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Mercosur Stands To Benefit From Shelving Of U.S. President Bill Clinton's Bid For Fast Track

by Patricia Hynds

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Latin American countries are looking at US President Bill Clinton's failure to win approval for fast-track negotiating authority as an opportunity to strengthen their position in any future free-trade agreements. The defeat has also increased skepticism regarding the future of the hemispheric Free Trade Area of the Americas (FTAA). Clinton and House Speaker Newt Gingrich (R-GA) withdrew the fast-track bill on Nov. 10 when it became clear that they lacked the votes for passage. Supporters said fast track is essential if the US is to compete in a global economy. But opponents said that, as drafted, it would lead to the loss of US jobs to nations with lax labor and environmental standards, which would in turn depress wages in this country. Also affecting the debate were differing assessments of the North American Free Trade Agreement (NAFTA), which Clinton narrowly pushed through Congress in 1993 after promising concessions to reluctant Democrats. "We got nothing but broken promises out of NAFTA," said Rep. Esteban Torres (D-CA), a leader of the Hispanic Caucus. "I don't think anybody in the caucus appreciated the smoke-and-mirrors pitch he made to us." Torres said Hispanic members of Congress were concerned about job loss and environmental degradation along the Mexico-US border. Despite pledges that such problems would be addressed, Torres said, the Clinton administration never followed through. The 10 members of the caucus who did not support the trade measure because of their disappointment on NAFTA would have given Clinton the majority he needed. Rocky road ahead for hemispheric trade initiatives The fast-track loss raises questions about the future of Clinton's goal to create a hemispherewide free-trade area. Formal talks on the FTAA are to begin at the second Summit of the Americas in Chile next April (see NotiSur, 05/02/97). Latin American nations, whose leaders already have authority comparable to fast track, have said they will not sign free-trade agreements with the US unless the White House has fast-track capability. "There is no doubt that the US is weakened with its trading partners," said Isaac Cohen, head of the Washington office of the UN's Economic Commission for Latin America and the Caribbean (ECLAC). "It is as if the US were turning its back on economic globalization." In Chile, the prevailing opinion is that it will now be extremely difficult to discuss free trade with the US. Chile was invited to join NAFTA at the first Summit of the Americas in Miami in 1994, but said it would not negotiate until the White House had fast-track authority to prevent any agreement being undone by Congress (see NotiSur, 08/01/97 and 10/17/97). Chilean President Eduardo Frei downplayed the importance of the defeat of fast track, however. "This is not Chile's problem. It is the US's problem," Frei said. "What has to happen is that the US must define its trade policy whether it will play a leading role in the coming years on this issue or whether it will simply remain undecided." Frei said Chile would move ahead with its own trade policy. He said he had spoken to the prime ministers of Spain and Portugal about speeding up trade negotiations between Chile and the European Union (EU). Chilean Foreign Relations Minister Jose Miguel Insulza said that, while the failure of fast track hurt possibilities for joining NAFTA, it was not a serious blow to Chile. "I still have a brochure, published several years ago, that has a photo of then presidents Patricio Aylwin and George Bush making a champagne toast and the caption says, 'Chile-US free-trade agreement,'" said Insulza. "At this late date, it seems to

me absurd to still worry about fast track." Mixed reactions in Latin American to fast-track defeat Reaction in Latin America to the defeat of fast tract ranged from frustration and disappointment to indifference. "I think it puts the US at a major disadvantage in negotiating free-trade agreements in the future," said Johannes Heirman, an economist at ECLAC in Santiago. "There is a lack of confidence now an enormous disillusion." Many, however, saw Clinton's loss as their gain. "You'll see a lot of interesting reactions in the next few days," predicted Robert Pastor, a political scientist at Emory University. "Publicly, a lot of countries will express disappointment. But privately there will be relief, especially in countries like Brazil, which was not ready to move quickly to a Free Trade Area of the Americas. And Congress has just given them the excuse." In Brazil, the number of opponents to a NAFTA-like accord is growing. Many Brazilians fear it would only widen their trade deficit, which is a major factor in the economic crisis now rocking the country (see related article in this edition). Brazilians have insisted from the beginning that any hemispheric free-trade agreement must move slowly certainly more slowly than Clinton and US trade officials had asked. Concerns are increasing in other countries as well that dropping barriers may end up hurting, rather than boosting, their national economies. "It's a myth that all of South America is eager to jump onto the idea of free trade," said Arturo Valenzuela, executive director of the Center for Latin American Studies at Georgetown University. "It's also a myth that free trade is the only way to develop increased economic ties." Strength of MERCOSUR bloc could increase In Argentina, both the government and members of the opposition saw the failure of fast track as an opportunity for MERCOSUR to strengthen its negotiating position as a bloc. MERCOSUR which includes Argentina, Brazil, Paraguay and Uruguay has a combined market of more than 200 million consumers and a shared GDP of US\$1 trillion (see NotiSur, 08/29/97). "If, as it now seems, the proposal for a hemispheric free trade zone begins to lose strength in Congress, one inevitable consequence will be that MERCOSUR will spread its wings," said analyst Oscar Raul Cardoso in the Buenos Aires newspaper Clarin. Analysts said MERCOSUR would take advantage of the fast-track derailing to strengthen its ties with other prospective associates. Chile and Bolivia signed free-trade agreements with MERCOSUR in 1996, and Canada and the Andean Pact countries Bolivia, Ecuador, Colombia, Peru, and Venezuela are expected to do so soon. EU officials hope that a preliminary deal with MERCOSUR will be reached by 1999. Canada, the US's largest trade partner, will also likely take advantage of the defeat of fast track, trade experts said. Canada has already moved ahead on its own, signing free trade agreements with Israel and Chile, while Trade Minister Sergio Marchi plans to sign a deal with MERCOSUR in January. Future for fast track cloudy Clinton said he plans to reintroduce fast track when he has the votes, which he thinks will happen when Congress returns in January. Majority Leader Trent Lott (R-MI) disagrees, however. "It would occur to me it's dead," Lott said, adding that support for the measure may have already reached its high-water mark and that it could prove even harder to pass in 1998, a congressional election year. Organized labor and House Democrats predict the defeat will force Clinton to rethink his approach to the global economy and to use the power of trade sanctions to raise labor and environmental standards in developing nations. "The real question before us now is whether we can connect our values of environmental quality and worker and human rights to our economic policy," said House Minority Leader Dick Gephardt (D-MO). [Sources: Financial Times, 11/10/97; Reuter, 11/10/97, 11/11/97; Inter Press Service, Clarin (Argentina), El Mercurio (Chile), Spanish news service EFE, 11/11/97; CNN, 11/10/97, 11/12/97; Associated Press, The Miami Herald, The Washington Post, The New York Times, 11/11/97, 11/12/97]

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