Mexico summit: Europe seeks to challenge US domination of Latin America

Paul Mitchell
14 June 2004

Leaders of 58 European Union (EU), Latin American and Caribbean (LAC) countries at the recent summit in Mexico indirectly criticised the United States by condemning nations who "take action on their own."

The May 28-29 summit in the city of Guadalajara expressed its "abhorrence at recent evidence of the mistreatment of prisoners in Iraqi prisons" and called for the strengthening of the United Nations and other multilateral institutions, including the International Criminal Court and the Kyoto Protocol on Climate Change that the US has refused to ratify.

LAC countries wanted to directly name the US for its unilateralist policies and condemn the US Helms-Burton amendment that prohibits companies from investing in Cuba, but the EU squashed the proposals. The Cuban government issued a statement likening the EU to a "flock of sheep, subordinate to Washington."

But there was nevertheless an attempt made by the European countries to assert their interests against those of the US. At the summit, Spanish Prime Minister José Luis Zapatero called for Europe and Latin America to form a "common front" in an increasingly "fractured world." He congratulated the Mexican government for its "bravery" in refusing to back the Iraq war and its call for multilateralism—a call echoed by other heads of state.

French President Jacques Chirac said, "Multilateralism is an imperative of our times. One needs only to observe the threat that failed states carry for the world's equilibrium or the deadlocks entailed by unilateral action."

Irish Prime Minister Bertie Ahern told reporters, "Our common challenge is to ensure that the multilateral approach isn't just the right way, but the effective way."

The European powers are using the calls for multilateralism to rein in the explosive drive for world hegemony by the US and assert their own economic and political influence in Latin America. The first EU, Latin American and Caribbean (EU-LAC) summit was held in Rio de Janeiro in 1999 and a second followed three years later in Madrid.

European Commissioner Christopher Patten gave notice of the EU's intentions to the Madrid summit, saying, "Latin America and the Caribbean have changed out of all recognition in recent years. But the European Union, too, has undergone a transformation, especially over the decade. The launch of the euro. The Common Foreign and Security policy. The beginnings of an autonomous military capacity."

The summits are partly recognition that the EU has become the leading donor of aid in the LAC region and the premier foreign investor. Between 1990 and 2000 Europe became the largest source of investment in Latin America, and Latin America became Europe's main target of Foreign Direct Investment to emerging markets. EU investment in Latin America rose from a level of US$13 billion to US$42 billion. European corporations, notably those of Spanish origin, have taken most advantage of the privatisation of utilities, telecommunications, financial services and aviation by Latin American governments.

Trade with Latin America doubled between 1990 and 2000, but the European bourgeoisie is concerned that its relative share of the trade has fallen from 20 to 15 percent—to the advantage of its US rival. This was further threatened by Washington's plan to create a Free Trade Area of the Americas (FTAA).The FTAA plan was tentatively approved at a meeting of the Organisation of American States in 1994 and was modelled on the North American Free Trade Agreement signed between the US, Canada and Mexico the previous year.

Through the creation of the FTAA, US big business, supported by Canadian capital, hoped to consolidate their traditional economic domination over Latin America and further promote the mobility of capital, so as to drive down wages and social conditions. Under NAFTA, foreign investment in Mexico has soared. This has enabled the country's elites to enrich themselves, but living standards for the masses today are lower than they were at the beginning of the 1980s.

Over the last year, the Bush administration has backed down from its "Alaska to Tierra del Fuego" proposals in favour of a more limited free trade agreement, in which individual countries will select which parts of the agreement they will observe. The retreat arose out of the conflicts that led to the collapse of the World Trade Organisation talks in Cancun last year and what the US chief trade negotiator Robert Zoellick called the "won't do" attitude of some Latin American countries, led by Brazil.

Such reluctance is a response to the social explosions that have rocked Latin America in protest against policies of privatisation and foreign domination. The latest example was the downfall of the Bolivian government after it placed the country's gas reserves under the effective control of US corporations. As a result, this month US trade ministers and a representative from the Central American Common Market (CACM), comprising Nicaragua, El Salvador, Honduras, Guatemala and Costa Rica, pushed ahead with a bilateral Central American Free Trade Agreement.

The agreement will be put to the US Congress later this year for "fast-track deliberation." There will only be a few hours of debate, followed by a single vote to accept or reject the entire agreement. No amendments will be allowed.

The Latin American bourgeoisie is seeking to offset its increasing economic marginalisation by seeking a closer relationship with Europe. For three decades, successive Latin American governments have dismantled economic models based on state industries, import substitution and limited social welfare policies. Whilst the privatisation of state-run corporations, a rapid drop in wages and an inflow of foreign capital enabled a sharp economic growth spurt, it was brief and mainly benefited the wealthy sections of the upper middle class.

