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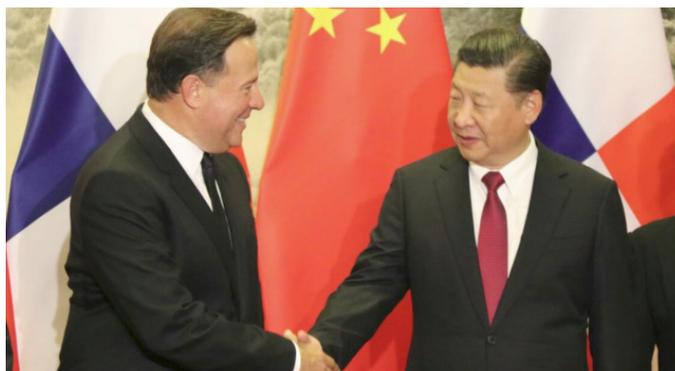
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FEATURED Q&A

Would a Trade Deal With China Benefit Panama?



Panama and China began negotiations for a free trade deal earlier this month. Trade was among the topics that Panamanian President Juan Carlos Varela and Chinese President Xi Jinping discussed last November in Beijing. // File Photo: Panamanian Government.

Q Panama and China officially began negotiations for a free trade agreement on July 9, almost one year after the Central American country established diplomatic relations with China and severed ties with long-time ally Taiwan. What are Panama's objectives going into the negotiations for the free trade deal? How would such a deal with China boost the Panamanian economy? Which sectors stand to gain or lose? What do the new trade talks say about China's engagement and plans in Latin America and the Caribbean?

A Joaquín E. Jácome Diez, former minister of trade and industry in Panama and senior partner of Jácome & Jácome: "Since the Panamanian government established diplomatic relations with China, it has promoted a robust agenda with Beijing. One of the most important elements is the negotiation of a free trade agreement between the two countries. Panama is looking to enhance its already vibrant economic relations with China, offering its strategic location in the hemisphere to serve as a gateway to the rest of the region, through its maritime, airline hub, telecommunications and financial capabilities. Once a free trade agreement is finalized with language, including financial services, investment, public procurement, intellectual property rights and phytosanitary provisions, among other key topics, our country could be positively affected. According to the Panamanian government, establishing diplomatic relations and having in place a free trade agreement with China will bring vast amounts of foreign direct

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TODAY'S NEWS

BUSINESS

Human Error Caused Cuba Plane Crash: Company

The crew of the Boeing 737 that crashed in Havana in May, killing 112 people, took off at an angle that was too steep, creating a lack of lift, said Mexico-based Global Air, which owned the jet.

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BUSINESS

Brazil to Postpone Auctions of Power Distributors

Brazil's government will postpone for one month the auctions of five of six electricity distributors that state-owned Eletrobras currently holds, the country's planning minister said.

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POLITICAL

Leader of Mexico's PRI Resigns After Election Defeat

René Juárez Cisneros, the leader of Mexico's Institutional Revolutionary Party, or PRI, resigned after the party's stunning defeat in the July 1 presidential election.

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Juárez // File Photo: Mexican Government.

BUSINESS NEWS

Human Error Caused Cuba Plane Crash: Company

Human error was to blame in the May 18 plane in Cuba that killed 112 people, the company that owned the jet said Monday in a statement. "The data reveal that the crew took off at a very pronounced angle of ascent, creating a lack of lift that caused the aircraft to crash," Mexico-based Global Air said in a statement posted on Twitter. The determination was made following the examination of voice and data recordings from the black boxes recovered from the flight and analyzed by a team of investigators led by Cuban, Mexican and U.S. authorities. "It is necessary to clarify that the company has assumed its responsibility to the victims of this tragic accident," the company said, adding that it is working to clarify what happened in the crash. Global Air, also known as Damojh Aerolíneas, had leased the Boeing

737 to Cuba's national airline, Cubana de Aviación, for a domestic flight from Havana to the eastern city of Holguín, Agence France-Presse reported. The plane plunged just after making its first turn following takeoff and went down in a potato field outside the Cuban capital. Only one person survived the crash. Mexican

The plane successfully passed an inspection by Mexican authorities last November.

aviation authorities had approved the 39-year-old plane in an inspection last November, the wire service reported. Mexican authorities suspended Global Air's operations after the crash. Former employees of the company have accused it of failing to maintain its planes adequately and risking lives with other unsafe practices. However, Global Air said disgruntled employees were making the claims, which it denied, and called for authorities to reinstate its operating license.

