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THE OPPENHEIMER REPORT

SUMMIT OF THE AMERICAS

U.S.-backed free-trade proposal faces test of survival at summit

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MAR DEL PLATA, Argentina -- President Bush faced a nasty surprise when he landed here Thursday: He came to the Fourth Summit of the Americas to push for ways to improve job creation in the region, but found a meeting focused on whether to kill a U.S.-backed plan to create a hemispheric free trade area.

It happened quite unexpectedly. At about 8 p.m. on Wednesday, after six months of negotiations over a 34-article final summit document that most delegates thought was ready to be signed by the presidents, Argentina -- the meeting chair -- introduced a new article that effectively killed plans to go forward with the U.S.-backed Free Trade Area of the Americas. The 11-year-old plan is the backbone of U.S. policy in the region.

Judging from what I saw during almost five hours inside the heavily guarded Costa Galana Hotel where the negotiations took place, before I was kicked out by four security officials who informed me that journalists were not allowed at the hotel, U.S., Canadian, Mexican and other pro-FTAA officials were livid.

"It came as a total surprise," a senior North American official told me. "Their intention seems to be to destroy FTAA. It left a terrible mood in the room."

The hemispheric free trade area was originally scheduled to start Jan. 1 this year, but the deadline came and went without a deal, largely because of Mercosur's objections to U.S. agricultural subsidies. U.S. officials came to Mar del Plata hoping to reach a deal to re-launch FTAA talks early next year.

Argentina presented the we-are-not-ready-for-FTAA paragraph on behalf of Mercosur, the common market made up of Argentina, Brazil, Paraguay and Uruguay. According to the final summit document draft, the Mercosur-proposed paragraph says that "We recognize that the necessary conditions are not in place to reach a balanced and equitable hemispheric free trade agreement."

It then lists a series of reasons why the four countries object to the planned free trade deal, including U.S. agricultural subsidies to domestic farmers, without offering a resumption of the talks.

Hours earlier, a group of 27 nations led by Mexico, Chile and Panama had proposed a U.S.-backed pro-FTAA clause that called for "trade officials to meet by April 2006 to examine and overcome the existing difficulties in the FTAA negotiations." Under the summit's rules, the final document has to be approved by consensus.

Why did Mercosur come up with the 11th-hour anti-FTAA clause? Appalled diplomats at the Costa Galana were split between two theories:

- Argentine President Néstor Kirchner, a left-of-center politician, wants to use the anti-FTAA clause as a bargaining chip in today's scheduled meeting with Bush. Earlier this week, Kirchner was quoted in the Argentine press as saying that he would ask Bush for help in Argentina's upcoming debt renegotiations with the International Monetary Fund. In a later interview with Latin American newspapers, Bush responded with warm words for Kirchner.

- Kirchner changed his mind at the last minute, because he didn't want to be upstaged in front of Argentina's mostly anti-American public by Venezuelan President Hugo Chávez, and former soccer star Diego Maradona, who are making big headlines and are scheduled to lead the massive anti-Bush protest today.

Asked about Argentina's motives, some Argentine officials said that it doesn't make sense to continue planning FTAA negotiations unless the region looks into the reasons why the hemispheric trade plan has not materialized.

"We need a diagnosis of what has failed so far, so that hemispheric integration can prosper later," Argentina's chief trade negotiator Alfredo Chiaradia said.

Other Argentine diplomats noted that their proposal is not as stringent as Chávez's, who hours before the summit, declared: "In Mar del Plata, we will bury FTAA."

My conclusion: As usually happens at these summits, the leaders will reach a last-minute agreement on the declaration's language that each of them will be able to sell at home as a diplomatic success. But when two sides are so far apart, the agreements tend to be so flimsy that they become a joke.

If there is no agreement on relaunching the free trade talks, I wouldn't be surprised to see Washington and some of the 27 countries that support resuming FTAA negotiations in April start thinking about an "FTAA of the willing." After all, the European Union started as a coal and steel association with six member countries before it turned into a powerful 25-member regional bloc five decades later.

The presidents' summit

OUR OPINION: SEIZE THE MOMENT TO REENGAGE WITH LATIN AMERICA AND ITS LEADERS

President Bush will face a tough audience at the Summit of the Americas today in Mar del Plata, Argentina. Nonetheless, the meeting with 32 fellow heads of state is an opportunity for him to reaffirm a U.S. commitment to the region, support efforts to bolster democracy and free-market reforms and reengage on a personal level with key counterparts.

The diplomatic job is a challenge. Since the last summit in 2001, Latin American leaders have complained of U.S. indifference to the region, and with reason. President Bush's plans for a sweeping immigration accord with Mexico became a casualty of 9/11. Similarly, the U.S.-initiated Free Trade Area of the Americas, which was to become a reality this year, remains mired in disputes over agricultural subsidies and other issues.

Pervasive anti-American sentiment sparked by the Iraq war lingers among many Latin Americans, as do doubts about U.S.-backed financial reforms that some, particularly in Argentina, blame for economic woes and increases in poverty. Both sentiments will be on parade today when Diego Maradona, former soccer superstar and friend of Fidel Castro, leads an anti-Bush protest outside the summit.

Yet there are many critical concerns in the region. Widespread poverty and the world's worst income disparity fuel popular discontent. Such discontent was evident in the violent street protests that caused the ouster of three democratically elected presidents, two in Bolivia, the other in Ecuador. In Venezuela and Nicaragua, meanwhile, there has been a steady erosion of democratic checks and balances.

The summit's central theme is "Creating Jobs to Fight Poverty and Strengthen Democratic Governance." But diplomats have sharply clashed over how to do this. Venezuelan President Hugo Chávez calls U.S. proposals capitalist ploys that worsen poverty.

Mr. Bush should look to build better alliances with regional leaders such as Brazil's President Luiz Inácio Lula da Silva, who leads from the left but supports free trade and sensible fiscal policies. Mr. Bush's post-summit trip to visit President Lula is a good move. He and other allies are key to strengthening market economies and democratic institutions.