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FEATURED Q&A

What's Driving New Changes in Brazil-China Trade Ties?



China's ambassador to Brazil, Yang Wanming, said last month that his country would encourage its companies to take part in Brazil's privatization plans. // File Photo: Brazilian Government.

Q Brazil and China will restart high-level trade talks later this year with the first meeting of the China-Brazil High-Level Coordination and Cooperation Committee, or Cosban, since 2015, Orlando Leite Ribeiro, the secretary for agribusiness in the foreign ministry, said last month. How has the trade dynamic between Brazil and China changed in recent years, and will trade flows increase significantly in the near future? What implications would stronger trade ties between the countries have for their other trading partners? Where are commodities prices headed this year, and to what extent will they play a role in Brazil-China trade relations?

A Andre Soares, counselor for Brazil at the Inter-American Development Bank: "The Brazilian government has hit a home run with the reestablishment of high-level trade talks with China later this year, with the first meeting of the China-Brazil High-Level Coordination and Cooperation Committee (Cosban) in almost four years. I can personally attest to the importance of this meeting in removing bottlenecks from the trade and investment relationship. During the three years that I acted as the research coordinator at the China-Brazil Business Council and was involved in the Cosban meetings, Brazil was able to move forward with a series of market access requests. Cosban is instrumental in addressing business issues because it is the moment when leaders from both countries sit down and negotiate their interests. Business executives deal with different levels of the government on a regular basis, but it is during Cosban that regulatory issues are decided. Examples of success include the opening of the poultry and beef markets

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TODAY'S NEWS

POLITICAL

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Mexico Unions Seek to 'Globalize' Labor Movement

A Mexican union leader on a mission to revitalize the country's labor movement said Wednesday that 150 of the country's unions are launching a new labor federation.

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POLITICAL

Colombia's Duque Meets With Trump in Washington

Colombian President Iván Duque arrived in Washington Wednesday, where he met with U.S. President Donald Trump to talk about efforts to drive Venezuelan President Nicolás Maduro from power.

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Duque // Photo: Colombian Government.

POLITICAL NEWS

Argentines Take to Streets Over Food Price Increases

Thousands of Argentines took to the streets Wednesday in about 50 cities and towns across the country to demand that the government of President Mauricio Macri declare a “food emergency” resulting from escalating prices, Agence France-Presse reported. The government has blamed price increases on the removal of significant subsidies in place under the previous administration that had distorted markets, causing double-digit inflation that has been difficult to beat back. Prices also increased sharply last year due to a rout on Argentina’s peso currency as international markets lost confidence in market-friendly reforms taking hold. Macri reluctantly agreed to a po-

litically unpopular \$57 billion bailout loan from the International Monetary Fund. Some of the marchers Wednesday carried banners that were critical of the Washington-based lender, which in the past linked its funding to harsh austerity measures. The country entered a recession in December, and consumer confidence is at its lowest since a devastating financial crisis in 2001-2002, Reuters reported.

Arias Meets With Prosecutors Over Misconduct Charges

Former Costa Rican President and Nobel Laureate Óscar Arias met with prosecutors Wednesday to give a statement related to two criminal complaints against him alleging sexual assault and sexual abuse, the Associated Press reported. At least six women have made accusations against him ranging from unwanted advances

NEWS BRIEFS

Colombia’s Duque Meets With Trump at the White House

Colombian President Iván Duque arrived in Washington Wednesday, where he met with President Donald Trump to talk about efforts to drive Venezuelan President Nicolás Maduro from power, Reuters reported. “We fight all over the world, and then you look at what happens right at our front door,” Trump said of the crisis in Venezuela. “I don’t like seeing it; I’m not happy about it.” Duque told reporters the two leaders are also collaborating “to fight drugs, to fight terrorism, to promote economic growth, and obviously, to strengthen trade.”

Coca-Cola Results in Latin America Held Back by Currency Impact

Atlanta-based beverage company Coca-Cola said today that a strong performance in its Mexico operations helped boost fourth-quarter results. Price/mix rose 13 percent in Latin America in the fourth quarter of the year. However, negative currency impacts sent reported net revenue down 12 percent. Unit case volume grew in Brazil, Colombia and Peru during the quarter, but those gains were “more than offset” by a double-digit decline in Argentina.

Western Union Offers New Payment Option With Amazon.com

Money transfer firm Western Union said Wednesday it is launching a new payment option that allows Amazon.com customers in Chile, Colombia and Peru to pay in local currency for their Amazon.com purchases. The service is being offered in 10 countries in all, including several in Africa and Asia. The new service is aimed at making the complex foreign exchange, settlement and money movement requirements for international e-commerce transactions easier, the company said.

