

Gaps Between Brazil, U.S. Threaten Trade Talks

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BRASILIA -- Brazil's foreign minister said the future of a hemispherewide free-trade zone is in peril, largely because the U.S. is pushing a reluctant Brazil "to overhaul our entire economic framework."

Large gaps remain between the U.S. and Brazil, the two main protagonists in the effort to create the Free Trade Area of the Americas, Brazilian Foreign Minister Celso Amorim said.

The talks had idled for several months ahead of the U.S. presidential elections and Brazilian local elections that made it difficult for leaders in either country to speak publicly of trade concessions. Mr. Amorim's comments appear to throw cold water on U.S. hopes that the talks might now be revived in time to at least show progress before a looming Jan. 1 deadline to finalize a deal. Brazil, which co-chairs the negotiations with the U.S., and is responsible for calling the next meeting of trade ministers, hasn't even scheduled the session.

"I have doubts whether FTAA will come back next year," said Marcos Jank, director of the Institute for International Trade negotiations, an independent São Paulo think tank that advises the government.

But a U.S. official said that Mr. Amorim may be posturing, and that the two sides will continue to work out a compromise position. Were Brazil to back away from the regional talks, the official said, all the countries would have to regroup and reconsider whether it made sense to pursue a hemispheric pact.

A collapse in the FTAA talks would be a big setback to forces in Latin America that have been pushing to further open up economies. Making commitments to freer trade requires nations to peel back protectionist barriers that make local companies uncompetitive on the world stage and also keep local prices higher. For the U.S., a collapse would be a big defeat in Washington's efforts to build new export markets and to weave together the hemisphere politically.

The U.S. wants Brazil to lower its tariffs on manufactured goods, and open its markets in financial services and other areas. Brazil is looking for lower U.S. barriers to agricultural goods.

Mr. Amorim said Brazil won't agree to a U.S. proposal that gives private firms the right to take the Brazilian government to international arbitration over investment issues -- a feature in the North American Free Trade Agreement that links the U.S., Canada and Mexico. Brazil is also resisting U.S. demands that Brasilia tighten its patent rights to protect U.S. pharmaceuticals, saying the requirement would hobble Brazil's AIDS programs, which dispense cheap knockoffs of U.S. drugs.

During a 2003 meeting of the 34 nations in Miami, trade negotiators put forward a compromise in which groups of countries would cut their own deals over particular issues, such as opening telecommunications markets. The U.S. trade official said that approach -- dubbed FTAA lite -- is

still being pursued. Mr. Amorim called FTAA lite "more realistic," but he said the U.S. continues to push for deeper concessions.

"Brazil wants to have the freedom to define its economic model," Mr. Amorim said. "We are not going to trade [larger] quotas for an economic model."

Mr. Amorim said Brazil's top trade priority is concluding a global pact where the U.S. and Europe are under pressure to reduce agricultural subsidies by a group of developing nations led by Brazil, China and India. He is also pushing for tighter trade relations between Mercosur -- a customs union formed by Brazil, Argentina, Uruguay and Paraguay -- and other South American nations.

In Brazil, the foreign minister is in charge of trade negotiations, but other ministers, especially those for agriculture and trade, are lobbying Mr. Amorim to ease his stance. "The real question is the cost to Brazil of not joining the free-trade zone," said Jorge Gerdau Johannpeter, chairman of Brazilian steel producer Gerdau SA.

---- Neil King Jr. in Washington contributed to this article.