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FEATURED Q&A

Will Automation Create or Kill Jobs in Latin America?



Mexico and Brazil are leading Latin America in automation, including with factory robots, like the ones pictured above. // File Photo: KUKA Roboter GmbH, Bachmann via Creative Commons.

Q Within Latin America and the Caribbean, Mexico and Brazil are leading the way in the use of automation, the IDB said in research released last year, with two robots per thousand workers on average. However, the two countries lag far behind more developed nations. Switzerland, Germany, Japan and South Korea, the countries with the highest numbers of robots per industrial worker, boast more than 20 per thousand workers, and China is automating quickly. Is automation a good thing for Latin America and the Caribbean, at this stage of the region's economic development? What policies would bring productivity gains and economic vitality while creating secure jobs? How are elections in key countries this year likely to alter the outlook for the ways countries invest in technology and automation?

A Alberto Pfeifer, coordinator of the Group for the Analysis of International Conjunction (GACInt) at the University of São Paulo: "Automation is inevitable for Latin American and Caribbean countries, most of which are market economies that operate fully integrated with U.S.-centered value chains through preferential trade arrangements. Sooner or later, repetitive labor-intensive repetitive, such as in the textile, shoe and some automotive industries, will be replaced by robots and 3D printing, making jobs and investments migrate from Latin America and the Caribbean (LAC) to advanced economies. By the same token, occupations not yet replaced by automation, such as call centers and image digitalization, may migrate to LAC. The final outcome in terms of occupational level depends on how local authorities provide due adaptation of educational and training structures to prepare workers

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TODAY'S NEWS

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Trump Signs Order to Send National Guard to Border

U.S. President Donald Trump signed the order after expressing frustration about illegal immigration over several days.

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ECONOMIC

Colombian Gov't Declines to Give Immediate Aid to Coffee Growers

The head of the country's coffee farmers' association sought the aid, saying farmers have been struggling due to heavy rains and a rise in the country's currency.

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POLITICAL

Brazil's Supreme Court Rules Lula Can Be Jailed

In a 6-5 decision handed down in today's early-morning hours, Brazil's Supreme Court denied former President Luiz Inácio Lula da Silva's effort to remain out of jail while he appeals his corruption conviction.

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Lula // File Photo: Lula Institute.

POLITICAL NEWS

Brazil's Supreme Court Rules Lula Can Be Sent to Jail

Following nearly 11 hours of heated debate, Brazil's Supreme Court in today's early morning hours narrowly rejected former President Luiz Inácio Lula da Silva's effort to remain out of jail as he appeals his corruption conviction, O Estado de S.Paulo reported. The 6-5 ruling means that Lula, a leftist icon in the South American

“The constitution secures individual rights, which are fundamental to democracy, but it also assures the exercise of criminal law.”

— Chief Justice Cármen Lúcia

country, could be jailed as early as next week, the Associated Press reported. The decision upends the country's presidential race, in which Lula been the front-runner. The Supreme Court's decision makes it all but impossible for Lula to remain on the ballot as Brazil's Clean Slate law prohibits convicted criminals who have lost an appeal from running for office. Today's decision does not technically strike Lula's name from the ballot, but the country's top electoral court is expected to take that action under the Clean Slate law. In January, an appeals court upheld Lula's 2017 conviction and lengthened his prison sentence from nine and a half to 12 years. Within minutes of the Supreme Court's decision this morning, Lula's Workers' Party posted a tweet saying it will continue to back the former president. “The Brazilian people have the right to vote for Lula, the candidate of hope,” the party said. “The Workers' Party will defend this candidacy on the streets and in every court until the last consequences.” The court's close vote underscored the polarization in Brazil that surrounds

Lula. “The constitution secures individual rights, which are fundamental to democracy, but it also assures the exercise of criminal law,” said Chief Justice Cármen Lúcia, who cast the deciding vote, ending the session at about 12:30 a.m. local time. However, Justice Gilmar Mendes, often a critic of Lula, voted to allow the former president to remain out of jail and said the court should not be pressured to jail him. “If a court bows [to pressure], it might as well not exist,” said Mendes. Millions of Brazilians watched the televised Supreme Court session. When it ended, fireworks were shot into the sky and yells could be heard in Rio de Janeiro and São Paulo, the AP reported. Last July, Lula was convicted of helping a construction company to receive contracts in exchange for the promise of a beachfront apartment. Lula has consistently denied wrongdoing and has said the case is a ploy to keep him from returning to the country's presidency.

