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FEATURED Q&A

Will the G20 Shift Its Focus to Latin America's Interests?



Argentine President Mauricio Macri, seen speaking with German Chancellor Angela Merkel at this month's G20 summit in Hamburg, will host next year's summit of the G20 nations. // Photo: Argentine Government.

Q The Group of 20 leaders, including the presidents of Mexico, Argentina and Brazil, met earlier this month in Hamburg, Germany. The Latin American G20 member countries have historically struggled to put forward a common platform, analysts have noted, which has led to difficulties in incorporating Latin American priorities into the larger agenda of the summit. How well were the interests of Mexico, Argentina and Brazil represented in Hamburg? What opportunities exist for advancing Latin American interests at next year's G20 summit, which is to be held in Argentina? What goals should Latin American leaders seek to prioritize through the G20, and what obstacles are most likely to stand in the way of achieving those goals?

A Jorge Argüello, president of Fundación Embajada Abierta in Argentina and former Argentine ambassador to the United States and to the United Nations: "By not being able to define a common regional agenda, the Latin American bloc (Mexico, Brazil and Argentina) has struggled to incorporate Latin American priorities into the global agenda and has thus faced an additional historical disadvantage in G20 debates. This year's G20 process, and the upcoming Argentine G20 presidency in 2018, make for great opportunities in overcoming Latin America's legacy of being overlooked in setting the global governance agenda. Latin America must finally overcome the lack of a well-articulated and coherent position that it usually drags onto the G20 stage. The 'Trump threat' may spark an opportunity for making such an outcome possible, insofar as it might allow Mexico to recalibrate

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TODAY'S NEWS

ECONOMIC

Unemployment Rate in Mexico Falls Further

Mexico's unemployment rate fell to 3.3 percent in June, the lowest level since May 2006, although the rate of informality in the labor market remains stubbornly high.

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BUSINESS

Argentina Must Pay \$320 Million to Spain's Marsans

A World Bank arbitration body has ordered Argentina to pay \$320 million to Spanish travel group Marsans for expropriating air carrier Aerolíneas Argentinas.

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POLITICAL

Venezuelan Unions Join Call to Strike

More than 350 of Venezuela's largest trade unions on Sunday said they would join a 48-hour general strike scheduled to start Wednesday. José Miguel Vivanco, the director for the Americas at Human Rights Watch, on Friday criticized the government for using abusive force and repression against protesters.

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Vivanco // File Photo: Human Rights Watch.

POLITICAL NEWS

Venezuelan Unions Call for 48-Hour Strike This Week

More than 350 of Venezuela's largest trade unions on Sunday said they would join a 48-hour general strike scheduled to start Wednesday, *El Universal* reported. The announcement gives a boost to coalition efforts to block plans by the government of President Nicolás Maduro to elect a new National Constituent Assembly next Sunday that will be tasked with rewriting the constitution. "Initially we are calling for two days of strikes, but everything will depend on how the situation unfolds," Norma Torres, a union organizer, told EFE. Last Thursday, a 24-hour strike led to the deaths of five people and another 367 were detained by police during clashes between demonstrators and the Bolivarian National Guard, according to the report. Meanwhile, Maduro said on Sunday that his controversial plans would go

ahead next weekend despite increased calls to oppose it both at home and abroad, Reuters reported. "The imperial right wing believes it can give orders to Venezuela; the only ones who give orders here are the people," Maduro said in reference to a threat from U.S. President Donald Trump to impose economic sanctions if the vote is not aborted. Venezuela's military leaders, in a show of loyalty to the Maduro administration, took to the airwaves over the weekend to warn protesters against blocking polling stations next Sunday, saying they would ensure access for voters. Maduro also vowed over the weekend to imprison members of a new alternative Supreme Court panel appointed by the opposition legislature in defiance of his administration. New York-based Human Rights Watch on Friday issued a multimedia report showing widespread brutality and violent repression of protests by Venezuelan security forces that has led to more than 90 deaths since April. "When you see images of the repression, the government's narrative about a violent coup-plotting opposition falls apart," said José Miguel Vivanco, the director for the Americas at Human Rights Watch.

NEWS BRIEFS

Pirates in Amazon Loot \$32 Million in Goods Shipped on Rivers in '16

Thefts of cargo transported on the rivers of Brazil's Amazon region quadrupled between 2015 and 2016, costing some 100 million reais (\$32 million) in lost merchandise, *O Estadão* of S. Paulo reported Sunday. As the region's population surged 22 percent from 2000 to 2010, so have organized crime networks, according to the report. Most thieves have been targeting fuel, which is easily sold on the black market.

