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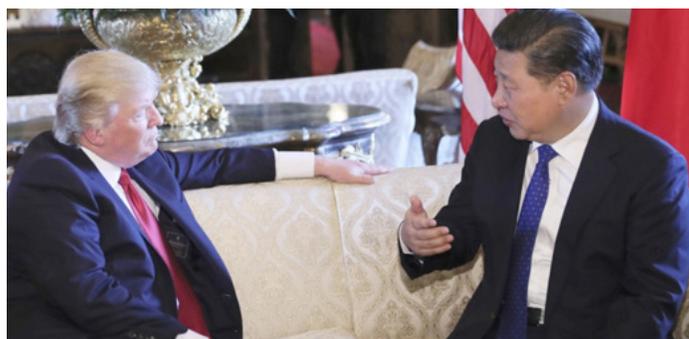
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FEATURED Q&A

Are the U.S. and China Starting a Global Trade War?



Rhetoric between the United States and China over trade has heated up in recent weeks. U.S. President Donald Trump and Chinese President Xi Jinping are pictured meeting at Trump's Mar-a-Lago resort in Florida last year. // Photo: Xinhua News Agency.

Q Beijing on April 6 vowed a "fierce counter strike" if U.S. President Donald Trump follows through with a threat of an additional \$100 billion in tariffs on imports from China, though Chinese President Xi Jinping softened the government's rhetoric a few days later by vowing to open the country's economy further and lower some import tariffs. Analysts have been trying to assess the fallout from a worsening tit-for-tat trade dispute between the global powers that has unnerved global markets. Do the proposed tariffs by the United States and China mark the beginning of a global trade war? How well are the multilateral institutions created after World War II to advance free and open trade going to be able to cope with challenges of protectionism and a popular backlash against globalization? How will the countries of Latin America and the Caribbean, which have extensive trade and political ties with both China and the United States, fare in this new trade environment?

A Gregory J. Spak, chair of the International Trade Group at White & Case: "It is premature to regard the threats by the United States and China as the beginning of a 'trade war.' Neither country has implemented the threatened tariffs; both could scale back the tariffs or decide not to proceed at all. Actually imposing the tariffs would be a troubling increase in trade barriers presumably not consistent with either country's WTO obligations. Such an action by these two trade heavyweights could also inspire (if that is the right word) other countries to use similar tactics. None of this would be good for the world trading system, which has been relatively effective in

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TODAY'S NEWS

POLITICAL

Díaz-Canel Named Cuba's New President

Cuba's National Assembly this morning formally named Miguel Díaz-Canel the country's new president, marking the first time in decades that the position has not been filled by one of the Castro brothers. Raúl Castro will retain power, however, as head of Cuba's Communist Party.

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ECONOMIC

Blackout Plunges Puerto Rico Into Darkness

Power was cut to most of the island after an excavator came too close to a main line.

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POLITICAL

López Obrador Widens Lead in Mexican Presidential Race

Leftist candidate Andrés Manuel López Obrador widened his lead ahead of Mexico's July presidential election, according to a new poll.

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López Obrador // File Photo: López Obrador Campaign.

POLITICAL NEWS

Díaz-Canel Formally Named Cuba's New President

Cuba's National Assembly this morning formally named Miguel Díaz-Canel as the country's new president, officially ending decades of rule by the Castro family, CNN reported. The assembly on Wednesday tapped Díaz-Canel, a 57-year-old bureaucrat, as the sole candidate to replace Raul Castro, who took over for his ailing older brother Fidel in 2008. Raúl Castro, 86, will remain head of Cuba's Communist Par-



Díaz-Canel // File Photo: Cuban Government.

ty, which the country's Constitution designates as "the superior guiding force of society and the state," so he is expected to remain Cuba's most powerful person, at least for now, the Associated Press reported. "I like sticking with the ideas of President Fidel Castro because he did a lot for the people of Cuba, but we need rejuvenation, above all in the economy," 21-year-old schoolteacher Melissa Mederos told the AP. "Díaz-Canel needs to work hard on the economy, because people need to live a little better." Díaz-Canel, who has served in the role of Cuba's first vice president, is a longtime protégé of Raúl Castro and was handpicked in an attempt to ensure the survival of Cuba's communist system. Most Cubans know Díaz-Canel as an uncharismatic figure who has maintained a low profile. In recent months, however, Cuba's state-run media has focused more attention on his appearances, including a statement last month in which he vowed to make the government more responsive to Cubans. "We're building a relationship

