THE DIALOGUE
Leadership for the Americas

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Background Papers

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Emerging Challenges to Democracy and Rule of Law

Peter D. Bell Rule of Law Program

Latin America has seen a dramatic recent surge in corruption scandals coupled with stagnant economies, weakening political parties, and crime and violence rates that remain among the highest in the world. Voter discontent is on the rise, driven by frustration with graft, impunity, insecurity, and governments that are failing to meet citizens' expectations. Elsewhere in the world, the consequences of such political volatility have been felt at the ballot box, from Brexit in the United Kingdom to the election of political outsiders in the United States and France. With presidential elections in Brazil, Chile, Colombia, Mexico, and potentially Venezuela over the next 18 months—as well as critical legislative elections in Argentina this October and a promised political transition in Cuba in 2018—the political map of Latin America will be redrawn against a backdrop of public disenchantment with politics as usual and an unpredictable new administration in the United States.

The Good News—An Unprecedented Accountability Wave

Corruption allegations against high-level government officials and business executives have occupied recent headlines across Latin America, leading to acute political crises from Mexico to Chile. Graft investigations have had perhaps the greatest success (and impact) in Brazil and Guatemala, but the spiraling Odebrecht case and other scandals have implicated politicians in many other countries and show no signs of abating. What are we to make of the flood of revelations that casts Latin America's political class in a distinctly negative light? And might voter discontent in the region have consequences similar to those in other parts of the world?

A recent Dialogue report (*Beyond the Scandals: The Changing Context of Corruption in Latin America*) offers a positive interpretation of recent events. The report posits that despite the headlines—and notwithstanding the imperfect science of measuring corruption—there is no evidence that current scandals indicate corruption is rising in the region. Rather, the report offers a number of hypotheses for the increased visibility of, and accountability for, grand corruption. Perhaps most promising is the emergence of a web of normative and institutional reforms constructed slowly and systematically across much of Latin America over the past two decades. According to the hypothesis, this combination of legal instruments, enhanced state capacity, and social accountability efforts—from ratification of international anti-corruption treaties to anti-money laundering legislation and Transparency International chapters—has led to stronger, more accountable democratic institutions with greater capacity to prevent, detect, and punish grand corruption.

The political independence and investigative capacity displayed by certain judicial systems in the region, and the strong public sentiment backing their efforts, may suggest that a fragile rule of law tipping point may have been achieved in some countries. Moreover, even in a period of political uncertainty and upheaval, most countries have maintained continuity in fiscal and macroeconomic management far better than past eras. However, the judicial response to corruption scandals has been inconsistent across countries, and corruption networks have proven remarkably resilient in the past, even when individual network members (or leaders) are removed. Protest movements may prove ephemeral and crusading prosecutors can be undermined. At this stage, it remains unclear to what extent incentives have shifted against corrupt behavior in a decisive way.

Discussion Questions:

- Is Latin America at a turning point on accountability for grand corruption?
- How effective is the "deterrent effect" in discouraging future corrupt acts?
- Is prosecution sufficient? Is it essential? Or are structural reforms still necessary?

Implications for Democracy and Political Stability

Greater accountability and rule of law are clear democratic victories in the long run—the product of newly empowered citizenries, decades of anti-corruption and transparency measures, and other efforts to deepen democracy. However, one need only examine the cases of Brazil and Guatemala to understand these developments also bring short-term upheavals to democratic order and political stability, with implications that are difficult to predict. In Guatemala, the resignation and arrest of a president amid fraud and corruption allegations led to the election of a political neophyte and former comedian on a previously fringe ticket. In Brazil, a corruption case of momentous proportions has already felled one president and ensnared literally hundreds of other elected officials, leaving the political class reeling and discredited. Brazilians today wonder who will be governing their country next month, much less next year, and support for democracy in the country fell a staggering 22 points between 2015 and 2016, according to *Latinobarómetro*. Only Guatemala, among Latin American nations, currently expresses less support for democracy as the best form of government.

The political turbulence associated with even successful efforts to tackle grand corruption raises uncomfortable questions. Is such turbulence merely a short-term cost of long-sought transitions to deeper, more accountable democratic systems? Is it just an expression of fatigue with the seemingly permanent cycle of scandals? Or are there more serious risks to consider, whether government paralysis, a backlash against the judiciary, or discredited political institutions are opening the door to authoritarian populism?

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The latest *Latinobarómetro* survey data suggest a volatile mix of rising democratic expectations (evidenced, in part, by the popular response to graft revelations), declining support for both democracy (the lowest since 2007) and current governments (the lowest since 2003), and diminishing confidence in institutions other than the military and police. Economic data are scarcely more promising, surely contributing to this discontent. The economy of Latin America and the Caribbean shrunk in both 2015 and 2016, and slow growth is forecast for 2017 (1.2 percent) and 2018 (2.3 percent). What then might we expect as Latin America's political and economic heavyweights go to the polls over the next 18 months?

One current political narrative in the region points to the waning of Latin America's "pink tide," with left-leaning parties that rode the commodity super cycle losing ground as cash for government programs dries up. Based on the recent election in Ecuador and the single-digit approval ratings for Brazil's center-right president, reality appears more complicated.

In fact, current surveys have left-of-center candidates leading early presidential polls in both Brazil (Lula) and Mexico (López Obrador). While both elections are more than a year away, and both campaigns are sure to be turbulent, a victory by either or both would scramble Latin America's political map yet again. In Chile, Colombia, and Mexico, democratically elected presidents are approaching the end of their terms with approval ratings below 30 percent. This may not be merely a case of citizens souring on unpopular incumbents. Majorities or near majorities in these countries—63 percent in Chile, 56 percent in Mexico, and 49 percent in Colombia—believe politicians have lost credibility and cannot recover it. After Brexit, Trump, and the failure of Colombia's peace plebiscite, conditions may be ripe for further electoral surprises in Latin America.

Discussion Questions:

- Where is Latin America heading politically?
- What accounts for widespread disenchantment with politics in the region and what are the prospects of renewal of leadership and institutional reform?
- How is the region's electoral map likely to change over next two years?

- Is political consensus dependent on a return to higher rates of economic growth?

- Is the current political mood a passing storm? Does it represent a long-term threat to democratic governance itself or a prelude to less robust, lower quality democratic governance?

The Outliers

Any assessment of current challenges to democracy and the rule of law in the Americas would be incomplete without reference to countries where democracy is nonexistent or on life support. After the democratic consolidation of the 1990s and early 2000s, democratic backsliding occurred in a number of countries in the Americas, particularly members of the ALBA bloc that claimed a democratic mandate to stifle press freedom, shrink civic space, and erode checks and balances. The phenomenon of democratically elected governments adopting "illiberal" reforms once in power mirrors a global trend; 2016 marked the eleventh consecutive year of decline in global freedom, according to Freedom House. In this hemisphere, with its professed commitment to democratic governance, such developments present a challenge to the institutions and norms set up to promote and safeguard democracy.

The challenge is particularly acute, though hardly uniform, in the two countries in the Americas currently rated "not free" by Freedom House—Cuba and Venezuela. The latter case has generated the greatest urgency. Buckling under hyperinflation and severe economic contraction, Venezuela is witnessing broad and sustained protests against the regime of President Nicolás Maduro, which has responded with efforts to unravel the few remaining trappings of democratic governance by sidelining the legislature, jailing opponents, repressing protests, and rewriting the constitution. Presidential elections are supposed to take place in late 2018, but Maduro may attempt to prevent them—if he himself lasts that long. As the situation on the ground deteriorates and the regime begins to suffer challenges from within, including from the attorney general, eyes are increasingly turning to the military as the arbiter of Venezuela's political future, a troubling proposition with consequences that are difficult to predict.

