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## FEATURED Q&A

# Would an E.U.- Mercosur Deal Bring Big Benefits?



European Commissioner for Trade Cecilia Malmström has expressed hopes that the European Union and Mercosur countries will soon reach a trade deal. // File Photo: European Union.

**Q** Europe's trade commissioner, Cecilia Malmström, said Feb. 26 that the European Union and Mercosur were close to agreement on a trade deal. The European Union signaled recently that it might open its market to more beef from the Mercosur countries—Argentina, Brazil, Paraguay and Uruguay. However, beef has been a main concern of European nations with significant agricultural sectors, such as Ireland and France. How much of a benefit would an E.U.-Mercosur trade deal bring? What are the main drawbacks for industries on both sides of the Atlantic? How would an eventual deal affect Latin American countries that are not part of Mercosur?

**A** Kezia McKeague, director at McLarty Associates: "While benefits of the long-pending E.U.-Mercosur deal would vary over time and by sector, the strategic objectives for the Mercosur bloc are clear: boosting investor confidence and market access for agricultural products. Officials in Argentine President Mauricio Macri's administration are particularly keen to institutionalize reforms aimed at making the economy both more competitive and stable. For the European Union, benefits should include lower tariffs on manufactured goods, continued promotion of the European investment-protection model (in contrast to investor-state dispute settlement, or ISDS) and better harmonization with E.U. standards. Recent reports indicate that key challenges for negotiators continue to be the outsized influence of agricultural producers in E.U. member states and competitive concerns from Brazilian automakers, exacerbated by uncertainty around not only

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## TODAY'S NEWS

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## More Than 100 Rights Activists Killed in Colombia Last Year: U.N.

A total of 121 human rights activists were killed last year in Colombia, according to an annual report by the United Nations High Commissioner for Human Rights.

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## DP World Acquires Peruvian Logistics Company

Dubai-based DP World has acquired Peru's Cosmos Agencia Maritima for \$316 million.

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## Former Mexican First Lady Cleared to Run for President

Former Mexican First Lady Margarita Zavala, the wife of former President Felipe Calderón, has secured the needed number of petition signatures to enter Mexico's presidential race as an independent.

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Zavala // File Photo: Mexican Government.

## POLITICAL NEWS

## Former Mexican First Lady Cleared to Run for President

Former first lady Margarita Zavala had secured the needed number of signatures to run as an independent candidate in the country's July presidential election, Mexican election officials said Friday, *The New York Times* reported. The wife of former President Felipe Calderón, who governed from 2006 to 2012, Zavala, a conservative, would become the first independent candidate to run for president of Mexico after election laws were changed in 2012. Authorities were unable to verify more than three million signatures on the petitions of left-leaning senator Armando Rios Piter and former Governor Jaime Rodríguez of Nuevo León state, leaving them off the ballot. Both have said they will appeal the signature count. Political analysts predict that Zavala's candida-

cy could split right-of-center voters within her former National Action Party, or PAN, whose candidate is Ricardo Anaya. That would likely benefit the current frontrunner in the polls, Andres Manuel López Obrador. The exclusion of Rios Piter could also boost López Obrador. "The fact that a left-leaning candidate like Rios Piter isn't on the list anymore favors López Obrador without a doubt," Jesús Cantú, a political scientist at the Tecnológico de Monterrey, told Bloomberg News. Formal campaigning for the July 1 election begins in two weeks.

## More Than 100 Rights Activists Killed in Colombia Last Year

A total of 121 human rights activists were killed last year in Colombia and hundreds of others were attacked, the United Nations said Friday, Reuters reported. More than 60 percent of the attacks happened in former strongholds of the FARC rebels, according to the annual

## NEWS BRIEFS

## Argentina, Germany Tout Free Trade Ahead of G20 Gathering

Argentine Treasury Minister Nicolas Dujovne and German Finance Minister Olaf Scholtz said Sunday, on the eve of two-day gathering of G20 countries' finance ministers in Buenos Aires, that their countries are committed to free trade, Reuters reported. Their comments followed a move by U.S. President Donald Trump earlier this month to impose tariffs on imported steel and aluminum. "We aim to reach an agreement in terms of maintaining the wording of the Hamburg communique (about) sustaining the benefits of free trade," said Dujovne.

## Venezuelan Town Begins Issuing Own Currency

Elorza, a western Venezuelan town near the border with Colombia, has begun issuing its own currency in a bid to get around the effects of hyper-inflation and a shortage of paper bills, Reuters reported. The currency, called the "Elorza," is being sold in the municipality's offices to ensure that tourists and residents in the city of 26,000 inhabitants can make transactions, said mayor Solfredy Solorzano, a member of the ruling Socialist Party. The mayor's office receives bolívares by bank transfer or debit card payment and, after discounting an 8 percent commission, gives "Elorzas" in exchange, which can be used locally.

