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## FEATURED Q&A

# How Strong Are Colombia-U.S. Trade Relations?



Colombia and the United States have experienced recent friction in their trade relationship. Among the differences, Bruce Macmaster of Colombian business association ANDI said U.S. tariffs on steel and aluminum could disrupt local industry in Colombia. // File Photo: ANDI.

**Q Long-simmering friction between the United States and Colombia over business and trade disputes made headlines recently, as a delegation from the Andean nation, which is seeking support for its bid to join the Organization for Economic Co-operation and Development, arrived in Washington for meetings that included officials at the United States Trade Representative's office and other groups. Where do trade relations stand between Colombia and the United States? How has Colombia's business climate fared under the administration of President Juan Manuel Santos, who leaves office later this year? Will the next presidential administration in Colombia prioritize U.S. grievances?**

**A Ana Heeren, managing director for strategic communications and Latin America head at FTI Consulting:** "The United States and Colombia have historically been strong trade partners. The United States is Colombia's biggest trade partner and a main source of foreign direct investment, and Colombia has been the United States' closest ally in the region for the better part of the past two decades. That said, just last week, Colombia and China signed an agreement on economic and technical cooperation, which could signal that Colombia is looking to diversify its options in the face of U.S. protectionist policies. Colombia has no doubt made substantial strides over the last 20 years, but the international business community still has concerns over Colombia's trade and investment environment. The most notable barriers to trade imposed on foreign partners include burdensome regu-

Continued on page 2

## TODAY'S NEWS

### POLITICAL

## Shots Fired at Buses Carrying Lula Supporters

No one was injured in the attack in southern Brazil, and former Brazilian President Luiz Inácio Lula da Silva was not aboard either of the buses at the time.

Page 2

### ECONOMIC

## Mexico Awards 16 of 35 Oil Blocks at Auction

Investors were cautious in the auction ahead of Mexico's presidential election. Front-runner Andrés Manuel López Obrador has promised to review oil contracts.

Page 2

### POLITICAL

## Maduro's Summit Invitation in Diplomats' Hands: Vizcarra

The decision on whether to invite Venezuelan President Nicolás Maduro to next month's Summit of the Americas in Peru is up to Peru's Foreign Affairs Ministry, said Peru's new president, Martín Vizcarra.

Page 2



Vizcarra // File Photo: Peruvian Government.

## POLITICAL NEWS

## Maduro's Summit Invitation in Hands of Diplomats: Vizcarra

The decision on whether to ban Venezuelan President Nicolás Maduro from next month's Summit of the Americas, which Peru is hosting, will be in the hands of Peru's Ministry of Foreign Affairs, the country's new president told reporters on Tuesday, *La República* reported. "The subject of our foreign policy is delicate, and it is necessary to leave it in the hands of specialists," said Martín Vizcarra, who was sworn in as Peru's president last Friday. "It is the Ministry of Foreign Affairs that will make the decisions with respect to it." Vizcarra's predecessor, Pedro Pablo Kuczynski, who resigned amid corruption allegations that he denies, last month rescinded Maduro's invitation to the summit, citing a "rupture in the democratic order" in Venezuela. Maduro later vowed to attend the April 13-14 gathering anyway. Vizcarra was asked about Maduro's summit invitation on Tuesday after returning from a coastal region that suffered severe floods last year. A spokesman in the Foreign Affairs ministry told

Reuters that the ministry's position of barring Maduro from the summit was unchanged, but said that Vizcarra had not yet fully discussed it with the country's top diplomats. An unnamed Foreign Ministry official told the Associated Press that Maduro will continue to be banned.

## ECONOMIC NEWS

## Labor Deal in Vaca Muerta Only Partially Implemented

The labor agreement meant to facilitate development of the Vaca Muerta shale reserve in Argentina is only being partially implemented, Reuters reported Tuesday, citing industry sources. Several companies involved in developing the site have complained that the Argentine government is not enforcing the terms of the 2017 agreement, and several unions have held out to demand better terms, the wire service reported. "If you don't do anything to ensure its terms are applied, then obviously the unions are going to refuse to cooperate," said an energy industry source. In some cases, companies have paid bonuses in exchange for the unions'

## NEWS BRIEFS

## Shots Fired at Buses Carrying Lula Supporters

Shots were fired at two campaign buses of former President Luiz Inácio Lula da Silva at an event on Tuesday in southern Brazil, *O Globo* reported. No one was injured, and Lula was reportedly not on either of the buses at the time of the attack. The Workers' Party, or PT, also alleged that nails had been placed on the road to impede the buses, at which protesters have also hurled rocks and eggs this month. Lula is seeking his third term in office despite being barred from holding office due to a corruption conviction that an appeals court upheld last week. Lula denies wrongdoing.

