LATIN AMERICA ADVISOR

A DAILY PUBLICATION OF THE DIALOGUE

www.thedialogue.org

Thursday, December 1, 2016

FEATURED Q&A

Is China Filling a Void Left by the U.S. in Latin America?

Among Chinese President Xi Jinping's stops during his Latin American tour last month was Ecuador, where he met with President Rafael Correa. // Photo: Ecuadorean Government.

Q Chinese President Xi Jinping visited Ecuador, Peru and Chile in mid-November during a trip that also included his participation in the Asia-Pacific Economic Cooperation summit in Lima. The visit was Xi's third to Latin America since he took office in 2013. What did he accomplish for China during the trip, and what was the trip's significance for the Latin American countries he visited? What is the future of Chinese influence in Latin America as compared to U.S. influence in the region as the world looks ahead to Donald Trump assuming the presidency of the United States? How is China's economy and the country's currency, currently trading at multi-year lows, factoring into Latin America's economic outlook?

A **Jorge Heine, Chile's ambassador to China:** "President Xi's third visit to Latin America in four years is significant for two reasons. At a time of a growing backlash toward globalization and free trade (forces that have benefited Latin America) in Europe and in the United States, China remains one of the last bastions against protectionism and beggar-thy-neighbor policies. This was a message that Xi conveyed with great verve in Quito, Lima and Santiago. On the other hand, in the region there is a shift from governments on the left to those of the center or the right. The latter tend to look first and foremost to Washington, but in the current environment, with a $35 billion development fund and a friendlier discourse and disposition, Beijing may be seen as a more attractive option. Thus, Beijing's influence in Latin America, already on the rise, may receive a further boost. Yes, trade between China and Latin America and the Caribbean (LAC) is down, from

Continued on page 3

TODAY'S NEWS

POLITICAL

Brazil Advances Measure That May Hinder Probes

The lower house of Brazil's Congress approved legislation that could restrict prosecutors' ability to pursue corrupt politicians. The measure is seen as a backlash against the massive Petrobras corruption case.

Page 2

ECONOMIC

OPEC Agrees to First Oil Output Cut Since 2008

Venezuela has been among those pushing for a cut; the announcement led crude prices to soar.

Page 3

POLITICAL

Colombian Congress Ratifies Peace Accord

Colombia's House of Representatives approved the government's renegotiated peace accord with the FARC rebels in a vote that came a day after the Senate took the same action. President Juan Manuel Santos has said he wants to get the deal implemented as soon as possible.

Page 2

Santos // File Photo: Colombian Government.

POLITICAL NEWS

Colombian Congress Ratifies Peace Deal With FARC Rebels

Colombia's Congress on Wednesday ratified the government's renegotiated peace accord with the Revolutionary Armed Forces of Colombia, or FARC. The country's House of Representatives approved the accord late Wednesday, a day after the deal won approval in the Senate. House lawmakers ratified the deal on a vote of 130-0 after members of the Democratic Center party of former President Álvaro Uribe, who is currently a senator and opposes the deal, walked out of the chamber, The Wall Street Journal reported. The Senate approved the accord on Tuesday in a vote of 75-0, also after Uribe's party walked out of the chamber. "Grateful to Congress for its historic support of Colombians' hope for peace," President Juan Manuel Santos, who made the four-year peace talks with the FARC the centerpiece of his presidency and was awarded the Nobel Peace Prize for his efforts, said in a tweet after the House vote. Uribe and his allies oppose the deal, saying it is too lenient on the rebels as it includes provisions that permit the FARC to form a political party and also allow rebels to avoid jail time. The pact's approval in Congress came two months after voters rejected the original accord in a nationwide vote on Oct. 2 and less than a week after Santos and FARC leader Rodrigo Londoño, also known as Timochenko, signed the renegotiated accord in a ceremony in Bogotá. The new accord made some changes, including clarifications about procedures that rebels will face when they are judged in special courts. Critics of the renegotiated accord blasted the changes, which some described as cosmetic. Santos has said he wants to get the peace deal implemented as quickly as possible to maintain the government's fragile cease-fire with the rebels and put a definitive end to the 52-year war, the Western Hemisphere's longest armed conflict, which has killed more than 220,000 people. The FARC has said it will not start to demobilize until legislators approve an amnesty law that frees some 2,000 jailed rebels, the Associated Press reported. The accord's ratification in Congress will begin a six-month process in which the FARC's more than 8,000 guerrillas will turn over their weapons to U.N. monitors, Santos has said, the AP reported. [Editor's note: See **Q&A** on Colombia's peace accord in Wednesday's issue of the Advisor.]

