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## FEATURED Q&A

### *Are the Trans-Pacific Partnership Talks in Danger of Collapsing?*

**Q Negotiators of the 12 Trans-Pacific Partnership countries concluded the latest round of talks last month in Ottawa with negotiators seeing no clear path toward an eventual accord and no date for the next meeting, *The Japan Times* reported. Japan's chief negotiator said some progress was made on issues including labor. However, major gaps remain on the most contentious issues, such as intellectual property, according to negotiators. Are the talks in danger of collapsing? How important is it for the TPP countries to conclude the talks this year or next? Within the Americas, which countries or sectors could be most hurt or helped by the TPP?**

**A Catherine Mellor, senior director for Asia at the U.S. Chamber of Commerce:** "It is tempting to be skeptical about the chances for the TPP. After all, we are talking about 12 diverse countries agreeing on 1,000 pages of treaty. But start holding your breath—this deal is going to close, and close soon. Here in the United States, there is tremendous political will in support of a successful TPP. Our president has prioritized U.S. economic engagement in the Asia Pacific. Trade negotiators have a mandate to seek the highest standard rules to create a truly cutting-edge, 21st century agreement. And Congress recognizes the role trade plays in creating jobs and prosperity; it will ultimately pass a Trade Promotion Authority Bill and TPP; just as it did with the Korea, Colombia, Panama and 17 other FTAs before them. Is it hard? Yes. But achieving closer economic relations, and therefore greater opportunities for all, is a goal too great to pass up. Notwithstanding negotiating postures, TPP partners recognize the importance of intellectual property rights: a world-class IP chapter establishes the TPP countries as a bloc of 'First Markets,' a safe haven for IP where innovative products will be introduced soonest. Those countries, many of whom now consider themselves 'importer-

*Continued on page 3*

### Brazil to Receive $700 Million in Loans From Japan

Brazil will receive $700 million in Japanese loans to help finance the construction of ship hulls for oil drilling and also for corn and soybean production in Brazil. Japan's Shinzo Abe and Brazil's Dilma Rousseff announced the loans Friday. See story on page 2.

*Photo: Brazilian Government.*

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## NEWS BRIEFS

### U.S. Judge Orders Argentina to Continue Debt Negotiations

U.S. District Judge Thomas Griesa on Friday ordered Argentina to continue negotiating in order to reach a deal with holdout bondholders with whom it has been fighting, Reuters reported. Argentina defaulted last Wednesday after missing an interest payment to the holders of restructured bonds. Griesa previously barred Argentina from paying those bondholders unless it also paid bondholders who refused to accept restructurings. "Nothing that has happened this week has removed the necessity of working out a settlement," Griesa said Friday.

### Mexico's Lower House Approves Energy Reform Legislation

The lower house of Mexico's Congress on Saturday passed a final set of bills related to opening the country's oil sector and sent them to the Senate for approval, one of the final steps in finalizing a reform of the country's energy sector, Bloomberg News reported. The lower house made changes to gradually raise the retirement age for workers at state oil company **Pemex** and audit the company's pension funds, while the government will assume some of Pemex's debt.

### UBS Eyeing Acquisition of Brazil Wealth Management Firm

Switzerland's **UBS** is looking at opportunities to buy a wealth-management firm in Brazil as the company aims to expand its business in wealth management sevenfold by 2020, the CEO of **UBS Brazil** said last week, Bloomberg News reported Sunday. Sylvia Coutinho said the company's growth plan includes opening offices in Rio de Janeiro and Belo Horizonte.

