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THEDIALOGUE

FEATURED Q&A

Can Mexico's New Foreign Minister Work With Trump?

Luis Videgaray resigned as Mexico's finance minister last year following the backlash over Donald Trump's visit to Mexico City, but he has now been brought back as foreign minister. // File Photo: Mexican Government.

Q Mexican President Enrique Peña Nieto last week named Luis Videgaray as the country's foreign minister. Videgaray had resigned as Mexico's finance minister in September after Peña Nieto faced widespread criticism for meeting with then-U.S. presidential candidate Donald Trump in a visit Videgaray was reportedly instrumental in arranging. Why was Videgaray tapped as foreign minister? What kind of relationship will he have with the incoming Trump administration? What characteristics will define Peña Nieto's foreign policy in the year ahead?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "Luis Videgaray's resurrection reveals the Mexican government's concern about Donald Trump and U.S.-Mexican ties. Forced to resign in September for orchestrating Trump's highly criticized visit to Mexico, Videgaray, now as foreign minister, is charged with managing relations with the United States. It will not be easy. Mexicans mostly loathe the soon-to-be U.S. president for his hateful campaign rhetoric. He tarred Mexican immigrants as rapists and criminals, called for a border wall and labeled NAFTA, a bulwark of the Mexican economy, as the worst trade accord ever and threatened to rip it up. Trump's only suggestion of interest in an amiable relationship was his tweet praising Videgaray: 'With Luis, Mexico and the U.S. could have made wonderful deals together.' Peña Nieto and his advisors understand the importance of U.S.-Mexican relations and know that Trump's proposals could play havoc with Mexico's already distressed economy and troubled politics. They also know that

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TODAY'S NEWS

POLITICAL

Venezuelan Agents Arrest Opposition Lawmaker

Agents arrested Gilber Caro along a roadside and found assault rifles and explosives in his vehicle. His Popular Will party, however, said Caro was set up.

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BUSINESS

Testimony of Ex-Peruvian Presidents Sought in Bribery Case

An anti-corruption official wants three former Peruvian presidents to testify in a case involving bribery by Brazilian construction conglomerate Odebrecht.

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ECONOMIC

Brazilian Central Bank Slashes Key Rate 75 Basis Points

Brazil's central bank, led by Ilan Goldfajn, reduced its benchmark Selic interest rate by 75 basis points, a larger cut than economists had expected, following a report of slowing inflation.

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Goldfajn // File Photo: Brazilian Government.

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POLITICAL NEWS

Venezuelan Agents Arrest Opposition Lawmaker

Agents of Venezuela's intelligence police on Wednesday arrested an opposition lawmaker on charges of trying to spur violence, The Wall Street Journal reported. Officers stopped Gilber Caro, who represents Miranda state, on a roadside as he traveled with his girlfriend and found an assault rifle and explosives in his vehicle, newly appointed Vice President Tareck El Aissami said in a televised address. "Lord knows what would have happened if we

Caro // File Photo: Venezolana de Televisión.

hadn't detained and neutralized this threat," said El Aissami. The vice president added that the arrest was among the first actions of an anti-coup command that he heads and added that Caro has a criminal record that includes prison time he served on murder and drug-trafficking charges. Caro could not be reached for comment, but his Popular Will party released a statement saying that he was returning from a family trip in the western part of the country when authorities stopped him and planted weapons in his vehicle. Two other activists from the party were arrested in recent months under similar circumstances, Popular Will said. The party also accused the government of violating the immunity from arrest that protects sitting legislators. More than 200 of the party's activists have been detained since a wave of anti-government protests in early 2014, including its leader, Leopoldo López. Caro's arrest came a day after the country's opposition-controlled National Assembly approved a symbolic resolution declaring that President Nicolás Maduro had abandoned his duties. On Tuesday, Maduro began the final two years of his term as president, meaning that any successful recall effort against him would result in power being transfered to his vice president, rather than a new election being held.

