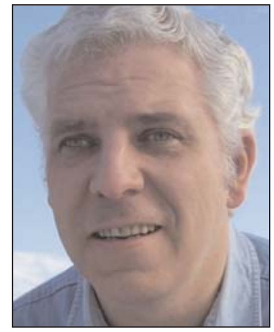
Gangs Of New Trade

By Eduardo Gudynas | June 3, 2003



In Martin Scorsese's recent movie *Gangs of New York*, one of the main characters, Bill the Butcher, lives in a world ruled by violence. At one point he stops to reflect for a moment and declares: "Civilization is crumbling." This scene, which takes place in New York City circa 1860, could easily apply to current events today. In fact, the sensation that something is wrong with the global situation is felt throughout Latin America, by everyone from government officials to business entrepreneurs, citizens' organizations to small farmers.

This general malaise is explained by the many serious problems that confront Latin Americans. Economic indicators are falling: in the past year the Gross Domestic Product declined in twelve countries, with Argentina registering a dramatic 12% decrease. Poverty has increased in many countries, and the continent as a whole reached the historic record of 9% unemployment last year, led by Argentina and Colombia.

In this context, proponents of "new trade" offer free trade agreements that supposedly will allow Latin American countries to increase their exports while attracting more investment. The traditional promoters of this idea sustain that the world is falling apart, but they insist free trade is a solution due to a direct relationship between free trade treaties and economic growth, and from there, improvement in social conditions.

Various groups and not a few "gangs" point to the free trade agreement between the United States, Canada, and Mexico (NAFTA). In an effort to multiply the NAFTA model, proponents are pushing a free trade agreement between Chile with the United States, pressuring to achieve a similar treaty with Central American countries (CAFTA) and negotiating toward the Free Trade Agreement of the Americas (FTAA).

In spite of the optimism surrounding "new trade," the problems in Latin America are evident. Latin American countries began applying the measures demanded by "new trade" in the mid-eighties, opening their internal markets and freeing up capital flows. Today, however, exports remain tied to primary products (approximately 75% of total Latin American exports are natural resources with little or no processing), contain very little value-added, generate few jobs, and often entail severe environmental impacts. Typical exports continue to be oil, minerals like copper and tin, agricultural products like bananas or coffee, meat, and wool. The value of all these products has been falling (with reductions of 6% in 2001 and over 1% in 2002), so to maintain income producers have to resort to constantly increasing the volumes they export. This causes a paradoxical situation: trade is effectively liberalized under "new trade," but does not lead to economic or social improvements.

To complicate things further, although all Latin American nations now permit the free flow of capital, foreign investment has fallen off dramatically—down 33% last year alone. Approximately a third of last year's foreign investment went to extractive sectors, particularly oil and minerals. Current capital flows for Latin America show a net outflow of $39 billion.

Among the defenders of "new trade," free capital flows are crucial, both to facilitate their entry into Latin America in the form of productive projects, and—especially—to extract economic benefits and profit. In this logic, they seek to grant international businesses rights commensurate to those of governments.

Although trade liberalization strategies have not been successful, their proponents insist on imposing them. The FTAA, in particular, would be a huge free-trade pact involving the United States, Canada, and all the nations of Central America and the Caribbean, except Cuba. Likewise, the ideas of "new trade" are repeated under the form of bilateral agreements (U.S.-Chile) or regional agreements (CAFTA).

There might not be a Bill the Butcher who collects ears and noses in a big jar in his tavern, but a wide range of social and environmental impacts have been accumulating under the rule of the gangs of new trade. Trade liberalization has had negative consequences in nearly all Latin American nations. Instead of diversifying exports, these have become even more concentrated in primary products whose international prices continue to drop. Promises of economic growth have not been fulfilled, and levels of poverty have risen. At the same time, imported products have invaded domestic markets, displacing small- and medium-sized national industries in large cities, generating chronic unemployment, and replacing millions of small- and medium-scale agricultural producers with a handful of large agro-industries. These and other impacts are so serious that protests against "new trade" come not only from grassroots organizations but from national business associations as well. Not all are against trade per se, but they seek at least minimal forms of social and environmental regulation.

The proposed free trade agreements conceive of a total liberalization of commerce, under the pretext of generating greater efficiency based on productive competition. The gangs of new trade promote these proposals and actively defend their interests by lobbying from government offices or university posts. Bloomberg financial analysts recently announced that businesses like Citigroup, Procter and Gamble, and Caterpillar are pressing for the FTAA. But the same ideas can be found in different groups in many countries.

This fact, often ignored, constitutes an important element in the organization of the new trade gangs. The problem cannot be boiled down to the assumption that one nation seeks to impose its interest on all the rest. While it is true that U.S. government and business interests are key actors in promoting new trade, there are also very influential groups in Canada, and in almost all other Latin American nations. In Chile, Colombia, and Costa Rica these groups espouse particularly radical free-trade positions. Academic defenders tend to rotate back and forth between government posts and positions in universities, international institutions, or corporations.

The gangs of new trade are found all over. For example, Brazil's alternative to the FTAA was a free trade agreement restricted to the nations of South America (FTASA). Although this idea seemed attractive in that it represented a counterweight to pressures from Washington, it was still based on the same concept as the FTAA—"new trade."

This situation presents a big challenge to all citizens. In confronting these gangs the most important objective is to return to a debate of ideas and arguments. If Bill the Butcher is right, and civilization is crumbling, the time to act is now.

Eduardo Gudynas <gudynas3@montevideo.com.uy> is senior analyst at D3E (Development, Economy, Ecology and Equity Latin America), a research and advocacy center based in Montevideo, Uruguay.

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Writer: Eduardo Gudynas
Editor: Tom Barry and Laura Carlsen, IRC
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