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FEATURED Q&A

How Will Obama's Export Program Affect Latin America?

Q In an effort to create jobs at home, U.S. President Barack Obama has announced a new National Export Initiative, which aims to double U.S. exports over the next five years through better trade promotion, increased export financing and a 'rigorous' enforcement of international trade laws. During his State of the Union address, Obama also called for strengthening trade relations with South Korea, Panama and Colombia, although he did not specifically mention pending free trade agreements with those countries. Can Obama make trade policy into a compelling economic issue instead of a politically divisive one? How would his export initiative affect countries in Latin America and companies based in the region? How far will Obama go in advocating for free trade deals with Panama and Colombia?

A Jon Huenemann, member of the Advisor board and principal at Miller & Chevalier in Washington: "The administration's initiative is the clearest indication to date that it embraces the economic importance of selling globally. What the initiative is less clear on is how trade agreements fit into the strategy. Furthermore, while export control reform, beefing up the Foreign Commercial Service and boosting export financing capacity can help exports, the largest contributor to export growth will be the resumption of global demand. Related to this, chronic current account

imbalances get in the way of U.S. export growth and addressing them remains a tall political order within the G-20. As a domestic political matter, the Obama team seems to be gingerly attempting—through the export initiative and other steps—to lay the groundwork for its own trade agreement agenda which includes its version of the Trans-Pacific Partnership Trade Agreement and Doha although it is not clear what else. It is also struggling to find a way to finish off Korea, Colombia and Panama that avoids hurting its political

Continued on page 3



Honduran President Keeps Military Leader Involved in Coup

Honduras' new president, Porfirio Lobo, has decided to keep in place Gen. Romeo Vásquez, who headed the military during the coup against former President Manuel Zelaya last June. See brief on page 2.

File Photo: Honduran Military.

Inside This Issue

FEATURED Q&A: How Will Obama's Export Program Affect Latin America?.....1	Honduran President Keeps Military Head Involved in Coup.....2
Rebuilding Haiti Could Cost Nearly \$14 Billion: IDB.....2	Argentina to Require Permits for Ships to Falkland Islands3
Former Advisor to Americans Detained in Haiti Wanted in U.S.2	Mexico's Axtel Enters Wireless Spectrum Auction.3

NEWS BRIEFS

Honduran President Keeps Military Head Involved in Coup

Honduran President Porfirio Lobo, who took office last month, has decided to keep the general who was in charge of the military during the country's coup last June, the Associated Press reported. Lobo met with Gen. Romeo Vásquez and other military leaders for three hours before making his decision, a military spokesman told reporters in Tegucigalpa Tuesday. Last month, Honduras' Supreme Court cleared Vásquez and five other military officers of charges stemming from the coup, saying they did not abuse their power.

Brazil's BR Properties May Raise \$920 Million in IPO Next Month

Brazilian real estate developer **BR Properties** could raise as much as 1.7 billion reais (\$U.S. 920 million) next month in an initial public offering, Bloomberg News reported, citing a prospectus published today in *Valor Econômico*. The IPO includes an offering of 57.5 million new shares. The price for the shares will be established on March 4 and they will begin trading in São Paulo March 8.

Spain's Renovalia Energy Starts Building Mexican Wind Farm

Spanish renewable energy company **Renovalia Energy** has begun construction of a 228 MW wind farm in Mexico's Oaxaca state, EFE reported Tuesday. The Piedra Larga wind farm, which has an estimated cost of 300 million euros (\$U.S. 411.57 million), will supply power to 14 plants of food supplier **Bimbo** throughout Mexico, according to the report. Spain's **Gamesa** is supplying Renovalia with 114 wind turbines manufactured at the company's local Mexican unit.

Political News**Rebuilding Haiti Could Cost Nearly \$14 Billion: IDB**

Rebuilding houses, schools, roads and other infrastructure in Haiti after the country's devastating Jan. 12 earthquake could cost nearly \$14 billion, according to a study released Tuesday by the Inter-American Development Bank. The earthquake, which is believed to have killed more than 200,000 people, was "proportionately the most destructive natural disaster of modern times," the IDB said. When viewed in comparison to the size of the Caribbean country's population and economy, the earthquake was more destructive than the 2004 Indian Ocean tsunami and the 2008 Myanmar cyclone, the report said. In the study, IDB economists Andrew Powell, Eduardo Cavallo and Oscar Becerra estimated the damage at \$13.9 billion. "The scale of the damages in Haiti will require unprecedented coordination among the multiple bilateral, multilateral and private donors," said the IDB. "To ensure the efficient use of billions of dollars in reconstruction funds,

for example, individual donors may need to surrender the kind of control and conditionality they typically demand of projects they finance. This will in turn require extraordinary mechanisms to ensure transparency and accountability." A forthcoming study by Cavallo and others concludes "countries hit by disasters on this scale suffer an economic setback that can take decades to reverse," the IDB said.

The quake caused damage equal to 104 to 117 percent of Haiti's gross domestic product, the report said.

"In several such countries, investigators found that even with big inflows of outside aid, GDP per capita was up to 30 percent lower 10 years after the disaster than it would have been if the country had been spared." After a meeting Monday with Canadian Prime Minister Stephen Harper, Haitian President René Préval

Former Advisor to Americans Detained in Haiti Wanted in U.S.

The former legal advisor to 10 U.S. Baptist missionaries accused of kidnapping dozens of Haitian children after the country's catastrophic Jan. 12 earthquake is under indictment in the United States, the Associated Press reported.

Jorge Puello, who says he is innocent of any wrongdoing, told the AP Tuesday that he is named in a 2003 indictment filed in federal court in Vermont. In the indictment, he is accused of bringing illegal immigrants from Canada into the United States.

