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Free-trade initiatives are on life-support as export growth slows

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WASHINGTON --

Free-trade enthusiasts are licking their wounds these days.

There has been some progress that may clear the way for U.S. deals with Peru and Panama, but more high-stakes initiatives appear to be stuck.

Democrats in charge of Congress -- and most Democratic presidential candidates -- have refused to sign off on free-trade agreements with Colombia and South Korea. The Doha round of world trade talks is stalled. The once-promising Free Trade Area of the Americas initiative is a fading memory.

Trade negotiations between the European Union and Latin American nations have made little progress. Grand schemes of South American integration have produced lofty declarations but few tangible results. And on top of all this, Asian countries are busy eliminating barriers to commerce among each other, which experts warn will put Latin America at a further disadvantage on the world stage.

"The wind has been knocked out of the sails of further trade liberalization," said Jerry Haar, with Florida International University. He said this is partly because countries have already done the easy integration and are stuck on the hardest issues, like agricultural subsidies. "If you're running a 10-mile [race], the first five or six miles are real easy."

Until just a few years ago, the Bush administration was forging ahead on trade liberalization, signing deals with such countries as Chile, Australia, Singapore and much of Central America, plus the Dominican Republic.

U.S. officials proudly forecast that more than 90 percent of the production in the Americas would come under a free-trade umbrella, once deals with Peru, Panama and Colombia were inked and implemented.

But Democrats said the Bush administration had ignored their concerns for more protection on labor and environmental issues. So when Democrats took over Congress in January, U.S. Trade Representative Susan Schwab negotiated a new framework that included such provisions as tougher labor and environment language and fewer protections for patented medicines.

Still, Congress took no action before its summer recess. Colombia, in particular, was criticized for the killing of labor activists by armed groups.

The troubles are not limited to U.S. deals with Latin America.

Despite lofty talks, efforts at increased South American integration have gone nowhere, and Venezuela is even threatening to withdraw its application to join the Mercosur trade bloc, made up of Brazil, Argentina, Uruguay and Paraguay.

Differences over agricultural subsidies have so far scuttled a deal between the 27-member European Union and Mercosur.

In April, the European Union initiated negotiations with Central America and four Andean countries -- Bolivia, Ecuador, Peru and Colombia.

Alberto Navarro González, Spain's top diplomat in charge of EU matters, said Bolivia and Ecuador -- ruled by leftist governments critical of free trade -- were demanding public contracts be taken off the negotiating table, among other "unacceptable conditions."

"We cannot conceive of a free-trade deal with those kinds of safeguards," said González in a recent interview with The Miami Herald. He said the European Union could negotiate separate deals with Peru and Colombia, just as Washington had done.

"We're not going to have Colombia and Peru hostage to Mr. Morales," he added, referring to Bolivian President Evo Morales.

Trade liberalization is not altogether dead, however.

In early August, the head of the influential House Ways and Means Committee, New York Democrat Rep. Charles Rangel, led a delegation to Peru. The Peruvian government then agreed to change labor provisions on such matters as the right to strike and anti-union discrimination.

Matthew Beck, a spokesman for Democrats on the Ways and Means Committee, said thanks to those agreements, the House of Representatives is expected to take the first steps to debate the Peru pact this month.

According to the U.N.'s Economic Commission for Latin America and the Caribbean, or ECLAC, Latin American exports grew a respectable 9 percent in the first six months of this year. But that's the lowest level since 2003, and Osvaldo Rosales, ECLAC's top trade expert, said Latin America is exporting too few high-end, nontraditional services, like software and engineering consulting, at a time when China, South Korea, Japan and most other Asian countries are cutting barriers among each other.

He called passage of the U.S.-Colombia trade agreement "absolutely critical" but cautioned that such deals were no silver bullet.

"The question is not whether or not to have free-trade agreements," said Rosales, a former Chilean trade negotiator. "The question is what the region is doing to prepare for a world characterized by competitiveness and technological innovation."

He added that free-trade agreements should further those goals, otherwise they are simply "paper without much importance."