Trade Pacts to the South Losing Appeal

New York Times
June 30, 2005
By Juan Forero

BOGOTÁ, Colombia, June 29 - An ambitious American plan for a hemispherewide trade pact, which President Bush described as a "vital link for prosperity," is mired in disputes that have led to widespread skepticism about its chances of ever materializing.

With big nations like Brazil and Argentina firmly opposed to the plan, the United States has redirected its efforts in the last two years from creating a trade bloc spanning 34 nations to instead negotiating with a handful of smaller, more compliant countries in Central America and the Andes.

But a deal for Central America is facing a bruising battle in Congress and, if approved, may be watered down by concessions to American sugar growers worried about cheap imports. The Bush administration won a victory Wednesday when the Senate Finance Committee approved the proposed Central American Free Trade Agreement.

Supporters of Cafta, as the pact is known, predicted the Senate could pass the measure without great difficulty Thursday night or Friday, but the pact is likely to face tough resistance in the House, where numerous Republicans from states that produce sugar and textiles have threatened to vote against it.

Looking farther south, the Andean nations of Bolivia and Ecuador, rocked by tumult, have little latitude to sign a trade deal anytime soon. Even Peru and Colombia, both close to the United States, are hesitating because of concerns that their farming sectors will be swamped by cheap, subsidized American imports.

After more than four years of talks, the Bush administration's grand initiative for Latin America has signed up one country, Chile.

"The free trade agenda is in very serious trouble in Latin America," said Michael Shifter, a vice president of the Inter-American Dialogue, a policy study group in Washington.

Prospects were much brighter soon after Mr. Bush was elected. Latin America was then declared a priority, and the administration began drumming up support for a tariff-free $3.4 trillion trade bloc stretching from Alaska to Tierra del Fuego, comprising 823 million people.

"Democratic freedoms cannot flourish unless our hemisphere also builds a prosperity whose benefits are widely shared," Mr. Bush told the Organization of American States in April 2001. "Open trade is an essential foundation for that prosperity and that possibility."

But increasingly, Latin Americans view free trade with the United States with suspicion, as the region has in recent years shifted to the left and become increasingly wary of Washington's economic prescriptions as growth flagged and promises of prosperity were perceived as increasingly hollow.

The reasons for the caution are numerous, from a potent antiglobalization movement that has swept South America, to practical concerns in countries as varied as Brazil and Honduras about what opening markets to the United States, the world's biggest economy, could mean to home-grown industries.

Ideology has played a role, with Washington's leading antagonist in the region, President Hugo Chávez of Venezuela, calling the Bush administration's free trade agenda "the medicine of death."

Riordan Roett, director of Latin American studies at Johns Hopkins University, said there was more than just a backlash against market reforms and the perceived trade agenda of the United States. "It's almost a wholesale rejection of what people believe they were fed by the folks in Washington," he said.

Already in recent months, two governments the United States hoped would sign free trade deals have collapsed in the wake of protests with a strong antiglobalization component.

In April, Ecuador's president, Lucio Gutiérrez, who had close economic relations with the United States, was forced out. Then, on June 9, Bolivia's Congress accepted President Carlos Mesa's resignation, appointing a new president, Eduardo Rodríguez, who nevertheless faces the threat of more protests.

"How could Bolivia enter talks now?" said Pablo Solón, who leads a policy group, Fundación Solón, in La Paz that is opposed to American-led talks. "It would be like throwing more fuel on the fire."

American officials have not given up, saying most countries in the region see better times ahead by signing trade deals with Washington. The American focus, for the time being, is to secure a trade pact with five Central American countries and the Dominican Republic, to set the stage for talks with other countries.

"This trade agreement benefits both sides," Mr. Bush told a group of Central American ambassadors in Washington last Thursday. "Cafta presents us with a free and fair trading system."

But the pact, representing $33 billion in trade, is strongly opposed by Democrats worried about weak labor and environmental protections. Cafta might still be approved, but political analysts and Congressional aides said approval may require side deals to sugar producers to reduce the blow from the trade agreement.

The favorable vote in the Senate Finance Committee on Wednesday came after White House reached an agreement with an important Democrat, Senator Jeff Bingaman of New Mexico, under which the Bush administration pledged to spend more money on projects to strengthen enforcement of labor and environmental laws in the Central American nations as part of the trade agreement.

The House Ways and Means Committee is expected to pass the trade bill on Thursday, but House leaders do not plan a vote on the floor until after the Fourth of July holiday. Defeat is also possible, in part because of Republicans like Walter B. Jones Jr., who worries about job losses in his home state, North Carolina.

"Nafta has been a disaster for the workers of North Carolina," Mr. Jones said in a phone interview, speaking of the 12-year-old trade agreement the United States has with Mexico and Canada. "I just see Cafta as an extension of Nafta, in terms of jobs being lost by the citizens of my state. I'm just not even sure this treaty would be good for the countries of Central America."

The pact with Central America would represent a tiny fraction of American trade, which reached $2.3 trillion last year. But it would have great symbolic weight in Latin America.

"If Cafta fails, it's going to be very hard to move on F.T.A.," Regina K. Vargo, the chief American trade negotiator in Latin America, said in an interview, referring to a larger free trade agreement for the Americas.

American talks with the nations of the Andes, which started in May 2004, are meeting obstacles. In Colombia, whose $89 billion economy dwarfs others in the region, an influential agricultural sector has lobbied against a free trade deal. Stopping tariffs on American imports while the United States maintains subsidies to its farmers would destroy Colombian agriculture, they say.

"The United States does not want to understand that it takes two countries to negotiate," said Rafael Mejía, president of the powerful Society of Growers. "They make maximum demands, but when we have made demands, they have not responded."

In Bolivia, the authorities worry about small but healthy industries like the country's pharmaceutical sector, made up of 16 companies that employ 1,800 workers and generate revenues of $55 million a year.

At Inti Pharmaceuticals, a 69-year-old company, workers produce a range of 400 products. But a free trade deal would extend patent protections on old American products, in effect phasing out the generic brands that Inti makes, Gonzalo Muñoz, who manages the plant, said.

"The impact would not be immediate," said Erika Dueñas, manager of the Bolivian Pharmaceutical Industry Chamber. "But in the long term, it would mean the closing of our companies."

Edmund L. Andrews contributed reporting from Washington for this article.