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## FEATURED Q&A

### How Significant Is the South Korea FTA to Peru's Economy?

**Q** Just days after South Korea and the United States failed to work out differences in their un-ratified free-trade agreement, South Korea and Peru on Nov. 15 initialed an FTA, which Peruvian President Alan García said would double the amount of South Korean exports in Peru over the next three years. How significant is the trade pact to benefit the most? Is the accord sure to be ratified in the first half of next year, as administration officials on both sides hope?

tributed to Peru's dramatic GDP growth, expected at 9 percent for the fourth quarter of 2010, and to surging capital inflows which reached a record of \$6 billion in the third quarter of 2010. The Peru-Korea FTA is expected to spur growth in bilateral trade from close to \$1.5 billion to \$7 billion by 2016. A number of Korean companies such as SK have invested in extractive industries and are planning additional investments in this area, as well as in infrastructure. It is also likely that Korean car and electronics manufacturers will increase their market

*Continued on page 2*

**A** Carlos Mateo Paz-Soldan, member of the Advisor board and partner at DTB Associates: "The recently signed FTA with South Korea corresponds, in part, to Peru's aggressive strategy of seeking FTAs with all of its major trade and investment partners. This strategy is intended to secure access to those markets through FTA frameworks, provide Peruvian exporters with longer-term predictability and give foreign investors greater incentive to invest in Peru. It is remarkable from a historic perspective that in less than a decade, Peru has negotiated and signed FTAs with the United States, Canada, the European Union, the European Free Trade Association, China, Mercosur and Singapore, has enhanced its trading relationships with Mexico and Chile and is in the process of negotiating FTAs with Japan and Central America. It is unquestionable that this strategy has con-



### Nicaragua's Ortega Seeks Broader Control of Military

Nicaraguan President Daniel Ortega is seeking broader control of the country's military through a package of legislation he sent to lawmakers for their approval before they adjourn for the year on Friday. See story on page 2.

*File Photo: Nicaraguan Government.*

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## NEWS BRIEFS

**Paraguay's Lugo Finishes Chemotherapy Treatment**

Paraguayan President Fernando Lugo on Wednesday finished his sixth and final round of chemotherapy for non-Hodgkin's lymphoma at a Brazilian hospital, EFE reported. "These have been some very hard months," Lugo told reporters outside the Sirio-Libanés Hospital in São Paulo, adding that he must continue taking medication. Lugo's latest medical tests showed the cancer to be in "complete remission," said the hospital.

**Walmex Opened 58 Stores in Mexico Last Month**

As part of the company's plan to open 330 new stores in 2010, Wal-Mart of Mexico and Central America opened 58 stores in Mexico in November. Investments in the establishments totaled \$3.8 billion and generated 5,200 jobs. "The creation of jobs that we had in 2010 is in line with the 7,000 permanent jobs proposed at the beginning of the year, reflecting our commitment to the country, as demonstrated by the confidence in investing more than 3.8 billion pesos in the month," said senior vice-president for corporate affairs, Raúl Argüelles.

**Alsea Expects to Double its Number of Starbucks Cafes**

Mexican restaurant operator Alsea announced Wednesday that it expects to double the number of Starbucks cafes it operates in Latin America over the next five years, Dow Jones reported. Company officials said Starbucks is likely to see more growth than the other brands which Alsea operates, including Burger King, California Pizza Kitchen and the company's largest business, Domino's Pizza.

