

BOARD OF ADVISORS

Diego Arria

Director, Columbus Group

Merike Blofield

Director, Institute for Latin American Studies, GIGA

Devry Boughner Vorwerk

CEO, DevryBV Sustainable Strategies

Joyce Chang

Global Head of Research, JPMorgan Chase & Co.

Paula Cifuentes

Director of Economic & Fiscal Affairs, Latin America & Canada, Philip Morris International

Marlene Fernández

Corporate Vice President for Government Relations, Arcos Dorados (McDonald's)

Peter Hakim

President Emeritus, Inter-American Dialogue

Donna Hrinak

Senior VP, Corporate Affairs, Royal Caribbean Group

Jon E. Huenemann

Council Member, GLG Inc.

James R. Jones

Chairman, Monarch Global Strategies

Craig A. Kelly

Senior Director, Int'l Gov't Relations, Exxon Mobil

Barbara Kotschwar

Executive Director, Visa Economic Empowerment Institute

John Maisto

Director, U.S. Education Finance Group

Nicolás Mariscal

Chairman, Grupo Marhnos

Thomas F. McLarty III

Chairman, McLarty Associates

Beatrice Rangel

Director, AMLA Consulting LLC

Ernesto Revilla

Head of Latin American Economics, Citi

Gustavo Roosen

President, IESA

Andrés Rozental

President, Rozental & Asociados

Shelly Shetty

Managing Director, Sovereigns Fitch Ratings

FEATURED Q&A

What Is the State of Nicaragua's Ties With the E.U.?



Nicaragua's government last week withdrew the approval of Fernando Ponz, the proposed European Union ambassador to the Central American country. // File Photo: @FJPonzCanto via Twitter.

Q Nicaragua on April 18 withdrew approval of the European Union's proposed ambassador, Fernando Ponz, to the country, for what it characterized as the bloc's "interventionist" remarks. Earlier that day, the European Union said in a statement that it condemned the "systematic repression" that the people of Nicaragua have faced since 2018, when nationwide protests broke out against the government of President Daniel Ortega. How has the relationship between Nicaragua and the European Union evolved in recent years, and how significant is the new development? How has the European Union responded? What are the most important aspects of their relationship?

A Tiziano Breda, researcher on Latin America at the Istituto Affari Internazionali: "Withdrawing the approval of the proposed E.U. ambassador is just the latest diplomatic affront that President Ortega directs to any international actor that publicly denounces the Kafkaesque repression of dissent taking place in Nicaragua. Targets of this intransigence include not only great powers, but also regional countries and even the Vatican. Nonetheless, it is another step in the deteriorating diplomatic relations between Nicaragua and Europe, following the former's decision to suspend relations with the Netherlands and declare the former E.U. ambassador 'persona non grata,' reciprocated by Brussels. Something similar occurred in Venezuela in 2021, but there are two key differences: it responded to the imposition of sanctions, not just a statement, and it was soon reversed after quiet con-

Continued on page 2

TODAY'S NEWS

POLITICAL

El Salvador Begins Trial Against Ex-President Funes

Former Salvadoran President Mauricio Funes was put on trial, in absentia, on charges that he negotiated with powerful street gangs during his term. Funes, who was in office from 2009 to 2014, denies the allegations.

Page 2

BUSINESS

Mexico Unit Helps to Drive Profits of Spain's BBVA

Spain-based multinational bank BBVA today announced a 39 percent increase in first-quarter profit, fueled by gains in its home market as well as in Mexico.

Page 3

ECONOMIC

Colombia's Petro Dismisses Finance Minister Ocampo

As part of a cabinet shakeup, Colombian President Gustavo Petro on Wednesday dismissed Finance Minister José Antonio Ocampo, who had been seen as market-friendly.

Page 2



Ocampo // File Photo: Colombian Government.

