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FEATURED Q&A

What Do Tariffs on Chinese Goods Mean for Latin America?



The United States is imposing higher tariffs on several Chinese imports. A ship and cars made by Chinese vehicle manufacturer BYD are pictured. // File Photo: BYD.

Q U.S. President Joe Biden last month announced an increase in tariffs on several Chinese imports, including not only electric vehicles, but also advanced batteries, solar cells, steel, aluminum and medical equipment. Biden said the tariffs are an effort to counter Chinese government subsidies, which he said give China's products an unfair advantage in global trade. How will the tariffs affect trade between the United States, Central America and Mexico, particularly amid the "nearshoring" trend? How do the tariffs affect relations between the United States and Mexico? Which sectors stand to be most affected by the tariffs?

A Francisco Sanchez, partner, and Caroline Howard, associate, at Holland & Knight: "President Biden's plan to increase tariffs on several Chinese imports is a strategic move to counter Chinese government subsidies that give China an unfair trade advantage. The implementation of these tariffs has the potential to affect U.S.-Mexico trade relations both positively and negatively. The countries are part of an interconnected supply chain, especially within the framework of the USMCA. Mexico, a significant manufacturing hub, will likely experience an increase in U.S. demand for certain products. At the same time, disruptions in industries reliant on Chinese imports for components or raw materials may experience significant challenges. Consequently, Mexican manufacturers might need to seek alternative suppliers or face increased production costs, potentially leading to higher prices for consumers in both the United States and Mexico. In response to these tariffs, nearshoring—the practice of relocating production closer to home—will

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Russian Warships Conduct Drills En Route to Havana

Two Russian military ships conducted missile drills Tuesday in the Atlantic Ocean while headed to Cuba for exercises, Russia's defense ministry said.

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U.S. Court Gets Offers for Shares in Citgo's Parent Firm

An auction for shares in Venezuelan-owned, U.S.-based oil refiner Citgo's parent company closed Tuesday.

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POLITICAL

Haiti Forms New Gov't, Conille to Also Serve as Interior Minister

Haiti named a new government under interim Prime Minister Garry Conille. In the new cabinet, Conille will also serve as interior minister, putting him in charge of intelligence gathering and much of the country's security forces.

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Conille // File Photo: United Nations.

POLITICAL NEWS

Russian Warships Conduct Drills While Headed to Cuba

Two Russian military vessels—a naval frigate and a nuclear-powered submarine—conducted drills in the Atlantic Ocean while on their way to Cuba, Russia's defense ministry said Tuesday in a statement, Reuters reported. The drills conducted by the Admiral Gorshkov frigate and the Kazan submarine involved firing high-powered missiles at mock enemy targets from a distance of more than 370 miles, the Russian ministry said in the statement. The Admiral Gorshkov has on board Zircon hypersonic

Four Russian warships are scheduled to be in Cuba until June 17.

missiles, which Russia uses on frigates, cruisers and submarines and can be used against targets at sea and also on the ground, the Associated Press reported. Russian President Vladimir Putin has said the missiles can penetrate anti-missile defenses by flying nine times faster than the speed of sound, with a range of more than 620 miles. The frigate also recently conducted exercises to train on repelling an air attack, Russia's defense ministry said, Reuters reported. The two vessels are part of a group of four Russian military ships that are due to arrive today in Cuba. The Caribbean nation's government said the visits were part of standard procedures from countries that are allies of Cuba, that the ships were not carrying nuclear weapons and that they posed no threat to the area, Reuters reported. However, the United States is closely monitoring the exercises amid high tensions between Russia and Western nations over Russia's war with Ukraine. A U.S. official told reporters last week that Washington does not see the drills as threatening but

added that the U.S. Navy is monitoring the exercises. "This is about Russia showing that it's still capable of some level of global power projection," the official said, Reuters reported. The ships are scheduled to be in Havana until June 17, according to Cuba's foreign ministry, Bloomberg News reported.

Haiti Forms New Gov't, Replaces All of Henry's Ministers

Haiti on Tuesday formed a new government to serve under interim Prime Minister Garry Conille, with a new cabinet replacing all of the ministers who were in place under former Prime Minister Ariel Henry, BBC News reported. The announcement, published in the country's official gazette, came two weeks after Haiti's transitional council named Conille, who spent years working as a U.N. development expert, as the country's interim prime minister. According to the list of ministers published Tuesday, Conille will also serve as the country's interior minister. In that role, he will oversee much of the country's security forces and intelligence gathering, Reuters reported. The justice ministry will be led by Carlos Hercule, a lawyer who previously headed the Port-au-Prince bar association and has served on the electoral council that is charged with preparing the country for elections, Reuters reported. In the role, he will oversee the country's police and justice system. Ketleen Florestal, who has been an advisor to multilateral lenders, was named finance minister and will also oversee the planning and international cooperation ministry. Jean Marc Berthier Antoine will lead the defense ministry, putting him in charge of Haiti's army. The list of ministers also includes Dominique Dupuy, Haiti's ambassador to U.N. cultural agency UNESCO, who will take over the foreign ministry. Antoine Agustin, a university professor, will take over the education and communications ministries. Also on Tuesday, Conille's office said he met with Dennis Hankins, the U.S. ambassador to Haiti, to discuss U.S. support for a long-delayed deployment of a security force, to be led by 1,000 Kenyan police officers. Kenya's

