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FEATURED Q&A

What Will Come of Canada Legalizing Recreational Pot?



Advocates calling for legalizing marijuana organized a Vancouver march in 2015. // File Photo: Jeremiah Vandermeer via Creative Commons license 2.0.

QCanada's Senate on June 19 approved the nationwide legalization of recreational marijuana, making Canada the second country in the world to allow a legal cannabis industry. In the United States, nine states and the District of Columbia have passed legislation permitting the recreational use of marijuana, and 30 states allow medical use. However, the drug remains illegal under federal law, and the Trump administration has doubled down on anti-drug efforts. What does legalization and regulation of marijuana mean for Canadians? Does it indicate an inevitable march toward legalization in the United States and other countries such as Mexico, which is also exploring changes to marijuana laws? What effects does Canada's new legislation have on North American cooperation on anti-drug efforts?

ABarry McCaffrey, president of BR McCaffrey Associates, retired U.S. four-star general and former director of the White House Office of National Drug Control Policy: "Canada will legalize pot effective October 17 for those over age 18. Canadians will be able to home grow four plants and possess 1.1 ounces. They become the second nation to do so. The decision is widely supported by the people of Canada. In the United States, 61 percent agree the drug should be legal. A very clever and long-term political effort to normalize marijuana is now producing sweeping changes in the availability, perceived threat, and legal acceptance of pot. In the United States, adolescent pot use is now sharply up. Stoned driving with coincident alcohol use has become the leading cause of traffic fatalities in many states. Big money and market incentives will sharply increase drug use."

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Mexico's May Trade Balance Deteriorates

A \$40 million surplus in nonpetroleum goods only partly compensated for the \$1.63 billion deficit in petroleum trade.

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Grupo Copetrol Buys Paraguay Fuel Stations

Brazilian state oil company Petrobras has signed an agreement to sell its network of 197 fuel stations in Paraguay to Grupo Copetrol for about \$384 million.

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Pence Continues to Press Venezuela on Regional Tour

U.S. Vice President Mike Pence arrived in Quito Wednesday. He is expected to discuss trade ties with President Lenín Moreno today and to continue to try to boost regional pressure against the rule of Venezuelan President Nicolás Maduro, who had been an ally to Ecuador under Moreno's predecessor, Rafael Correa.

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Moreno // File Photo: Government of Ecuador.

POLITICAL NEWS

Pence Continues to Press Venezuela on Latin America Tour

U.S. Vice President Mike Pence arrived in Ecuador on Wednesday evening, visiting the second country in his three-nation tour of Latin America this week, the Associated Press reported. Pence is scheduled to discuss trade ties with President Lenín Moreno today in Quito, where he is expected to continue to try to boost regional pressure against the rule of Venezuelan President Nicolás Maduro, who had been an ally to Ecuador under Moreno's predecessor, Rafael Correa. Earlier on Wednesday, in Manaus, Brazil, Pence visited a shelter that houses Venezuelans who have fled deteriorating economic and political conditions at home. "Under Nicolás Maduro, Venezuela's great democracy has been reduced by a brutal dictatorship," Pence told migrants in Manaus. "And the deprivation that has followed has been a consequence of that failed leadership," he added, according to a White House transcript. Maduro recently won a second six-year term as president in elections the opposition boycotted and numerous states and multilateral groups have called illegitimate. Maduro insists the United States is trying to overthrow his socialist government. "Every time the poisonous viper Mike Pence opens his mouth, I feel stronger," Maduro said in a televised speech Wednesday. Ecuador-U.S. relations were more strained under leftist Correa than Moreno, but it remains unclear whether Pence today will bring up Julian Assange, the WikiLeaks founder to whom Ecuador has granted asylum at its embassy in London and given Ecuadorean citizenship while he is wanted by U.S. officials. Ten U.S. senators from the Democratic Party sent Pence a letter Wednesday urging him to press Moreno on Assange, Reuters reported. After his talks in Ecuador, Pence is scheduled to fly to Guatemala for a meeting this evening with the leaders of Honduras, El Salvador and Guatemala to discuss immigration policy under President Donald Trump. Speaking in Manaus

on Wednesday, Pence told migrants in a speech that there was a difference between being a Venezuelan migrant in Brazil versus a migrant on the U.S. border. "Back in our country we face a crisis on our southern border as many seek to come into America for a better life," Pence said. "The families ... who have fled from Venezuela came here to Brazil not to seek a better life; they came here to live, to survive."

