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FEATURED Q&A

Will Full Ratification of the CPTPP Boost Trade in the Region?



Some of Latin America's major economies are yet to ratify the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The trade accord's March 2018 signing ceremony in Santiago is pictured above. // Photo: Chilean Government.

Q Seven countries, including Canada and Mexico, have approved the latest iteration of the Trans-Pacific Partnership, known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. However, the other Latin American countries in the bloc—Chile and Peru—have yet to ratify the deal. Where does CPTPP currently stand, and in what direction is it headed? Why haven't Chile and Peru ratified the agreement yet, and are prospects good for its passage there anytime soon? How would ratification and subsequent enforcement in Chile and Peru affect the trading bloc's scope? How serious is Colombia about joining the deal, and how big of a priority is it for President Iván Duque's government? Will China be a part of the CPTPP, and what implications would this have for global trade politics?

A Hugo de Zela, Peru's ambassador to the United States: "Peru is in the process of culminating the corresponding internal legal procedures for entry into force of the CPTPP, which it expects to conclude in due course. In the meantime, Peru is a committed signatory of the CPTPP and as such continues to participate in the administration mechanisms of the agreement, including the meetings of the CPTPP Commission, the first of which took place in Tokyo in January of this year. The next meeting is expected to be held in the next couple of months. Peru is a stable and open market-oriented economy with a track record of promoting its accelerated integration in the global economy. It has reaffirmed its commitment to free trade, inclusive sustainable development and the rules-based multilateral trade system,

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TODAY'S NEWS

POLITICAL

Maduro Allies, Opposition Discuss Early Vote

Allies of Venezuelan President Nicolás Maduro and opposition representatives discussed the possibility of early elections in the South American country.

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ECONOMIC

Chile's Economy Grows 0.8% in Second Quarter

Chile's gross domestic product grew 0.8 percent in the second quarter, as compared to the first, as global trade uncertainties crimped growth in the country's mining sector.

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ECONOMIC

Brazilian States Seek to Bypass Bolsonaro in Amazon Projects

Brazilian states are seeking direct negotiations with European countries that fund Amazon protection projects after President Jair Bolsonaro's policies led Norway and Germany to suspend donations.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Allies of Venezuela's Maduro, Opposition Discuss Early Vote

During talks with Venezuela's opposition, some of President Nicolás Maduro's allies discussed holding a presidential election in the coming months, four unnamed sources told Reuters on Monday. Representatives of Maduro and opposition leader Juan Guaidó, whom dozens of countries including the United States recognize as Venezuela's legitimate interim president,



Maduro // File Photo: Venezuelan Government.

had been meeting in Barbados for talks to resolve a political stalemate in the South American country. Guaidó's delegation had proposed presidential elections within six to nine months on several conditions, including changes to the election council and supreme court, the sources said. Maduro's government had reportedly agreed to a presidential vote on the condition that the United States lift economic sanctions, that Maduro be allowed to run as the Socialist Party candidate and that the vote be held in one year, one of the sources told Reuters. However, Maduro withdrew from talks with the opposition following the latest round of U.S. sanctions, and no new date has been set to resume the discussions, the wire service reported. Meanwhile, a U.S. senior administration official told the Associated Press that the United States has been secretly in contact with members of Maduro's inner circle, including Diosdado Cabello, who is considered to be the second most powerful man in Venezuela after Maduro. Cabello last month met in Caracas with someone close to the Trump administra-

tion, the official said, adding that a second meeting is in the works but has not yet taken place. Opposition politicians are scheduled to travel to Washington this week to speak to U.S. officials, Reuters reported, citing the sources.

U.S. Official Offers Guatemala More Farmworker Visas

In an effort to increase support for the "safe third country" migration agreement that the United States and Guatemala signed last month, a U.S. official on Monday offered to increase the number of farmworker visas available to Guatemalans, Reuters reported. During a trip to the Central American country, Mauricio Claver-Carone, a White House advisor, raised the idea to reporters, saying, "We could help Guatemala by tripling the H-2A program." Guatemalan President-elect Alejandro Giammattei has criticized the deal, saying it is "not right for the country." The deal requires asylum seekers passing through Guatemala to seek protection there instead of continuing to the United States.

