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FEATURED Q&A

What Are the Prospects for the US-Colombia Free Trade Deal?

Q US congressional Democrats, led by Speaker of the House Nancy Pelosi, angered the White House last week when they blocked President George W. Bush's attempt to force a vote on a free trade agreement with Colombia. What are the prospects for the trade deal now? Is compromise still possible? What are the chances for a vote this year?

A Board Comment: Carlos Paz-Soldan: "The Democratic leadership in Congress has frequently indicated its unwillingness to vote on the US-Colombia free trade agreement (FTA) during this election year. The White House's decision to submit the FTA for congressional consideration on April 7 under Trade Promotion Authority (TPA) rules tested that resolve. In response, the House leadership moved three days later to approve a rule that postponed action on the FTA indefinitely. The House action, intended to play to the domestic political audience, has had the unintended consequence of taking US trade policy into uncharted waters. Concerns have now been raised abroad that the US may no longer be a reliable trade partner. Perhaps attempting to mute international reaction, House Speaker Pelosi now says that the FTA vote has simply been 'delayed' and that she is prepared to join in a 'good faith effort' to find a way to approve the FTA. If this is true, then what is the new timeframe for consideration of the FTA? How will that

timeframe affect other pending FTAs? Which other pieces of legislation must be enacted before a vote on the agreement? Ms. Pelosi has not said. Although an FTA vote might be tied to renewal of Trade Adjustment Assistance or to another stimulus package, election year rhetoric as well as the House postponement have awakened the anti-trade sentiments of several key Democratic constituencies. It is therefore unlikely that the FTA will be considered until after the current US electoral cycle is over."

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Experts: Region Vulnerable to Global Economic Woes

(L-R) Brian O'Neill, Enrique Garcia, and Nora Lustig said at the Dialogue Tuesday that Latin America is in a good position to weather global economic turmoil, but remains vulnerable on many fronts. See *Special Advisor Report* on page 3.

Photo: Elisabeth Burgess.

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A Guest Comment: John Magnus: "The Colombia deal could still get a vote. Normal political rules will apply. The president will have to learn of, and then decide whether to meet, the price demanded by a congressional leadership that does not regard implementing this agreement as desirable in its own right. Congressional leaders will be in the uncomfortable position of appearing to hold a trade deal—entailing few changes in applied US trade policies—hostage in pursuit of (mostly) non-trade-related priorities that are not popular enough to be enacted over the president's objections. The administration will be in the uncomfortable position of putting a price tag on the national security benefits it has said are dependent on implementing the Colombia agreement. No one will enjoy these discussions. No less important is the impact of the House action, which dramatically exposed the fragility of TPA, on other trade initiatives. It is commonly accepted that presidents may have to 'pay' to win up or down votes under TPA. But the idea of having to pay to obtain such votes undermines TPA fundamentally. The architects of TPA reckoned that unless Congress surrenders control over both the timing and the final wording of implementing bills, executive branch negotiators will lack the credibility needed to get trading partners to negotiate seriously. Did last week's blow-up effectively hand a 'get-off-the-hook-free' card to WTO members reluctant about moving the Doha Round negotiation to a new plateau during 2008? Could it adversely affect discussions with Korea during the run-up to a (supposedly) TPA-advantaged congressional vote on the US-Korea FTA? There could be negative fallout even if the president finds enough in his wallet to buy a Colombia vote."

A Guest Comment: Stephanie Burgos: "The prospects of Congress passing the US-Colombia FTA this year are

minimal, but the chances of a deal that benefits development in Colombia are nil. Trade can only be an engine for poverty reduction if trade rules benefit vulnerable populations, but the Colombia FTA fails this test. By forcing Colombia to fully open its market to subsidized US agricultural exports, the deal threatens the livelihoods of small farmers who produce food for the domestic market. Unable to compete, they will have few options but to grow illicit crops. As the world faces a global food crisis, a deal that locks in policies which undermine domestic food production is a mistake. Poverty and inequality in rural areas have fueled Colombia's armed conflict for more than four decades and led to an expansion of illicit coca cultivation. The Colombia trade deal now in Congress will simply exacerbate these conditions, while the promise that it will increase foreign investment is an illusion that may not bear out in practice. Congressional Democrats are right to place no urgency on bringing this agreement to a vote, as it will not benefit development or poverty reduction in Colombia. Instead, Congress should simply extend the Andean trade preference program this year and let a new administration take up the matter of how to best strengthen US trade relations with Colombia."

Carlos Paz-Soldan is a member of the Advisor board and a Partner at DTB Associates, LLP.

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