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FEATURED Q&A

How Well Is the USMCA Protecting Workers' Rights?



Mexico last month agreed to investigate alleged labor law violations at a Volkswagen plant. A vehicle manufacturing facility in Mexico is pictured. // File Photo: Mexican Government.

Q Mexico's labor and economy ministries accepted a request on June 11 from the Office of the U.S. Trade Representative to investigate alleged violations of workers' rights at a Volkswagen car manufacturing plant in Puebla. The request was made under the United States-Mexico-Canada Agreement, or USMCA, following a petition from workers alleging they were being denied the right to unionize. How well is the USMCA working with regard to labor rights? Are the United States and Mexico cooperating well on labor disputes and compliance with the labor standards of the USMCA? How well will Mexico's incoming president, Claudia Sheinbaum, be able to work with the United States on labor issues?

A Carlos Ferran Martínez Carrillo, managing partner, and Zaret Valencia Martínez, associate, at Ferran Martínez Abogados in Mexico City: "The USMCA has proven effective in protecting labor rights in North America. The treaty's Rapid Response Labor Mechanism has addressed 23 cases, benefiting nearly 30,000 workers and securing more than \$5 million in retroactive payments and benefits, with 17 cases resolved through remediation plans. This indicates the mechanism's success in resolving conflicts and improving working conditions. Cooperation between the United States and Mexico in resolving labor disputes has been effective. Both nations have shown a commitment to investigating and remedying labor rights violations, as demonstrated by the reviews of the Volkswagen plant in Puebla and the Goodyear case in San Luis Potosí. The precedent set by the San Martín mine case in Zacatecas, establishing no retroactivity in the USMCA's

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TODAY'S NEWS

POLITICAL

Hurricane Beryl Takes Aim at Caribbean

Hurricane Beryl, a powerful Category 4 storm, took aim this morning at the southeast Caribbean. Hurricane warnings are in effect for Barbados, St. Vincent and the Grenadines, Grenada and Tobago.

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Panama Judge Acquits 28 Linked to Scandals

A judge in Panama has acquitted 28 people who had been charged in connection with the Panama Papers and Operation Car Wash scandals.

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ECONOMIC

González Tapped as Mexico's Energy Secretary

Mexican President-elect Claudia Sheinbaum named several cabinet appointments, including Luz Elena González, who was named energy secretary. Sheinbaum also named a new secretary of public administration, among other posts.

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González // File Photo: Municipality of Mexico City.

POLITICAL NEWS

Hurricane Beryl Takes Aim at Southeast Caribbean

Hurricane Beryl, a powerful Category 4 storm, took aim at the southeastern Caribbean this morning as island nations braced for the storm's impact. As of 7 a.m. Eastern Time, Beryl was located about 70 miles east of Grenada, moving west-northwest at 20 miles an hour, and with maximum sustained winds of 130 miles an hour, according to the U.S. National Hurricane Center. The center warned of "life-threatening winds" and a storm surge that were expected to start this morning in the Windward Islands. Hurricane warnings are in effect for Barbados, St. Vincent and the Grenadines, Grenada and Tobago, the National Hurricane Center said. It added that a tropical storm warning is in effect for Martinique, Trinidad and St. Lucia, and that a tropical storm watch is in effect for the south coast of the Dominican Republic, from Punta Palenque westward to the Haitian border and the south coast of Haiti, from the border with the Dominican Republic to Anse d'Hainault. "It's going to be terrible," said Ralph Gonsalves, the prime minister of St. Vincent and the Grenadines, the Associated Press reported. He urged people to remain indoors "and wait this monster out." The National Hurricane Center said the center of the storm was expected to "move across the Windward Islands this morning and across the southeastern and central Caribbean Sea late today through Wednesday." Hurricane-force winds will extend outward up to 35 miles from the hurricane's center, and tropical storm-force winds will extend for as far as 125 miles, said the National Hurricane Center. Hurricane Beryl is the strongest storm that the Windward Islands have seen since Hurricane Ivan hit the area in September 2004, CNN reported. On Sunday, Beryl became the earliest Category 4 hurricane on record to form in the Atlantic Ocean. Late on Sunday, another powerful storm, Tropical Storm Chris, made landfall on Mexico's east coast and later weakened to a

tropical depression, according to the National Hurricane Center. Chris hit Veracruz state just before midnight local time, it added, and there was a tropical storm warning in effect for parts of Mexico's east coast on Sunday, The New York Times reported. As of 7 a.m. Central Time today, Chris was located about 60 miles south-southwest of the Mexican municipality of Tuxpan, with maximum sustained winds of 35 miles an hour.

