

THE OPPENHEIMER REPORT

U.S. should refocus Latin American policy

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Wanted: a new centerpiece for U.S. policy in Latin America. The one in place -- if there is one -- will likely evaporate on Saturday.

Indeed, the June 30 expiration of President Bush's congressional authorization to negotiate new free trade deals will leave the United States without what has been the focal point of its policies in the Americas in recent years.

Now, perhaps until the 2008 presidential elections, U.S. policy toward the region may be in limbo.

Congressional sources say there is little likelihood that Congress will renew Trade Promotion Authority (TPA) -- as the president's fast-track authority to negotiate new free trade deals is known -- this week.

The Democratic majority in Congress doesn't like recently negotiated free trade deals, and the White House has not pushed too hard to get TPA renewed, preferring to spend its dwindling political capital in Congress to defend Bush's Iraq policy, and trying to get the immigration bill approved.

Congressional failure to renew TPA may not have a direct effect on recently negotiated trade agreements with Peru and Colombia, nor others scheduled to be signed before midnight Saturday with Panama and South Korea.

But it could badly hurt U.S. export industries, and put large numbers of U.S. jobs at risk in coming years, U.S. officials say.

"The world's largest economy cannot afford to sit on the sidelines while the rest of the world benefits from increased open markets," U.S. Secretary of Commerce Carlos Gutierrez told me in an e-mail in response to a question Wednesday.

Indeed, other countries are not standing still when it comes to gaining preferential access to new markets.

The 27-country European Union is actively negotiating a free trade agreement with South America's five-member Mercosur common market -- Argentina, Brazil, Paraguay, Uruguay and Venezuela -- and is holding parallel trade talks with the the Andean Community and Central American nations.

Meantime, Canada is holding free trade talks with Andean, Central American and Caribbean Common Market countries, and China -- which has already signed a free trade deal with Chile -- is starting preliminary trade talks with Peru.

The last time Congress paused granting TPA authority to a president, between 1995 and 2001, there were 189 regional trade agreements negotiated by other countries among themselves, according to U.S. Trade Representative Office figures. The United States lost significant ground and the same may happen again, U.S. officials say.

But most Democrats in Congress dispute that failure to renew TPA would be a disaster.

They claim that free trade deals are costing U.S. jobs and that a new framework for future deals should be worked out, most likely by whoever takes office as U.S. president in 2009.

And even some resigned free traders say that, at least in Latin America, there wasn't too much to negotiate anyway: most countries that wanted a free trade deal have already negotiated it, and those that

haven't -- such as Brazil, Argentina, or Venezuela -- don't want it. There are some countries possibly interested in a trade deal, such as Uruguay, but they are few and far between, they say.

In addition, some free traders note that the European Union's trade negotiations with Latin American countries are full of loopholes and are nowhere as ambitious as similar U.S. deals with the region.

"Empirically unfounded hysteria," says Florida International University business professor Jerry Haar, referring to claims that Europe will displace U.S. trade in the region. "If you take a look at logistics and supply chains, Europe is not competitive with North America in terms of trade."

My opinion: While free trade deals have been good both for the United States and Latin America, and a failure to extend fast-track authority will hurt both sides, it is also true that U.S. policy toward Latin America has been too trade-centered in recent years.

Perhaps, the current impasse would be a good opportunity for Bush to convene a bipartisan Commission on Latin America, which could be headed by former Presidents George H.W. Bush and Bill Clinton and could map out -- much like the 1969 Rockefeller Commission or the 1984 Kissinger Commission on Central America -- a new U.S. course in the region.

In the absence of a focus for U.S. policy for the region, a bipartisan policy under construction would be better than no policy at all.