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Brazil and Argentina Strengthen Mercosur

by LADB Staff

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Two of the newest leaders in Latin America, Brazil's President Luiz Inacio Lula da Silva and Argentina's Nestor Kirchner, are working to strengthen bilateral and regional ties, in particular MERCOSUR the customs union that includes Argentina, Brazil, Paraguay, and Uruguay, with Chile and Bolivia as associate members and forge a counterweight to US and European Union (EU) domination of trade talks.

On Oct. 7, Uruguay and Paraguay agreed to work together in international forums, especially within MERCOSUR, because of their asymmetry alongside Brazil and Argentina. Paraguay's Foreign Minister Leila Rachid de Cowles and her Uruguayan counterpart Didier Opertti met to discuss various international issues, especially their role in MERCOSUR.

Paraguayan President Nicanor Duarte hailed Lula's willingness to give Paraguay and Uruguay special concessions. "Paraguay suffers from comparative disadvantages," said Duarte, because we have no roads for internal integration, and that has a large impact on the final cost of production."

On Oct. 8, in Asuncion, the four MERCOSUR countries ratified the Rome Statute, the document creating the International Criminal Court (ICC). To strengthen regional relations, Brazil's Congress on Oct. 14 approved the Protocolo de Olivos, a mechanism for resolving controversies within MERCOSUR. The protocol has been in the approval process for several years, and the success is an indication that Brazil is serious about making up for lost time and advancing the MERCOSUR bloc.

Uruguayan President Jorge Batlle represented MERCOSUR at a forum on Latin America organized by the Foreign Ministry of Italy, which currently holds the rotating presidency of the European Council. Batlle said the EU must open up its agricultural markets. He said that he would argue that "the EU has a surplus of agricultural production based on subsidies that we cannot compete against." "We want better conditions so that we agriculture- exporting countries arrive at the market with equal conditions, otherwise, what sense is there in talking about equitable distribution of resources and social equality?" said Batlle, currently chair of MERCOSUR.

Agriculture subsidies by the industrialized countries total more than US\$300 billion a year, with the EU, US, and Japan responsible for 80% of that sum. "We have to return to the farm trade issue...feed the fire a bit" after the failure of the World Trade Organization (WTO) meeting in Cancun (see NotiSur, 2003-10-10), added Batlle. But Batlle was also critical of his partners in the South American trade bloc. "If we don't respect our different realities" in a treaty like MERCOSUR, where some members are "enormously huge" and others are "enormously small," there is the danger of "creating impediments for the smaller countries to develop," Batlle said.

Buenos Aires Consensus

On Oct. 15, Lula traveled to Argentina for a meeting with Kirchner that focused on MERCOSUR and on upcoming negotiations for the Free Trade Area of the Americas (FTAA). During the visit, the two leaders signed various bilateral agreements as well as the Buenos Aires Consensus (Consenso de Buenos Aires). The agreements were aimed at ending disputes between their respective export sectors and to show that the two countries have coherent and coinciding positions on trade, especially regarding the FTAA.

Analysts saw the Buenos Aires Consensus as an alternative to the Washington Consensus, the economic policies that gave rise to neoliberalism and to the economic crises in Latin America.

"We are embarking on an ambitious project to build a community of nations united by common interest," Lula said at the press conference. The document is a declaration of political and economic alignment between the two countries. It establishes a joint position in relation to negotiations with multilateral organizations and stresses the need for economic growth with social equality at its core. It also refers to the need for more equitable trade rules between MERCOSUR and the US and EU.

The Buenos Aires Consensus warned that debt payment must not jeopardize the countries' social and economic development. The text referred to their "historic responsibility" in "fighting against poverty and inequality, unemployment, hunger, illiteracy, and illness, which bring an effective loss of autonomy and dignity of people."

On Oct. 17, Kirchner affirmed that the strengthening of MERCOSUR and alliances between it and the Comunidad Andina de Naciones (CAN) countries and Mexico could mark "a before and an after" for Latin America. "Working together, with creativity, generating a very strong bloc in MERCOSUR, opening ourselves to the CAN and Mexico, we can create a new space that will greatly help the [economic] recovery in our countries."

