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FEATURED Q&A

Are Stronger U.S.-Ecuador Trade Ties on the Horizon?

U.S. and Ecuadorean officials have agreed to establish a new working group to focus on trade issues, U.S. Trade Representative Katherine Tai announced recently. // File Photo: Office of the U.S. Trade Representative.

Q Officials from the United States and Ecuador on Nov. 1 agreed to establish a fair-trade working group, U.S. Trade Representative Katherine Tai's office announced. The group is expected to discuss labor, digital trade and environmental issues, the office said. How much could the working group help to increase trade between the United States and Ecuador? Which industries stand to benefit most? How likely are the talks to lead to a comprehensive trade deal between the two countries?

A Santiago Herdoiza, senior associate at Dentons Global Advisors-Albright Stonebridge Group: "The creation of a fair-trade working group on the digital economy, labor and environment is a positive step toward enhancing economic ties under the U.S.-Ecuador Trade and Investment Council mechanism. In particular, it grants momentum for a potential expansion of the 2021 Protocol on Trade Rules and Transparency, through which Ecuador seeks to secure greater U.S. investment flows and market access for main exports such as agricultural goods. Although ongoing commercial talks are limited in scope, the working group offers President Guillermo Lasso a platform to garner support for his government's socioeconomic agenda. The digitalization of Ecuador's public services, such as health care, and the eradication of child and informal labor, would certainly benefit from U.S. technology and know-how. The United States could also help Ecuador build an environmentally responsible mining sector, which, despite being largely underdeveloped, has emerged as the country's third-largest export engine. Nevertheless, a more comprehensive trade agreement remains

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Tens of Thousands Protest Mexico Election Reforms

Tens of thousands of protesters gathered in cities across Mexico on Sunday to protest President Andrés Manuel López Obrador's proposed reforms of the country's election system.

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Gas stations across Haiti reopened following the end of a powerful gang federation's blockade of a key fuel terminal.

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Mexico Raising Targets for Cutting Greenhouse Gas Emissions

Mexican Foreign Minister Marcelo Ebrard announced that the country will increase its targets for cutting greenhouse gases and will also increase promotion of renewable energy.

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Ebrard // File Photo: Mexican Government.

POLITICAL NEWS

Tens of Thousands Protest Mexico Election Reforms

Tens of thousands of protesters took to the streets Sunday in more than two dozen cities across Mexico in protest of President Andrés Manuel López Obrador's proposed reforms of the country's election system, The Wall Street Journal reported. Critics of López Obrador's election system reform say it would strip the autonomy of the National Electoral Institute, or INE, in favor of the president's Morena party. "I'm here to defend my right to free, fair elections. Mr. President, keep your hands off the INE," attorney María González who attended a protest on Mexico City's Paseo de la Reforma, told the newspaper. Approximately 50 civic groups organized the demonstrations, which also had the support of most of Mexico's opposition parties and two former presidents. If it wins legislative approval, the bill would replace the institute with a new electoral body with board members elected by popular vote from a list that the president, Congress and Supreme Court chooses, The Wall Street Journal reported. The judges of the country's electoral court, which certifies elections, would also be selected through a popular vote. Additionally, the INE would no longer be responsible for drawing up voter rolls, and the measure would eliminate state elections authorities, the newspaper reported. "The bill is intentionally designed so that López Obrador and his party end up capturing the electoral authorities," said José Woldenberg, a former head of the electoral agency. López Obrador has said the reforms would strengthen Mexico's democracy and make elections less costly. Additionally, he has said it would lower the amount of money that is transferred to political parties. It would also reduce the number of legislators in the Senate from 128 to 96 and in the lower chamber from 500 to 300, the Associated Press reported. Lawmakers are expected to debate the legislation over the coming weeks. Congress may vote on the reforms by the end of the year, but the president's Morena party lacks the two-thirds majority that would be needed to reform replace the INE, which would require a constitutional amendment, The Wall Street Journal reported. López Obrador's government has cut the budgets of the INE and other autonomous agencies, and the president criticized the organizers of Sunday's protests as "racists, snobs and very hypocritical," the newspaper reported.

"The bill is intentionally designed so that López Obrador and his party end up capturing the electoral authorities."

— José Woldenberg

OAS to Investigate Relationship Between Almagro, Staffer

The Organization of American States has launched an external investigation into allegations that Secretary General Luis Almagro violated the group's ethics code by being involved in an intimate relationship with a staff member, the Associated Press reported Friday. Thirty countries, including the United States, voted in favor of the resolution to authorize the probe. Two abstained, and none voted against it. The OAS is seeking to hire a company to investigate the matter. The resolution cites a report by the AP that said Almagro had a relationship with a Mexican-born staffer two decades his junior. Almagro said during Friday's meeting that he supported a full and transparent investigation of the relationship. "My team and I are very calm, because we have always taken the appropriate measures, so that no situation would be in violation of (OAS) rules," he said last month at a news conference, Reuters reported. "I was never a supervisor of any person with whom I had a relationship, I never promoted her and never raised her salary in any way," he added.