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(in which Brazilian exports last year amounted to \$3.5 billion), agreements between oil companies and agreements to integrate financial markets, with banks being able to open in both countries. During this year’s meeting, it will be interesting to see what will be on the table. Brazil-China relations are set for a restart, and the Brazilian government is at a moment of defining its strategy toward China. Considering the importance of Brazil’s trade balance with China, which hit a record high of \$29.5 billion last year, one can expect nothing less than pragmatism on Brazil’s side.”

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

Dialogue: “Trade between Brazil and China has been on the rise in recent years, despite a nearly four-year break in bilateral trade talks. By resuming high-level dialogue on trade, Brazil is aiming not only to promote

continued growth trade, but also to diversify the range of goods that it is sending to China. Soy, iron and crude still account for about four-fifths of the value of Brazil’s total exports to China, which amounted to roughly \$47 billion in 2017, up almost \$10 billion from the year before. China’s exports to Brazil, which rebounded to \$27 billion after a drop in 2016, comprise a far wider variety of products, from high-tech telecommunications equipment to motor vehicles. Now is a seemingly opportune moment for Brazil to engage with China on questions of trade. Brazil’s importance to China as a key supplier of commodities has grown over the past couple of years. Amid the U.S.-China trade war, China is increasingly looking to Brazil for a stable supply of much-needed soy. Turbulence in Venezuela could also amount to stronger China-Brazil ties in the oil sector. Beijing already maintains a productive relationship with Brazil’s Petrobras, having provided billions in loans to the oil company over the past decade. Considering the many

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to alleged assault. Arias told reporters he has always answered questions during 50 years in public life but declined to do so now, saying "on this occasion my lawyer has requested I not make statements." Costa Rica's National Liberation Party last week announced Arias was leaving the party pending an outcome of the first criminal case.

BUSINESS NEWS

Mexico Unions Seek to 'Globalize' Labor Movement

A Mexican union leader on a mission to revitalize the country's labor movement said Wednesday that 150 of the country's unions are launching a new labor federation, the Associated Press reported. Known for his combativeness, miners' union leader Napoleón Gómez Urrutia, who is also a senator with the ruling Morena party, said the group is called the International Labor Confederation. While Mexican law prohibits unions from establishing formal foreign ties, Gómez said "strategic alliances" will help the group gain leverage with large corporations that operate in multiple countries. "It is time that we unions globalize ourselves," he said. Mexican law restricts the ways unions ally themselves, according to the report. Although strikes in Mexico's manufacturing sector have been rare in recent years, in the past month as many as 30,000 workers at more than 70 of the 115 export-manufacturing companies operating in Matamoros, across the border from Brownsville, Texas, went on strike to demand a 20 percent wage increase and a one-time bonus of about \$1,700, The Wall Street Journal reported. Workers at the labor-intensive plants, commonly called "maquiladoras," make about a tenth of what counterparts in the United States and Canada earn, according to the report. Negotiators have sought to put stronger labor laws and better working conditions in the USMCA, the pact that Mexico signed in November with the United States and Canada to replace the North American Free Trade Agreement.

CAPITOL HILL WATCH

A Look at U.S. Congressional Activity on Latin America

Democrats Raise Red Flags on USMCA

Democrats in Congress are pushing for the administration of President Donald Trump to add provisions to the United States-Mexico-Canada Agreement, or USMCA, to ensure Mexico enforces environmental protections and allows workers to form unions freely, The Wall Street Journal reported Wednesday. "Right now, the president's NAFTA update can't be enforced," said Sen. Ron Wyden (D-Ore.), who is on the Senate committee that oversees trade. "No matter how good a deal looks on paper, it doesn't mean much if you can't make sure the other countries live up to their end of the bargain," he added. Earlier this week, Trump told a crowd of supporters at a rally in El Paso, Texas, that the success of the USMCA depends on congressional approval. "We're replacing NAFTA with a brand new U.S.-Mexico-Canada Agreement that everybody is loving," Trump said, The Wall Street Journal reported. "We gotta get Congress to approve it. There is an obstruction in Congress."

