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## FEATURED Q&A

# Have Mexico-U.S. Relations Reached a Breaking Point?



U.S. President Donald Trump met with Mexican President Enrique Peña Nieto at the G20 summit in Hamburg last year. // Photo: Mexican Government.

**Q** Mexican President Enrique Peña Nieto, in an uncharacteristically sharp rebuke, on April 5 blasted U.S. President Donald Trump, saying, “nothing and no one stands above the dignity of Mexico.” The televised address came after Trump signed an order to send National Guard troops to the border, continued to press for his promised multi-billion-dollar border wall, expressed frustrations about illegal immigration and threatened to tear up the North American Free Trade Agreement. However, U.S. and Mexican officials last month celebrated the signing of accords to improve customs procedures and expedite the flow of agricultural goods, the first of some 20 memorandums of understanding and letters of intent the countries have been advancing. How well are the United States and Mexico working together? To what extent could the heated rhetoric between the countries derail border cooperation and talks underway to renegotiate NAFTA? How is the dust-up with Trump influencing Mexico’s July presidential election, and will U.S.-Mexico ties be changed in the longer term as a consequence of recent discord?

**A** James R. Jones, chairman of Monarch Global Strategies and a former U.S. ambassador to Mexico: “Government to government relations between Mexico and the United States seem to be running well. The border cooperation agreements announced recently when DHS Secretary Nielsen visited Mexico are just the first of several between our governments that should be announced in the coming days. The wild card, however, is President Trump. Depend-

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## TODAY'S NEWS

### POLITICAL

## Lima Summit Kicks Off Without Trump, Maduro

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### POLITICAL

## Brazil Arrests 10 Over Public Pension Fraud

Those arrested include a former national secretary of the Workers' Party, a union leader, a former postal service secretary, and a lobbyist who is connected to the ruling MDB Party.

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### ECONOMIC

## U.S. to Study Rejoining TPP

U.S. President Donald Trump on Thursday instructed U.S. Trade Representative Robert Lighthizer and other agencies to study the potential for re-entry into the Trans-Pacific Partnership free trade accord.

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Lighthizer // File Photo: U.S. Government.

## POLITICAL NEWS

## Lima Summit Kicks Off Without Trump, Maduro Attending

The eighth Summit of the Americas kicks off today in Lima, Peru, with the notable absence of two of the Western Hemisphere's most polarizing figures, U.S. President Donald Trump and Venezuelan President Nicolás Maduro. While some have called for regional presidents to use the summit address the humanitarian crisis stemming from Venezuela's economic meltdown, or explore ways to surmount tensions over protectionism in international trade, organizers have for the most part stuck to the summit's agenda of anti-corruption and democratic governance. Peruvian President Martín Vizcarra on Thursday called on business leaders to fight against graft, *La República* reported. Speaking at the Business Summit of the Americas, a pre-summit conference for corporate leaders, Vizcarra called on the private sector to improve transparency for the sake of democracy. "One of the greatest harms inflicted by corruption on our society is that it reduces confidence in democratic institutions," Vizcarra said. Vizcarra, who assumed office on March 23 after his predecessor, Pedro Pablo Kuczynski, resigned over a graft scandal, has vowed to make anti-corruption a focus of his presidency. The Peruvian President also discussed corruption on Wednesday while addressing youth leaders, *El Peruano* reported. Ana Reátegui Vela, a professor at Peru's ESAN School of Business, said corporations should create mechanisms to ensure transparency and accountability in order to remain competitive. "If they don't take measures to improve transparency, [corporations] run the risk of being rejected by society and losing out on the market," Reátegui told *La República*. In related news, the White House said Thursday that U.S. Vice President Mike Pence is scheduled to meet one-on-one this weekend with Argentina's Mauricio Macri, Peru's Martín Vizcarra, Chile's Sebastián Piñera and Colombia's Juan Manuel Santos.

## Brazil Arrests 10 Over Public Pension Fraud

Federal Police in Brazil on Thursday arrested 10 officials on charges of public pension fraud in connection with the Lava Jato corruption investigation, *Folha de S.Paulo* reported. Those arrested include Marcelo Sereno, a former national secretary of the Workers' Party that ruled Brazil from 2003 until 2016. Others include union leader Carlos Alberto Valadares, former postal service secretary Adeilson Telles, and lobbyist Milton Lyra, who is connected to the ruling MDB Party. The former officials are accused of trading bribes in exchange for funneling pension investments to the business empire of Arthur Machado, CEO of the ATG Group. According to Reuters, the investigation is tied to Postalís, the pension fund for Brazil's mail service, and Serpros, the fund for the national statistics service. The federal police has said it is investigating corruption, tax evasion, and money laundering in connection with the two funds. In addition to the arrests, authorities issued search warrants for 21 other individuals in the country. Postalís, which has more members than any other public pension fund in Brazil, posted billions of reais in losses over the last decade, which officials have attributed to mistakes in investing in high-risk stocks.

