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FEATURED Q&A

What Will Chile Gain From Closer Ties With China?



Chilean Foreign Minister Roberto Ampuero met last month in Beijing with his Chinese counterpart, Wang Yi. // Photo: Chinese Government.

Q Chilean Foreign Minister Roberto Ampuero recently spent three days in China seeking to boost trade ties between the two countries. Last year, Chile and China deepened their existing bilateral trade deal, widening each country's access to the other's markets, but the expanded deal still has not come into effect. Ampuero met with his Chinese counterpart, as well as with Chinese mining executives, highlighting the importance of Chile's copper exports to the Asian country. What did Ampuero achieve during his trip? What does Chile stand to gain from deeper trade ties with China? What are the most important sectors in which the two countries can strengthen their relationship?

A Barbara Kotschwar, senior private sector specialist at the World Bank: "When Chile and China signed their expanded free trade agreement last November, China was by far Chile's largest export market, buying about 28 percent of Chilean goods, twice that of the United States. While the expanded deal has not yet come into effect, external factors are helping bolster Chile's presence in China. Growing living standards for Chinese consumers and global market dynamics are playing in Chile's favor: Chinese tariffs on U.S. goods represent an opportunity for diversification if Chilean wine producers take advantage of this growing market segment. Chile is in a strong position to capitalize on its constructive relationship with its partner on the other side of the world. Notably, the first Latin American country to establish diplomatic relations with the People's Republic of China and the first

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TODAY'S NEWS

POLITICAL

World Court Rejects Bolivia's Ocean Access Case

The United Nations' International Court of Justice ruled that Bolivia cannot force Chile to negotiate access to the Pacific Ocean.

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ECONOMIC

Remittances to Mexico Grow 9.2% in August

Remittances sent to Mexico totaled \$2.86 billion in August, the country's central bank announced. For the first eight months of the year, Mexico's remittances totaled approximately \$21.97 billion, an 11.1 percent increase year-on-year.

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POLITICAL

Duque Bars Possession of Any Amount of Drugs

Colombian President Iván Duque signed a decree barring the possession of even small amounts of marijuana and cocaine. Previous court rulings have allowed the possession of small amounts of the drugs.

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Duque // File Photo: Colombian Government.

POLITICAL NEWS

U.N. High Court Rejects Bolivia's Ocean Access Case

Bolivia cannot force Chile to the negotiating table over granting the landlocked country access to the Pacific Ocean, judges at the International Court of Justice ruled on Monday, La Razón reported. Bolivian President Evo Morales flew to The Hague to attend the court session, telling reporters he would keep fighting for sea access following the decision. "Bolivia will never allow itself to be kept from the sea," he said, Reuters reported. "The Bolivian people and the people of the world know that through an invasion, sovereign access to the Pacific Ocean has been taken away." Bolivia surrendered most of its former coastline to Chile in a 1904 treaty after the War of the Pacific. The neighboring countries have held talks regarding a possible corridor to the sea for Bolivia, but judges ruled that did not create an obligation for Chile to negotiate one. "The demand by Bolivia's government had no foundation, neither historical, political or legal, and that is why it was categorically rejected," Chilean President Sebastián Piñera said, the wire service

reported. The court rejected all eight grounds Bolivian lawyers had presented, in a blow to Morales, who has used the issue to boost his popularity ahead of next year's presidential election next year. [Editor's Note: See related [Q&A](#) in the April 2 issue of the Advisor.]

Colombia's Duque Bars Carrying Small Amounts of Drugs

Colombian President Iván Duque on Monday signed a decree that outlaws the possession of any amount of marijuana or cocaine in public, enabling police to conduct searches and confiscate the drugs, the Associated Press reported. Those found to be carrying even small amounts of marijuana and cocaine can also be fined under the new decree. The sale and export of drugs have long been illegal in Colombia, but high court rulings have permitted Colombians to carry small amounts of marijuana and cocaine. Duque signed the order, saying that it will help protect children from drug dealers who sell near schools. However, critics say it will restrict personal freedoms. "This opens the door to more police abuse," said Eduardo Vélez, a spokesman for marijuana legalization group Yes to Personal Consumption Collective.

