FEATURED Q&A

What Is the Road Ahead for NAFTA’s Replacement?

Q The United States, Mexico and Canada are on track to sign the new United States-Mexico-Canada Agreement, or USMCA, with ratification of the deal in the three countries pending until next year. What does the road ahead look like for USMCA? How will the U.S. midterm election in November and Mexico’s incoming presidential administration in December affect the deal’s ratification? What does the accord say about U.S. President Donald Trump’s bargaining strategies, and what lessons can other countries hoping to renegotiate trade agreements with the United States draw from USMCA?

A Andrés Rozental, member of the Advisor board, president of Rozental & Asociados in Mexico City and senior policy advisor at Chatham House: “Although the three countries of North America were finally able to bridge differences and agree on a ‘new’ deal, the road ahead looks precarious. It will not be possible for the current U.S. Congress to ratify the USMCA (I hate this acronym and Mexicans have already changed it to one of several alternatives: AMEC, MUCA, MUSCA, etc.) so it will fall to whatever Congress results from the midterm elections in November. If, as polls indicate, the Democrats win a majority in the House—and maybe even in the Senate—the path forward for the agreement could be considerably more complex. There are already legislative voices expressing opposition to at least one of the deals reached on Sept. 30, and once the details of the text are studied other important actors may also turn against it. The Mexican Congress—recently elected and totally dominated by López Obrador and his party—will most certainly approve the agreement after it is signed and once what will happen in

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Peruvian Police Arrest Keiko Fujimori in Campaign Probe

Peruvian police on Wednesday arrested Keiko Fujimori, the leader of the country's opposition Popular Force party, in connection with an investigation into alleged illicit campaign financing, El Comercio reported. Fujimori's arrest came a week after Peru's Supreme Court annulled a pardon that then-President Pedro Pablo Kuczynski gave her father, former President Alberto Fujimori, and ordered that he be arrested and sent back to prison. A court on Wednesday ordered that Keiko Fujimori be detained for 10 days, saying she posed a flight risk and could obstruct prosecutors from investigating the campaign finance case, the country's judiciary said in a posting on Twitter. Nineteen other people were detained along with Fujimori, including Jaime Yoshiyama, her former campaign finance director, Bloomberg News reported. Investigators are probing allegations that Fujimori received illegal donations from scandal-plagued Brazilian construction conglomerate Odebrecht for her 2011 campaign for president. The Multi-country Odebrecht bribery scandal has already led to corruption allegations against four former Peruvian presidents. Most recently, Kuczynski resigned in March amid allegations that a firm he owned accepted money from Odebrecht, which has admitted to paying millions of dollars in bribes across Latin America. Prosecutors began the probe against Fujimori last year and at the time, she denied wrongdoing, saying the allegations were politically motivated. In addition to probing the alleged illegal campaign contributions, investigators are looking into allegations that Fujimori met with a Supreme Court judge to talk about the case. Authorities arrested Fujimori as she went to downtown Lima to testify to prosecutors, her attorney, Guiliana Loza, told Canal N. Loza called Fujimori's arrest "arbitrary and abusive." Fujimori's arrest has led to greater political risk in Peru, analysts at Chile-based brokerage LarrianVial told clients in a note, Bloomberg News reported. "We expect the legislative branch to exert greater scrutiny of government actions, thus diverting government focus and slowing down infrastructure works," analysts at the brokerage wrote.

Advisor to Brazil’s Bolsonaro Probed in Fraud Case

A top advisor to Brazilian far-right presidential candidate Jair Bolsonaro is being investigated for alleged investment fraud that caused losses of up to $4.3 million to state-controlled pension funds, Folha de S.Paulo reported Wednesday. Federal prosecutors say investment funds owned by economist Paulo Guedes, who is considered a potential finance minister in a Bolsonaro presidency, received one billion reais ($270 million) from some of Brazil’s largest pension funds to invest in the education industry in illegal arrangements with the pension funds’ administrators for six years, The Wall Street Journal reported. The pension funds, whose administrators are currently under investigation for alleged mishandling of workers’ savings, control the retirement plans of employees working at state companies. “There is evidence that, between February 2009 and June 2013, managers of pension funds ... colluded with [Guedes] to commit fraudulent or reckless management [and] to issue or trade securities without collateral," prosecutors say, the newspaper reported. Guedes’ lawyers are "perplexed" the news is coming out during the election, and they said in a statement that they intend to demonstrate that the investments under investigation were profitable for investors.

Chile’s Piñera Open to Talks With Bolivia on Border Dispute

Chilean President Sebastián Piñera on Wednesday said he would consider an appeal by Bolivian President Evo Morales for renewed dialogue over a long-running border dispute, adding Bolivia must first drop its demand to access the Pacific Ocean through Chilean territory, Reuters reported. Bolivia surrendered its coastline to Chile in a 1904 treaty, leaving it landlocked. On Oct. 1, the United Nations’ International Court of Justice ruled Chile was not obliged to negotiate Bolivia’s access to sea.

Ex-Argentine Planning Minister Sentenced in Train Crash Case

Former Argentine Planning Minister Julio De Vido was sentenced to five years and eight months in prison for defrauding the public administration, in connection to a deadly train crash in 2012, the Associated Press reported. The crash, which Argentina’s independent auditor general later suggested was a consequence of mismanagement, corruption and disrepair, killed more than 50 people and injured 700 people. De Vido is already serving time on corruption-related charges.

