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## FEATURED Q&A

# What Do Mexico & China Have to Gain From Stronger Ties?



Mexican Foreign Minister Marcelo Ebrard and his Chinese counterpart, Wang Yi, met last week in Beijing. // Photo: Chinese Government.

**Q Mexico and China are committed to multilateralism and to strengthening cooperation between the two countries, including in clean energy, e-commerce, aerospace and bilateral tourism, Mexican Foreign Secretary Marcelo Ebrard and his Chinese counterpart, Wang Yi, said in a joint press conference after a meeting July 2 in Beijing. During his visit, Ebrard also met with Chinese Vice President Wang Qishan. What did Ebrard achieve during his trip to China? What would stronger ties between Mexico and China look like, and how does each country stand to gain? How has China's ascendance over the past two decades since it joined the World Trade Organization affected Mexico's economy?**

**A Haibin Niu, senior fellow and deputy director of the Center for American Studies at the Shanghai Institute for International Studies and deputy secretary-general of the Chinese Association for Latin American Studies:** "During Mexican Foreign Minister Ebrard's trip to China, he reached a strong consensus with Chinese leaders on exploring the great potential of both countries' economic ties. Both countries are main exporters to the U.S. market, but that market is full of strong protectionism and high uncertainties. Both Mexico and China need to diversify their external economic relations to minimize the vulnerability and dependence on the U.S. market. Even though the bilateral trade volume reached \$90.7 billion, Mexico traditionally sees China as a main competitor in the manufacturing sector. Membership in NAFTA and the WTO, respectively, helped Mexico and China become world-class manufacturing centers. American companies invested a lot in both

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## TODAY'S NEWS

### POLITICAL

## Colombian High Court Issues Warrant for Ex-FARC Leader

Colombia's Supreme Court issued an arrest warrant for Seuxis Hernández, also known as Jesús Santrich. The former rebel leader and sitting lawmaker failed to appear at a court hearing.

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### BUSINESS

## Brazil's Vale Ordered to Pay for All Damages in Dam Collapse

A judge ordered the mining company to pay for all damages related to the deadly January collapse of one of its tailings dams.

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### ECONOMIC

## Mexican Finance Chief Quits Amid Policy Clashes

Mexican Finance Minister Carlos Urzúa resigned, citing "many disagreements over economic policy" in a strongly worded resignation letter.

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Urzúa // File Photo: Mexican Government.

## ECONOMIC NEWS

## Mexican Finance Minister Resigns Amid Policy Clashes

Mexican Finance Minister Carlos Urzúa stepped down Tuesday, citing “many disagreements over economic policy” in a strongly worded resignation letter, which also said the administration of President Andrés Manuel López Obrador was basing some economic decisions on extremist views, The Wall Street Journal reported. The finance minister had disagreed with several of the administra-

“In this administration, public policies have been made without sufficient evidence.”

— Carlos Urzúa

tion’s decisions, including one to cancel the construction of a new airport for Mexico City, the newspaper reported, citing a person close to Urzúa. “In this administration, public policies have been made without sufficient evidence,” Urzúa said in his resignation letter, which he posted on Twitter, The New York Times reported. Urzúa also said “influential people ... with a patent conflict of interest” have led the administration to place officials without any knowledge of finance into the ministry. To replace Urzúa, López Obrador tapped Deputy Finance Minister Arturo Herrera to lead the ministry. In naming Herrera to the post, the president lashed out at Urzúa. “We are committed to changing the economic policy that has been imposed on us for 36 years,” said López Obrador. “We cannot continue with the same strategies; you can’t put old wine in new bottles.” Among the reported differences between López Obrador and Urzúa was the president’s backing of a new \$8 billion refinery for state oil company Pemex, The Wall Street Journal reported. Many economists have seen the project as unnecessary due to Pemex’s struggle to

reverse declining production, the newspaper reported. After being named finance minister, Herrera told reporters on Tuesday that he does not see a recession looming in Mexico, Reuters reported. “I don’t see a recession around the corner ... I see that there has been a slowdown on a global level but we are very, very far from thinking that we are close to a recession,” he said. Analysts have expected further weakness in Mexico’s economy following a 0.2 percent contraction in the first quarter as compared to last year’s fourth quarter. The contraction was Mexico’s first since the second quarter of last year. Mexico’s peso slid on the news of Urzúa’s departure, falling to 19.13 to the U.S. dollar, as compared to 18.88 per dollar earlier, The Wall Street Journal reported. The country’s benchmark IPC stock index declined 1.8 percent.