## Brazil Halts Poultry Exports to E.U. From 10 BRF Production Sites

Brazil's Agriculture Ministry on Friday temporarily halted poultry exports destined for the European Union from 10 production sites run by food giant BRF, the Associated Press reported. The move, which the government called "preventative," came after the European Union asked Brazil for more information about traces of salmonella that had been found.

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the Brazilian elections but also regarding the shape of future auto-sector industrial policy after Inovar Auto was deemed in noncompliance with the WTO. Mercosur's less competitive industries would no doubt suffer (or rise to the competitive challenge) with an eventual deal, though Mercosur has pushed for a lengthy phasing-in period for tariff elimination. As Argentine Secretary of Commerce Miguel Braun noted recently in Washington, Macri's mantra of 'gradualism' also applies to trade liberalization. If achieved, an E.U.-Mercosur deal would serve to distance Mercosur even further from the United States from a trade perspective and would enhance regional competition for countries in Latin America with existing trade agreements with the European Union (Mexico, Chile, Peru, Colombia, and Central America). On the whole, however, any deal serving to crack open the traditionally closed Mercosur market is a positive signal and could create greater opportunities for

convergence with the Pacific Alliance—with benefits for the entire region."

**A** **Thomas Andrew O'Keefe, president of Mercosur Consulting Group:** "If the European Union and Mercosur finally sign an agreement after nearly two decades of trying, it will likely be a face-saving political accord, rather than a genuine free-trade agreement. That is because both the European Union and Mercosur are desperate to project themselves as still relevant in a new global context of rising protectionism and economic nationalism. Hence, the more contentious issues that include opening up the E.U. beef and agricultural markets to more competitive exports from South America's Southern Cone, will likely be stripped out and relegated for future negotiations. I also cannot see the Mercosur countries agreeing to the extra protections the European pharmaceutical industry is demanding on patent protections

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report by the United Nations High Commissioner for Human Rights. Areas that the FARC has vacated since it signed a peace accord with Colombia's government in November 2016 have seen power vacuums, the report said. In those locations, armed criminal groups fighting over drug trafficking routes have entered, as have rebels of the National Liberation Army, or ELN, leading to an increase in human rights violations, the human rights office said. "The consolidation of armed groups and criminal organizations in these areas can ... undermine potential human rights benefits of the peace process," the report said. "Considering these movements, the window of opportunity for improvements in the human rights situation is short." It added that 14 of the human rights defenders killed last year were women, twice the percentage of female rights activists who were murdered in 2016. The U.N. agency said Colombia's government should have more of a presence in rural areas and also develop new programs to dissuade farmers from growing illegal crops, the Associated Press reported. It also called on the government to prosecute the perpetrators of violence against human rights defenders. The report also said 36 former FARC rebels were killed last year. [Editor's note: See related [Q&A](#) in the Feb. 27 issue of the Advisor.]

## BUSINESS NEWS

### DP World Acquires Peru's Cosmos Agencia Maritima

Dubai-based port operator DP World announced Sunday it had acquired Peru's Cosmos Agencia Maritima, or CAM, for \$316 million. CAM owns two logistics service businesses, Neptunia and Triton Transport, and also holds a 50 percent stake in Terminales Portuários Euroandinos in the Port of Paita, the second-largest container terminal in the country. DP World, which is state controlled, already operates a container terminal in the port in Callao. Sultan Ahmed Bin Sulayem, DP World's chief executive, said in a statement that Peru

## THE DIALOGUE CONTINUES

### Is the OAS' Human Rights Court Getting too Political?

**Q** **The rise of right-wing candidate Fabricio Alvarado Muñoz, who had been polling in the single digits but then emerged as the top vote-getter in the first round of Costa Rica's presidential election on Feb. 4, was seen as a backlash after the Inter-American Court of Human Rights made public a ruling that Costa Rica and other member countries must recognize same-sex marriages. Alvarado Muñoz has called the court's decision a violation of Costa Rica's sovereignty and has threatened to pull the country out of the court if elected. The court also recently held a hearing on the controversial pardon of former Peruvian President Alberto Fujimori. Is the court right to be ruling on such controversial issues, or should these decisions be left to individual countries? Should the court be more restrained in the timing of its rulings, so as not to influence elections? Is there a danger that countries will start pulling out of the IACHR over such rulings, and what are the consequences if they do?**

