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## FEATURED Q&A

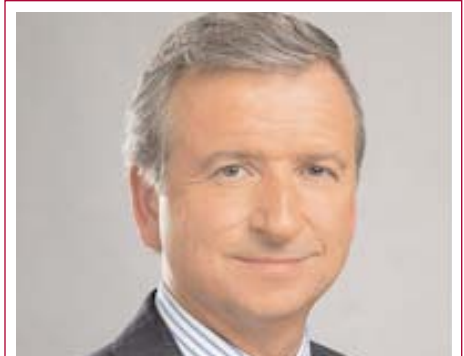
### Will a U.S. Push for a Korea FTA Hurt Panama and Colombia?

**Q** In November, world leaders will gather in Seoul for a summit of G20 nations. U.S. President Barack Obama has said that he wants to complete a free-trade agreement with South Korea by the time of the meeting and send a reworked accord to Congress soon afterward. The setting of a deadline for working out the details of the South Korea accord distinguishes it from U.S. free-trade agreements with Colombia and Panama, which have been languishing in Congress. What does the Obama administration's prioritization of the South Korea accord, ahead of the agreements with Colombia and Panama, mean for the agreements with the two Latin American countries? What chances do the Colombia and Panama FTAs have of eventually passing the U.S. Congress? What would need to happen in order for those accords to win lawmakers' approval?

**A** **Jaime Alemán, Panama's ambassador to the United States:** "After President Obama's statements regarding the movement of the Korea agreement, we feel very encouraged with Panama's prospects. The possibility of progress on any trade agreement is great news for all of the countries that are waiting: where one moves, others can as well. In Panama's case, we are very close to resolving the few outstanding issues. We believe that there is bipartisan support in the House and the Senate for approval of the agreements with Panama,

Colombia and Korea. While we remain mindful of the political climate in Washington, we cannot afford to be left behind. Our economic indicators continue to improve dramatically on the back of exceptionally strong growth, prudent policy management, capital formation, the expansion of the Panama Canal and net exports of services. Despite the delays with the U.S.-Panama agreement, Panama has continued to seek an open trade policy, signing with Canada and recently finalizing an agreement with the European Union.

*Continued on page 2*



### Chile's Lower House Approves Increase in Mining Royalties

The lower house of Chile's Congress on Wednesday approved increasing royalties mining companies must pay. The country needs the funds for earthquake reconstruction, said Finance Minister Felipe Larraín. See story on page 3.

*File Photo: Chilean Government.*

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## NEWS BRIEFS

**Tropical Storm Karl Heads to Gulf of Mexico**

Tropical Storm Karl is forecast to strengthen as it approaches the Bay of Campeche and could become a hurricane by Friday, the U.S. National Hurricane Center said Wednesday, Reuters reported. Mexican state-run oil company Pemex has not suspended operations, but is monitoring the storm's progress. Karl reached Mexico's Yucatán Peninsula Wednesday, where hundreds of villagers were evacuated.

**Argentine Inflation Spurs Consumer Spending**

As President Cristina Fernandez de Kirchner continues expansionary policies, inflation may rise to 25 percent or higher, said former Economy Vice Minister Orlando Ferreres, Bloomberg reported Wednesday. In response to accelerating prices, Argentines are purchasing cars and domestic appliances at a record pace, which is also driving economic growth. The economy is expected to grow by 9 percent this year, Deputy Economy Minister Roberto Feletti told Bloomberg.

**FICO, Bull Announce Joint Marketing Deal for Latin America**

U.S.-based FICO and France's Bull on Tuesday announced they have agreed to jointly market products in Latin America, FICO said in a statement. "The distribution agreement covers FICO's decision management solutions and custom analytics in combination with Bull's technology and systems integration services," said FICO, which is headquartered in Minneapolis. The companies plan to market their products to insurance and other financial services companies in the region.

**Political News****Cuba's Foreign Minister: Obama Not Fulfilling Expectations**

Cuban Foreign Minister Bruno Rodríguez said Wednesday that U.S. President Barack Obama has "not lived up to expectations" and has missed a major opportunity to improve relations with Havana, the Associated Press reported. Rodríguez's statements were part of Cuba's annual stepping up of U.S. criticism ahead of a yearly vote in the United Nations in which countries condemn Washington's trade embargo of the communist island. "The policy of the blockade under President Obama ... hasn't changed at all, and one could say that in several aspects, enforcement of the blockade ... has gotten even stricter," Rodríguez said in a speech, adding that the United States has fined

international companies for conducting business with Cuba. He also said medical supplies, which are excluded from the embargo, often fail to reach Cuba because

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“The policy of the blockade under President Obama ... hasn't changed at all.”