## Morales Exploiting Ocean Access Case: Chilean Foreign Minister

Bolivian President Evo Morales is exploiting his country's case against Chile over access to the Pacific Ocean for political gain at home, Chilean Foreign Minister Roberto Ampuero told Reuters on Tuesday. "The development of anti-Chilean sentiments is a very important component of this campaign of President Morales," said Ampuero. Landlocked Bolivia is seeking to compel Chile, through the International Court of Justice, to enter talks on granting it access to the ocean. Chile says the matter was settled in a treaty more than a century ago.

## Mexico Awards 16 of 35 Oil Blocks at Auction

Mexican officials announced they awarded just 16 of 35 available oil blocks in an auction Tuesday, Reuters reported. The auction, one of Mexico's last before its July 1 presidential election, was met with hesitance by investors, who fear leading presidential candidate Andrés Manuel López Obrador will carry out promises to review or revoke oil concessions. Companies winning blocks on Tuesday include Mexico's state-run Pemex and Spain's Repsol.

## FEATURED Q&amp;A / Continued from page 1

lations and failure to implement and enforce intellectual property rules and restrictions. For instance, the National Trade Estimate, an annual report provided by the Office of the United States Trade Representative (USTR) outlining the barriers of its trading partners, highlights multiple commercial violations Colombia has committed over the past year involving numerous sectors such as trucking, pharmaceuticals, and mobile devices, which contributed among other things to a reduction of U.S. exports to Colombia of \$3.2 billion – almost 20 percent – from 2015 to 2016. Unfortunately, the next president of Colombia will take hold of a country with a struggling economy and a troubled peace process. He or she will need to prioritize U.S.

demands for reforms and eliminate barriers to trade in order to see Colombia join the select group of OECD countries."



**Maria Velez de Berliner,**  
**president of Latin Intelligence**  
**Corporation:** "Colombia is the

United States' most reliable friend and supporter in Latin America. It is also the United States' 12th-largest market for exports of agricultural and food products, which grew exponentially after the enactment of the U.S.-Colombia Trade Promotion Agreement (CTPA). CTPA advantaged U.S. exporters while adversely affecting many Colombian producers, particularly rice growers who have been unable to survive the prefer-

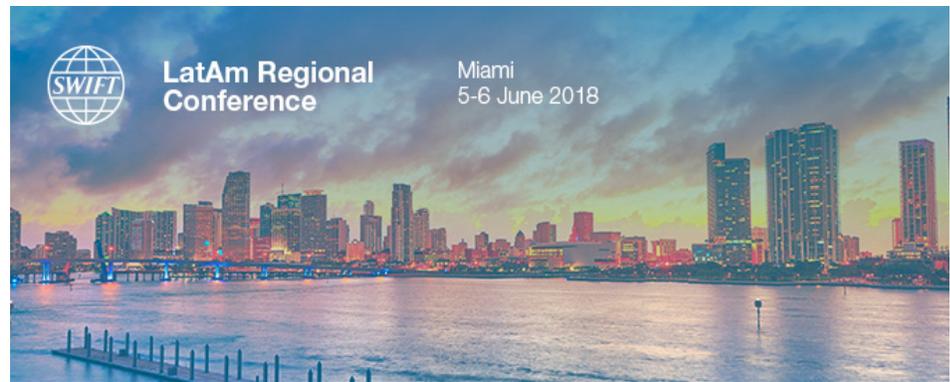
Continued on page 4

already-negotiated labor. The landmark labor accord was negotiated among the unions, developers and the Argentine government and was finalized last July. Hoping to spur extraction in the Vaca Muerta region, which is one of the world's largest shale gas and shale oil reserves, the Argentine government agreed to offer large subsidies to producers who would explore and develop it. Although Chevron and ExxonMobil have invested in the reserve, exploration has been slower than expected. The report comes in spite of major investments by Argentine government entities; last Friday YPF Energía Eléctrica, a subsidiary of the state oil company, opened a 220-megawatt thermal power plant in Vaca Muerta, Clarín reported. The government is also planning a tender for a \$500 million trail line to improve access to the region and cut costs, Bloomberg reported on March 22. A separate Reuters report earlier this month revealed that YPF expects a 35 percent increase in oil and gas production in 2018, citing falling costs.