## ECONOMIC NEWS

## Trump Instructs Agencies to Study Rejoining TPP

U.S. President Donald Trump on Thursday expressed interest in the possibility of the United States' re-entry into the Trans-Pacific Partnership, or TPP, *Bloomberg News* reported. Trump instructed U.S. Trade Representative Robert Lighthizer and top economic advisor Larry Kudlow to study re-entry into the accord. In a posting on Twitter, Trump said the United States would be willing to enter if it got a

## NEWS BRIEFS

## Argentina Opens Bids for Salado River Project

Argentina's public works ministry has opened six bids for the contract to perform widening works along a 118 kilometer stretch of the Salado River, *Business News Americas* reported Thursday. Last year the World Bank approved a \$300 million loan to strengthen flood protection in the Salado River basin within Buenos Aires province. More than 1.4 million people will benefit from the project, the lender said. Argentina's government has pledged to increase infrastructure spending by 50 percent in real terms this year.

## Puerto Rico Power Outage Leaves 870,000 in Dark

PREPA, Puerto Rico's power utility, said that some 870,000 electricity customers across the island were left without power on Thursday after a tree fell on a main supply line, the *Associated Press* reported. The widespread outage closed businesses for the day and forced a main public hospital and international airport to switch to backup generators. The announcement sparked outrage across social media from people who said they are fed up with ongoing outages since Hurricane Maria ravaged the island last year.

## Ecuador's President Threatens Military Operation on Border

Ecuador's President, Lenín Moreno, said Thursday he would order a military operation as soon as today against gangs along the border with Colombia unless they provided proof that two journalists and a driver from one of the country's biggest newspapers were alive, the *Associated Press* reported. A holdout faction of the demobilized Revolutionary Armed Forces of Colombia took the *El Comercio* employees captive while they were investigating a rise in violence along Ecuador's northern border.

“substantially better” deal, singling out Japan as a country that had “hit [the U.S.] hard on trade for years!” The move is a sudden reversal for Trump, who pulled out of the 12-nation agreement in his first month in office. Trump compared the deal to the “rape of our country” when campaigning for president in 2016. The remaining member nations, which include Japan, Australia and Vietnam as well as Latin American nations Chile, Mexico and Peru, continued to negotiate after Trump’s exit and reached an agreement on March 8 of this year. However, officials from member countries were measured in their reactions to Trump’s announcement. “We welcome the U.S. coming back to the table, but I don’t see any wholesale appetite for any material re-negotiation of the TPP-11,” said Australian Trade Minister Steven Ciobo. Trump, however, reportedly told Senator Ben Sasse (R-Neb.) that the TPP “might be easier to join now” than before.

## Uruguay Issues \$1 Billion in Bonds After 2-Year Absence

Uruguay’s government on Thursday announced that it is issuing bonds in dollars for the first time in two years, *El País* reported. The new bonds, which will mature in 2055, will be priced approximately 235 basis points above equivalent U.S. Treasury bonds and will be worth between \$1 billion and \$1.5 billion in total, according to the country’s finance ministry. Part of the revenue from the bond sale will go towards refinancing the nation’s debt, the ministry said. In February, Uruguay’s public deficit rose to 3.5 percent, Reuters reported. In addition to the issuance, the government said it would offer a buyback on bonds worth over \$3 billion. The buyback applies to bonds set to mature in 2022, 2024, 2025 and 2033. Uruguay’s gross domestic product grew 2.7 percent in 2017, the central bank announced last month, a rate faster than neighboring Argentina and Brazil. Last year marked the country’s 15th consecutive year of economic growth, the longest in its history. [Editor’s note: See related [Q&A](#) in Thursday’s edition of the Advisor.]

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ing on the day or the tweet, his view of our bilateral relationship ranges from good to terrible. That doesn’t seem to stop progress between government entities, as they are adjusting to this unpredictable behavior. But Trump’s rhetorical insults hurled at Mexico has had a big, negative effect on attitudes at the people level. It has reversed a very favorable attitude of Mexicans toward the U.S. to a two-to-one unfavorable view now. Just like in an elementary school playground where a bully intimidates his classmates until someone strikes back, President Peña Nieto probably felt it was time to throw a punch. That shouldn’t change the dynamics of Mexico’s election process, as all camps are in basic agreement against Trump’s rhetoric. Time will tell what Trump will do. If he is smart, he will not interject himself further into the elections. In the meantime, our trilateral NAFTA negotiators will continue to do their work with an excellent chance of reaching an agreement in principle within the next 30 days. If Trump then rejects the agreement, the current cooperation on border, immigration and criminal issues will cease. It’s incomprehensible that such a scenario will happen.”

