technological Readiness, Market Size, Business Sophistication, and Innovation.
- Igarape Institute, *Homicide Monitor*, 2018. Homicide rates per 100,000 inhabitants 2017.
- As measured by Latinobarometro 2018. Percentage of respondents expressing "much confidence" or "some confidence" to the question about whether most members of the institution can be trusted.

Table 15
BUSINESS ENVIRONMENT

| | Days Required to ¹ | | | Paying Taxes ² | | | Intellectual Property ³ | | |
|--|-------------------------------|--------------------------------|--------------------------------|-----------------------------------|---------------------------------|-----------------------------|------------------------------------|--------------------------------------|--|
| | Start a Business ^a | Register Property ^b | Enforce Contracts ^c | Trade Across Borders ^d | Number of Payments ^a | Hours Required ^b | Tax Rate (% Profit) ^c | Unlicensed Software Use ^a | Commercial Value of Unlicensed Software ^b |
| NAFTA | | | | | | | | | |
| United States (for comparison) | 6 | 15 | 420 | 3 | 11 | 175 | 44 | 15 | 8,612 |
| Mexico | 8 | 39 | 341 | 28↑ | 6 | 241 | 53↓ | 49 | 760 |
| ANDEAN SOUTH AMERICA | | | | | | | | | |
| Bolivia | 44↑ | 90 | 591 | 192 | 42 | 1,025 | 84 | 79 | 94 |
| Colombia | 11 | 15 | 1,288 | 172 | 11↑ | 256↓ | 72↓ | 48 | 241 |
| Ecuador | 49 | 38 | 523 | 120 | 8↑ | 664↑ | 32↑ | 68 | 132 |
| Peru | 25↑ | 8 | 426 | 96 | 9 | 260 | 37↓ | 62 | 190 |
| Venezuela | 230 | 52 | 720 | 806 | 70 | 792 | 65 | 89 | 317 |
| BRAZIL & SOUTHERN CONE | | | | | | | | | |
| Argentina | 11↑ | 52 | 995 | 51 | 9 | 312 | 106 | 67 | 308 |
| Brazil | 21↑ | 31 | 731 | 61 | 10 | 1,958 | 65↑ | 46 | 1,665 |
| Chile | 6 | 29 | 480 | 84 | 7 | 296↓ | 34↓ | 55 | 283 |
| Paraguay | 35 | 46 | 606 | 144 | 20 | 378 | 35 | 83 | 76 |
| Uruguay | 7 | 66 | 725 | 120↑ | 20 | 163↑ | 42 | 67 | 51 |
| CENTRAL AMERICA & CARIBBEAN | | | | | | | | | |
| Costa Rica | 23 | 11 | 852 | 44 | 10 | 151 | 58 | 58 | 80 |
| Cuba | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Dominican Republic | 17 | 45 | 590 | 26 | 7 | 317 | 49 | 75 | 74 |
| El Salvador | 17 | 31 | 816↓ | 33↑ | 7 | 180 | 36 | 80 | 61 |
| Guatemala | 15↑ | 24 | 1,402 | 84 | 8 | 248 | 35 | 78 | 165 |
| Haiti | 97 | 312 | 530 | 50 | 47 | 184 | 43 | n/a | n/a |
| Honduras | 13 | 29 | 920 | 136 | 48 | 224 | 44 | 75 | 32 |
| Nicaragua | 14 | 56 | 490 | 120↓ | 43 | 201 | 61↓ | 81 | 20 |
| Panama | 6 | 23 | 790 | 30 | 36↑ | 408↑ | 37 | 71 | 112 |
| Puerto Rico | 6 | 191 | 630 | 50 | 16 | 218 | 63 | 41 | 27 |
| ASIA | | | | | | | | | |
| China (for comparison) | 9↑ | 9↑ | 496 | 35↑ | 7 | 142↑ | 65↑ | 66 | 6,842 |

SOURCE & NOTES

↑↓ Up or down indicate, respectively, an improvement or a worsening of the environment from 2018 *LABER*. The absence of an arrow indicates "no change" from the previous year.

- As measured by the World Bank Group's report *Doing Business 2019*: a) Average time in calendar days spent registering a firm. b) Average time in calendar days spent completing the procedures to register property. c) Average time in calendar days from the moment a plaintiff files a lawsuit in court until the moment of payment. d) Average time in hours necessary to comply with all procedures required to export goods.
- As measured by the World Bank Group's report *Doing Business 2019*: a) total number of tax payments per year. b) time it takes to prepare, file and pay (or withhold) the corporate income tax, the value added tax and social security contributions. c) total amount of taxes and mandatory contributions payable by the business.
- As measured by the Business Software Alliance, 2018 *BSA Global Software Piracy Study* (June 2018): a) Percentage of unlicensed software installed; b) Estimates are based on 2017 losses due to copyright business software piracy in millions of USD.



Latin American Business Environment Program

Center for Latin American Studies

University of Florida

PO Box 115530

Gainesville, FL 32611-5530

Tel: (352) 273-4723

Fax: (352) 392-7682

www.latam.ufl.edu/research--training/latin-american-business-environment/

Center for Government Responsibility

University of Florida Fredric G. Levin College of Law

PO Box 117629

Gainesville, FL 32611-7629

Tel: (352) 273-0836

Fax: (352) 392-1457