ECONOMIC NEWS

Mexico's May Trade Balance Deteriorates

Mexico's trade deficit worsened in May, growing to \$1.59 billion as higher oil prices pushed up the value of petroleum imports, The Wall Street Journal reported Wednesday, citing data from the national statistics institute, INEGI. Exports last month grew by 10.9 percent from a year before to \$39.18 billion, while imports were up 11.5 percent at \$40.76 billion. Higher oil prices increased the cost of energy imports, including gasoline and diesel, which rose 51.3 percent to \$4.46 billion. A \$40 million surplus in nonpetroleum goods only partly compensated for the \$1.63 billion deficit in petroleum trade. Exports of steel products rose nearly 40 percent from a year earlier. May was the last month before the U.S. began applying tariffs on steel and aluminum imports from Mexico, Canada and the European Union. As the trade spat escalates and talks continue over the North American Free Trade Agreement, officials are wary of changes in the terms and conditions under which Mexican exporters have access to the U.S. market. Officials in Mexico have also been watching U.S. policy shifts that might affect massive flows of remittances that have come into the country since the election of U.S. President Donald Trump, who has pledged to crack down on migrants in the United States without proper documentation. In the month of April alone, Mexicans working abroad sent home a record \$2.72 billion, up nearly 18 percent from the same month last year. [Editor's note: See related **Q&A** in the June 13 issue of the Financial Services Advisor.]

NEWS BRIEFS

United Nations Takes Belize Barrier Reef Off Endangered List

UNESCO has removed the Belize Barrier Reef from its list of "endangered" World Heritage Sites after nine years, BBC News reported Wednesday. The Paris-based agency of the United Nations praised Belize for taking "visionary" steps to preserve the reef, which is second only in size to Australia's Great Barrier Reef. Last December, local lawmakers passed an indefinite moratorium on oil exploration in Belize waters, citing a desire to protect a growing tourism industry.

Grupo Copetrol Buys Paraguay Fuel Station Network for \$384 Million

Brazilian state oil company Petrobras said on Wednesday that it has signed an agreement to sell its network of 197 fuel stations in Paraguay to Grupo Copetrol for about \$384 million, Reuters reported. The Paraguay-based gas station operator will pay Petrobras an initial deposit of \$49 million for the assets, followed by an additional \$334 million when the deal is closed. Earlier this week, Petrobras named Rafael Salvador Grisolia to serve as chief financial officer, replacing now-CEO Ivan Monteiro.

Argentine Stocks Fall Most Since 2014

Argentina's benchmark MerVal stock index plunged 8.8 percent on Wednesday amid concerns about emerging market economies and trade tensions between the United States and China, Reuters reported. It is the index's worst daily performance since early 2014. The drop erased last week's gains, when stocks rose as MSCI upgraded Argentina to its emerging markets category. Bank stocks were among the hardest hit, as pressure on Argentina's central bank to stabilize the peso currency continue to worry investors, Reuters reported.

BUSINESS NEWS

Pemex Makes Push for Deals Ahead of Change in Gov't

Mexican state oil company Pemex has been accelerating efforts to bring on partners before Sunday's national elections, fearing the results could slow foreign investment in the country's recently liberalized oil sector, Bloomberg News reported Wednesday. Last week, the company's board named a new head of joint ventures to choose partners in at least seven onshore oil fields. Jorge Lomelín Delgadillo, a 15-year veteran with the company, faces a busy year, as Pemex seeks to secure as much investment as it can ahead of a new government taking office in December. Pemex expects to make an announcement late next month on three refinery joint-venture agreements, according to the report, and Mexico will auction 37 onshore areas and nine areas in the shale gas-rich Burgos Basin on September 27. The presidential front-runner, Andrés Manuel López Obrador, or AMLO, has said he will dial back energy reforms that investors see as crucial to reversing years of declines in oil output. "The anxiety in the business community in Mexico and abroad is warranted," Amanda Mattingly, senior director at The Arkin Group in New York, told the Advisor earlier this month. "If elected, López Obrador will introduce a level of uncertainty into the Mexican economy, business climate, financial markets and NAFTA negotiations that will no doubt lead to slower economic growth, a cooling of foreign investment, higher inflation and a weaker peso," she added. Others see López Obrador as being less damaging. "AMLO is a pragmatist," James R. Jones, a former U.S. ambassador to Mexico and chairman of Monarch Global Strategies, told the Advisor. "He recognizes that in order for him to be able to help his constituency, the poor and disadvantaged, he must grow the economy. He knows that economic growth doesn't come from government." [Editor's note: See related Q&A in the June 13 issue of the Advisor.]

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Canadian entrepreneurs are assembling the capital and industry to make a fortune. Smoked marijuana will now be joined by edibles of maple syrup, lollipops and jelly treats. Fun times. Good luck to Canada with all that. Bad health policy. Bad labor policy. Bad criminal justice policy. Currently available pot frequently has THC levels 40 times higher than the 1970s. The impact of heavy pot use on adolescents can be devastating to include loss of IQ. Data seems to show that one in six teens may become addicted. It is very important that Canada collects realistic science data on the health, labor, criminal justice and adolescent effects of this unsound policy in the coming five years."