NEWS BRIEFS

Cuba Reportedly Agrees to Accept Deportation Flights From United States

Cuba's government has agreed, for the first time since the start of the Covid-19 pandemic, to accept U.S. deportation flights carrying Cubans stuck at the U.S.-Mexican border, three officials told Reuters on Friday. According to the officials, U.S. Immigration and Customs Enforcement holds a dozen Cubans in custody, but added the agency was waiting for enough Cuban deportees to fill a plane. Another source familiar with the matter said there was no formal agreement, and Cuba had agreed to accept only occasional deportation flights.

Mexico Raising Targets for Reduction of Greenhouse Gases: Foreign Minister

Mexico on Saturday announced that it is raising its targets for the reduction of greenhouse gases and will increase promotion of renewable energy, the Associated Press reported. Foreign Minister Marcelo Ebrard said the country will seek to cut greenhouse gas emissions by 35 percent by 2030, up from a pledge to cut emissions by 22 percent. Mexico also plans to double its investments in clean energy over the next eight years, protect its forests and boost the use of electric cars, the wire service reported. Ebrard made the announcement on the sidelines of the United Nations' COP27 climate conference in Egypt.

Colombia's Grupo Sura Reports Slight Decline in Profit for Third Quarter

Colombian investment company Grupo Sura on Friday reported third-quarter net profit of 400.3 billion pesos ($83.29 million), a 2 percent year-on-year decline, Reuters reported. The company's revenue for the quarter grew 19 percent, driven by its insurance-sector activity, but operational costs also grew.

Almagro has been leading the OAS since 2015 and previously served as Uruguay's foreign minister. The external probe comes a month after the firing of Mauricio Claver-Carone, president of Inter-American Development Bank, also over accusations of a relationship with a subordinate.

ECONOMIC NEWS

Gas Stations Reopen Across Haiti After End of Fuel Blockade

Gas stations across Haiti reopened on Saturday for the first time in two months following the end of a powerful gang leader's blockade of a key fuel terminal, the Associated Press reported. "There's gas now! There's gas now!" people shouted as they honked horns in Port-au-Prince, the country's capital. "I would call this the day that life begins again," Davidson Jean-Pierre, the owner of a small house-painting business, told the AP. A week ago, powerful gang leader Jimmy "Barbecue" Cherizier announced that his G9 gang federation would end its nearly two-month blockade of the Varreux fuel terminal. Cherizier's gang members had started blocking the fuel depot in September in an effort to pressure Prime Minister Ariel Henry to resign. Cherizier's announcement of the end of the blockade came days after gang members clashed with police who were trying to regain control of the fuel terminal in Port-au-Prince. Early last week, nearly 400 trucks lined up at the fuel terminal to fill their tanks. Gang activity in Haiti soared following last year's assassination of President Jovenel Moïse, Francois Pierre-Louis, professor of political science at Queens College, City University of New York, told the Advisor in a **Q&A** published May 17. "Just before President Moïse was assassinated last July, gang activity was already increasing in Port-au-Prince neighborhoods, but it intensified a few months after because gang leaders took advantage of the power vacuum following his assassination," he said.

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beyond reach for the foreseeable future. Protectionist sentiments in Washington continue to frustrate Quito's efforts to explore the full potential of bilateral economic ties. This context benefits Beijing the most. China is set to become Ecuador's main non-crude trading partner by next year, aided in part by the expected completion of a free-trade agreement between both countries before the end of 2022. As a result, the absence of more comprehensive negotiations with Washington prevents the United States from counterbalancing China's growing influence over trade and investment frameworks in Ecuador, and across the region."

A **Jon E. Huenemann, member of the Advisor board, council member of GLG Inc. and former assistant U.S. trade representative:** "The nature of the U.S.-Ecuador trade and investment relationship is quite limited, with two-way trade in goods being less than $14 billion. The fact that the two governments are engaged is a positive sign, but observers should not expect a dramatic change in trade volumes or pathbreaking progress on the trade agreement front. More generally, this administration is not pursuing an aggressive trade agenda to expand open markets while it seeks to advance its version of a 'fair trade' agenda, which has to do with trade related labor conditions and environmental considerations that implicate trade. The relevant business community is interested in better conditions for digital trade so the fact that the administration has chosen to focus on this is welcome, but expectations are limited. The industries that currently are significant for U.S.-Ecuador goods traders are narrow in number (petroleum products, food items), so the absence of a focus on market access means the 'fair trade' agenda will have a tertiary near-term impact at best. Moreover, this U.S. administration has not set forth more generally an explicit market opening agenda as it chooses to focus its efforts on creating conditions where workers can better benefit from trade and advancing its environmental sustainability agenda is advanced. Accordingly, one should not assume that the fair-trade working group will lead to a comprehensive trade deal. Such a deal would require a significant political commitment by both parties, which is not evident. 'Modest' is the watch word in this situation."

