

For trade, Obama doesn't look South

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The Obama administration's first big move on international trade is good news for Asia, but it doesn't bode well for much of Latin America.

On Dec. 14, the administration officially notified Congress that it will negotiate the Trans-Pacific Partnership, a regional free trade deal with Vietnam, Singapore, Australia, New Zealand, Brunei, Chile and Peru. If approved, the eight-country Asia-Pacific deal would be the largest U.S. free trade agreement in terms of member countries.

'DYNAMIC REGION'

"Asia-Pacific is the most dynamic region in the world," U.S. Deputy Trade Representative Demetrios Morantis told me in a telephone interview. "The idea is to negotiate amongst the eight countries a high-standard regional trade agreement, and then other countries can join in when they are ready."

The proposed regional trade deal is the Obama administration's first major international trade initiative. During the campaign, Obama had criticized previous U.S. free trade deals for allegedly not having enough protections for U.S. and foreign workers. U.S. free trade deals with Colombia and Panama, signed by former President George W. Bush, are still pending in Congress.

Obama's Asia-Pacific trade bloc proposal is not only aimed at increasing U.S. exports to the most rapidly-growing markets in the world, but may be a response to China's mega-trade agreement with the 10-member Association of Southeast Asian Nations, which is scheduled to start in 2010.

U.S. officials are worried that while U.S. exports to Asia rose by 63 percent over the past five years, the U.S. share of trade with Asia has dropped by 3 percent, and China may get an even bigger slice of it in coming years.

There are two major ways in which Obama's proposed deal with Asia-Pacific countries could hurt several Latin American nations.

First, the proposal is a clear signal that the administration will focus its energies on passing the Asia-Pacific regional trade pact, rather than in pushing for congressional approval of the Bush-era's free trade deals with Colombia and Panama or trying to revive the now defunct idea of a hemisphere-wide Free Trade Area of the Americas.

"I'm worried that it could shift U.S. attention further toward Asia and away from Latin America," says Augusto De la Torre, the World Bank's chief economist for Latin America and the Caribbean.

“The Obama administration could end up investing so much political capital in this agreement that it could be left without resources to promote a deeper trade integration with the rest of the hemisphere.”

U.S. officials will be hard-pressed for time to prepare for the negotiations with members of the Asia-Pacific bloc, which are scheduled to start at a meeting in March in Australia.

“The effort to start work for the March meeting will take up pretty much all of the first quarter of 2010,” said David Lewis, an analyst with the Washington, D.C. firm Manchester Trade. “Then, everybody in Congress will be gearing up for the November elections. The Obama administration's new commitment to Asia will undermine any initiative with Latin America.”

MORE COMPETITION

Second, the proposed U.S. free trade deal with Asia-Pacific countries will mean even greater competition from Asia for Latin American exports to the United States.

Vietnam, a rapidly growing Asian economy that already beats most Latin American countries in labor costs, would be able to get preferential access to the U.S. market for its textiles, electronics, footwear, coffee and other products.

U.S. officials reject the idea that the new trade emphasis on Asia-Pacific countries will push Latin America farther away from the U.S. trade agenda. One thing will not preclude the other, they say.

My opinion: Of course it will. As much as I continue liking the Obama administration on many counts, I'm afraid it is confirming my earlier fears that, barring a few exceptions such as Chile and Peru, it will not pay much attention to Latin America where it really counts -- promoting closer economic ties.

Not surprisingly, when Secretary of State Hillary Clinton held a two-hour public meeting to discuss the administration's foreign policy priorities for Latin America on Dec. 11 there was a lot of talk about strengthening democracy and empowering women, but zero mention of new regional free trade initiatives.

Unfortunately, when it comes to trade, Washington is looking only East and forgetting about the South

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