NEWS BRIEFS

Poll Shows Growing Support for Bolsonaro Ahead of Brazil Election

Brazil's far-right presidential candidate, Jair Bolsonaro, increased his lead over leftist Workers' Party candidate Fernando Haddad less than a week before the first-round vote on Oct. 7, with 31 percent of voter support to Haddad's 21 percent, according to a new Ibope poll released Monday, Reuters reported. The survey also shows Bolsonaro closing in on Haddad in the expected case of a runoff. The two candidates tied with 42 percent support. Last week, Haddad had 42 percent against Bolsonaro's 38 percent in a second-round scenario.

Authorities Demand Former Acapulco Mayor Explain Missing Guns

Mexican authorities have given former Acapulco Mayor Evodio Velázquez Aguirre 72 hours to explain why hundreds of police weapons have gone missing, BBC News reported Monday. Federal authorities took over the entire local police force of Acapulco last week amid suspicions of infiltration by criminal groups. A preliminary investigation has shown that 342 guns are missing. Velázquez, whose term ended last weekend, has called the investigation a publicity stunt, according to local media.

Mexico's Foreign Minister Hopes for Resolution to Steel Dispute With U.S.

Mexican Foreign Minister Luis Videgaray told a Mexican television network Monday that he hopes that the country will resolve a trade dispute with the United States over steel and aluminum before the two countries and Canada sign their new trade deal, Reuters reported. "I think it would be very positive, it would be a good sign [if] we could resolve this controversy before the agreement is signed toward the end of November," Videgaray told Televisa.

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LAC country to negotiate a trade deal, Chile should use its position as a strong partner to diversify its exports. While primary goods, primarily copper and fruits, dominate China's imports from Chile, to really take advantage of its potential with China, the South American country needs to promote the export of services. Chile should build upon its already existing retail presence in China and on its growing wave of Chinese tourists, spurred by the Andean country's visa-free policy for Chinese tourists. Finally, Chile could build upon its strong relationship with China to collaborate on Belt and Road initiatives to promote exports of Chilean engineering and mining equipment repair and refurbishment services."

A Guo Jie, associate professor with the School of International Studies at Peking University:

"Roberto Ampuero paid his first visit to Beijing as Chile's foreign minister from Sept. 13 to 15. I think his visit had two main achievements: First, it strengthened common ground with China on safeguarding multilateralism and global free trade and opposing unilateralism and protectionism, which, in China's view, reflects the 'biggest strategic consensus and common interest' of both sides under the current situation. Second, it further consolidated the special position of China-Chile relations in China's ties with the region. As his counterpart Wang Yi commented, China-Chile relations

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ECONOMIC NEWS

Mexico's Remittances Grow 9.12% in August

Mexico's level of remittances grew 9.12 percent in August as compared to the same month last year, to \$2.86 billion for the month, the country's central bank announced Monday. The total amount was 0.4 percent less than July. For the year through August, remittances to Mexico totaled approximately \$21.97 billion, an increase of 11.1 percent as compared to the first eight months of 2017, the Bank of Mexico added. In August, the average amount of money transferred to recipients in Mexico was \$324, the same as July and slightly lower than the June average of \$343. Factoring in the depreciation of the peso against the dollar, remittances to Mexico rose 15.3 percent year-on-year in August, Goldman Sachs said in a note. "We expect workers' remittances to remain solid in the near term—given healthy employment growth in the U.S.," analysts Alberto Ramos and Gabriel Fritsch said in the note. "We expect remittance growth in dollar terms to stabilize at around 6 percent to 7 percent [year-on-year.]" They added that remittance flows to Mexico have been strengthening private consumption in Mexico particularly because of transfers to low-income families, "who have a high propensity to consume and are the overwhelming recipients of such transfers."

BUSINESS NEWS

Jamaica's NCB Launches Mobile Point-of-Sale Service

Jamaica's National Commercial Bank has launched a new mobile point-of-sale service, which the bank says will boost opportunities for small- and medium-sized businesses across the island, the Jamaica Observer reported Sunday. The new services uses a point-of-sale machine that uses WiFi or data

THE DIALOGUE CONTINUES

How Are Trade Tensions Affecting Latin America?