> **"Grateful to Congress for its historic support of Colombians' hope for peace."**
> **— Juan Manuel Santos**

Brazil Advances Measure That Could Restrict Graft Probes

Deputies in Brazil's lower house on Wednesday voted in favor of legislation that would allow defendants to sue judicial authorities for abuse of power, The Wall Street Journal reported. The legislation would restrict the ability of prosecutors and judges to prosecute corrupt politicians and could hinder the country's crackdown on widespread corruption. Under the bill, prosecutors and judges could face fines or even prison sentences for alleged offenses such as damaging the "honor, dignity and decorum" of their offices. The decision has been largely seen as an act of retaliation against the Operation Car Wash corruption probe, which implicated

Temer // File Photo: Brazilian Government.

NEWS BRIEFS

Plane Carrying Brazilian Soccer Team Crashed After Running Out of Fuel

Colombian authorities say that evidence indicates that the plane carrying a Brazilian soccer team that crashed near Medellín Monday night, killing at least 71 people, ran out of fuel as it tried to land, BBC News reported today. The plane had no fuel upon impact, an official said, corroborating audio of the pilot requesting permission to land due to a fuel shortage and an electrical failure. "Having been able to do an inspection of all of the remains and parts of the plane, we can affirm clearly that the aircraft did not have fuel at the moment of impact," civil aviation chief Alfredo Bocanegra said.

Former Costa Rican President Monge Dies

Luis Alberto Monge, who served as Costa Rica's president from 1982 to 1986, died Tuesday, the Tico Times reported. Monge's National Liberation Party confirmed his death at age 90. Monge experienced respiratory problems at his home and was taken to the San Juan de Dios Hospital in San José where he died of cardiac arrest. In a statement, President Luis Guillermo Solís called Monge a "statesman and ... citizen of great civic qualities."

Argentina's Industrial Output Falls 8 Percent

Argentina's industrial output shrank by 8 percent in October year-on-year, the country's national statistics agency, Indec, said Wednesday, Reuters reported. The contraction was the country's sharpest monthly drop in industrial production this year, and was more than the median expectation of a 6.5 percent year-on-year drop, according to a Reuters poll. October marked the ninth straight month of shrinking output. The announcement indicates that Argentina's recession is lasting longer than the government had initially forecast.

FEATURED Q&A / Continued from page 1

$267 billion in 2013 to $235 billion in 2015. But Beijing is now adding two drivers to the equation: financial cooperation and investment. By extending the One Belt, One Road (OBOR) initiative to the Americas through projects such as the proposed 19,000-kilometer, trans-Pacific fiber-optic Internet cable from China to Chile (a first between Asia and South America) and by having a number of South American countries join the Asian Investment and Infrastructure Bank (AIIB), China can help to enhance the region's connectivity to the rest of the world. It is factors such as these, rather than the fluctuations of the yuan or of the Shanghai stock market, that will set the course of Sino-LAC links in years to come."

A **Ray Walser, retired U.S. foreign service officer and former analyst at the Heritage Foundation:** "It seems ironic that more than a century ago, when the United States was an emerging economic powerhouse, we sought to break the mercantilist stranglehold of European empires in China by advancing the policy of the 'Open Door.' American traders worked to capitalize on the promise of Asian markets. Today, the shoe apparently is on the other foot. Statist, communist China still sees in the Americas economic opportunity and ready trade partners while the free-market, democratic United States inches back toward old-style protectionism and latent economic nationalism. An aggressive U.S. anti-free trade agenda that includes canceling the Trans-Pacific Partnership, of which Chile and Peru are signatories, and renegotiating NAFTA can only send a chill down the spine of South America. Under these circumstances, it is not surprising that Xi Jinping would find a receptive audience along the Pacific Rim where economic growth has substantially slowed. While China's growth has also decelerated and the commodities boom no longer lifts all boats, there is still ample market space and time for engaged Chinese attention to overtake a distracted and seemingly disinterested United States. The Chinese leadership used the three-nation visit to unveil a revised trade policy paper promising a 'new relationship' with Latin America. The evolving focus includes emphasis on more value-added investments, job creation, respect for local conditions and no political conditionality. Targeted sectors for Chinese investment in the region, which now exceeds the lending of the World Bank and the Inter-American Development Bank, include energy, mining, infrastructure and manufacturing. Overall, one can expect the Chinese to hold center stage until the United States can literally get its trade act together.