Cuba too is due for a transition in 2018, though this one is expected to be carefully managed. Raúl Castro has promised to step down as president early next year—though he will continue as head of the Communist Party—potentially passing power to a leader not associated with the Castro family or the 1959 revolution. No one is betting on an outbreak of democracy in Cuba, but the country's new leaders will have to prove themselves while confronting a moribund economy, demographic challenges, a collapsing Venezuelan sponsor, and a citizenry whose horizons and expectations have been expanded by the flow of information and a historic opening with the United States. Cuban political life, utterly predictable for so long, may be entering a period of greater uncertainty and opportunity.

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After years of cautious leadership and declining relevance, the OAS has seized on the crisis in Venezuela to assume a central role in debating, if not actually enforcing, the Inter-American Democratic Charter's guarantee of a "right to democracy." Secretary General Luis Almagro's outspokenness on Venezuela has helped to cajole, and perhaps shame, an emerging majority of hemispheric nations into collective action on Venezuela—although not without criticism or controversy. That effort was front and center at a May 31 meeting of foreign ministers that ended without consensus, and will be again at the Organization of American States (OAS) General Assembly in Mexico in June. Almagro was also known to have contemplated a process to reintegrate Cuba into the inter-American system after normalization between Cuba and the United States. That will almost certainly prove a bridge too far, but his efforts on Venezuela—while often criticized even by like-minded countries as excessively zealous and insufficiently consultative —have at least reestablished democratic governance as a first order priority on the hemispheric multilateral agenda.

Discussion Questions:

- How should the OAS proceed on Venezuela? What leverage does the OAS have in light of Venezuela's announced withdrawal from the organization?

- What does recent experience in Venezuela and elsewhere in the hemisphere suggest about the operability—or lack thereof—of the Inter-American Democratic Charter?

- Can an ad hoc coalition or group of friends, separate from the OAS framework, succeed in forging a negotiated return to democratic governance in Venezuela?

The Trump Factor

US relations with Latin America under the Trump administration remain, to some extent, a question mark. To date, key posts are unfilled, President Trump has not visited the region, and no senior administration official has delivered a speech outlining a vision for hemispheric relations. Nonetheless, a few things are clear about the Trump administration's rule of law agenda in the region. First, lofty talk of partnership in the Americas is being displaced to a significant extent by a threat-based view of the region, with security, counternarcotics, and migration as paramount concerns. Second, funding for Obama-era priorities such as institutional strengthening in Mexico, Central America, and Colombia is likely to decline as a consequence of the Trump administration's across-the-board cuts to foreign assistance—even if Congress pares back some of these cuts. Third, the Trump administration will talk a lot about democracy and human rights in Venezuela and Cuba, and not much anywhere else.

Under the Trump administration, lofty talk of partnership in the Americas is being displaced to a significant extent by a threat-based view of the region, with security, counternarcotics, and migration as paramount concerns. Funding for Obama-era priorities such as institutional strengthening in Mexico, Central America, and Colombia is also likely to decline.

What does this mean for democratic governance in the Americas? Again, the answers are only beginning to take shape, and may never do so entirely, but a few hypotheses emerge. In countries most directly and negatively impacted by Trump administration policies (and rhetoric) on border security and immigration, particularly Mexico, there will be an opening for political appeals to nationalism. In addition, the tendency by the United States to be less engaged generally, and on democracy and rule of law issues in particular, will create a vacuum that may not be filled. To take one example, Vice President Biden's forceful efforts were critical to extending CICIG's mandate in Guatemala in the months before it broke the *La Línea* case that resulted in the resignation and arrest of President Pérez Molina. Such an intervention is difficult to imagine from the current administration. Finally, US retrenchment and declining soft power in the region may create an opening for other nations, even on those issues (such as Venezuela) where the United States is pressing for a democratic outcome and working in concert with other governments. Mexico's recent diplomatic leadership on Venezuela may be one example.

Discussion Questions:

- How will the Trump administration's policies, rhetoric, and expected reduced engagement shape Latin American politics and hemispheric relations?

- If the United States is only selectively interested in democratic governance and the rule of law—even by its own historical standards—what will be the consequences?

- What will be the regional impact of a possibly more hardline US policy toward Cuba?

Higher Education in Latin America & the Caribbean

Education Program

Background and Context

In recent years, the Latin America and Caribbean (LAC) region has reached a turning point in its education policies and achievements. Although coverage, particularly at the primary and secondary levels, has expanded significantly, the challenges of education quality and relevance remain considerable. In addition to poor learning indicators, recent evidence points to a growing number of concerning signals within the sector, particularly a lack of responsiveness to shifting job markets; an increased, but poorly controlled, supply and demand for tertiary education; and an accompanying lack of efficiency within institutions.

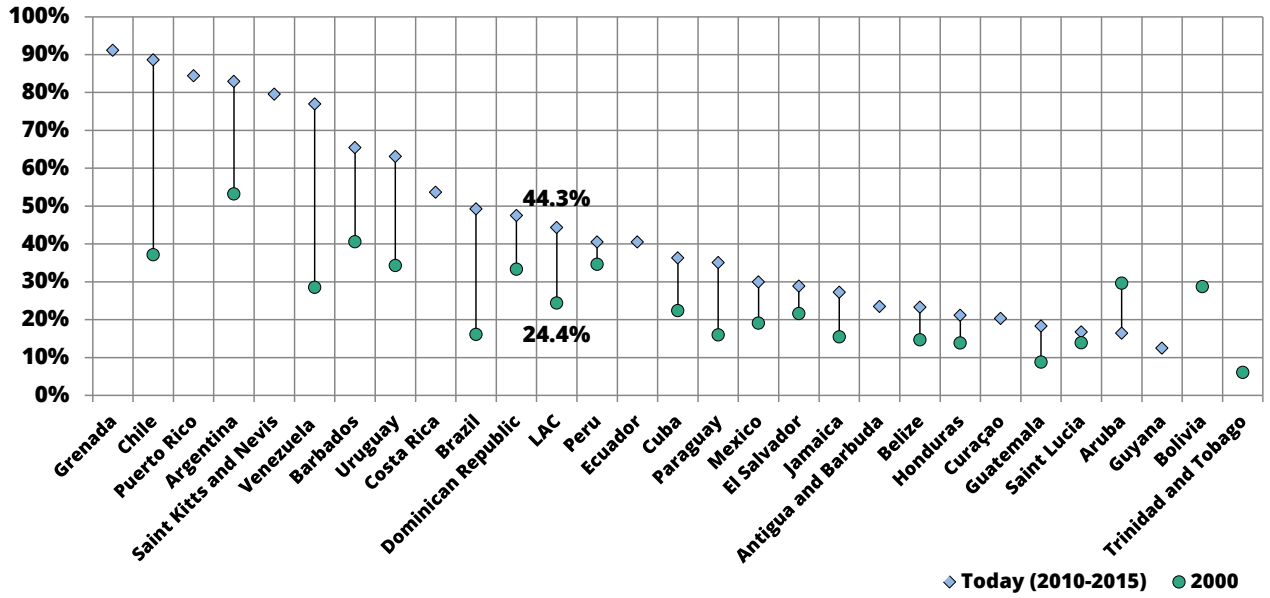
These diverse needs create competing priorities, and countries in the region cannot afford the luxury of failing to address the challenges and bottlenecks in the higher education sector. Indeed, it is likely that demand in the sector will only continue to grow in the coming years as more students complete secondary education and decide to pursue further studies. At the same time, supply is also increasing, with new institutions and programs opening at a rapid rate, raising questions of accountability and oversight. Addressing these challenges is critical given that higher education is the top tool in any country's arsenal for developing a highly-skilled labor force to increase both productivity and human capital, two areas where LAC currently lags behind other, comparable regions.

