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FEATURED Q&A

What Should Latin America Take Away From APEC 2018?



Chilean President Sebastián Piñera, pictured arriving for summit meetings in Papua New Guinea last weekend, will host next year's Asia-Pacific Economic Cooperation summit. // Photo: APEC.

Q The leaders of the Asia-Pacific Economic Cooperation, or APEC, met last weekend in Papua New Guinea. Most of the 21 APEC members come from Asia and the Pacific, with the addition of Russia, United States, Canada, Mexico, Chile and Peru. Within Latin America, four others—Colombia, Costa Rica, Ecuador and Panama—have applied for membership. What are the top takeaways from the 30th APEC summit? To what extent have ongoing tensions over global trade changed APEC's agenda this year, and how have recent developments influenced the organization's goals and relevance in the near- and longer-term? How important has APEC become for the Latin America region?

A John Maisto, former U.S. ambassador to Venezuela, Nicaragua and the OAS: "The APEC summit was supposed to have continued the long-established pattern of providing a platform for leaders of the Asia-Pacific region to advance 'rules-based' trade and investment arrangements and promote cooperation on transnational issues that affect everyday people in the world's largest and most dynamic area. That did not quite happen. The summit ended in disarray with no joint statement due largely to the clash between China and the United States over trade. APEC's consensus-based structure is meant to promote innovative thinking to serve as an incubator for progress that other organizations and councils can then shape into more formal regional or international agreements. This support for policy work in widely diverse areas, including trade, health, transportation, resilience in the face of natural disasters, energy, women's empowerment, cleaner

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TODAY'S NEWS

POLITICAL

U.S. Mulls Listing Venezuela as State Sponsor of Terror

The government of Venezuela's Nicolás Maduro would join Iran, North Korea, Sudan and Syria on the United States' watch list for providing "support for acts of international terrorism."

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BUSINESS

Bolsonaro Taps Castello Branco to Run Petrobras

A University of Chicago-trained economist, Castello Branco has previously spoken in favor of privatizing parts of Petrobras, Brazil's giant state oil company.

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ECONOMIC

Mexico Sees End to Steel Tariffs Soon: Envoy

Mexico's ambassador to the United States, Gerónimo Gutiérrez, said he expects to see a plan for the lifting of U.S. steel and aluminum tariffs before leaders from Mexico, Canada and the United States meet at the G-20 summit in Argentina later this month.

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Gutiérrez // File Photo: Mexican Government.

POLITICAL NEWS

U.S. Mulls Naming Venezuela as a State Sponsor of Terrorism

U.S. President Donald Trump is considering designating Venezuela as a state sponsor of terrorism, The Washington Post reported Monday. The socialist government of President Nicolás Maduro would join Iran, North Korea, Sudan and Syria on the list, which calls out states for providing “support for acts of international terrorism.” For years, hawks in the United States such as Sen. Marco Rubio (R-Fla.) have accused the Venezuelan government of having ties to terror groups such as Lebanon’s Hezbollah, the Revolutionary Armed Forces of Colombia, or FARC, guerrillas and other groups. The designation would limit U.S. assistance to Venezuela and ban financial transactions with the country in the midst of an historic economic crisis that has sent three million Venezuelans abroad seeking a livelihood. Maduro blames the United States and its allies for the economic crisis, calling sanctions already in place an “economic war.”

“The sanctions are having an effect.”

— U.S. Official

The time frame for a decision on whether to add Venezuela to the terrorism list had not yet been determined, an unnamed U.S. official told Reuters. “The regime really understands that the world is getting smaller for them. And that’s the kind of pressure that is needed to really change minds in the regime. The sanctions are having an effect,” the official told the wire service. In related news, U.S. federal prosecutors on Monday charged a prominent pro-government Venezuelan media figure with foreign corruption and laundering money through U.S. banks and real estate, The Wall Street Journal reported. Raúl Gorrín, the head of television

station Globovisión, and an insurance broker, Seguros La Vitalicia, stand accused of paying nearly \$160 million over a decade to unnamed government officials to steal funds through Venezuela’s complex currency control system. The indictment was unsealed Monday.

ECONOMIC NEWS

Mexico Sees Lifting of Steel, Aluminum Tariffs Soon: Envoy

Mexico’s ambassador to the United States, Gerónimo Gutiérrez, said Monday he expects to see a plan for the lifting of U.S. steel and aluminum tariffs before leaders from Mexico, Canada and the United States meet at the G-20 summit in Argentina later this month, McClatchy reported. “It’s the expectation that by the time of the signing either a solution or a very clear track that gives enough certainty that a solution is coming,” Gutiérrez said. Levies the United States earlier this year slapped on metals from Mexico and Canada remain one of the unresolved issues that could still scuttle the signing of the United States-Mexico-Canada Agreement, or USMCA, which negotiators from the three countries finalized in September. Mexico has imposed retaliatory tariffs on U.S. agricultural exports, such as corn, soybeans and some cheeses. U.S. automakers, produce growers, retailers and labor groups expressed concerns last week over the USMCA during a two-day hearing in Washington before the International Trade Commission, CNN reported. Their complaints offered a road map to issues that could sink the deal when Congress reviews it early next year, according to the report. While lawmakers can’t undertake a total rewrite, they can make changes to the language of the bill or hold up a vote until side deals are struck between countries. The Republican loss of the U.S. House of Representatives in the midterm elections means the administration will need Democratic supporters to get the deal through Congress. [Editor’s note: See related [Q&A](#) in the Nov. 12 issue of the Advisor.]