between the government and the people here," Díaz-Canel said after voting for members of the National Assembly. "The lives of those who will be elected have to be focused on relating to the people, listening to the people, investigating their problems and encouraging debate." In videotaped remarks to a Communist Party meeting that were leaked to the public last year, Díaz-Canel also said he would shut down some independent media and also designate some foreign embassies as outposts of foreign subversion. However, he has also been seen as a possible supporter for more open government as he has defended academics and bloggers who were targeted by Communist Party hardliners. Díaz-Canel previously served as the top Communist Party official, a post similar to governor, in central Santa Clara province. Residents of the province have described him as a hard-working technocrat with a modest style of living. He later became education minister in 2009 before being tapped as vice president. Also on Thursday, Cuba nominated Salvador Valdés Mesa, 72, as the country's new first vice president, succeeding Díaz-Canel in that post, The Wall Street Journal reported. In addition to nominating Valdés Mesa, an Afro-Caribbean former union official who has held several government posts, the government's Candidacy Commission also tapped five other vice presidents for Cuba's highest government body, the Council of State. Only one of those vice presidents, Ramiro Valdés, 85, was among the revolutionaries who fought alongside the Castros in the 1950s.

ECONOMIC NEWS

Blackout Plunges Puerto Rico Into Darkness

An island-wide blackout left most of Puerto Rico in the dark on Wednesday after an excavator came too close to a main line, The New York Times reported. The outage, which reportedly continued for most of the island into Thursday morning, occurred shortly after

NEWS BRIEFS

Moreno Suspends Ecuador's Mediation of Colombia-ELN Talks

Ecuadorian President Lenín Moreno announced Wednesday that he is suspending the country's role as a mediator in the Colombian government's peace talks with the National Liberation Army, or ELN, rebel group, the Associated Press reported. Colombia's government said it would find a new host for talks with the rebels. Moreno told Colombia's RCN network that he was suspending Ecuador's role as mediator because the ELN continues to carry out "terrorist" attacks.

López Obrador Widens Lead in Mexican Presidential Race

Leftist candidate Andrés Manuel López Obrador, widely known as AMLO, has widened his lead in Mexico's presidential race to 22 percent, according to a Reforma poll released Wednesday. The poll showed the former Mexico City mayor with 48 percent of voting intentions, up from 42 percent in Reforma's last poll in February. Ricardo Anaya of the "For Mexico in Front" coalition slipped from 32 percent to 26 percent, and new independent candidate Jaime "El Bronco" Rodríguez garnered just 3 percent in the new poll.

Global Lithium Industry Needs at Least \$10 Bn in Investments: SQM Official

The global lithium industry will need between \$10 billion and \$12 billion in investments over the next ten years in order to meet surging demand, Daniel Jiménez, senior commercial vice president for Chilean mining firm SQM said at a conference in Shanghai Wednesday, Reuters reported. The industry is expecting to see a surge in demand as global production of electric vehicles increases over the next decade.

authorities announced that only 3 percent of the island's residents remained without power following Hurricane Maria, which struck the U.S. territory in September. Officials said the excavator that apparently caused the blackout was operated by subcontracting firm D. Grimm Inc., according to Justo González, the chief operating officer of the Puerto Rico Electric Power Authority, or PREPA. The company has since been fired. It was also blamed for an outage on April 12 that left half the island without power. González said authorities are considering legal action against D. Grimm, El Vocero de Puerto Rico reported. The company, which was subcontracted by Oklahoma City-based Cobra Acquisitions, has so far declined to comment. "I'm angry," González told The New York Times in a telephone interview. "I give the people of Puerto Rico my word: we are going to restore power to every last house." Authorities on Wednesday scrambled to restore power for a Major League Baseball game that was set to take place in San Juan, according to El Vocero de Puerto Rico. Traffic slowed as many stoplights went without power. Residents expressed frustration at the performance of electric authorities, which were seemingly closing the book on the months-long disruption following the hurricane.

