

## Ecuador Reaps Costs Of Anti-Trade Fervor

U.S. Giant's Pullout Called 'Alarm Bell'

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MALCHINGUI, Ecuador -- For weeks, the rumor had circulated through the greenhouses and fields of the flower export business here: The American owner was going to abandon the country.

Then the rumor became reality. The owner, a division of the giant Dole Food Co., announced this month that it would close this farm and another in a nearby town, wiping out 850 jobs, as it sought to streamline operations.

"They said it was not a bankruptcy, but that business was not good," said Teresa Ayala, 36, a mother of three who worked for seven years at Middle of the World Flowers. "Our supervisor said we paid higher tariffs."

The closing, Dole executives said, was based on a number of factors, including rising costs and stiff competition from other overseas growers. But those costs were clearly made more onerous by the fact that Ecuador had no trade agreement with Washington.

The United States, in pursuing a hemisphere-wide trade pact, had assumed free trade would be an easy sell when negotiators began fanning out across Latin America in the 1990s. But many in the region, disenchanted with economic policies they say failed to bring prosperity, have supported a slew of populists sharply opposed to trade deals and other economic proposals initiated in Washington.

Those critics include President Evo Morales in [Bolivia](#), who took office in January promising to exert state control over the economy, and Rafael Correa, an Ecuadoran presidential contender who has promised, if elected next month, to rule out a trade agreement with the United States.

Candidates are "running on it, they're talking about it, they're making it the center of their campaign," said Larry Birns, director of the Council on Hemispheric Affairs, a Washington policy group critical of U.S. trade initiatives. "Free trade has become the point of division between the liberal left and middle-class conservatives, and every election that we've seen so far has been fought along these lines."

The shuttering of Dole's flower business has brought home to this town of adobe houses and Spanish-tiled roofs the ramifications of the anti-trade fervor that has made it so difficult for Washington to secure deals in the region. Flower growers here, as well as other important businesses that rely on exports, say it is only a matter of time before their companies are adversely affected.

"This is the first signal, the alarm bell, that gives us an idea of what would happen in this sector and others in the country if we don't move forward to make ourselves more competitive," said Ignacio Pérez, executive director of Ecuador's Association of Flower Producers and Exporters, a Quito-based group representing 185 growers.

In Latin America, the debate over free trade is often played out in the opinion pages of newspapers and in dry boardroom discussions about regulations and tariffs. But it is in places such as Malchingui that people's lives are directly affected -- and, at times, roiled -- by the arguments for and against free trade.

Earlier this year, thousands of highland Indians, angry that President Alfredo Palacio's government was on the verge of completing a free-trade agreement with Washington, blocked roads, burned tires and battled police. Protest leaders told poor farmers that the Americans wanted to seize control of the water supply and that their crops would be rendered worthless by U.S. imports.

"Obviously, people were scared, and that's why there was an uprising," said Francisco Arteta, who manages Quality Service, a flower-growing business in nearby Cayambe that exports mostly to Europe.

Palacio's government vowed it would not back down on the agreement. But, buffeted by protests focused not just on trade but also on the conduct of foreign transnational companies, it did seize the assets of an American oil company that had been entangled in a tax dispute with regulators.

Washington retaliated by cutting off trade talks. Now exporters are bracing for the end of a preferential trade deal that Ecuador and other Andean countries have with Washington, a pact that eliminates tariffs on labor-intensive industries such as flowers, broccoli, tuna and textiles. It is set to expire at the end of the year, though Colombia and Peru have signed free-trade agreements that, once approved by lawmakers in the capitals of those countries and in Washington, would replace the outgoing pact.

Fernando Santos, a professor of economic law at Las Americas University in Quito, said the expiration of the preferential deal would be a disaster for Ecuador, making the country far less competitive with its bigger, richer neighbors. The pact brought jobs, mostly in flowers and broccoli production, to a region that a few years ago was dotted just with subsistence farmers, he said.

"Thousands of people entered into the modern economy," Santos said. "They left the Middle Ages and came into the modern age."

Now, the closing of the first big flower-production plant augurs an uncertain future.

At Middle of the World Flowers, the closing has been blamed in part on the expense of transporting flowers and the high labor costs of a dollarized economy. But in looking for ways to cut spending, the company could not ignore that Ecuador had no trade agreement with Washington while neighboring Colombia, where Dole is consolidating, is likely to have one.

"Our cost structure is already extremely challenged," John F. Amaya, president of Dole Fresh Flowers, a division of Dole Food Co., said in an interview in Bogota. "Our hope is that a free-trade agreement will come in the near future."

Workers here are now wondering if a trade deal would not have served them better.

"Losing this is hard, real hard," said Onorio Nicolalde, 38, as he left the farm with a gaggle of other workers. "I don't know where I'll find work."

"I cried because my youth ended there," said Rosa Caza, 41, who said she started working at the farm 18 years ago, long before Dole took over.

"It would have been better if they had signed a free-trade deal," she said. "Maybe they wouldn't have closed."

Workers still express wariness about trade pacts. Many of them own small plots of land, where they grow potatoes and corn, and they say they fear they couldn't compete against U.S. farmers who benefit from billions in subsidies.

"It's good for us to have work here, but for agriculture, free trade is not so good," said Silvia Díaz, 26, who worked at Dole for five years. "We should probably have an agreement, but with some kind of protection, so our agriculture is not hurt."

[Venezuela's](#) president, Hugo Chávez, who has led the charge in Latin America against U.S. economic reforms, has taken advantage of such sentiments across the region. He argues that the U.S. vision of free trade unfairly benefits the United States and generates poverty, not wealth. In fact, economic growth in Latin America stagnated from the early 1990s until 2003, and more than 200 million people remain mired in poverty, the United Nations says.

Still, Latin American economies have surged in the last two years, buoyed by high prices for commodities such as tin, copper and oil. And in countries such as Peru and [Mexico](#), anti-establishment, anti-trade presidential candidates have been defeated by politicians who propose closer ties to the United States.

Although businessmen across this agriculturally rich swath of northern Ecuador say they hope free trade is not dead, in Malchingui the shopkeepers and local politicians just scratched their heads and wondered aloud what the near future held for their town. The biggest employer is on the way out.

"It's an incredible surprise, that it closed from one day to the next," Luis Tituaña, a member of the local governing board, said of Dole's pullout. "It's not a mortal blow, but it's bad enough."