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FEATURED Q&A

What Would China's Membership Mean to the CPTPP Bloc?



China is seeking to join the 11-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. Officials from countries that signed the accord are pictured at a 2019 meeting in Santiago. // File Photo: Chilean Government.

Q China in September applied to join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP, the 11-country trade agreement that counts countries including Chile, Mexico, Peru, Canada, Japan and Australia as signatories. To what extent does China's move to join the trade agreement have the support of current members? What would China's joining the agreement mean for the current member states in Latin America? How much is China willing to adhere to CPTPP standards, such as those on labor rights, tariff cuts and intellectual property?

A Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue: "Time will tell if China has any real chance of joining the CPTPP. Some members have already expressed concern about the extent to which China would be willing and able to adhere to the spirit of the agreement, noting that doing so would require something of a reversal of the current trend in Beijing toward market interventionism, in addition to other difficult reforms. Even so, over the next few months, China is expected engage with current CPTPP members on the possibility of membership, making the case for inclusion and no doubt articulating a commitment to CPTPP principles. China's participation in the agreement may very well appeal to some Latin American member states. Whereas CPTPP members have become somewhat less important to each other as trade partners over the past few years, China has grown as an export market and source of imports for most CPTPP members, including Chile and Peru in Latin America. China is the top trade partner for both Chile

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TODAY'S NEWS

POLITICAL

At Least 53 Migrants Killed in Truck Crash in Southern Mexico

At least 53 migrants were killed and dozens were injured when a freight truck packed with 107 people plowed into a pedestrian bridge in Mexico's Chiapas state, flipping the truck onto its side and throwing victims on top of each other.

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ECONOMIC

Mexico's Inflation Hits Highest Rate in Two Decades

Mexico's annual rate of inflation soared to 7.37 percent in November, the highest rate since 2001.

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POLITICAL

Nicaragua Breaks Ties With Taiwan, Embraces China

The government of Nicaraguan President Daniel Ortega broke ties with Taiwan and established formal relations with China, declaring "there is only one China in the world."

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Ortega // File Photo: Nicaraguan Government.

POLITICAL NEWS

At Least 53 Migrants Killed in Truck Crash in Southern Mexico

At least 53 people were killed Thursday when a freight truck packed with migrants, mainly from Guatemala, slammed into a pedestrian bridge in Mexico's Chiapas state, The Wall Street Journal reported. The crash happened on the road leading to Tuxtla Gutiérrez, the state capital. The truck was jammed full with 107 people when it crashed, Luis Manuel García Moreno, the head of civil protection in Chiapas, told The Wall Street Journal. Forty others were taken to hospitals, many of them were in serious condition, he said. In a posting on Twitter, Mexican President Andrés Manuel López Obrador offered his condolences. "I profoundly lament the tragedy caused by the overturning of a trailer in Chiapas that was transporting Central American migrants. It's very painful," he said. "I embrace the relatives of the victims." The truck had been traveling north from the Mexican city of Comitán, near the Guatemalan border. Video from the crash site showed a horrific scene, with dozens of bodies covered with blankets on the road. The truck had flipped over, landing on its side, tossing the victims on top of each other and crushing them in a huge pile, the Associated Press reported. Injured people struggled to free themselves, extracting themselves from the weight of the dead on top of them. Pope Francis, who has focused significant attention on the struggle of migrants, sent a message of condolences to the bishop of Tuxtla Gutiérrez, saying was praying for the victims and their families. Migration flows through Mexico fell last year during the pandemic, but the number of migrants detained in the country has increased this year, The Wall Street Journal reported. Through October, authorities in Mexico detained nearly 193,000 migrants from Central America, as compared to 76,000 in all of 2020. Guatemalan President Alejandro Giammattei offered condolences and said his government would help repatriate victims of the crash, the newspaper reported.

Nicaragua Forms Relations With China, Ends Taiwan Ties

Nicaragua broke ties with Taiwan, re-establishing formal relations with China, the Chinese foreign ministry announced today, following meetings with the Central American country's finance minister and two of the sons of Nicaraguan President Daniel Ortega in Tianjin, Reuters reported. "The People's Republic of China is

“The People's Republic of China is the only legitimate government that represents all of China, and Taiwan is an inalienable part of the Chinese territory.”

