FEATURED Q&A

How Are the NAFTA Renegotiation Talks Progressing?

The second round of NAFTA renegotiation talks gets underway today in Mexico. Mexico's chief negotiator Kenneth Smith, Economy Secretary Ildefonso Guajardo and Deputy Foreign Trade Minister Juan Carlos Baker (L-R) are pictured Aug. 16. // Photo: U.S. Trade Representative.

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Today in Mexico City, negotiators from the three NAFTA member countries begin their second round of talks to renegotiate the trade accord. The talks kicked off Aug. 16 in Washington with U.S. Trade Representative Robert Lighthizer saying that the 1994 pact has “failed many, many Americans.” What did negotiators achieve in the first round of talks, and what are the biggest issues to be addressed in round two? Which countries or sectors have the upper hand at this point? Is the timeline for negotiations on track to conclude before political campaigns heat up in Mexico and the United States next year?

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Andrés Rozental, member of the Advisor board, president of Rozental & Asociados in Mexico City and senior policy advisor at Chatham House: “The NAFTA ‘renegotiation’ is underway, but there are still many doubts and outstanding issues that surround the substance of the process, as well as the rhetoric by President Trump, who continues to badmouth the agreement and badger Mexico about paying for his ridiculous wall. To some extent, this poisons the atmosphere for serious negotiations and led Mexico’s foreign and economy ministers to travel to Washington on Aug. 30 to speak to U.S. cabinet members and White House officials to try to keep Trump’s tweets out of the negotiations. The first meeting a few weeks ago in Washington was more of a get-acquainted round and an initial statement by the three partners of their basic positions and wish lists. The second round begins today in Mexico City and will see 23 sector-specific working groups begin their discussions. There are various issues that appear to be

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Colombia’s FARC Announces New Name, Political Goals

The disarmed Revolutionary Armed Forces of Colombia, or FARC, on Thursday announced its new name and its policy priorities as it relaunches as a political party, Reuters reported. The group will keep the acronym FARC, but will now be known as the Revolutionary Alternative Common Force. The former rebels, who signed a peace agreement with Colombia’s government last November to end its half-century armed conflict, selected the new name in a vote during a conference at which they discussed the future of their new political party. The group also unveiled its new logo, a red rose with a star in the middle, and its policy goals. The FARC said its political objectives would include the fight against corruption and promoting culture and the arts, Reuters reported. “No more traditional political parties and their corrupt policies. Transparency and truth will guide the actions of the new party,” the FARC said. “Youth, women, indigenous people, rural farmers, Afro-Colombians, artists, the LGBTI population, housewives, students, workers and the unemployed - everyone’s opinion matters.” Under its peace accord with the government, the FARC will be allocated 10 seats in Congress through 2026 and can campaign for others. The FARC’s disarmament process recently concluded, and last month the final container of weapons collected in that process was handed over to United Nations officials who were overseeing the disarmament. [Editor’s note: See Q&A on the FARC’s political future in Colombia in the Aug. 11 issue of the Advisor.]

ECONOMIC NEWS

Chilean Finance, Economy Ministers Step Down

Chile’s finance minister and economy minister, as well as the undersecretary of finance, resigned Thursday, delivering a blow to President Michelle Bachelet’s center-left coalition less than three months ahead of the country’s presidential election, Agence France-Presse reported. Finance Minister Rodrigo Valdés broke with Bachelet over a falling out with her over pension reforms and a controversial mining project. Economy Minister Luis Felipe Céspedes and the undersecretary of finance, Alejandro Micco, also announced their resignations on Thursday. The departures came 10 days after a committee of cabinet members rejected a proposal for the controversial $2.5 billion Dominga copper mining project, which was led by private Chilean conglomerate Andes Iron. The project had split Bachelet’s coalition. Valdés said some members of Bachelet’s administration did not share his sense of urgency in spurring growth and attracting investment to the country, Reuters reported. “Sustained movement toward higher growth levels requires discipline and government commitment, and room so the private sector can launch initiatives with clear and stable rules,” he said after resigning, AFP reported. “I didn’t manage to get everyone to share that belief.” Céspedes did not respond to questions as to why he stepped down, and Micco’s office declined to comment on the reasons for his departure. Bachelet said Nicolás Eyzaguirre, an economist in charge of renewables.

NEWS BRIEFS

Mexico and Canada to Remain in NAFTA Even if U.S. Withdraws: Guajardo

Mexican Economy Minister Ildefonso Guajardo said Thursday that Mexico and Canada will remain in the North American Free Trade Agreement, or NAFTA, regardless of whether U.S. President Donald Trump decides to withdraw from the accord, Reuters reported. “NAFTA will continue to regulate the relationship between Mexico and Canada,” Guajardo said. Representatives of he three countries begin meeting today in Mexico for their second round of talks on renegotiating the trade accord.

Colombia’s Central Bank Cuts Overnight Interest Rate

Colombia’s central bank cut its overnight rate by 25 basis points to 5.25 percent on Thursday, marking the seventh month in a row that Colombia has loosened its monetary policy in order to boost economic growth amid low inflation, the Financial Times reported. The bank has cut the key interest rate by 225 basis points since the beginning of this year, though analysts say they expect August’s cut to be the last in the easing cycle as the economy strengthens.

