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FEATURED Q&A

What Roadblocks Are Preventing a Deal on NAFTA?



U.S. House Speaker Paul Ryan had set an informal deadline, which negotiators missed, for reaching a deal on the North American Free Trade Agreement. // File Photo: U.S. Congress.

Q Representatives from Mexico, Canada and the United States who have been renegotiating the North American Free Trade Agreement, or NAFTA, missed an informal May 17 deadline, which U.S. House Speaker Paul Ryan had cited as critical for meeting in order to have enough time to notify Congress under Trade Promotion Authority, or TPA, before the U.S. midterm elections. The next day, U.S. Trade Representative Robert Lighthizer said he was “nowhere near” a deal with Mexico and Canada, contradicting earlier statements by officials from those countries. What are the main issues preventing the three nations from reaching an accord? Will they come to an agreement, and, if so, when? How do July’s general elections in Mexico and November’s midterm elections in the United States affect the prospects for an update to NAFTA?

A Julissa Reynoso, partner, and Michael A. Fernández, associate, at Winston & Strawn: “A deadline set by House Speaker Paul Ryan for Canada, Mexico and the United States to rewrite NAFTA passed without a deal earlier this month. Nonetheless, the three countries have agreed to continue negotiating beyond the deadline. Mexico’s chief technical negotiator, Kenneth Smith, has said nine out of roughly 30 chapters in the original agreements had been addressed as of mid-May. Recent reports indicate that President Trump’s threat of increasing tariffs up to as much as 25 percent on auto imports has complicated negotiations among the countries. Other sticking points include the United States’ insistence on the need for a sunset provision, which would have the effect of required renewals every five years, and the

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Nicaragua Using Excessive Force: Amnesty Int'l

Nicaraguan authorities have used excessive force in attempts to crush anti-government protests that began last month, Amnesty International said in a new report.

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BUSINESS

Coca-Cola to Boost Investment in Argentina

The beverage giant said it plans to increase its investment in Argentina to \$1.2 billion over the next three years. The company said it will expand its product lines in the country.

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POLITICAL

OAS Panel Accuses Venezuelan Officials of Rights Abuses

Officials in the government of President Nicolás Maduro have committed crimes against humanity, according to a report by a panel of experts assembled by the Organization of American States.

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Maduro // File Photo: Venezuelan Government.

POLITICAL NEWS

Nicaragua Using Excessive Force in Protests: Report

Authorities in Nicaragua have used excessive force, extrajudicial executions, enlisted pro-government armed groups and controlled media outlets in order to crush ongoing protests in the Central American country, Amnesty International said in a report released Tuesday. "The Nicaraguan authorities have turned on their own people in a vicious, sustained and frequently lethal assault on their rights to life, freedom of expression and peaceful assembly," the human rights group's Americas director, Erika Guevara-Rosas, said in a statement. "The government of President Ortega has then shamelessly tried to cover up these atrocities, violating the victims' rights to truth, justice and reparation." In the 34-page report, Amnesty International said at least 83 people have been killed since April 18, when a wave of anti-government protests began in response to government reforms that increased employer and worker social security contributions while reducing benefits. Nicaragua's government puts the death toll at 15, CNN reported. Neither Ortega's government nor the National Police responded to requests by CNN for comment about the Amnesty International report. Within a week of the protests erupting, Nicaraguan President Daniel Ortega scrapped the reform plan. However, the protests have continued. Last week, talks between Ortega's government and opposition and civic groups broke down. The Catholic Church had been mediating the dialogue, but left the talks, saying the two sides were at an impasse.

OAS Panel Accuses Venezuelan Officials of Rights Abuses

A panel of international experts enlisted by the Organization of American States released

a report Tuesday finding that Venezuelan officials in the government of President Nicolás Maduro have committed crimes against humanity, Agence France-Presse reported. The three-member panel, which included Santiago Canton of Argentina, Irwin Cotler of Canada and Costa Rica's Manuel Ventura, asked that Luis Almagro, the secretary general of the Organization of American States and a vocal critic of Maduro, forward its 400-page report to the International Criminal Court for prosecution. The report documents 131 alleged murders at the hands of security forces or pro-government civilian groups during street protests in 2014 and 2017, as well as 8,292 executions outside of the judicial process since 2015. Maduro won a second, six-year term in elections held May 20, which opposition parties boycotted as fraudulent. More than a dozen Latin American countries, along with the United States and the European Union, have rejected the vote, accusing Maduro's government of mass bribery to use food to buy votes from the poor. European foreign ministers on Monday issued a communiqué calling for a new presidential election in Venezuela, threatening to levy a new round of sanctions targeting people close to Maduro, the Associated Press reported. Maduro lashed out at the ministers Tuesday, suggesting further sanctions will only further hurt Venezuelans. "This is the European Union that arrogantly wants to put its nose in Venezuela's business," Maduro said. "Enough of this old colonialism."

