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FEATURED Q&A

Will the U.S. Finish Trade Deals With Colombia and Panama?

Q In his State of the Union address Jan. 25, U.S. President Barack Obama said he would only approve trade deals that "keep faith with American workers and promote American jobs," adding that the administration would continue to "pursue agreements with Panama and Colombia." Earlier the same day, U.S. Rep. Dave Camp (R-Mich.) said he wanted to consider the trade deals within six months. Will the administration and Congress finish the trade deals this year or will opponents continue to have the upper hand? Have Colombia and Panama adequately addressed the critics' concerns about human rights and tax laws, respectively? What will result if the accords remain stalled?

A Peter Hakim, member of the Advisor board and president emeritus of the Inter-American Dialogue: "It's no sure bet, but the odds favor ratification of the U.S. free trade deals with Colombia and Panama. Unlike his predecessor Nancy Pelosi, who steadfastly blocked their consideration, House Speaker John Boehner supports the treaties, and once President Obama presents them, will quickly call for a vote. With a 50 seat Republican majority in the House, the two pacts should be approved with relative ease—despite a weak economy and the reported trade skepticism of newly elected tea partiers. And House-approved trade deals are rarely rejected by the Senate.

The big question is whether Obama will send the treaties to Congress. He has said he would, but the administration has not set a timeline for proceeding, and has made clear the treaties need to be substantially revised. U.S. Trade Representative Ron Kirk was ambivalent in testimony last week—praising Colombia's progress, but noting its deficiencies regarding labor rights. Moreover, the opposition to the treaties retains considerable political muscle. The AFL-CIO, human rights groups and many Democrats are working to convince the

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Brazil, Germany, India, Japan Urge Security Council Reform

The foreign ministers of Brazil, Germany, India and Japan met Friday at U.N. headquarters to demand opening the Security Council to new permanent members. Brazilian Foreign Minister Antonio Patriota said "pressure is mounting." See story on page 2.

File Photo: Agência Brasil.

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NEWS BRIEFS

Fourth FARC Hostage Freed, Two Planned Releases Don't Occur

The Revolutionary Armed Forces of Colombia, or FARC, rebel group on Sunday released police officer Carlos Ocampo, the fourth captive to be released since Wednesday, but a handover for two other hostages did not occur, the Associated Press reported. Authorities said the men were not located at the designated spot for retrieval by the International Red Cross. Former Sen. Piedad Córdoba, who has been an intermediary in all 18 FARC hostage releases since early 2008, said in a Twitter posting that she was "certain we will soon see them freed," Britain's *Guardian* reported. The FARC's latest release of captives is its first in nearly a year. The guerrillas have fewer than 20 remaining captives that they hope to use as political leverage.

Two Cuban Political Prisoners Released From Jail

Two Cuban dissidents were freed from jail on Saturday against their wishes, the Associated Press reported. Hector Maseda and Angel Moya refused to leave prison until the government met their demands and released seven other political prisoners, but the authorities kicked them out of jail. The men were imprisoned after a crackdown in 2003 and are among the 52 prisoners President Raúl Castro agreed to release in a deal brokered by the Catholic Church in July.

Brazil's Caixa Reports 41 Percent Increase in Loans

Brazil's *Caixa Econômica Federal* on Friday reported a 41 percent increase in loans last year, totaling 175.8 billion reais (\$103 billion), Reuters reported. The state-run mortgage lender's net income rose nearly 26 percent last year.

Political News**Brazil, Germany, India, Japan Demand Opening Security Council**

Brazil, Germany, India and Japan said Friday they were demanding "concrete" action to open the U.N. Security Council to new members, Agence France-Presse reported. The four countries' foreign ministers met at United Nations headquarters in New York to press for opening up the Security Council even though there are no widely held views among the 192 United Nations members on how to

Any change in the Security Council would require a two-thirds vote in the U.N. General Assembly.

reform the Security Council. "Pressure is mounting here at the United Nations for the U.N. membership to finally face the challenge of addressing Security Council reform in a realistic manner, adjusting it to the current geo-political realities," Brazilian Foreign Minister Antonio de Aguiar Patriota said after meeting with his counterparts. The four countries believe "that we should work towards concrete outcome in the current session of the general assembly," Patriota added. Brazil, Germany, India and Japan, known as the "Group of Four" or G4, last year renewed their campaign to secure permanent seats on the Security Council. Britain, China, France and the United States have been the only permanent, veto-wielding council members since it was created in 1945. The number of non-permanent members was increased to 10 from six in 1963. Any change in the Security Council would require a two-thirds vote in the U.N. General Assembly. Previous efforts at reform have failed over issues including which nations should receive permanent seats. There still is "no consensus on the important aspects of the reform," said Patriota, adding that the G4 nations are "testing different ideas."

