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FEATURED Q&A

Do Latin America's Ties With China Come 'at a Price'?



China has strengthened its economic ties with Latin American countries in recent years. Peruvian President Pedro Pablo Kuczynski is pictured meeting with Chinese President Xi Jinping in China in September 2016. // File Photo: TV Perú.

Q Peruvian Trade Minister Eduardo Ferreyros on Feb. 6 defended China as a good trade partner for the South American country. His comments came days after U.S. Secretary of State Rex Tillerson said in a speech that "China's offer always comes at a price" and cautioned Latin American countries against reliance on "new imperial powers that seek only to benefit their own people." Are Latin American countries relying too much on China? What are the main benefits and drawbacks countries are experiencing from their economic and political links with China? What factors have led to increased Chinese investment and influence in Latin America? How does China's approach to engagement with Latin America differ from that of the United States?

A Jorge Heine, public policy fellow at the Wilson Center in Washington and a former Chilean ambassador to China: "China is now the top trading partner for Brazil, Chile, Peru and Uruguay, and the second-largest trading partner for many other Latin American countries. In 2017, Chile and Uruguay exported more to China than they did to the United States and the European Union combined. Some 27 percent of Chile's exports go to China, as do some 28 percent of Uruguay's. Is that too much? Given that China has accounted for about a third of the world's economic growth over the past decade, and that in 2017 it grew at 6.9 percent, three times as much as the United States did, this should not be surprising. You sell your goods where there is demand. Projections indicate that by 2050 half of the world's GDP will be in Asia, so this trend is likely to increase. China provides a ready,

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TODAY'S NEWS

POLITICAL

Thirteen Killed in Crash of Mexican Military Helicopter

The victims, who were on the ground, were killed when a helicopter carrying officials surveying earthquake damage crashed on landing in the town of Santiago Jamiltepec.

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ECONOMIC

Brazil Shelves Plans for Pension Reform

The president's decision to turn Rio de Janeiro's security over to the military shelved the reform because of a constitutional rule.

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POLITICAL

Peruvian Court Orders Fujimori to Stand Trial

The National Criminal Court ordered former President Alberto Fujimori to stand trial in connection with the killings of six farmers in 1992. The court ruled that Fujimori does not have immunity despite his December pardon.

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Fujimori // File Photo: TV Perú.

POLITICAL NEWS

Peruvian Court Orders Fujimori to Stand Trial

A Peruvian court on Monday ordered former President Alberto Fujimori to stand trial in a case involving the killings of six farmers in 1992, during his presidency, Agence France-Presse reported. Fujimori had been serving a 25-year prison sentence when current President Pedro Pablo Kuczynski pardoned him in December, citing his poor health. However,

“Alberto Fujimori deserves to confront this while free.”

— Keiko Fujimori

the National Criminal Court ruled on Monday that the pardon did not apply to the murders of the farmers. Prosecutors had asked the court to try Fujimori and 23 others in connection with the death-squad killings of the farmers, and the court ruled that Fujimori did not have immunity from prosecution. The jail sentence Fujimori had been serving until December followed his conviction for crimes including commanding death squads that killed civilians who were sympathetic to the left-wing guerrillas that Fujimori's government was fighting. Kuczynski's pardon of Fujimori was widely criticized and led to street protests. Many saw the pardon as payback after Fujimori's son Kenji Fujimori, a member of Congress, helped Kuczynski survive an impeachment attempt over corruption allegations Alberto Fujimori has said he is innocent and will appeal the court's ruling, BBC News reported. The former president's daughter, Keiko Fujimori, who unsuccessfully ran for president in 2016, expressed confidence that her father would be found not guilty. She urged that the court's decision “not be an excuse to jail a man of advanced age and fragile health.” She added, “Alberto Fujimori deserves to con-

front this while free.” Prosecutors are seeking a 25-year prison sentence for Alberto Fujimori on the latest charges, AFP reported.

Thirteen Killed in Crash of Mexican Military Helicopter

Thirteen people, all on the ground, were killed Friday when a military helicopter crashed in southern Mexico as officials were surveying damage from the 7.2-magnitude earthquake that struck the country earlier in the day, The Wall Street Journal reported. Fifteen others were injured. The helicopter, which was attempting to land in the town of Santiago Jamiltepec, was carrying Mexican Interior Minister Alfonso Navarrete and Oaxaca Governor Alejandro Murat, neither of whom were seriously injured.