Enel’s Brazil Unit Begins Operations at Bahia State Wind Farm

The Brazilian unit of Italian energy company Enel Green Power has initiated commercial operations at the 180 megawatt Delfina wind farm in Bahia State, ReNews reported Thursday. The $400 million project was financed by Enel and a loan from the Brazilian Development Bank. Enel Green Power Brasil Participações’ country manager, Carlo Zorzoli, said Brazil is a “leading contributor to the group’s growth in renewables.”
legislative affairs for the president, will replace Valdés. The president of Banco del Estado de Chile, Jorge Rodríguez, will replace Céspedes.

**BUSINESS NEWS**

**Venezuela Probing Overpricing in PDVSA Oil Contracts**

Venezuela's new chief prosecutor, Tarek Saab, said he is probing "spectacular" overpricing in 12 oil contracts in the Orinoco belt, which he says his predecessor, Luisa Ortega, turned a blind eye to during her tenure, Reuters reported Thursday. "She had this case hidden in a drawer for a year," Saab said. He said preliminary investigations revealed that some $200 million was embezzled in one case involving 10 companies that were awarded contracts without tenders by former executives at PDVSA. He added that more money may have been involved in the scheme. PDVSA has been beset by corruption scandals in recent years, which the company has blamed on a small group of employees and executives. Last year, the National Assembly said $11 billion was lost at the oil company between 2004 and 2014, when Rafael Ramírez was chief of the firm. He denies the allegations. PDVSA did not immediately respond to Reuters' request for comment. Saab did not accuse specific employees at PDVSA in the case. The companies Saab has accused of overpricing include Tradequip, which is owned by Venezuelan businessmen Roberto Rincón. Rincón has pleaded guilty to charges tied to an ongoing investigation of bribery at PDVSA. U.S. authorities have traced more than $1 billion to the scheme. Saab also named contractor Derwick Associates. Neither company responded to requests for comment. Venezuela's powerful new constituent assembly fired Ortega last month after she became a critic of Maduro's government and attempted to block the creation of the superbody, which has declared itself superior to all other institutions of Venezuela's government.

**Staffing Firm**

**Grupo PAE Enters Argentina Market**

Mexico-based staffing firm Grupo PAE has entered Argentina with its acquisition of local staffing company Assistem Recursos Humanos, research group Staffing Industry Analysts reported Thursday. Assistem Recursos Humanos, which has been in business for 40 years, will now operate as Assistem - Una Empresa PAE. The transaction closed on Tuesday, and terms were not disclosed. Grupo PAE said it sees Argentina as a key part of its strategy for expansion in South America. "PAE’s goal is to build high-performance teams in every Latin American country in order to provide our clients with top quality services," said Fausto Muñiz, the president of PAE's administration council. We want to be key players in Argentina's future of work." Grupo PAE already has operations in several countries in the Western Hemisphere, including the United States, Mexico, Guatemala, Peru and the Dominican Republic. The company employs more than 20,000 people and has $67.6 million in annual revenue as well as 6.1 percent of the formal staffing market in Mexico.

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Julissa Reynoso, partner and Michael A. Fernandez, associate, at Winston & Strawn LLP: "The first round of talks between Canada, Mexico and the United States to revamp NAFTA ended with no significant agreement on any substantive changes to the treaty. The only concrete agreement was the need to expedite negotiations ahead of the 2018 elections in the United States and Mexico. While the negotiations are being conducted in secret, it is reported that the first round of talks included discussions about the controversial 'rules of origin' issue that the United States proposed, as well as possible modifications to antidumping and subsidies rules, increased transparency and anticorruption efforts, and greater protections for intellectual property and financial services. Although no firm proposals were made, the first round set the tone and schedule for the forthcoming negotiations. During the second round, the United States is expected to propose language on less-controversial issues, including anticorruption practices and the environment, perhaps out of a desire to create momentum for the talks. It is not until the third round in late September that the United States is expected to provide the other parties with details for all of its proposed NAFTA reforms. It is far from clear at this moment which countries or sectors have the upper hand in the negotiations, or if they will come to a successful conclusion. Following the first round, President Trump said he may terminate NAFTA. This threat was initially dismissed, Mexican officials recently expressed concern about a possible impasse and acknowledged that Mexico has started to plan for a post-NAFTA world."

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Ken Frankel, president of the Canadian Council for the Americas and adjunct professor of law at American University Washington College of Law: “We’ve all experienced that bewildered feeling at a party. You show up expecting a banquet, but are served a few crustless, cucumber sandwiches. Maybe you misread the invite. Maybe the cooks didn’t know how to prepare food based on the host’s disconnected instructions, while knowing that the attendees have pronounced allergies to what the host wants to serve. Maybe the food purveyors, say the entire agricultural sector, balked. In any negotiation, the opening rounds are a feeling-out process. It’s unclear whether the United States wants this to be a campus cafeteria food fight, a win-win-win negotiation or a minor tinkering dressed up as a victory for itself. This may be due in part to the extensive preparation and resolve the Canadian and Mexican teams individually and together have demonstrated. If one U.S. strategy is to divide and conquer the Mexico/Canada relationship, as President Trump presaged early on, then starting off the negotiation with the goal of ensuring greater U.S. auto content is surprising. That is one issue that unites Canada and Mexico.

As an alternative to cucumber sandwiches, Canada has offered up something more palatable. Consistent with its policy of ‘progressive’ free trade, the Trudeau government has proposed chapters on gender (recently inserted into Canada’s 20-year-old free-trade agreement with Chile) and indigenous peoples. Given the White House’s track record on women’s issues (for example, this week’s rollback of the Obama administration directive on private-sector reporting requirements on gender and minority salaries), it’s hard to imagine those morsels being chewed over seriously.”

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

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