

Trade and Integration in the Americas: Regular FTAA or Diet FTAA?

By Eduardo Gudynas | November 11, 2003



Negotiations toward the creation of a Free Trade Area of the Americas (FTAA) are currently under extreme pressure. There are diverse ideas about the very nature of the hemispheric continental accord; some talk of a strong FTAA, and others of an FTAA *light*. At times, it seems like a contest for kitchen recipes, far from the profound consequences of a proposal that, although presented as a trade agreement, in reality goes much broader and deeper.

In November, trade ministers from throughout the Americas will discuss the progress of the FTAA in Miami. They will arrive after several weeks of negotiations and confrontations, both within the Americas as well as on the global level in the World Trade Organization (WTO). Latin America has gone through very different experiences: in the WTO, Latin American countries were able to unite and confront the United States and Europe, but they divided again over FTAA.

The Latin Americans in the Group of 20

The so-called “Group of 20” organized in the recent ministerial meeting of the WTO in Cancun to confront the protectionism and agricultural subsidies of Washington and Brussels. Although the group was led by Brazil, India, China, and South Africa, it has the distinction of managing to unite nearly all the South American countries and various Central American countries as well.

In Cancun, Latin America achieved a regional articulation seldom seen in the past decades. The G-20 represented all the large regional

economies (Argentina, Brazil, and Mexico), and all the members of the Andean and Southern Cone blocks joined, with the exception of Uruguay. For once, Colombia, Ecuador, Peru, Venezuela, Bolivia, and Chile marched under the same banner. El Salvador, Guatemala, and Costa Rica also participated. This means that almost half the supposed associates of a future FTAA coordinated their efforts to protest Washington’s agricultural trade policies.

In the WTO debates what happened wasn’t a “promise of coordination” but finally a real articulation of positions. Therefore, one could expect to continue with the same demands in the FTAA, since there the same difficulties in agriculture exist. However, this has not happened at all in the past weeks; on the contrary the G-20 has lost many of its Latin American members.

Preparing for Miami

The United States reacted strongly to the failure of the WTO and has intensified its efforts to avoid the same thing happening at FTAA in Miami. Washington continues to be more interested in signing bilateral pacts with specific



countries than in multilateral accords in the WTO. The WTO results have caused a political reaction in the U.S. that goes beyond the trade area and centers on pressuring different countries to negotiate free trade agreements, or reach an FTAA under the conditions established by Washington. The clearest example of this position has been the recent Central American tour of U.S. Trade Representative Robert Zoellick to promote the Central American Free trade Agreement (CAFTA), while demanding certain measures (for example, that Central America deregulate energy, telecommunications, etc.) and reiterating that it will maintain its own protections (for example, in agriculture).

The U.S. government has invested enormous effort in these visits, much greater than expected if what was at stake was merely an economic trade agreement between the U.S. and Central America. Much the same has happened with the flirtations of Washington with Colombia, and to a lesser degree Peru, to negotiate free trade agreements following the format of the U.S.-Chile Free trade Agreement.

But what's really at stake goes far beyond the balance of trade, and corresponds to a dispute over leadership in the region, especially with Brazil and the MERCOSUR block. Mere days after the September meeting in Cancun, El Salvador, Colombia, Peru, Guatemala, and Costa Rica left the Group of 20 successively, and Ecuador may soon follow. In nearly all cases, there are indications of diverse pressures from Washington, with the extreme case of Peru, where the Minister of Trade announced a distancing of his country from the group but with the open disagreement of the Minister of Foreign relations.

Various Latin American governments held that following the failure of the WTO, everyone left

empty-handed. These have gone back to seeking bilateral trade agreements as the possible means of obtaining an increase in their exports. However, in so doing they lose the possibility of building a stronger negotiating force, and contribute to eroding the attempts of integration, especially in South America between the Southern Common Market (MERCOSUR) and the Community of Andean Nations (CAN). In particular, they have isolated Brazil—the country that presides over the last round of FTAA negotiations with the United States.

The Pathways of FTAA

The MERCOSUR, and especially Brazil, have been insisting that the FTAA negotiations should take into consideration the asymmetries between the participating countries, and concessions should be mutual. If southern countries are willing to liberalize sectors like governmental purchases, then the U.S. and Canada should lower their agricultural protections. Various countries of the Southern Cone, such as Argentina, Brazil, and Uruguay are important agro-exporters and have huge difficulties exporting to the U.S. and third markets, due to the dumping and domestic supports Washington channels to agro-industry.

