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Preparations Advance For Summit of the Americas in Chile in April

by LADB Staff

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Preparations for the second Summit of the Americas, scheduled for Santiago, Chile, April 18-19, are nearing completion. It will not be the meeting envisioned at the first summit in Miami in 1994, however. The White House has acknowledged that US President Bill Clinton will arrive in Santiago without "fast-track" negotiating authority, raising questions about the future of the proposed Free Trade Area of the Americas (FTAA). Meanwhile, Latin American nations have moved ahead without the US in lowering trade barriers, but effects of the Asian economic crisis may be dampening their enthusiasm for more liberalization.

At the 1994 summit, the Clinton administration proposed, and the 34 countries attending the summit agreed, to set up a free-trade zone stretching from Alaska to Patagonia by 2005 (see NotiSur, 12/16/94). In addition, following the 1994 summit and Clinton's trip to Latin America in October 1997, Latin American hopes were raised that the region would finally become a priority for the administration.

Even after Clinton failed to win fast-track approval in November, he vowed to bring the matter back to Congress early in 1998 (see NotiSur, 11/14/97). However, Washington appears once more to have relegated Latin America to a back burner, overshadowed by the Middle East, the Asian financial crisis, funding for the International Monetary Fund (IMF), and Clinton's personal scandals.

White House spokesman Mike McCurry said recently that Clinton's emphasis now is on gaining congressional approval for an US\$18 billion contribution to the IMF, which has depleted much of its funds through multibillion-dollar bailouts for Indonesia, South Korea, and Thailand. McCurry said the White House was looking at "working during the course of this year on fast track."

Clinton will have little chance of winning fast track after April, however, as lawmakers put their attention on November congressional elections. Regional deputy trade ministers meet in San Jose. A preparatory meeting of Latin American deputy trade ministers was held in San Jose, Costa Rica, in early February, to be followed by ministerial-level talks in San Jose in March, and culminating in the April presidential summit.

In San Jose, many Latin American nations said they are willing to initiate FTAA negotiations even without US fast track. Costa Rican Trade Minister Jose Manuel Salazar said the US congressional refusal to approve fast track should not "affect our road toward the FTAA," and he added, "Latin America is prepared to launch negotiations since this decision corresponds to a medium and long-term process." While some Latin Americans speak optimistically of the trade agreement, others are doubtful. In a January report on the FTAA, the Sistema Economico Latinoamericano (SELA) said

talks are at "a difficult and unusual juncture," and "will be shrouded in uncertainty" if Clinton goes to Chile without fast-track.

In its report, "US Options in the Face of the FTAA," SELA said even though the US can participate in negotiations without fast-track authority, it will have "an ambiguous internal mandate." SELA pointed to the paradox in which, after much hesitation, more Latin American and Caribbean nations appear ready to begin formal talks on the FTAA, while the US, which initiated the proposal, has lost the momentum to lead FTAA efforts. The SELA report added that the Asian financial crisis, which it said will undoubtedly bring renewed protectionist moves in the US, is a further obstacle.

Problems in Latin America as well as Washington

Significant challenges exist within Latin America as well, and Brazil the economic leader of the Southern Cone Common Market (MERCOSUR) is likely to lead the opposition (see NotiSur, 05/02/97). Fearful of the surge in imports that cutting tariffs might bring, Brazil wants Latin America to consolidate its own integration to negotiate on a more equal footing with Washington and its North American Free Trade Agreement (NAFTA) partners, Mexico and Canada. As a large agriculture producer, Brazil also insists that, in any wider trade deal, the US eradicate what it regards as unfair nontariff barriers to farm goods.

In San Jose, the Brazilian representative said agricultural trade had to be the "main subject" in FTAA talks. "Without agriculture, there won't be any FTAA," said Jose Botafogo Goncalves, head of economic integration and foreign trade at the Brazilian Foreign Ministry. Meanwhile, Latin American nations have wasted no time formalizing other free-trade agreements bilaterally and by blocs, not only within Latin America, but also with Canada, the EU, and Asia. As a result, Canada has taken a more prominent role in free-trade efforts.

In January, trade officials from Chile and Canada said they will work together on hemispheric free trade at the summit. Some see Latin America cooling toward FTAA. However, Chile long considered the most stable economy in Latin America has been affected by the Asian currency and stock-market crises. Among other things, a sharp drop in world prices for copper and other key Chilean exports led to a devaluation of local currency, forcing the government to tighten fiscal and monetary policies.

The Asian crisis has also affected Brazil, Argentina, and Mexico, and analysts are revising downward their regional growth forecasts for the year (see NotiSur, 02/13/98). With economic troubles at home, some Latin American leaders are less inclined toward rapid trade liberalization. For example, MERCOSUR, led by Argentina and Brazil, recently raised import barriers against non-MERCOSUR countries (see NotiSur, 12/19/97).

Given Clinton's lack of fast track and effects of the Asian crises in Latin America, some analysts now feel negotiations for a hemispherewide free-trade area will not begin in earnest for another few years, despite the planned April launch, and they see Brazil gaining support for putting off serious negotiations until 2000. "It will give the Brazilians more clout in setting the agenda and the pace of negotiations," said Jeffery Schott, a senior fellow at the Institute of International Economics in Washington, DC.

Trade not the sole topic at the summit

While the launching of FTAA talks was to be the centerpiece of the Santiago summit, other concerns are now receiving attention, and Chilean President Eduardo Frei hopes that diversifying the conference agenda will guarantee the meeting's success. Thus, Chile managed to have education declared the theme of the meeting, and it will be discussed as fundamental to reducing poverty.

Chile dismissed any suggestion that glitches in the FTAA will spoil the summit. "It is an erroneous impression," said Genaro Arriagada, Chile's special envoy organizing the summit. "The message that we must carry is that relations in the hemisphere involve much more than the theme of fast track." But the meeting will at least give the appearance of progress toward the FTAA goal. At the summit, the presidents will decide what city will house the FTAA's permanent headquarters, and they will designate a director or general coordinator for negotiations. Two headquarter cities under consideration are Miami and Mexico City.

Nongovernment opponents to the FTAA will meet Meanwhile, labor and environmental groups will hold an alternative "summit" in Chile, according to organizers. Intended as a "social counterweight" to the official summit, the alternative meeting will include protests against free-trade agreements and will focus on the need to improve social, labor, and environmental regulations in any free-trade deals. "The FTAA, in the way that it is being negotiated, is unacceptable given that it does not incorporate legitimate democratic, social, and environmental demands," said Luis Bunney of Chile's labor confederation (Central Unitaria de Trabajadores, CUT), which is participating in the event.

One positive effect of NAFTA has been to show workers the consequences of global trade, said Bruce Jay, head of international relations at the US AFL-CIO, also an alternative-summit participant. "This has created a healthy consciousness. Although many workers have suffered and felt uncertainty about their jobs, they have opened their eyes to the phenomenon of globalization and the necessity of unification between people." (Sources: Journal of Commerce, 02/05/98; BBC News 02/11/98; Notimex, 02/10-12/98; Reuter, 12/06/97, 12/16/97, 01/21/98, 02/11/98, 02/17/98; Inter Press Service, 01/03/98, 02/11/98, 02/17/98)

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