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FEATURED Q&A

How Important Is the TPP for Latin American Countries?

Q The next round of negotiations for the Trans-Pacific Partnership is scheduled to begin May 15 in Lima. At the same time, the list of participating countries is growing as Japan is close to becoming the latest nation to join the talks. What will be the main difficulties participants must iron out during the next rounds of negotiations? How important is the TPP to the economies of the Latin American countries that are involved? How difficult will it be for countries that are part of the negotiations to update their laws in order to protect investments and intellectual property? What issues, if any, might derail the negotiations at this stage?

A Claude Barfield, resident scholar at the American Enterprise Institute: "Since 2010, there have been 16 negotiating sessions for the TPP. Talks this year represent the beginning of the 'endgame' for creating this crucial trans-Pacific economic architecture. Should the upcoming bargaining reach a stalemate during the fall, it is likely that the whole project will begin to unravel in 2014, a victim of the 'Doha syndrome' that combines substantive intransigence with political cowardice. This need not happen. The larger tradeoffs have been clear for some time; in return for the 21st century liberalization advances pushed by the United States—tackling inside-the-border barriers in services, investment, state-owned enterprises, competition policy, health and safety regulations and government procurement—developing TPP members will demand concessions in old-fashioned 20th century protection in the areas of textiles, shoes, cotton, clothing, as well as less restrictive rules of origin. At this point, the trade negotiators have completed much of the technical work on 29 chapters of the TPP. Now it falls to the political leaders in the 11 (12 with Japan) TPP nations to fashion the political and substantive compromises that will take the talks over the finish line. The Latin American TPP members

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Head of Chile's Statistics Agency Quits Over Accusations

Francisco Javier Labbé, the head of Chile's national statistics agency, resigned Friday over data manipulation charges. Labbé has denied the accusations, saying they are politically motivated. See story on page 2.

File Photo: El Dínamo.

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NEWS BRIEFS

At Least 13 Killed in Mexican Prison Fight

At least 13 people have been killed in a fight among inmates in a Mexican prison, BBC News reported Saturday. The melee happened at the La Pila prison in the state of San Luis Potosi. A group of prisoners used homemade knives to attack a rival group, according to the state attorney general's office. Authorities have said the number of fatalities may rise.

Brazil's Vale Signs Agreement to Quit Argentina Project

Brazilian miner **Vale** on Friday signed an agreement with the Argentine government that will allow it to exit the $6 billion Rio Colorado potash mining project, Reuters reported. Vale suspended work on the fertilizer project in December citing high inflation and taxes, but an Argentine court ordered it to continue paying its workers. Vale announced its intention to pull out in March and has been looking for a buyer for the project in an effort to recoup the $2.2 billion it has put into it.

Peru Opposes Plan for Amazon Top-Level Domain Name

Peru's government has voiced "strong opposition" to online retailer **Amazon**'s plan to register the .amazon global top-level domain name (gTLD), state news agency Andina reported Sunday. The Andean nation, along with neighboring Brazil, is arguing that the domain name can be used only for public interest purposes, according to the report. The two countries have filed objections with the Internet Corporation for Assigned Names and Numbers, or Icann, which is managing the expansion of the domain name system.

Political News

Venezuela to Begin Audit, Capriles Calls Move a Sham

Venezuelan electoral officials announced that they will begin an audit next week of the country's contested April 14 presidential election, but the opposition's Henrique Capriles called the audit a sham and accused the electoral body of bowing to the orders of President Nicolás Maduro's government, BBC News reported Sunday. The electoral council's president, Tibisay Lucena, announced in a televised appearance that the audit would begin May 6 and would be completed by June 4. The audit, as announced by the electoral body, will fall short of the full recount that Capriles has demanded. "Again they think Venezuelans are fools! Without [comparing] the vote tallies, the audit is a fake!" Capriles said in a posting on Twitter. Capriles lost the election by less than two percentage points and has alleged there were several irregularities, including dozens of cases in which voters were allegedly coerced to vote for Maduro, late President Hugo Chávez's handpicked successor. Meantime, Venezuelan officials formally charged an American filmmaker late Saturday with paying right-wing groups to stir up violence in the wake of the election. Timothy Tracy, 35, of West Hollywood, Calif., stands accused of charges including conspiracy and association for criminal purposes. Tracy's friends and U.S. officials have said he is innocent.