## POLITICAL NEWS

## Colombian Supreme Court Issues Warrant for Ex-FARC Leader

Colombia’s Supreme Court has issued an arrest warrant for a former commander of the Revolutionary Armed Forces of Colombia, or FARC, guerrilla rebels, Seuxis Hernández, alias Jesús Santrich, BBC News reported Tuesday. Hernández was sworn into office as a lawmaker last month as part of the 2016 peace deal that guaranteed five seats in Colombia’s lower house to the FARC political party. He disappeared on June 30, weeks after being released from prison. He stands accused of helping to smuggle nearly 10 metric tons of cocaine into the United States, where he faces possible extradition. Hernández denies the charges and says they are part of a conspiracy, BBC News reported. On Tuesday, Hernández failed to show up to court hearing. His lawyer, who did turn up, said he did not know the whereabouts of his client. Hernández’s son said he feared his father may have been kidnapped or killed, but Colombian President Iván Duque has alleged Hernández is trying to avoid justice. The FARC party said in a statement that Hernán-

## NEWS BRIEFS

## Italian Court Sentences 24 Former South American Officials in Condor Case

An Italian court has sentenced 24 former South American officials to life in prison in connection with the Operation Condor state terror campaign in the 1970s and 1980s, BBC News reported Tuesday. Among the victims were more than 20 Italians. Of the officials sentenced, all but one were sentenced in absentia, and it is doubtful whether the home countries of those convicted will extradite them. Among those sentenced were late General Luis García Meza, who ruled Bolivia from 1980 to 1981, and General Francisco Morales Bermúdez, who ruled Peru from 1975 to 1980.

## Former Argentine President de la Rúa Dies

Former Argentine President Fernando de la Rúa died at 81 on Tuesday after falling ill with heart problems, Reuters reported. De la Rúa led Argentina from 1999 until 2001, when he resigned as the country’s economy spiraled out of control, prompting angry protests. He was forced to flee the presidential palace. Current President Mauricio Macri said de la Rúa deserved “the recognition of all Argentines.”

## Southern Copper Receives Permit for Long-Delayed Tia Maria Project in Peru

Miner Southern Copper has received a construction permit for its long-delayed Tia Maria project in Peru, the company said Tuesday, adding that it would not begin work until it gains more support from local residents, Reuters reported. The permit keeps Southern Copper’s environmental plan in force, avoiding its expiration in August, which would have delayed the \$1.4 billion project at least another year. Previous Peruvian governments had declined to approve it, fearing a revival of deadly protests against the project that first began in 2011.

dez's "behavior" is "his own responsibility," El Tiempo reported. The FARC also said the former commander "disappoints and hurts [the party] deeply," adding that his failure to show up to court hurts "confidence in our country and our party." [Editor's note: See related [Q&A](#) in the June 5 issue of the Advisor.]

## BUSINESS NEWS

## Vale Ordered to Pay for All Damages in Deadly Dam Collapse

A Brazilian state judge on Tuesday ordered mining company Vale to pay for all the damages caused when one of its tailing dams collapsed earlier this year, killing more than 200 people, Agence France-Presse reported. Judge Elton Pupo Nogueira in Minas Gerais State, where the industrial disaster occurred, did not specify the amount of money but said 11 billion reais (\$2.89 billion) of assets belonging to Vale would remain frozen. "It was not possible to quantify only by technical and scientific criteria," the court said in a statement, AFP reported. "The value [of the compensation] is not limited to the deaths resulting from the event, as it also affects the local and regional environment, as well as the economic activities carried out in the affected areas," it added. The court noted that Vale had cooperated with authorities and did not deny responsibility for the damage. In a statement, Vale said it was committed to "repairing and helping all those affected by the dam rupture." At least 248 people were killed when the dam burst in January, sending a torrent of mud onto the staff cafeteria, offices and nearby farms, BBC News reported. Nearly six months later, 22 people remain missing. Brazil's Senate last week urged prosecutors to bring charges against top Vale executives at the time of the collapse, which the company refuted, saying senior company officials had not been aware of any "imminent risks" at the dam. [Editor's note: See related [Q&A](#) in the Feb. 12 issue of the Advisor.]

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countries and in many of the final products sold to the United States. In the past two decades, both China and Mexico were highly dependent on U.S. capital and the U.S. market, while their bilateral economic ties were not as important as the ones with the United States. Different from this previous dominant pattern of manufacturing competition for exporting to the U.S. market, Sino-Mexican economic ties may find new dynamics as China becomes a major outward investor, innovative center and consumption market. It is very important for Mexico and China to rebuild their economic ties in a cooperative and forward-looking manner. A protective and nationalistic American economy might quicken the process of building closer economic ties between Mexico and China."

