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FEATURED Q&A

How Much Will New U.S. Tariffs Hurt Brazil & Argentina?



This month, U.S. President Donald Trump announced that he is reimposing tariffs on imported steel and aluminum from Brazil and Argentina. // File Photo: White House.

Q U.S. President Donald Trump early this month reimposed steel and aluminum tariffs on Brazil and Argentina, saying the two countries' currency devaluations are bad for U.S. farmers. The announcement apparently came as a surprise to officials both in the United States and in South America. What are the economic consequences of metals tariffs for Brazil and Argentina, as well as for the United States? Will the measure spark tensions between the U.S. government and the South American nations? Is currency turmoil in other markets a sound basis for Trump's imposing tariffs?

A Renata Amaral, director of the summer program on U.S. and international trade law and policy at American University and senior international advisor at BMJ Associados: "The economic consequences of the steel and aluminum tariffs that President Trump announced, if confirmed, may be problematic for the three countries involved—Brazil, Argentina and the United States. Indeed, especially in what refers to the steel sector, the competitive advantage of many U.S. companies depends heavily on the steadfastness of the supply chains built with Brazilian (and Argentine, in a lower scale) producers over the years. As numbers show, 52 percent of U.S. imports of semi-finished steel came from Brazil in 2018, which makes the country the largest supplier of semi-finished steel to the United States. Although taken by surprise, there was no concrete and official reaction from the governments of Brazil and Argentina. If the U.S. administration confirms the measure, it is very likely that the countries will try to negotiate, but there may be

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TODAY'S NEWS

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Trump, Paraguay's President Agree to Military Exercises

Paraguay's president, Mario Abdo Benítez, on Friday met with U.S. President Donald Trump in Washington. The two conservative leaders pledged to work more closely together.

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POLITICAL

Chilean Police Violated Human Rights: U.N.

A United Nations report released Friday details multiple allegations of torture, rape and other forms of sexual violence by the police against people held in detention after recent riots.

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ECONOMIC

USMCA Hits Snag as Mexicans Reject Labor Inspections

Jesús Seade, Mexico's undersecretary for North America in the Foreign Ministry, flew to Washington on Sunday for urgent talks after a dispute emerged in the U.S.-Mexico-Canada Agreement just days after it was signed.

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Seade // File Photo: @JesusSeade via Twitter.

ECONOMIC NEWS

USMCA Hits Snag as Mexicans Reject Labor Inspections

A top Mexican trade negotiator flew to Washington on Sunday for urgent talks after a dispute emerged in the U.S.-Mexico-Canada Agreement just days after it was signed, The Washington Post reported. Jesús Seade, Mexico's undersecretary for North America in the Foreign Ministry, accused the United States of blindsiding Mexico by deciding to send up to five U.S. inspectors to monitor labor conditions as part of the treaty. Seade said he had sent a letter to U.S. Trade Representative Robert Lighthizer expressing "Mexico's surprise and concern" about language in the agreement sent to Congress. Instead of labor inspectors, Mexican negotiators agreed to establish three-member panels to resolve disputes that are made up of Mexican, American and other experts, according to the report. Mexico's Senate voted overwhelmingly Thursday to approve the treaty, but in recent days the labor controversy has become a political embarrassment for the administration of President Andrés Manuel López Obrador. "Mexico will NEVER accept them if it is in any way about disguised inspectors, for one simple reason: Mexican law prohibits it," Seade tweeted. Senate Majority Leader Ricardo Monreal told reporters Sunday that he supports

Seade and "emphatically rejects" the notion that U.S. inspectors could be sent to Mexico, calling it "totally unacceptable."

POLITICAL NEWS

Trump, Paraguay's President Agree to Military Cooperation

Paraguayan President Mario Abdo Benítez on Friday met with U.S. President Donald Trump in Washington, as the two countries aim to rekindle their relationship, the Associated Press reported. The U.S. military will offer two Special Forces training events in Paraguay in 2020 and 2021, and the U.S. Southern Command will conduct a regional crisis response exercise there in 2021, the White House said. Last April, U.S. Secretary of State Mike Pompeo became the first U.S. state secretary to visit Paraguay since 1965, when military strongman Gen. Alfredo Stroessner was in power, Agence France-Presse reported. Abdo Benítez's father served as Stroessner's private secretary for more than 25 years. The South American country has long struggled to stem smuggling and suspected terrorist money laundering in the Tri-Border Area it shares with Brazil and Argentina. Earlier this year, Abdo Benítez, a conservative, designated Hezbollah, Al Qaeda, The Islamic State group and Hamas as terrorist organizations,

NEWS BRIEFS

Argentina Increases Levies on Agriculture Exports

Less than a week after taking office, Argentina's new government said Saturday it will raise export levies on soy, wheat and corn, Reuters reported. In a bid to increase revenue and avoid a debt default, Peronist President Alberto Fernández raised the rate for soybeans, soyoil and soymeal to 30 percent from about 25 percent and lifted the levy on corn and wheat to 12 percent from around 7 percent. Farmers are expected to push back against the move, and the government office that registers grains exports will be closed today "while the new tax structure is put in place," according to the report.