> "Without [comparing] the vote tallies, the audit is a fake!"
>
> — ***Henrique Capriles***

Chile Statistics Agency Head Quits Over Data Manipulation Charges

The head of Chile's National Statistics Institute, or INE, resigned Friday amid accusations of manipulating national census data last year, *La Tercera* reported. Francisco Javier Labbé said he was stepping down to protect INE and economy minister Pablo Longueria, who has been criticized by opposition leaders and whose ministry oversees INE. The accusations were politically motivated, Labbé told local media, saying that he would defend his reputation. In addition to charges related to irregularities with 2012 census data, Labbé has been at odds in recent months over methodologies for calculating inflation, Bloomberg News reported. INE division chiefs said Labbé, who was dean of the economics and business school at Andrés Bello University for a decade before joining the INE in 2010, had dismissed recommendations made to modernize the inflation measuring methodology. Several Wall Street economists have questioned INE's methodologies for measuring prices, suggesting it has under-stated inflation rates, according to Bloomberg News. President Sebastián Piñera has called for a transparent review of INE's research, Interior Minister Andrés Chadwick told reporters Saturday.

Company News

Grupo Compartamos Net Income Rises 1.2 Percent in First Quarter

Mexican financial services company **Grupo Compartamos** on Friday said its net income in the first quarter grew 1.2 percent. Non-performing loans at the close of the first quarter stood at 3.64 percent, up sharply from 2.88 percent in the fourth quarter of 2012. The microlender and bank said its total loan portfolio reached 19.6 billion pesos ($1.6 billion), a 31.7 percent increase compared to the same period last year. Loans in Mexico, its largest market, rose 32 percent. Its Peru portfolio rose 26 percent, to 3 billion pesos. In Guatemala, loans rose 150 percent but made up a relatively small part of the portfolio at 139 million pesos during the quarter. The company said its

Danel

File Photo: Univ. of California at San Diego.

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active clients rose to more than 2.6 million, an 8.7 percent increase over the same period last year. The company also announced management changes in the release. Carlos Danel Cendoya was appointed chairman of the board, replacing Álvaro Rodríguez Arregui. Rodríguez will continue as an independent board member and was named vice president of Banco Compartamos. Carlos Labarthe Costas will remain as CEO of Grupo Compartamos, but it named Enrique Majos Ramírez as CEO of its Banco Compartamos unit in Mexico, replacing Fernando Álvarez Toca, who will now be responsible for coordinating the "shared services across the company's subsidiaries," Compartamos said. Majos Ramírez is a former chief operating officer of Banco Compartamos.

Petrobras Output Falls 2 Percent in First Quarter

Brazilian state oil company **Petrobras** said Saturday that its oil output fell 2 percent in the first quarter of the year, compared to the previous quarter. The company produced 2,552,000 barrels per day during the first quarter and reported net income of 7,693 million reais, or $3.85 billion. Its operating profit was up 72 percent compared to the previous quarter due to higher prices it could charge for diesel fuel and gasoline, lower import costs and lower operating expenses, the company said. Compared to the first quarter of 2012, operating income was 16 percent lower, however, reflecting higher import volumes and the effect of exchange rate depreciation. The company, led by CEO Maria das Graças Silva Foster, said production decreased due to a natural decline in the fields and more maintenance stoppages. In the pre-salt deposits offshore Brazil, where Petrobras has staked its hopes for tapping vast new reserves, a new production record of 311,000 barrels per day was reached on April 17, Petrobras said.

Foster

File Photo: Brazilian Government.

Featured Q&A

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(Mexico, Peru and Chile) will see demonstrable enhanced economic growth over the middle terms (2025) if the negotiations are successful: about 1 percent above the baseline for Mexico and Chile, and 1.5 percent for Peru. Of equal if not greater significance—and little noticed in all the analysis of the TPP—is that a successful TPP in effect will update NAFTA into the 21st century, all without the searing and mindless 1990s U.S. debate over the 'giant sucking sound' of job destruction."