— Nicaraguan Foreign Ministry

the only legitimate government that represents all of China, and Taiwan is an inalienable part of the Chinese territory," Nicaragua's foreign ministry said in a statement. Taiwan's Ministry of Foreign Affairs lamented the move in a statement released today. "Taiwan has always been a sincere and reliable friend to Nicaragua and has long worked with Nicaragua to improve the livelihoods of its people and assist with its national development," the island's foreign ministry said. "Taiwan deeply regrets that the Ortega government has decided to disregard the long-standing and close friendship between the people of Taiwan and Nicaragua." The move by Ortega's government came after months of tension between Nicaragua and the United States following the Nicaraguan government's months-long crackdown on the opposition ahead of Ortega's re-election on Nov. 7 in a vote seen internationally as a sham. The United States blasted Nicaragua's decision to form relations with China and break them with Taiwan, saying it was depriving the Nicaraguan people of a loyal partner. "Taiwan's relationships with diplomatic partners in the Western Hemisphere

NEWS BRIEFS

Chile Legalizes Same-Sex Marriage as Piñera Signs Measure Into Law

Chilean President Sebastián Piñera on Thursday signed a law permitting same-sex couples to legally marry and adopt children, the Associated Press reported. Former President Michelle Bachelet first introduced legislation allowing same-sex marriage, but the measure had been stalled since 2017. It passed both chambers of Congress on Tuesday. At the signing ceremony Piñera said that the law "will allow all children with a papá and mamá, with two papás or two mamás to have the same rights and the same protection," AP reported.

Peru's Central Bank Hikes Key Interest Rate by 50 Basis Points to 2.5%

The Peruvian central bank on Thursday raised its benchmark interest rate by a half percentage point to 2.5 percent, policymakers' fifth consecutive increase, Reuters reported. Peru's rate of inflation over the past 12 months stands at 5.66 percent. The central bank expects inflation to fall back to normal levels between 1 percent and 3 percent in the second half of 2022.

Colombia's Ecopetrol Lays Out 2022 Investment Plans

Colombian state oil company Ecopetrol said Thursday it expects to invest between \$4.8 billion and \$5.8 billion in 2022, with production targets of between 700,000 and 705,000 barrels of hydrocarbons per day. Around 70 percent of the total investments for the year are expected to be allocated to projects in Colombia, and the remaining 30 percent in the United States, Brazil, Peru and Chile. The plan includes investments of about \$200 million in water management projects, \$50 million in decarbonization projects and \$6 million in green and blue hydrogen pilot projects.

provide significant economic and security benefits to the citizens of those countries. We encourage all countries that value democratic institutions, transparency, the rule of law and promoting economic prosperity for their citizens to expand engagement with Taiwan," the State Department said in a statement.

ECONOMIC NEWS

Mexico's Rate of Inflation Hits Highest Level Since 2001

Mexico's annual rate of inflation jumped to 7.37 percent in November, its highest level since January 2001, according to data that national statistics institute INEGI released Thursday, Reuters reported. The rate of inflation in November exceeded the 7.22 percent consensus forecast of analysts in a Reuters poll and was more than a full percentage point higher than the level in October, when it reached 6.24 percent. In November, the core rate of inflation, which excludes some items with volatile prices, reached 5.67 percent. The rise in prices increased expectations that the central bank will raise its key interest rate when it meets Dec. 16 for its last scheduled monetary policy meeting of the year. The Bank of Mexico targets inflation at 3 percent, plus or minus one percentage point. Last month, the central bank hiked its benchmark interest rate by a quarter point to 5 percent, its fourth consecutive increase. "Disseminating/generalizing inflationary pressures, high and accelerating core prints and MXN depreciation pressures are likely to lead the central bank to remain conservative in the calibration of monetary policy," Alberto Ramos, managing director and head of Latin America economic research at Goldman Sachs in New York, said Thursday in a note. Ramos said he expects the central bank to hike its key interest rate by at least 25 basis points. Ramos added that higher inflation figures "increase the odds" of a 50 basis-point rate hike.

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and Peru at present. China's participation in the agreement would also amount to a significant upgrade in Chile and Peru's existing bilateral trade agreements with the country, given the CPTPP's focus on treatment of inward direct investment, labor, the environment and data, among other areas. It will nevertheless be difficult for China to assuage concerns among all member nations, especially those with strong political ties to the United States."

A Manuel Agosin, professor in the school of economics and business at the University of Chile: "China has been a good trading partner for many Latin American countries. The importance of China as a market for Latin American members of the CPTPP suggests that these countries would welcome China as a member. China's ac-

“China has been a disciplined trade partner for Latin American countries.”
— Manuel Agosin

cession would multilateralize the free trade agreements it already has with individual members of the CPTPP. Chile in particular could benefit from Chinese membership. Chile's growing exports to China in goods other than copper (several fruit varieties and wine, for example) make Chinese membership particularly enticing for Chile. China has been a disciplined trade partner for Latin American countries. The region cultivates a neutral stance in the disputes between China and some of the larger trading partners in the world such as the United States and the European Union. So Latin American members are likely to favorably view China's application to join the CPTPP. Chinese participation is another reason for Chile to ratify

the treaty, something it has not done, due to opposition by vocal anti-market groups. A good chunk of world economic growth has been coming and will continue to come from Asia. With China at its heart, Latin American countries will become even more oriented toward Asia in the future."

