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FEATURED Q&A

What Did Chile's Piñera Accomplish on His Asia Trip?



Chilean President Sebastián Piñera recently returned from a trip to Asia, where he met with officials including South Korean President Moon Jae-in. // Photo: Chilean Government.

Q Chilean President Sebastián Piñera returned last week from a trip to Asia, where he attended the Belt and Road investment forum in China and also made a stop in South Korea. His visit to Seoul was the first by a Latin American head of state since President Moon Jae-in took office in 2017. What did Piñera achieve on his trip? What does Chile stand to gain from closer relations with China and South Korea, and what do each of these countries expect in return? How does South Korea's approach to Chile and Latin America more broadly differ from China's?

A Ann Lee, author and adjunct professor of economics at New York University: "President Piñera's trip to China and South Korea was mostly to reaffirm Chile's commitment to open trade with the Asian Pacific countries. His diplomacy, which would have been seen as innocuous just a few years ago, now will be viewed as more courageous by these two East Asian nations, given the rising global trade tensions. As a result, Chile will likely be rewarded with more favorable investment and trade terms by them. Piñera is probably betting that the benefits of friendlier relations with his Asian partners will outweigh the risks of a U.S. blowback, given that Chile already has strong relations with the United States. There is a lot of potential economic upside for participating in the Belt and Road Initiative for Chile, for example, while there is no equivalent initiative coming out of the United States. In return, China and South Korea probably hope Chile will remain a staunch supporter of anti-protectionist measures and resist the protectionist tide pushed by the Trump administration. South Korea's approach to Chile

Continued on page 3

TODAY'S NEWS

POLITICAL

White House Lifts Sanctions on Venezuelan Intelligence Head

U.S. Vice President Mike Pence announced that the Trump administration was lifting sanctions against Manuel Cristopher Figuera, the head of Venezuela's Sebin intelligence agency, who broke with President Nicolás Maduro.

Page 2

BUSINESS

BHP Faces \$5 Bn Lawsuit Over Brazil Dam Collapse

The suit over the deadly Samarco dam collapse is the largest such claim ever filed in a British court.

Page 3

ECONOMIC

Mexican Tomato Growers Brace for New U.S. Tariffs

New U.S. tariffs on Mexican tomatoes could cost Mexico \$350 million per year, according to Mexico's undersecretary of foreign trade, Luz María de la Mora.

Page 2



Mora // File Photo: Mexican Government.

POLITICAL NEWS

U.S. Lifts Sanctions on General Who Broke With Maduro

The administration of U.S. President Donald Trump on Tuesday lifted sanctions it had imposed on the head of Venezuela's Sebin intelligence service who last week broke with President Nicolás Maduro, The Wall Street Journal reported. Vice President Mike Pence announced the move in a speech at the State Department. The general, Manuel Cristopher Figuera, had chastised the Maduro government, criticizing it for corruption and mismanagement. He reportedly fled Venezuela last week after the opposition's call for a military uprising against Maduro failed to dislodge him from power. "The United States will consider sanctions relief to all those who step forward, stand up for the Constitution and support the rule of law," said Pence in announcing the lifting of sanctions against Figuera. At the same time, Pence issued a warning to Venezuela's Supreme Court, which he said has "become a political tool for a regime that usurps democracy, indicts political prisoners and promotes authoritarianism." He added, "If the Supreme Court of Venezuela does not return to its constitutional mandate to uphold the rule of law, the United States of America will hold all 25 of its magistrates accountable for their actions." The announcement came as Venezuela's Supreme Court ordered the prosecution of seven legislators who it accused of participating in last week's failed military uprising, BBC News reported. Opposition leader Juan Guaidó, who issued the call on April 30 for the uprising, accused the court of "only responding to the orders of Maduro." The United States and dozens of other countries recognize Guaidó as Venezuela's legitimate acting president. In 2017, the U.S. Treasury imposed sanctions on the high court's president, Maikel Moreno, and the seven main members of its constitutional chamber. In his speech, Pence also announced that the U.S. Navy hospital ship USNS Comfort in June will start a five-month mission to the

Caribbean, South America and Central America in an effort to relieve pressure on countries that have accepted large numbers of Venezuelan refugees. Meantime, Venezuela's government took a major step toward eliminating its currency controls, The Wall Street Journal reported. The country's central bank said it would allow state-run and private banks to trade foreign currency at market rates. Rigid currency controls for the past 16 years have kept Venezuela's bolívar currency significantly overvalued against the U.S. dollar under the official exchange rates, leading to a black market and a shortage of dollars. Venezuela reportedly has just \$8.5 billion left in foreign-exchange reserves, most of it in gold.