## Political News

**Nicaraguan President Seeks Broader Control of Military**

Nicaraguan President Daniel Ortega wants lawmakers to approve a package of emergency legislation that would give him broader control of the country's military. Ortega sent the National Assembly three bills, seeking their approval by the time lawmakers adjourn for the year on Friday, the *Tico Times* reported. Ortega's move to exert more control over the military comes as Nicaragua is enmeshed in a border dispute with Costa Rica over ownership of Calero Island, which lies in the border San Juan River. Nicaragua's constitution forbids compulsory military service, but the legislation would allow the president to order a "national mobilization" during times of conflict or natural disasters, Agence France-Presse reported. "The institutions and regional and municipal governments, as well as their public employees, will become part of the utility for defense ... and by express orders of the president of the republic will

be under the control of the National Army for the amount of time that the state of emergency lasts," the legislation reads, according to the *Tico Times*. Also, the measure stipulates that all land within 15 kilometers of the border be considered "national territory." Former Nicaraguan

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*The measure stipulates that all land within 15 kilometers of the border be considered "national territory."*

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President Arnoldo Alemán said Ortega appears to be attempting to reinstate the mandatory military service that existed during the Sandinista revolutionary government, which Ortega led, AFP reported. Costa Rica, which has no military, has taken the border dispute to the World Court in The Hague and the Organization of American States has called foreign ministers to meet Dec. 7 in Washington in an effort to calm tensions between the two countries.

**Featured Q&A**

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share in Peru. From Peru's vantage point, South Korea, as one of the key Asia-Pacific Economic Cooperation economies, already constitutes an important market for its mineral, fishery and coffee exports. And, while the agricultural chapter was not comprehensive and Korea is competitive in textile production, growth in niche Peruvian agroexports as well as refined fiber and yarn exports is anticipated."

**A** Jason Hafemeister, member of the Advisor board and vice president of Allen F. Johnson & Associates: "Peru has been making up for lost time in trade agreements. Since concluding the FTA with the United States in 2006, its first agreement outside of the Andean Community, Peru has implemented deals with Chile, Canada, China and

Singapore and completed agreements with the European Union, Japan and now South Korea. It is also busy negoti-

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**“**Peru is sending a strong message to investors that it is open for business .**”**

— Jason Hafemeister

ating additional agreements, including with the Central American countries. These agreements have provided additional fuel for Peru's rapid economic growth. By concluding deals with the largest and richest countries, Peru is

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## Death Toll From Venezuela Mudslides Reaches 25

Authorities in Venezuela said Wednesday that at least 25 people were confirmed dead after mudslides were triggered by heavy rain and flooding, the Associated Press reported. The homes of about 5,000 people have been lost in the flooding and



Chávez

File Photo: Venezuelan Government.

the government has declared a state of emergency in Caracas and the states of Miranda, Vargas and Falcon. President Hugo Chávez visited a slum in the western part of Caracas, where he urged people to evacuate their homes. "They told me that you did not want to leave until Chávez came. Well, here I am," he told residents of Antimano. Chávez also called on the homeless to seek shelter in government facilities, including the presidential palace. In addition, he said he would clear buildings inside the Tiuna Fort military hub if necessary in order to allow the homeless to temporarily live there. Already, more than 33,000 people have been moved to 259 shelters, said Defense Minister Carlos Mata Figueroa. Venezuelan state oil company PDVSA said production at the Amuay refinery in Falcon state had resumed after a power outage halted operations. The operations at the adjacent Cardon refinery remained shut down after the outage. The flooding and power outages have not affected the country's oil exports, PDVSA added.

## Company News

### Dow Chemical Plant Investing in Biomass Production in Brazil

Dow Chemical Co., based in Midland, Mich., announced Wednesday that its largest manufacturing facility in Brazil will begin processing biomass fuel by December 2012. The company signed a supply agreement with **Energias**

**Renováveis do Brasil** to install and operate the biomass co-generation plant at the Aratu Complex. Eucalyptus wood biomass will be used to produce steam for the company's chlor-alkali and chlorohydrin production processes. "The new agreement at Aratu represents a significant milestone in our strategy to implement clean energy technology in our operations and advance our leadership in energy efficiency and carbon management," said Doug May, vice president of energy and climate change at Dow. The company expects the co-generation plant to reduce the site's carbon dioxide emissions by 180,000 metric tons annually

and will also receive carbon credits for the project. Meanwhile, **Rhodia** announced its first bagasse-based biomass project

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*The facility will begin producing biomass fuel by December 2012.*

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also on Wednesday. The company will upgrade and operate a cogeneration unit to generate electricity, signing an exclusive agreement with Brazil's **Paraiso** to supply sugar cane solid waste.

