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## FEATURED Q&A

# Will U.S. Absence Diminish the New TPP Agreement?



The countries remaining in the Trans-Pacific Partnership, now renamed the CPTPP, will sign the deal next month in Chile after reaching an agreement on the trade deal during talks last month // File Photo: Pixabay.

**Q** Negotiators from 11 countries on Jan. 23 reached an agreement on the Trans-Pacific Partnership, or TPP, trade deal. The deal, now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, will include Canada, Chile, Peru and Mexico as members of the agreement once it is ratified in March. The consensus comes a year after U.S. President Donald Trump withdrew the United States from negotiations. Which of the Western Hemisphere countries have the most to gain from the agreement? Which industries will thrive under the TPP? Does the decision by the United States to withdraw from the talks lessen the importance of the trade agreement?

**A** Monica de Bolle, resident senior fellow at the Peterson Institute for International Economics: "Mexico, Canada, Peru and Chile, all original members of the TPP, will gain immensely from the new CPTPP, which cracks Asian markets wide open for these countries. Canada and Mexico in particular will be able to rely on the CPTPP as leverage in the ongoing NAFTA negotiations with a tough U.S. administration. In fact, Canada's recent complaints to the World Trade Organization regarding the use of trade enforcement measures by the United States reflects the country's perception of increased leverage in the NAFTA negotiations as a result of the CPTPP. For Peru and Chile, access to Asian markets is a boon for their commodity sectors. For Mexico and Canada, the CPTPP opens opportunities for the automotive industry and for the agricultural sector—notably dairy in the case of Canada. The greatest advantage of adhering to the CPTPP for these coun-

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## TODAY'S NEWS

### POLITICAL

## Maduro 'Could Just Leave': Tillerson

It would be "easiest" if Venezuelan President Nicolás Maduro simply stepped aside, U.S. Secretary of State Rex Tillerson said before starting a five-country tour of Latin America and the Caribbean.

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### ECONOMIC

## NAFTA Important for Mexico's Economy: AMLO Advisor

Graciela Márquez, a top advisor to Mexican presidential frontrunner Andrés Manuel López Obrador, said the trade pact, which is under renegotiation, is an important part of the country's economy.

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### POLITICAL

## Shannon Stepping Down From State Department Role

Tom Shannon, the U.S. undersecretary of state for political affairs and a former ambassador to Brazil and acting secretary of state, announced his resignation.

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Shannon // File Photo: U.S. State Department.

## POLITICAL NEWS

## Venezuela's Maduro Could 'Just Leave': Tillerson

U.S. Secretary of State Rex Tillerson said Thursday that he thinks there will be a change in leadership in Venezuela, adding, "we want it to be a peaceful change," the Houston Chronicle reported. Speaking at the University of Texas at Austin before leaving for Mexico to begin a five-country tour of Latin America and the Caribbean, Tillerson said it would be "easiest"



Tillerson spoke Thursday at the University of Texas at Austin. // Photo: U.S State Department.

if Venezuelan President Nicolás Maduro simply stepped down from power. "President Maduro could just choose to leave," said Tillerson, who plans to use the trip to shore up support for pushing democratic reforms in Venezuela. "I'm sure that he's got some friends over in Cuba that could give him a nice hacienda on the beach." During the speech, Tillerson outlined the Trump administration's Latin America policies, saying they are built on promoting democracy, fighting corruption and countering "predatory actors" including Russia and China, the Austin American-Statesman reported. Tillerson said a main goal of the administration is improving economic ties, and he added that modernizing the North American Free Trade Agreement, or NAFTA, is an important step in that effort. "I'm a Texan, a former energy executive and I'm also a rancher. I understand how important NAFTA is for our economy and that of the continent," he said. "Our aim is simple, to strengthen our economy and all of North America." Tillerson also said Russia and China have engaged in predatory actions in the

Western Hemisphere. He said China has used its economic power in Latin America through state-led investments and onerous loans, while Russia has focused on arms sales to governments that do not share the same values as the United States. During the speech, Tillerson also acknowledged that drug consumption in the United States fuels narcotics trafficking in Mexico and Colombia as well as the flow of weapons to cartels in Mexico, The Dallas Morning News reported. "U.S. demand for drugs drives this violence," he said. After the speech, Tillerson traveled on Thursday to Mexico City. He is expected to meet today with President Enrique Peña Nieto. During the six-day trip, Tillerson is also scheduled to travel to Argentina, Peru, Colombia and Jamaica.