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

**Dialogue:** "Mexico and China have long sought to strengthen bilateral ties but have made only minimal progress in doing so, hindered by Mexico's extensive economic ties to the United States and fierce competition between Chinese and Mexican manufactures in domestic and third markets. The López Obrador administration is only the latest to try to bring the two countries closer together, with Ebrard's visit aiming to identify areas for enhanced cooperation. Not many details have emerged from this most recent meeting besides assurances from both sides that they're working on a five-year roadmap for bilateral relations. China evidently indicated an interest in working with Mexico to develop technologies, including smart cities and aerospace tech, but Chinese officials and business leaders have made similar promises to Mexicans before. López Obrador is perhaps more inclined than his predecessors to boost China-Mexico relations, especially as U.S.-Mexico relations face continued obstacles. But major Chinese projects, especially from Chinese tech

firms such as Huawei, will be the subject of considerable scrutiny from the United States and could result in political costs for López Obrador. China's interest would also appear to be more subdued than in previous years, despite this possible period of strategic opportunity. Of all investors, Chinese companies are probably best positioned to invest in major infrastructure projects in Mexico, but they have yet to express any public interest in the administration's controversial Tren Maya and refinery projects. López Obrador is no doubt weighing the costs and benefits of stronger ties to China, but so is Beijing. Like other foreign investors, China views Mexico with a degree of uncertainty."

**A** **Tony Payan, director of the Mexico Center at Rice University's Baker Institute:** "Central to the agenda for the meeting of the Mexican and Chinese foreign ministers was forging closer economic relations between the two countries in areas such as clean technologies, e-commerce, aerospace and tourism. This rapprochement emerges from a coincidence of interests. First, China's continued advance into Latin America likely includes Mexico as a major frontier. A strong presence there would give China another foothold in North America once the USMCA is fully ratified. Second, China's intentions line up well with Mexico's expressed need to diversify its economic relations and reduce its commercial dependence on the United States. However, the China-Mexico relationship cannot proceed outside the long shadow cast by Washington. Indeed, Mexico is in a difficult position. Its dependence on U.S. markets and investment has for decades been a constant, rather than a variable. NAFTA hardened that reality. Today, 80 percent of Mexico's exports go to the United States. It is a situation so structurally ingrained that it is doubtful the country can reduce its economic dependence on the United States. Also, the United States is hardly in favor of China making economic in-

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roads in Mexico. In fact, the USMCA's 'China Clause' gives the United States veto power over any free trade deal between Mexico and China. In the end, given Mexico's geostrategic importance to the United States and the economic relationship between Mexico and the United States, Ebrard's meetings with Wang Yi will achieve little unless China finds resources to invest aggressively in Mexico—which the Chinese so far have been unwilling to do. For China, establishing a foothold in Mexico will take more resources than the country's leaders are accustomed to investing in their clientele states. For Mexico, such investments will mean a cooler relationship with Washington, which Mexico does not want to risk."

**A** **Enrique Dussel Peters, graduate professor of economics and coordinator of the Center of China-Mexico studies at UNAM:**

"Academic and business organizations in Mexico have examined in-depth the Mexico-China relationship in terms of bilateral, regional and multilateral topics, including political, cultural and economic issues. In the short run, both countries have to resolve the cancellation of the infrastructure project Chicoasén II in Chiapas in 2016, and they should discuss China's invitation for Mexico to become a member of the Asian Infrastructure Investment Bank, as well as its participation in the Belt and Road Initiative. From a long-term perspective, however, both countries must improve the quality of already existing institutions. Today, Mexico and China account for four bilateral institutions—including the Bilateral Commission, as well as the High Level Group and two others focused on economic and investment issues, respectively—that have not been able to discuss and solve important bilateral tensions and opportunities, including Mexico's 'trade disequilibrium' (such as an 11:1 import/export relationship in 2018). In addition, both China and Mexico should commit

to improving the quality of already existing business and academic institutions to deepen their respective understanding and allow for more detailed policy suggestions: from statistics to tourism, specific infrastructure projects and an important potential for Chinese foreign direct investment, among many other topics."

**A** **Beatrice Rangel, member of the Advisor board and director of AMLA Consulting in Miami Beach:** "Multilateralism is the safest corridor to transit the U.S. isolationist storm. By taking refuge in multilateral institutions, both China and Mexico can more effectively balance the U.S. trend toward retrenchment from the world. With

**“** **With respect to Ebrard's achievements in Beijing, there do not seem to be many..”**

— Beatrice Rangel

respect to Ebrard's achievements in Beijing, there do not seem to be many, except for the commitment to increase bilateral tourism. This policy is bound to succeed as Chinese millennials are already crowding historic tourism destinations. Several travel-dedicated websites are experiencing a peak in demand for Mexican historic tours such as the Ruta Maya. China's membership in the WTO allows Mexico to fine tune its trade policies with the Asian giant without making waves that would further embolden the United States in its trade dispute with China. In short, this is a good public relations move on the part of Mexico."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gene.kuleta@thedialogue.org](mailto:gene.kuleta@thedialogue.org).*

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