## Subscriber Notice

*The Chief Security Officer Roundtable of ASIS International has organized*

### **The Latin America Summit: Opportunity and Risk in Brazil**

*with*

**Roberto Teixeira da Costa**  
Board Member of SulAmérica S/A

**Ambassador Agemar Sanctos**  
Director of Institutional Relations, Rio 2016

**Emil de Carvalho**  
General Manager of International Security, Vale

**Jay Galindo**  
Director of Regional Security, Marriott International

**Luca Tenzi**  
Security Manager, Philip Morris International

December 6-7, 2010  
Rio de Janeiro  
Brazil

*For registration information, please contact Jennifer Hartman at (703) 518-1496 or [Jennifer.Hartman@asisonline.org](mailto:Jennifer.Hartman@asisonline.org)*

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

assuring market access for its agriculture, fishery and other natural resource-based products. By opening its markets to imports from these countries, it is ensuring access to low-cost inputs and the latest technology. If it continues with the outreach to other countries, in particular other developing countries, it will help ensure that producers and consumers in Peru will be able to access supplies of nearly any product without tariffs. Like Chile, through its aggressive FTA actions Peru is sending a strong message to investors that it is open for business and companies that decide to produce there will not be penalized by barriers to imports and will have access locked up for foreign markets. In the Korea deal, primary beneficiaries will be Peru's dynamic agriculture sector, in particular fisheries, minerals, and fruit and vegetable producers, but opportunities will also exist for investment in niche market production in sectors such as livestock and in food processing. More broadly, Peru's aggressive action on FTAs underlines how other countries are moving ahead on trade agreements, including with Korea, while the United States is standing still."

**A Welles Orr, senior international trade advisor at Miller & Chevalier Chartered:** "Kudos to Peru and South Korea for reaching a high-quality and comprehensive trade pact that was concluded in less than 17 months. Benefits of the agreement include improved market access, rules of origin, trade in services, investment, telecommunications, intellectual property rights and government procurement, which will help both nations significantly expand their 2009 trade of \$1.4 billion. Trade between Latin American and Asia-Pacific countries has grown substantially over the past five years, in part due to new groundbreaking bilateral agreements—Peru's exports to South Korea came to \$750 million in 2009, a 36 percent increase over 2008. Its imports stood at \$648 million. Specifically, Peru's agricultural, fishing and forestry indus-

tries stand to benefit from immediate tariff relief for items such as coffee, cacao, sugar and squid to more gradual import tariff phaseouts for a host of other products over the next 10 years. As with every trade agreement, there are exceptions for key sensitive agriculture sectors such as

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“Peru will also be the beneficiary of new deals for its expanding energy and natural resources industries.”

— Welles Orr

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rice and beef whose phaseouts will take longer. As the second largest investment market for Korea in South America, Peru will also be the beneficiary of new deals for its expanding energy and natural resources industries. Tariffs on certain Korean electronics products and appliances as well as certain cars will be eliminated once the agreement takes effect likely next year. This is a good trade deal for two countries that are on a market-opening tear around the world—the seventh FTA for Peru and the fourth with an Asian country and the eighth for South Korea. The agreement should be quickly ratified in Seoul early next year and requires no Congressional action by the Peruvian congress. As such, there is no reason to believe that President García cannot realize a doubling of South Korea's investment in Peru in the next 3 years. Good for them and I hope, an encouraging signal to U.S. and Korean negotiators to complete their long-stalled trade agreement in the next several weeks."

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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.*

**Latin America Advisor**

*is published every business day by the Inter-American Dialogue, Copyright © 2010*

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**Latin America Advisor** is published every business day, except for major U.S. holidays, by the Inter-American Dialogue at: 1211 Connecticut Avenue, Suite 510 Washington, DC 20036 Phone: 202-822-9002 Fax: 202-822-9553 [www.thedialogue.org](http://www.thedialogue.org)

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