BUSINESS NEWS

Coca-Cola Plans to Boost Investment in Argentina

Coca-Cola on Tuesday said it plans to increase investment in Argentina over the next three years, Reuters reported. The beverage multinational will invest a total of \$1.2 billion from 2019 to 2021, upping it from \$1 billion invested from 2016 to 2018. In the same statement, Joao Marcelo Ramires, president of Coca-Co-

NEWS BRIEFS

Union Calls on Brazilian Truckers to End Strike

A major union of Brazilian truckers has called on its members to end a nine-day strike, saying not returning to work could lead truckers to lose gains they have achieved, the Associated Press reported. The National Confederation of Autonomous Transporters said some truckers have been "forced and threatened" to continue striking. On Tuesday, Brazilian Secretary of Government Carlos Marun said seven people were arrested in Maranhão State for attempting to stop truckers from returning to work.

Four Killed in Cuba in Wake of Subtropical Storm Alberto

Heavy rainfall in Cuba as a result of subtropical storm Alberto killed four people and caused tens of thousands to evacuate on Tuesday, Reuters reported. Flood waters damaged the country's infrastructure, including bridges and roads, and left almost 60,000 people without electricity. President Miguel Díaz-Canel has called on authorities to focus on restoring basic services such as electricity and transportation, according to Cuban state-run media.

Green4U Technologies to Open Assembly Plant in Honduras

Green4u Technologies, a U.S.-based electric auto producer, and Honduran Minister of the Presidency Ebal Díaz signed a memorandum of understanding on Tuesday for the company, which is headquartered in Georgia, to open its first assembly plant in Honduras, the country's daily La Prensa reported. Green4u President, Donald Eugene Panoz, said the new company's move will create jobs, boost local sales and exports, and establish an educational program, according to La Prensa. He estimates the company's investment will amount to approximately \$500 million.

la's South Latin business unit, stressed "the responsibility of the corporate sector in this transcendental moment in the country," in a nod to the financial aftermath of capital flight Argentina experienced earlier this month. President Mauricio Macri's government, struggling after a run on the peso, is in negotiations for stand-by financing with the International Monetary Fund, plans to raise utility prices, and the central bank has raised interest rates up to 40 percent, the highest in the world, according to Reuters. Coca-Cola had threatened to decelerate its rate of investment in Argentina last year due to a section of the government's tax reform plan that heightened internal taxes on sugary beverages, Argentine daily La Nación reported. The company's statement detailed that this new investment plan aims to expand and renovate Coca-Cola's production lines across Argentina.

Latin America Helps Boost Earnings at Scotiabank

Scotiabank's international operations across Latin America fueled an increase in the Canadian bank's second quarter results this year, the bank announced Tuesday. Surpassing market expectations, the bank earned a net income of 2.18 billion Canadian dollars (\$1.6 billion), compared to 2.06 billion Canadian dollars last



Porter // File Photo: Scotiabank.

year. The earnings per diluted share amounted to 1.70 Canadian dollars, compared to 1.62 Canadian dollars last year. At the same time, Scotiabank CEO Brian Porter said the bank's operations in Mexico, Chile, Colombia and Peru, which continued to report strong results

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elimination of Chapter 19, which establishes a review mechanism for antidumping and countervailing duty disputes. Even if the current parties to the NAFTA renegotiation can arrive at some form of consensus any time soon, the viability of any potential deal will most likely be affected by the upcoming elections in Mexico and the United States. Ultimately, if a deal does happen, 2018 may not be the year for it."

