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FEATURED Q&A

How Important Is NAFTA to Farming Interests?



Without NAFTA, the United States would lose market share in exports including corn, Antonio Ortiz-Mena says below. // File Photo: publicdomainpictures.net.

Q In the 23 years since the enactment of the North American Free Trade Agreement, or NAFTA, U.S. agricultural exports have increased by 265 percent to Canada and by 298 percent to Mexico, U.S. Senate Agriculture Committee Chairman Pat Roberts (R-Kans.) said in a recent speech. He added that Canada and Mexico have ranked in the top three destinations for U.S. agricultural exports since 2001. How important is a deal to renegotiate the trade accord to farmers and other agricultural interests in the three NAFTA countries? What would be the impact on agricultural interests in the United States, Mexico and Canada if the three countries cannot reach an agreement? Will political pressure from farming states that helped elect President Donald Trump push his administration toward a deal?

A Antonio Ortiz-Mena, senior vice president at Albright Stonebridge Group: "NAFTA is extremely important for agricultural interests in all three countries. First, without NAFTA, the United States would face high most-favored-nation tariffs for exports to Mexico: 20 percent for fresh beef and sweetcorn, 25 percent for frozen beef, 45 percent for turkey and some dairy, and up to 75 percent for chicken, potatoes and high-fructose corn syrup. Mexican agricultural exports would face significantly lower U.S. most-favored-nation tariffs. Second, if the United States gets its wish to eliminate NAFTA Chapter 19, all three countries' agricultural exports would face greater market-access uncertainty. Third, there would be little political appetite in Mexico (and possibly Canada) for engaging in regulatory and technical cooperation to deal with sanitary and phytosanitary issues. For exam-

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TODAY'S NEWS

POLITICAL

Maduro Plans to Seek Re-election; Venezuelan VP

Venezuelan President Nicolás Maduro is planning to seek re-election next year, the country's vice president, Tareck El Aissami, said.

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BUSINESS

Southern Copper Workers in Peru Continue Strike

The strike, involving 3,000 workers, entered its ninth day as negotiations between laborers and the company failed.

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POLITICAL

Hernández Takes Lead in Honduras, Nasralla's Backers Claim Fraud

Incumbent President Juan Orlando Hernández took a razor-thin lead as election officials continued counting ballots from the country's presidential election. Challenger Salvador Nasralla saw his early lead evaporate, and his supporters alleged fraud.

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Hernández // File Photo: Honduran Government.

POLITICAL NEWS

Hernández Pulls Ahead in Honduras as Foes Claim Fraud

Incumbent President Juan Orlando Hernández pulled ahead in the latest partial tally of votes in Honduras' presidential race, as his opponent, Salvador Nasralla, saw his early lead evaporate, the Los Angeles Times reported. With just under 83 percent of votes tallied from Sunday's presidential election, Hernández led Nasralla 42.21 percent to 42.11 percent, a margin of just 2,911 votes, the country's election officials said Wednesday. On Monday morning, Nasralla had an early lead, and it appeared that he could pull off a victory against the incumbent president, as he was beating him by five percentage points. However, as Nasralla's lead dwindled and Hernández pulled ahead, Nasralla's supporters claimed that the election was being stolen. In a post on Facebook, Nasralla said he would not recognize "the results of the cheating system of the electoral court," which is tallying the ballots. The head of the electoral court, David Matamoros, said that a final vote would not be released on Wednesday as planned, due to a computer failure. "We apologize to the people of Honduras for the situation that has been presented today," he said in a tweet. "In almost all elections there are faults in the system, but never at a critical time." Matamoros said the final results would likely be released today. Supporters of Nasralla allege that election officials are manipulating votes in favor of Hernández, a claim that the election officials have denied. Both Hernández and Nasralla have claimed victory, and supporters of both candidates have taken to the streets. Outside the election tribunal's headquarters in Tegucigalpa, Nasralla's supporters waved red flags and burned banners bearing Hernández's image, while the president's supporters held a counter-protest. "The only one that can defend these votes is the Honduran people, Nasralla told his backers, urging them to come to the capital to protest. Hernández came to power after a 2013 election that was marred

by claims of fraud, vote-buying and other irregularities. Even before it was held, this month's election faced controversy dating back to 2009. That year, Hernández supported a coup against then-President Manuel Zelaya, who was deposed after he made efforts to run for re-election, which at the time was prohibited by the country's Constitution. After Hernández was elected, Congress appointed several Supreme Court judges, who voted to overturn the ban on presidential re-election. [Editor's note: See [Q&A](#) on the Honduran presidential race in the Nov. 13 issue of the Advisor.]