NEWS BRIEFS

Leader of Mexico's Ruling PRI Resigns After Defeat in Presidential Election

René Juárez Cisneros, the head of Mexico's ruling Institutional Revolutionary Party, or PRI, resigned Monday after the party's stunning defeat in the July 1 presidential elections, Reuters reported. The PRI, rocked by corruption scandals, received only 16.4 percent of the vote and lost approximately three-quarters of its seats in Congress. The party had led the country for 77 of the last 89 years. "The future transformation of the PRI should be the size of the current defeat," Juárez said.

Ex-Venezuelan Official Pleads Guilty to Bribery Charges in U.S. Court

Former Venezuelan official Luis Carlos De León-Pérez on Monday pleaded guilty in U.S. federal court in Houston to bribing officials of state oil company PDVSA in exchange for energy contracts for U.S. firms and conspiring to launder the proceeds, The Wall Street Journal reported. There is an ongoing investigation into bribery at PDVSA. Twelve of the 15 individuals charged have pleaded guilty, the newspaper reported.

Cuba Begins Allowing Internet on Some Mobile Phones

Cuba's government has started to allow some select users to access the Internet via their mobile phones, Reuters reported Monday. Workers at state-run news outlets were among the first to get mobile access to the Internet, which is provided by Cuba's telecommunications monopoly ETECSA. Some companies and embassies have also been able to buy mobile data plans since December, according to ETECSA. Cuba blocks access to dissident websites, and the cost of connecting is prohibitively expensive for many Cubans.

FEATURED Q&A / Continued from page 1

investment in areas like infrastructure, services tourism, logistics, financial sector and maritime, which would reflect an increase in the GDP of the country. Panamanian exports, though limited, could benefit from having access to such a broad market. Realistically, foreign direct investment could be where Panama stands to gain. However, we have to be careful in areas like agriculture, manufacture, services and products to human consumption. The government's decision to break diplomatic ties with Taiwan in favor of China has been portrayed to the Panamanian people as a potentially lucrative one, creating unrealistic expectations by comparing Panama to countries in the region that took similar steps years earlier. It's no surprise that China has an aggressive foreign policy in our hemisphere and establishing diplomatic relations with Panama was one key aspect of that policy, which the current Panamanian government made possible."

A **Anabel González, senior consultant on trade and investment, former senior director at the World Bank and former trade minister of Costa Rica:** "Panama and China already enjoy close economic ties. China is the second most important user of the Panama Canal, after the United States, and the first supplier of the Zona Libre de Colón, the largest free zone in the hemisphere. Building on this solid point, a free trade agreement would provide a rules-based framework to underpin this relationship, which could be useful in fostering Chinese infrastructure investment in Panama and positioning Panama as the anchor point of the Belt and Road Initiative in Latin America. Cooperation between both countries could also cement Panama's strategic position as the distribution hub for Chinese products in the region, in particular if further investments are made in logistics and distribution services."

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Brazil to Postpone Auctions of Power Distributors

Brazil's government will postpone for one month the auctions of five of six electricity distributors that state-owned Eletrobras currently holds, Reuters reported, citing Brazilian Planning Minister Esteves Colnago. Only Cepisa, a power distributor in the Piauí State, will be auctioned as scheduled on July 26, while the others will be auctioned on Aug. 30, said Colnago. Eletrobras is looking to sell the six indebted subsidiaries as part of the power company's privatization process. The government tried to begin the sale last year, but it has been delayed several times, including last month when a Brazilian labor court ruled that Congress would first have to approve all privatizations. The lower house of Congress approved the privatization of Eletrobras earlier in July, but the Senate has not yet voted on it. Finance Minister Eduardo Guardia said Monday that auctioning Eletrobras' distributors was "priority number one" for the government, but that delaying the original date would give time for congressional approval, Reuters reported. Eletrobras workers last month took the streets to protest the government's plans for privatization, with Marco Baratto, director of the Landless Workers' Movement, saying the sale "will not only increase energy bills ... but will also impact the access and quality [of the service]," Brazilian weekly newspaper *Brasil de Fato* reported in June.

POLITICAL NEWS

U.S. Giving Colombia Additional \$6 Mn for Fleeing Venezuelans

The United States will provide Colombia an additional \$6 million in aid as the South American country grapples with a growing number of Venezuelans who are fleeing a collapsing

THE DIALOGUE CONTINUES

Where Are United States–Mexico Relations Headed Now?

