No agreement in Miami on FTAA

“Free trade lite” deal papers over US-Latin American conflict

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In an attempt to stave off another humiliating public debacle like the recent collapse of the World Trade Organization (WTO) meeting in Cancun, Mexico, the Bush administration has backed off from its drive to forge a sweeping agreement for a hemisphere-wide free trade zone at a ministerial meeting in Miami, Florida.

Instead, Washington has joined with its principal hemispheric trade adversary, Brazil, in proposing a far more limited accord that observers have dubbed “free trade à la carte.” Under this proposal, individual countries would be able to pick and choose which parts of the free trade agreement they wish to observe. The deal would cover 34 countries in the Western Hemisphere, except for Cuba, which has been excluded under pressure from Washington.

Confrontations between police and demonstrators erupted outside the meeting site at Miami’s Intercontinental Hotel, with riot police using batons and pepper spray against protesters. The city has been turned into a virtual police state for the meeting to negotiate terms for a Free Trade Area of the Americas (FTAA). Some 2,500 cops from 40 different agencies were deployed in full riot gear on the first day of the talks.

The text of the draft agreement negotiated by the US and Brazil—which are the co-chairs of the summit—states that “countries may assume different levels of commitments” in joining the FTAA.

The inability to forge ahead with the nine-year-old proposal to create a free trade zone from “Alaska to Tierra del Fuego,” encompassing around 800 million people, stemmed in the first instance from intractable differences between the US and Brazil as well as other countries that parallel the conflicts that sank the Cancun WTO meeting in September.

Brazil’s government has criticized Washington for pursuing a unilateralist approach on trade—insisting that the Latin American countries open up all areas of their economies to unrestricted foreign investment, while refusing to make concessions on its own protectionist policies.

More broadly, however, the summit in Miami takes place in the wake of a series of explosive social struggles in Latin America against the very policies of privatization and foreign economic control that the FTAA is designed to promote. Most recently, this growing popular opposition to the economic framework envisioned in the FTAA was seen in the mass revolt that toppled the government in Bolivia after it struck a deal to place the country’s natural gas reserves under the effective control of US-based energy conglomerates.

In an attempt to pressure Brazil and the other member nations of the Mercosur—the southern cone trading bloc, Argentina, Uruguay and Paraguay—to bow to US demands, the Bush administration’s chief trade negotiator Robert Zoellick announced that Washington is moving ahead to negotiate bilateral deals with a group of Andean countries—Colombia, Peru, Ecuador and Bolivia—as well as with the Dominican Republic. He also touted “significant advances” toward forging a Central American Free Trade Agreement, or CAFTA, with Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala.

Though Zoellick claimed that these deals were merely an attempt to accommodate the wishes of “some [countries] that want to move more rapidly” toward free trade and were not an alternative to the FTAA, some analysts have pointed out that the effect is to diminish the demand for a hemisphere-wide agreement and pose the threat of regional trade wars. The main incentive for Latin American countries to forge an FTAA pact is to gain preferential access to the US market. To the extent that this is achieved through a bilateral agreement, those countries that have forged such a deal have a definite interest in keeping other potential Latin American competitors from achieving the same advantage.

After Brazil joined with China and India to lead a bloc of lesser-developed countries in opposing trade policies pursued by the US, the European Union and Japan at the WTO meeting in Cancun, Zoellick had described the Brazilian government as the leader of the “won’t do” countries, and said that the US would seek separate agreements with “can do” countries in Latin America and elsewhere.

Upon his arrival in Miami, the Brazilian minister gave vent to his government’s irritation over the US attempts to pressure Latin America’s largest economy by forging side deals with weaker countries. “When we offered to negotiate a four-plus-one agreement (Mercosur and the US), the United States voiced concern that this would mean the fragmentation of the FTAA. Curiously, or not curiously, they do not have this same worry about these other agreements. I do not know why they announced them now.”

Brazil and the rest of the Mercosur, as well as Venezuela and the member states of the CARICOM trading bloc in the Caribbean, have chafed at US proposals drafted with the direct participation of US-based multinationals to promote their interests in the region. These include rules guaranteeing open investment, protecting intellectual property rights, and subjecting government procurement to foreign competition.

Outside of the US, Mexico and Canada, which are already joined by NAFTA, Mercosur accounts for 65 percent of the gross domestic product of the region. Brazil, with a population of 180 million, is the world’s 10th-largest economy.

The principal aim of the FTAA is to subject the most profitable areas of Latin America’s economies to privatization and control by the transnationals. These include not only major state-owned natural resources, such as oil industries in Mexico, Venezuela, Colombia and Ecuador, but also public sector services, including health care, education and pension systems.

While the ruling elites in Latin America have joined in implementing these policies in the past two decades, the opposition of Brazil and other countries to signing the deal stems from the belief that they are getting little in the bargain.

The Brazilians had demanded that Washington negotiate on agricultural subsidies and anti-dumping regulations, measures that prevent Brazilian oranges, sugar and soybeans, as well as steel and textiles, from competing on the US market.