Economic News**Chilean Central Bank's Top Goal Is Controlling Inflation: de Gregorio**

Controlling the rate of inflation is the top goal of Chile's central bank, the bank President José de Gregorio said Sunday during a speech in Jerusalem, Bloomberg News reported. The risk of high prices spreading from food and oil to other goods "has to be mitigated," said de Gregorio. "This is most needed in economies like Chile, that are operating close to full capacity. Controlling inflation is the best contribution that monetary policy can do to ensure sustained economic progress." On Feb. 7, Chile's two-year breakeven inflation rate reached 4.31 percent, a two-year high, according to Bloomberg. The rate is an indication of traders' expectation for average annual inflation over the next two years. Chile's central bank has a target of 3 percent for inflation over two years. Last month, de Gregorio announced a \$12 billion plan to buy U.S. dollars in an effort to weaken the peso and increase dollar reserves. The effort has led to increased expectations for inflation amid rising global prices for commodities.



de Gregorio

File Photo: Chilean Central Bank.

Company News**Mexican Airline Volaris Names Perezalonso New Board Chairman**

Mexican airline **Volaris** has named Gilberto Perezalonso as its new board chairman amid reports that the company could go public later this year, Reuters reported Friday. Perezalonso replaces Pedro Aspe as chairman, said the airline, Mexico's third-largest. Volaris mainly operates domestic routes but also has flights to California and Chicago. Aspe, a former Mexican finance minister will remain as Volaris' honorary president.

Featured Q&A*Continued from page 1*

administration to keep the agreements bottled up, or to insist on revisions that Colombia and/or Panama may reject. Still, treaty proponents should be optimistic. Obama has set a course leading to the approval of the FTAs, and Bill Daley, who orchestrated ratification of the NAFTA accords, is now his chief of staff. True, the president is proceeding cautiously, trying to reassure all sides he takes their concerns seriously—but this is an approach he has used with considerable success to accomplish more difficult tasks in recent months."

A **Todd Tucker, research director of Public Citizen's Global Trade Watch:** "There's a gap between the reform rhetoric and the actual policies that are being put on the table. For instance, President Obama committed to reform pro-deregulation investment provisions of trade deals, but these handouts to Wall Street are still in the three pending agreements. Moreover, it is impossible to prioritize boosting exports while advocating for the Korea and Colombia trade deals: the government's own estimates show that these pacts will increase imports more than exports. Or that we care about jobs while pushing agreements that are expected to harm the auto sector (like Korea), subject U.S. workers to competition with workers who are regularly assassinated for their union activities (Colombia) or represent markets the size of several neighborhoods in Baghdad (Panama). And neither Panama nor Colombia has showed sustained proof of compliance on tax transparency or labor rights. If Democrats have any chance at retaking the House in 2012, they'll need to draw a clear line in the sand and reject unfair trade deals. Meanwhile, polls show the Tea Party base that helped retake Congress for the GOP is more skeptical of these trade agreements than other political groupings. If the administration and camp keep refusing to run the economic or political math on the wisdom of pushing NAFTA-style trade pacts, Congress and the public may have to do it for them."

A **Mark Baker, head of global tax public affairs at Diageo:** "The midterm elections have recalibrated the debate in Washington, including on trade issues. These two agreements will most likely be taken up this year. From a spirits perspective, we generally see Colombia, in particular, as a promising market with tremendous opportunity. The negotiators secured language that will eliminate remaining import tariffs on alcoholic beverages bilaterally, ensure nondiscriminatory tax treatment for imported spirits entering Colombia and bring greater discipline to the anti-competitive practices of Colombia's provincial alcohol monopolies. Unfortunately, we must be guarded in our support for the agreement. To introduce or sell their brands, foreign spirits companies are required to enter into agreements with each of the provincial government-run alcohol monopolies. Last month, a number of Colombian governors announced their decision to refuse to sign or renew agreements that allow imported spirits to be sold in their departments, in a blatant expression of protectionism. The effort will stop legitimately imported spirits from legally entering Colombia, while doing nothing to stop contraband, which is an inherent problem for the industry in Colombia. The move is contrary to the letter and spirit of the FTA and runs counter to the underlying principals of ensuring a rules-based, nondiscriminatory, liberalized market. Colombia can expect some tough questions from traditional critics of the agreements and can ill afford opposition from its long-standing advocates within the business community. We hope that this issue will be resolved before the debate begins so that the spirits industry can put its full support behind ratification and the full implementation of the FTA."

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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