NEWS BRIEFS

Venezuelan Migrants Arrested in Bogotá’s New Refugee Tent Camp

Officials in Bogotá, Colombia’s capital, said Monday four people have been arrested and expelled from a tent camp built in the city last week for homeless Venezuelan migrants, the Associated Press reported. The arrests followed unrest over food rations, when protesters damaged tents and attacked police at the site, designed to house more than 400 Venezuelan migrants. More than one million Venezuelans have fled to Colombia in recent years. [Editor’s note: See related [Q&A](#) in Monday’s issue of the Advisor.]

Chile’s Economic Growth Slows in Third Quarter

Chile’s central bank said Monday that gross domestic product grew 2.8 percent in the third quarter of 2018 compared with a year earlier, Reuters reported. The growth represented a pause from the previous quarter, in which the equivalent figure was 5.4 percent. A slowdown in the country’s key mining sector held back activity, the central bank said. In related news, last week the U.K.’s Antofagasta said it would invest \$1.3 billion to increase output at its Los Pelambres mine in Chile.

Former PDVSA Chief, OPEC Head Dies in Cuba

Alí Rodríguez Araque, who led Venezuelan state oil company PDVSA in the early tumultuous days of the socialist government of the late President Hugo Chávez, passed away on Monday in Havana, where he was serving as ambassador, The Washington Post reported. To break a worker strike at PDVSA in 2002, Rodríguez saw 18,000 employees fired, nearly half of the payroll. Earlier, Rodríguez served as secretary general of the Organization of the Petroleum Exporting Countries, or OPEC, from 2000 to 2002. He was 81 years old.

BUSINESS NEWS

Bolsonaro Taps Castello Branco as Next Petrobras Chief

Brazilian President-elect Jair Bolsonaro on Monday nominated Roberto Castello Branco to be the next head of state oil company Petrobras, Valor Econômico reported. An economist, Castello Branco previously worked at Brazil's central bank and served as a director of iron ore miner Vale SA, Reuters reported. He was also a member of Petrobras' board until 2016. Bolsonaro's incoming economy minister, Paulo Guedes, recommended him for the Petrobras job. Guedes and Castello Branco, as well as Joaquim Levy, who was recently tapped to be the next president of Brazil's giant state development bank BNDES, studied economics at the University of Chicago, the Financial Times reported. Castello Branco has previously spoken in favor of privatizing Petrobras. In June, he penned a letter to local newspaper Folha de S.Paulo arguing for privatization of the state oil company. "He's been public in the past about advocating for less government intervention ... all the way to privatizing parts of Petrobras," James Gulbrandsen, chief investment officer for Latin American investments at NCH Capital, told Reuters. On Monday, Bolsonaro said he may privatize parts of Petrobras, but added that it is a "strategic company" for the nation that must continue to exist, Agência Brasil reported. Guedes has previously said there are no "sacred cows" when it comes to state-owned companies, but Gustavo Bebianno, who heads Bolsonaro's PSL party, last month said the president-elect had no plans to privatize Petrobras in the short run. Meanwhile, Vice President-elect Hamilton Mourão last week said Bolsonaro would move to sell the company's fuel distribution unit, BR Distribuidora, Reuters reported. If confirmed, Castello Branco would replace Ivan Monteiro as chief executive of Petrobras on Jan. 1, when the new government takes office. [Editor's note: See related [Q&A](#) in the Nov. 2 issue of the weekly Energy Advisor.]

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oceans and marine resource sustainability is APEC's underlying contribution to regional progress. The 2018 Summit reinforced APEC's indispensable role in these areas and more. Though there was no joint communiqué, those objectives remain—and are central to Latin American interests. This year, the summit also served as the latest regional multilateral forum at a time when key members have shown increased interest in dealing bilaterally, as the current U.S. administration has on trade agreements and the Chinese have on approaches toward a code of conduct and resource development particularly in the South China Sea and beyond. As one of three major international meetings this month, including the ASEAN Summit in Singapore and the G-20 in Buenos Aires, the Papua New Guinea APEC Summit served as a uniquely valuable forum to take on the shared interests of its 21 members from the Americas across the Pacific to the hubs of Asia. All of this is a challenge for the three Latin America members and the four more that have applied for APEC membership, each from the Pacific Rim of the Americas. The open, bilateral/multilateral development U.S. model versus the China-centric Belt and Road approach will continue to compete in the Asia-Pacific. How Latin American countries benefit from each (or don't) will be the centerpiece of the 2019 APEC Summit in Chile."