The statement signed in Buenos Aires made it clear that the South American neighbors will resist efforts by the US to undermine their unity in regional and global trade talks. It expresses their desire to continue participating in the FTAA negotiations "with the objective of reaching a balanced agreement that respects the disparate interests of the participants." The statement promised action to generate jobs, not just profit, and fight for fair, not just free, global trade.

On the latter point, Argentina and Brazil were clearly determined to maintain the G-22 alliance (see NotiSur, 2003-10-10) and to continue pressing for more equitable trade for farmers in developing countries.

At the signing, Lula's aides brushed off US criticism, saying the president is merely doing what President [George W.] Bush always does defending his country's national interests. "A country of 176 million people cannot be isolated," said Marco Aurelio Garcia, foreign policy adviser to Lula, "and if a country has a solid alliance with Argentina, South Africa, and India, even less so." He described US efforts to make the G-22 irrelevant as "political blackmail" but insisted that, "with us, it won't work."

Strong allies Kirchner and Lula have become staunch allies. Their countries are both potential agricultural superpowers, and they have an increasing number of common interests. They are also less dependent on the US and the EU than in years past, as China opens its economy and needs to buy food.

"Before, Brazil and Argentina had to dance to the tune of the G-7 because they were the only markets for their products, but all that is changing," said Walter Molano, chief Latin American economist at BCP Securities in Greenwich, Connecticut. Now, he said, "South America is realizing that the future lies not in the United States, but on the other side of the Pacific, where there is demand for food."

Bringing about unity between the developing world's powerhouses to create a multipolar world is an idea Brazil has long been cultivating, and it is now taking shape, since Brazil, India and South Africa joined forces in the G-22. "Two concepts currently drive Brazil's foreign policy: that of South America, rather than Latin America, and the projection of its interests to China, India, and South Africa, as strategic partners," said historian Luiz Alberto Moniz Bandeira, author of Brazil, Argentina, and the United States.

FTAA talks on horizon

The future of the FTAA is in some danger because of the discrepancies between the US and the MERCOSUR countries, especially Brazil. After the Cancun talks, US Trade Representative Robert Zoellick called Brazil the leader of the "won't do" countries and warned that the US could opt for bilateral deals with "can do" nations. Since then, the G-22 group of developing countries, which includes Brazil, China, India, and South Africa, has lost Colombia, Costa Rica, Ecuador, Guatemala, and Peru, which apparently gave in to US pressure.

The differences were exacerbated at the recent meeting in Port of Spain, Trinidad and Tobago, which was supposed to smooth the way for a ministerial meeting in Miami in November. As has been clear since the failed WTO meeting in Cancun, a major issue is the US refusal to address agriculture subsidies within the FTAA process, a position that is unacceptable to Brazil and Argentina.

The US says it will only negotiate domestic farm subsidies at the level of global trade talks that would also tackle aid given to European farmers.

Brazil's position is clear. "If the US can remove the issues that are sensitive for the government of George W. Bush, MERCOSUR also has the right to eliminate those matters that are vital for its economies," said one Brazilian negotiator. "We're not going to run away from the negotiating table," Lula said. "The focus of the question isn't whether to say yes or no to the FTAA, but to define which FTAA interests us."

Brazil currently rejects a one-size-fits-all, comprehensive agreement. It would prefer bilateral deals within the accord on sensitive issues such as intellectual property rights and investment. But

Argentina and Brazil are not going to sign just any FTAA accord, said Argentina's Foreign Minister Rafael Bielsa on Oct. 22. The minister says that Argentina and Brazil "have to walk together."

To veiled threats from the US that it might push for an FTAA without Brazil, Roberto Rodrigues, Brazil's minister of agriculture, suggested that such an FTAA would be a "second class" free-trade area. He had set off a controversy earlier when he said that the meeting in Miami "could be for the FTAA what Cancun was for the WTO" if it fails to take up the issue of US farm subsidies.

Crises management Brazil and Argentina have also been playing a greater role in the political crises in Latin America, the most recent example being their decision to send a joint mission to Bolivia as that country was enveloped in crisis.

Brazil also played a prominent role in the formation of the Grupo de Amigos de Venezuela, which sought to find a peaceful solution to the political crisis in that country. In both instances, the positions of the Latin Americans contrasted with those of the US. "Brazil and Argentina are two large countries, and we are called to play a decisive role in the construction of a continent that is free, just, and in solidarity," said Lula in Buenos Aires on the day that the two leaders decided to send a mission to La Paz.

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