BMW, Daimler Ride-Hailing Venture Sees Revenue Double in 2019

Germany-based car makers Daimler and BMW expect to double revenue this year from Europe and Latin America at their FreeNow ride-hailing joint venture, Bloomberg News reported today. FreeNow CEO Marc Berg said in an interview that the partnership will reach \$2.7 billion in revenue by offering car-sharing and other mobility services. The company, which competes against Uber and other transportation startups, is active in 130 cities across 18 countries in Europe and Latin America.

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a breakdown of the relationship between Brazil and the United States, since the Brazilian economic ambitions may conflict with President Trump's political interests. The currency turmoil argument that Trump used in his tweet is very inaccurate. Brazil has had free-floating currency for many years. One of the reasons the real is weakening is because interest rates are going down, and the dollar has been rising against emerging-markets currencies. In reality, Brazil's central bank is trying to boost the real, not the opposite."

A Fernando Cutz, senior associate at The Cohen Group, global fellow at the Wilson Center and former senior advisor to the national security advisor in the White House: "Since coming into office, President Trump has targeted with the imposition of tariffs countries that he believes are treating the United States unfairly, or countries that have trade surpluses with the United States. His recent announcement targeting Brazil and Argentina goes after two countries that

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Brazilians Divided on Bolsonaro Job Approval

Brazilian President Jair Bolsonaro completed his first year in office with sharply divided public opinion on his government, a poll published Friday by XP/Ipsos shows. Thirty-nine percent of the population feel Bolsonaro has done a bad or terrible job, while nearly as many, 35 percent, judged his performance to be good or great. Another 25 percent believe he has done a "regular" job, the same figure as the poll taken in November.

and the U.S. Federal Bureau of Investigations and Justice Department recently created a team to work with Paraguayan authorities. Additionally, Paraguay is one of the few remaining countries in the region that recognizes Taiwan diplomatically, and Abdo Benítez has joined the United States in recognizing Juan Guaidó as Venezuela's lawful president. On Friday, Abdo Benítez met with Carlos Vecchio, Guaidó's envoy in Washington. Elliott Abrams, the White House's point person for Venezuela, participated in the meeting and said the option of using force to overthrow President Nicolas Maduro "exists," *El País* reported.

U.N. Calls for Chilean Police to be Tried for Human Rights Abuse

The Office of the U.N. High Commissioner for Human Rights said in a report released Friday that international human rights norms had been violated by both police and army personnel during recent mass protests that led Chile to declare a state of emergency. The 30-page report, which recommends prosecution for those responsible, details multiple allegations of torture, rape and other forms of sexual violence by the police against people held in detention. The leader of the U.N.'s mission, Imma Guerras-Delgado, told journalists in Geneva that the overall management of demonstrations by the police "was carried out in a fundamentally repressive manner." More than 28,000 people were jailed between Oct. 18 and Dec. 6, many arbitrarily, the report states. "The police have regularly failed to distinguish between people demonstrating peacefully and violent protesters," the report said. "Prompt action by the relevant authorities could have prevented other people suffering serious injuries," the report added. The head of Chile's national police, Mario Rozas, defended his force's actions since October's protests, which led to widespread rioting and looting across the country, *La Tercera* reported Sunday. "For more than 50 days to date, the demand on our [police] presence has increased exponentially and, in many cases, we have been overwhelmed," he said. Rozas will mark one year in his post next week.

TECH BRIEFS

Hackers Target Local Government Data Center in Argentina

Hackers demanding a ransom paid in bitcoin have attacked a data center in Argentina that stores local government files, *The Next Web* reported Dec. 9. Alicia Bañuelos, the minister of science and technology for the local government of San Luis in central Argentina, said the attack took place on Nov. 25. By Dec. 2, Bañuelos said the center had recovered nearly 90 percent of the compromised data, which amounted to 7,700 gigabytes, or approximately 10 years' worth of data. "Decrypting the files will take at least 15 days, mostly due to the sheer size of the archive," she said in an interview with local news outlet *Agencia de Noticia de San Luis*. The scale of the bitcoin ransom is unknown, but local reports suggest the attacker demanded between \$37,000 and \$370,000—or 0.5 and 50 bitcoin—in exchange for decrypting the files.



