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Bush's Trade Plan Stalled

A proposal for a giant free-trade zone is running into growing opposition in the U.S. and Latin America.

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President Bush's goal for a free-trade zone encompassing the entire Western Hemisphere faces growing opposition in the U.S. and abroad.

The Free Trade Area of the Americas would lower tariffs and open up borders separating 34 nations and 800 million people, creating the world's largest free-trade zone.

U.S. equipment manufacturers, aerospace firms and computer makers -- including many California companies -- would benefit from sharply reduced tariffs and increased intellectual property protections. Latin American firms would get increased access to U.S. markets for their industrial goods and farm products. American consumers would gain from lower prices.

But Democrats and labor officials contend that Bush's plan would encourage U.S. firms to relocate to places with less stringent laws, endangering American jobs and the environment. They have vowed to fight in Congress against it and other trade accords they find objectionable.

Some American farmers, including California citrus growers, maintain the FTAA would swamp the U.S. market with cheap Latin commodities without offering them equally lucrative opportunities to penetrate markets south of the border.

Meanwhile, voters in Uruguay, Ecuador and Chile recently elected left-leaning governments that are skeptical of a U.S.-led trade agenda.

"It's going nowhere fast," Susan Aaronson, director of globalization studies at the University of North Carolina's Keenan Institute, said of the FTAA.

A ministerial meeting of FTAA members, intended to put finishing details on the deal, was supposed to be held in Brazil this year. But it hasn't been scheduled, and the deadline to complete the agreement is just two months away. The accord would then need to be ratified by all member governments.

Frustrated Caribbean officials, whose trade-dependent nations would benefit from the market-opening measures, have sent letters to the U.S. and Brazil, co-chairs of the FTAA process, asking them to set a new negotiating schedule. U.S. officials acknowledge there is little chance of meeting the January deadline, but there have been no moves to reset the clock.

Critics of the FTAA are thrilled that what they call "NAFTA on steroids" has lost steam. The 10-year-old North American Free Trade Agreement, linking the United States with Canada and Mexico, was a model for the hemisphere-wide pact.

"The deadline is coming and going, and there ain't going to be an FTAA," said Lori Wallach,

director of Public Citizen's Global Trade Watch, a leading opponent of the trade pact.

Bush administration officials insisted they were committed to moving forward with the FTAA, though at a slower pace. "Completing the talks by Jan. 1 is obviously not realistic," said Richard Mills, a spokesman for the U.S. Trade Representative's Office.

Their plan is to continue negotiating a global free-trade agreement through the World Trade Organization, while creating pressure for the FTAA by knocking off smaller, bilateral agreements. One with Chile is done. A Central American Free Trade Agreement, called CAFTA, has been negotiated. And the Andean countries and Panama are next in line.

The WTO effort and the individual pacts "could provide a positive boost to the FTAA," Mills said.

Experts say the FTAA could be a powerful tool for improving America's relations with Latin leaders who feel their concerns about perceived U.S. unilateralism, immigration and trade were sidelined after the 2001 terrorist attacks.

"There are few regions of the world where Bush is less popular" than Latin America, said Peter Hakim, president of the Inter-American Dialogue, a Washington think tank on Latin American affairs. "The judicious pursuit of free-trade arrangements in the region may be one way to begin to restore greater credibility."

That won't be easy. Mark Ritchie, president of the Institute for Agriculture and Trade Policy in Minneapolis, said it was unclear whether Bush was willing to add a contentious trade agreement to his congressional agenda, already expected to face tough fights over tax reform and privatization of Social Security.

Democrats, labor leaders and religious groups are promising a big battle in Congress to defeat CAFTA, which they claim lacks adequate protections for workers and the environment. Its passage is seen as crucial to the FTAA's future.

U.S. farmers, once among the most ardent proponents of trade expansion, have grown more skeptical in recent years as they have faced increased competition from Australian beef and Chilean fruit and continued barriers to U.S. farm goods in Japan and Europe.

The U.S. trade surplus in agriculture has shrunk to \$2.5 billion this year from a record \$27 billion in 1996, according to the American Sugar Alliance, an organization of sugar producers that strongly opposes the Central American and hemispheric deals. FTAA countries export 20 million tons of sugar a year, mostly from Brazil.

"We would be laid waste by Brazilian sugar exports if we opened our markets," said Jack Roney, an official with the sugar alliance.

That resistance from some of America's most heavily protected farm sectors has left even trade-friendly governments such as Brazil and Argentina skeptical about America's willingness to pass a free-trade deal. Accordingly, those Latin countries are reaching out more aggressively to their neighbors through trading arrangements such as Mercosur, the South American common market,

or are cultivating growing markets such as China and India.

"South-South trade may be better than an FTAA," said Pedro de Camargo Neto, a former Brazilian agriculture official. "The thought is that China, India or Africa can help South America more than North America."

Brazil, the continent's largest exporter, initially refused to move forward with FTAA talks unless the U.S. agreed to put farm products on the negotiating table. But the Bush administration -- supported by American farm groups -- insisted the agriculture issues be negotiated in the WTO-sanctioned global trade talks, where Europe and Japan would be forced to address their export subsidies and protections.

In a contentious meeting last year in Miami, FTAA trade ministers agreed to exclude farm subsidies from the agreement and work out a compromise negotiating blueprint that would give countries greater flexibility in how quickly they opened up sensitive areas such as services and government procurement. But since then, the U.S. and Brazil have been bogged down in negotiating details.

Brazil remains committed to an FTAA, but only if it includes much greater access to the U.S. market for heavily protected commodities such as sugar, ethanol, tobacco, orange juice and beef, according to a Brazilian government official who asked not to be named. Brazil also opposes including intellectual property and investment issues in the agreement, something the U.S. has championed.

"If we have a very ambitious FTAA we would be very much interested," the Brazilian official said. "It depends on what we can achieve in terms of market access."

Daniel Griswold, director of trade policy at the Cato Institute, thinks the U.S. should pronounce the FTAA dead and focus on completing the WTO-sanctioned global trade negotiations, launched in Doha, Qatar, in 2001. This year WTO members agreed on a framework for eliminating agriculture supports, allowing the so-called Doha round of talks to proceed to the next stage.

"You've got all the headaches of a big multilateral negotiation with a fraction of the payoff," Griswold said of the FTAA. Unlike the FTAA, the Doha round would cover 148 nations, including Europe, Japan and China.

But Jeffrey Schott, a senior fellow at the Institute for International Economics, said the FTAA should be seen as more than just a way to boost sales of computers and airplanes. He said trade agreements could be used to promote good governance, strengthen the courts and other democratic institutions and encourage cooperation on large regional infrastructure projects.

"The foreign policy side of the story is quite important," he said, "and one of the major reasons we're expending these efforts."