U.S. Troops 'Not an Option' in Venez.: Engel

Congress will not approve of a U.S. military intervention in Venezuela, Rep. Eliot L. Engel (D-N.Y.), who heads the House Committee on Foreign Affairs, said Wednesday during a House hearing on the crisis in Caracas, his office said in a statement. "I want to make clear to our witnesses and to everyone else watching: U.S. military intervention is not an option," Engel said in his opening remarks. "Congress decides when, where and how the U.S. military is used around the world, and Congress would not support military intervention in Venezuela." The New York representative added that Colombia's deputy foreign minister agreed and quoted him as saying, "In no way would the Colombian government permit or agree with any type of military intervention" in Venezuela. The hearing, which featured new U.S. envoy to Venezuela Elliott Abrams, was interrupted by three members of Code Pink, a women-led organization opposed to U.S. militarism, who were protesting Abrams, The Hill reported.

Republican Lawmaker Says Border Deal 'Worse' Than Before the Shutdown

The border funding deal that top lawmakers reached Monday night is "worse than we had before the shutdown," Rep. Chris Stewart (R-Utah) said Wednesday, The Hill reported. However, he conceded that "it's the best we're going to get." "It's the deal that we have, and frankly, I think we've come to the end of this road," he said on CNN. The agreement allocates \$1.375 billion for new fencing along the border with Mexico, well below the \$5.7 billion President Donald Trump had originally sought for the wall. Trump, who earlier this week said he disliked the deal, on Wednesday added that he doesn't want to see a U.S. government shutdown on Friday, the deadline for a budget agreement. "A shutdown would be a terrible thing," he said, The New York Times reported. Other top Republican legislators, including Senate Majority Leader Mitch McConnell (R-Ky.), are urging Trump to support the deal.

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uncertainties in the trade relationship, such as the prospect for U.S.-China reconciliation and currency fluctuations, both sides could very well benefit from stronger ties.”

A **Pepe Zhang, associate director for China at the Atlantic Council's Adrienne Arsht Latin America Center:** “Following a consecutive four-year decline, in 2017 bilateral trade between Brazil and China rebounded by 27 percent to \$75 billion and continued to expand in 2018. Amid escalating U.S.-China trade tensions, China turned to Brazil as an important alternative source of key commodities, such as soybeans, which traditionally accounted for 40 percent of Brazilian exports to China. With soybeans, beef and other exports recording historic volumes, Brazil boasted \$57 billion worth of total exports to China in the first three quarters of 2018. This represents a 24 percent year-on-year growth, as compared to 2017. In the coming months, Brazil will likely witness a continued uptick in exports to China, driven by a combination of two key factors related to the soybean industry: first, the beginning of Brazilian harvest season, and second, improving terms of trade as depressed prices began picking up in December. The medium- to long-term picture, however, will be less clear, as it depends both on the outcome of the U.S.-China trade talks and the capacity of the Brazilian economy going forward. For instance, according to recent UNCTAD estimates, while Brazil was able to capture important export gains caused by U.S.-China trade diversion, a number of other countries have achieved equal or more success in absolute terms, such as Mexico and Canada in the Western Hemisphere, as well as international competitors such as Australia. Ultimately, the extent to which Brazil can successfully sustain and convert the current opportunity into longer-term growth depends on its ability to improve the productivity and competitiveness of its exports and overall economy. In doing so, Brazil may also become better prepared against the eventual

and cyclical unwinding of temporary trade windfalls, which, if coupled with unfortunate timing or pace, could bring about sizable reverse trade shocks and inventory problems for Brazilian producers.”

A **Haibin Niu, senior fellow and deputy director of the Center for American Studies at the Shanghai Institute for International Studies:** “Based on its sophisticated and competitive agriculture and mining export sectors, Brazil developed strong trade ties with China in the past decade. Both countries have managed to maintain the trade dynamic based on deep complementarity since China became Brazil’s largest trade partner after surpassing the United States in 2009. Besides the traditional agriproducts such as soy and beef, Brazil might also increasingly supply other meats or dairy products in the near future. Stronger trade ties between China and Brazil serve their interests by providing an alternative market for each other. For example, Brazil’s supply of soy reduced China’s vulnerability amid a trade war with the United States, and China’s demand for poultry might help Brazil, since the Brazilian government’s new position toward its embassy in Israel has hurt poultry exports to Arab countries. Free and institutionalized trade arrangements between China and Brazil also set a good example for their major common trade partners in the Americas, as well as Europe. Commodities prices might be highly uncertain this year. Even global growth will be generally moderate. The optimistic view on commodities prices is based on the Fed’s recent dovish tone and possible Chinese pro-growth stimulus measures. The pessimistic view can also find clues in unresolved trade tension among major world economies, internal and external uncertainties for major energy suppliers, including Venezuela and Iran, as well as the increasing challenges the World Trade Organization is facing. This uncertainty makes trade ties between China and Brazil more valuable for the two countries.”

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