The indictment names 32-year-old Jorge Torres. U.S. authorities have not confirmed that Puello and Torres are the same person, but they say the case is open.

"Mr. Torres was a fugitive in Canada and the United States has requested his extradition," Tristram Coffin, the U.S. attorney for Vermont told the AP. "We've always been interested in him. We remain interested in fugitives when they flee."

Puello told the wire service he was in Panama and was headed to El Salvador, where he stands accused of heading a ring that lured girls and women into lives of prostitution. "The whole world will know I am innocent," he told the AP.

Puello had represented the 10 Americans who were arrested Jan. 29, allegedly attempting to take 33 Haitian children to the Dominican Republic without proper documentation.

Attorneys for the Americans said a judge could decide as early as today on whether to grant them provisional release.

said Haiti's government was discussing the possibility of a fund to be managed jointly with donors, Reuters reported. Dominican President Leonel Fernández has said the fund could be worth \$10 billion over five years.

Economic News

Argentina to Require Permits for Ships to Falkland Islands

In the latest development in the row between Argentina and Britain over oil exploration in the Falkland Islands, Argentina's government said Tuesday that ships sailing between its shores and the islands must have a government permit, Reuters reported. Ships traveling between Argentina and South Georgia and the South Sandwich Islands or traveling through waters Argentina claims will also be required to have permits, said Cabinet Chief Aníbal Fernández. Earlier this month, Argentina's government protested plans to explore for oil off the Falklands, which Argentina claims as the Islas Malvinas. Nearly 1,000 people were killed in the war that Argentina and Britain fought over the islands in 1982. **Falkland Oil and Gas Ltd.** has said drilling will begin within the first six months of the year.



Fernández

File Photo: Argentine Government.

Company News

Mexico's Axtel Enters Wireless Spectrum Auction

Mexico's **Axtel** has applied to take part in a government auction of wireless spectrum in order to begin offering mobile phone service, Bloomberg News reported. Axtel, the country's second-largest land-line telephone company, did not name a partner for the government auction, a company spokesman told Bloomberg News. In October, Axtel's chief financial

Featured Q&A

Continued from page 1

leverage with Congress. In all this political balancing, trade agreements are not the central pillar in the effort to grow exports and candidly even their role within international economic diplomacy more generally is not clear. Not surprisingly, pending free-trade agreements are not top issues now and firms based in the region that are not benefitting from implemented FTAs should not expect more access through new trade agreements in the near term. At the same time, firms should explore carefully what benefits they might derive from the new export initiative."

A Jorge Lara Urbaneja, an international business consultant based in Colombia: "As an outsider, it has impacted me how

President Obama's tone has changed since his election. Now, he must quickly strengthen the economy and regain the United States' international pre-eminence. During the campaign, Obama had to win the debate against the Republicans who were defending free trade. Moreover, labor unions, which had given full support to Obama and the Democratic Party, were aggressively calling for protective measures that supposedly should save and generate jobs. As regards Colombia, President Bush, in the last days of his term when his public approval rating was low, was still asking Congress to quickly approve the FTA with Colombia. Clearly, Obama and the Democrats were forced to take an opposite position. Now, the circumstances are different. The only way U.S. productivity may recover and exports may grow is by fostering a two-way free trade environment. U.S. manufacturers and producers are able to integrate with the outside

world at the lowest cost possible. This is unthinkable in a regulated and protected trade system. Japan is perhaps a good example of this assertion. Obama's trade policy must become a compelling eco-

"The only way U.S. productivity may recover and exports may grow is by fostering a two-way free trade environment."

— Jorge Lara Urbaneja

economic issue because, in fact, it has been in U.S. companies' business plans for decades. For Latin American countries, this is a major opportunity to integrate with the first world. In the international scenario, in general, the United States must start focusing on those countries with ties and affinity, such as Colombia, Panama and South Korea."

A Ed Gresser, director of the Project on Trade and Global Markets at the Progressive Policy Institute in Washington:

"Trade has rarely been an easy issue in American history. But any president has great power to define America's national interests to the public and Congress—in the sense of national security, America's place in the world and also in outlining economic policy—and most have succeeded in trade policy when they have worked at it. President Obama is unusually gifted as an explainer of complex

Continued on page 4

officer, Felipe Canales, had said the company was considering the possibility of partnering with an "international player" in order to finance a wireless operation. Entering the mobile phone market could help Axtel compete with **Telefonos de México**, or Telmex, which is controlled by billionaire Carlos Slim. Axtel also has

plans to offer satellite television service later this year. **Grupo Televisa** said Monday that it would buy 30 percent of **Comunicaciones Nextel de México**, the local telecommunications operation of **NII Holdings**, for \$1.44 billion in cash. The companies also said they would jointly bid in the auction.

Featured Q&A*Continued from page 3*

policies, and he is quite right to make exports central to recovery. With asset-wealth down and job security shaken, American families are saving rather than only about 5 percent of trade and aren't enough to double exports. Most U.S. trade is with a few big partners—the European Union, Canada, Mexico, Japan

“We have to look abroad for the demand that can get businesses investing and creating jobs again.”

— Ed Gresser

spending. A recovery driven by consumer shopping or home-buying is unlikely, and government stimulus is only a temporary substitute. We have to look abroad for the demand that can get businesses investing and creating jobs again. The conceptual case for this is straightforward—'compelling' is not a bad word—and I think will win public support. In fact, public opinion surveys show public support for trade policy rising during this recession. But the agenda to get us there has to be as credible as the concept. The three remaining FTAs are close at hand and should be the starting point, but cover

and China, plus India and Brazil as time passes—and they need to move to the center of trade policy. If that happens, American businesses exporting to Latin America (as well as Asia and Europe) will benefit, and liberalization in large developing economies will provide new options for smaller economies in each region."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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