Venezuela's Maduro Plans to Seek Re-Election: VP

Venezuelan President Nicolás Maduro plans to seek another term in next year's presidential election, Vice President Tareck El Aissami said Wednesday, Agence France-Presse reported. Next year, "we will have, God willing, people willing, the re-election of our brother Nicolás Maduro as president of the republic," El Aissami told meeting of the ruling United Socialist Party of Venezuela. The election is currently scheduled for December, but some experts have said the government may seek to



Maduro // File Photo: Venezuelan Government.

move it up to March, AFP reported. Maduro's government in recent years has been facing a crippling economic crisis that has led to shortages of basic goods, including food and medicine, and that has been worsened by runaway inflation at 1,000 percent—the world's highest. In recent weeks, ratings agencies have found the country to be in partial default on international loans, estimated at \$150 billion.

NEWS BRIEFS

White House Reportedly Planning to Oust Tillerson as Secretary of State

The White House is planning to force U.S. Secretary of State Rex Tillerson out of his position and replace him with current Central Intelligence Agency Director Mike Pompeo, The New York Times reported today. The action is expected within the next few weeks, senior administration officials told the newspaper. Senator Tom Cotton (R-Ark.) would replace Pompeo as CIA director, according to the report. President Donald Trump has soured on Tillerson, though it is unclear whether he has given final approval to the plan, the newspaper reported.

Argentine Court Sentences 29 to Life Terms for Dictatorship-Era Crimes

Argentina on Wednesday sentenced 29 people to life prison sentences in a trial involving some 800 cases of kidnapping, torture and murder during the dictatorship, or "Dirty War" that lasted from 1976-1983, Reuters reported. Many of the defendants had already been serving life sentences. The sentences on Wednesday included convictions for drugging people and dumping their bodies in La Plata River. In addition to the life sentences, 19 people received jail terms lasting eight to 25 years, and six were cleared of wrongdoing.

U.S. Demands on Autos 'Not Viable': Mexican Economy Minister

Demands by the Trump administration for requirements on automobile parts produced in the United States, which it presented during the talks to update NAFTA, are "not viable," Mexican Economy Minister Idefonso Guajardo said Wednesday in Washington, Reuters reported. Guajardo declined to say when Mexico would formally respond to the U.S. demands.

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ple, U.S. potatoes, which still have limited access to the Mexican market, would likely not gain greater access. Without NAFTA, the United States would lose market share in Mexico in its exports of grains, above all yellow corn, as well as high-fructose corn syrup and beef, to name just a few products. Mexico can and would source from other countries such as Argentina and Brazil. U.S. imports of Mexican fruits and vegetables could be reduced, which would make their prices higher in the United States, especially in winter. The U.S. consumer would be left with a higher grocery bill. It remains unclear whether U.S. agricultural interests will have enough power to force the United States to shift its position on issues that are making it difficult to reach a deal, such as the sunset clause, potential restrictions based on the level of the trade deficit, weakening dispute settlement and incorporating excessively high rules of origin for autos. The U.S. administration seems to be obsessed about the trade deficit and manufacturing, sidelining the importance of trade in agricultural products and services."

A **Karen Hansen-Kuhn, director of trade and global governance at the Institute for Agriculture and Trade Policy:** "A focus solely on exports is dangerously incomplete. U.S. farmers were compelled by the joint imperatives of the Farm Bill and trade policy to increase production and rely on export markets. Agricultural exports have increased even as the number of family farmers and farm incomes fell. At the same time, more than two million Mexican farmers were driven off their land under NAFTA, and real wages in Mexico have dropped 9 percent since the agreement's inception. In a time of global overproduction, the focus should be on trade policies that strengthen rural economies, not simply to continue or expand exports. Civil society organizations have called for different economic relations among our countries. In January, U.S. family farm

groups presented a proposal that started with a better, more transparent negotiating process and the elimination of investor-state dispute settlement (which enables private investors to sue governments over public

“A focus solely on exports is dangerously incomplete.”

— Karen Hansen-Kuhn

interest laws). The groups argued for new approaches to existing problems, such as country-of-origin labeling for meat and agriculture export dumping, and the exclusion of elements of the TPP that would limit farmers' access to seeds and streamline agricultural biotechnology processes. Mexican and Canadian groups have presented similar, largely consistent proposals for a very different approach to trade. It is important to achieve a better agreement. But the agreement should not solely be assessed by its impact on agricultural exports, but instead for its overall impacts on farmers, rural communities and our economies."

