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FEATURED Q&A

Will the G7 Counter China's Influence With Infrastructure?

Panamanian President Laurentino Cortizo met last month with U.S. Deputy National Security Advisor Daleep Singh (L-R) to discuss the Build Back Better World (B3W) initiative. // File Photo: Facebook Page of President Laurentino Cortizo.

Q U.S. officials in late September visited Colombia, Ecuador and Panama to study possible infrastructure projects as part of Build Back Better World, or B3W, a G7 plan intended to counter the influence of China's Belt and Road Initiative. The U.S.-led B3W program seeks to address the $40 trillion worth of infrastructure investment that developing countries need by 2035. How successful will B3W be in countering the Belt and Road Initiative? What are the biggest infrastructure needs in Latin America that B3W should seek to address? What are the main challenges that B3W will face in Latin America? How will political considerations come into play as investors and countries in the region decide on specific projects?

A Zhen Pan, associate attorney at Diaz, Reus & Targ: "There is always a need for better infrastructure, particularly in developing countries. The need has only become greater, given the Covid-19 pandemic. The B3W plan, which the United States has spearheaded as a leader of the G7, aims to mobilize private-sector capital in four areas—climate, health and health security, digital technology, and gender equity and equality. To some people, the plan appears to be a counterproposal to China's Belt and Road Initiative, given the heightened competition between the two nations. In fact, the two initiatives, if done properly, will complement each other and create a win-win situation to promote global welfare and sustainable development. On the one hand, China's initiative, started in 2013, focuses on hard infrastructure, such as plants, roads, highways and harbors, which China has extensive experience in building overseas. On the other hand, the areas under B3W's

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TODAY'S NEWS

POLITICAL

Nicaragua Vote 'Has Lost All Credibility': U.S.

Nicaragua's November presidential election has no credibility amid President Daniel Ortega's pursuit and imprisonment of opponents, said a U.S. State Department spokesman. Ortega is seeking a fourth consecutive term.

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UBS Reportedly Closing Mexico Brokerage Unit

UBS Group is reportedly closing its brokerage operation in Mexico. The country has seen a scarcity of initial public offerings, and five companies have started a process of delisting their shares.

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ECONOMIC

Brazil's Bolsonaro Eyes Privatization of Petrobras

Brazilian President Jair Bolsonaro said he wants to privatize state oil company Petrobras. Critics have blamed Bolsonaro for increasing gasoline prices.

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Bolsonaro // File Photo: Brazilian Government.

POLITICAL NEWS

Nicaragua's Election Has 'Lost All Credibility': U.S.

Nicaragua's electoral process has no credibility, a U.S. State Department spokesman said Thursday, less than a month before the Central American country's Nov. 7 vote, the Associated Press reported. Beginning in late May, President Daniel Ortega's government has pursued numerous opponents on what critics say are spurious treason charges and has imprisoned virtually anyone who might mount a serious challenge to him as he seeks a fourth consecutive term. "We view the regime's latest undemocratic and authoritarian actions, which has, again, been driven by a fear of an electoral loss, as the final blow against Nicaragua's prospects for free and fair elections now next month," State Department spokesman Ned Price said Thursday. "That electoral process has lost all credibility." Price added, "It is now a foregone conclusion that Daniel Ortega will ensure that the elections in November are a sham and that he will proclaim himself victorious in the aftermath of those elections." Last week, Nicaragua's main opposition coalition said Ortega's moves "have ended any vestige of real electoral competition" in the upcoming election, the AP reported. Also on Thursday, family members of 155 people whom the Ortega government has imprisoned released a statement saying their loved ones have been forced to endure "mistreatment and torture" in prison, the AP reported. Relatives said that over the past four months, they have been allowed to visit their imprisoned family members only twice and have been subjected to humiliating searches when they enter the prisons where their relatives are being held. Family members say authorities have denied imprisoned Ortega opponents the ability to meet with their lawyers, and they have been subjected to interrogation without their lawyers being present, the wire service reported. "In many cases, their loved ones don't know where they are or how they are. It is a nightmare and, if Ortega is not halted, it will get worse," former U.S. Ambassador to Nicaragua Robert Callahan told the Advisor in a **Q&A** published Sept. 8. Callahan said several of his friends are among those imprisoned. Over the past months, the Advisor has repeatedly sought comment on the situation from Nicaragua's ambassador to the United States, Francisco Campbell, but he has not responded to the requests.