— Bruno Rodríguez

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of excessive bureaucracy. The Obama administration has relaxed travel and remittance restrictions for Cuban-Americans, has made it easier for Cuban artists to travel to the United States and has restarted talks on direct mail service and immigration.

**Featured Q&A**

*Continued from page 1*

Moreover, we are negotiating with Colombia and have taken the first steps towards negotiating a free trade agreement with Norway, Iceland and Liechtenstein, as well as exploring the possibility of additional negotiations with countries including Korea and Peru as well as Caricom. With one of the fastest growing economies in the region and a traditional consumer of U.S. goods, Panama is a natural market for American small and medium enterprises. Moreover, Panama is a commercially strategic location for U.S. business to expand in Latin America. However, as we prolong the wait, both the United States and Panama stand to miss out on a timely opportunity that could provide a boost to our economies by creating jobs, expanding trade, creating synergies for our business and stimulating investment."

**A** **Todd Tucker, research director at Public Citizen's Global Trade Watch:** "Administration officials with any political sense realize that the Colombia and

Panama FTAs are nonstarters. Colombia leads the world in trade unionist murders, while Panama has refused to meaningfully tackle its tax and regulatory haven problems—even going so far as to threaten World Trade Organization cases against other Latin American countries' anti-tax haven measures. Members of Congress have made it clear that addressing these problems are the precondition for beginning a conversation about what needs to be fixed in the agreements themselves—starting with high-priority reforms like fixing corporations' ability to sue governments for public interest and other policies under the controversial investor-state system. Moreover, with unemployment going through the roof here at home, lawmakers are not eager to endorse a trade deal with Colombia that the U.S. International Trade Commission projects will increase the U.S. global trade deficit. The same is true for a deal with Panama, with which trade volumes are so small that the U.S. International Trade Commission did not offer an economy-wide estimate. As Public Citizen's research shows, export growth to non-FTA countries actually surpasses that to FTA countries: in other

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## Economic News

### Chile's Lower House Approves Higher Mining Royalties

The lower house of Chile's Congress on Wednesday approved a measure increasing royalties mining companies must pay to the government, which the administration of President Sebastián Piñera says is needed in order to pay for reconstruction after the country's massive February earthquake, Reuters reported. The

“Time is running out, the country needs these funds.”

— Felipe Larraín

administration is seeking to raise \$1 billion by raising a sliding scale for royalties to between 5 percent and 9 percent beginning in 2018. Under the legislation passed by the lower chamber, royalties would rise initially to between 4 and 9 percent. Currently, miners in Chile must pay royalties of 4 to 5 percent. The measure now goes to Chile's Senate. "We will go to the Senate with the same good disposition," said Chilean Finance Minister Felipe Larraín. "Time is running out, the country needs these funds." The plan to increase royalties mining companies must pay is part of the government's efforts to pay for \$8.4 billion in reconstruction which the government is to fund. The government has also issued approximately \$1.5 billion in international debt, tapped some of its windfall from the copper boom and has hiked taxes in some items.

## Company News

### Colombia's Suramericana Helps Fuel Earnings of Holding Company

Colombia's **Suramericana**, the South American country's largest insurance

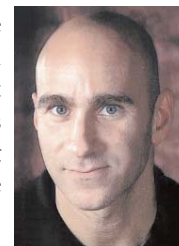
## Comings & Goings

**Burger King's** soon-to-be new owners have named a former Latin American railroad executive to be CEO of the fast-food chain after the \$3.26 billion deal goes through, the Associated Press reported Sept. 6. Bernardo Hees will replace John Chidsey, who had been the fast-food chain's CEO since 2006. Chidsey will become co-chairman after the deal closes. Hees was most recently CEO of **América Latina Logística**, Latin America's largest railroad company.

André Araújo has been named the new president of **Shell Brasil** in addition to continuing as senior adviser for government affairs for the United States, Canada and Latin America, industry newsletter *Global Energy* reported Aug. 10. Araújo will replace Gilbert Landsberg, who will return to his former position as vice president for external affairs. Educated in Brazil, Araújo began his career at **Shell** in 1984 in the chemical division holding various different positions in that department before becoming director of chemicals for Latin America.

Reinsurance company **XL Re** said Sept. 6 it has named Philippe Rochaix the new president and chief operating officer of **XL Re Latin America**, effective Oct. 1, the Associated Press reported. Rochaix will replace Stephen Outerbridge, who will take on other responsibilities within the company's reinsurance operations after a transition period. Rochaix is currently general manager and senior vice president of **XL Re Europe's** French branch, where he is responsible for the management and underwriting of property & casualty reinsurance for Continental Europe, the Middle East and Africa. Previously, he served as chief underwriting officer for **XL Re Singapore** and prior to joining XL, worked at **Le Mans Re** and **Le Blanc de Nicolay Singapore**.