A Clyde Prestowitz, founder and president of the Economic Strategy Institute: "The TPP is actually not very important to the Latin American participants in the negotiations with the exception of Mexico. For Mexico, the main issue will be to prevent any new TPP from undercutting Mexico's current advantages resulting from NAFTA. For instance, reduction of U.S. tariffs on textile imports from, say Vietnam, could well negate the textile arrangements of NAFTA that have greatly spurred the growth of the Mexican textile industry. By the same token, the countries of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA) should have the same concerns. There are several issues that could derail the negotiations. One is the investor-state clauses of the agreement that appear to give global corporations the ability to sue sovereign states before a private tribunal if the governments of those states change regulations, tax laws or other legislation that might disadvantage the corporations. Many democracy-promoting organizations and labor unions are strongly opposed to this clause of the TPP. Also, the TPP does not cover practices such as strategic currency management, investment subsidies and competition policy, which are the main drivers of trade flows. Some governments may feel that a trade deal that does not actually apply to the main drivers of trade may be a bit silly."

A Regina Kuchle, Mexico-based legal and public policy consultant in the pharmaceutical industry: "The Trans-Pacific Partnership, portrayed as the 21st century's most ambitious Asia-Pacific trade-bloc, aims to boost the global economy through free-trading pledges, while attempting to shelter interests of the now 12 member nations. Foreign investment, government procurement, intellectual property, investor-state dispute settlement, market access and labor protections are TPP's chief pledged ambitions. Some cracks, however, become apparent as members continue to increase their reserves to secure national interests. In that context, members, while bargaining for carve-outs, should never overlook the pact's intended 'balance' and 'comprehensiveness.' Members should focus on common-ground issues: advancing fast-tracked enactment of modern competition regulations, investments in state-controlled sectors and the removal of barriers, especially regulatory burdens and mismanagement. From the outset, members should be cleaning house to surmount domestic issues. They should expedite structural reforms, plan public spending and overhaul currently unbalanced laws and policies. Mexico, for example, whose reformist president is considered to be on the right track for his 'Pact for Mexico' and planned structural changes, has much work to do to prove himself to be a successful and trustworthy partner. Mexico should remedy violence, improve its interior ministry and address the fact that 50 percent of its population lives in extreme poverty. Japan, the world's third-largest economy, represents economic expansion, and it will take a leadership role. New accessions such as Japan's, however, delay negotiations and should be well thought out as it generates greater complexity. Japan's reservation on produce is an example. Negotiations must move away from unfounded protectionism, remain focused on distributing the same rights, obligations and exceptions to all

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Featured Q&A

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members, envision the benefits of giving in and move fast to set common ground with an objective of intensifying trade globalization."

Aluisio de Lima-Campos, chairman of the ABCI Institute and adjunct professor at the American University Washington College of Law: "In the absence of a multilateral solution at the WTO, government negotiators for the TPP would be wise to address predatory currency misalignments (PCMs). A PCM occurs when a currency is significantly undervalued for a long period of time, not in place to correct an economic imbalance and not justified by the devaluing country's economic fundamentals. Some trade partners are using PCMs to gain an advantage over others by increasing the devaluing country's effective tariff protection, even beyond its agreed-to limits, and decreasing that of its trade partners. If one or more partners in that agreement can roll back any tariff reductions offered in the TPP negotiation with a single devaluation while, at the same time, decreasing the tariff protection level of its partners, there is no reason for countries to invest time in long and hard market access negotiations within the TPP or any other regional trade agreement without provisions against PCMs. Worse, if the PCM is big enough, in addition to all import tariffs, any trade remedy that trade partners implement (such as antidumping, antisubsidies or safeguards) can be rendered ineffective. The private sector in the United States is beginning to understand that and is requesting the U.S. Trade Representative to negotiate provisions for currency devaluations in the TPP. Other TPP partners should realize that any market access agreement is not worth the paper it is printed on without a foreign exchange provision that offers them insurance against PCMs. I believe that agreements can and should be implemented as originally negotiated, keeping the same balance of rights and obligations for all signatories. Today, with PCMs, they cannot."

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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