ECONOMIC NEWS

Chile's Economy Ekes Out 0.8% Growth in Second Quarter

Chile's economy expanded slightly in the second quarter as global trade uncertainties hit mining growth and the government prepares more stimulus, La Tercera reported, citing a central bank report published on Monday. Chile's GDP expanded 0.8 percent in the March-June period, as compared to the previous quarter. From a year earlier, Chile's economy grew 1.9 percent, up from the 1.6 percent increase registered in the first quarter. Both figures were in line with the median estimates of economists in a Bloomberg survey. Uneven domestic demand and the U.S.-China trade war

NEWS BRIEFS

Brazilian States Seek to Bypass Bolsonaro in Amazon Funding Projects

Brazilian states are seeking to negotiate directly with European countries that fund projects to protect the South American nation's Amazon rain forest after changes proposed by President Jair Bolsonaro's government prompted Norway and Germany to suspend donations, Reuters reported. Waldez Góez, the governor of Amapá State and president of an organization that groups the Amazon states, said in a statement that he had informed the embassies of Norway and Germany of the state governments' willingness to negotiate. Bolsonaro changed the fund's governance structure and shuttered the steering committee that selects the projects.

Devastating Banana Fungus Spreads to Latin America

A fungus known as Panama TR4 disease, which has devastated banana plantations in southeast Asia for the past three decades, has reached Latin America, the Colombian agriculture and fishing institute, ICA, said, the Financial Times reported today. The ICA declared a "national emergency" and expanded prevention measures to the whole country. The fungus does not affect humans but causes infected plants to stop producing fruit. Latin America is the source of two-thirds of the global banana trade.

Brazilian Military Police Kill Man Holding 37 Hostages on Rio Bus

Brazilian military police this morning fatally shot a man who had been holding 37 passengers hostage on a bus in Rio de Janeiro, BBC News reported. The man, armed with a gun and a knife, also threatened to set fire to the bus on the bridge that links Rio de Janeiro to Niterói.

have weighed on Chile's economy, especially as trade tensions have affected the price of copper. Slow economic growth in the first half of the year has pushed the government's goal of 3.2 percent GDP expansion this year further out of reach. Finance Minister Felipe Larraín has unveiled a series of measures in an attempt to boost growth, and the central bank is expected to cut second benchmark interest rates in September, the second time it does so this year, Bloomberg News reported. "Positive economic growth and recovering investment in the second quarter are good news and support expectations for activity to continue rising in the second half," said Felipe Hernandez, a Latin America economist with Bloomberg Economics. "But decelerating private consumption and falling exports point to downside risks from weak domestic and external demand," he added. Investment grew 4.8 year-on-year in the second quarter.

BUSINESS NEWS

BBVA to Expand Digital Enrollment by Year's End

Spanish bank BBVA announced today that it will allow customers in more of its markets the ability to open accounts digitally by the end of the year. The bank already allows digital enrollment in Mexico, Colombia, the United States and Spain. It will soon be launched in Peru, Argentina and Turkey, BBVA said in a statement. "Our goal is to have digital enrollment available to all users across our operating footprint by the end of 2019," Gonzalo Rodríguez, the bank's global head of customer solutions, said in a statement. BBVA said it is using potential customers' preferred methods of accessing the bank electronically, such as through using the web in Colombia, where customers will not have to download an app to open accounts digitally. The bank said its biometric identification of customers is being carried out through Veridas, a 2017 joint venture between the bank and Spanish start-up Das-Nano.

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as well as its opposition to all forms of protectionism. In addition to Peru's sustained agenda of negotiation of new trade agreements, this commitment is reflected, among others, in the leadership it has exercised as recent president pro tempore of the Pacific Alliance (July 2018-July 2019), as twice year-long host of APEC in the last decade (2008 and 2016), as well as its permanent and active participation in the discussions taking place at the WTO, whose continued well-functioning it considers consequential to guaranteeing the stability, predictability, transparency and inclusiveness of the multilateral trade system. The CPTPP will provide Peru with preferential access to new markets in the world's most dynamic region—the Asia Pacific—that jointly account for nearly 900 million persons or around 13 percent of world GDP and with strong purchasing power (average GDP per capita that is twice the world average at \$28,000). Specifically, through the CPTPP, Peru gains preferential access for its products to four new markets (New Zealand, Brunei, Malaysia and Vietnam) and significantly deepens its existing agreements and preferential access with Japan and Canada, among others."

A **Anabel González, nonresident senior fellow at the Peterson Institute for International Economics:** "Both Chile and Peru are in the process of approving the CPTPP. In the case of Chile, the lower house of Congress voted on the agreement last April. It is now in the Senate, where the committee of foreign relations recently issued a favorable recommendation. It will now move to the finance committee before it can be brought to the floor for a full vote. While approval of the CPTPP has been contentious, I expect Chile will ratify it in the course of the year. In the case of Peru, the Ministry of Foreign Affairs is to determine whether the agreement requires legislative approval before it can be ratified or whether an act of the executive branch will suffice.