BUSINESS NEWS

Testimony of Ex-Presidents Sought in Peru Bribery Case

Peruvian anti-corruption officials want three former presidents to testify in a case in which Brazilian construction conglomerate Odebrecht has acknowledged paying bribes to officials in the South American country for inflated contracts, the Associated Press reported. Justice Ministry official Julia Principe said she wants former Presidents Alejandro Toledo, Alan García and Ollanta Humala to testify in the case. Another official, comptroller Edgar Alarcón, said the scheme cost the government $283 million. In a plea agreement with the U.S. Justice Department, Odebrecht acknowledged that it paid bribes in at least a dozen countries, including Peru where it paid officials $29 million in illicit payments. Odebrecht and chemical company Braskem have agreed to pay a total of at least $3.5 billion to settle the cases, including an initial $8.9 million that Odebrecht has already agreed to pay Peru.

ECONOMIC NEWS

Brazilian Central Bank Slashes Rate by 75 Basis Points

Brazil's central bank cut its benchmark interest rate more than expected on Wednesday, as the country's most severe recession in decades nears entering its third year, Reuters reported.

NEWS BRIEFS

Brazil Prison Director Dismissed Following Deadly Riot

The governor of Brazil's Amazonas state, José Melo, has suspended the director of the Anísio Jobim prison complex indefinitely, following the massacre of 56 prisoners at the complex on Jan. 1, Agência Brasil reported Tuesday. Melo called for the dismissal after it was disclosed that two inmates reported to the state court that the prison directors were receiving money from gangs in exchange for allowing the entry of firearms, drugs and cell phones into the prison in the weeks leading up to the Jan. 1 riot.

'All the Issues' on Table in U.S.-Mexico Relationship: Peña Nieto

Mexico will take a broad approach to its relationship with the incoming U.S. presidential administration of Donald Trump, President Enrique Peña Nieto told diplomats Wednesday in Mexico City, Reuters reported. "All the issues that define our bilateral relationship are on the table, including security, migration and trade," he said. Trump's tough rhetoric about Mexico has led to fears there of an economic shock.

Guatemalan President Expects Deeper Economic Ties With Taiwan

During a visit to Guatemala by Taiwanese President Tsai Ing-wen on Wednesday, Guatemalan President Jimmy Morales said he expected Taiwan to deepen economic ties in Central America, Reuters reported. The visit came at a time when China suspects Tsai may be seeking to formalize independence from China. "I'm sure that her administration will strengthen economic ties and cooperation in the region," Morales told reporters. Tsai also visited Honduras and Nicaragua this week during a trip that will include a stop in El Salvador.

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The central bank's monetary policy committee voted unanimously to cut the Selic rate by 75 basis points to 13 percent, following two cuts in a row of 25 basis points each. Most analysts had projected the central bank would cut the interest rate by only 50 basis points. Following the announcement, the bank said it decided to enact a more aggressive cut in order to

Brazil's inflation rate slowed last year, paving the way for the cut.

frontload the monetary easing amid a sluggish recovery and disinflation. "The extension of the cycle and possible revisions of the pace of easing will continue to depend on inflation forecasts and expectations," the bank said, adding that economic recovery could take longer than expected. President Michel Temer expressed his "satisfaction" with the decision, according to the president's spokesman, Alexandre Parola, Bloomberg News reported. He said the interest rate cut "reinforces the president's conviction that the elements are in place for a recovery of economic growth and the creation of new jobs in the course of this year." Brazil's consumer prices rose 6.29 percent last year, as compared to a 10.67 percent increase in 2015, the national statistics institute said Wednesday. The inflation slowdown has been more widespread and sharper than expected.

Brazilian State Officials Seeking Renewables Auctions

Officials from Brazil's northeastern states met with the country's minister of mines and energy to ask for new rounds of renewable energy auctions this year, SeeNews reported Wednesday. Energy Minister Fernando Coelho Filho said Tuesday during the meeting that the government is readjusting the renewable energy tender model, which had been created on the assumption that Brazil's economy would be growing at an annual rate of 4.5 percent. Brazil is currently in the second year of its worst recession in decades. According to the government of Pernambuco state, one of the five present at the meeting, the new model should be ready by March, with the possibility of a tender in the first half of the year. Last month, the ministry of mines and energy canceled the Dec. 19 wind and solar reserve energy auction. The tender had registered 1,260 wind and solar projects, with a combined capacity of 35,147 megawatts.