ECONOMIC NEWS

Mexico Becomes First Country in Region to Join IEA

Mexico on Saturday officially became the first country in Latin America to join the Paris-based International Energy Agency, a move that required ratification by Mexico's Senate. “With this final step, Mexico enters the most important energy forum in the world,” Joaquín Coldwell, Mexico's secretary of energy, said in a statement. “We will take our part in setting the world's energy policies, receive experienced advisory in best international practices, and participate in emergency response exercises,” he added. The IEA says its 30 members now account for more than 70 percent of global energy consumption, up from less than 40 percent in 2015. “The ambitious and successful energy reforms of recent years have put Mexico firmly on the global energy policy map,” said Fatih Birol, the IEA's executive director. Although Mexico ranks as the world's 12th-larg-

NEWS BRIEFS

Thousands Have Stopped Regular Donations to Oxfam: Chief Executive

About 7,000 people have stopped making regular donations to Oxfam in the wake of a scandal revealing that some of its staff used prostitutes while on an aid mission in Haiti, the British charity's chief executive, Mark Goldring, told members of members of Britain's Parliament, BBC News reported today. Goldring also apologized for the incidents. Officials say 26 fresh allegations had been made public since the scandal broke earlier this month.

Brazil Shelves Plans to Overhaul Pension System

Brazil's government has shelved plans to overhaul its pension system, a reform that economists have seen as critical to the country's long-term financial health, the Financial Times reported today. The first vote on the reforms had been planned for this week in the lower house, but President Michel Temer on Friday handed control of Rio de Janeiro's security to the military amid a wave of violent crime. The move blocked the reform as the country's Constitution cannot be amended during a military intervention.

Peru Planning to Accept Bids Today for Copper Mine's Development

Peruvian authorities are scheduled today to accept bids and award a contract to develop the estimated \$2 billion Michiquillay copper mine, Reuters reported. The auction, which officials delayed twice last year, would be the first major auction for Peru in the last decade. Ten domestic and foreign companies presented pre-registration documents to participate. Market analysts are following the auction's results to see how much investor confidence could be hurt by recent political turmoil.

est oil producer, output has fallen steadily for years, with monthly crude production from state-run oil company Pemex dropping below two million barrels per day last July for the first time in more than two decades, Reuters reported. But last month, Mexico's government held its most significant oil auction in two years of attempts to open the oil industry to foreign investment. Officials estimated the auction, which featured large bids by the U.K.'s Royal Dutch Shell among other international oil companies, could bring more than \$90 billion in investment to the country as firms develop the areas they won.

BUSINESS NEWS

Vista Acquiring Oil, Gas Assets in Argentina

Mexico City-based Vista Oil & Gas on Monday announced it had agreed to acquire an oil and gas platform in Argentina from Pampa Energy and Pluspetrol, along with interests in certain exploitation concessions in the Neuquén basin. The deal would make it the fifth-largest oil producer and operator in Argentina. Miguel Galluccio, the chief executive officer of Vista who formerly led Argentine national oil company YPF, said the timing of the acquisition "could not be better suited to start delivering on our plan of becoming the leading Latin American independent oil and gas company." The deal is valued at \$700 million, according to the Financial Times, and gives Vista average daily production of 27,500 barrels of oil equivalent per day and 137,000 acres in the Vaca Muerta deposit which the company aims to bring into production next year. Vista estimates that in the next five years it could more than double the current production rate, reaching 65,000 barrels per day of crude oil equivalent, La Nación reported. Backed private equity firm Riverstone, Vista raised \$650 million in an initial public offering last August when it was launched as a special purpose acquisition company.

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growing market for Latin American goods, and Chinese demand for them was one reason the region was able to withstand the 2008-2009 financial crisis so well. Some argue that Chinese demand for the region's natural resources has an adverse effect on Latin America's industrialization. This is putting the cart before the horse. If countries wanted to industrialize, they could apply industrial policies, relying partly on the rents generated by growing trade with China. But they are unwilling to do so. China's presence in the region is the natural product of its being the world's second-largest economy, its thirst for commodities and its need to export capital. For a region traditionally dependent on the United States and Western Europe, China provides a welcome opportunity to diversify its trade, investment and diplomatic links, links that come with no strings attached."