## Shannon Stepping Down From Role at State Department

Tom Shannon, the undersecretary of state for political affairs and the highest-ranking career official at the U.S. Department of State, announced his resignation on Thursday, Politico reported. Shannon said his decision was "personal, and driven by a desire to attend to my family, take stock of my life and set a new direction for my remaining years." Shannon had served for nearly 35 years in the Foreign Service, with extensive experience in Latin America. Secretary of State Rex Tillerson praised Shannon and his more than three decades of service, calling him a "senior statesman" and role model for the Foreign Service, who was also respected in the White House, CNN reported. "He is going to be really missed," Tillerson said. "Having said that, I know this is something he has really been thinking about for some time." Shannon was the top diplomat for the Western Hemisphere at the State Department and the National Security Council under then-President George W. Bush, and he served as the U.S. ambassador to Brazil under President Barack Obama, until Secretary of State John Kerry hired him as counselor to the State Department. In February 2016, Obama nominated Shannon as under-

## NEWS BRIEFS

## Fidel Castro's Eldest Son Commits Suicide

The oldest son of late Cuban leader Fidel Castro, Fidel Castro Díaz-Balart, killed himself on Thursday after months of treatment for depression, according to official website Cubadebate, the Associated Press reported. He was 68. State media said Castro Díaz-Balart had been in a "deeply depressed state," and a brief statement read on state television said he had "required a hospitalization regime then outpatient follow-up," during his treatment. Castro Díaz-Balart had been known for his close resemblance to his father, who died in November 2016 at the age of 90.

## Mexico's Antitrust Agency Investigating Monopoly Practices in E-Commerce

Mexico's antitrust agency, the Federal Commission for Economic Competition, or Cofece, on Thursday said it is investigating "probable" monopoly practices in Mexico's e-commerce market, Reuters reported. Cofece said in a statement that it is investigating possible practices such as price discrimination by major companies in order to inhibit growth by smaller retailers. The agency did not name any specific retailers that it is investigating.

## Brazilian Federal Court Orders Arrest of Ex-BNY Mellon Executive

A Brazilian federal court on Thursday ordered the arrest of José Carlos Xavier de Oliveira, a former chief executive officer of the Brazilian unit of Bank of New York Mellon, Reuters reported, citing a source with knowledge of the matter. The court and BNY Mellon declined to comment to the wire service. On Thursday, authorities executed 100 search warrants related to graft allegations involving a postal worker pension fund, part of which was managed by BNY Mellon's Brazilian unit.

secretary for political affairs, the third-highest position at the State Department. He served as acting secretary of state for two weeks under President Donald Trump until Tillerson was confirmed last year, and served as Tillerson's acting deputy for several months.

## ECONOMIC NEWS

# NAFTA Important for Mexico's Economy: AMLO Advisor

The economist that Mexican presidential frontrunner Andrés Manuel López Obrador has tapped to run renegotiations of the North American Free Trade Agreement if López Obrador is elected in July said that the agreement is an important part of Mexico's economy, adding that she does not plan to scrap the progress that Mexico, the United States and Canada have made in talks to modernize it, Bloomberg News reported Thursday. Graciela Márquez, who López Obrador has said would be his economy minister, said NAFTA has helped with job growth in Mexico. She said López Obrador and his party "support the continuation of NAFTA," adding that it is "very important to the well-being of Mexicans." However, the agreement is not perfect, and López Obrador wants to develop the domestic market and reduce inequality without implementing protectionist policies, Márquez added. She said she is ready to negotiate with U.S. President Donald Trump's administration if negotiations have not been completed by the time Mexican President Enrique Peña Nieto leaves office in December. The comments from Márquez are a departure from some of the messaging from López Obrador's campaign, especially during the two previous occasions he ran for Mexico's highest office. During prior bids for the presidency, López Obrador had campaigned on the promise to boost social-welfare spending, and he had voiced his opposition to allowing private companies to invest in sectors that had traditionally been nationalized, including the oil sector.

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tries is access to the Japanese market for agricultural products, which was the original intent of the United States when it was aggressively pursuing the deal under the Obama administration. The decision by the United States to withdraw does not lessen the importance of the agreement, which has, in fact, been recrafted to drop some of the original demands made by U.S. negotiators. Members of the CPTPP see great value in accessing each other's markets under the umbrella of an agreement that embodies not only a reduction in trade barriers, but regulatory convergence, as well as addressing issues of intellectual property rights, digital commerce and a number of other 21st century issues. The U.S. decision to stay out of the multilateral arrangement is likely to harm some domestic companies and sectors as a result of inevitable trade diversion."