Issue Summary

Demand for higher education is increasing rapidly throughout the region. In the past fifteen years, both demand for and access to higher education has increased at a more rapid rate in LAC than in almost any other region of the world. Since 2000, the regional gross enrollment rate has increased from 24.4 percent to 44.3 percent in 2013, with particularly dramatic growth in Chile and Venezuela (see Figure 1). This rapid increase is not surprising, however, given the concomitant growth in completion rates for secondary education. Indeed, 78 percent of the increase in enrollment rates in higher education can be attributed to increased graduation rates in secondary education, with only 22 percent coming from increased entry rates among secondary graduates.

FIGURE 1: CHANGE IN GROSS ENROLLMENT RATE IN TERTIARY EDUCATION SINCE 2000

Source: UNESCO Institute of Statistics Database



Government policies foster increased access. In recent years, several institutional factors have come together to promote the rising demand for higher education, including expanded public financial support and lowered entry barriers to those institutions. Indeed, in only a few Latin American countries, such as Brazil, Guatemala, and Honduras, is tertiary education still a privilege of the elite. Moreover, many LAC countries offer free public university tuition, further expanding access. Entry barriers, such as admissions requirements or standardized entrance exams, have also been relaxed to allow for greater enrollment. In several Latin American countries, including Panama, Nicaragua, Honduras, Uruguay, Haiti, and Venezuela, private higher education institutions (HEIs) have little or no requirement for admission (other than successful completion of secondary education). This also reflects the fact, however, that private institutions are generally considered less selective than public ones, with the caveat that there is considerable heterogeneity across countries.

Although scholarships and financial aid grants remain the most common student funding mechanism in the region, student loan programs, especially for private universities, are also present—an indication of the increased enrollment levels among medium- and low-income students. Nevertheless, the current higher education system remains highly unequal. The access rate for the wealthiest quintile of the population is 45 percentage points higher than that of the poorest quintile, and 19 percentage points higher when accounting for differences in secondary graduation rates.

The supply of higher education institutions and programs has also increased. In LAC, the higher education market has been responsive to this growing demand. Approximately a quarter of current HEIs in LAC, and half of all programs, have been created since 2000. Most of these new institutions and programs operate in the private sector, where growth has been particularly dramatic in Brazil, Chile, and Mexico. Notably, more than half of higher education students in LAC—the highest proportion worldwide—choose to enroll in a private institution. While private HEIs generally attract students from higher-income families, the expansion of financial aid and student loan programs has increased the share of low-income students enrolling in private universities.

Key challenges remain, particularly regarding the efficiency, structure & composition of higher education systems in LAC. Despite, or perhaps because of, the dramatic increase in higher education, both in terms of supply and demand, many critical issues persist. One of the key challenges of this expansion is efficiency, as evidenced by the fact that in over a dozen countries in LAC, more than 40 percent of students who enroll in higher education do not complete a degree (see

FIGURE 2: TERTIARY EDUCATION SURVIVAL RATE

Source: Adapted from CEA (2015) and World Bank data based on SEDLAC 2012 (in Ferreyra 2016). Dominican Republic: Ministry of Education. Puerto Rico: Instituto de Estadísticas de Puerto Rico

COUNTRIES	COMPLETION PER 100 INCOMING STUDENTS
Japan, Denmark	≥ 80
United Kingdom, Russia, Germany, Canada, Australia, Finland, Belgium, Netherlands, Portugal, Switzerland, Slovakia	≥ 70 and < 80
Czech Republic, Sweden, Norway, France, Iceland, Poland, Slovenia, **Mexico, Peru**	≥ 60 and < 70
United States, Hungary, New Zealand, **Brazil, Chile, Nicaragua, Paraguay, Ecuador, Dominican Republic**	≥ 50 and < 60
Argentina, Colombia, Costa Rica, El Salvador, Panama, Uruguay	≥ 40 and < 50
Bolivia, Honduras, Puerto Rico	≥ 30 and < 40

Figure 2). With so few students graduating relative to how many enroll in tertiary education, students are not benefiting from the additional earning potential of a tertiary degree despite their years in the system, nor is the workforce gaining the type of skilled workers that most firms identify as the most difficult to recruit and hire. In fact, almost 65 percent of students who drop out do so after spending two years in the system, and almost 20 percent do so after spending six or more years pursuing a degree. Compounding this inefficiency is the fact that to complete a bachelor's degree takes longer (5-6 years) for most universities in LAC than in other areas of the world (4 years), and there are fewer options for short-term degree programs. Furthermore, students who do enroll and successfully complete a degree often take longer than the stipulated time, leading to further inefficiencies, both for society when education is publically funded, and the individual via higher opportunity costs.

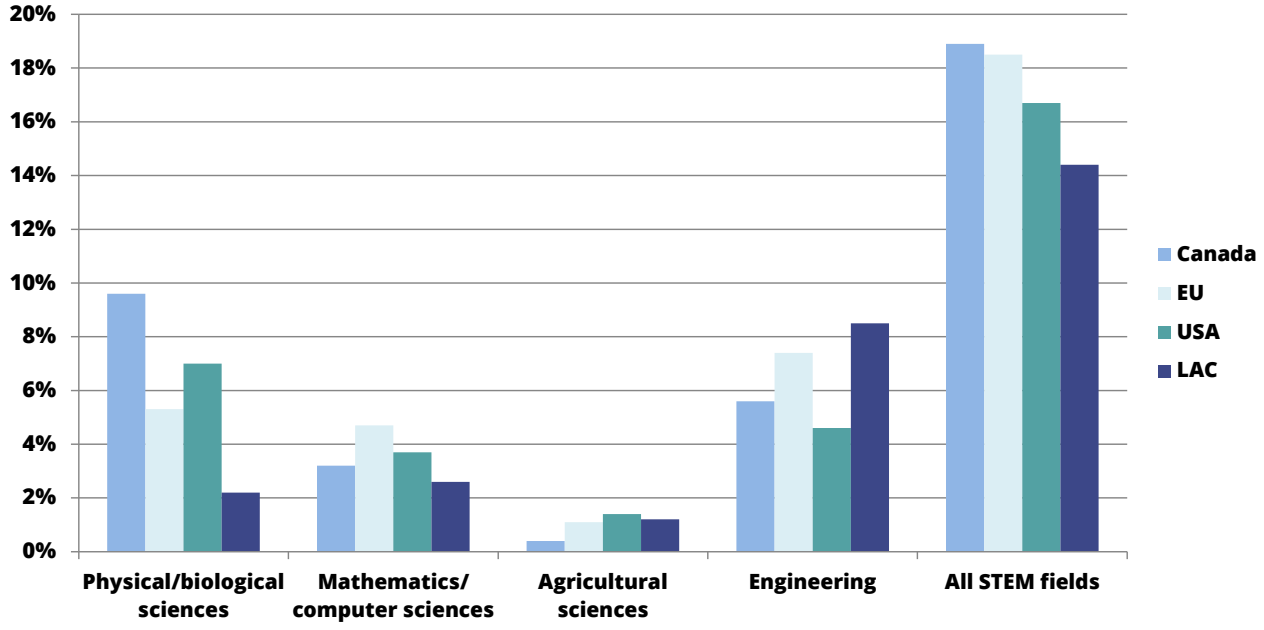
Of the students who do continue on to tertiary education, relatively few choose to complete degrees in higher earning fields, particularly in STEM areas. Instead, students in the region are more likely to study education, business, law, or social sciences. This gap is particularly notable in physical and biological sciences, as well as mathematics and computer sciences (see Figure 3). Within the region, however, there is considerable diversity across countries both in terms of the percentage of STEM graduates and how many of these are engineers. Throughout the region, demand for STEM graduates remains high among employers and governments, especially for engineers. For example, hiring managers in Argentina, Colombia, and Brazil identified engineering jobs as among the top ten most difficult to fill.