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a confrontation with Trump, no matter its appeal to many Mexicans, would be worse. Congressional Republicans and the new administration have made the border wall a top priority. Trump has regularly been threatening to punish corporations for moving production and jobs to Mexico. While he may moderate some of his plans, it is unrealistic and dangerous to believe he will abandon them. No one is sure what it will take to satisfy Trump. To avoid conflict, however, the Mexican government will probably have to take some unpopular steps to respond to his demands, though perhaps gaining some concessions in return. Would Mexico, for example, consider enhancing U.S.-Mexican border cooperation to curb undocumented migration? What about sharing the costs of constructing physical barriers at a few sites? Would the United States agree to tighten controls on weapons exports to Mexico? To develop better approaches to managing labor migration? To protect some categories of undocumented immigrants? Similar questions regarding trade policy need exploration. Can agreement be reached on a revised NAFTA treaty? The Mexican government has made clear its interest in resolving differences with the United States through dialogue and negotiation. The response of Trump and his advisors is awaited."

James R. Jones, member of the Advisor board, chairman of ManattJones Global Strategies and former U.S. ambassador to Mexico: "Luis Videgaray is a very capable and smart economist and politician. He was probably selected because he is perhaps President Peña Nieto's most trusted advisor. Nothing is more important to Mexico at present than getting the relationship right with President-elect Trump and his incoming administration. Third-hand reports from both the Videgaray and Trump camps are that the two hit it off well last summer when Trump's visit to Mexico was arranged. Trump seems to admire people with strong egos, street smarts and grit. Videgaray has those qualities. Although Videgaray said at his appointment that he has no experience in diplomacy and would have to learn on the job, he does know how to construct deals and push them through. That will be his objective as foreign minister. One caveat to watch for: both Trump and Videgaray have strong egos and demand respect. If one of those egos gets bruised, it could disrupt negotiations to the detriment of the United States-Mexico relationship. I don't expect that to happen and hopefully an even stronger economic and policy relationship between our countries will be the result."

Juan Carlos Hartasánchez Frenk, senior director at Albright Stonebridge Group: "Mexican President Enrique Peña Nieto has decided that his country's foreign relations efforts will be led by a former finance minister who lacks significant diplomatic experience. There are two possible explanations for his decision. The first centers on domestic politics rather than foreign affairs. As foreign minister, Videgaray will have an unprecedented level of exposure and influence, more than any other cabinet member. By placing Videgaray in this role, it's clear that Peña Nieto is sending his party, the PRI, a strong signal as to whom

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he plans to back in the 2018 presidential election. We should not be surprised to see Videgaray resign later this year to pursue the PRI's presidential nomination. The second explanation is the good relationship that Videgaray is said to have with Jared Kushner, Trump's son-in-law and his appointed senior advisor. Peña Nieto's administration expects that these relationships will strengthen the good will between the United States and Mexico. However, it is unrealistic to expect that relations between Mexico and the Trump administration won't be strained in the coming months as discussions over migration, border security and trade ensue. Peña Nieto's foreign policy throughout 2017 will focus on limiting U.S. protectionism and providing certainty regarding Mexico-United States trade and investment relations. We should expect to see an increased presence of Mexican officials in Washington D.C. and in key states throughout the United States, promoting Mexico not as part of the problem, but rather as part of the solution. We should also expect Peña Nieto to seek international support from countries and international organizations on key issues (e.g. human rights and the protection of the environment) to counter the United States on some priorities."

> **"We should not be surprised to see Videgaray resign later this year to pursue the PRI's presidential nomination."**
>
> **— Juan Carlos Hartasánchez Frenk**

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

JOB POSTINGS

EDITOR'S NOTE: We are pleased to share Latin America-related job postings that readers of the Advisor and others have posted recently.

Shaw Industries: Regional Vice President, Latin America, Miami

FleishmanHillard: Corporate Supervisor, Latin America, Miami

AON: Director, Latin America Controller Operations, Chicago, Miami, Mexico

Subway: Director of Operations, Latin America, Miami

The Nature Conservancy: Director of Development, Latin America, Coral Gables, Fla.

U.S. Senate: Office of Sen. Bob Menendez, Foreign Relations Intern, Washington

World Bank: Research Analyst, Washington

Inter-American Dialogue: Director, Rule of Law Program; Director of Development and External Affairs, among others

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