With less than a year before the presidential election, the Bush administration has no intention of making concessions that would affect either farmers or the steel industry in hotly contested states. Instead, as this week’s imposition of quotas on Chinese textile goods indicated, the administration is attempting to fend off Democratic criticism over the loss of manufacturing jobs by pursuing an increasingly protectionist policy.

To avoid any substantive talks on these issues, US negotiators insisted that they should be left to the WTO to resolve, arguing that they could not be settled outside of a common agreement with the EU and Japan, which are not represented in the FTAA negotiations.

Brazil and the Mercosur countered that the same should be done with the issues that the US is pressing—investment rules, intellectual property and patent rights, and government procurement.

The reaction of US big business and its representatives left no doubt that the “flexible” agreement struck in Miami is an empty shell. Major corporations are determined to break down barriers to their penetrating Latin America’s largest market, Brazil, which still maintains some restrictions on foreign investment. They likewise see a hodge-podge of bilateral agreements limiting their ability to function profitably in the region.

Ten US business groups representing the manufacturing, pharmaceutical, semiconductor, information technology and other industries issued a joint statement criticizing the draft cobbled together by the US and Brazil.

“We urge negotiators at this critical time to focus on achieving a comprehensive agreement that will yield the highest level of liberalization and rules across the board,” they said.

“This is not the way we want to go,” said Frank Vargo, international vice president of the National Association of Manufacturers. He threatened that the politically influential employers’ group would lobby against any deal that did not meet the trade demands of US big business. “If it is not a high-quality agreement, we are not going to support it.”

Similarly, Senator Chuck Grassley, the Republican chairman of the Senate Finance Committee, declared himself “skeptical about any FTAA agreement that establishes only a minimum base line of commitments for all participants.”

Clayton Yeutter, who negotiated for the US in the Uruguay Round trade negotiations under the Reagan administration, joined with other former US trade representatives in warning that the pick-and-chose agreement could be in violation of rules set by the WTO, which might view the pact as discriminatory. Under these conditions, he added, the FTAA “becomes something not worth doing.”

Among the strongest opponents of a flexible accord are those countries that have already entered free trade pacts with the US, including Mexico and Canada—Washington’s partners in the North American Free Trade Agreement (NAFTA)—and Chile.

On the eve of the summit, these countries had threatened to scuttle any deal. “It’s not worth saving Miami and letting the FTAA fail,” one Canadian negotiator told the Brazilian daily *O Globo*. In the end, however, they have apparently bowed to US pressure, allowing the draft to be presented for a vote. Their objections stem from the fact that they will get no benefit from any partial deals struck between different Latin American countries and the US, while they have paid a steeper price to win preferential conditions for themselves. The three countries advocated a system of penalties against countries that failed to comply with all of the FTAA proposals.

Critics of the proposed free trade deal have warned that it would place broad sectors of Latin America’s social infrastructure on the auction bloc, leading to the privatization of schools, hospitals, water and power industries, and resulting in sharp price increases.

Many point to NAFTA’s impact in Mexico after its introduction in 1994. While the country recorded sharp increases in overall economic growth and productivity, the principal social effect was that of a vastly accelerated polarization between wealth and poverty. In the manufacturing sector, real wages have fallen by 12 percent in the last nine years.

Moreover, as two reports issued Tuesday indicate, far from producing the job growth promised when it was signed, NAFTA’s impact has been negative on both sides of the US-Mexican border. A study by the Washington-based think tank Carnegie Endowment for International Peace found that “The agricultural sector, where almost a fifth of Mexicans still work, has lost 1.3 million jobs since 1994.”

“NAFTA has not helped the Mexican economy keep pace with the growing demand for jobs,’ the study, entitled *NAFTA’s Promise and Reality*, reported. While jobs were created by increased manufacturing, the study found, the growth was substantially slower than before the trade agreement went into effect. Thus, while the decade before NAFTA recorded a 6 percent growth in manufacturing, the growth rate slumped to 4 percent in the decade afterwards.

The other report, *Unfair Trade*, released by Public Citizen and the Global Resource Action Center for the Environment (GRACE), said that by eliminating 99 percent of Mexico’s agricultural tariffs, NAFTA cleared the way for the US dumping of subsidized agricultural goods on the Mexican market and driving Mexican farmers under.

“Farms by the hundreds of thousands have been driven into bankruptcy, creating havoc in the Mexican countryside,” the report said. “Three-fourths of the Mexican population now lives in poverty, up 80 percent since 1984.”

On the eve of the Miami summit, a leading Mexican diplomat created a brief firestorm with a speech that sharply criticized both US policy in the region and the effects of NAFTA. The speech touched upon a theme that is widespread throughout Latin America—the sense that Washington has subjected the region to a form of malign neglect as it pursues a policy of global hegemony under the mantle of a war on terrorism.

“The US isn’t interested in a partnership of equals with Mexico, but with a tight relationship of convenience and subordination,” said Adolfo Aguilar Zinser, Mexico’s ambassador to the United Nations. NAFTA, he said, was presented as a “marriage of convenience,” but “never got beyond the level of a weekend fling.”

After US secretary of state Colin Powell denounced the remarks as “outrageous,” the Mexican government of President Vicente Fox announced Aquilar Zinser’s dismissal.