Accountability and quality assurance mechanisms are weak and remain focused on inputs. A major trend in the past two decades has been the expansion of standardized testing at the national, regional, and global level to determine what and how well students are learning. The same, however, cannot be said of higher education. Only two countries in the region, Colombia and Brazil, administer national, compulsory learning assessments to higher education students, and only Colombia assesses every graduate, every year. Although other countries may have national licensing exams or assessments for particular degree programs, they do not have a universally administered learning assessment for higher education. Furthermore, results are not comparable across countries, and LAC countries do not participate in any regional or international assessment of higher education learning outcomes.

When considering quality assurance mechanisms, many LAC countries exhibit similar weaknesses. The primary issue is the fact that these systems consider inputs and processes almost exclusively, at the expense of

FIGURE 3: PERCENTAGE OF DEGREES AWARDED, BY STEM FIELD AND COUNTRY/REGION (2012 OR MOST RECENT AVAILABLE)

Source: National Science Foundation, Science and Engineering Indicators (2016)



Existing quality assurance mechanisms consider inputs and processes almost exclusively, at the expense of outcomes and results.

outcomes and results. For example, in 2012, only Brazil, Colombia, and Mexico had quality assurance systems that considered learning outcomes, while the majority of countries relied on HEIs' self-assessments, which are subsequently confirmed by external evaluators.

Current financing models are unsustainable. Most public universities in Latin America are currently tuition free, leaving the financial burden of higher education to the government. As the higher education market continues to grow, if countries continue to support the sector at current levels, the costs will quickly become unsustainable. For example, if Honduras were to achieve 65 percent coverage in higher education at its current spending rates, 3.04 percent of its GDP would be devoted to tertiary education alone. For Mexico and Paraguay to reach the same 65 percent benchmark would require them to invest 2.24 percent and 2.09 percent of GDP in higher education, respectively. Moreover, since wealthy students are more likely to enroll in HEIs in the first place, they are also more likely to be able to absorb some of the costs of that education. As mentioned above, the number of and enrollment in private HEIs has increased sharply in the past few decades, and these institutions do charge fees and tuition, which, on average, accounts for 90 percent of their revenue. This does not, however, solve the financing problem that most public universities in Latin America and the Caribbean currently face.

Topics for Discussion

Despite these challenges facing the higher education sector in Latin America and the Caribbean, there is good reason to believe that concentrated efforts to improve the quality, efficiency, and structure of HEIs can have a significant positive effect on LAC populations and economies. Most LAC countries, with large adolescent and working populations, still have several decades left in their demographic windows of opportunity. Capitalizing on this opportunity requires effective and efficient policies, however, that directly address existing challenges.

- What are the main **bottlenecks** to addressing the key challenges in the higher education sector, as laid out above?
  - Is there sufficient and committed debate surrounding higher education policies in LAC? Is the issue present in political campaigns, congressional debates, and press reports?
  - Are the right voices heard in these conversations, including multiple stakeholders? Are business leaders and potential future employers engaged in debates about higher education?
  - Are trade-offs (e.g., short-term benefits vs. long term returns, individual vs. social interests) addressed in those debates?
- What are the **opportunities for cross-country collaboration** to resolve these challenges?
  - Can stronger sharing of experiences across the hemisphere help inform debates? Are there sufficient mechanisms in place for that information sharing?
  - Could a stronger push for higher education internationalization (e.g., joint programs, credit transfers, and degree-certification) help in addressing the challenges? If so, what are the opportunities to pursue it?
  - Are there unexploited opportunities for bilateral engagement between United States and Canada and LAC at the higher education level?
- What **role can the Dialogue** play in advancing this agenda?
  - Is there a need for consciousness-raising about the challenges and opportunities in higher education from a competitiveness perspective?
  - Should the Dialogue use its convening power to facilitate debates and collective thinking on this topic?
  - Are there specific areas and opportunities for cross-country collaboration the Dialogue could help foster?

CHINA-LAC 2.0: A RAPIDLY EVOLVING RELATIONSHIP

Latin America and the World Program

China's presence in Latin America and the Caribbean (LAC) and other regions has grown at a remarkable rate in just over a decade. Two-way trade is booming, with LAC exports to China having increased 23 percent per year on average since 2000. As indicated in the Dialogue's China and Latin America Finance Database, Chinese banks have provided approximately $140 billion in finance to the region since 2005. In addition, an increasingly wide variety of investors—private Chinese companies, large and small, state-owned enterprises, Chinese policy and commercial banks, and China's sovereign wealth fund—are active in the region.

China's growing presence in LAC is also apparent in the cultural, educational, military, and political spheres. Military cooperation, ministerial dialogue, and various degrees of technical exchange are features of the relationship in many countries. In the academic realm, China is actively cooperating with Asian studies centers in Latin American universities, in addition to financing Confucius Institutes and media initiatives across the region.

A Rapidly Evolving Relationship

As the China-LAC relationship strengthens, it is also evolving. China's approach to LAC has changed rather remarkably in only the past few years. This is the result of numerous factors, including changing economic conditions in both China and Latin America, shifting patterns of consumption in China, the internationalization and professionalization of Chinese firms, China's evolving strategic considerations, and recent political shifts across the Americas.

In the past two years alone, we've seen the following three shifts in approach on the part of Chinese actors. These shifts, among others, will continue to shape the relationship in the near future, and are the basis for our discussion today.

1. Chinese companies are exploring new approaches to investment in LAC and other regions

For almost two decades, China has pursued a set of fairly static objectives in LAC, which were first proposed as part of the "going-out strategy" in the late 1990s. These include securing access to raw materials, establishing new markets for Chinese exports, promoting Chinese brands, and internationalizing Chinese firms.

Much of what China is doing in LAC today still supports these rather limited objectives. As China's leadership grapples with increasingly urgent food and energy security considerations, Chinese trade with and foreign direct investment in the region are still overwhelmingly focused on the acquisition of raw materials and agricultural goods. Chinese companies also continue to seek new markets, albeit for increasingly high-tech exports, such as high-speed trains, construction equipment, and telecommunications infrastructure. A wider variety of Chinese companies has tested the waters in LAC, and Chinese brands, such as Lifa, Lenovo, Huawei, and Haier, are increasingly popular among the region's consumers, having been promoted through export credit and other arrangements.

Although we see a considerable degree of continuity in China's trade and investment priorities, China's approach to achieving these objectives has nonetheless changed over time.

For example, having learned from the 2007-2008 global food crisis, China's agricultural giants have somewhat altered their overseas investment strategies. Instead of relying solely on international traders for agricultural supply from Latin America, China National Cereals, Oils and Foodstuffs Corporation (COFCO), China's top grains trader, is investing across the agricultural supply chain (in production, processing, logistics, and marketing) to better control food supply and pricing.

Mergers and acquisitions have also become increasingly prevalent over the past decade as China seeks access to key markets/resources and "know-how" from local firms and multinationals with years of experience in the region. Chinese oil company, Sinopec, acquired a 30 percent stake in Galp Energia Brazil in 2011. Brazilian oil firm, Petrobras, sold its Peruvian subsidiary to China National Petroleum Company (CNPC) for $2.6 billion in 2013. And, backed by US$10 billion from China Development Bank and Agricultural Bank of China, COFCO has recently begun acquiring firms (e.g., Nidera and Noble Group) with assets across the region.