A **Matt Ferchen, resident scholar at the Carnegie-Tsinghua Center for Global Policy in Beijing:** "Secretary Tillerson's warning to Latin American countries to be wary of China's role in the region is best understood as part of a broader pushback by the Trump administration against the perceived threats of China's mercantilist economic statecraft around the world. Yet the timing and content of his comments are both misconceived. American credibility with its southern neighbors is at a low ebb, given President Trump's hostility toward Mexico and toward Latino immigrants in general. At the same time, claims of Chinese mercantilist practices in Latin America are largely off base given that trade ties, which in some South American cases certainly have exacerbated concerns about heightened commodity dependency, have mostly capitalized on simple comparative advantage. No matter the timing, American lectures to Latin Americans on how to conduct their foreign policy are self-defeating. If anything, it is Trump administration policies and attitudes that have provided

China a rhetorical opening in Latin America at a time when China's economic and political relations with the region face serious challenges. In the post commodity boom era, the 'win-win' trade story is no longer as easy

“American lectures to Latin Americans on how to conduct their foreign policy are self-defeating.”

— Matt Ferchen

to sell to Latin American publics, while promises of Chinese investment and infrastructure deals often fail to meet the hype. But as always, Venezuela remains the most difficult economic and political challenge for China, and it is here where the trading of diplomatic jibes between the United States and China is most unproductive. Along with Venezuela's Latin American neighbors, American and Chinese interests in helping Venezuela move off the path of self-immiseration should create, not foreclose, an opening for creative diplomacy."

A **Francisco Durand, professor of political science at the Catholic University of Peru:** "Tillerson's critical reference to China is only the latest American reassertion of the Monroe Doctrine, which surprises no one in Latin America, particularly given the 'America-first' orientation of the Trump administration. The question is more what alternatives the region has when it comes to strong economic actors. The most enduring approach has been to 'diversify' economic relations. China fits that category, in particular when it provides an alternative market source. Yet, it does come at a price. China is continuing penetration in two areas: importing critical raw materials for its economy and exporting

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manufactured products. Chinese companies have different sets of standards, and some are more modern than others. The problem is that regulations are poor and often, when questions arise, government regulators sense that behind the company there is a superpower with political connections that inhibits them from tightening the regulations affecting Chinese companies. In terms of massive Chinese imports, as in many other countries, the concern is dumping, particularly in textiles and shoes, together with products that have low safety standards and questionable quality. Here, Peruvian producers face tough competition and absence of state regulation. In political terms, the Chinese companies usually operate initially with Chinese-Peruvian nationals but also have ties with all political parties, who travel often to China. Although China's presence here is recent, it has been growing steadily since the 2000s. It jumped in Peru and the rest of the region during the 2008-09 international crisis, reinforcing the conviction that it is good to have alternative markets. In terms of international relations, China presents itself as a 'Third World country' that has more in common with the region and whose policy, the Beijing Consensus, is quite the opposite of what Tillerson presents: a reliable partner with no imperial ambitions, willing only to do business, slowly and persistently strengthening ties with its new friends. Now there is more than one giant, and lately, China has one more thing to offer: development of infrastructure, trains in particular."

A **Ricardo Barrios, program associate of the Latin America and the World program at the Inter-American Dialogue:**

"The extent to which Latin America relies on China varies on a country-by-country basis. Brazil and Argentina, for example, rely heavily on China as an export destination for agricultural goods, especially soy, but this does not hold true for other economies. China is also a top destination for Peruvian

and Chilean copper. While Latin American countries have benefited from exporting large quantities of primary commodities to China, it is unclear whether this model of trade will support economic development in the long term. Some other Latin American nations, such as Venezuela, have been rather dependent on China as a source of credit. China's motivations for engaging with the region are increasingly complex and range from domestic concerns and policies (for example, China's 'Going-Out' strategy and President Xi's supply-side reforms) to

“China’s policy-driven engagement with the region stands in stark contrast to the United States’ less integrated approach.”

– Ricardo Barrios

foreign policy imperatives (such as the Belt and Road Initiative). In this respect, China's policy-driven engagement with the region stands in stark contrast to the United States' less integrated approach. The U.S. approach is arguably less cohesive, but its focus on strengthening institutions and increasing productivity through private-sector actors has made for more diversified engagement with the region. According to information collected by the World Bank Group, for the year 2016, raw materials made up fewer than 12 percent of the United States' imports from the region, the bulk of which were capital goods (46 percent) and consumer goods (28 percent). Imports from the United States to the region were also split nearly equally between consumer, capital and intermediate goods."

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 © 2018

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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 fretrial@thedialogue.org

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