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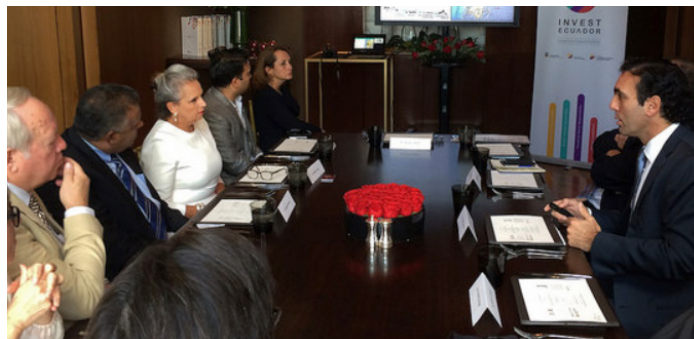
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FEATURED Q&A

How Important Are U.S.-Ecuador Trade Preferences?



Ecuador's trade minister, Pablo Campana (right), visited the United States in September to push for stronger commercial ties. He is pictured meeting with business leaders in Chicago. // Photo: Ecuadorean Government.

Q Trade preferences that allow select Ecuadorean products to be imported duty-free into the United States under the Generalized System of Preferences expire Dec. 31. Earlier this year, Ecuador's foreign trade minister led a delegation to the United States to meet with U.S. officials in order to push for stronger commercial ties between the two nations. How likely is the United States to renew the trade preferences, and how important are they for Ecuador? Which sectors of Ecuador's economy would be most affected by the decision? To what extent is the situation complicated by the United States and Ecuador not having ambassadors in each other's capitals, and is that situation likely to change soon?

A **Nathalie Cely, president of the Centro de Competitividad in Quito and former Ecuadorean ambassador to the United States:** "The United States uses the GSP trade preferences to provide tariff reduction to more than 128 countries to foster bilateral trade growth until they reach a determined target or market share of the U.S. market. Countries need to comply with certain clauses, among them, complying with bilateral investment agreements. The GSP covers 11 percent of non-oil exports, and it is an important tool to foster particular value-added sectors that are intensive in labor and located in poor areas of Ecuador. Among the sectors covered by the GSP and that will be affected if it is not renewed include flowers, preserved fruits and vegetables, chocolate, canned tuna, fruit juices and wood products. Ecuador's minister of trade, Pablo Campana, has been working to establish a channel for dialogue with high-ranking U.S. officials, and he is returning to

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Venezuela Effectively Bars Parties From Presidential Race

The country's pro-government Constituent Assembly ruled that three opposition parties had lost legitimacy by not participating in this month's mayoral elections.

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Brazil's Central Bank Cuts Inflation Forecast

The central bank cut its inflation forecast to 2.8 percent for this year, below the official target range.

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POLITICAL

U.S. Defense Secretary Visits Guantánamo Bay

The visit by James Mattis to the U.S. Navy base at Guantánamo Bay in Cuba was the first by a Pentagon chief in nearly 16 years. Mattis offered holiday greetings to service members stationed there, but did not tour the facility during the visit.

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Mattis // File Photo: U.S. Defense Department.

POLITICAL NEWS

Venezuela Effectively Bars Parties From Presidential Race

Venezuela's pro-government Constituent Assembly on Wednesday effectively barred three opposition parties from running candidates in the country's planned presidential election next year, Reuters reported. The move by the legislative superbody, which President Nicolás Maduro's government created earlier this year, followed a threat from Maduro that opposition parties that did not participate in mayoral elections earlier this month would be prohib-

The Constituent Assembly ruled that the opposition parties had lost legitimacy.

ed from running candidates for president next year. The Justice First, Democratic Action and Popular Will parties did not participate in the mayoral elections, saying the election system is biased and designed to keep Maduro in office. The Constituent Assembly ruled that the opposition parties had lost legitimacy and would have to re-apply to the National Election Board. The move drew condemnation from Maduro's opponents and the U.S. Embassy in Caracas. "The Venezuelan government and its illegitimate Constituent Assembly are inventing rules as they go along. This is not democracy," the U.S. Embassy said in a posting on Twitter, Reuters reported. Tomás Guanipa of the Justice First party blasted the move, saying, "We alert the world and all democratic governments that banning opposition political parties is yet another measure by the dictatorship that deserves rejection and condemnation." However, the leader of the Constituent Assembly, Delcy Rodríguez, hailed the decision. "It's time for the coupsters to face the Constitution. Let no one undermine the people's participation and the

democratic system," she said. Two of Maduro's main political rivals already have been taken out of the running to replace him. Leopoldo López of the Popular Will party is confined to house arrest, while Henrique Capriles of the Justice First party has been banned from holding political office. Maduro and his supporters have said the Constituent Assembly has brought peace to Venezuela following violent anti-government protests this year that left more than 125 people dead.