ECONOMIC NEWS

Colombia's Petro Dismisses Ocampo as Finance Minister

Colombian President Gustavo Petro on Wednesday dismissed his market-friendly finance minister, José Antonio Ocampo, replacing him with Ricardo Bonilla, who headed Bogotá's finance department when Petro was the capital city's mayor, The Wall Street Journal reported. Ocampo's ouster rattled financial markets, sending Colombia's Colcap stock index down 1 percent and the peso down more than 3 percent against the U.S. dollar, the newspaper reported. "This is going to generate uncertainty and lots of nervousness in the markets," Daniel Mejía, an economist at Los Andes University, told The Wall Street Journal. "The departure of Ocampo is a very serious development for the Colombian economy," he added. Ocampo, who is on a public service leave from his position at Columbia University in New York, had been seen as a stabilizing economic force, Reuters reported. Last year, he guided the approval of an ambitious tax reform

plan. "Today we build a new cabinet that will help consolidate the government program, [a] program that will be the base of a frank and sincere national agreement to keep working for communities across the country," Petro said in a statement on Twitter. Bonilla said in a tweet that he "would maintain democratic stability." Ocampo's dismissal came amid a cabinet shake-up that saw a total of seven ministers dismissed, The Wall Street Journal reported. Among the changes, Petro named Luis Fernando Velasco as interior minister, replacing Alfonso Prada in the role. The president also tapped Guillermo Alfonso Jaramillo as health minister, replacing Carolina Corcho. Petro also named new ministers of agriculture, science, technology and transportation.

POLITICAL NEWS

El Salvador Begins Trial Against Former President Funes

El Salvador started a trial on Wednesday against former President Mauricio Funes over

NEWS BRIEFS

Brazilian Court Orders Shutdown of Telegram Messaging Application

A Brazilian court ordered the suspension of messaging app Telegram in the country, saying it failed to provide information on neo-Nazi groups linked to school shootings, The Wall Street Journal reported Wednesday. The order is part of an ongoing police investigation into two deadly attacks on schools in the southeastern state of Espírito Santo. Investigators found that the perpetrator was associated with antisemitic channels on Telegram and requested that the company hand over data, an order that a court said it failed to fully comply with.

Bolivian Authorities Take Control of Banco Fasil, Arrest Several Executives

The Bolivian government took control of Banco Fasil, one of the country's largest banks, and arrested its president and several other executives on charges of mismanagement, Reuters reported Wednesday. "Mismanagement, unhealthy practices have caused a crisis," Reynaldo Yujra, the executive director of the Bolivia's Financial System Supervision Authority, told reporters in the city of Santa Cruz.

Cuba Increasingly Turning to Russia, Mexico for Fuel

Cuba is increasingly turning to Russia and Mexico to assist with its oil and fuel shortages, amid dwindling supplies from Venezuela, according to shipping data and sources, Reuters reported Wednesday. For more than two decades, Venezuela has been Cuba's main political ally and crude provider, but U.S. sanctions on the South American country have undermined its capacity to produce enough fuel to export. Venezuela's oil exports to Cuba have dropped from almost 80,000 barrels per day in 2020 to 55,000 so far this year.

FEATURED Q&A / Continued from page 1

versations. Ortega's apparently unconcerned defiance of the European Union stems in part from the latter's intermittent attention to the Nicaraguan crisis. Since the beginning of the Ukraine war, Nicaragua has disappeared from debate in the European Union, and the bloc's latest round of sanctions dates back to January 2022. The greatest conundrum for the European Union regards its most powerful weapon: the suspension of the Association Agreement, which includes a democratic clause that risks becoming a dead letter if it is not applied to one of the most outrageous human rights and democratic crises in the region. The rationale for not suspending it is to avoid hurting the Nicaraguan population, but around half a million Nicaraguans have already fled the country

since 2018. The truth is the European Union cannot really activate the clause, since the agreement has not been ratified by Belgium yet. This impediment affects the European Union's ability to intervene not only in Nicaragua, but also elsewhere."



