

Posted on Sun, Mar. 05, 2006

## **The Oppenheimer Report**

### **THE OPPENHEIMER REPORT**

# **Free-trade agenda has risen, is 'up and walking'**

By Andres Oppenheimer

[aoppenheimer@MiamiHerald.com](mailto:aoppenheimer@MiamiHerald.com)

Surprise! Last week's completion of U.S. free trade talks with Colombia -- and the likely signing of similar deals with Ecuador and Panama in coming weeks -- may mean that U.S. plans to create a hemisphere-wide free-trade area may not be dead after all.

Four months after the disastrous 34-country Summit of the Americas last November in Mar del Plata, Argentina, in which Venezuelan President Hugo Chávez made big headlines by proclaiming that the U.S.-backed free-trade plan would be "buried for good" at the meeting, U.S. officials are boasting that the free-trade agenda is enjoying new momentum.

In a telephone interview last week, U.S. Assistant Secretary of State Thomas Shannon told me that since the Mar del Plata summit, free trade "has not only risen from the dead, but it's up and walking." With the Colombia agreement, Washington will have free-trade deals with countries that account for two-thirds of the hemisphere's economy, not counting that of the United States, he said.

"It clearly indicates that many countries in the region want free-trade agreements with the United States," Shannon said. "Those who do not have free-trade agreements, will have to think more clearly about what is in their best interest."

Before we get into whether U.S. officials are too optimistic -- considering that Brazil, Argentina and Venezuela are not planning to sign free-trade deals with Washington anytime soon -- let's look at some of the events that have lifted Washington's spirits since the Mar del Plata summit:

- On Dec. 7, the United States reached a free-trade agreement with Peru.

### **URUGUAY DEAL**

- In early January, Uruguay's finance minister, Danilo Astori, announced that his country, a member of the Mercosur common market led by Brazil and Argentina, may seek a

bilateral free-trade deal with the United States. The move would effectively amount to a break with Mercosur, since the group is committed to negotiating as a bloc.

- Last week, pro-free-trade Costa Rican candidate Oscar Arias, a former president and 1987 Nobel Prize winner, seemed to emerge as the narrow winner of his country's Feb. 7 elections. His challenger had campaigned against ratification of a U.S. free-trade deal with five Central American countries and the Dominican Republic signed in August.
- On Feb. 27, the United States reached a free-trade agreement with Colombia.
- Last Wednesday, El Salvador became the first Central American country to join the U.S. free-trade deal with Central America and the Dominican Republic.
- Panama and Ecuador may be only weeks away from reaching free-trade deals with the United States. During a visit to Miami last week, Ecuador's President Alfredo Palacio told me that his country's negotiations with Washington are stuck on a small number of issues, mainly rice and pharmaceuticals. The next round of negotiations is scheduled for March 23. "I'm optimistic," he said.

### **EAST-WEST DIVIDE**

My conclusion: The new free-trade map of the Americas may soon show an east-west partition of the hemisphere. There may be a Pacific bloc of nations -- made up of Chile, Peru, Ecuador, Colombia, Central America and Mexico -- with free-trade deals and growing economic ties with Washington, and an Atlantic bloc of agricultural or oil-producing countries -- Brazil, Argentina and Venezuela -- that will pursue a more independent path.

Will this division last over time? Despite strong anti-free trade sentiment in many countries, probably not. Sooner or later, the United States is likely to reduce its scandalous agricultural subsidies, which are Brazil's and Argentina's main objection to joining a hemispheric free-trade area. And, eventually, Brazil and Argentina will realize that they need preferential access to the U.S. market. That's because they will not want to be at a disadvantage with their neighbors, who will be able to export duty-free to the world's biggest market.

There are three trade blocs shaping up: the Asian, the European and the American free-trade zones. Barring unforeseen events, most countries will need access to one of these trade areas in order to boost their exports. As in the game of musical chairs, whoever doesn't find a spot in one of them, will be left out of the game.