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FEATURED Q&A

Is a Proposed Rail Merger Good for North America?



A merger between Canadian Pacific Railway and Kansas City Southern would create the first rail network connecting Canada, the United States and Mexico. // File Photo: Canadian Pacific Railway.

Q A merger agreement announced in March between Canadian Pacific Railway and Kansas City Southern, if approved, would create the first freight rail network connecting Canada, the United States and Mexico. The \$25 billion merger could open up opportunities for increased trade between the three countries, the companies said. How likely are U.S. regulators to approve the merger, given concerns over antitrust issues related to similar agreements in the past? In what ways would the combined railway increase and facilitate commerce and trade across North America, and which sectors would benefit the most from it? What implications could the new rail network have on other aspects of the countries' transportation sectors, particularly the trucking industry?

A Antonio Ortiz-Mena, senior vice president at Albright Stonebridge Group: "Should it come to fruition after pending regulatory reviews, the North American rail network could be a game changer for regional competitiveness. It is a market-led trilateral approach that will reduce transportation emissions and transaction costs for intra and extraregional trade in agricultural products, energy, and auto parts, among others. Under NAFTA, there were myriad trilateral summits and statements about enhancing regional competitiveness, but the region remains a laggard on rail infrastructure: out of 103 countries in the 2019 WEF Report, the United States, Canada and Mexico rank 37th, 56th and 69th, respectively. The new network would connect North-South trade and also with the Asia-Pacific region; for the

Continued on page 2

TODAY'S NEWS

POLITICAL

Rights Groups Urge U.N. to Name Envoy to Address Andean Violence

Dozens of organizations have called on the United Nations to appoint a special envoy to address the violence between the Venezuelan armed forces and Colombian illegal armed groups.

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BUSINESS

Insurers in Venezuela May Limit Covid Payouts: Gov't

Venezuela has reportedly told insurance companies that they may limit payouts related to Covid-19.

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POLITICAL

Brazil Records More Than 66,000 Deaths From Covid-19 in March

Brazil shattered its monthly record Covid-19 death toll in March.

President Jair Bolsonaro is facing intense criticism over his handling of the pandemic.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Brazil Records More Than 66,000 Covid Deaths in March

Brazil recorded 66,573 deaths from Covid-19 in March alone, shattering its previous monthly record death toll for the disease, Agence France-Presse reported today. The South American country's death toll last month from the disease was more than twice the previous monthly record of 32,881, set last July. "Never in Brazilian history have we seen a single event kill so many people" in one month, said physician Miguel Nicolelis, former coordinator of the pandemic response team in northeastern Brazil. As winter approaches in the Southern Hemisphere, Brazil faces "a perfect storm," Nicolelis told AFP. "That's a threat not just for Brazil but for the entire world." In March, Brazil also set multiple daily record death tolls from Covid-19, the latest one on Wednesday, when the Health Ministry reported 3,869 deaths from the disease. Among the reasons for the surge in cases in Brazil is the P.1 variant of the novel coronavirus, which can reinfect people who have already had Covid-19 but recovered, according to health experts. The variant has spread to more than two dozen

other countries, including the United States, Britain and Japan. As the disease continues spreading unchecked in Brazil, researchers say more variants could emerge and spread to other countries. Researchers at Brazil's Butantan biomedical institute said Wednesday that they have detected another variant of the coronavirus in São Paulo state that appears to be similar to one first detected in South Africa, Reuters reported. The patient infected with the variant had no history of traveling to South Africa, the institute's president, Dimas Covas, told reporters. The South African variant has caused alarm among public health experts as it is unclear how effective current vaccines are against it, Reuters reported. Brazilian President Jair Bolsonaro, who has faced intense criticism over his resistance to lockdowns and the use of face masks, on Tuesday signed an executive order to disburse 5.3 billion reais (\$918 million) in order to fight the pandemic. The money will be used to support Brazil's health care system. Bolsonaro launched a crisis committee to address the pandemic, but at its first meeting on Wednesday, he persisted with his opposition to lockdown measures that have been used around the world in an effort to fight the pandemic, AFP reported. "We're not going to solve the problem by staying at home," he said. The statement contradicted his new health minister, who urged Brazilians to "respect social distancing."