A Sun Hongbo, associate professor at the Institute of Latin American Studies of the Chinese Academy of Social Sciences in Beijing:

"China has a firm political determination to join the CPTPP, which has been considered a strategic step to speed up the high-level opening of the Asia-Pacific region. In the 1990s, Mexico, Chile and Peru actively sought to join APEC. Since the beginning of the 21st century, these three Latin American countries have continued to lead a new wave of negotiating free-trade agreements with emerging economies in Asia. It is estimated that the volume of goods trade between China and Latin America will reach \$400 billion this year. China's joining the CPTPP would help integrate supply and value chains for the current and potential member states in Latin America and more economic cooperation in the long run. As the world's second-largest economy, there is no doubt that China has achieved high-quality development, enforced institutional capacity building and implemented strong open-policy initiatives. This all means that China can play an instructive and leading role in terms of CPTPP standards. Latin America is inclined to integrate into the emerging economies in Asia. The region's interests related to economic, trade, investment and high-tech cooperation with China are helping to drive this. Colombia and Costa Rica have sought for many years to join APEC, and Mercosur has launched free-trade negotiations with Japan and South Korea. It is evident that big powers' strategic competition in the Asia-Pacific region would impede the negotiating process for expanding membership of the CPTPP. From a perspective of future

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development, it is a feasible path for Pacific Rim countries in Latin America to integrate into the Asia-Pacific growth hub by joining the CPTPP, FTAAP or RCEP.”

A **Carlo Dade, director of the Trade & Investment Centre at the Canada West Foundation and member of the Mexican Council on Foreign Relations:** “China’s application for accession to the CPTPP reportedly came after serious analysis and preparatory work on the part of the government and should be treated as such. The current rush to assumption and pre-judgment about what China can or cannot do to comply with the agreement, which may turn out to be correct, nonetheless needs to be put on hold until consultations occur and an actual offer is on the table. Arguing over speculation instead of fact is unhelpful, especially given present tensions, which a successful accession process could help mitigate. CPTPP members will use bilateral discussions to put markers on the table for China, including Taiwan’s accession. China’s response will give a first indication of the viability of its eventual application. What is most important from the Canadian perspective is to grow the size of the current agreement without weakening it. If China accedes to the agreement largely as is without diluting trade liberalization or progressive elements, it would be a major boost globally in strengthening rules-based trade. In this regard, thinking about China’s accession needs to go beyond the current U.S. administration. China’s application may offer help in constraining the latest U.S. anti-liberal trade actions such as electric vehicle credits and mandatory country of origin labeling. China’s accession may also dampen U.S. ability to force countries to ‘pick a U.S.-designated lane’ in that country’s fight with China. For a region where U.S.-dictated choices have not always served the national interest, expanding the CPTPP without weakening it should also be the top priority.”

A **Tara Hariharan, managing director of global macro research at NWI Management LP:** “China’s strategic bid to join the CPTPP—the world’s third-largest trade bloc representing 15 percent of global trade—could benefit both China and existing Latin American signatories. Via the CPTPP, Peru, Mexico and Chile could enjoy fewer non-tariff barriers on their agricultural, manufacturing and mining exports to China. These nations might also attract more Chinese FDI to build stronger Latin American supply chains both complementary to, and integrated with, Asia’s existing robust networks. However, China looks unlikely to gain the required consent of all active CPTPP members, as it falls well short of CPTPP standards on issues such as forced labor, opaque industrial subsidies, data flow restrictions and inadequate intellectual property protections. There is also general skepticism about China’s willingness to comply with CPTPP provisions. The contents of the recent China-championed RCEP pact if anything imply that China might try to dilute CPTPP standards and not uphold them. Geopolitical spats with members Canada, Australia and Japan further jeopardize China’s CPTPP hopes; Taiwan’s accession bid is another complication. Importantly, the United States aims to limit China’s regional influence and could invoke a USMCA clause forcing Canada and Mexico to reject free trade pacts with a ‘non-market’ economy (namely China). Bipartisan American voices also urge the United States to join the CPTPP in order to counterbalance China and reverse the Trump-era decision to exit the precursor TPP deal. But the United States has its own entry hurdles, as it demands even higher labor, climate and digital standards than are currently enshrined in the CPTPP.”

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Erik Brand

Publisher
ebrand@thedialogue.org

Gene Kuleta

Editor
gkuleta@thedialogue.org

Leticia Chacón

Reporter
lchacon@thedialogue.org



Michael Shifter, President

Rebecca Bill Chavez, Nonresident Senior Fellow

Bruno Binetti, Nonresident Fellow

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