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FEATURED Q&A

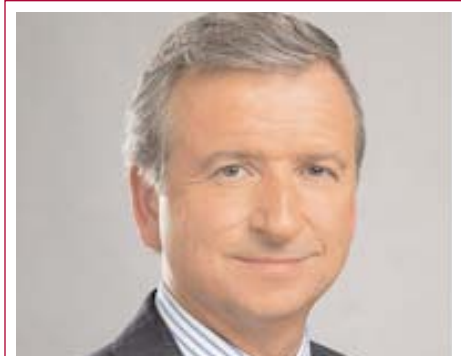
Will a U.S. Push for a Korea FTA Hurt Panama and Colombia?

Q In November, world leaders will gather in Seoul for a summit of G20 nations. U.S. President Barack Obama has said that he wants to complete a free-trade agreement with South Korea by the time of the meeting and send a reworked accord to Congress soon afterward. The setting of a deadline for working out the details of the South Korea accord distinguishes it from U.S. free-trade agreements with Colombia and Panama, which have been languishing in Congress. What does the Obama administration's prioritization of the South Korea accord, ahead of the agreements with Colombia and Panama, mean for the agreements with the two Latin American countries? What chances do the Colombia and Panama FTAs have of eventually passing the U.S. Congress? What would need to happen in order for those accords to win lawmakers' approval?

A **Jaime Alemán, Panama's ambassador to the United States:** "After President Obama's statements regarding the movement of the Korea agreement, we feel very encouraged with Panama's prospects. The possibility of progress on any trade agreement is great news for all of the countries that are waiting: where one moves, others can as well. In Panama's case, we are very close to resolving the few outstanding issues. We believe that there is bipartisan support in the House and the Senate for approval of the agreements with Panama,

Colombia and Korea. While we remain mindful of the political climate in Washington, we cannot afford to be left behind. Our economic indicators continue to improve dramatically on the back of exceptionally strong growth, prudent policy management, capital formation, the expansion of the Panama Canal and net exports of services. Despite the delays with the U.S.-Panama agreement, Panama has continued to seek an open trade policy, signing with Canada and recently finalizing an agreement with the European Union.

Continued on page 2



Chile's Lower House Approves Increase in Mining Royalties

The lower house of Chile's Congress on Wednesday approved increasing royalties mining companies must pay. The country needs the funds for earthquake reconstruction, said Finance Minister Felipe Larraín. See story on page 3.

File Photo: Chilean Government.

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words, there are many ways to expand exports and create jobs, but FTAs are not among them."

A John Magnus and Welles Orr, senior members of the international trade practice of Miller and Chevalier Chartered:

"Action on any of the three pending trade agreements is welcome, given concerns that the current majority party is inclined to view any Congressional vote on an FTA implementing bill as a political mistake to be avoided. Pushing the U.S.-Korea Free Trade Agreement to the head of the queue, however, takes the FTAs out of the order in which they were negotiated, and creates a possibility that one difficult vote conducted under Trade Promotion Authority procedures will produce 'trade fatigue' and leave the Colombia and Panama FTAs in an even more extended limbo. The U.S.-Korea FTA now has a seemingly-solid timetable, although no one should start counting until the administration formally sends implementing legislation to Capitol Hill. For the other two FTAs, the outlook remains grim; benchmarks for fixing the cited problems (on labor violence in Colombia and tax haven concerns in Panama) remain fuzzy, and no timetable has been floated--much less promised. A new political alignment come January might improve this picture, especially with the Obama administration continuing to focus on job creation and export promotion. The disadvantage of standing aside while other nations continue trade liberalization has made its way into the president's rhetoric and is capturing greater attention in the Congress as well. Moreover, pro-trade stakeholders are doing a better job of publicizing the actual--rather than feared--results of FTAs already implemented, which among other things have produced a solid U.S. trade surplus with the countries affected. Trade is rightly regarded as one of the more promising areas for bipartisan cooperation in the U.S. government's next cycle. However, to pull along the Colombia and Panama deals which are

now at the back of the queue, new momentum on trade will have to be not just achieved but sustained."

A Susan Purcell, Director of the Center for Hemispheric Policy at the University of Miami: "It is not surprising that the Obama administration is giving priority to the FTA with South Korea, since that country has by far the biggest market of the three countries. The International Trade Commission estimates that a U.S.-Korea FTA could increase the U.S. GDP by almost \$12 billion and exports by nearly \$11 billion. The comparable figures for Colombia are \$2.5 billion and \$1 billion. In addition, the United States is facing significant competition in the South Korean market from the European Union and China. Because of these factors, as well as important U.S. security interests in Asia, there is more bipartisan political support for the U.S.-Korea agreement than for the two Latin American agreements. Enacting the U.S.-Korea agreement could encourage movement on the two Latin American FTAs, but the more decisive factor would probably be the increase in the number of Republican congressmen and senators as a result of the Nov. 2 U.S. midterm elections, since Republicans are not beholden to organized labor in the way that Democrats are. Furthermore, enacting the Latin American trade agreements with Colombia and Panama would allow President Obama to move closer to achieving his goal of doubling U.S. exports within five years, while also making U.S. exports to Latin America more competitive with those of China and the E.U. in particular. Within Latin America, it would help offset the impression that the Obama administration has largely ignored the region, since enacting the Colombian and Panamanian FTAs would increase U.S. investment in, and trade with, both countries."

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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