As the Guadalajara summit agenda admitted, "the benefits of development [have] not yet been felt by large sections of the population." The area has the highest levels of inequality in the world—the wealthiest 20 percent of the population receive 60 percent of national income and the poorest 20 percent just 4 percent. Latin American income levels remain at US$3,207 per capita compared to US$24,582 dollars per capita in Europe.

Brazil, which ranks as the 12th largest world economy in the world, still has around 22 percent of its population living below the poverty line. Income per capita in São Paulo state is close to that of the Czech Republic, itself relatively impoverished. But in Maranhão it is nearer the levels of Pakistan.

By 1995, Latin American economic growth had exhausted itself and in 2001 Argentina threatened to default on its $132 billion debt. The resulting unemployment and destruction of social benefits once enjoyed by the masses also led to powerful uprisings across the region, but these were diverted into the election of so-called "anti-capitalist" leaders such as Brazilian President Luiz Inácio Lula Da Silva and Argentina's Nestor Kirchner. To the working class, they presented themselves as supporters of economic equality and of clean government, whilst assuring the International Monetary Fund and the banks that foreign capital would be well protected.

Thanks to the support of the Stalinist and middle class "left" groups, they have been able to carry out right-wing policies that the traditional bourgeois parties could not implement without an open confrontation with the working class. Caught between the demands of the international banks and the movement of Argentine and Brazilian workers, Lula and Kirchner are trying to carve out an economic and political space both through a stronger economic union—the Mercosur Common Market comprising the two countries plus Paraguay and Uruguay—and by performing a delicate balancing act between the US and Europe.

The main result of the EU-LAC summit was an announcement that a far-reaching free trade agreement between Mercosur and the EU should be in place by October this year. Mercosur is the Latin American area most dominated by Europe and receives the largest percentage of its imports from the EU. The EU is Mercosur's biggest export market and Mercosur accounts for 16 percent of EU agricultural imports.

The EU said that free trade agreements with CACM and the third Latin American trade bloc—the Andean Community, consisting of Bolivia, Colombia, Ecuador, Peru and Venezuela—would only be signed after the Latin American countries first increase economic cooperation and trade with each other. The EU has complained that a plan to form a customs union between the CACM countries had "not been possible due in part to the proliferation of trade negotiations with numerous third parties, in particular the recently agreed free trade agreement with the USA (CAFTA)."

Because Mexico and Chile do not belong to any regional grouping, they signed bilateral Economic and Political Association Agreements with the EU in 1997 and 2002 respectively. The establishment of EU-LAC free trade areas is fraught with dangers, however.

After the collapse of the World Trade Organisation talks in Cancun last year comments by delegates and analysts revealed the bitter hostilities between the rich and poor countries and a trend towards replacing multilateral agreements with bilateral agreements and trade blocs. As the *Financial Times* noted: "The spectre that most haunts many trade experts is that countries will turn with extra vigour to regional and local trade deals, for which enthusiasm worldwide is already growing strongly. Not only could that divert political attention still further away from the WTO talks; it could, in time, undermine respect for the rules that underpin the multilateral system."

Whilst professing adherence to multilateralism, the EU and LAC are pursuing their own bilateral and trade bloc agreements. At a meeting last year of the Rio Group that guides negotiations between EU-LAC summits, it was noted that there was "a disturbing increase in commercial protectionism, particularly by industrialised nations."

At Guadalajara, the LAC countries wanted discussions on the US$45 billion a year paid in subsidies to agriculture by the EU nations, but this was dismissed by the EU delegates. Mexican Foreign Minister Luis Ernesto Derbez said, "We don't like that, I don't like that," adding that Latin American countries would urge Europe to think again.

The EU is also wary of any agreement with the Andean Community because of increased instability. It noted that Bolivia is in a "critical situation" after the resignation of former President Sanchez de Lozada and Venezuela is "bitterly divided" between supporters and opponents of President Chavez. Ecuador's President Gutierrez has "lost the support of the country's indigenous people" and Colombia is "embattled" between the government, guerrillas and drug gangs.

The whole concept of EU-LAC free trade areas is beset by a far more fundamental problem—the contradiction between the globalised, unified character of production and the division of the world into conflicting, rival national states. As the economic interconnections between different parts of the world become more developed, the more the world market tends to fracture into regional blocs within which individual nations pursue their own national self-interest.

Even as they talked about a world based on multilateralism, each country used the summit to promote its own interest. Zapatero said Spain saw itself as the "bridge" between the European bloc and Latin America and would consider a proposal for sending troops to Haiti. German Chancellor Gerhard Schröder said he had received widespread support at the summit for Germany's desire to have a permanent seat on a reformed United Nations Security Council, which proved Germany's record as "a sensitive and responsible partner in international affairs." Brazil also has ambitions to become a permanent member of the Security Council.