NEWS BRIEFS

Canadian Border Agents Union Reaches Tentative Deal With Government

The union that represents Canadian border agents has reached a tentative deal with Canada's government that could avert a strike that has the potential to disrupt trade, The Wall Street Journal reported Tuesday. The Public Service Alliance of Canada had set Friday as a strike deadline, but the union's president called a tentative settlement, which includes wage increases, a victory for members.

Brazil Hires OpenAI to Aid in Screening Lawsuits

The Brazilian government will hire U.S. artificial intelligence firm OpenAI to aid in screening lawsuits, Reuters reported. Brazil has been inundated by court-ordered debt payments and intends to use the AI service to pinpoint lawsuits that require action before final decisions, identifying trends and potential actions for the solicitor general's office to increase efficiency and avoid court losses. The government estimates judicial decisions in which it can no longer file an appeal will cost Brazil 70.7 billion reais, or \$13.2 billion, next year alone.

Guatemalan Gov't Orders Investigation Into Prison Guards

Guatemala's government announced Tuesday it had requested an investigation into more than 100 prison guards after thousands of dollars in cash, mobile phones and even pets were found in a prison, Reuters reported. The complex, located south of the capital Guatemala City and known as "El Infierno," housed 225 suspected members of the Barrio 18 criminal organization who were transferred on June 2 to another facility, after which authorities discovered the cash and pets, which included crocodiles and hawks.

president told BBC News on May 24 that he expected the Kenyan police, who are to help Haitian authorities fight the gangs that have taken over parts of the country, to be deployed within three weeks.

BUSINESS NEWS

U.S. Court Receives Offers for Shares in Citgo's Parent Firm

An auction for shares of Venezuelan-owned, U.S.-based oil refiner Citgo's parent company closed Tuesday, Reuters reported. A U.S. federal court in Delaware conducted the auction to help pay back Citgo's 18 creditors, who are seeking \$21.3 billion in claims related to debt defaults and expropriations dating back to the policies of former President Hugo Chávez, who nationalized many assets. The ultimate parent of Citgo is Venezuela's state oil firm PDVSA, although Citgo severed ties with the state-run company in 2019. President Nicolás Maduro has accused the auction process as Washington facilitating the theft of Venezuelan foreign assets. The offers made in the auction were legally binding, and the court received at least one credit bid. U.S. based mining company Gold Reserve, which operates in Venezuela's Bolívar State, has a \$1 billion claim against the government of Venezuela and announced it had presented an offer alongside U.S. corporation FJ Management, which is involved in oil and refining, Reuters reported. Gold Reserve did not disclose the bid amount, but Bloomberg News reported Tuesday that the firm is part of a group seeking funding from U.S. financial giant JPMorgan Chase & Co for a \$7 billion bid. The first round of bidding, which was non-binding, closed in January but failed to break \$8 billion, despite Citgo being valued at between \$11 billion and \$13 billion. Reuters reported last week that Citgo's supervisory board and representatives of Venezuela's opposition had met with U.S. officials in an attempt to halt the auction, urging the court to pause the process until after the country's elections in July.

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likely gain momentum. U.S. companies could increase investments in Mexico and other Central American countries to mitigate supply chain risks and reduce dependence on Chinese imports. This shift would benefit sectors such as automotive, electronics, advanced batteries and renewable energy, fostering regional economic integration and boosting local economies. Nearshoring could also enhance job creation and technological advancements in Mexico and Central America, strengthening economic ties and collaboration within the region. While these tariffs aim to level the playing field and address trade imbalances with China, they might inadvertently cause short-term economic disruptions. Yet, in the long run, they could promote more resilient and integrated North American supply chains, enhancing the region's economic stability and competitiveness."