Chinese companies are also increasingly partnering with foreign firms in overseas deals. Mexican and Chinese firms jointly won a high-speed passenger rail contract in Mexico, for example, although that deal eventually collapsed. A deal between JAC Motors and Carlos Slim's Giant Motors to manufacture motor vehicles for sale in Mexico and elsewhere in LAC was announced just this past March. In Argentina, Chinese and Argentine companies jointly pursued—and won—much of the 2016 RenovAr Round One renewable energy tender. Almost half of the wind and three-quarters of the solar projects that were announced as winners are connected to Chinese technology and capital. In the region's extractive sectors, Chinese companies are occasionally taking stakes in consortia instead of seeking 100 percent control over an asset. Chinese oil companies CNPC and China National Offshore Oil Corporation (CNOOC) each have a 10 percent stake in Brazil's offshore Libra oil field. A notable exception was CNOOC's recent independent acquisition of two large blocs in Mexico's deep water auction in 2016.

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In addition to resources and markets, Chinese companies are also pursuing other objectives, which in some cases are closely aligned with China's own economic growth and reform-related goals. For example, Chinese proposals to develop cross-regional transportation infrastructure, such as the proposed Brazil-Peru railway and the Belgrano Cargas rail renovation in Argentina, and a tunnel connecting Chile and Argentina, would all ideally achieve multiple aims. Like many of the deals announced in association with the Belt and Road Initiative (BRI) in Asia, these deals not only improve access to the region's natural resources, but also strengthen trade connectivity, employ China's excess steel capacity, ensure the export of Chinese construction equipment, involve Chinese companies, promote renminbi internationalization, and put currency reserves to productive use. In the case of Latin America, they are also largely structured to facilitate the transport of raw materials to ports along the Pacific Coast. Pacific routes are thought to be more secure than Atlantic ones, which traverse contested waters.

Discussion Questions:

- China proposed the 1+3+6 Cooperation Framework in 2014, which proposed enhanced Chinese focus on non-traditional and growth-promoting economic sectors in Latin America. To what extent have we seen evidence of diversification of investment or trade in recent years?

- What are the prospects for China's proposed large-scale infrastructure projects in LAC? To what extent can Latin America already be considered part of China's Belt and Road Initiative (BRI)?

- How have Chinese companies adapted to political shifts in the Americas? Have economic ties strengthened or weakened under new Latin America administrations?

2. China is growing its diplomatic presence in LAC

If it ever was, China is no longer tiptoeing around the United States when engaging LAC. As in Africa and Asia, China has made major diplo-economic strides in the region in recent years. China has also gone to some lengths to position itself as an alternative to the United States, in reaction to the Trump administration's perceived protectionism and isolationism.

China engages not only left-leaning governments, but nearly every country in LAC, including the market-oriented Pacific Alliance nations and those countries that recognize Taiwan diplomatically. Although much of the finance coming from China's state banks remains directed toward Venezuela, Ecuador, Brazil, and Argentina, Chinese Premier Li Keqiang focused on infrastructure investment in Colombia and Peru and planned the development of a renminbi clearinghouse in Chile during his May 2015 trip to the region. In his 2016 APEC address, President Xi Jinping talked cross-regional trade with LAC and cooperation on global economic governance.

In addition to maintaining an active presence in several regional organizations (e.g., the Organization of American States and the Inter-American Development Bank), China and the Community of Latin American and Caribbean States (CELAC) established a new forum in 2014, during President Xi Jinping's visit to Fortaleza, Brazil. The China-CELAC Forum's five-year plan includes proposals for technical cooperation and financing. When considered alongside China's other regional organizations, Chinese Academy of Social Sciences scholar, Xue Li, views the newly-established China-CELAC Forum as indicative of China's "diplomatic transformation," or the development of an increasingly prominent diplomatic presence in various regions of the world.

China's 2016 Policy Paper on Latin America and the Caribbean is also indicative of China's growing diplomatic interests in the region. Released just after the APEC Summit in Peru, it builds on a first iteration published in 2008. In addition to focusing on the "symbiotic" nature of the China-LAC relationship, China's 2016 policy departs from the original by proposing production capacity development, exchanges on governance, structural diversification of trade, space and telecommunications exchanges, expanded media cooperation, joint work on a global sustainable development agenda, and climate change and cyber security cooperation. Whether a response to a perceived US departure from Latin America or not, the policy paper far exceeds anything that the Trump administration has proposed for the region thus far.

Discussion Questions:

- How might Trump administration policy toward Latin America (or Mexico, specifically) affect Chinese engagement?
- To what extent can we expect Latin American participation in organizations such as the Asian Infrastructure Bank?

China has made important progress in industrial and environmental reform over the past couple of years, including new regulations and guidelines that seek to promote Chinese company adherence to global standards when investing overseas.

- What does US withdrawal from the TPP mean for Latin American signatories? Should we expect Latin America's inclusion in the China-led Regional Comprehensive Economic Partnership (RCEP)?

3. Many Chinese firms have improved their operations in Latin America, but Chinese engagement still presents environmental and social challenges for the region

Recent case study analysis suggests that Chinese companies have made considerable advances in community relations and adherence to local environmental and labor standards. They are, in certain cases, operating on par with—or even better than—other foreign firms in Latin America. Complaints about Chinese companies continue to surface, however. And the environmental standards of China's top lenders to Latin America—China Development Bank and China Export-Import Bank—are still weaker than those of other international financial institutions.

Having witnessed the fallout of overseas projects gone wrong, China has made important progress in industrial and environmental reform over the past couple of years, including new regulations and guidelines that seek to promote Chinese company adherence to global standards when investing overseas. China's Ministry of Commerce (MOFCOM) and Ministry of Environment (MEP)—with

support from several think tanks—recently issued Guidelines on Environmental Protection and Cooperation. China Eximbank has its own version of these. And China's mining industry released the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains about a year ago.

Though a step in the right direction, these guidelines are not well understood by Chinese companies. Few know of their existence and those that do are often poorly equipped to implement them. Latin American governments, industry, and NGOs also know very little about recent developments in Chinese corporate social responsibility.

At the same time, there are indications that some Latin American governments are weakening investment and other standards or disregarding existing regulations in order to attract Chinese and other investment, or to facilitate cross-Pacific trade. This is especially the case in sectors—e.g., mining, oil & natural gas, and agriculture—in which Chinese firms are quite active. Examples include Pedro Pablo Kuczynski's proposed changes to Peru's mining sector regulations and Cristina Fernández de Kirchner's removal of bidding requirements in exchange for Chinese financing.

What is more, China's ongoing and extensive financial support for certain governments in Latin America, such as Nicolás Maduro's in Venezuela, is thought to enable economic mismanagement and to facilitate corruption and standards erosion. China's recent efforts to meet with leaders of Venezuela's opposition have sought to address this criticism.

Chinese investment can be helpful—even transformative—for some LAC industries and sectors, but "mutual benefit" will require LAC governments to negotiate effectively and maintain necessary environmental, labor, and other standards.

Discussion Questions:

- In what ways can Latin American governments, civil society organizations, and communities promote sustainable Chinese engagement while attracting much needed investment?
- To what extent are governments in LAC willing to relax regulations in extractive or other sectors to attract foreign investment?
- Is China prepared to deal with a failing Venezuela? How might the continued provision of billions in Chinese finance be perceived by the new administration in Ecuador?