**A** **Arturo Sarukhan, board member of the Inter-American Dialogue and former Mexican ambassador to the United States:**

"A TPP minus the United States does not diminish its importance. First, it will buttress the coalition of the free trade-willing in the Americas, when Canada, Mexico, Chile and Peru sign the revamped agreement in Chile on March 8. Second, it will continue to create synergies with and among the four Pacific Alliance nations (Mexico, Colombia, Peru and Chile) and others that are engaging the group. Third, it's the United States who will face costs. According to a Peterson Institute analysis, U.S. real income under the TPP would have increased by \$131 billion annually, or 0.5 percent of GDP. Under the new deal without U.S. participation, the United States not only forgoes these gains, but also loses an additional \$2 billion in income, because U.S. firms will be disadvantaged in TPP markets. When one is not at the table, one usually ends up on the menu. The greatest underlying geostrategic payoff of the TPP had always centered on its potential to discourage harmful trading practices by

building a 21st-century rules-based trading system. And that logic remains, but with a different target. TPP12 (the original grouping of signatories, including the United States) intended to create incentives to eventually engage with China, and for China itself to reform its state capitalism practices; TPP11—now rebranded with the mouthful

“A TPP minus the United States does not diminish its importance.”

— Arturo Sarukhan

'Comprehensive and Progressive Agreement for Trans-Pacific Partnership', CPTPP—can become a useful tool in deterring Trump's 'my way or the highway' protectionist policies, and whose views on international trade as a zero-sum proposition have remain unchanged for years, despite his occasional winks at 'doing no harm' to NAFTA and rejoining TPP if it becomes a better deal. TPP11 has a new role to play in a world—and hemisphere—characterized by geopolitical vacuum in the absence of U.S. global leadership."

**A** **Gregory J. Spak, chair of White & Case's International Trade Group:** "Though the U.S. withdrawal was a significant setback for the TPP, the TPP11 remains an economically significant agreement. The TPP11 parties account for approximately 15 percent of global trade, and are expected to benefit from commitments providing for tariff reductions, cumulative rules of origin and support for regional value chains, facilitation of cross-border e-commerce, investment liberalization and protection of intellectual property. Notwithstanding the U.S. withdraw-

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al, several industries are expected to benefit from the TPP11, particularly automobiles, business services, machinery and equipment, food and agriculture, textiles and apparel, and leather products. The TPP11 parties in the Western Hemisphere (Canada, Chile, Mexico and Peru) could achieve greater gains under the TPP11 than under the original TPP. These countries already enjoy preferential access to the U.S. market under existing trade agreements and should not suffer the 'preference erosion' that might have resulted from the United States extending the same access to additional countries under the TPP. Industries in these countries should also gain competitive advantages over U.S. industries in the form of new preferential market access in Asia. Canada and Mexico could be the largest beneficiaries, with strong gains in the automotive and agricultural sectors, resulting from new market access opportunities, particularly in Japan. The TPP11 also remains important, because it includes disciplines in areas such as digital trade and state-owned enterprises that go beyond those in existing agreements. The entry into force of such provisions, even without the United States, would be an important development in the evolution of international trade rules. After all, the TPP was never just about tariff concessions; it was about establishing the horizontal rules (regulatory predictability, transparency, due process) that allow trade to prosper. Everyone should gain from this, especially the members of the agreement."

**A** **Frank R. Samolis, partner and co-chair of the international trade group at Squire Patton Boggs:** "This March, 11 countries are expected to sign the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP is the successor to the Trans-Pacific Partnership (TPP), a proposed free-trade agreement between the CPTPP and the United States. U.S. President Donald Trump withdrew the United States from the TPP, in

one of his first official actions. The United States' decision to withdraw from the TPP changed the dynamics of the trade pact, thrusting Japan into a leadership role. While the TPP would have covered about 40 percent of the world's GDP, the CPTPP's coverage is only around 13.5 percent of global GDP. Even without the United States, the CPTPP will create new opportunities for its members, by opening markets with a combined population of 494 million people and providing preferential access into Japan, the world's third-largest economy. While the agreement's impacts across various sectors remain unknown, it will likely benefit many

**“The United States’ decision to withdraw from the TPP changed the dynamics of the trade pact...”**

— Frank R. Samolis

industries. In Canada, for example, the agreement's tariff elimination and improved market access will likely benefit the domestic agricultural and automotive sectors. By certain estimates, each country can expect increased growth in national income of an average of 1 percent by 2030. While trade between the United States and CPTPP countries will continue, differences on high-tariff products like agricultural goods may affect market competitiveness. The CPTPP may also affect the ongoing North American Free Trade Agreement (NAFTA) negotiations, as Mexican and Canadian exports will now enjoy a competitive advantage over U.S. exports to other CPTPP partners. However, the United States will likely retain significant leverage in NAFTA negotiations, as it remains the most important trading partner for both Mexico and Canada."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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