A **Mikio Kuwayama, managing director at the Japan Association of Latin America and the Caribbean:** "At a time of heightened risks, the 21 APEC economies convened at the summit to coordinate policies for improving Asia-Pacific connectivity and deepening economic integration. However, disagreements on two contentious issues between the United States and China spoiled the meeting. One was on the rules of global trade. China insisted that the U.S. authorities correct their 'America First' policy, calling it a breach of the multilateral trading

system, while the United States stressed the need for WTO reforms to put Chinese 'trade-distorting' practices in conformity with that system. The other was related to the new rule-making on 'quality' infrastructure development commensurate with the fiscal sustainability of borrower countries, putting in spotlight the rivalry between the China-led Belt and Road Initiative and the Free and Open Indo-Pacific Strategy led by the United States, Japan and Australia. Amid confrontational exchanges between the two superpowers, for the first time in the summit's 26-year history a joint communiqué was not issued. Despite this turn of events, APEC will continue being recognized by Latin American countries as a useful consultation forum and an incubator of ideas. For example, the foundational principle of the Pacific Alliance is 'open regionalism,' a concept original to APEC. It emphasizes not only liberalization, trade facilitation and economic and technical cooperation, but also the building of regional capacity to respond to the needs of next-generation trade and investment issues, such as global value chains (GVCs), small- and medium-sized enterprises' participation in GVCs and market-driven innovation policies, among others."

A **Margaret Myers, director, and Ricardo Barrios, associate, of the Asia & Latin America program at the Inter-American**

Dialogue: "APEC summits in recent years have largely been a forum for political posturing between China and the United States, as each pursues a dominant position in the Asia-Pacific region while advancing different visions of global trade. Papua New Guinea was no different. However, whereas the 2016 Summit in Lima was a resounding soft power win for China, it's hard to say that either China or the United States improved its international standing during this year's proceedings. China was accused of 'bargaining in' to the Papua New Guinea foreign minister's office when tensions were at a high.

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And Vice President Pence, who represented the United States at the summit, was overly critical of the Belt and Road Initiative, which many APEC countries view positively, albeit not entirely without risk. From the vantage point of Washington, at least, U.S.-China tensions also overshadowed the summit's agenda, which as in previous years was focused on promoting economic growth and trans-Pacific integration. APEC, along with the TPP-11, are thought to be critical platforms for further integrating LAC's three APEC members—Chile, Mexico and Peru—in the Asia-Pacific regional architecture, although concrete gains from this year's event weren't immediately evident. However, as the host of next year's summit, Chile will find itself in a prime position to draw attention to Latin America as a valuable partner and investment destination."

A **Won-Ho Kim, professor at Hankuk University of Foreign Studies in South Korea:** "The APEC Leaders Meeting saw the worst disaster since its foundation. The trade war and strategic rivalry between the United States and China overshadowed the whole agenda of APEC, without seeking any opening to resolve their conflict. This unfortunately adds to the already lost momentum for its original goal of open regionalism. It may further jeopardize the almost 30-year long efforts of regional integration in the Asia-Pacific, in which the United States had high political, strategic and economic stakes, as seen in the history of its construction in the late 1980s. The apparent U.S. retreat in recent years from the multilateral and regional schemes combined with China's aggressiveness with its own Belt and Road Initiative, not to mention the region-wide Regional Comprehensive Economic Partnership's progress, significantly suggest the nature of the future politico-economic architecture of the Asia-Pacific region. If APEC falls into a new arena of China-led open regionalism in the medium term, it will not only be a big loss to United States, but also an embarrassment to the rest of the region. Several Latin American economies' interest

in joining APEC comes at a really awkward time, although it must be welcome in order to contribute both to their own development and APEC's future."

A **Richard E. Feinberg, former director of the APEC Study Center at the University of California, San Diego:** "Created in 1989 as a Japanese and Australian initiative, the Asia-Pacific Economic Cooperation Forum was born of the post-Cold War optimism that deepening economic ties among its members could engender not only increased prosperity but also trans-Pacific cooperation across a widening range of issues. Over the years, APEC has expanded its scope from trade and investment to the promotion of inclusive development and the combatting of transnational security threats. But such large, multilateral institutions are built upon an understanding that broad consensus among disparate members requires focusing on issues where agreement is within reach and eschewing combat over more contentious matters where differences are too great to be bridged within the fragile confines of a purposefully loose diplomatic framework. Thus, for the Trump administration to carry its increasingly aggressive anti-China crusade into the heart of APEC is to strike a severe blow at the institutional underpinnings of APEC. For most of APEC's 21 members, the strident anti-Chinese rants of Vice President Mike Pence—singularly lacking in international experience and diplomatic finesse—sound condescending and ingenuous. Imagine the United States labeling international lending as 'imperialist exploitation'! The respected Singaporean publication *The Straits Times* commented: 'Xi opened a Beijing-funded boulevard, while Pence talked of a 400-year old King James Bible in the PNG parliament that he had played a role in bringing to the country.' Pence's ineffectual representation at APEC mirrored his performance earlier this year at the Summit of the Americas in Lima, where his dire warnings of Chinese imperialist pretensions elicited an amused disbelief from the sophisticated Latin American audience."

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