Panama Begins Sharing Client Data With Foreign Tax Authorities

Panama’s government has started to share client information with tax authorities in 31 countries in order to meet global transparency standards of the OECD, Uruguayan daily newspaper El País reported today. The first automatic information exchange involves approximately 660 reports from 337 financial entities under the Common Reporting Standard, according to Panamanian tax authorities, International Investment reported.
**BUSINESS NEWS**

**Petrobras, Murphy Oil Form Venture to Explore in Gulf**

Brazilian state-owned oil company Petrobras and Murphy Oil are forming a new joint venture to explore oil and gas fields in the Gulf of Mexico, the U.S.-based company said in a statement on Wednesday. Petrobras will have a 20 percent stake in the joint venture, while Murphy will hold the remaining 80 percent stake. Both companies will contribute all their existing producing assets in the Gulf of Mexico to the joint venture with Murphy overseeing all operations. The joint venture will produce 75,000 barrels of oil equivalent per day to Murphy’s Gulf of Mexico production, of which 97 percent is oil, the company said. “We believe the combined strengths of Petrobras and Murphy will yield significant long-term value for both companies,” said Roger W. Jenkins, president and chief executive of Murphy, in the statement. The deal is one of the few things that Petrobras has been able to reach since Supreme Court Justice Ricardo Lewandowski ruled in June that all sales of subsidiaries should go through Congress, Reuters reported. The Brazilian company will receive $1.1 billion in the transaction, which Murphy expects will close by the end of the year.

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Washington becomes clear. Despite current President Peña Nieto having pushed hard to be the one to sign the agreement at the end of November, it falls on the new AMLO administration to lobby the left-dominated Mexican Congress and others to go along with it. I don’t believe this trilateral agreement necessarily has application to other trade negotiations that the United States has or will have with third countries or regional groupings because each relationship is different, and they do not have the advantage of an existing treaty on which to base a renegotiation.”

_Arturo Sarukhan, board member of the Inter-American Dialogue and former Mexican ambassador to the United States:_ “Much Ado About Nothing? The newly-minted USMCA does look very similar to NAFTA. Yes, Mexico and Canada survived to fight another day by—not insignificantly—saving North America’s FTA and hoping that thanks to the new review mechanisms, they can re-tweak it once Trump is no longer president. Given the current political landscape in Washington, it’s no minor achievement. But beyond USMCA’s positive impact on international financial markets and new and key provisions on digital flows, energy, stronger IP protection, e-commerce and safeguards against government meddling in trade and financial services, some issues merit careful consideration. This is a political victory for Trump, who wanted a trophy more than a treaty, and got one. Going into the midterms, he will now be able to sell—facts be damned—that reform of Mexican labor laws, which AMLO supports. Mexico’s Congress has passed labor law reform, and the states have ratified it. Implementing legislation, however, still needs to be passed. USMCA’s Labor Chapter Annex on Mexican workers’ rights can provide additional pressure and is agreeable to progressive labor activists and lawyers—many of them now in AMLO’s administration and in the Mexican Congress—giving them additional reasons to be supportive.”

**A** _Tamara Kay, associate professor of global affairs and sociology at the University of Notre Dame’s Keough School of Global Affairs_ "In the United States, the fate of the USMCA will likely hinge on how labor unions, environmental organizations, consumer rights groups and other civil society voices respond to the deal in the coming months. The votes in Congress are unlikely to occur until 2019, so there are currently no major media campaigns or mass mobilizations around it, but that could change. Publicly, Democrats, whose votes will be needed for final passage and ratification, are taking a wait-and-see approach, stating that more work needs to be done to win their endorsements. However, organizing is going on behind the scenes with a steady drumbeat among activists and Democrats calling for stronger enforcement mechanisms for labor and environmental standards. If the Democrats gain control of either chamber, they will be in a better position to strengthen the agreement and, therefore, less likely to block ratification of the USMCA. If the Republicans retain control and the agreement does not meet activists’ and Democrats’ demands, they may fight to kill the deal. In Mexico, the economy is even more dependent on preserving NAFTA, so the Mexican Congress is likely to approve it. In addition, there is tremendous momentum for progressive labor law reform since AMLO’s election. However, AMLO’s progress on this is likely to face resistance from other members of the cabinet and the political parties. The challenge for progressive labor activists and lawyers is to work behind the scenes with a steady drumbeat to ensure that the USMCA meets their standards for labor and environmental protections. This is a political victory for Trump, who wanted a trophy more than a treaty, and got one. Going into the midterms, he will now be able to sell—facts be damned—that reform of Mexican labor laws, which AMLO supports. Mexico’s Congress has passed labor law reform, and the states have ratified it. Implementing legislation, however, still needs to be passed. USMCA’s Labor Chapter Annex on Mexican workers’ rights can provide additional pressure and is agreeable to progressive labor activists and lawyers—many of them now in AMLO’s administration and in the Mexican Congress—giving them additional reasons to be supportive.”

_This is a political victory for Trump, who wanted a trophy more than a treaty, and got one._

—Arturo Sarukhan

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The political implications of the USMCA have arguably already hit Canada at the provincial level in advance of next year’s federal elections.”

— Carlo Dade

The Future of Quebec (CAQ) won an outright majority through strong support in the suburbs and, importantly, rural Quebec, considered the national stronghold of the supply managed dairy sector. In the end, and if necessary, it may take the Americans offering relief on 232 tariffs on steel and aluminum and as a result relief to Quebec’s important aluminum industry, to move the Quebec government. The larger concern with the agreement, though, should remain the lack of certainty about ratification in the U.S. Congress after the midterm elections and costs of continuing uncertainty. Setting aside questions about negotiating tactics, the larger takeaway for other countries is that the United States has raised the price for simple, continued access to its market.”

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