**A** **Juan Pablo Albán-Alencastro, professor of law at Universidad San Francisco de Quito:** "International courts, although created as result of diplomatic agreements with strong political components, are still courts and as any other judicial body are called upon to interpret and apply the law. In doing so, they are not supposed to behave like political actors, pondering the political

climate prevailing within the international community or a given country, at a given time, to push forward or strike down individual cases or general legal questions. They must ensure the rule of law and do so with the utmost impartiality. As noted by Prof. Juan E. Méndez, 'the state invoking sovereignty to reject foreign interference must demonstrate that it exercises it as a responsible member of the international community, and that such exercise does not create instability in international relations or violate the principles of human dignity.' Judicial activism in the international sphere has a limit on the principle of subsidiarity that underlies international human rights law and institutions and holds that supervisory bodies such as the Inter-American Court must refrain from issuing opinions or decisions on matters in which a state or group of states have already taken substantive steps toward complying with their international commitments in good faith and in a timely manner. But when this is not the case, the international supervisory body is compelled to intervene due to the unlawful conduct or lack of responses of the concerned states, and in those instances, sovereignty cannot be used as an excuse to downplay human rights."

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**EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in the Feb. 23 issue of the Advisor.**

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and Latin America overall hold "significant growth potential" for the company. DP World's existing operations in Latin America include a 50-year concession in Ecuador, where the company plans to invest more than \$1 billion in developing maritime trade infrastructure, as well as significant holdings in ports in Brazil,

the Dominican Republic and Argentina. Earlier this month Bin Sulayem met with Panamanian President Juan Carlos Varela about expanding investments in the Central American country. Dubai's non-oil trade with Latin American countries surpassed \$35 billion between 2010 and 2016, Gulf News reported.

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that exceed those found in the WTO TRIPs. For the Mercosur countries to acquiesce to such an unconscionable overreach that is motivated by pure greed would undermine their oft-stated public health commitments to make all medications accessible to their citizens. A primarily political accord between the European Union and Mercosur would not have that much of a trade diversionary impact on the rest of Latin America. In any event, Chile, most of the Andean Community nations, Central America, Mexico and the Caribbean already have free-trade agreements with the European Union."

**A** **Andrea M. Ewart, CEO of DevelopTradeLaw:** "Even with skilled negotiations, there will be winners and losers. Each is a common market with a common external trade policy applied across its members, not all of whom share the same interests. About 70 percent of E.U. imports from Mercosur already enter duty-free. Mercosur seeks to reduce non-tariff barriers, such as quotas, to the entry of its products. So, reaching agreement on the volume of beef and ethanol to receive preferential access into the European Union is important to Mercosur. Mercosur, however, has its own high tariff and non-tariff barriers. Mercosur's Common External Tariff is as high as 35 percent, the rate applied to imported cars. The European Union, consequently, is focused on opening the market for goods trade in its areas of primary interest, notably cars and dairy products. This focus pits French and Irish beef producers against French and German car manufacturers. The deal will reinforce the European Union as Mercosur's largest trading partner. However, as Mercosur economies become more open to E.U. imports, we can expect displacement of domestic and intra-regional trade. Can Brazil's auto industry compete against imported cars from Europe without the protectionist barrier of high tariffs? How could the dairy industries of Argentina and Uruguay be affected? To what extent will Brazil remain the major

trading partner of other Mercosur members? Reducing regulatory barriers in the services sectors is also important for both parties, especially for the European Union. An added benefit could be provisions to strengthen Mercosur's regional integration framework, an E.U. focus in its trade agreements with regional trading blocs."

**A** **Héctor B. Viana, partner at Jiménez de Aréchaga, Viana & Brause in Montevideo, Uruguay:** "What may be said about the actual talks between the European Union and Mercosur is speculative, as their ongoing negotiations have been kept quite confidential. And while beef and ethanol would be at the center of discussions, other issues (lowering of customs tariffs, liberalization of services, intellectual property, flexibility on origin matters and on procurement), could be also holding back the closing of this agreement. What it is more certain, though, is that Mercosur is eager to close this trade deal as soon as possible (even, as rumor has it, if this means relinquishing important demands). This attitude may be explained by an optimistic expectation of what this agreement could bring, within and outside Mercosur. This would finally put Mercosur countries in line with other South American countries that are already profiting from trade deals. The European Union is also willing to close this deal immediately, as upcoming elections in Paraguay and Brazil could slow the current momentum. Regarding the general retreat of the United States on foreign trade, by closing this deal, the European Union would cement its global trade leadership. The last mile is always the hardest, it is commonly said. But knowing that, above all, both blocks have complementary products to well support the economics of the deal, working out final differences should be possible."

*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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