ECONOMIC NEWS

Brazil's Bolsonaro Eyes Petrobras Privatization

Brazilian President Jair Bolsonaro now wants to privatize state oil company Petrobras, saying on Thursday that he will discuss the issue with economic advisors, Reuters reported. Critics have blamed Bolsonaro for Petrobras' recent increases in gasoline prices as the country struggles with double-digit inflation that, according to state statistics agency IBGE, reached 10.25 percent in September. "Now I want to privatize Petrobras ... I will check with the economic team what we can do about it," Bolsonaro said on a radio interview. "Because I cannot control the company, I cannot direct gasoline prices, but when it rises it is my fault," he added. The rise in consumer prices, driven in part by soaring energy costs, has hit Bolsonaro's popularity ahead of next year's presidential election. Energy prices are higher partially because Brazil is experiencing the country's worst drought in almost a century, which has put pressure on hydroelectric output and forced producers to turn to more expensive sources of power. Electricity prices in September were up almost 30 percent as compared to the same month last year, The Wall Street Journal reported. Meanwhile, Petrobras recently hiked prices of gasoline and cooking gas, despite pressure from the president and the public to keep prices artificially low, Reuters reported. The president had previously opposed the privatization of Petrobras, calling the firm "strategic" for the country's national interests. On Wednesday,

NEWS BRIEFS

OAS Sec'y General Wants Exhumation, Autopsy of Venezuelan Dissident

Organization of American States Secretary General Luis Almagro said Thursday that he would request that the United Nations demand the exhumation and autopsy of Venezuelan dissident Gen. Raúl Baduel, whom Venezuela said died of Covid-19 earlier this week while in government custody, MercoPress reported. Baduel broke ranks with late President Hugo Chávez and was imprisoned first in 2009 and then in 2017 under President Nicolás Maduro.

U.S. Reportedly Planning to Reinstate Trump-Era 'Remain in Mexico' Policy

The administration of U.S. President Joe Biden is planning to reinstate by mid-November the Trump-era "Remain in Mexico" policy which requires migrants seeking asylum to wait in Mexico for their U.S. immigration court hearings, according to a court filing late Thursday, NBC News reported. Biden halted the policy earlier this year, but Texas and Missouri sued the administration in April over its suspension. In August, a federal judge in Texas ordered the administration to reinforce the policy pending the outcome of the lawsuit.

Ford Halting Production at Hermosillo Plant in Mexico Amid Shortage

U.S. automaker Ford will halt production today at its Hermosillo plant in Mexico's Sonora state due to a shortage of material, the plant's labor union said Thursday, Reuters reported. The union said employees will be paid 75 percent of salaries during the temporary suspension today. The company had already halted production from Oct. 11-12 at the plant. The union did not detail which materials were lacking. However, the global auto industry has been struggling with a shortage of semiconductors.

Economy Minister Paulo Guedes floated the idea that the government could sell part of its controlling stake in Petrobras in order to fund welfare programs. However, a privatization process for the state oil company would be difficult as it would involve a large range of stakeholders, the wire service reported.

BUSINESS NEWS

UBS Reportedly Closing Mexico Brokerage Operation

Switzerland's UBS Group is closing its Mexican brokerage operation, Bloomberg News reported Wednesday, citing two unnamed people with knowledge of the matter. UBS informed local employees of the decision on Wednesday, the news service reported, citing the two people, who had requested anonymity because they were not authorized to speak to the media about the matter. Representatives of UBS did not respond to calls from Bloomberg News seeking comment. UBS has been Mexico's fifth-most active brokerage among the 35 firms operating in the country, according to data that brokers' association AMIB released in June. UBS' Mexican brokerage operation also has been an active market maker, and it currently has contracts to provide liquidity for nine companies in Mexico, including Grupo Televisa, Elektra and the Mexican Stock Exchange, according to Bloomberg News. Mexico's stock market has seen a scarcity of initial public offerings, and five public companies have started a process to delist their shares since last year. Earlier this year, JPMorgan Chase & Co. closed its Mexican private banking business as part of a trend in which some wealthy clients in Latin America are moving their money to international financial hubs. A lack of liquidity in Mexico's equity market is among the problems it faces, Martin Werner, co-founding partner of investment company DD3 Capital Partners, told Forbes in June. Delisting announcements show an "almost nonexistent" public equity market, he said.

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ambit more or less constitute soft infrastructure. They are more in line with President Joe Biden's domestic approach to strengthening child care in the United States. Thus, at least to some extent, the two initiatives do not appear to compete directly against each other. B3W also signals the efforts that the United States has undertaken to help developing countries get back on their feet in the wake of the pandemic, while at the same time demonstrating its competitiveness in Central and South America."