# Political News

## Abe, Rousseff Announce $700 Mn in Japanese Loans for Brazil

Japanese Prime Minister Shinzo Abe on Friday wrapped up a nine-day tour of Latin America in Brazil by announcing $700 million in Japanese loans to the South American country, the Associated Press reported. Abe and Brazilian President Dilma Rousseff said Japan will extend $500 million in loans for the building of eight ship hulls for offshore oil drilling and $200 million in loans for corn and soybean production. Brazil "presents great opportunities for investment," said Abe, adding that the country has significant potential for the production of oil, construction of new infrastructure and a domestic market of some 200 million people. "All this has reignited the interest of Japanese companies," he said. The two leaders also discussed "themes central to the international stage," said Rousseff. "We renewed our expectations that the next G20 summit in Australia should strengthen the role of this group in the coordination of the world economies to promote the resumption of economic development," said the Brazilian president. During his trip, Abe also told Brazilian business leaders that Japan's economy has emerged from a 15-year deflation cycle, presenting new opportunities for cooperation, *The Japan Times* reported. "With Japan growing again, we can grow with other nations," said Abe. Among the Brazilian projects that are especially promising is a plan for high-speed rail service between São Paulo and Rio de Janeiro, said Abe and Rousseff. Japan is Brazil's sixth-largest trading partner. The countries had $15.7 billion in two-way trade last year. Brazil was the final stop on Abe's Latin American and Caribbean tour, which also included stops in Mexico, Trinidad and Tobago, Colombia and Chile. [Editor's note: See Q&A on Abe's tour of the region in the July 30 issue of the *Advisor*.]

> "[Brazil] presents great opportunities for investment."
>
> — *Shinzo Abe*

# Economic News

## Remittances to Mexico Climb 7.3 Percent in Year's First Half

The level of remittances sent to Mexico rose 7.3 percent in the first half of the year, as compared to the same period in 2013, EFE reported, citing the country's central bank. In the first six months of this year, the median amount sent back to Mexico by Mexicans living abroad was $294.49, slightly lower than the median of $295.39 for the first half of last year, the bank, led by Agustín Carstens, said Friday. The majority of the 39.46 million remittance transfers from January through June of this year were made through wire transfers. Last year, remittances to Mexico totaled $21.89 billion, a 3.8 percent decline from 2012. Remittances, which are mainly sent to Mexico by expatriates in the United States, are Mexico's second-largest source of foreign income after oil.

Carstens

*File Photo: Mexican Government.*

# Company News

## AES Corp. to Invest More Than $1 Billion in Mexico

Power company **AES Corp.** will invest more than $1 billion in Mexico in coming years to double its capacity there, the head of the U.S.-based company's Mexican unit said, Reuters reported Friday. The company plans to take advantage of reforms in Mexico's energy sector and invest $1 billion over the next three to five years to double its current capacity in the

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country, Juan Ignacio Rubiolo told Reuters at a trade mission last week. Mexico is in the final stages of opening the country's power sector, which will end the monopoly held by state utility **CFE**. AES currently has three power plants with a total capacity of 1,050 megawatts in Mexico. "We have a target of doubling the capacity we have in Mexico," Rubiolo said. He added that the company's focus is on natural gas-fired plants, and that the rate of growth in generating capacity after the reforms will depend on natural gas access. "We would like to be more comfortable with how they're going to allow private investors to get access to gas and pipeline capacity," he said. AES is also interested in entering the newly-created wholesale market in the country and is following changes that will end the wholesale monopoly of CFE and create an independent system operator. "That's one of the major changes of the reform," said Rubiolo. "It's definitely one of our main targets." AES currently works in power generation and distribution in 20 countries on five continents.

*AES plans to take advantage of reforms in Mexico's energy sector.*

## Citi Says it Could Lose up to $80 Mn Over Argentina Default

**Citigroup** said Friday that it could lose as much as $80 million due to regulators' response to Argentina's debt default last week, Dow Jones reported. The South American country defaulted after it was barred from making a $539 million interest payment to the holders of restructured bonds and failed to reach an agreement with holdout bondholders on repayment terms before a July 30 deadline to pay the holders of the restructured bonds. On Friday, a Citigroup spokesman said a downgrade of Argentina by the Interagency Country Exposure Review Committee could cost it $80 million. The U.S. regulatory agency examines risks associated with U.S. banks' foreign exposure.

## Featured Q&A

*Continued from page 1*

s' of intellectual property, will receive first access to innovative products, such as life-saving medicines, software, technology and entertainment. But not only that, they will be on the front lines for investment from innovative industries in the R&D and production processes, which create intellectual property. TPP leaders, including President Obama, want this done in November. We think it can happen. Let's get ready to reach out and grasp the brass ring."

