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FTAA nudged from spotlight by other free-trade deals

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With talks for an Americas-wide free trade pact deadlocked over farm subsidies, executives of companies active in Latin America are increasingly turning attention to opportunities from other smaller, pending free-trade deals.

A study released Wednesday found the strongest interest in free-trade talks between Europe and South America's Brazil-led Mercosur group.

Executives are especially hopeful for gains from that trans-Atlantic pact, because plans for the 34-nation Free Trade Area of the Americas (FTAA) have been so watered down that a final "FTAA lite" may prove of little help in boosting business anyway, according to research from the London-based Economist Intelligence Unit (EIU).

A survey of nearly 170 top executives active in the Americas found that roughly 71 percent saw major opportunity from a Europe-Mercosur pact vs. 12 percent from an FTAA lite, researchers said Wednesday in presenting the 128-page report at a Miami breakfast.

"The FTAA is in such a state of flux that it's left all of us doing business in the region a bit confused, desperate and looking for direction," said John Price, president of Coral Gables-based market research firm InfoAmericas, who helped prepare the report.

Price said the European Union and Mercosur are hot on slashing trade barriers partly for political reasons -- as a counterweight to U.S. dominance in the world economy.

Europe also needs overseas markets because of its own sluggish economic growth. And South America is anxious to expand exports of its metals and other basics to help pay down its hefty debts, he added.

Mercosur-Europe talks might bog down later over farm subsidies too: Europe, like the United States, has been reluctant to slash the subsidies that make it hard for Latin American nations to export their grains, sugar and other farm products.

But prospects now seem brighter than the flagging FTAA lite, which seems certain to miss its 2005 deadline for completion and ratification, Price and other execs said.

All countries in the Americas except communist-led Cuba have been working since 1994 to craft an FTAA, and the study found a comprehensive FTAA could significantly expand business, largely by boosting confidence for multinationals to invest longer-term in Latin America.

Yet new free trade accords by themselves won't be a panacea for Latin America's business woes,

the report found.

Latin governments need to get more serious about regulating business free of politicking; reduce bureaucratic red tape; modernize courts; and improve education systems to produce more engineers and technicians now in short supply, researchers and execs said.

Should an FTAA finally come to pass, however, Miami has the edge as a potential headquarters.

The EIU survey found 42 percent of respondents favor Miami as the FTAA hub, with Sao Paulo, Brazil, seen as the second best-suited city, with 16 percent in favor. Sao Paulo is not competing for the office. Panama City, considered Miami's biggest rival for the FTAA hub, got nods from 3 percent surveyed.

For information on the study, "Free Trade in the Americas: Strategies for a Transformed Market," check www.eiu.com.

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