Schlumberger Sees 9 Percent Growth in Latin America Revenue

Paris-based Schlumberger said Friday that stronger results from Latin America helped boost its second quarter earnings. The oil and gas industry services firm said Latin America revenue increased 9 percent sequentially due to higher reservoir characterization and drilling activities in Mexico and Central America, as well as increased unconventional land activity in Argentina. Business in Brazil and Venezuela remained weak, however. Ecuador revenue declined, which was offset by more activity in Colombia.

Kenon Receives Offers for IC Power Business in Latin America, Caribbean

Singapore-based Kenon Holdings said on Sunday it had received non-binding offers to buy some or all of its IC Power businesses in Latin America and the Caribbean. The company noted "there is no assurance that such discussions will result in a sale," however. IC Power's portfolio currently includes participation in approximately 4,100 MW of producing assets in Latin America, the Caribbean and Israel. The company has invested \$3.1 billion in projects since its founding in 2007, with significant investments made in Peru's generation capacity.

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its stance on trade, financial and political issues. Argentina and Brazil in turn must prepare to expand and enrich their regional strategy within the G20. There is a clear opportunity in front of us: after Germany, the G20—under Argentina's presidency—will be hosted in Latin America. That event should find our countries ready to clearly represent our regional needs and expectations as a whole within the G20 agenda. The care of natural resources and the fair commercialization of raw materials; the promotion of human resources and quality employment; investment in housing, education and health; and unrestricted respect for the right to migrate. These policy goals and others can be the base elements of a shared agenda. However, to attain such an outcome, Latin American G20 leaders must first be able to recognize each other, sit at a table and seriously agree on how, when and where to push in the G20. Otherwise, the global engine and

its steering committee will remain in other, non-Latin-American, hands, and we will continue to take our place at the tail end of the train of contemporary global history."

A **Heidi Lough, lead political risk specialist, and Juan Cruz Díaz, managing director, both at Cefeidas Group in Buenos Aires:**

"While the G20 has been an increasingly effective forum for addressing pressing global challenges, Argentina's presidency should focus on devising more inclusive responses. As host of the first-ever South American summit, Argentina has the chance to redirect the focus to issues important to the region and promote inclusive, sustainable growth that reaches all corners of the G20 network. A scaled-back agenda will be key to a successful summit in 2018, with the government likely to take inspiration from the 2014 Brisbane summit. The issues

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ECONOMIC NEWS

Colombia's GDP to Pick Up Pace: Santos

Colombian President Juan Manuel Santos said Sunday he expects to see a "substantial rebound" in economic growth in the second half of this year, Business Insider reported. "We expect that in this second semester we will see a substantial rebound," Santos said, noting the Andean nation continues to grow faster than its Latin American peers, despite continued low oil prices and recent natural disasters. Colombia's economy grew 1.1 percent in the first quarter compared to the same period a year ago, when it increased by 2.7 percent. In a poll of 17 economic analysts released by Reuters on Friday, however, those polled expected gross domestic product growth to slow to 1.6 percent this year, down from the 1.8 percent predicted in last month's survey and well below the government's 2.3 percent target. In a bid to spur activity, Colombia's central bank board is likely to cut the key lending rate by 25 basis points to 5.50 percent at its meeting on Thursday, according to the report.

Unemployment Rate in Mexico Falls to Ten-Year Low

Mexico's unemployment rate fell to 3.3 percent in June, the lowest level since May 2006, state statistics agency INEGI said on Friday. The percentage of unemployed Mexicans fell to 3.3 percent in June from 4 percent the same month last year, on a seasonally adjusted basis. The "underemployment rate," or the percentage of the working population with the need and availability of working more, also fell in June, dropping to 7.2 percent from 7.8 percent last year. The rate of informality in the labor market remains stubbornly high, however, at 56.6 percent in June, essentially the same as in 2016. On July 18, S&P Global improved its outlook on Mexico's sovereign ratings, raising the outlook from negative to stable, citing a

THE DIALOGUE CONTINUES

Will Pacific Alliance Countries Benefit From New FTAs?

Q Trade ministers from Australia and New Zealand on July 1 both announced they would start talks for new free-trade agreements with the Pacific Alliance. The alliance, which Colombia, Chile, Mexico and Peru founded in 2011, has more than 221 million consumers and a combined GDP of \$3.85 trillion, equivalent to the world's sixth-largest economy. How would the free-trade agreements affect the economies of the Latin American member states? Which sectors stand to gain or lose the most from the potential agreements?

A Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City: "In general, free-trade agreements that could be derived from deals with Australia, New Zealand and other countries that were originally in the TPP, such as Canada and Singapore, would be positive. However, there are different implications depending on the country and industry. In any case, protectionism is not

a good option for Latin America. Rather, I believe that openness in trade, and in other areas such as culture and education, help to increase competitiveness and development. This is especially necessary in the era of the fourth industrial revolution in which we are living, and which is generating very drastic changes in the world. I believe this step can improve areas such as digital coverage and technology development. Similarly, since its inception, the Pacific Alliance has proven to be successful in generating investments. So when new members are added, this trend will continue. For Mexico, adding Australia and New Zealand would be the most natural and positive alternative, as the TPP has not been implemented by the United States, Mexico's main trading partner, which has adopted a more protectionist policy."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the July 13 issue of the Advisor.

better debt scenario and the likelihood for negotiating reasonable terms for Mexico in the upcoming talks over the North American Free Trade Agreement.

BUSINESS NEWS

Argentina Ordered to Pay \$320 Million to Spain's Marsans

The World Bank's International Centre for Settlement of Investment Disputes has ordered Argentina to pay \$320 million plus interest and

legal fees to Spanish travel group Marsans for expropriating flagship air carrier Aerolíneas Argentinas in 2008, The New York Times reported Saturday, citing a local newspaper. ICSID, as the arbitration center is known, ruled against Argentina for "illegally expropriating the investments" of Marsans, according to the report. A consortium led by European carrier Iberia took control of the airline in 1990, and Grupo Marsans acquired the company and its subsidiaries in 2001 following a period of severe financial difficulties. Argentina's former President, Cristina Fernández de Kirchner, ordered the state seizure of the airline in 2008, alleging mismanagement. The airline today employs more than 10,000 people and has modernized its fleet under state control.

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Argentina has identified to date—such as promoting trade, strengthening global economic integration and working toward regulating agricultural markets—will be considered through a broader lens: how to respond to a changing labor market, with a focus on job creation and innovation. Argentina should also heed German Chancellor Angela Merkel's call to keep health firmly on the G20 agenda. Argentina's ability to deliver on its G20 commitments is enhanced by relative alignment between the sherpas of Brazil, Mexico and Argentina. A common belief in the need for a regional voice existed in Hamburg. However, internal difficulties—notably a recently reshuffled foreign ministry in Argentina, and tumultuous political events in Brazil—complicated the ability to put forward a coherent, shared vision. The summit in Buenos Aires represents an opportunity to work more constructively on how to incorporate Latin American interests into the broader G20 agenda. There is an opportunity for Latin American G20 nations to advance the continent's interests and concerns at the summit itself. With 16 months until the 2018 summit, Argentine Sherpa Pedro Villagra Delgado has ample time to seek input from other Latin American countries on the G20's priorities. Although achieving full consensus on the agenda set forth in Buenos Aires will be an insurmountable challenge—especially in light of a fractious geopolitical climate—Argentina should seize the opportunity to provide the regional leadership needed to work toward Latin American alignment on key global issues.”

A Guy Edwards, research fellow and co-director of the Climate and Development Lab at Brown University: “Argentina's G20 presidency is a bittersweet moment for President Macri. It is a big opportunity to advance Argentina's foreign policy goals such as improving relations with the United States and Europe and rejuvenating Mercosur. It is also wrought with difficulties. Argentina's G20 agenda is focusing on jobs with the

advent of new technologies and automation. On free trade and climate change, Argentina can improve relations with Europe and China while integrating the Paris Agreement into its G20 presidency. President Macri's G20 agenda could receive a bounce if the E.U.-Mercosur trade agreement negotiations conclude successfully this December. President Macri may eye an opportunity to position Argentina as a regional leader by acting as a conduit for Latin American perspectives. On climate change, Argentina is well placed to advance the G20's agenda. Argentina was the first country to submit a revised national climate plan as part of the Paris Agreement. It can link its agenda on jobs with the shift to a low-carbon economy. An important step will be to prepare Argentina's long-term, low-emission development strategy before the summit. It will also need to make greater progress on meeting its renewable energy targets and reducing deforestation. Argentina will need to work closely with civil society to ensure there is sufficient space for participation. As much as Argentina can hope for calm waters, global events could make for stormy conditions. The NAFTA renegotiations start in August and will probably not conclude soon, with a genuine risk that they break down. Conflicts across the Middle East and the humanitarian crises in Africa could cause major disruptions. Elections could also generate waves in Argentina, Mexico and Brazil next year. A big challenge will be how to deal with President Trump. Macri may try to capitalize on their 'friendship,' yet this relationship could cause trouble, given the allegedly complicated picture of Trump's business entanglements in Argentina. Argentina will remain at the mercy of global events. Working as closely as possible especially with its European and Latin American neighbors will help to buttress its presidency.”

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