These ideas were presented at the beginning of October in the last preparatory meeting of the FTAA to establish the agenda that will be approved in Miami. There the “culinary discussion” re-emerged on the FTAA, based on terminologies that originated months ago in Brasilia. The MERCOSUR proposes an FTAA *light*, or what they call “realistic.” Their proposal was rejected by the U.S., with the support of more than a dozen Latin American nations. Countries like Chile, Mexico, and Peru forgot the alliances they forged just weeks earlier in the WTO and allied once again with Washington.

The idea of an FTAA *light* grew out of a Brazilian proposal and seeks to arrive at agreements on critical issues such as agricultural trade, but set aside other questions for the WTO or bilateral agreements. Its proponents propose advancing on three separate paths: the first is for bilateral agreements or agreements between groups of countries and the U.S. (the specific case is a negotiation “4+ 1” of the MERCOSUR with the U.S.); the second is the “realistic,” scaled-down FTAA; and the third would reserve some of the most controversial issues for the WTO. In the MERCOSUR, the FTAA light would contain concrete agreements on, for example, agriculture and would encompass issues like investment, but with the notable exception that the south-south agreements within Latin America would not automatically be transferred to the developed nations (U.S. and Canada), and would not include concrete commitments in other issues such as government purchases or competition policies.

This proposal is practically the opposite of what Washington is seeking, but also is interpreted as Brazil’s attempt, through MERCOSUR, to generate an alternative pole of influence in the south. For these reasons, the attitude of the Andean countries is critical: if they support the MERCOSUR position they would strengthen Brazil’s position. This explains Washington’s negotiations with Bogotá and Lima.

In the end, either dish—FTAA light or FTAA regular—will be hard to digest. The alternative proposal, MERCOSUR’s FTAA diet, has the advantage of establishing a counterweight to Washington and maintaining control over critical areas of national development like investment or regulation of competition policies. But still the path followed is one of a free trade agreement.



Meanwhile, the U.S. advances its free-trade agenda step by step through bilateral and regional agreements. It has signed agreements with Mexico and Chile, is quickening the pace on the CAFTA negotiations, and Colombia may join the ranks soon. In this way, it creates parallel treaties that have the same format and characteristics of an FTAA that serves Washington’s interests. Following this path, the U.S. can arrive at a web of free trade pacts that cover all of Central America and various Andean countries, with the exception of (for now) Argentina, Brazil, Uruguay, Paraguay, and Venezuela.

This means in practice an FTAA that leaves out the most important commercial competitors, and ties Brazil’s hands as a regional leader. It is, furthermore, a strategy that will create a divided Latin America for a long time, and so reduce Latin American countries’ capacity for economic and productive articulation.

All these factors show that the meeting of the FTAA in Miami will not only deal with issues of trade, but will be the stage for a major behind-

the-scenes dispute for leadership in Latin America. All this and more are the ingredients for a recipe that is still not cooked.

Eduardo Gudynas is an information analyst at D3E (Desarrollo, Economía, Ecología y Equidad en América Latina; www.globalization.org). He is a regular columnist for the IRC Americas Program (online at www.americaspolicy.org).

Published by the Americas Program of the Interhemispheric Resource Center (IRC, online at www.irc-online.org). ©2003. All rights reserved.

The Americas Program

“A New World of Ideas, Analysis, and Policy Options”

Founded in 1979, the IRC is a small but dynamic nonprofit policy studies center whose overarching goal is to help forge a new global affairs agenda for the U.S. government and people—one that makes the United States a more responsible global leader and partner. For more information, visit www.americaspolicy.org or email americas@irc-online.org.

Recommended citation:

Eduardo Gudynas, “Trade and Integration in the Americas: Regular FTAA or Diet FTAA?,” Americas Program (Silver City, NM: Interhemispheric Resource Center, November 11, 2003).

Web location:

<http://www.americaspolicy.org/columns/gudynas/2003/0311diet.html>

Production Information:

Writer: Eduardo Gudynas

Editor: Laura Carlsen, IRC

Layout: Tonya Cannariato, IRC