**A Ben Beachy, research director at Public Citizen's Global Trade Watch:** "The long-stalled TPP talks may never produce a deal. That would be good news for most people in the negotiating nations. They would be spared the proposed TPP rules that would raise medicine prices, restrict common-sense financial regulations and subject environmental protections to extrajudicial challenge by foreign corporations. The impasse stems in part from the dimming prospects that the Obama administration will be able to obtain fast track trade authority for the TPP. Fast track is opposed by most House Democrats, a sizeable bloc of Republicans, Senate leaders and 62 percent of the U.S. voting public as an undemocratic maneuver that would enable unfair trade deals like the TPP. Recognizing this widespread opposition, other TPP nations have been hesitant to make U.S.-negotiator-demanded concessions on controversial issues with high political costs at home. These include a proposed expansion of 'investor-state' rules that have already empowered foreign corporations to extract hundreds of millions from Mexico's taxpayers for health, environmental and other public interest policies, while enabling a U.S. corporation to demand $800 million from Peru for having to comply with contractual commitments to clean up its metal smelter's toxic pollution. Equally controversial, the TPP would limit Chile's ability to repeat its successful usage of capital controls to prevent financial crises, while increasing Chileans' medicine costs by expanding pharmaceutical corporations' monopoly protections at the expense of access to generic, life-saving medicines. If TPP talks collapse, it will not be a failure, but rather an opportunity to go back to the drawing board and get a deal that actually works for the majority."

**A Barbara Kotschwar, research fellow at the Peterson Institute for International Economics:** "Adding Japan to the mix has made the TPP much more interesting in terms of market access—particularly for those countries, like the United States, that do not yet have an FTA with Japan—but also much more complicated. Japan is a large economy with a mix of complex national interests. TPP negotiators are grappling with the tough issues that remain to be resolved, and each country wants to be sure that its matrix of offensive and defensive interests is maximized. They are not there yet. This does not mean that the talks are collapsing, but the negotiators will have to work harder—and probably bring in their political bosses—in order to achieve a deal by fall. Several governments have indicated their desire to conclude the talks this year, including the United States. Some need this for political reasons, as their political calendar threatens to become more complicated. Others would like to seal the deal in order to begin to reap the benefits of accessing each others' markets. More important than when the talks conclude, however, is the quality of the agreement. The TPP has the potential, if done properly, to serve as a template for 21st century trade rules, and to provide a push for sluggish WTO talks. The countries that will benefit most will be the participant countries, who stand to gain in terms of trade, investment and efficiency. Those that stand to lose the most are the signatories of DR-CAFTA, particularly in the textile sector, who will be confronted with competition from low-cost textile producers like Vietnam. This is of great

*Continued on page 4*

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## Featured Q&A

*Continued from page 3*

concern given the fragile state of these economies and should be of political concern to the United States, given the crisis of child migrants from Honduras, El Salvador and Guatemala."

**Dean Baker, co-director of the Center for Economic and Policy Research:** "The proponents of the Trans-Pacific Partnership are relying on the cult of trade agreements, coupled with ad hominem arguments and huge amounts of corporate money to push through a deal that likely will not be justified on economic grounds. While most of the content of the deal is still secret, we already know that any positive economic impact will be limited. The reason is simple: with few exceptions, the formal trade barriers in the form of tariffs and quotas are already low. This means that the gains from making them still lower or eliminating them altogether will be small. On the other hand, the potential economic costs are quite large. One of the main goals of the United States is to increase the strength of patent-type protections on prescription drugs. This is not only a public health issue, it is big economic issue. The Hepatitis C drug Solvadi provides an excellent example. A generic version can be purchased in Egypt for $900. By contrast, the brand drug sells in the United States for $84,000. This is equivalent to imposing a tariff of almost 10,000 percent. Insofar as the drug industry gets its way, people in the TPP countries will be spending much more on drugs. There will be similar efforts to jack up prices in other sectors as well, but higher drug prices alone can easily swamp whatever gains the TPP offers from reduced trade barriers. This would be the sort of discussion that we would have if this were an honest debate, but that is not what will happen when the TPP comes up for a vote. The major media outlets will use both their news and opinion pages to denounce opponents as Neanderthal protectionists. And the corporate lobbies that stand to gain most will do a full court press on members of Congress with threats on campaign contributions. In short, it will be fun."

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*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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