**The Goodyear Tire & Rubber Co.** on Sept. 15 announced the appointment of Jaime Cohen Szulc as president of its Latin American region. Szulc replaces retiring Eduardo Fortunato, 57, and will report directly to Goodyear's chief executive, Richard J. Kramer. Szulc, 48, has worked at **Eastman Kodak**, **S.C. Johnson & Son** and **Procter & Gamble**. A native of Brazil, for the past year Szulc served as senior vice president and global chief marketing officer for **Levi Strauss**. Goodyear employs approximately 70,000 people and manufactures its products in 57 facilities in 23 countries around the world.



Szulc

File Photo:  
Goodyear.

firm, is expected to help parent company **Grupo de Inversiones Suramericana** to book a net profit of nearly 500 billion Colombian pesos (\$279 million) for this year, the holding company's chief executive told Dow Jones Tuesday. The insurance business is experiencing good growth and made a one-time profit earlier this year through the sale of a 5.8 percent stake in retailer **Almacenes Éxito** to **Citigroup**, said the CEO, David Bojanini. The holding company made a 33 billion peso profit on the sale, market analyst Jairo Lastra of local brokerage **Proyectar Valores** told Dow Jones. Last year, Grupo

Suramericana reported a net profit of 446 billion pesos. In addition to the insurance operation, the holding company is the biggest shareholder of Colombia's largest bank, **Bancolombia**. It owns stakes in **Inversiones Argos** and **Grupo Nacional de Chocolates** and has cement and power generation assets as well. The company is also in talks to acquire Bancolombia's insurance company in El Salvador, said Bojanini. "We want to gather in the same company all the insurance activities of the group," he said, adding that the company is also considering the acquisition of other insurance businesses in the region.

**Featured Q&A***Continued from page 2*

words, there are many ways to expand exports and create jobs, but FTAs are not among them."

**A John Magnus and Welles Orr, senior members of the international trade practice of Miller and Chevalier Chartered:**

"Action on any of the three pending trade agreements is welcome, given concerns that the current majority party is inclined to view any Congressional vote on an FTA implementing bill as a political mistake to be avoided. Pushing the U.S.-Korea Free Trade Agreement to the head of the queue, however, takes the FTAs out of the order in which they were negotiated, and creates a possibility that one difficult vote conducted under Trade Promotion Authority procedures will produce 'trade fatigue' and leave the Colombia and Panama FTAs in an even more extended limbo. The U.S.-Korea FTA now has a seemingly-solid timetable, although no one should start counting until the administration formally sends implementing legislation to Capitol Hill. For the other two FTAs, the outlook remains grim; benchmarks for fixing the cited problems (on labor violence in Colombia and tax haven concerns in Panama) remain fuzzy, and no timetable has been floated--much less promised. A new political alignment come January might improve this picture, especially with the Obama administration continuing to focus on job creation and export promotion. The disadvantage of standing aside while other nations continue trade liberalization has made its way into the president's rhetoric and is capturing greater attention in the Congress as well. Moreover, pro-trade stakeholders are doing a better job of publicizing the actual--rather than feared--results of FTAs already implemented, which among other things have produced a solid U.S. trade surplus with the countries affected. Trade is rightly regarded as one of the more promising areas for bipartisan cooperation in the U.S. government's next cycle. However, to pull along the Colombia and Panama deals which are

now at the back of the queue, new momentum on trade will have to be not just achieved but sustained."

**A Susan Purcell, Director of the Center for Hemispheric Policy at the University of Miami:** "It is not surprising that the Obama administration is giving priority to the FTA with South Korea, since that country has by far the biggest market of the three countries. The International Trade Commission estimates that a U.S.-Korea FTA could increase the U.S. GDP by almost \$12 billion and exports by nearly \$11 billion. The comparable figures for Colombia are \$2.5 billion and \$1 billion. In addition, the United States is facing significant competition in the South Korean market from the European Union and China. Because of these factors, as well as important U.S. security interests in Asia, there is more bipartisan political support for the U.S.-Korea agreement than for the two Latin American agreements. Enacting the U.S.-Korea agreement could encourage movement on the two Latin American FTAs, but the more decisive factor would probably be the increase in the number of Republican congressmen and senators as a result of the Nov. 2 U.S. midterm elections, since Republicans are not beholden to organized labor in the way that Democrats are. Furthermore, enacting the Latin American trade agreements with Colombia and Panama would allow President Obama to move closer to achieving his goal of doubling U.S. exports within five years, while also making U.S. exports to Latin America more competitive with those of China and the E.U. in particular. Within Latin America, it would help offset the impression that the Obama administration has largely ignored the region, since enacting the Colombian and Panamanian FTAs would increase U.S. investment in, and trade with, both countries."

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*The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

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