**A** **Arturo Sarukhan, a board director of the Inter-American Dialogue and former Mexican ambassador to the United**

**States:** “Despite President Trump’s Mexico-bashing, neither he nor the United States has so far played a relevant role in Mexico’s presidential campaign. Come election day, voters will determine who wins driven mainly by a general malaise with ‘politics-as-usual’ and the issues of impunity, corruption, lack of transparency and accountability, public insecurity, and maybe jobs and the economy. Nonetheless, Trump’s latest anti-Mexico rants and tirades—and the reactions that they triggered amongst all candidates, the Mexican Senate and executive, and public opinion—do expose a fault line some in Washington seem oblivious to. Those

seeking to make the case that day to day, government to government relations have continued to deliver the goods, as a retort to those of us who argue that not since the mid-1980s had we witnessed such a level of deterioration in our ties, are missing a crucial point. Yes, Mexico has behaved as the adult in this relationship, and it is true that officials on both sides of the border have been doing yeoman’s work by going into containment and damage-control modes, preventing the wheels coming off the bilateral relationship. But there’s a larger issue at stake. With 75 percent of Mexicans disagreeing in a March poll with the way that president Peña Nieto had been handling relations with the United States, and with favorable perceptions of the U.S. in Mexico hitting rock bottom, the political maneuverability, appetite and willingness to continue to build a strategic partnership with the U.S. might be significantly reduced, regardless of who’s elected on July 1. If President Trump ends up inflicting serious structural damage to the bilateral framework that Mexico and the U.S. have diligently—and sometimes difficultly—built for the past two decades, many in Washington and across the U.S. may find themselves asking, by the end of 2018, ‘who lost Mexico?’”

**A** **Ana Quintana, senior policy analyst for Latin America at The Heritage Foundation:** “In the

Trump era, the U.S.-Mexico relationship is portrayed in a negative light. The facts clearly demonstrate bilateral relations are on a positive trajectory. Cabinet-level officials from both countries visit one another quite often. That high level of attention is not even factoring in White House senior advisor Jared Kushner’s constant attention to the country. The nearly two dozen bilateral agreements in waiting demonstrate meaningful cooperation behind the scenes. U.S.-Mexico coordination on a host of regional and global issues, like Venezuela and North Korea, is unprecedented. While there

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will always be areas of divergence, both countries seem to be looking towards deepening and broadening the relationship on issues of mutual agreement. Foreign Minister Videgaray's claim that Mexico's relationship with the Trump administration is better than with any of his predecessors underscores the progress being made. As for Mexico's elections, President Trump is not an election issue. Rather, July 1 will be a referendum on a political system that has not achieved desired nor promised outcomes. Mexicans are tired of the violence, rampant corruption, and impunity."

**A Pamela Starr, professor at the University of Southern California:** "The U.S.-Mexico relationship is the most tense it has been since the mid-1980s. This is evidenced by the two-thirds of Mexicans who view the U.S. negatively, and the surprisingly strong rebuke of Trump delivered by Mexico's typically restrained and assiduously diplomatic president. Yet beneath this surface-level turbulence, the bureaucracies continue to collaborate on the myriad issues which tie our two nations inextricably together. Thus far, the persistent stream of disrespect for Mexico emanating from Donald Trump's Twitter feed has not derailed binational cooperation or undermined efforts to renegotiate NAFTA. Up to now, Mexico has been patient, refusing to respond publicly to Trump's provocations until last week. While President Peña Nieto ordered his cabinet to evaluate all Mexican cooperation with the United States in an apparent effort to gather the information needed for thoughtful retaliation, no action has been taken. Where we go from here depends on the outcome of the Mexico's July 1 presidential election and the rhetoric and actions of President Trump. Although foreign policy is unlikely to dominate the preferences of Mexican voters, the candidates are vying to be seen as the best one to deal with Trump. And the top two contenders, Andrés Manuel López Obrador and Ricardo Anaya, have called for a

forceful reaction to Trump. At the same time, Trump is unlikely to abandon anti-immigrant and pro-wall attitudes that are loved by his political base, especially in an election year. The result could be a combustible mix."

**A Andrés Rozental, member of the Advisor board and president of Rozental & Asociados:** "President Peña Nieto was absolutely right to rebuke the U.S. president. Unfortunately, the Mexican response was late in coming and rhetorical. Following continued threats by the U.S. president to build his border wall, cancel any chance for the DACA issue to be resolved, deploy the National Guard to the border with Mexico and repeatedly link the NAFTA negotiations to other issues on the bilateral agenda, as well as threaten to withdraw from the agreement if he doesn't get his way, the Mexican Congress and executive, together with all four presidential candidates for the upcoming elections, finally decided to unanimously condemn Trump's vitriol and aggressive statements and, in the case of the Senate, call on the Mexican government to suspend all further negotiations with the United States until Mr. Trump ceases to attack Mexico and Mexicans. I have always insisted that Mexico-U.S. bilateral ties should be viewed by our government as a single relationship and thus subject to positive and collaborative actions on both sides. Peña Nieto promised as much at the outset of his term, but his administration never implemented that commitment. It's time for Mexico to draw the line and tell this U.S. president that, if we are to remain friends, allies and partners, Trump's Mexico-bashing and insults must immediately cease and be replaced with dignified respect for our country and people. The damage Trump has already caused to the relationship will not be easy to repair, but if he continues on the same path, we will inevitably see Mexico and Mexicans revert to the latent anti-Americanism that historically prevailed before NAFTA, no matter who wins the presidency in July."

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