I also expect Peru to approve the accord in 2019. While at some point Colombia had expressed interest in joining the trading bloc, the priority of President Duque's administration is the implementation and utilization of existing trade agreements. It is unlikely that during his administration Colombia will request accession to CPTPP. Likewise, at this stage at least, it is unlikely that China will join the CPTPP. In a recent request for consultations on potential new members of CPTPP, the government of Canada requested input on the potential accession of four countries: South Korea, Taiwan, Thailand and the United Kingdom. This suggests no other candidates are being considered for CPTPP membership for now."

A **Carlo Dade, director of the Centre for Trade and Investment Policy at the Canada West Foundation and member of**

the Mexican Council on Foreign Relations:

"The TPP11 trade ministers met in Tokyo in January for the bloc's Inaugural Commission Meeting. All 11 countries attended and discussed issues, including adding new members to the bloc. But of the 11 voices around the table, only seven mattered—those of the countries that have ratified and put the agreement into effect. Missing from the countries that matter were Peru and Chile. Until these countries ratify the agreement, they will continue to be left on the sidelines of meaningful decision-making as the bloc grows and establishes rules and precedents. Their ratification delays, along with the disappearance of Colombia in the list of countries seeking to join the bloc, calls into question the region's commitment to economic integration with Asia. In particular, it raises questions about the continued viability of the Pacific Alliance, which ironically was created partially to counter Asian skepticism of the value of having Peru and Chile as members of APEC. Peru and Chile's absence has likely been a blessing for Canada and British Columbia, in

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particular given the similar top export profiles in specific commodities such as ores, wood, fruit, wine and salmon. Chile's delay in ratification is likely handing market share to British Columbia, adding to what it is taking from the United States. Chile but particularly Peru's absence from decision-making in the ascension to the TPP11 may be a blessing for Taiwan's hopes of joining, as Peru is likely one of the countries most susceptible to pressure from mainland China to block Taiwan's long-shot bid."

A **Andrés Rebolledo, former director of Chile's general directorate of international economic relations:** "The CPTPP has had a complex discussion in Chile's Congress. It was approved with a narrow majority in the Chamber of Deputies, and it is currently being discussed in the Senate. In this context, an interesting 'protocol' between the executive branch and the Senate was recently approved, which includes the government's commitments to implement programs to take advantage of the accord and, simultaneously, clarifies doubts about the pact's impact. This protocol is expected to facilitate the agreement's prompt approval. The main criticism of the accord is that Chile is giving up sovereignty and limiting its independence to implement public policies. The negotiation of the CPTPP was complex and difficult, but a balanced deal that's beneficial for the country was reached, one that opens opportunities of trade and investment. Chile's economic growth depends to a great extent on international markets, so having fair and modern norms, such as those of the CPTPP, is crucial, even more in times of trade wars and when the deal has been approved by seven partners that are already enjoying the benefits. It is essential to restore a global system of rules that regulates international trade. The CPTPP is a contribution in this sense. For this reason, expanding membership should be a priority for countries that are already members,

including the entry of Colombia, China, South Korea and other partners, even more in a context of Chile preceding over APEC and the future conformation of the great free trade zone of the Asia Pacific."

A **Fabrizio Operti, manager of the integration and trade sector at the Inter-American Development Bank:** "The CPTPP was signed on March 8, 2018 by 11 countries in the Asia Pacific region and has entered into force among those that have already ratified it—Canada, Australia, Japan, Mexico, New Zealand, Singapore and Vietnam. Once fully implemented, it will form a trading bloc representing 495 million consumers and 13.5 percent of global GDP. Bridging both sides of the Pacific has been a long-sought aspiration in Latin America. Some examples are the participation of Chile, Mexico and Peru in the Asia-Pacific Economic Cooperation (APEC) forum and the growing number of free trade agreements and commercial links between Latin American and Asian countries. Indeed, the origins of the CPTPP can be found in the P-4 Agreement between Brunei, Chile, Singapore and New Zealand, in force since 2006. Moreover, the Pacific Alliance—Chile, Colombia, Mexico and Peru—has expressed a 'special vocation' toward the Asia Pacific region, which includes a cooperation agenda with ASEAN and an ongoing process to incorporate Australia, Canada, New Zealand and Singapore as associate states. The CPTPP liberalizes important sectors in both emerging markets and advanced economies, including 21st century provisions in a variety of disciplines, thus expanding opportunities for trade and deepening integration in the Asia Pacific region. Also, the CPTPP allows the accession of new members, opening the door for other Latin American countries to join in the future. This mega-regional agreement would reduce fragmentations and the 'spaghetti bowl' effect and—with Latin America itself more integrated—would have spillover effects to the rest of the region."

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