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## THE OPPENHEIMER REPORT

# The final outcome of summit: two Americas

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MAR DEL PLATA, Argentina -- The Fourth Summit of the Americas attended by President Bush and 33 regional leaders ended here Saturday with a virtual partition of the Americas in two economic and political blocs: one made up of the United States and 28 other countries, and another made up of Brazil and four other countries.

Despite efforts from all sides to put a good face to it, the summit ended in disarray.

Judging from what I've seen in more than two decades of covering nearly every major regional summit, it was the first time participating countries couldn't even agree on a joint final news conference.

More importantly, it was the first time in the 11-year-old history of the Summit of the Americas that participating countries failed to agree on advancing the talks for a hemisphere-wide free trade area.

Since 1994, when the leaders of the Americas met in Miami to propose a Free Trade Area of the Americas, spanning from Alaska to Patagonia, the region's democracies vowed at every summit to speed up the creation of a hemispheric trade bloc. This time, they ended with a bipolar declaration stating that "one group of countries" wanted to go ahead with FTAA negotiations, and "another group of countries" didn't.

Barring a surprise turnaround at a meeting scheduled for an indefinite date next year, pending the result of worldwide trade negotiations within the World Trade Organization, we are heading to a formal partition of the hemisphere.

One bloc is made up of the United States, Canada, Mexico, Central America, Colombia, Chile, and several other countries, whose combined gross domestic product is an estimated \$14.5 trillion. The other emerging bloc is made up of Brazil, Argentina, Venezuela, Paraguay and Uruguay, whose economies add up to about \$2.2 trillion.

## NOT DEAD YET

Granted, the split is not terminal: while Venezuela's self-described socialist President Hugo Chávez wants to "bury FTAA for good," Argentina's foreign minister Rafael Bielsa noted that the remaining four countries believe that "the conditions are not there" for them to continue the FTAA negotiations. They would join them if the United States lifted its subsidies to U.S. farmers, which are hurting South American agricultural exports.

But, judging from my interviews with several presidents and foreign ministers after sneaking into the hotels where they were staying, there is a growing fatigue among the Group of 29, and an escalating desire by some of its smaller members to forget about the holdouts and go it alone, and start an "FTAA of the willing."

Venezuela's Chávez does not need an FTAA, because Venezuela is a one-product country that lives on its oil exports, and would not have much else to sell if it obtained preferential access to the other countries.

## OTHER INTERESTS

Brazil, Argentina and its neighbors from the MERCOSUR common market are mostly agricultural exporters, and find it vital to gain greater access for their goods to the U.S. market.

Most other Latin American countries, however, have other trade interests: they are major exporters of manufactured goods, and their biggest priority is to gain long-term access to the world's biggest market, so as to use that as a lure for long-term investors.

At the Costa Galana and Hermitage Hotels, there was widespread resentment against the Argentine hosts for introducing the anti-FTAA motion a day before the summit -- after six months of negotiations to reach a near consensus on the final document -- and for allowing an atmosphere in which the Chávez-led anti-Bush "countersummit" stole the media limelight.

While Chávez spent two hours live on television speaking to a crowd of 40,000 at a stadium amid Cuban and Venezuelan flags, at a countersummit organized by an Argentine congressman close to President Néstor Kirchner, the visiting presidents' speeches were not broadcast even to the press center where 1,500 journalists were covering the official summit.

Mexican President Vicente Fox stopped short of saying that the Group of Five are on the way to isolating themselves. Fox said that "if we continue wasting time and trying to reinvent the wheel, the only thing we will be achieving is creating more poor people."

My conclusion: I agree. China, India and Eastern European countries are carrying out what may be the biggest reduction in poverty in world history, and it is mostly due to their commercial opening to the world.

Brazil and its neighbors are right in demanding that Washington reduce its obscene agricultural subsidies. If they are bluffing to get a better deal, that's fine.

But if they think for one minute that they can compete in the global economy and reduce poverty without preferential access to the world's largest economy, they are kidding themselves. They will become irrelevant -- and poorer.