Trump Signs Order to Deploy National Guard to Border

U.S. President Donald Trump on Wednesday signed an order to deploy the National Guard to the country's border with Mexico in order to crack down on illegal immigration, the Associated Press reported. “The lawlessness that continues at our southern border is fundamentally incompatible with the safety, security, and sovereignty of the American people,” Trump wrote in a memo, saying that his administration had “no choice but to act.” U.S. law bars the use of active-duty military members for law enforcement within the United States, but U.S. presidents over the past 12 years have twice sent National Guard troops to the border to assist with security and provide other support. Mexico's foreign ministry said late Wednesday that U.S. Homeland Security Secretary Kirstjen Nielsen has informed it that the National Guard troops will not be armed. Meantime, a caravan of more than 1,000 Central American migrants that is headed toward the United States said it would disband into smaller groups after reaching Mexico City, CNN reported.

NEWS BRIEFS

Guatemalan Judge Sentences Businessmen to Build Roads, School

A judge in Guatemala has sentenced nine businessmen involved in a corruption scheme to build roads and a school in the country, according to the U.N.-backed anti-corruption commission in the country. On Wednesday, the International Commission Against Impunity in Guatemala, or CICIG, announced the sentences, which also include fines and prison time. The businessmen were convicted of corruption in a case involving construction company Odebrecht and former Infrastructure Minister Alejandro Sinibaldi, who remains at large, Reuters reported.

U.S. Senator Arrives in Venezuela in Attempt to Secure American's Release

U.S. Senator Richard Durbin (D-Ill.) arrived in Venezuela on Wednesday, seeking to secure the release of a Utah man jailed in the country, the Associated Press reported. Durbin is seeking the release of Joshua Holt, who has been in prison for two years on weapons charges that the U.S. government says are politically motivated. Durbin is reportedly scheduled to meet with Venezuelan President Nicolás Maduro as well as opposition leaders.

Peruvian Lawmakers Seek Repeal of Oil Contracts PPK Signed in Final Hours

Opposition lawmakers in Peru said they will try to repeal five contracts granting London-based Tullow Oil rights to explore and drill for oil, which President Pedro Pablo Kuczynski signed just hours before leaving office last month over a corruption scandal, Reuters reported. “It's not normal for a president, just before resigning, to sign five decrees giving away our resources,” said Karla Schaefer of the conservative Popular Force party.

ECONOMIC NEWS

Colombia Won't Give Immediate Aid to Coffee Growers

Colombia's government will not provide any immediate support or subsidies to struggling coffee growers in the country, the CEO of the coffee farmers' association said Wednesday, Reuters reported. Roberto Vélez, chief executive of the National Federation of Coffee Growers, or FNC, made the statement after a meeting with Finance Minister Mauricio Cárdenas. In the meeting, the government rejected Vélez's appeal for immediate relief, saying it did not have sufficient money. Colombian coffee



Vélez // File Photo: National Federation of Coffee Growers.

farmers have struggled in the first quarter as domestic prices have fallen 13 percent as compared to last year, according to the FNC. Producers and exporters have struggled as the Colombian peso has risen against the dollar and heavy rains in the country have led to lower output. However, the government did outline a plan to commit 27 billion Colombian pesos (\$9.7 million) to the renovation of coffee farms, El Colombiano reported. "The coffee growing sector needs support right now," said Vélez. "Today we spoke with the ministry about how coffee growers are not in a position to take out loans, because in this situation the chances of paying them back are very low." Vélez had called for an urgent meeting after the United States pulled out of the International Coffee Agreement. Cárdenas called upon other major coffee-growing nations to meet and find a way to "regulate demand and avoid a bigger fall in the international price," Reuters reported.

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and how they alter national legislation to foster investments that will use those laborers. Mexico and Brazil, large economies with mature manufacturing sectors and sizable domestic markets, are more autonomous regarding robotization. Firms and sectors that are globally integrated will adopt robotization and other Industry 4.0 features in order to remain competitive. Governments should facilitate automation, eliminating barriers to importation of robots and advanced machinery so that the technological and innovation spillover encompasses more sectors. Populist politicians blame technology and global integration as immediate causes of unemployment and underdevelopment. They may call for protectionism and propose autarkic solutions, but with unsustainable public budgets either they embrace sound macro and microeconomic agendas, or they will face severe economic crisis. The root causes for structurally lagging behind are inefficient public policies and weak institutions, poor and expensive legislation and low-skilled workforces. Besides, there's room for labor-intensive activities, such as physical infrastructure, both at the domestic and the regional level in Latin America. The prescription is simple and clear: open up for more technology in the manufacturing sector; reduce risk and uncertainty in infrastructure; and provide proper management of the educational sector, focused on learning the needed skills of the future."