Pentagon Chief Visits U.S. Navy Base at Guantánamo Bay

U.S. Secretary of Defense James Mattis today visited the U.S. Navy base at Guantánamo Bay in Cuba to offer holiday greetings to service members stationed there, marking the first visit to the base by a U.S. defense secretary in nearly 16 years, the Associated Press reported. Mattis did not tour the detention facility or publicly discuss detainee policy while visiting the troops. His visit came amid uncertainty as to how U.S. President Donald Trump's administration plans to use the base's military prison, which was set up to hold suspected terrorists shortly after the attacks on Sept. 11, 2001. The naval base currently has 41 prisoners in its detention center, and 10 of those people have been charged by a military commission. Five prisoners have been cleared to leave, but their future status is uncertain under the current administration, and the remaining 26 are in infinite detention, until further notice. Trump's predecessor, former President Barack Obama, tried to close the detention center, but was blocked from doing so by Congress, who objected to the transfer of detainees to centers in the United States. In the past, Mattis has said when asked about Guantánamo that the United States "should develop a repeatable detainee policy that is appropriate for enemy combatants taken prisoner under such circumstances." When asked about keeping detainees without trial, he said that "Long-term detention is appropriate when an unprivileged enemy belligerent poses a continuing significant threat to

NEWS BRIEFS

Peruvian Congress to Decide Today on Ousting Kuczynski

Peru's Congress is scheduled to vote today on whether to oust President Pedro Pablo Kuczynski following revelations that his consulting company accepted payments a decade ago from Brazilian construction firm Odebrecht, while he was a cabinet member. Odebrecht has admitted to bribing officials in several countries. Earlier this month, 93 lawmakers voted to seek Kuczynski's removal in impeachment proceedings. Only 87 votes would be needed to unseat him, the Financial Times reported. Kuczynski has denied wrongdoing.

Brazil's Central Bank Cuts Inflation Forecast

Brazil's central bank on Thursday cut its inflation forecast for this year to below the official target range, indicating that the year-end inflation rate may be below the goal for the first time ever, Reuters reported. In its quarterly inflation report, the central bank lowered its forecast to 2.8 percent for this year, down from the previously projected 2.9 percent. The target annual inflation rate had been 4.5 percent, plus or minus 1.5 percentage points. The economy has been emerging this year from its worst recession on record.

Chile's Antofagasta Reaches Wage Deal With Workers at Centinela Mine

Chile's Antofagasta on Wednesday reached a wage agreement with its unionized workers at the Centinela mine, defusing the possibility of a strike, Reuters reported. The three unions in talks with the copper miner, which represent 98 percent of the mine's workforce, agreed to a three-year contract that will provide all workers with the same benefits, and includes a 2 percent raise and a 14 million-peso (\$22,600) bonus per worker, Antofagasta said.

the security of the United States.” U.S. Attorney General Jeff Sessions visited the facility in July and called the prison a “perfectly acceptable” place to detain terrorist suspects.

ECONOMIC NEWS

Jamaica to Spend Less on Oil Imports: Energy Minister

Jamaican Energy Minister Andrew Wheatley said the country is on track to start spending less money on oil imports, due to the increase in the use of renewables to generate electricity on the island for both residential customers and the productive sector, the Jamaica Gleaner reported Wednesday. At the groundbreaking



Wheatley // File Photo: Jamaican Government.

of a \$60 million 37-megawatt solar energy plant, Wheatley said the new plant would help increase the island’s supply of renewable energy. Currently, Jamaica spends more than \$2 million on oil imports annually. Wheatley said the government has committed to the country’s energy security by diversifying its energy sources, aided by the current legislative and regulatory framework for the energy sector. Nearly 600 people have been granted net billing licenses to sell excess energy produced by their solar energy systems to the Jamaica Public Service company. Wheatley also said the World Economic Forum has ranked Jamaica as the top country in the Caribbean for energy diversification. Jamaica recently made an upward revision to its target to derive 30 percent of its energy from renewable sources, up from 20 percent.