ECONOMIC NEWS

Mexican Tomato Growers Brace for New U.S. Tariffs

U.S. tariffs on tomatoes may cost Mexico some \$350 million per year, Mexican Undersecretary of Foreign Trade Luz María de la Mora said as growers brace themselves for new duties after the two countries failed to reach a trade deal before a Tuesday deadline, the Financial Times reported. Under pressure from the powerful Florida tomato industry, the U.S. government said in February that it would resume an antidumping investigation on May 7, a probe that had been on hold for nearly two decades under a series of so-called suspension agreements. On Tuesday, the U.S. Commerce Department terminated the deal that had suspended duties since 1996. Mexican tomato-grower associations said that U.S. Customs had not yet applied the tariffs and that it was uncertain whether the new duties would be imposed automatically or gradually, The Wall Street Journal reported. The two countries tried to negotiate a new deal before the deadline, but "Florida growers wanted a suspension agreement with more benefits to them," said Mora, the Financial Times reported. The 17.5 percent import duty is "very disap-

NEWS BRIEFS

At Least Seven Killed in Shooting at Prison Near Guatemala City

At least seven people were killed in a shooting at a prison near Guatemala City, and another 20 people were injured, BBC News reported today. Roughly 1,500 soldiers and police officers were reportedly sent to the Pavón prison center, which holds at least 4,000 inmates despite being built for around 1,000 people, to quell the violence. The confrontation started when an inmate apparently in a state of intoxication shot at another inmate. The prisoners had control of the prison for about eight hours on Tuesday, officials told the Associated Press.

Brazil's Bolsonaro Eases Gun Restrictions

Brazilian President Jair Bolsonaro signed a decree on Tuesday that eases restrictions on gun imports and raises the limits of ammunition that a person can buy to 5,000 cartridges per year for normal guns, up from 50, Reuters reported. The decree originally softened restrictions only for collectors, marksmen and hunters but was later expanded. Imported arms used to be prohibited if a similar model was produced domestically. Earlier this year, Bolsonaro signed another decree that made it easier for Brazilians to own guns.

Panama's Cortizo Eyes Review of FTAs With U.S., Central America

Panamanian President-elect Laurentino Cortizo said he wants a review of the country's free trade agreements with the United States and with other Central American nations, Agence France-Presse and the Tico Times reported Tuesday. "Obviously with the United States we have to be very cautious when we request to revise treaties ... because they are our main trade partner," Cortizo said Sunday, the day he was elected.

pointing," she added. Economists estimate that the new tariffs could raise prices of tomatoes in the United States by as much as 85 percent as soon as this winter, according to a study at Arizona State University, The Washington Post reported. Approximately 54 percent of the U.S. tomato market comes from Mexico.

BUSINESS NEWS

BHP Faces \$5 Billion Lawsuit Over Brazil Dam Collapse

Australia-based BHP, the world's largest mining company, is facing a claim for \$5 billion in damages in Britain over a dam collapse in Brazil four years ago that resulted in the South American country's worst environmental disaster on record, the Financial Times reported. The lawsuit, filed by law firm SPG on Tuesday on behalf of 235,000 individuals and organizations, accuses the miner of disregarding warnings before the dam at the Samarco iron ore mine broke in 2015. It is the largest claim in U.K. legal history. "The repeated warnings and recommendations of dam safety experts were acted upon too slowly, or sidestepped entirely," said Tom Goodhead, partner at SPG, BBC News reported. "Driven by concern for declining revenues amidst the falling market price of iron ore, the company took risks, increased production and turned a blind eye to dangers that ultimately claimed lives and destroyed communities," he added. The dam collapse killed 19 people and displaced about 700 people. The deluge of thick, toxic mud covered the village of Bento Rodrigues in Minas Gerais State and polluted rivers, harmed wildlife and contaminated drinking water for hundreds of thousands of people. BHP has rejected all of the charges, and the company said it intends to defend itself against the claim, BBC News reported. The Samarco mine is co-owned by BHP and Brazilian firm Vale, which is currently facing prosecution in Brazil for another dam disaster earlier this year. [Editor's note: See related [Q&A](#) in the Feb. 12 issue of the Advisor.]

FEATURED Q&A / Continued from page 1

probably differs very little from China in that both countries have 5G solutions that they can sell to Chile. Since Huawei's 5G service will be an integral part of its Belt and Road Initiative, Piñera may be looking to Korea's Samsung as an alternative in the event that the United States pressures Chile against using Huawei products."