NEWS BRIEFS

Chile Regulator Approves State Grid's Acquisition of Naturgy's Chilean Unit

Chile's competition regulator on Wednesday approved Chinese company State Grid International Development's \$3 billion acquisition of Spanish power firm Naturgy's Chilean unit, Compañía General de Electricidad, Reuters reported. Naturgy announced last November that it had agreed to sell 96 percent of CGE to China's State Grid. Chile's antitrust authority said in a statement that it had given its unconditional approval for the deal, adding that it did not substantially affect competition in the electricity sector, Reuters reported.

Bolivia Eyes Completion of Initial Phases of Nuclear Research Center

Bolivia is set to complete the initial two phases of a \$351 million nuclear research center by the second half of the year, Nuclear Engineering International reported Tuesday. The announcement came during a visit to the center by Russian Ambassador to Bolivia Mikhail Ledenev and Alexey Altynov, the vice president of Russian state nuclear company Rosatom, which is working on the project in Bolivia. The center is currently under construction in El Alto, just outside La Paz. Subsequent phases are to be completed by 2024, according to the report.

Analysts Forecast More Moderate Inflation in Colombia for March

Analysts are expecting more moderate inflation in Colombia for March amid a slight recovery in domestic consumption, Reuters reported Wednesday. The analysts in the poll by the wire service expected consumer prices to have increased 0.42 percent last month, as compared to the 0.64 percent increase in February and the 0.57 percent rise recorded in March 2020.

FEATURED Q&A / Continued from page 1

Pacific, Vancouver and Lázaro Cárdenas are included, but a connection to Salina Cruz via the Trans-Isthmus corridor would be ideal (it is in its initial phase and would require connecting the Veracruz and Coatzacoalcos ports). To enhance the potential of the new North American rail network, USMCA Chapter 7 could be used to harmonize all rail cargo manifests, Chapter 28 to streamline other regulations affecting rail connectivity and Chapter 26, on competitiveness, to deal with other legal or regulatory issues impeding seamless connectivity, such as obviating the need for changes of locomotive engineers, crew and equipment throughout the region.

Pending issues in Mexico would drastically reduce train robberies, which remain at unacceptably high levels, and would determine if and how the North American rail system can connect with the Mayan train, which will be for passengers and cargo and operated by the Mexican military."



Francisco Sánchez, partner at Holland & Knight and former U.S. undersecretary of trade:

"The combined Canadian Pacific-Kansas City (CPKC) railroad network would be the first to connect the United States, Mexico and Canada through 20,000

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Rights Groups Seek U.N. Envoy Amid Andean Violence

A group of 60 organizations including human rights and humanitarian groups in Venezuela and Colombia on Wednesday urged the United Nations to name a special envoy to address the violence between the Venezuelan armed forces and Colombian illegal armed groups near the countries' border, and the resulting humanitarian crisis, Reuters reported. Colombia's government estimates that approximately 4,000 people have fled Venezuela for Colombia since March 21 after Venezuelan armed forces launched an offensive against armed groups in La Victoria, a town in the Venezuelan border state of Apure. "There's the [National Liberation Army], FARC dissidents, the Narcotialia, and of course the interest that the Bolivarian Armed Forces have in this drug trafficking business," Colombian Defense Minister Diego Molano said on Sunday, Reuters reported. Last week, Colombian Gen. Mauricio José Zabala, the commander of the Colombian National Army's 8th Division, said Molano had ordered an increase in troops in response to the violence, according to Colombia Reports. Some of those who fled to Colombia said Venezuelan troops are carrying out arbitrary detentions and murders of civilians, charges that Venezuelan Defense Minister Vladimir Padrino has denied.

BUSINESS NEWS

Insurers May Limit Covid Payouts: Venezuelan Gov't

Venezuela's government has told insurance companies that they can limit payouts related to Covid-19, Reuters reported Wednesday, citing a government document it reviewed. In the document, which was sent to insurance companies and dated March 16, Venezuela's insurance regulator said insurers would be

THE DIALOGUE CONTINUES

How Will Lula Shake Up Brazil's Political Landscape?