Panama Judge Acquits 28 People Linked to Scandals

A judge in Panama has acquitted 28 people who had been charged with money laundering in connection to the Panama Papers and Operation Car Wash scandals, Reuters reported Friday, citing a statement by the country's judicial branch. Judge Baloisa Marquinez ordered precautionary measures to be lifted against all 28 of the defendants and added that one criminal process was canceled because an unnamed defendant had died, the wire service reported. The judge said evidence collected from the servers of Mossack Fonseca did not follow rules related to the chain of custody, Reuters reported. Ramón Fonseca, the co-founder of now-defunct law firm Mossack Fonseca, which was at the center of the Panama Papers scandal, died in May. Among those acquitted was Mossack Fonseca's other co-founder, Jürgen Mossack, the Associated Press reported. The Panama Papers scandal came to light in 2016 when leaked confidential documents showed accounts in tax havens linked to people including powerful politicians in several countries. Marquinez also ordered fines of \$100 each for 10 witnesses who failed to comply with summonses, Reuters reported. In the case, prosecutors accused Fonseca, Mossack and other defendants of establishing offshore companies and using complex financial transactions to hide money from illegal activities, including ones related to the Car Wash corruption scandal in Brazil. The judge ruled that it could not be determined that illicit money entered Panama from Brazil with the

NEWS BRIEFS

Bolivian General Accused of Failed Coup Sent to Maximum-Security Prison

General Juan José Zúñiga, who last week appeared to attempt a coup in Bolivia when he led military personnel in an apparent assault on the presidential palace, was transferred Saturday to a maximum-security prison, the Associated Press reported. Zúñiga is facing charges of terrorism and leading an armed uprising. As law enforcement led Zúñiga away on Wednesday, he claimed, without providing evidence, that President Luis Arce had ordered the operation. "At some point, the truth will be known," Zúñiga told reporters Saturday as he was transferred into a vehicle headed for the Chonchocoro prison outside La Paz, the AP reported.

Southern Copper to Restart Tia Maria Project in Peru

Peru's Southern Copper is planning to restart development today of its long-stalled Tia Maria project in the South American country, Reuters reported, citing an internal document. The mine, located in Peru's Arequipa region, has been on hold for years amid local opposition.

Brazil Has Added 22 GW of Renewable Energy to Grid in Two Years: Report

Brazil has gradually added 22 gigawatts of renewable energy to its utility-scale electric grid over the last two years, according to a report published by the trade association Energy Industries Council, Renewable Energy Magazine reported today. "The rapid growth in Brazil's renewable energy capacity is a telltale of the country's commitment to diversifying its energy mix and reducing its reliance on hydropower," said Lucas Ramos, an analyst at the Energy Industries Council.

intent of helping to cover up crimes, Reuters reported. “We feel satisfied in the midst of mixed emotions, because many lives were affected along the way,” Guillermina McDonald, who was the defense attorney for Fonseca and Mossack, told the AP.

ECONOMIC NEWS

Mexico’s Sheinbaum Names Cabinet Picks, Including for Energy

Mexican President-elect Claudia Sheinbaum announced several new cabinet appointments on Thursday, drawing experts from various fields to fill out key roles in her incoming administration, the Associated Press reported. Among the new picks are Luz Elena González, a sustainable development expert whom Sheinbaum, herself a client scientist, appointed to be the country’s next energy secretary. González also previously managed the finances of Mexico City. For secretary of public administration, Sheinbaum appointed Raquel Buenrostro, a public servant Sheinbaum described as an “incorruptible woman,” who has served for more than 20 years in tax and economic agencies, the AP reported. Head of the department of communications and transportation will be Antonio Esteva Medina, who is currently secretary of infrastructure of Mexico City, and the new secretary of health will be David Kershenobich, a notable researcher. The secretary of agrarian, territorial and urban development will be Edna Elena Vega Rangel, who also has experience in the Mexico City government. Rogelio Ramírez de la O, who has served as finance minister under current President Andrés Manuel López Obrador, will stay on and serve the incoming president in the same role. Last week, Sheinbaum announced several other appointments, including Marcelo Ebrard, who was Sheinbaum’s main competition for the presidential nomination last year and who was chosen as economy minister, the Financial Times reported.

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application, is significant. This ruling ensures claims of labor rights violations are considered only if they occurred post-treaty and post-2019 labor reform, thus protecting Mexico’s sovereignty and ensuring fair use of the Rapid Response Labor Mechanism. Incoming President Claudia Sheinbaum has the potential to strengthen this cooperation. Her administration can continue to effectively implement labor legislation and the USMCA’s provisions. Sheinbaum’s political history suggests that she values international cooperation and improved working conditions. Maintaining a collaborative relationship with the United States will be crucial for advancing worker rights and resolving labor disputes under the USMCA. Her leadership can consolidate achievements and promote a fairer work environment in the region.”