Looking Ahead

China is and will continue to be an important economic partner for many countries in the region, even if economic growth slows on both sides of the Pacific. Latin America is a critical destination for Beijing as Chinese leaders seek to ensure domestic food and energy security. Latin America will also remain a critical market for an increasingly wide variety of Chinese goods, from cell phones and fabrics to high speed trains and electricity transmission infrastructure.

Whether China-Latin America relations are in fact "win-win" and "mutually beneficial," as China suggests, is debatable. Chinese trade is thought to have contributed to regional economic growth. But Chinese economic engagement benefits some countries far more than others. Mexico, for example, still has a considerable trade deficit with China, although Chinese FDI in Mexico has grown quite a bit in the past year. China's focus on Latin America's commodities has also resulted in export "primarization," or growing shares of primary commodities in certain countries' export baskets. In an era of declining commodity prices, South American nations in particular have felt the effects of excessive dependence on the export of certain raw materials.

Chinese investment can be helpful—even transformative—for some LAC industries and sectors (e.g., renewable energy or electricity transmission in Brazil or telecommunications in Mexico), but "mutual benefit" will require LAC governments to negotiate effectively and maintain necessary environmental, labor, and other standards. Broader efforts to diversify China's economic engagement, as promised in new regional policies, and to enhance regional competitiveness would also promote a longer-term "win" for Latin America.

MIGRATION FROM LATIN AMERICA AND THE CARIBBEAN TO THE UNITED STATES: POLICY OPTIONS

Migration, Remittances, and Development Program

Introduction

Migration from Latin America and the Caribbean (LAC) to the United States has grown steadily over the past 40 years. Total numbers of migrants have doubled from 1990 to 2015, amounting to over 40 million people (Exhibit 1 and 2). These migration flows respond to global demands for foreign labor, in large part low skilled. They also respond to political challenges related to state fragility.

There are more than 80 million households connected through migration. Half of them are in LAC; the other half are in the United States, Spain, Canada, and elsewhere in the LAC region. These connections affect and benefit both home and host countries' economies. Among the many impacts of migration, the most well-known are remittances, which in 2016 represented US$70 billion dollars in flows to the region.

The Challenges Facing Migrants

Many of the 40 million plus migrants are facing a number of hurdles. Post 2009, emigration has been increasingly driven by state fragility and demands for low skilled foreign labor. Today, Central American countries, Cuba, Haiti, and Venezuela are leading in terms of large waves of emigration to the United States.

There are at least 200,000 migrants entering the United States annually without authorization, mostly from Central America. In addition, since the late 2000s over 150,000

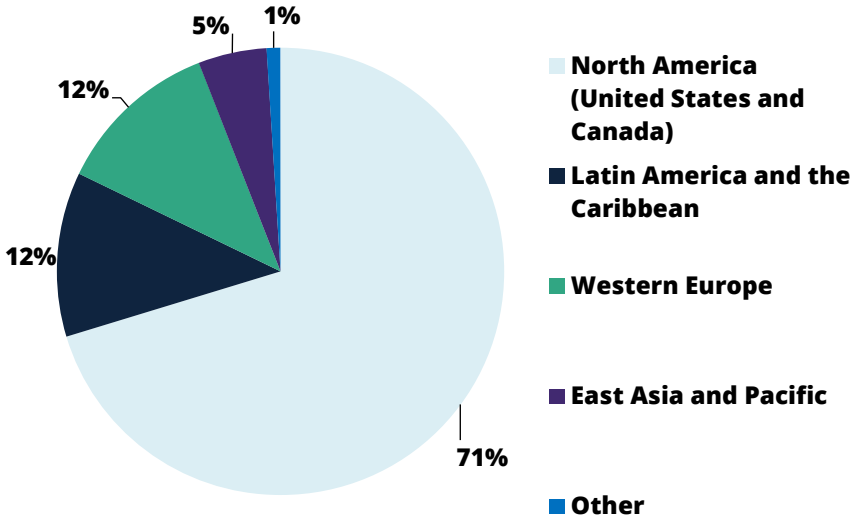
EXHIBIT 1: LATIN AMERICAN MIGRATION BY REGION OF ORIGIN

Source: UNDESA

REGION	1990	2000	2010	2015
CARIBBEAN	4,721,455	8,046,533	7,537,400	10,611,791
MEXICO AND CENTRAL AMERICA	7,595,230	11,941,317	16,797,728	16,415,990
SOUTH AMERICA	4,443,151	5,481,819	11,048,600	10,093,359
NORTH AMERICA (UNITED STATES AND CANADA)	2,898,717	2,470,850	4,004,502	4,245,832
AMERICAS TOTAL	19,660,543	27,942,519	39,390,240	41,368,987

EXHIBIT 2: DESTINATION OF MIGRANTS FROM LATIN AMERICA AND THE CARIBBEAN, 2013 (% OF GLOBAL SHARE)

Source: UNDESA



unaccompanied minors from Central America have entered the United States annually, and many have applied for asylum. The key determinants of adult and child outmigration are low economic development, violence, and insecurity in many forms. The latter is shaped by drug trafficking, state violence, and/or the presence of illegal organizations preying on people. Central American outmigration represents one of the major migration crises in the world (see Exhibit 3).

Cuban migration has also increased over the past five years. Since the Obama administration's policy changes regarding Cuba went into place, a large new wave of Cubans have left the island through Ecuador and traveled by land all the way to the Mexican border in order to take advantage of the "wet foot-dry foot" policy that allowed Cubans who made it to US shores without a visa to become permanent residents. More than 50,000 Cubans arrived in the United States in 2016, with more than half entering over the Mexican border. The policy was rescinded by Obama in January 2017 in one of his final foreign policy moves.

The key determinants of adult and child outmigration are low economic development, violence, and insecurity in many forms. The latter is shaped by drug trafficking, state violence, and/or the presence of illegal organizations preying on people.

In the case of Haiti, since the earthquake and the severe deterioration of the country's economic and political stability, thousands of Haitians have chosen to migrate. Many Haitian migrants were already abroad in countries like Brazil and opted to move north as the economy slowed. This caused related flows and tensions in and among countries they were trying to cross, including Colombia, Panama, Costa Rica, Nicaragua, and of course Mexico.

A similar fate is being faced by Venezuelan migrants, where a deteriorating economic and political landscape has caused the number of Venezuelans living abroad to triple from less than a million to two million. Most of them are currently living in the United States.

In addition to leaving their countries amidst political and economic hardship, the vast majority of these migrants face additional challenges in terms of their legal status once in the United States. Some are facing strict enforcement of migration laws through apprehensions. Others, who applied for political asylum, are facing denials. In fact the majority of asylum applications are being denied by immigration courts.

Overall, migrants are facing legal, economic, and social hurdles. Without the possibility of improving their economic situation, achieving legal status, or reuniting with their families, their conditions will deteriorate.

Moreover, the Trump administration has promised to build a wall, reduce migration, expedite the return of those applying for asylum, end temporary protected status, and even introduce a tax on remittances.

Trump's policy approach is being accompanied by instructions to end asylum relief and strengthen

EXHIBIT 3: INDICATORS ON CENTRAL AMERICAN MIGRATION (YEARLY FLOWS)

Source: US Department of Homeland Security, author's estimates.

