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THEDIALOGUE

FEATURED Q&A

Is a TPP Without the U.S. a Better Deal for Latin America?

Chilean Foreign Minister Heraldo Muñoz (L) met last March in Chile with officials from Japan during first TPP summit to be held since the United States withdrew from the pact. // File Photo: Government of Chile.

Q Officials from the 11 countries that are still actively participating in the Trans-Pacific Partnership are scheduled to meet next month in Japan, as they forge ahead without the United States following President Donald Trump's withdrawal from the trade accord. How viable is the TPP without U.S. participation? Without the United States, how good of a deal is the pact for Canada, Chile, Mexico and Peru—the Western Hemisphere countries involved? Do any of the signatories stand to benefit more without the United States as part of the accord?

A Arturo Sarukhan, former ambassador of Mexico to the United States: "U.S. participation, if not leadership, has been—and is—indispensable to international cooperation in areas like global trade. But Trump's isolationism now disrupts this paradigm. In many ways, the TPP was a coalition of the free trade-willing, more about which nations wanted in to help build a 21st century, rules-based trading system, than about excluding others. Today, there is clearly a case to move ahead on a TPP, minus one. In part, because it makes sense to conclude what was started by the original P4 group in 2005, but also because there has to be a geopolitical and diplomatic challenge to the Trump administration's 'my way or the highway' intent to replace inclusive multilateral agreements with one-on-one negotiations on terms essentially dictated by Washington. Moreover, a TPP11 could be a boon for the four remaining American signatories—Canada, Mexico, Peru and Chile—as they would avoid (if existing bilateral agreements remain

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TODAY'S NEWS

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Helicopter Attacks Venezuelan Supreme Court

A police helicopter apparently stolen by an anti-government officer launched an attack on the Venezuelan Supreme Court Tuesday, as President Nicolas Maduro stated he is ready to go to war against protesters.

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Perry Softens Tone Ahead of NAFTA Energy Talks

U.S. Energy Secretary Rick Perry believes the upcoming renegotiation of the North American Free Trade Agreement presents an opportunity to create a "North American energy strategy" with Mexico and Canada.

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POLITICAL

Colombia's Top Anti-Corruption Official Arrested

Gustavo Moreno Rivera was arrested Tuesday on charges that he demanded bribes to stop or delay one of the investigations carried out by his unit.

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Moreno // File Photo: Government of Colombia.

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POLITICAL NEWS

Venezuela Crisis Worsens as Maduro Warns of Civil War

A police helicopter stolen by anti-government officers launched an attack on the Venezuelan Supreme Court Tuesday, CNN reported. The attackers fired more than a dozen gunshots and lobbed numerous grenades, at least one of which did not explode, government officials said. No one was injured. President Nicolas Maduro condemned the incident as a "terrorist attack." The police officer apparently piloting the helicopter identified himself as

Pérez // Photo: @oscarperezgv via Instagram.

Oscar Pérez in video statements posted on the social media platform Instagram. "We are a coalition of military employees, policemen and civilians who are looking for balance and are against this criminal government," Pérez said, appearing in military fatigues with masked men in uniform behind him. "We don't belong to any political tendency or party. We are nationalists, patriots and institutionalists," he said, BBC News reported. Even before the helicopter incident Tuesday, President Maduro, 54, said in a speech that his supporters would take up arms if his socialist government was violently overthrown by opponents who have been on the streets protesting for three months, Reuters reported. "If Venezuela was plunged into chaos and violence and the Bolivarian Revolution destroyed, we would go to combat. We would never give up, and what couldn't be done with votes, we would do with weapons, we would liberate the fatherland with weapons," Maduro said. The president was speaking at a rally to promote a July 30 vote for a Constituent Assembly to rewrite the politically crippled nation's constitution. Strong street protests were reported in the Caricuao area of Libertador municipality until the early hours of this morning, El Universal reported, where social media reports indicated the National Guard had used "very strong repression" against marchers. Opposition Deputy Richard Blanco called the scene "a war zone," and images on social media showed large fires burning in the streets.