Arantza Gomez Arana, senior lecturer in the Department of Social Sciences at the University of Northumbria: "In recent

years, the European Union has developed sanctions against several Nicaraguans due to concerns related to human rights violations. This is linked to several issues including the way in which the Nicaraguan police handled protests in 2018—resulting in more than 300 deaths and many more peo-

Continued on page 4

allegations that he negotiated with powerful street gangs during his tenure, the Associated Press reported. Prosecutors are accusing the former president, who governed from 2009 to 2014, of illicit association for the gang truce negotiated in 2012. Funes denies the allegations. "I never ordered nor authorized any negotiation," Funes wrote in a posting on Twitter. He added that the truce was between rival gangs, not between gangs and the government. The trial will proceed despite Funes currently living in Nicaragua—where he obtained citizenship—following a change in Salvadoran law that allows people to be tried in absentia, the AP reported. He faces up to 11 years in prison if convicted. David Munguía Payés, who served as Funes' security minister, is also on trial on related charges. Current President Nayib Bukele has been accused of engaging in similar negotiations with the gangs, the AP reported. The U.S. Treasury in December 2021 said the Bukele government secretly negotiated a truce with the leaders of the country's most powerful gangs and extended them privileges. Former Attorney General Raúl Melara had said at the time he would investigate the allegations, but he was fired when Bukele's party dominated midterm elections and took control of the Legislative Assembly.

BUSINESS NEWS

Mexico Unit Helps to Fuel Profits of Spain's BBVA in First Quarter

Spain-based multinational bank BBVA today announced a 39 percent increase in its first-quarter profit, which it said was fueled by a strong performance in its home market as well as in Mexico. The bank said in a statement that it posted a net attributable profit of 1.85 billion euros (\$2.04 billion) in the January-to-March period. "These results were fueled by strong core revenue performance (net interest income and net fees and commissions) especially in Mexico and Spain, and higher activity," the bank said in a statement. BBVA said its loan portfolio grew 9.8 percent in constant euros as

THE DIALOGUE CONTINUES

Can Agricultural Commerce Between the U.S. & Cuba Grow?

Q During a trade tour in Cuba, leaders of U.S. agricultural businesses on April 4 said their efforts to increase trade with Cuban farmers are failing and called on the administration of U.S. President Joe Biden to ease restrictions on the Caribbean nation to allow them to invest in private agriculture there. What opportunities does Cuba offer to U.S. agricultural businesses? What are the most significant restrictions standing in the way of increased agriculture commerce between the United States and Cuba? Should those restrictions be lifted, and will they?

A Vicki J. Huddleston, retired U.S. ambassador and former chief of the U.S. Interests Section in Havana: "It is ironic that the law permitting agricultural sales to Cuba was enacted more than 20 years ago under President Clinton. Yet today, under another Democratic president, sales are at their lowest level. Given food shortages across the globe and Cuba's increasing poverty, it would seem to be a no-brainer for the Biden administration to take the one step that farm

organizations claim is most needed, namely, allowing farmers to use credit to sell their products. This measure should be accompanied by improved bilateral relations, a move that would further ease sales by facilitating business travel, transportation and financial arrangements. When I was head of the U.S. diplomatic mission in Cuba, I watched a vessel unload plump, yellow kernels of corn. It seemed like a beginning that couldn't go wrong. Cubans were delighted to have quality food, rather than the canned, dried and rubbery fare they were used to, and U.S. farmers were pleased to have the sales. But it was not to be; the lack of credit and President Trump's hostility to the island stalled the promising trade. Helping Cubans eat better would seem to be a fitting way to advance the Biden administration's concern for human rights and its desire to staunch the avalanche of Cubans seeking to migrate."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the April 18 issue of the Advisor.

compared to March of last year, "amplifying the impact of BBVA on society through financing of future projects for families and companies." In this year's first quarter, BBVA said it added 2.6 million new customers across all its units and "channeled 14 billion euros in sustainable businesses." The bank, which is headquartered in Bilbao, Spain, said it also maintained "stable risk indicators in line with expectations," along with "a comfortable liquidity and CET1 capital position, which stood at 13.13 percent at the end of March." BBVA said its net fees and commissions reached 1.44 billion euros, a 15.8 percent increase year-on-year. "Good performance of this line particularly stood out in Mexico and

Turkey." The bank's Mexico unit also had strong lending growth, with a 13.9 percent increase in the first quarter as compared to the same period last year. The level of customer funds also grew 6.2 percent at the Mexico unit, mainly due to "activity in mutual funds," the bank said. The Mexico unit posted a record net attributable profit of 1.29 billion euros at the end of March, a 44.2 percent increase year-on-year, the bank said. The soaring profit was "driven primarily by higher lending activity and its impact" on net interest income, the bank added. The ratio of nonperforming loans also improved in the first quarter, to 2.3 percent, and the coverage ratio improved to 137 percent, the bank added.