A **Grace Jaramillo, professor at the University of British Columbia and Simon Fraser University:** "There has been a misunderstanding about the actual impact of this meeting. For starters, this is the first time Tai has granted an official USTR meeting to her Ecuadorean counterpart in the 18 months since Lasso took office. It is useful to clarify that the working group established during the Nov 1 meeting has no other commitment than expanding the old protocol to the Trade and Investment Council Agreement between Ecuador and the United States (known as TIC), signed in 1990 and renewed in 2020 during Lenin Moreno's administration. While signing free trade agreements—especially with the United States—was the most important priority for the Lasso administration, I think it was Tai's diplomatic way of stressing the fact that the U.S. government is not interested in pursuing any new free trade agreement at this time, even when Ecuador agreed to fully aligned with the U.S. decoupling strategy against China in the hemisphere through the 'United States-Ecuador Partnership Act of 2022,' which the Senate is set to pass soon. The Nov. 1 meeting will not to lead to any comprehensive trade deal in the near future, unless U.S. policy radically changes after the Biden administration, and that is unlikely in the midst of tightening 'buy American' policy rules that constrict FTAs already in place. The best one can possibly hope is for Ecuador to benefit from the reshoring of technology manufacturing in wake of the partnership's act. For the past decades, five

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staple products remain the bulk of exports to the United States: oil, seafood, flowers, fruits and minerals. Ecuadorean exports to the United States have steadily diminished over the last five years, after peaking for a year in 2019. There are no signs the trend will change any time soon if needed investments in productive development policies and technologies continue to be low. The expansion of issues such as fair trade and e-commerce are welcome, but it is fair to say that the overall rules and protections are already granted under WTO rules which Tai has already committed to strengthen. The United States has several TICs with other Latin American countries as well, but they are nothing more than dialogue mechanisms to discusses concerns within bilateral trade relationships that are not ruled by an FTA. This new TIC meeting—while a positive sign—does not have any impact on trade trends, let alone help to increase them."

A G. Philip Hughes, former assistant secretary of commerce and senior vice president of the Council of American Ambassadors: "The USTR's announcement of the formation of a U.S.-Ecuador fair-trade working group is of a piece with Biden administration—or for that matter, recent U.S.—trade policy. Ever since Donald Trump and Hillary Clinton scuppered the Trans-Pacific Partnership, U.S. trade policy—placed on hold for Obama's first term but revived during his second—has veered substantially off track. Trump's protectionist 'improvements' in his USMCA and KORUS agreements, and his 'allergy' to permanent or long-term multilateral trade agreements and the WTO have helped 'make the world safe' for the 'woke' trade moves of the Biden administration. In line with Biden's boast to have the most pro-union administration in history, market access—the essential purpose of trade negotiations—is off the table, and Ecuador's fair-trade working group is just the latest proof. As with the Biden administration's ambitious-sounding 'Indo-Pacific Economic Framework,' which excludes market access from the agenda, this fair-trade working group seems destined to focus on the other 'side dishes' of modern trade agreements (for example, labor and environmental standards, incorporated to ensure that core market access provisions work fairly) as if they were the main course. But the main course—market access—is conspicuously absent—probably because U.S. unions don't like it. And the 'fair trade' moniker implies embrace of an ideological bias against market-determined prices as somehow 'unfair.' Businessman Guillermo Lasso's 18-month-old government offers the best opportunity since the early 2000s to place U.S.-Ecuador trade relations on par with those of Colombia, Peru and Chile, which have enjoyed free trade agreements/trade promotion agreements with the United States for more than a decade. Maybe this latest working group will be able to build on the two-year old U.S.-Ecuador protocol on trade rule and transparency toward an eventual, comparable bilateral agreement for Ecuador. But since Ecuador's chief exports are commodities—petroleum, bananas, commercially fished seafood products, coffee—with globally determined market prices, it is hard to see how a 'fair trade' focus—usually associated with crafts, cottage- or light-industry and selected agriculture—would have more than a marginal, even negligible, economic impact for either country."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at **gkuleta@thedialogue.org**.

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