Colombia's Top Anti-Corruption Official Arrested for Graft

Gustavo Moreno Rivera, Colombia's top anti-corruption official, was arrested Tuesday by order of Attorney General Néstor Humberto Martínez on charges of demanding bribes to stop one of the investigations being carried out by his unit, El Tiempo reported. Moreno Rivera was charged last Friday in a U.S. court, along with attorney Leonardo Luis Pinilla Gómez, 31, of conspiring to launder money. "Corruption is a threat to all our institutions," Martínez told El Tiempo in an interview Tuesday. Both are being held at La Picota prison in Bogota and face extradition to Miami, a process that could take months. The case centers on the former governor of Córdoba, Alejandro Lyons Muskus, who has been entangled in several corruption investigations. Late last year, Moreno Rivera, 35, only two months into his job at the time, allegedly demanded Lyons pay millions of pesos to stop the investigations against him, or smaller amounts to delay the proceedings, according to the report. In Miami last year, Lyons, who was cooperating with U.S. investigators, gave the now former anti-corruption chief $10,000 as advance payment, the Miami Herald reported. Lyons faces 20 counts of corruption-related charges in Colombia, where prosecutors have accused him of running an embezzlement scheme involving royalties of natural resources. Despite his assistance, Lyons is expected to face potential criminal charges in the United States as well as in Colombia, according to the report.

NEWS BRIEFS

Latin America Insurance Sector Shrinks in 2016

Latin America's insurance sector shrank by 3.7 percent year-on-year in 2016 following the depreciation of most of the region's currencies, Intelligent Insurer reported Monday, citing an annual study conducted by insurer Mapfre. Total turnover for the industry reached $145.20 billion in 2016. One category, life insurance in Brazil, bucked the trend, growing by 17.7 percent in 2016. The study is limited to the 10 main insurance groups in Latin America, which account for less than half, 44 percent, of the market's revenues overall.

HP, LingoMedia Sign Deal for Latin American Education Market

Toronto-based LingoMedia Corporation on Tuesday announced that it has entered into a strategic alliance focused on the education market in Latin America with technology giant HP. Under the deal, HP will be marketing and selling LingoMedia's suite of ELL Technologies English language learning programs directly to its existing customer base of educational institutions throughout the region, while ELL Technologies will be installing its products on HP hardware and will promote the sale of HP hardware to its customers.

Petrobras Should Cut Bolivia Gas Imports: Study

A new study suggests Brazilian national oil company Petrobras should cut the maximum amount of natural gas it buys from neighboring Bolivia in half in an effort to encourage domestic importers and distributors to enter the market, Reuters reported Tuesday. The study by the Mines and Energy Ministry envisions a cap of purchases from Bolivia at 16 million cubic meters a day of gas. Petrobras is the exclusive Brazilian distributor of Bolivian gas, according to the report.

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ECONOMIC NEWS

Perry Softens Tone Ahead of NAFTA Energy Talks

U.S. Energy Secretary Rick Perry believes the upcoming renegotiation of the North American Free Trade Agreement presents an opportunity to create a "North American energy strategy" with Mexico and Canada, referring to the upcoming talks as a "massage" of the 1994 trade agreement, Bloomberg reported Monday. "That relationship I don't think has ever been more important than it is today, particularly from an energy perspective," Perry said, emphasizing his relationship with his Canadian and Mexican counterparts. "Energy is going to play a very important role." Perry's conciliatory tone stands in contrast to President Donald Trump's harsh criticisms of NAFTA in the past, which he has called the "worst trade deal" ever signed by the United States. More recent comments from the White House, however, indicate that Trump may be softening his stance on the agreement as well. "Energy is an ideal area for the Trump administration to move forward with the relationship," Duncan Wood, director of the Mexico Institute at the Woodrow Wilson Center, told the news outlet. North American energy markets are already highly integrated with regard to oil and gas, though they are not as advanced with regard to electricity, Wood noted. In 2016, the United States exported 2.1 trillion cubic feet of natural gas to Canada and Mexico, and imported 2.9 trillion cubic feet from the countries, according to the U.S. Energy Information Administration. The United States exported 1.6 billion barrels of crude oil and petroleum products to Canada and Mexico last year, while importing 1.4 billion barrels from the two countries.

North American oil and gas markets are already highly integrated.

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unchanged) erosion of existing preferences in the U.S. market. They would also benefit from not having to compete with U.S. suppliers, as they would have had to under the original TPP framework, and a TPP11 could help in further deepening the Pacific Alliance, of which three out of the four are TPP nations. Nonetheless, the automotive sector and its rules of origin (ROO) could become a thorny issue going forward for Canada and Mexico in implementing a TPP11. The TPP featured a significant lowering of the overall amount of regional value content required to qualify for TPP preferences compared to the NAFTA standard, a measure agreed to in bilateral side-negotiations between the United States and Japan, and behind Ottawa and Mexico City's backs. For Canada and Mexico, the TPP ratification process would probably run concurrently with the renegotiation of the NAFTA, where ROO for the automotive sector will be a critical issue."