A **Carlo Dade, director of the Centre for Trade and Investment Policy at the Canada West Foundation and non-resident senior associate in the Americas Program at CSIS:** "U.S. agricultural trade with Mexico has doubled, while Canada's agricultural exports to NAFTA partners has more than tripled since NAFTA started. Trade in agriculture and food has been one of NAFTA's quiet success stories, which has been lost in the clamor of attention paid to autos. But agriculture could turn out to be the pact's savior, despite having been largely ignored in the negotiations so far. U.S. agricultural interests have

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Earlier this year, some 125 people were killed during several months of protests against Maduro and his government. The president has also faced criticism for making it nearly impossible for the opposition to have a voice in the government, and for silencing independent news outlets. "If Maduro wants the economic crisis resolved in 2018, all he has to do is leave and allow Venezuela to choose an honest and efficient government," opposition leader Henry Ramos Allup wrote on Twitter following El Aissami's announcement. Maduro was first elected president in 2013 following the death of President Hugo Chávez. In related news, the Venezuelan government has ordered the removal of former oil minister and head of state oil company PDVSA Rafael Ramírez from his current post as U.N. representative in New York, four people with knowledge of the matter said Wednesday, Reuters reported. Ramírez, who is a member of Venezuela's ruling PSUV party, has been an increasingly vocal critic of Maduro in recent months, and has been seen by some as a potential challenger to Maduro for the presidency in next year's election.

BUSINESS NEWS

Southern Copper Workers in Peru Continue Strike

Southern Copper workers in Peru said Wednesday that their strike had entered a ninth day, following failed attempts at negotiation with the company, Reuters reported. Workers are seeking a larger share of profits, and they say the company has failed to adhere to benefits that they agreed to provide following a previous strike, including ones surrounding the replacement of dismissed workers. The walkout has involved 3,000 members of two of the five unions of Southern Copper workers. Peru's labor ministry has declared the indefinite strike illegal. The company operates Peru's Toquepala and Cujane mines in addition to the Ilo refinery, and Southern Copper last year produced 900,000 metric tons of copper.

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been taking a beating on the trade front, with agricultural exports dropping sharply after five years of steady growth. This trend looks likely to continue, if not worsen, with the U.S. trade agenda stalled, or more accurately going in reverse, with the TPP pullout, looming withdrawal from the U.S.-South Korea pact and talks with the European Union dead in the water. U.S. agricultural exporters are watching competitors such as Canada poised to take market share in Asia and Europe, and the last thing U.S. agricultural exporters can withstand is a loss of market share in North America. U.S. agricultural interests are still worried that the administration has completely thrown Farm Belt interests under the Rust Belt bus in NAFTA and other trade talks. If there are wins for U.S. agricultural interests on the table beyond simply guaranteeing being able to hold on to market share in North America, these groups may have the leverage they need to keep the United States in NAFTA. Agricultural groups in all three countries also need to look beyond NAFTA to try and protect trade. Convening the agricultural minister and secretaries into a working group to advance regulatory harmonization on food inspection and agricultural products should be feasible and pursued outside the NAFTA negotiations."

A **Bosco de la Vega, president of the National Agricultural Council in Mexico City:** "In Mexico, the agri-food sector is the third-most important export sector, after automotive and electronics. When NAFTA started in 1994, Mexico exported \$4 billion worth of goods; last year, the country closed with \$29 billion dollars in exports. This year, we estimate exports to be close to \$32 billion. NAFTA strengthens all three countries, especially with the complementary nature of our economies. For example, Mexico exports

mainly fruits and vegetables to the United States, while importing grains, soy and meat. If the three countries cannot reach an agreement, we would all lose. The economies of the three countries have grown 4.5 times in the past 23 years of successful free

“ The fact that our northern neighbor wants to shoot itself in the foot is bad news for North America.”

– **Bosco de la Vega**

trade. We represent a combined \$85 billion in commerce and are the most successful economic bloc on the planet. The fact that our northern neighbor wants to shoot itself in the foot is bad news for North America. Consumers in North America would lose the most, while the winners would be China, Europe and Japan. Mexico already has a Plan B, which is its most-favored-nation status. Of the 50 U.S. states, Mexico ranks either first or second in exports. We are great partners, but in President Trump, we see a man who does not listen to his business leaders, his members of Congress or his governors. The largest corn, soy, wheat, rice and meat producers and exporters want to keep NAFTA. We have built a great region together, we have complementary economies, and Mexico is a great market. Mexico will remain firm, will continue to build agreements and will not accept quotas, tariffs or seasonal restrictions to free trade. It would be preferable for Mexico to go with its Plan B than to agree to an unfavorable trade agreement that binds us for the next 25 years."

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