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## Official Says Nations Pressuring Brazil on Hemispheric Free Trade

By Jane Bussey

MEXICO CITY -- In what is but the latest twist in the troubled talks to create a Free Trade Area of the Americas, a group of countries has drafted a letter asking that negotiations for a comprehensive treaty be placed back on the table -- but only for willing nations.

When trade ministers met last November in Miami, they took the opposite approach, agreeing to scale back the scope of the FTAA while leaving open the possibility of negotiating more ambitious agreements between member countries on investment, services, rules for government purchasing and other issues.

The latest idea, said a trade official who asked not to be identified, is an attempt to pressure Brazil into adopting a more flexible position in the negotiations among the 34 nations to create a hemispheric free-trade area.

"They think that this is going to produce movement in Brazil," the official said.

The letter, addressed to the two co-chairs of the FTAA negotiations, asked that all the countries be notified of the intent to start what is known as "plurilateral" negotiations.

That's a variation on the bare-bones Miami accord, a step down from multilateral talks but more comprehensive than the bilateral agreements that the United States has been negotiating with countries in Central America and with the Dominican Republic and Panama. Brazil supported the more limited approach during the Miami talks.

In the latest round of talks in Puebla, a colonial city southeast of the Mexican capital, the deputy trade ministers failed to reach accord last Friday for procedures and commitments that would seal a deal by the year-end.

The deputy U.S. trade representative, Peter Allgeier, who is chairing the talks with Brazilian trade official Aldemar Bahadian, declined to characterize the inconclusive meeting as a failure, calling it a "recess" and saying the talks would resume. The next round is scheduled to begin the first week of March in Puebla.

The Office of the U.S. Trade Representative said Monday that it had been unable to confirm whether the letter had been received. The draft of the letter, a copy of which was reviewed by The Herald, showed the countries involved trying to build the FTAA talks back up to the comprehensive level they had stood at before the Miami summit.

Whether the letter will produce advances in the current impasse between the United States and those that share its position and Brazil and its Mercosur neighbors remains to be seen.

"You are up against these very hard positions in the United States and Brazil," said Gary Hufbauer, a trade economist at the Institute for International Economics in Washington. "I would be very pleasantly surprised if they make any progress in the FTAA in this calendar year."

Hufbauer said the letter may be an attempt to once again get countries behind an ambitious agreement that would boost support from large U.S. business groups and engage powerful business lobbies in pressuring Congress on the trade talks.

"This scaling-down process that was initiated in Miami, with 'the FTAA Lite,' was running into the sand," Hufbauer said, adding that U.S. officials may have realized that the only way to get countries back on board was to boost the talks to a more ambitious level.

Among the starting points for negotiations would be discussions on what is known as the nontrade issues: trade in services, comprehensive investment rules, market access and rules on government procurement, additional market

access and a series of other possible issues, the draft of the letter said.

Countries would negotiate by listing what areas in investment and services would be off the table, rather than those that would be up for negotiation. The United States prefers this so-called "negative list" approach since it opens the door for more comprehensive talks on opening large sectors of services and investment.

The investment agreement would also include the possibility of a direct investor-government dispute settlement. Brazil has strongly objected to an agreement that would give private companies the right to sue governments outside the national legal system, through appointed dispute panels.