Q **The International Monetary Fund's managing director, Christine Lagarde, warned last month in an interview with the Financial Times that emerging markets could suffer a "shock" due to the escalating trade war between the United States and China. While Lagarde said her staff does not yet see widespread contagion, developing countries are facing threats due to rising "uncertainty" and a "lack of confidence," she added. How are trade tensions between the United States and China affecting Latin American countries? Which countries and industries stand to gain or lose the most? How should countries in the region protect themselves against the fallout from external factors such as friction over trade?**

A **Carlos Véjar and Luis Rubio Barnetche, partners with Holland & Knight in Mexico City:** "The immediate effect of the Sino-American trade war is uncertainty. Measurable declines in investments and exchange rate volatility, waning confidence in the dollar and added volatility in capital markets are already affecting Latin American countries, which are particularly vulnerable to disruptions in capital markets. It is still too early to determine how long this fight will last, but regardless of any positive or negative short-term side effects, in the long run, a trade war is not a positive scenario for

anybody. Countries that fail to adapt quickly will be the biggest losers. Latin American agricultural exports might benefit. For example, pork and soy producers should see their exports increase in the Chinese market as U.S. producers are cut from competition. China is also considering cutting existing average tariff rates. Such a move would allow third countries to fill the void left by U.S. imports. The recent announcement of a NAFTA deal would help Mexico maintain preferential U.S. market access, which could cause its exports to increase as Chinese products are left out. To protect themselves from this turmoil, governments should adopt immediate preventive measures, such as reducing current account deficits and/or lower external debt and make use of all trade artillery available. Tariff increases between the United States and China may redirect exports into Latin American markets. Monitoring trade imports will be crucial to address sudden increases of imports and adopt emergency actions as necessary or eventually initiate anti-dumping proceedings against possible dumped imports from these countries."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in the Sept. 27 issue of the Advisor.

service and will allow businesses such as food trucks and repair services to accept payments by debit or credit card, the newspaper reported. "More and more we see businesses popping up that need mobility," said the bank's agile marketing manager, Sade Powell, the Observer reported. "Businesses are not what they were 10 years ago. Convenience is the name of the game in the 21st century, so we are trying to offer products and services that give both our

individual and business customers an extraordinary service." The new mobile point-of-sale machines accept more card brands than other NCB terminals that are currently in use. Among them are Keycard, Visa, Mastercard and China UnionPay, according to Gregory Peart, NCB's sales and relationship manager of acquiring businesses. NCB's mobile point-of-sale service also includes EVM chip technology, the Observer reported.

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are now going beyond the bilateral scope and have increasingly important strategic significance. China is currently Chile's largest trading partner, with bilateral trade accounting for more than a quarter of Chile's foreign trade. Deepening and expanding trade ties with China is of great importance to Chile. On the one hand, it can help Chile share the dividend of China's economic development and further expand its market

“China is currently Chile's largest trading partner...”

— Guo Jie

share in China. And, on the other, the modernization of the bilateral free trade agreement and further opening of markets promote more bilateral trade, especially services trade, which has long been one of Chile's major concerns. At present, bilateral trade is still the most important economic link between China and Chile. In addition, the two sides also have strong complementarity and cooperation potential in many other important fields, such as infrastructure, renewable energy, e-commerce, information and communication technology, logistics and finance, among others.”

Alan Frederick, director of InvestChile: “Our government's efforts to deepen economic ties with China are very important.

Today, China is our main trade partner, with exchanges last year surpassing \$34 billion and a product basket—led by copper—that has been diversifying. Despite it being a robust relationship, built upon free trade agreements, Chinese investment in Chile had been historically low. Now, we see Chinese companies moving beyond market research to participate more actively, which is why we anticipate a new stage in business relations between both economies, in which they will become more integrated. Recently, Chinese companies have been making themselves present in our economy through acquisitions. For example, last December, Southern Power Grid bought 27.8 percent of the electricity distributor Transelec for \$1.3 billion. In January, Yanghe, a subsidiary of Jiangsu Yanghe Distillery Co. Group, acquired 12.5 of the San Pedro de Tarapacá vineyard for \$65 million. A few weeks ago, Pacific Hydro, which is part of the State Power Investment Corporation, inaugurated a wind park in northern Chile for \$150 million. Our government has the great challenge of amplifying our relationship with China, and InvestChile will be in China in November promoting investment in Chile in areas with great potential, including infrastructure, foods and venture capital.”

LATIN AMERICA ADVISOR

is published every business day by the Inter-American Dialogue, Copyright © 2018

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Latin America Advisor is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

ISSN 2163-7962

Subscription inquiries are welcomed at freetrial@thedialogue.org

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