INDICATORS	YEAR	EL SALVADOR	GUATEMALA	HONDURAS	NORTHERN TRIANGLE
PERCENT OF MIGRANTS WHO ARRIVED THE SAME YEAR AS THE SURVEY WAS CONDUCTED	2009	6	4	5	
	2016	3	3	5	
ANNUAL MIGRATION	2009	61,000	43,485	50,205	154,690
	2016	39,037	62,750	59,555	161,342
IMMIGRANT VISAS ISSUED	2009	10,695	4,419	3,531	18,645
	2016	11,367	4,722	5,084	21,173
NON-IMMIGRANT VISA OVERSTAYS (ESTIMATE OF 5 PERCENT OF TOURIST VISA HOLDERS WHO EXTEND THEIR STAY BEYOND THE STIPULATED PERIOD)	2009	1,310	2,649	1,523	5,482
	2016	2,996	2,800	2,451	8,247
CROSS BORDER IRREGULAR MIGRATION	**2009**	**48,995**	**36,417**	**45,151**	**130,563**
	2016	**24,674**	**55,228**	**52,020**	**131,922**
DEPORTATIONS	2010	17,947	23,430	19,501	60,878
	2016	20,538	33,940	21,994	76,472
APPREHENSIONS AT US BORDER	2010	29,911	39,050	32,501	101,462
	2016	51,200	66,982	42,433	160,615
APPREHENSIONS AT MEXICO BORDER	2016	35,390	83,745	58,814	177,949
UNACCOMPANIED MINORS	2009	1,221	1,115	968	3,304
	2016	17,512	18,913	10,468	46,893

immigration enforcement to expand deportations beyond criminal aliens, and an executive order to withhold federal funds and grants from sanctuary cities. The administration's messages and policies represent a tougher stance against migration than his predecessors.

This approach will further reduce the economic benefits of remittances for already fragile states in the region.

These realities highlight the need to prioritize legal migration and economic development. The following presents a brief outline for how this can be accomplished.

A View from the Americas: Reform, Recruitment, Relief, Retention, and Return

How can the Western Hemisphere address international migration in the current context? Will the Trump administration move towards immigration reform while continuing to tighten border enforcement? Given the uncertain environment, would a compromise between the two approaches be possible? What are the long-term effects of this continued pattern of migration policy? Is it possible to implement or expand guest worker programs? Should a targeted skilled labor migration policy be considered? Can a humanitarian approach to the region's challenges bring asylum relief to the more than 100,000 minors who currently have applications pending? How can countries strengthen development policies connected to migration?

International migration, mostly to the United States, is central to economic growth and global integration of Latin America and the Caribbean. More than 40 million households with migrants abroad support more than one third of all households in Central America and the Caribbean; and one quarter of many households in South American countries like Colombia, Ecuador, Bolivia, Paraguay, and more recently, Venezuela.

International migration, mostly to the United States, is central to economic growth and global integration of Latin America and the Caribbean. After all, more than 40 million households with migrants abroad support more than one-third of all households in Central America and the Caribbean; and one-quarter of many households in South American countries like Colombia, Ecuador, Bolivia, Paraguay, and more recently, Venezuela. The case of Venezuela has become dramatic in the past few years, with over 2 million Venezuelans living abroad from a country of 30 million people.

One way to look for solutions is to consider a comprehensive approach to migration through recruitment, retention, return, relief, and reform. These are five independent but related approaches to the prevailing challenges of migration. The idea would be to discuss the specifics of policy solutions in this regard.

Reform

The debate about immigration reform has predominantly focused on a two-tiered context; one, providing a legal path to US citizenship, and two, enforcing migration laws by strengthening the border and reducing the number of employees without authorization to work in the United States. President Trump proposed the possibility of immigration reform for the more than 10 million migrants without legal status in the United States. This debate is more relevant than ever, both for the condition of these migrants as well as for the needs of the US economy. Several proposals have come to the US Congress' attention. However, the consensus among Democrats and Republicans is to offer a form of legal status to these migrants on the basis of their years in the United States, their tax contribution, and paying some form of penalty, among other elements.

To the US Congress what is in question is how many people to legalize and who among those should benefit from such a reform. As a start, the political debate should center along these lines.

Recruitment

The United States and other migrant host countries in Latin America (Argentina, Costa Rica, Chile, Dominican Republic), in Europe (Spain, Italy), and Asia (Japan) show a demand for foreign labor, both high-skilled and low-skilled. Regarding low-skilled labor, guest worker programs or temporary permits can offer important solutions to prevailing challenges.

In the US context, temporary worker visas (plus NAFTA visas) amount to less than 6 percent of all non-immigrant visas. In total, the H visa category amounts to 533,000 visas. However, with an annual increase of 0.2 percent in our labor force of 170 million people, there is a substantive need to replenish labor through migration.

A win-win approach would be to expand H2B visas as a means to address the demand for low-skilled labor. Currently most low-skilled migrant workers are already crossing the border without papers in an insecure and unauthorized manner. About three-quarters of undocumented migrants that cross the border from Mexico and Central America work in three predominant occupations: domestic work, construction, and hospitality. Those workers could benefit from a guest worker program under H2B as a means to realistically integrate them and ease labor pressures in the US market.

Relief

Parallel to labor migration are people escaping regional violence in Central America. In fact, there are more than 100,000 asylum applications from unaccompanied minors coming from Central America alone. Their claims for asylum need a fair hearing and due process. Currently, a large number of these applications are denied; in fact, only 5 percent are adjudicated for asylum.

Many people (over 50 percent) apply for legal status without legal representation and face immediate deportation once denied. Their claims are coming from some of the most dangerous places in the world where more than 350,000 attempts to enter the United States occurred in 2016. The problems asylum seekers face are not limited to due process and lack of legal counsel, but also relate to their social and psychological needs. In order to deal with these issues, it is important to provide greater weight to asylum claims, clarify the claims for asylum, improve the training of judges, improve legal counsel, and provide better information about regional insecurity.

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Retention and Return

Migration policy includes addressing its root causes. In practical terms, it is about retaining the labor force by offering better opportunities at home to those who might otherwise consider migration. It is also about offering a positive environment to those migrants who return. The approach needs to be different from previous interventions because despite the fact that many development strategies have been implemented to date, they have not yielded the desired result and migration has not gone down. Central America shows the lowest productivity levels in the world largely because its labor force is informal, underpaid, unskilled, and uneducated.

Therefore a new development approach should explore ways to strengthen human capital. The Dialogue has proposed an innovative strategy for development in Honduras, Guatemala, and El Salvador by integrating migration, remittances, savings, and education. The approach links migration and development through five unique and innovative components:

- Financial education for remittance recipients;
- Access to credit for small enterprises—especially those in the knowledge economy;

- Promotion of diaspora-driven trade opportunities (the so-called "nostalgia trade");
- Diaspora funding of education using remittance platforms;
- After-school programs in areas of high emigration.

Though independent, these strategies share a common linkage with migration and remittances, complementing one another in terms of asset building.

This approach is fundamentally important because it addresses various strategic needs. First, it integrates migrant capital investment and savings from remittances into the financial sector, further mobilizing these resources for local development in education and skills formation. Second, this strategy expands and complements—that is, does not replace—existing approaches to economic growth, and creates a new model for much-needed investments in services for the global economy. Making investments in savings and education as a business strategy will lead to an expansion of opportunities to work and compete in the knowledge economy. In turn, the approach increases resources available and possibilities for greater economic complexity in the region (Exhibit 4).

The goal of the Dialogue's program is to promote positive outcomes from the challenges, uncertainties, and risks that are currently overshadowing the important contributions that migrants make in the global sphere.

EXHIBIT 4: OPPORTUNITIES FOR MY COMMUNITY, FIRST EIGHT MONTHS OF IMPLEMENTATION

Financial Education for Remittance Recipients	Credit for entrepreneurs who work in the knowledge economy	Mobilization of migrants' resources towards educational projects	After-school programs in areas of high emigration
• 20,000 people advised; • 4,000 formalized their savings; • reaching nearly $2 million in deposits;	• Credit program supported with 10 coaches; • 20 loans by July and 40 by September;	• 2 partnerships with diaspora groups; • 2 MTO partnerships;	• 10 after school education teachers working with 2,000 students

LATIN AMERICA'S ENERGY AND ENVIRONMENTAL OBJECTIVES: CHALLENGES AND OPPORTUNITIES

Energy, Climate Change, and Extractive Industries Program

The international political and commercial landscape poses significant challenges for Latin American and Caribbean (LAC) countries to achieve their economic and environmental objectives.