A **Margaret Myers, director of the Asia & Latin America Program at the Inter-American Dialogue:** "It is critical that the United States and partners focus their attentions on Latin America and the Caribbean (LAC) at this juncture, regardless of the extent of BRI's expansion into the region. Wide-ranging support for the region's pandemic recovery will be crucial to ensuring hemispheric progress and well-being in the coming years. Through carefully considered and targeted investments in infrastructure, the United States and like-minded partners can certainly underscore their commitment to the region at a pivotal moment—addressing LAC's deficit of quality infrastructure, helping the region to advance some of its sustainable development goals and, indeed, providing alternatives to China-run projects. Some of the B3W's proposed areas of focus, including good governance, health and health security, and gender equity and equality, will also importantly distinguish U.S. and its partners' engagement from China's future ventures, which are likely to focus on trade-facilitating, digital and clean energy infrastructure. However, as is, B3W won't dramatically reduce China's influence in the region, which is largely based on extensive and growing trade. LAC decision-making will continue to be shaped to a considerable extent by China's extensive demand for primary commodities. We should also remember that the BRI is about more than just infrastructure. It's described as a 'connectivity-enhancing' initiative, focused on infrastructure, certainly, but also on policy coordination, financial connectivity, expansive public diplomacy and digital connectivity. China's many activities in these areas—especially in the policy, diplomatic and digital realms—will continue to fortify China-Latin America ties."

A **Arnold Castillo, managing director of the global investigations practice at J.S. Held:** "Currently, the strategic investments that the United States is seeking focus on countries with deficiencies in their road infrastructure. This is an area in which the United States needs to regain influence. In the last two decades, China has been seen as an increasingly important investor in Latin America's strategic economic sectors, such as energy and mining. This has allowed China to streamline its interaction with the public and private spheres of several Latin American and Caribbean countries. It is important to consider the following factors: 1.) The centralized and dictatorial nature of the Chinese government allows it to prepare and execute long-term plans. Unlike countries with democratic governments, there are no elections with changes in political parties and changes in domestic and foreign political agendas. In democratic countries, changes in policies and interests can be made in a few years, so no one can guarantee that what is approved today will be maintained tomorrow. 2.) The high levels of public bureaucracy and corruption in the region will be another element that will conspire against this G7 initiative. The development of these infrastructure projects should be accompanied by an integrity and monitoring program that guarantees their execution, and the clauses of contracts should also be carefully reviewed to avoid unjustified arbitration processes and violations of the U.S. Foreign Corrupt Practices Act. 3.) There is a precedent from the 1960s, when U.S. President John F. Kennedy launched the

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Alliance for Progress with billions of dollars for the region. However, corruption absorbed much of that money."

A **Jiang Shixue, professor and director of the Center for Latin American Studies at Shanghai University:** "China's Belt-Road Initiative (BRI) is composed of the following five areas: policy coordination, infrastructure connection, trade facilitation, financial cooperation and people-to-people communication. Now the BRI has been extended to Latin America and the Caribbean. By now, only five countries (Brazil, Mexico, Argentina, Colombia and the Bahamas), out of the 24 that have diplomatic ties with China, have not signed any official documents of cooperation within the BRI framework. But they can also participate in the Chinese initiative. Infrastructure connection does not necessarily mean maritime shipping and/or air transportation across the Pacific Ocean. As a matter of fact, it is about improving infrastructure in Latin America. Therefore, theoretically speaking, synergy can be created between the BRI and B3W if the following conditions are met: First, the United States should not see the BRI as a Chinese attempt to challenge the U.S. sphere of influence in Latin America. Rather, the United States needs to have a benign will to combine the B3W with the BRI so that one plus one can equal more than two. Second, in the process of generating synergy from BRI and B3W, the United States should not have prejudice against Chinese state-owned enterprises' investments. One shouldn't care about the color of a cat if it can catch a rat. Third, Latin American countries should not just sit down and wait for the meals to be served. They must play an active role by improving their investment environment. The future of cooperation between BRI and B3W is bright, but the road ahead is bumpy."

A **José Antonio López Meza, Mexico-based civil engineer and structural and seismic engineering consultant:** "The success of B3W will depend on its true interests. It will be important to observe how the G7 countries manage to agree to oversee each region, although I suppose that the United States will take the lead in seeking to oversee projects in Latin America and also attempt to stop irregular migration, refinance debts with China and increase its power in the area, similar to the interests of the BRI. In Latin America, it is necessary to expand transportation infrastructure. Mexico needs improvements and updates to its existing infrastructure, not just new infrastructure. In the energy sector, it is important to invest in electricity generation, gas transportation and clean energy. It is also necessary to increase the sanitation and distribution of drinking water. Finally, in telecommunications, landline, mobile and Internet infrastructure should be expanded across the region. However, before allowing infrastructure projects, governments usually overlook the need to carry out risk studies in order to prevent disasters. The goal should not always be to construct new buildings, bridges, airports, ports, dams and telecommunications terminals, but rather to remedy existing problems, relocate people who live in high-risk areas and update existing infrastructure if feasible. I see few challenges that B3W will face in Latin America, because of the need for investment and credit support in the region. The objective of the development model of the B3W project is to guarantee social and political stability in developing countries, and to maintain rates of sustainable economic growth that nurture the hegemony of those who promote the economic model. Therefore, it will depend on each beneficiary country to care for its sovereignty and dignity while negotiating each investment."

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