A **Ana Heeren, managing director for strategic communications and Latin America head at FTI Consulting:** "The main problem preventing the three nations from reaching an agreement appears to be flexibility. The three countries have been able to continue to advance the negotiation and close important chapters, but finalizing a deal will require

“**The main problem preventing the three nations from reaching an agreement appears to be flexibility.**”

— Ana Heeren

the United States, Mexico and Canada to compromise. Some important issues remain unaddressed, such as the sunset clause, investor-state dispute settlement, seasonality provisions and the much-debated auto rules of origin. It's impossible to know for sure when the three parties might reach an

of double-digit earnings growth, contributed to its overall performance. "Recently announced acquisitions in Chile, Colombia and Peru, all expected to close in the second half of this fiscal year, will further grow our customer base and improve our presence in the Pacific Alliance region," Porter said. Since 2013, Scotiabank

agreement, but one thing is for certain—the global competitiveness of the North American bloc depends on it. NAFTA has helped create the largest and most dynamic regional market in the world, representing 28 percent of the world's GDP—it has proven to be a great success and economic driver for the region. As electoral season in the United States and Mexico approaches, local politics will inevitably have an impact on the negotiations and eventual ratification of the agreement. The extent of the impact will depend on the timing. The United States would still be in time to have a congressional vote during the lame duck period if an agreement is reached before early June, although from recent statements, that doesn't seem to be the likely scenario."

A **Nicolás Mariscal, member of the Advisor board and chairman of Grupo Marhnos in Mexico City:** "There are several pending

issues in the NAFTA renegotiation: limits on duty-free imports of online goods; a dispute settlement mechanism; labor regulations regarding wages; rules of origin; rules of seasonality in food; and the sunset clause. The most controversial sectors in bilateral relations between Mexico and the United States are the auto industry (the United States wants to implement higher tariffs on auto imports), the electronics industry and the agricultural food industry. If substantial changes are wanted, it will be difficult to reach an agreement before the July elections in Mexico or even before the U.S. midterm elections in November. Only a version with minimal changes could be drafted before the Mexican federal elections. If that is unsuccessful, it would take much more

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has been following a strategy that strengthens its ties to the four members of the Pacific Alliance, in an attempt to take advantage of the regional economy's growing middle class, rapid economic growth and low levels of banking penetration, according to Chilean online newspaper El Mostrador.

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work to attain a deal, and it will depend in large part on who wins in Mexico. Resuming a negotiating process and actually reaching an agreement with a new administration could be delayed until 2019 or later. Without a timely NAFTA deal, it's probable that the Trans-Pacific Partnership (which Mexico and Canada are already a part of) will be a better option for all parties, if the United States decides to rejoin. The TPP is an updated and more auspicious pact to achieve the best practices regarding commercial matters."

A **Shannon K. O'Neil, vice president and deputy director of studies at the Council on Foreign Relations:** "A full NAFTA modernization was always going to be a difficult sell, taking much time to work out details on so many issues and chapters. While last minute accords can and do happen, the limits to compromise dim the prospects for a quick resolution. And if not completed this week, the negotiators will need to

“**A full NAFTA modernization was always going to be a difficult sell.**

— Shannon K. O'Neil

consider and absorb the changing political landscapes in Mexico and the U.S. Congress in the design to ensure the possibility of passage – waiting for a new negotiating team on the Mexican side, and possibly reaching out and working more closely with Democrats on the U.S. side. This will further delay both the negotiation and the reality of a new NAFTA. All this suggests the current NAFTA will govern the commercial and investment relationship for a good while longer."

A **Christine Bliss, president of the Coalition of Services Industries:** "NAFTA has established a framework of rules and market access commitments that have provided a secure, commercially stable and efficiently integrated environment for services suppliers in Canada, Mexico and the United States. Businesses have been able to grow and innovate in a transparent atmosphere, where rules and standards are known and business operations are unimpeded. Yet, the world and economic environment in which businesses and governments operate has changed a great deal since NAFTA's implementation in 1994. In particular, financial services, once seen as a 'traditional' industry, have grown into an innovative industry with great reliance on digital services, technology and data. Banks and insurers alike have been able to take advantage of technological developments—such as the use of cloud solutions for data storage—to produce more cost-effective and secure business solutions to the benefit of business operations and consumers alike. As current negotiations seek to modernize the decades-old agreement, an element of critical importance to the financial services industry is securing commitments on the prohibition of forced data localization. Including such provisions would allow for Canada, Mexico and the United States to continue their leadership as standard-setters for what the future of trade looks like. Around the world, firms face increased barriers to trade and impediments to innovation as countries move toward requiring localization of data. Including provisions that prohibit forced data localization for financial services in NAFTA sets a strong example of how other countries should modernize their own regulatory approaches and trade commitments regarding financial services data storage and processing in order to spur innovation and reconcile the economies of the past with the trends of the future."

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