President Trump has shifted the focus of US foreign policy to a more narrow definition of national security while proposing massive cuts to international aid and diplomacy. Many signs suggest that there will be less proactive engagement with the Western Hemisphere than under the previous administration. This trend could impact bilateral and multilateral energy and climate cooperation, which had been an important part of US engagement with the region. In addition, President Trump's vow to revise NAFTA could potentially have major implications for energy trade and investment in North America.

The administration's plans to cut back international cooperation coincide with an already difficult environment for Latin America's commodities dependent economies. Global prices of oil and other commodities have declined over the last three years due largely to slowing economic growth in China and a glut of oil resulting from the US shale boom. Large-scale infrastructure and extractives projects in Latin America have also been stymied by local community opposition.

The signing of the Paris agreement in December 2015 had been a highlight for Latin American countries, the vast majority of which support global efforts to tackle climate change. However, skepticism of climate change by President Trump and many Republicans, whose party controls both houses of Congress, could put the global agreement in peril. On June 1st, the president announced the United States will pull out of the Paris agreement, a move that could have significant implications for Latin America.

US – Latin America Energy and Foreign Policy

President Trump's "America first" foreign policy focuses on American interests and national security, and Trump has indicated he will prioritize defense over international cooperation. The president's budget, presented to Congress on May 16, proposes to cut funding to the State Department by 30 percent compared to the previous year while increasing defense spending.

It is unclear how this new focus will impact relations with Latin America in general and in energy and climate change related cooperation specifically. The administration has not defined a broad strategy for US policy toward Latin America, and many of the Obama administration's key policy initiatives, including energy cooperation, remain in place. Energy-related assistance to Central America

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and the Caribbean, part of larger aid packages already approved by Congress, appear to be on track. The United States also is still planning to participate in the Energy and Climate Partnership for the Americas meeting in Chile in September, and technical assistance programs–for example, for shale development in South America–are ongoing.

However, there are indications that the Trump administration will pursue less proactive engagement with Latin America than before. Under the Obama administration, Vice President Biden took a leading role in implementing US policy toward LAC. Under Trump, senior leadership on Latin America has been much more limited. The State Department is not expected to appoint an assistant secretary for Western Hemisphere affairs until Secretary of State Rex Tillerson has undertaken a planned reorganization, and the White House just appointed its third director for Western Hemisphere affairs at the National Security Council in the fewer than four months since Trump took office.

The most significant shift in US policy toward Latin America appears to be a decision to rethink free trade, which has major implications for energy markets. Changes to trade agreements, particularly NAFTA, could prove disastrous for energy companies because of complex, deeply integrated supply chains across the United States, Mexico, and Canada that depend on the agreement. The administration's proposed 20 percent tariff on imports from Mexico could also have enormous implications for the energy industry, especially US refiners and automakers. Crude oil is one of Mexico's top exports to the United States – worth $8.7 billion last year – and a tariff would encourage US refiners to replace Mexican oil with crude from other countries. Moreover, such a step could prompt Mexico to apply a retaliatory tariff to US exports, including refined petroleum products and natural gas.

The effects of fiscal contraction in countries with high commodities dependence are being felt across the region. Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Trinidad and Tobago, and Venezuela collectively draw one-third of their income from oil, gas, and minerals.

Discussion Questions:

- How will the administration's foreign, economic, and energy policies impact US-Latin America energy engagement?
- How can other US actors besides the administration engage more on energy and climate policy cooperation?

Extractive Industries Investment and Exports

Latin America's commodities exporting countries are less dependent on the US market, but lower prices and slowing growth from China pose significant challenges. With the exception of Mexico, all major Latin American economies export significantly more primary goods than manufactured goods.

After years of historically strong terms of trade, Latin America's net oil and minerals exporters have witnessed a precipitous drop in export revenues. China's appetite for Latin America's primary exports is also waning as its economic growth slows, with significant implications for the region. In recent years, China has made up more than half of worldwide demand for major base metals, and in 2015, exports to China represented 8 percent, 5 percent, and 2.5 percent of Chile, Peru, and Brazil's GDP, respectively. In the oil and gas sector, the US shale boom has put further downward pressure on prices as production has soared, contributing to a worldwide supply glut.

Latin America has experienced a major drop in investment in primary sectors, particularly oil and mining exploration and related service sectors. Investors have been deterred by a combination of lower international oil, minerals, and metals prices and strong opposition from local communities, mainly due to environmental and social concerns.

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countries like Brazil, where oil and mining exports do not make up an outsized share of exports, high fiscal spending during the commodities super cycle has forced a significant contraction now that oil export revenues are down. In contrast, in Chile and Peru, pro-cyclical spending in recent years has helped alleviate the need for fiscal austerity measures.

Discussion Questions:

- How are oil and mining dependent economies in Latin America grappling with the decline in commodities prices and opposition from local communities?
- Are there success stories that could be replicated?

Latin America's Commitment to Fighting Climate Change

LAC countries are among the most committed to tackling climate change. About three quarters of citizens in the region consider climate change a very serious problem, among the highest percentage in the world. Nearly all Latin American countries signed the Paris agreement and over 60 percent have ratified the accord. Costa Rica made the most ambitious pledge and was one of the few countries in the world with a pledge consistent with meeting the accord's goal of keeping the rise in the planet's average temperature below 2°C.

However, Latin America faces many challenges to reducing emissions. In the transport sector, rapidly growing car ownership, fuel subsidies, and lack of incentives for clean transport and electric vehicles have made reducing emissions more difficult. After a decline in deforestation rates the region has seen a recent uptick, most notably in Brazil's Amazon region. Growing electricity demand is also driving an increase in emissions, especially in countries where energy generation is primarily coal- or oil-based, such as Mexico. Though the region has a particularly clean electricity matrix because of its heavy reliance on hydropower, increasingly frequent droughts have made hydropower less reliable, and some countries have switched to fossil fuels as a more secure source of power.

International support will be critical for LAC countries' ability to fulfill their Paris commitments. Many countries' emission reduction plans included conditional pledges, or further commitments that depend on the availability of technology transfer and international finance. Colombia, for example, promised to reduce its greenhouse gas emissions to 20 percent below its business-as-usual trajectory by 2030—or by 30 percent if other states support its efforts. Many other countries in the region, including Argentina, Bolivia, Mexico, and Peru, have made similar conditional pledges.

Climate change and clean energy were a major area of cooperation with the United States under the Obama administration, which pledged billions in international assistance for climate change mitigation and adaptation. But the Trump administration is already moving to completely eliminate climate change funding. The president's budget blueprint eliminates support for the Global Climate Change Initiative and payments to United Nations climate change programs including the Green Climate Fund, and in his June 1st announcement, the president reiterated that the United States would no longer make its pledged payments to the Green Climate Fund.

Discussion Questions:

- Will Latin America's commitment to climate change mitigation and adaptation be impacted by US policy?
- How can Latin American governments replace the support they had received from the United States?

Latin America faces many challenges to reducing emissions. In the transport sector, rapidly growing car ownership, fuel subsidies, and lack of incentives for clean transport and electric vehicles have made reducing emissions more difficult. Growing electricity demand is also driving an increase in emissions, especially in countries where energy generation is primarily coal- or oil-based.

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