FEATURED Q&A / Continued from page 2

ple injured. Nicaragua, together with Haiti and Venezuela, are the only countries in the Americas that currently have E.U. sanctions against them. On the fifth anniversary of those protests, the European Union launched a statement that included its position on the matter: 'Five years have passed since thousands of Nicaraguan citizens took to the streets to voice their legitimate demand for human rights, in particular civil and political rights, and for the return of democracy.'

“ This diplomatic matter is taking place a few months ahead of a very anticipated summit...”

— Arantza Gomez Arana

Instead of having their demands heard and respected, the people of Nicaragua faced systemic repression ever since.' And Nicaragua immediately reacted by withdrawing its approval of the ambassador of the European Union to its nation. Nicaragua's foreign ministry explained that the position of the European Union was 'interventionist, daring and insolent.' This diplomatic matter is taking place a few months ahead of a very anticipated summit between the Community of Latin America and Caribbean States (CELAC) and the European Union, scheduled for July 17-18, at the beginning of Spain's presidency of the European Union. This Spanish presidency together with the support of the High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell, have a clear focus on bringing both regions closer. This summit is of special relevance after the last one that took place seven years ago, in part due to the lack of interest on the E.U. side. It is unlikely that

it will be tarnished by this diplomatic event, considering even Chile's leftist president has openly criticized Ortega by calling him a 'dictator.' ”

A **Josemar Franco, international trade consultant at BMJ:**
 “The European Union imposed sanctions on Daniel Ortega's government as a result of the oppressive reaction to the protests held by the Nicaraguan population in 2018. Consequently, Nicaragua and the European Union have maintained a complicated relationship. With the significant divergence in their political regimes, the European Union has been pointing out flaws in Nicaragua's democracy, human rights and sustainability. At the same time, Ortega has strategically turned his attention to Latin American countries that share his political thinking, as well as to countries with views that diverge from European Union's foreign policy, such as Russia and China, to improve the country's infrastructure and economic development. Despite the possible beneficial economic results to Nicaragua, this political alignment with China and Russia may reflect strategically in a negative way for the E.U.-Nicaragua relationship, since both China and Russia seek less influence from the European Union in the regional arena. Considering the European Union's history of a strong presence in Latin America and the Caribbean, Nicaragua's rapprochement with China and Russia could intensify a process of distancing the country from the European Union. In this context, despite the recent attempt to resume political dialogue, the two sides may continue with strained relations and direct, attacking speeches from their representatives in the coming years.”

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

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

Gene Kuleta
Editor

Lara Kovandova
Reporter

Leticia Chacón
Reporter

Megan Cook
Reporter



Rebecca Bill Chavez, President

Bruno Binetti, Nonresident Fellow

Sergio Bitar, Nonresident Senior Fellow

Álvaro Botero, Nonresident Senior Fellow

Joan Caivano, Senior Advisor

Kevin Casas-Zamora, Nonresident Senior Fellow

Cristóbal Cobo, Nonresident Senior Fellow

Ariel Fiszbein, Director, Education Program

Sandra García Jaramillo, Nonresident Senior Fellow

Rasheed Griffith, Nonresident Senior Fellow

Courtney Guthreau, Director of Development

Peter Hakim, President Emeritus & Senior Fellow

Selina Ho, Nonresident Senior Fellow

Edison Lanza, Nonresident Senior Fellow

Nora Lustig, Nonresident Senior Fellow

Michael Matera, Nonresident Senior Fellow

Ángel Melguizo, Nonresident Senior Fellow

Margaret Myers, Director, Asia Program

Manuel Orozco, Director, Migration, Remittances and Development Program

Jeffrey Puryear, Senior Fellow

Michael Shifter, Senior Fellow

Daniela Stevens, Director, Energy, Climate Change & Extractive Industries Program

Lisa Viscidi, Nonresident Senior Fellow

Carlos Winograd, Nonresident Senior Fellow

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.