Amelvyn Levitsky, professor at the University of Michigan, former assistant secretary of state for international narcotics matters and an elected member of the International Narcotics Control Board of the United Nations: "Both Canada and the United States (and Uruguay, the other country to legalize) are in violation of their international treaty obligations under the 1961 Single Convention on Narcotic Drugs. That Convention and two others state that drugs should be legal only for medical or scientific purposes. Marijuana is listed as a drug with neither of these attributes. Although the U.S. government has stated that marijuana is illegal in federal law, it has allowed individual states to legalize its cultivation, sale and use, despite Article VI of the Constitution, which makes federal law supreme over state law. I don't believe the Trump Administration will make a fuss about Canadian legalization because despite its words, it has taken no action against the growing trend toward legalization here. However, a bilateral irritant could develop as a result of the fact that the Canadian legislation draws the legal age for marijuana possession and use at 18, whereas the age limit in every American state that has legalized is 21. While it's still relatively easy for teenagers to get marijuana in the

U.S., the attraction of a cross-border flow of young Americans getting high without consequence in a Canadian marijuana Mecca could very well become a negative factor in the relationship. Some Canadians have also expressed concern about the consequences of wider spread use among young people resulting from commercialization of mariju-

“For the time being, Canada's marijuana policy will have little effect on drug policies in the United States and Mexico.”

— Melvyn Levitsky

na products. Scientific studies have shown consistently that the most vulnerable individuals for the onset of a variety of current and eventual mental illnesses from marijuana use are those aged 12-24. In addition, studies by a federal task force in Colorado show that since legalization of marijuana in 2013, teenage use has risen substantially, as have automobile accidents and fatalities in which marijuana was judged to be a factor. For the time being, Canada's marijuana policy will have little effect on drug policies in the United States and Mexico because implementing legislation and details of the policy in Canada's provinces still have to be worked out and because the results of the change in policy will not be known for several years."

APaul Armentano, deputy director at the National Organization for the Reform of Marijuana Laws (NORML): "It remains to be seen whether Canada's move to regulate the marijuana market will influence U.S. policymakers to similarly rethink and amend America's archaic and failed marijuana prohibition laws. U.S. voters strongly endorse such a policy change. According to polling data compiled by the Center for

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American Progress, 68 percent of registered voters—including majorities of Democrats (77 percent), Independents (62 percent), and Republicans (57 percent)—support the legalization of marijuana.’ However, unlike in Canada, voters’ sentiments have yet to be translated into political will. Despite possessing bipartisan public support, legislation to significantly reform U.S. marijuana policy languishes in Congressional committees. One potential exception is the recently introduced STATES Act, which creates an exemption to the Controlled Substances Act for states that regulate either the medical use or the adult use and distribution of marijuana, and has received public support from the president. But while the STATES Act is a welcome step in the right direction, its proposed changes are relatively modest compared to the sort of sweeping reforms enacted by our northern neighbor. If history is any example, U.S. politicians will likely continue to take a ‘wait and see’ approach before expressing a willingness to seriously consider such broader federal changes, such as removing marijuana from the Controlled Substances Act altogether. But they should not expect to voters to sit idly by. The longer American politicians delay, and the more lawmakers elsewhere act, the greater the pressure both political parties will inevitably face from an electorate that has made up its mind and is running out of patience.”

A **Tony Dean, independent Canadian senator from Ontario and sponsor of Canada’s marijuana legalization bill:** “Canada has major and long-standing problems with cannabis. It is clear that 95 years of prohibition has failed terribly. Our country has a globally high rate of youth consumption, a long history of criminalization for simple possession, and a burgeoning \$7 billion illegal market in

which the drug is untested for contaminants and potency. Our approach to legalization and strict regulation is designed to tackle these troubling problems head-on, including a new emphasis on public education and harm reduction. This is a cautious approach which reflects learning from the experience of several U.S. states—particularly in the area of cannabis advertising and promotions where Canada’s restrictions are considerably tighter than those in place for tobacco and



It is clear that 95 years of prohibition has failed terribly.”

— Tony Dean

alcohol. Every jurisdiction makes decisions on major health and social policies based on its own circumstances, and cannabis reforms are no different. Many countries now have extensive experience with medical cannabis regimes and, if the pattern seen in U.S. states is an indicator, this might be seen as a precursor to the legalization of recreational cannabis in some jurisdictions. Canada has been an active partner with North American drug enforcement and intelligence agencies in combating the production and trafficking of illegal drugs. This collaboration will continue, including a focus on illegal trafficking of cannabis and other drugs across borders. The legalization and strict regulation of cannabis in Canada is arguably a new approach to better controlling cannabis within our own borders.”

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

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Erik Brand

Publisher

ebrand@thedialogue.org

Gene Kuleta

Editor

gkuleta@thedialogue.org

Anastasia Chacón González

Reporter

achacon@thedialogue.org



Michael Shifter, President

Genaro Arriagada, Nonresident Senior Fellow

Sergio Bitar, Nonresident Senior Fellow

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