A **Tequila Brooks, attorney and former labor law advisor to the North American Commission on Labor Cooperation Secretariat:**

“The last four years have seen extraordinary cooperation between the U.S. and Mexican governments on Mexican workers’ rights. The election of incoming President Claudia Sheinbaum, who is of the same party as President López Obrador, should not change that. Whether this moment of alignment on Mexican workers’ rights will continue depends in part on what happens in the U.S. election in November. Joint actions like the June 11 Volkswagen case grab headlines and attention. Nevertheless, adapting to new processes resulting from Mexico’s recent labor law reform and developing a new labor culture will take time—maybe decades. In 2021, the ILO Committee of Experts was cautiously optimistic—welcoming Mexico’s recent labor reform but also urging effective monitoring and follow-up on labor violation allegations. While 30,520 labor contracts in Mexico were legitimated, 108,184 expired because legitimation votes were not held by the July 2023 deadline. The election of Mexico’s first female president augurs an exciting

time. Female trade unionists in maquila factories are inspired and excited about recent developments in Mexico and U.S. labor. Mexico ratified ILO Convention 190 on violence and harassment at work in 2022 and Convention 189 on domestic workers in 2020. Will incoming President Sheinbaum’s administration effectively tackle challenges facing Mexico’s working women—sexual harassment, workplace discrimination, poor and unsafe working conditions, unequal pay, inadequate work-life balance and insufficient employment and leadership opportunities? That is the question I am waiting to see answered after three decades of the NAFTA/USMCA era.”

A **Dan Ciuriak, senior fellow at the Centre for International Governance Innovation in Waterloo, Ontario:** “As regards the role of the USMCA labor measures in a trade agreement, I see them mainly as providing political cover to sustain free trade with Mexico. Of course, there are powerful U.S. commercial stakeholder interests pushing in the same direction, and I would think the latter are far more important in keeping the United States in the agreement. The impact of the measures on trade would arise from their influence on real wages in Mexico flowing through to product prices and affecting conditions of competition between U.S. domestic products and imports from Mexico. Such an influence is almost certainly very small compared to that of Mexico’s new labor model, which was adopted prior to the USMCA and pushes much more powerfully in the same direction and has had, by all accounts, major and pervasive impacts on Mexico’s labor market conditions. And, of course, it is important to bear in mind when considering the recent rise in real wages in Mexico and the United States that there have been major shocks to labor markets. These include the pandemic (for example, through the permanent increase in remote work, the freeing up of job transitions and the general

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tightening of labor supply); the geopolitically motivated push for 'friendshoring,' which seems to be disproportionately benefiting Mexico; and now the building wave of adoption of artificial intelligence in productive tasks, which is already driving outcries for job protection. As we approach the USMCA review, job protection will be top of mind for politicians, and the political role of the USMCA measures will be important."

A **Arturo Méndez Preciado, director at Bufete Méndez Preciado in Tijuana:** "According to a report from the U.S. Trade Representative, the USMCA's rapid response mechanism to resolve labor cases against Mexico is being used more and more. In 2021, it was used two times; in 2022, it was used four times, in 2023, 12 times; and, so far this year, four times. For the commercial representation of the White House, the tool has been effective. The results have been that substantial payments have been made to affected workers in Mexico, remediation plans have been implemented or have been successfully resolved and retroactive payments have been made. Cases have been resolved in favor of independent unions, and successful negotiations have been achieved. On the United States and Mexico cooperating on labor disputes and compliance with

USMCA labor standards, Mexico is the main obligor, particularly with regard to freedom of association and collective bargaining. On this, Mexico has put an end to institutions that have been corrupted throughout history. The current government and the next one, to be led by Claudia Sheinbaum, are of the same ideology and political philosophy and are intent on protecting the working class. We expect the next president to cooperate with the U.S. government on labor issues; there are no signs to the contrary."

[Editor's note: In response to the Advisor's request for a commentary for this issue, Volkswagen de México sent the Advisor the following statement: "Regarding the open investigation under the Rapid Response Labor Mechanism, since this is a matter that at the moment is ongoing, our company cannot share details about it at this time. However, Volkswagen de México expresses its entire willingness to collaborate with the government entities of Mexico and with the countries that are part of the North American Trade Agreement, as well as its commitment to compliance with laws and regulations."]

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue ISSN 2163-7962

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