Q **Andrés Manuel López Obrador, widely known as AMLO, won Mexico's presidential race by a landslide on July 1. A day after, AMLO and U.S. President Donald Trump spoke over the phone, discussing the North American Free Trade Agreement the two countries share with Canada and the possibility of a separate U.S.-Mexico deal, the Associated Press reported. AMLO has reiterated that maintaining "cooperation" and "good relations" with the United States is in Mexico's interest, even as tensions between the two countries have reached their highest levels in decades under Trump's aggressive policies on immigration and border security. What will U.S.-Mexico relations look like under López Obrador? Where will AMLO and Trump find common ground? How will Mexico's stance on issues such as U.S.-Mexico border security and NAFTA be changed by AMLO's rise to power?**

A **Andrew Selee, president of the Migration Policy Institute:** "Andrés Manuel López Obrador won a clear mandate in Mexico's presidential elections and starts his government with an external perception of strength and legitimacy. So far, AMLO has named a foreign policy and economic team that seem both pragmatic and capable, which has raised expectations. However, his biggest challenge will be in dealing with the United States. The temptation of every Mexican president is to want to reach a big, comprehensive agreement with the United States on Mexico's perceived interests. That's not always a wise strategy. It may instead be prudent to maintain existing

cooperation with the U.S. government in areas of mutual interest, but not try for a big new initiative. There simply isn't political space to do anything new, especially during an election period in the United States, and any efforts to build a new policy framework will fall into the tripwires of U.S. immigration and trade policy. AMLO should certainly seek to have a cordial relationship with the Trump administration—there are simply so many areas of mutual interest that both sides need that—but also build relationships with a wide range of U.S. political actors, from mayors, governors and congressional representatives to civic and business groups across the country. Similarly, the Trump administration, even while espousing policies on immigration and trade that may run at odds with the Mexican government, has a huge interest in maintaining NAFTA and keeping Mexican cooperation on migration issues and border management. Any steps back on these issues would only hurt the U.S. economy and the administration's own stated priorities. In the end, the table is set for a pragmatic and cordial, but distant management of the relationship between the two governments in which each side occasionally criticizes the other but largely maintains existing cooperation on policy. The danger is in thinking they can do more than that, that a grand bargain on multiple issues is possible. That would likely lead to disappointment and the breakdown of real cooperation."

EDITOR'S NOTE: The comment above is a continuation of the [Q&A](#) published in the July 11 issue of the Advisor.

economy and political unrest in their home country, the U.S. Agency for International Development's administrator said Monday in the Colombian border city of Cúcuta, the Miami

Herald reported. The official, Mark Green, said the money would help fund health and nutrition programs along the Colombia-Venezuela border.

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Additionally, Panama's financial services infrastructure could support internationalization of the renminbi currency, a key Chinese policy objective, which could also strengthen Panama's position as a financial sector. The above suggests that it is important to approach the negotiation of this free trade agreement with a broader perspective that would put services and investment at the heart of the accord. It is not so much about exporting Panamanian goods to China, but more about bringing Panama's strategic role as a gateway to trade and connect with China and East Asia to a new level."

A **Arancha González, executive director of the International Trade Center:** "As Panama and China engage in negotiations for a free trade agreement, both countries stand to gain. For China, an agreement with Panama would build on the existing deal with Costa Rica, gaining access to a very valuable transportation and logistics hub for trade between east and west as well as opening a faster route to the Atlantic coast of Latin America. For Panama, a deal with China would help improve its ability to move up the value chain, capitalizing on its strategic location and human capital. But more importantly, the move shows that both countries see in trade a tool to generate better quality growth, opportunities for employment and development prospects. As both countries begin negotiations, it is worth recalling that trade agreements make trade possible, but to make trade happen, countries need to invest in policies at home that strengthen productive capacity, invest in education and skills, and ensure that those negatively affected by greater competition are not left behind. At a time when trade unilateralism is on the rise and when trade agreements are seen by some as a zero-sum game, Panama and China can help send a

useful message on the value of trade and international cooperation."

A **Barbara Kotschwar, senior private sector specialist at the World Bank:** "One year after restoring diplomatic relations, Panama is beginning negotiations to become the fourth Latin American country to have a free trade agreement with China (after Chile, Costa Rica and Peru). China is an increasingly important trade partner for Panama. Imports from China have ballooned over the past decade: in 2007, 20 percent of recorded imported goods originated in China; by 2016 this portion has risen to a third, surpassing the United States, which has fallen from being the main source of imports with 22 percent in 2007 to less than 10 percent in each of the past five years. Panama's motivations for consolidating economic relations are twofold: infrastructure and diversification. Infrastructure is key to the Panamanian economy and China has prominently pushed to support infrastructure projects around the globe. Aside from its prominent focus on infrastructure through the One Belt One Road Initiative and its support for the Asian Infrastructure Investment Bank, China has lent significant funds to Latin American countries to support infrastructure development. As the second largest consumer of Panama Canal services, and the main supplier to goods in the Colón Free Zone, China and Panama share goals of bolstering the efficiency of Panama's shipping and logistics sectors. A free trade agreement with China may also serve to diversify Panama's trade dependence on the long-standing largest consumer of Panama Canal services: the United States."

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