BUSINESS NEWS

Enel, Iberdrola Make Offers for Brazil's Eletropaulo

Italian firm Enel on Tuesday made an offer to acquire Brazilian power distribution company Eletropaulo Metropolitana for 28 reais (\$8.26) per share, or \$1.4 billion in total, Reuters reported. The offer, which sent shares of Eletropaulo 24 percent higher on Tuesday, came just hours after Neoenergia made an offer of 25.51 reais per share. Neoenergia is controlled by Spanish energy company Iberdrola and Brazilian pension funds. "The transaction is in line with the Enel Group's current strategic plan and, if successfully executed, would mark an-

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limiting trade barriers and resolving disputes among WTO member countries. How would the WTO deal with an outbreak of tit-for-tat, unilateral and retaliatory tariffs? Probably not well. The system depends on countries respecting their basic obligations (such as tariff bindings) and bringing their grievances to the WTO's dispute settlement system. Potential trade restrictions between the United States and China present both risks and opportunities for Latin America and the Caribbean. Many industries in the region participate in global supply chains that could suffer disruption. Also, if unilateralism causes a slowdown in global economic growth, that likely would be bad for the region. However, the restrictions could encourage shifts in global investment and production patterns that could benefit some industries in Latin America and the Caribbean. Disruption often recasts winners and losers, but imagining a net positive outcome for the region is difficult."

A **Margaret Myers, director of the Latin America and the World Program at the Inter-American Dialogue:** "Much of what we have seen so far from Trump and Xi on the trade front is still rhetorical. The amount of tariffs actually levied by the United States and China has been relatively inconsequential to date. That said, tensions are certainly mounting, even as Vice Premier Liu He and others work to dial them down. Whether an all-out trade war comes to pass or not, we can expect the White House to maintain its hardline approach toward

other step forward in strengthening the group's presence in the Brazilian distribution sector," the Italian company said in a statement. The offers from Enel and Neoenergia were both for 100 percent of Eletropaulo, which distributes power in São Paulo, Brazil's largest metropolitan area. Eletropaulo is just one of many public power distributors that Brazil's government has said it hopes to privatize before elections

Beijing. Although Trump remains narrowly focused on China's widening trade surplus with the United States, his most recent moves are reflective of growing resentment over China's approach to industrial policy, including among some of the United States'

“Much of what we have seen so far from Trump and Xi on the trade front is still rhetorical.”

– Margaret Myers

most vocal proponents of strong U.S.-China economic relations. The administration views new trade measures against mostly high-tech, 'Made in China 2025' industries as a way to even the playing field, or at least to force China to address U.S. concerns about market access and intellectual property theft. That said, there is broad consensus that a trade war, if it happens, would be bad on a global scale, and especially harmful to certain U.S. industries. A few actors, including South American soy producers, could of course benefit somewhat from a U.S.-China commercial standoff, but the drawbacks would be widespread and especially devastating for the multilateral trade system. As Trump decides whether to act on his threats, Xi is further positioning China as proponent of free trade, including most recently at the Boao Forum."

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later this year. According to Bloomberg News, Brazilian authorities also plan to privatize electric utility Eletrobras before the end of the year, though any such move would require congressional approval. Eletropaulo announced that Brazilian firm Energisa also made an offer to acquire the distributor, though it was substantially lower at 19.38 reais per share, O Globo reported.

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A Celeste Drake, trade and globalization policy specialist at the AFL-CIO in Washington: “Recent tariff announcements from the United States and China are not the start of a trade war. Tariffs are a legitimate and traditional tool of trade enforcement. The hyperbole and scare tactics that have followed these announcements are actually counterproductive—undermining a policy tool that helps build popular support for international trade. If governments are unable to effectively employ temporary safeguards and retaliatory measures, it will become even more difficult to build support for trade in the both developed and developing world. Unfortunately, multilateral institutions, such as the WTO, are a main cause of the backlash against globalization. Rather than providing a useful forum to address trade conflicts in ways meaningful to working people, the WTO’s mechanisms are geared toward protecting corporate interests. The rules of the WTO, as well as regional and bilateral trade deals, too often turn working people into mere pawns in a game of global labor arbitrage. Democracy and economic justice are currently under attack in Latin America—particularly in Brazil—but the U.S. response has been disappointing. To deepen alliances within our hemisphere, the United States must admit that China’s

outward-bound investment is meeting a need the United States isn’t—providing critical capital without corporate strings attached. The strings that come with U.S. FTAs, including greater monopolies for big pharma, often hurt working people and have

“**Tariffs are a legitimate and traditional tool of trade enforcement.”**

— Celeste Drake

decreased the ability to use fiscal policy for domestic job creation and have decreased the ability to address destabilizing capital flows. Rather than ceding space to China or caving in to free-trade scolds, the United States should work together with other Western Hemisphere partners to invest in ways that promote sustainable, wage-led growth and allow trade enforcement actions when necessary.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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