

Chavez hosts 6-nation trade summit

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CARACAS, Venezuela - President Hugo Chavez marked Venezuela's entry into the South American trade bloc Mercosur with a six-nation summit Tuesday, an alliance that he says should be a common front against U.S. free trade deals.

Chavez and the leaders of Brazil, Argentina, Uruguay and Paraguay formalized the bloc's expansion to include Venezuela, which Chavez claims as a victory against Washington's "imperialistic" economic plans for the hemisphere. Bolivian President Evo Morales, a close Chavez ally, was to attend the signing ceremony as an observer.

"We are defeating the hegemonic pretensions" of the United States "and today we have placed a new cornerstone for the freedom and unity of South America," Chavez said to a rousing applause in a packed Caracas auditorium following the signing ceremony.

Brazilian President Inacio Lula da Silva called on fellow Mercosur members to maintain political solidarity when facing challenges from countries outside the region, but said that anti-Americanism was not a hallmark of the regional trade bloc.

"We have the right to demand there be no type of meddling in our region," Silva said.

"Today we are here to say to the world that we don't want to fight with anybody. We are peaceful countries. Each country should maintain its relations with the United States," he added.

Not all agreed with Chavez that the outlook for Mercosur was so rosy. Paraguayan President Nicanor Duarte aired concerns about alleged protectionist practices by Brazil and Argentina that have prompted Paraguay and Uruguay to question the benefits of Mercosur membership.

Duarte said the bloc's system of common tariffs "does not always agree with commercial practices that still pose many obstacles, especially for less developed countries like Paraguay, which continues to have problems with the flow and circulation of its goods."

Paraguay has complained that its products face long delays in entering Mercosur's two biggest markets and has also protested rules that prohibit it from signing bilateral trade deals with countries outside the bloc.

"In South America we have to develop greater commercial liberalization," Duarte said.

Oil-producing Venezuela's entry into Mercosur is expected to boost the economic clout of the trading bloc, bringing Mercosur's combined gross domestic product to \$1 trillion a year - more than three-quarters of South America's total economic activity.

Under the agreement, Venezuela will be required to adopt a common external tariff system within four years. The level of those tariffs will vary depending on the product but will average about 12 percent, said Eduardo Sigal, Argentina's undersecretary for economic integration.

Venezuela and the continent's two largest economies - Brazil and Argentina - will establish free trade zones by 2012. Paraguay and Uruguay will immediately benefit from preferential tariffs for their principal exports to Venezuela before gradually establishing free trade zones by 2013.

Venezuelan critics, largely allied with the political opposition, said the government failed to sufficiently consult the private sector about details including the need for measures to protect local producers, including farmers and cattle ranchers, from cheaper imports.

The Venezuelan government had said the visiting leaders would also sign an agreement for Bolivia, Paraguay and Uruguay to participate in a proposed natural gas pipeline. But the meeting ended without any such agreement.

Chavez has proposed a 5,600-mile pipeline that would carry natural gas from Venezuela's offshore reserves to Brazil, Argentina and other countries. He has suggested Bolivia - which has the continent's second-largest gas reserves after Venezuela - also could be connected to send its gas to other countries.

The plan has met with skepticism, however, from energy experts who say it faces enormous technological, environmental and economic challenges. Though cost estimates for building the pipeline remain rough, the Brazilian oil company Petroleo Brasileiro SA has said the price tag could run to more than \$25 billion.