A **Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue:**

"Biden's measures are in many ways an extension of the Trump administration's trade policy toward China, but they are also driven by growing concern among U.S., European and other manufacturers about China's industrial policy, which is actively supporting some degree of overcapacity in key industries. China's often artificially low-priced tech has flooded global markets, including in Latin America, where some countries have implemented their own restrictions, such as recent Mexican, Chilean and Brazilian tariffs on Chinese steel. The Biden tariffs won't have a substantial impact on U.S. trade with Latin America as most countries in the region haven't invested heavily in targeted industries to date. A possible exception is in the medical equipment industry, which has been a focus of investors in Central America and elsewhere, as they attempt post-pandemic supply chain diversification. These restrictions will also potentially encourage more Chinese compa-

ny investment in Latin America in pursuit of U.S. markets. U.S. tariffs drove much of the surge in Chinese automobile and components production in Mexico in recent months and years. Chinese companies will also increasingly look to Latin America as a critical, and still relatively open, market for these and other high-tech manufactures. Chinese electric vehicle sales in the region have surged in just the past two years, reaching \$2.7 billion in 2023. In general, the United States would seem largely focused on achieving self-sufficiency in new tech—even at the risk of limiting access to low-cost energy transition inputs. The United States still lacks a forward-looking and strategic conceptualization of regional cooperation as fundamental to hemispheric economic security—although passage of the Americas Act would do much to shift the narrative."

A **Diego Marroquín Bitar, inaugural Bersin-Foster North America Scholar at the Wilson Center:**

"Globalization and supply chains have fundamentally changed since the U.S.-China trade war began. The focus has shifted from reducing costs and maximizing efficiency to emphasizing sustainability, transparency and resiliency. Additionally, our approach to international trade is moving toward a more managed phase, aiming to control trade flows rather than simply liberalize them. The U.S.-Mexico-Canada (USMCA) trade agreement exemplifies this by raising content rules and wage requirements for the region's auto industry. The tariffs announced last month respond to these macro trends and to the realization that reliance on China's significant market share and excess production capacity in critical sectors like batteries, medical devices, semiconductors and solar panels transforms dependencies into national security threats. Unlike the United States' achievement of energy independence through technological advancements, combating China's dominance requires collaboration with North American partners.

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The recent tariffs affect only about 4 percent of U.S.-China trade but create opportunities for Mexico and Canada to provide the skilled work force, minerals and intermediate inputs needed to onshore production, diversify suppliers and stockpile materials in preparation for major disruptions. A supportive business and regulatory environment, a cleaner energy matrix and USMCA compliance will reinforce the benefits of nearshoring in Mexico. Without them, Mexico will again fail to reach its full potential and fill the import gap left by China.”

A **Lucinda Vargas, associate director of the Center for Border Economic Development at New Mexico State University:**

“An immediate result of this new wave of increased U.S. tariffs on imported Chinese products, such as aluminum and steel, is that third countries like Mexico—that end up with these Chinese inputs in their manufactured goods—may also take a hit if the goods are aimed at the U.S. market. Still, Mexico last year imposed its own tariffs on steel and aluminum from China as it targeted countries outside those with which it has a free-trade agreement. But Mexico now finds itself in a tight spot. Last month, Mexico was forced to eliminate the tariffs on aluminum from China and other Asian countries, amid a shortage of it needed to service the country’s burgeoning automotive and electronics industries being propelled by the nearshoring trend. Such developments are what the United States will be closely inspecting in its 2026 USMCA review. The question remains, however: to what extent is Mexico free to engage with China in its trade and foreign direct investment while a member of the USMCA? Even if Mexico recognizes the need to maintain U.S. favor to ensure USMCA renewal, the country will also resist an arbitrary dictation of terms by the United States when it comes to its dealings with China. Mexico’s bargaining chip: in the nearshoring phenomenon that now characterizes much of the U.S.-Mexico economic

relationship, it can be argued that the United States needs Mexico, as much as Mexico needs the United States, to spur industrial growth in their respective countries, and it may be recognized that China cannot be left out of the equation altogether.”

A **David Castrillón-Kerrigan, research professor at the Universidad Externado de Colombia’s School of Finance, Government and International Relations:** “The protectionist momentum initiated under Trump, America’s increasingly apparent non-competitive edge in certain strategic sectors and electoral pressures have all come together to push the Biden administration to adopt a desperate global whack-a-mole strategy on Chinese inroads and leadership in innovation spaces. The recent announcement of tariffs on Chinese electric vehicles and other green products is only the latest salvo of a strategy that has not only failed to keep China from growing in standing as a global green tech champion and leader, but which has also hurt the United States’ own clean energy transition, all while inflicting pain and uncertainty on some of its closest partners in the region and beyond. The effect that these decisions have on partners in the region plays out in at least two ways. First, by placing U.S. manufacturing, U.S. jobs and U.S. interests ahead of anyone and anything else. The ‘Buy American’ provisions of the 2022 Inflation Reduction Act illustrate this point well, making Latin America nothing but a customer or a commodities depot at the bottom of the production value chain—one unworthy of aspiring to participate in higher value-added activities. Second, and tied to the first point, decisions like this put Latin American countries between a rock and a hard place, by signaling that cooperation with China on these activities is also out of bounds. But with flagging credibility and no alternatives to entice partners in the region, will Latin American countries simply yield? Unlikely.”

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