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Washington this month to establish a formal channel for trade and investment dialogue through the installment of the bilateral Trade and Investment Council. Ecuador’s embassy has been very active in presenting the country’s position on certain issues, such as compliance with arbitration-definitive rules and other trade measures, and also is part of the multilateral coalition of countries that is working for GSP renewal. We hope we will soon have an ambassador in Washington who can amplify the message and engage other actors on Capitol Hill, as well as the business and investment community, NGOs, and universities, among others, to foster the bilateral relationships to another level, since President Moreno has committed to strengthening them.”

A **Frank R. Samolis, partner and co-chair of the international trade group at Squire Patton Boggs:** “The Generalized System of Preferences (GSP) program enjoys strong bipartisan support in Washington. Officials believe the program creates critical trade ties between the United States and expanding economies. Unfortunately, it is unlikely that the U.S. Congress will vote to renew the program before it expires on Dec. 31. Lawmakers have been focused on advancing other measures, including legislation amending the U.S. tax system, and, due to complex procedural considerations, have not been able to advance GSP renewal. Supporters are hopeful that the GSP program will be renewed early in 2018. Based on past precedent where GSP was not renewed before its expiration, this renewal will likely apply ‘retroactively,’ meaning the U.S. government will reimburse duties paid after Dec. 31 that are otherwise eliminated under the GSP program. However, GSP will remain a priority for stakeholders even after it is renewed. Some members of the U.S. Congress are calling for other changes to the program, for example, to address the eligibility of certain products. More importantly for Ecuador, the

Trump administration intends to undertake triennial reviews of each GSP beneficiary country’s compliance with the GSP program’s eligibility criteria. If the review raises concerns regarding a country’s compliance with GSP’s requirements, ‘the Administration may self-initiate a full country practice re-

“Supporters are hopeful that the GSP program will be renewed early in 2018.”

— Frank Samolis

view of that country’s continued eligibility for GSP.’ The Trump administration also plans to undertake ‘a heightened focus on concluding outstanding GSP cases.’ The Embassy of Ecuador has been deeply involved in the GSP debate, in support of Ecuador’s priorities. It is critical that Ecuador’s business community similarly engage with Washington stakeholders and coordinate with Ecuador’s government, in support of their country’s GSP benefits.”

A **Francisco X. Swett, chairman of Pallas Management Corp. and former Ecuadorean minister of finance, member of Congress, and central bank president:** “Successive Ecuadorean governments have had equivocal notions of foreign trade and capital investment. There is a strong tradition of import substitution in industrial development and agricultural protectionism, and also a disturbing record of frayed relations with foreign investors; ideological prejudice and fiscal-grabbing of import duties as a first line of defense when the government is cash-strapped. Ecuador dropped out of the momentum of American trade pacts during the last decade, and was a latecomer

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with Europe, when the impending disaster of losing a critical market loomed. Now, the country is in a vulnerable position with the United States, its major trading partner. The GSP is a unilateral trade concession granted by the United States and is subject to the political whims of the grantor. The mood in Washington, meanwhile, has changed toward protectionism, and Ecuador hardly makes the cut as a politically relevant actor. Further, Washington will most likely put the 'Assange' factor on the table, and Ecuador will respond with a numb and non-committal response. The losers will be, of course, the exporters who will find themselves at a disadvantage trying to compete in a market where others enjoy the advantage of favorable tariffs and monetary flexibility. Do not, however, blame the problems on dollarization, but rather on the reiterated malpractice regarding economic policies: this time, alas, by both trading partners."

A **Vicente Albornoz, dean of business and economics at the Universidad de Las Américas in Quito:** "The fact that Ecuador has to renegotiate, on average every two years, its trade preferences with the United States is the sad result of not having a free trade agreement (FTA) with the United States. Ecuador is the only country on the Pacific Coast of Latin America that lacks an FTA with the world's largest economy. The absence of an FTA between the two countries is the result of an Ecuadorean international trade policy that was subordi-

nated to ideology and not to pragmatism, at least during the presidential administrations of Alfredo Palacio and Rafael Correa. This puts Ecuador at a disadvantage when selling tropical products, compared with its neigh-

“**The absence of an FTA between the two countries is the result of an Ecuadorean international trade policy that was subordinated to ideology...**”

— Vicente Albornoz

bors and main competitors. The absence of an Ecuadorean ambassador in Washington is clearly an element that makes the renegotiation process more complicated. Fortunately, Ecuador recently proposed a competent professional, Francisco Carrión, as its future ambassador in the United States. He is expected to receive an agreement soon, and this should ease the final negotiations. The Ecuadorean economy as a whole should benefit from a renewal of trade preferences, particularly products like tropical fruits and mostly those that compete with U.S. producers. One prime example are mangoes, a seasonal fruit that faces steep competition from other Latin American economies."

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