Bañuelos // File Photo: Argentine Government.

Amazon.com to Open Distribution Center in Northeastern Brazil Next Year

Amazon.com announced last week that it will open a distribution center in Brazil's northeastern state of Pernambuco, its second center in the South American nation, *Reuters* reported. The company aims to boost its logistics infrastructure to speed up deliveries and ultimately expand its footprint in the country, the company said. The announcement comes nearly a year after the online retailer launched its first in-house fulfillment and delivery network in Brazil, upping competition among local stores and other international players such as Argentina's MercadoLibre, according to the report. "Today's announcement marks our long-term commitment in Brazil, and mostly, with our customers all over the world," Amazon's Brazil country manager, Alex Szapiro, said in a statement.

Colombia's Talos Digital to Partner With Silicon Valley's Adobe Magenta

Colombia-based Talos Digital announced last week that it is partnering with Silicon Valley technology company Adobe Magento in a bid to accelerate growth in Latin America, *Colombia Focus* reported. The software development start-up will become the second firm in Colombia to be a certified business solution partner for Adobe Magento. "Talos has managed many successful Magento integration and customization projects in LATAM and the US," said Karen Holguin, partner and director for Magento Latin America. "This certification only validates their undisputed e-commerce expertise, superior client service and commitment to Adobe technology," she added. Magento accounted for nearly 30 percent of the total market share worldwide for e-commerce in 2017.

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don't fall into either of these categories. On the contrary, both countries had reached a quota agreement on the volume of their metal shipments with the United States, which by all accounts they have been fully abiding by, and both countries have only increased their trade deficit with the United States over the past years, in part as a result of that very agreement that they had reached with President Trump. It is therefore understandable that both Brazil and Argentina would be surprised and confused by this announcement. Beyond the economic pain that this announcement brings both countries (Brazil's third-largest export to the United States is steel, while Argentina's second-largest export to the United States is aluminum), there will also be a political cost from President Trump's decision. In Argentina, President Fernández and his team may be ideologically driven to move in a direction opposite that of the United States, but his country's economic situation has imposed limits on his ideology, and he may end up deciding to stay in alignment with the United States, if we don't push him away first. In Brazil, President Bolsonaro has staked his foreign policy on his close personal friendship with President Trump, assuming that the friendship would prevent things such as this from happening. The tariffs will surely harm both Brazil and Argentina's economy, and they may yet help push both nations away from the United States and toward the arms of an embracing China and Russia."

A **Javier Tizado, former Argentine secretary of industry, commerce and investment:** "President Trump's decision to establish duties on steel and aluminum exports from Argentina and Brazil, adducing a massive devaluation of their currencies under the guidance of their governments, is mistaken. The devaluation of the Argentine currency is explained by the existence of macroeconomic imbalances and political uncertainty that caused high inflation (55 percent in 2019) and a massive capital outflow. In this

context and given the impossibility to obtain credit in international markets, the market, and not the government, caused the currency's devaluation. From January to October, Argentina's trade balance has improved, reaching a surplus of \$11.3 billion dollars. However, this is mainly due to a 25.6-percent decrease in imports and a small 5.4-percent increase in exports. In the same period, the United States had a favorable surplus



Steel and aluminum producers are collateral victims..."

— Javier Tizado

in its trade with Argentina, of \$2.03 billion. Additionally, it is important to point out that, when observing the dollar exchange rate evolution, the government established withholdings tax on soybean exports, which today is 25 percent. It is difficult to imagine how the restored tariffs on steel and aluminum for Argentina and Brazil can affect U.S. farmers, since there were already agreed quotas that limit the quantities. The real problem is the 30-percent duty surcharge that China, which is the largest importer of soybeans in the world, imposed on U.S. imports and the potential that Brazil and Argentine producers could have to partially replace U.S. exports. However, Brazilian and Argentine exports to China were of 63.5 million tons in 2017-2018 and 65.5 million tons in 2018-2019, almost the same. In any case, it is necessary to consider two factors. Firstly, state-owned Chinese companies buy an important volume of soybeans, and in these cases the tariff is innocuous (since these are state-owned companies, they are paying to the same state). Secondly, Chinese private companies are receiving import quotas of 10 million tons, which exempt them from the 30-percent surcharge tariff. Argentine and Brazilian steel and aluminum producers are collateral victims of the U.S.-China trade war's soybean chapter."

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