Q **A Brazilian Supreme Court judge on March 8 annulled the criminal convictions against former leftist President Luiz Inácio Lula da Silva, leading to speculation that the move will pave the way for Lula to run in the 2022 presidential election. Though the decision could still be overturned, the political uncertainty shook Brazilian financial markets. How likely is it that Lula will run for president next year? How does the possibility of a Lula candidacy alter Brazil's political dynamics, and in what ways could it affect the agenda of President Jair Bolsonaro, who is likely to run for re-election? What implications does the ruling have for anti-corruption efforts in Brazil?**

A **Peter Sufrin, independent Washington-based analyst:** "The annulment of criminal convictions against Lula reveals the curious and somewhat contradictory status of Brazilian politicians, who can maintain privileged status and at the same time function in the interests of the common people. Lula is a case in point. His 2002 'Letter to the Brazilian people' outlined plans for income redistribution and poverty alleviation, which were popular with the Brazilian populace

but contrasted sharply with the reality of 'jeito brasileiro,' by which democratic values are superseded by the old way of doing business. Although Lula's 'Teflon' image demonstrates that he may have beaten the rap of the Lava Jato conviction, he embodies

“ Lula may prove 2022 to be a contentious and exciting year for a possible return to PT leadership...”

– Peter Sufrin

even more the ongoing reality of a system that forgives elites and allows for political participation long after conviction. If he can muster a viable candidacy in opposition to Bolsonaro, Lula may prove 2022 to be a contentious and exciting year for a possible return to PT leadership, solidifying his role as a man who has survived incrimination and lived to see newfound political legitimacy."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the March 17 issue of the Advisor.

required to cover a maximum of 14 days in intensive care in private health care facilities and pay out no more than \$25,000 per Covid-19 patient. The country's health care system, which has deteriorated in recent years amid hyperinflation and a lack of funds, is the method through which most Venezuelans access health services, the wire service reported. The informal dollarization of Venezuela's economy has led to a dramatic increase in the cost of health insurance for the few Venezuelans who have private insurance and go to private health care clinics. It was unclear how many Venezu-

elans would be affected by the government's instructions to private insurers. The government regulator did not respond to a request for comment by Reuters. The Andean nation is experiencing a second wave of infection, which President Nicolás Maduro has blamed on the soaring number of infections in Brazil. Venezuela has recorded more than 160,000 cases of Covid-19 and more than 1,600 deaths, according to Johns Hopkins University. However, experts have said the country's actual numbers of cases and deaths are far higher due to a lack of testing, Reuters reported.

FEATURED Q&A / Continued from page 2

miles of rail. The U.S. Surface Transportation Board (STB) still must approve the merger. The STB will determine whether the merger would unduly affect customers by decreasing independent rail options. The STB is expected to use much of the 16 months it is allowed to make the decision, meaning that

“**A successful merger would likely spur North American trade by taking advantage of the 2018 United States-Mexico-Canada Agreement...**”

– Francisco Sánchez

the outcome of this merger will be unclear until mid-2022. A successful merger would likely spur North American trade by taking advantage of the 2018 United States-Mexico-Canada Agreement, which updated NAFTA. The grain, auto and energy sectors, with supply chains and customers spanning North America, would have single-haul options connecting the Pacific Ocean with the Gulf Coast. This would decrease costs and boost efficiencies. For example, Canadian auto parts manufacturers would have more direct links to Mexican auto manufacturers. In turn, those auto manufacturers would have more direct links to customers in the United States and Canada. The merger would position CPKC to compete directly with the trucking industry, especially in the Midwest and Southern region of the United States, by increasing the ease of intermodal shipping. In the past, the STB has denied other merger attempts by Canadian Pacific. However, industry analysts have noted that this deal is smaller than those proposed in the past, meaning there is reason for cautious optimism for the merger in 2022.”

A **Ellen Voie, president and CEO of the Women In Trucking Association in Plover, Wis.:**
“The merger agreement between Canadian Pacific Railway and Kansas City Southern would align with the trucking industry’s need to leverage intermodal operations for cross-border commerce. The benefits for trucking companies would be numerous, including addressing the concern about the need for more drivers. For Women In Trucking, the initiative will reduce current truck congestion at the borders due to both Covid restrictions and customs requirements. Additionally, placing longer-haul loads on rail would allow the industry to focus more on shorter, more regional truck moves, which allow drivers to have a better work-life balance by working in operations closer to home. There is also the concern about safety, and for female drivers this is a

“**Placing longer-haul loads on rail would allow the industry to focus more on shorter, more regional truck moves...**”

– Ellen Voie

top priority. Crossing or delivering trailers to the U.S.-Mexico border is not always safe, so putting the shipments on rail would alleviate some of these issues as well. A North-South rail network would positively change the current challenges facing drivers who haul cross-border loads and would ease some of the concerns facing both women and men in the trucking industry.”

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

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