A **Kisu Kwon, professor at Hankuk University of Foreign Studies and executive managing director at the Korean Council on Latin America & the Caribbean:** "Chilean President Piñera's visit to China, which the United States implicitly opposed, is interpreted as his firm willingness to deepen cooperation with China, Chile's largest economic cooperation partner. He was the only Latin American president to attend the Belt and Road forum in Beijing. In his visit to Korea, Piñera concluded a cooperative agreement in the areas of defense industry, digital government, transportation and information and communications technology. However, there has been no special progress in upgrading the countries' free trade agreement (FTA), which is one of the key pending issues of bilateral economic relations. Meanwhile, Korea secured affirmative promises from Chile to support its bid to obtain associate member status in the Pacific Alliance, which is one of the top priorities for Korea's trade policy toward Latin America. Korea's strategy for Latin America has distinctive features in two aspects. First, it is a first-mover strategy in FTA policy. Korea was the first Asian country to sign an FTA with Latin America. Since the signing of the FTA with Chile, Korea has signed an FTA with Peru, Colombia and five Central American countries. Since 2018, Korea has also begun negotiations with Mercosur for the first time among Asian countries. Through such active FTA policies, Korea has sought to preempt the Latin America market. Second, it is a soft-power strategy, which is largely divided into the Korean Wave (Hallyu) and Korean development

experiences sharing policies. Interest in Korean culture, such as K-pop, is hot in Latin America, including in Chile. There is also a strong interest in Korea's economic development experiences in Latin America. Korea has been conducting a knowledge-sharing program with many Latin American countries since 2004. Korea expects these soft power assets to promote economic relations with Latin American countries."

A **Peter Larrea, co-founder and researcher at Comunidad de Estudios Chinos y Latinoamericanos (CECLA):** "The main achievements of President Piñera's visit to China and South Korea included the agreement to further discuss the upgrade of the FTA with both countries, making them more modern and inclusive, the increase of Chile's perishable goods and resource exports share and the signature of MOUs for cooperation on technology, electric vehicles, telecommunications, AI and e-commerce. Another topic discussed with China was the signature of the 2019-2022 Plan of Action

“China is looking for an international political partner aside from the business relationship...”

— Peter Larrea

covering 14 areas and the cooperation for decarbonizing the Chilean economy. Chile's main gains include the harmonization of the Chilean development strategy with both counterparts on the services and high-technology sectors, support of two big players for the APEC meeting and COP25 summit to be held in Chile and Chile's consolidation as part of the Belt and Road Initiative, as well as the promotion of investment opportunities, the diversification of their technology investment portfolio and the recognition of Chile's perishables export protocol, which

Continued on page 4

FEATURED Q&A / Continued from page 3

opens doors for other goods, such as citrus. This Chinese market is not only attractive because of its size but also because of its growing consumption levels. China wants to use Chile as an entrance point to do business in Latin America and secure the development of companies competing with American enterprises in fast-growing markets. China is also looking to gain support for its 5G technology and other multilateral matters, and South Korea expects to increase their technology-related companies' presence in the continent. China is looking for an international political partner aside from the business relationship between both countries, while South Korea's approach is oriented more toward market expansion and mutual cooperation. Both are also looking to secure access to resources such as lithium for batteries for the technology sector."

A **Jorge Heine, former Chilean ambassador to China and public policy fellow at the Woodrow Wilson International Center for Scholars in Washington:** "President Piñera's state visit shows the continuity of Chile's policy toward China. Chile was the first country in South America to recognize the PRC, in 1970. Since then, it has accumulated a number of 'firsts,' including the first FTA signed by China with any single country in 2005 and the first FTA 2.0 in 2017. Chile has

signed on to China's Belt and Road Initiative, and Piñera was the only Latin American head of state at the Belt and Road summit in Beijing on April 25-26, giving one of the keynote speeches. Bilateral trade reached a record \$42 billion in 2018, up 25 percent from 2017, and China is Chile's number-one trading partner. China's Tianqi Lithium's purchase of 25 percent of Chilean company SQM in 2018 for \$4 billion was the largest transaction on Santiago's stock exchange. Fourteen cooperation agreements were signed. In Shenzhen, Piñera met with the CEO of Huawei, a company that is currently installing a 3,000-kilometer submarine cable in southern Chile. A significant topic during the visit was the project for a 20,000-kilometer trans-Pacific fiber optic cable from China to Chile. President Xi will visit Chile next November, his second presidential visit, and his fourth one overall. For their part, South Korea and Chile signed the first FTA between an Asian and a Latin American country in 2003, and Korea is Chile's sixth-largest export market. Bilateral trade reached \$6.29 billion in 2018. Four of Chile's top 10 export markets are in Asia, and the region is a centerpiece of the country's 'lateral international trade policy,' based on FTAs."

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

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