

Americas Trade Target Lost in Politics

Dec 28, 2004 — By Andrew Hay

BRASILIA, Brazil (Reuters) - The world's largest free trade area was meant to open across 34 nations of the Americas on Jan. 1, 2005. The only visible sign of it in Latin America in the final days of 2004 is anti-U.S. graffiti sprayed on city walls.

"No to FTAA, No Yankee imperialism," reads one such message scrawled in a bus station near Brazil's presidential palace.

Ten years of talks have failed to produce the Free Trade Area of the Americas, a single market stretching from Canada to Argentina proposed in 1994 by U.S. President Bill Clinton.

No one thought it would be easy to link the world's richest country with some of the poorest. Few accounted for the battle that broke out between the United States and Brazil.

The biggest economies in North and South America will meet in early 2005 to try to set a new deadline for a watered-down, "light" FTAA after both sides balked on the full version.

"I think there will be a lot of pressure from the new Bush administration for the FTAA," said analyst Norberto Consani of Argentina's Universidad Nacional de la Plata. President Bush's second term begins Jan. 20.

"This is going to be a key year in the international negotiations, but I don't know how well Bush will be able to break the resistance of the Argentina-Brazil axis."

From the onset, critics said they feared the FTAA would mean the loss of jobs and a rise of corporate power they associated with the North American Free Trade Area, which groups Canada, Mexico and the United States.

Brazilian firms feared more competitive U.S. rivals. U.S. farmers feared more competitive Brazilian farmers.

Latin American politicians made crowd-pleasing speeches in a region where suspicions of U.S. intentions run high.

Luiz Inacio Lula da Silva, before he became Brazil's president, called the FTAA a "policy of annexation of Latin America by the United States." In Argentina, President Nestor Kirchner often plays to anti-U.S. sentiment.

Trouble emerged amid a protest-hit summit in Ecuador in 2002 when Brazil said it would not join unless the United States slashed \$19 billion in subsidies blocking farm imports.

U.S. Trade Representative Robert Zoellick said if Brazil did not want to trade with the United States, it could always choose "another direction ... Antarctica."

The comment touched a nationalistic nerve in Brazil. Diplomats responsible for trade negotiations began to look for better terms in a deal with the European Union.

EUROPEANS NO NICER THAN AMERICANS

But trade talks between the Mercosur group — made up of Brazil, Argentina, Uruguay and Paraguay — and the EU failed to reach a Nov. 1 deadline in 2004 after an exchange of offers.

Like the United States, the EU has asked for access to investment, service and government purchase markets in return for greater Mercosur access to its farm markets.

"There is no sign talks will be any easier with Europe," said Andre Nassar, head of Brazil's Institute for the Study of International Trade and Negotiations.

Consani said Argentina and Brazil should first strengthen Mercosur and then worry about the FTAA.

"Under current conditions, going ahead and negotiating a FTAA separately, or breaking up the Mercosur union, would be suicide for these countries," he said.

An FTAA "light" could be possible in 2006 if farm trade barriers are broken down in global trade talks, Brazilian Foreign Minister Celso Amorim said in a recent interview.

"Brazil was never against FTAA talks," Amorim said. "It's just that when they get stuck in bureaucracy, they tend to bring out fundamentalism on both sides."

But with an election set for 2006, Nassar doubted Brazil's government would do deals that could hurt industry.

The United States and Brazil will resume FTAA talks based on a compromise reached in Miami in 2003. Brazil agreed to pursue subsidy and anti-dumping issues at the World Trade Organization. The United States agreed to a scaled-down version of the pact. A date will be set after Bush's inauguration.

"Our challenge will be to translate the mandate from Miami into specific negotiations," a spokeswoman for the U.S. Trade Representative office in Washington said.

Reaching an FTAA will ultimately require serious political will on both sides, analyst Peter Hakim said.

"Both Bush and Lula would have to expend enormous capital to move this forward," Hakim, president of the Inter-American Dialogue think-tank in Washington, said.

(Additional reporting by Doug Palmer in Washington and Louise Egan in Buenos Aires)