> **"There is still ample market space and time for engaged Chinese attention to overtake a distracted and seemingly disinterested United States."**
>
> **— Ray Walser**

A **Margaret Myers, director of the Latin America and the World Program at the Inter-American Dialogue:** "Xi Jinping's recent trips to Ecuador, Peru and Chile were by most accounts very successful. China's paramount leader was warmly received in all three countries. Xi's statements during various phases of the trip—discouraging protectionism, encouraging broader multilateral trade and noting the challenges and mutual opportunities associated with climate change and other environmental issues—were especially timely given the outcome of the U.S. presidential election and resulting concerns in Latin America and elsewhere. Chinese announcements during the trip, though somewhat short on big-figure financial offerings, would appear to be supportive

Continued on page 4

dozens of elected officials and at least 50 sitting lawmakers. Prosecutors from the city of Curitiba in Paraná state, where the Car Wash probe started, denounced the legislation on Wednesday, threatened to cease the continuation of the corruption probe if President Michel Temer signs it into law. The vote in favor of the bill was the "strongest blow against Car Wash so far by Congress," lead prosecutor Deltan Dallagnol said. Other critics argued the legislation would be a threat to the independence of Brazil's judiciary.

ECONOMIC NEWS

OPEC Agrees to First Output Cut Since '08, Crude Prices Soar

The Organization of the Petroleum-Exporting States, or OPEC, on Wednesday agreed to its first oil output cut since 2008, Reuters reported. The decision came after Saudi Arabia accepted a "big hit" on its production and decided it would not demand that Iran also slash output. Non-OPEC member Russia will also take part in oil output reductions for the first time in 15 years, in a move to help OPEC member states increase oil prices. Wednesday's deal would reduce output by approximately 1.2 million barrels per day to approximately 32.5 million barrels per day, starting in January. Earlier on Wednesday, Venezuelan Oil Minister Eulogio Del Pino said that if OPEC made the decision to reduce output, "Oil prices may reach the level of $60 fast," state-owned Russian news agency TASS reported. Del Pino had for months been lobbying on Venezuela's behalf for OPEC countries to decrease oil output, as the South American country struggles to keep its economy afloat amid years of low oil prices. Brent crude increased by more than 9 percent to over $50 per barrel after Riyadh reached a compromise with Iran and after Iraq also agreed to curb oil output. "I think it will be a boost to global economic growth," Saudi Energy Minister Khalid al-Falih said following the decision.

FEATURED Q&A / Continued from page 3

of commitments made in association with the '1+3+6 cooperation framework' and other diversification-promoting policies. These included MOUs encouraging investment and technology transfer in IT, energy, telecommunications, astronomy and other areas. China's just-released Policy Paper on Latin American and the Caribbean—the first since 2008—also highlights these policies, along with other features of a so-called 'New Stage of Comprehensive Cooperation.' Despite slowing growth in China, Xi's trip and this new policy document are intended to communicate that the Latin American region will be an increasingly important partner for China in the coming years. Latin American nations should of course continue to monitor the extent to which Chinese engagement will result in technology transfer, economic development and the sort of 'international cooperation, equity and justice' promoted by China's new policy. In any case, a possible lack of productive engagement on the part of the Trump administration will undoubtedly generate more openness in Latin America to Chinese engagement."

A **Matt Ferchen, resident scholar at the Carnegie-Tsinghua Center for Global Policy in Beijing:** "The key headline from Xi Jinping's recent trip to Latin America, repeated in many major western and Chinese media outlets, was that China was taking over the role of economic leadership in the Asia-Pacific just as the United States is setting to embark on a new period of isolationism and protectionism. Even before Xi's trip, the official Chinese press was trumpeting a 'new era' of China-Latin America relations. Yet, what these headlines missed was that the end of the commodity boom, from about 2003-2013, had already ushered in a new period of China-South America economic relations. China-South America trade, dependent as it has been on the export of South American mineral, energy and agricultural goods and the import of Chinese manufactures and capital, has been a case study in both the upsides and the downsides of classic comparative advantage relations. All the discussion about Chinese-led efforts to promote greater Asia-Pacific trade misses the point that South American exports to China, and most Chinese investment in the region, will continue to be largely focused on raw materials. Neither in the immediate wake of the end of the commodity boom nor during Xi's recent trip has there been much serious discussion about what Latin American governments, citizens and businesses propose as a more sustainable, development-enhancing relationship with China. Such discussions might begin with a focus on region-wide efforts at standardizing environmental and social protocols for extractive industry and infrastructure investments from China and elsewhere, and ensuring those are consistent with similar protocols in Chinese-led institutions like the AIIB and the New Development Bank."

> **“South American exports to China, and most Chinese investment in the region, will continue to be largely focused on raw materials.”**
> **— Matt Ferchen**

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

LATIN AMERICA ADVISOR
is published every business day by the Inter-American Dialogue, Copyright © 2016

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

THEDIALOGUE

Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at
1155 15th Street NW, Suite 800
Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at freetrial@thedialogue.org