> **"The automotive sector ... could become a thorny issue going forward for Canada and Mexico."**
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> **— Arturo Sarukhan**

A **Gregory Husisian, partner at Foley & Lardner LLP:** "When President Trump withdrew from the Trans-Pacific Partnership, many observers pronounced the agreement dead, further concluding that China now inevitably would become the leading Asian trade voice. Not so fast. While the loss of the United States was a blow to the TPP, the remaining TPP countries are deciding whether the TPP should be recast. They should not hesitate, given the advantages of the agreement, namely: 1) the TPP is a modern free trade agreement that deals with e-commerce, mobile commerce, digital piracy, environmental protections and other 21st century areas where multilateral solutions are called for. A regional approach is far preferable to piecemeal bilateral arrangements. 2) The TPP would encourage investment in high-paying export-related fields. 3) Many of the negotiating partners have high tariffs, protected industries or government-run businesses in key sectors, resulting in inefficient domestic companies. The TPP's limits on tariffs and restraints on subsidization of state-owned enterprises would force companies to compete based on innovation rather than government patronage. 4) For countries that suffer from a lack of investor confidence in their judicial systems, the TPP's use of an Investor-State Dispute Settlement system would remove a potential barrier to growth-inducing foreign direct investment. 5) For countries worried that China is throwing its weight around, including through its Regional Comprehensive Economic Partnership Agreements with Asian neighbors, the TPP would provide an effective counterweight. 6) The TPP would help signatories cope with Chinese companies and their push (often backed by the Chinese government) to dominate the key industry battlegrounds of the 21st century (solar power, green energy, semiconductors, and so forth). The TPP's advantages as a model free trade agreement remain, even absent U.S. involvement. And who knows? If the TPP is the success it's anticipated to be, the United States eventually may still join.

> **"If the TPP is the success it's anticipated to be, the United States eventually may still join."**
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> **— Gregory Husisian**

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The TPP represents too much of an opportunity to be left by the wayside, with or without U.S. involvement."

Carlo Dade, director of the Centre for Trade and Investment Policy at the Canada West Foundation and non-resident senior associate in the Americas Program at CSIS: "A recent report by the Canada West Foundation, 'The Art of the Trade Deal: Quantifying the benefits of a TPP without the United States', models the trade, GDP and economic welfare gains for each of the 11 remaining TPP signatories. All 11 achieve smaller but still significant gains from a TPP11, while the United States would see a projected $13.14 billion gain in exports under a TPP12 turn into a $3.11 billion loss under a TPP11. Bottom line, everyone gains under a TPP11, while the United States loses. Canadian beef and other commodity producers would do particularly well having markets like Japan open without U.S. competition. But TPP countries in the Americas also benefit from an opening of Asia without offsetting losses from an opening of the U.S. market. Other benefits of a TPP11 are the same for signatories in Asia and the Americas. These include supply and production chain benefits from a single set of rules for 11 markets, something the U.S. would not have with separate bilateral deals. A TPP11 also provides a counterweight to Trump's toxic America First trade agenda where negotiation to achieve mutual benefit is replaced by the United States dictating terms for its sole benefit. A TPP11 also sets useful precedents for Canada and Mexico in upcoming NAFTA negotiations. Every country wins with a TPP11 except the United States, but the big winners will be Canada and Mexico, as U.S. companies wanting to take advantage of a TPP11 to sell to Asia will have to move production from the United States to a TPP11 signatory, most likely in Canada or Mexico. While impossible to model, this trade deflection windfall should be substantially larger than what occurred when the U.S. Ex-Im bank difficulties forced U.S. companies like G.E. to move production to Canada. Countries may not be able to prevent the consequences of poor U.S. trade policies, but that does not mean that they cannot profit from them."

> **"Everyone gains under a TPP11, while the United States loses."**
>
> **— Carlo Dade**

Manuel Agosin, professor of economics and dean of the School of Economics and Business at the University of Chile: "Clearly, the TPP is not the same without the United States. However, the other signatories should think long term. And this enjoins them to sign the agreement with or without the United States. Whether the United States will continue to be the beacon of free trade and liberal democracy is not the business of other countries. What is their business is whether or not to uphold those values. And the other countries that had put their trust on U.S. leadership should send the Trump administration a clear signal that they are not giving up. This is a more political issue than a short-term economic issue. In the long term, the future of the liberal international system depends on countries' willingness to uphold those values. And growth in the long term will also depend on that system's survival. Hopefully, the Trump administration will be no more than a blip in history, with the United States eventually reclaiming its leadership role in the liberal world order. But the other signatories of the TPP should beware China's opportunistic stepping into the breach and claiming a leadership of free trade that it is far from exercising."

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