

Hemispheric trade zone stumbles

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President Bush returned to the US after a long weekend of talks in Latin America Monday, having addressed, at least briefly, several long-neglected regional issues: Mexican immigration, the war on drugs, and China's increasing influence on the continent. But one subject he skirted was the plan for a Free Trade Area of the Americas (FTAA), once a chief ambition of his administration.

President Clinton launched negotiations in 1994 for the creation of a 34-country hemispheric single market stretching from Alaska to Argentina, intended to be operational by 2005. The Republicans, even more ardent enthusiasts of free trade than their Democratic predecessors, had said, before Sept. 11, 2001, that the plan was a priority.

The hope was that the FTAA would function like an extended NAFTA (the North American Free Trade Agreement between the US, Mexico, and Canada) or CAFTA (the not-yet-ratified Central American version between the US, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and the Dominican Republic). But it turns out not all were buying.

The initiative has stalled, as much because of the 9/11 hijackers and the war in Iraq as the diverging economic ideologies of North and South America. As US politics has drifted to the right in recent years, the South has, in large swaths, leaned left - in turn favoring smaller, bilateral treaties.

Last week, Eduardo Duhalde, President of Mercosur - a trade bloc of Brazil, Argentina, Uruguay, and Paraguay - blamed the standstill on Washington's unwillingness to stop giving generous subsidies to US farmers. He was responding to strong words from US trade representative Robert Zoellick, who said Mercosur has refused to open up such service sectors as banking, telecommunications, and transport.

Mr. Zoellick further warned that Mercosur risked being isolated as the US clinched one-on-one and regional free-trade agreements with a host of other Latin American countries. Indeed, the US and others are increasingly focusing time and effort on narrower pacts around the world. "When we came into office, we had free-trade agreements with three countries - Canada, Mexico, and Israel," Zoellick said this weekend. "We now have concluded free-trade agreements with 12 countries and we are negotiating with 12 more. So, we're busy on that front."

In Latin America, besides NAFTA and CAFTA, the US has also signed a bilateral agreement with Chile; is in negotiations with Peru, Colombia, and Ecuador; and is hoping to start talks with Bolivia.

The trade agreement with Chile is often cited by the US as a model. Under it, 85 percent of qualifying consumer and industrial goods passing between the two countries are now duty free, with the remaining tariffs to be phased out over the next 12 years. This year, US

exports to Chile were up some 25 percent, and Chile's exports to the US were up 27 percent. Chile's \$72 billion economy grew 3.3 percent last year, and this coming year it could hit 5.5 percent.

Chile, clearly warming to the model, has struck similar deals with the European Union and South Korea, has others in the works with New Zealand and Turkey, and announced just last week that it would start talks with China.

But whether such smaller agreements can serve as precursors to a broader hemispheric agreement, or if they actually hurt those chances, is under debate. Some observers urge caution when looking to these pacts as harbingers for successful broader accords.

"Yes, [the US-Chile accord] seems to be working - but let's wait two or three years to say anything definite," says Peter Hakim, president of the Inter-American Dialogue in Washington. "After 10 years of NAFTA and a host of reputable studies, debates are still furious about whether and how much the accord benefited Mexico," he continues, noting that rising commodity prices this year - especially copper - may have had a lot to do with the growth of the Chilean economy.

Stuart Harbinson of the World Trade Organization is pessimistic about the smaller deals. "This expanding web of [regional trading arrangements] raises the question of workability of parallel multilateral approaches," Mr. Harbinson told reporters, adding that there are today 150 regional trade agreements in force and another 70 in the works, all which vary widely, despite efforts to adopt "best practices." Such a multitude of pacts tend to raise production costs because businesses have to comply with a variety of rules. The WTO, with strong US backing, is pushing to sign all countries up for the Doha round - the latest phase of trade liberalization conducted on a global level.

Beyond the tactics of how to open markets both fairly and evenly, the arguments over the benefits of free trade continue. In downtown Santiago, just blocks from malls full of Starbucks and TGI Friday's, the streets were crowded over the weekend with thousands of antiglobalization protesters railing against the destruction of local jobs and culture by the corporate forces driving the free-trade agenda.

And just outside of the Chilean capital, the national sport was being played in cheerful defiance of the creep of a homogenized global culture. At the Puro Caballo rodeo, men in colored ponchos and wide-brimmed hats competed in a sport that dates back to the early 19th century. The idea is for two-man horseback teams to maneuver a bull around the ring and slam it against the padded side.

Alberto Romero has just placed second in the first round and is sitting on a haystack, pointing out the nuances of the sport to his 11-year-old son. During the week, this cowboy is the buttoned-up CEO of a company that sells luggage and baseball caps. He has a concession from Austria, imports the cloth from Asia, manufactures in Chile, exports to Argentina, and is currently evaluating entry into the US market.

He is pleased with the bilateral agreements Chile has and makes use of them. "I'm a global businessman," he says, flinging a short white jacket around his shoulders. "Would a FTAA make life easier?" Probably, he says, but just thinking of getting those negotiations done "gives me the kind of headache I bet that rodeo bull has right now."



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