#### BUSINESS NEWS

## Brazil's Eletrobras Posts \$1.2 Billion Loss in Fourth Quarter

Brazilian state electricity company Eletrobras posted fourth-quarter losses of 3.998 billion reais (\$1.2 billion), a 36 percent decline from the same period last year, O Globo reported Tuesday. The company had posted net profits of 3.51 billion reais in 2016, but has accumulated significant losses since then. Eletrobras controls several transmission and generation subsidiaries, as well as distribution companies in Brazil's north and northeast. The company cited the sale of subsidiary Celg and other assets for its decreased revenues in 2017. The announcement follows the introduction of a voluntary redundancy plan, through which Eletrobras intends to eliminate 3,000 jobs. Brazil's government plans to hold a private auction of the company's distributors on May 21 and hopes to privatize the entire company by the end of 2018, according to O Globo.



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To learn more about the conference  
and to register, click [here](#)

## FEATURED Q&amp;A / Continued from page 2

ential prices of 'rough rice' exported by U.S. growers. CTPA also disadvantaged 2.7 million family-owned, small- and medium-sized enterprises (SMEs), of which 95 percent are micro-enterprises. More than 2,800 SMEs closed permanently in 2017; they could not compete with imports from the United States. The winners have been the behemoth, family-owned industrial groups that dominate Colombia's legal economy. Were it not for these groups, and the estimated \$10 billion in cash laundered annually from cocaine exports, the slump in conventional exports during Santos' two administrations would have been more than the 14 percent decline officially reported. Regarding the redress of grievances, we will not know what policies will be implemented that please the United States until the swearing in of Colombia's new president on Aug. 7. Given the opposite economic proposals of the two leading candidates, Iván Duque and Gustavo Petro, Colombians will probably vote for Duque's proposals over the Petro's nationalist promises. If President Trump makes U.S. relations with Colombia dependent on the total elimination of coca/cocaine, his administration will need to be prepared to help Colombia finance viable and economically profitable agricultural crops to wean peasants away from the financial advantages of coca/cocaine against conventional agriculture."

**A** **Oscar Ardila, senior associate at Avenida Capital:** "Colombia's business climate has as much to do with economic policy at the local level, as with the country's vulnerability and correlation to external macroeconomic shocks. Colombia has in recent years juggled the impact of the decline in commodity prices, economic deceleration, the devaluation of the currency and the political polarization of the peace process and the tax reform. Nonetheless, thanks to the central bank's monetary discipline and the passing of the tax reform, the country has weathered the effects of inflationary pressures and

inflation has converged to the bank's target range. Also, the current account deficit has narrowed considerably and economic fundamentals provide the basis for an uptick in economic growth this year. All those factors seem to be contributing to a boost

“ It is not surprising to see the country undertaking trade diversification efforts.”

— Oscar Ardila

in retail confidence, which had declined in past years. In terms of trade relations, and considering the growing hold of nationalism in some of Colombia's key allies, including the United States, it is not surprising to see the country undertaking trade diversification efforts. In January, external sales to the Andean Community grew more than 35 percent, and the Pacific Alliance continues its negotiations with associated members Australia, Canada, New Zealand and Singapore. Therefore, although Colombia will certainly benefit from a positive vote from the United States in its accession process to the OECD and has dutifully carried out key reforms in line with OECD principles and U.S. recommendations, it is already fostering healthy trade relations with additional potential key allies within the organization. Colombia's business climate is still ambiguous due to the electoral cycle. However, Colombia has an open economy, an independent central bank and a separation of powers. Thus, regardless of the incoming president's political orientation, I do not expect material changes to trade policy, key commercial relations or the country's economic model."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gene.kuleta@thedialogue.org](mailto:gene.kuleta@thedialogue.org).*

## 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](http://www.thedialogue.org)

ISSN 2163-7962

Subscription inquiries are welcomed at [fretrial@thedialogue.org](mailto:fretrial@thedialogue.org)

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