Amy Glover, CEO for Mexico at Speyside Corporate Relations: "As in many other markets, automation is both a challenge and an opportunity for Mexico. A 2017 report by McKinsey Global Institute shows that 52 percent of the jobs in Mexico could eventually be replaced by robots, and there is general agreement that further education reform is needed in order to prepare the workforce for this eventual shift. Automation in the country is also linked to the integration of North America, particularly to the maquiladora and

automotive sectors, and the success of the NAFTA renegotiation process will be key to determining the future of this industry. In the context of Mexico's 2018 presidential election, there are different views on how to promote the country's economic develop-

“ We need to be teaching kids to do things that robots cannot do.”

— Amy Glover

ment and how much of a role technology will play. Ricardo Anaya, the candidate of the For Mexico to the Front coalition, has emphasized technology as a key driver of growth and a tool for ensuring that the country's youth enjoys economic opportunity. Anaya envisions technology playing a wider role in the Mexican economy by developing a strategy to confront the global 4.0 revolution and by promoting specialized human capital and attracting R&D to Mexico. As Jack Ma, the founder of Alibaba, pointed out in his discussion of education at the World Economic Forum this year, we need to be teaching kids to do things that robots cannot do, putting an emphasis on creativity and the arts. At present, Mexico is a long way from an optimal public education system, but the question is whether the country will be able to leapfrog toward designing a system for the future. No doubt at present, the bar seems quite high."

Jorge A. Sanguinety, chairman and senior advisor at DevTech Systems: "History shows that labor-saving technological change, such as automation, is a fundamental source of economic growth and development in any country. It is also a necessary

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condition for increases in labor productivity that lie at the root of higher wages for workers. If automation in a given country fails to increase economic growth, it is probably because there is something very wrong with that economy. True, there is an asymmetry of effects when automation happens, as the negative effects are more easily predictable and rapidly noticeable than the long-run benefits in terms of new job creation. That is

“If automation in a given country fails to increase economic growth, it is probably because there is something very wrong with that economy.”

— Jorge A. Sanguinetti

why labor-saving innovations find a certain degree of resistance even in advanced economies. Therefore, the policies to facilitate the creation of new jobs to compensate for the losses of technically obsolete jobs must focus on improving labor markets' flexibility by reforming rigid labor codes, enhancing contractual security and property rights to create a friendly investment climate for new and old enterprises, investing in high-quality vocational and technical education to increase the supply of skill labor and its employability, and providing tax credits or other fiscal incentives to enterprises that train displaced workers and assist them in transporting new skills to other jobs. On how the 2018 elections in the region will alter the outlook on innovation, everything depends on whether the voters elect populist or free-market oriented candidates. In this regard, Colombia provides the most promising outlook, Mexico the poorest, while Brazil is uncertain.”

A Nelson Altamirano, professor of economics at the School of Business and Management at National University: “Automation and technological innovation rates present the same story: Brazil and Mexico look great in respect to the other countries in the region but look miserable as compared to South Korea, a newly industrialized country by comparison. Brazil has a handful of firms in few pockets of innovation, such as in the auto, aerospace, mining and oil industries. The production processes in these sectors during the commodity boom and liberalization have integrated lean practices, efficient supply chains and automation, which are present in developed countries. In the case of large mining and oil firms, these changes have secured high and fast extraction levels. However, this automation barely increases productivity in other sectors of the economy, and firms may just request zero import tariffs for robots, which I think is unnecessary. Automation in the auto, aerospace, pharmaceutical and agricultural sectors is different because these industries are also export-oriented but have forward and backward linkages with other local industries, universities and research institutes. Automation of production processes in these industries ensures product quality as well as cost and waste reduction necessary to compete internationally. In these cases, policies that support liberalization and exports need to be complemented with innovation policies that treat robots as an element of a technological transfer process with direct and indirect effects on multiple sectors. These effects need to be evaluated and supported accordingly. Then, Brazil and Mexico may get closer to their Asian competitors.”

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