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Free Trade Meeting Ends with Limited Agreement

by LADB Staff

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At the Free Trade Area of the Americas (FTAA) Eighth Ministerial Meeting, held Nov. 20-21 in Miami, the 34 trade ministers from across the Americas were unable to agree on issues that included agricultural subsidies.

Under pressure to avoid a repeat of the failure of World Trade Organization (WTO) talks in Cancun in September (see NotiSur, 2003-10-10), trade ministers in Miami approved a watered-down framework for the FTAA that was considered a setback for the US. Ten years after all countries in the hemisphere except Cuba made the commitment to work toward implementation of the FTAA by 2005, free trade has lost much of its appeal, both in the US and in Latin America.

Labor unions blame it for job losses in the US, and Latin American and Caribbean countries say it destroys rural farmers and leaves them vulnerable to domination by US multinational companies. In the period leading up to the Miami meeting, it was clear that the marked differences between the US and Brazil, the co-chairs of the Miami meeting, would not be easy to reconcile.

Brazil's Ambassador to the US Rubens Barbosa said before the meeting that Brazil had made a significant concession by agreeing to US demands, backed by Canada, that reductions in domestic farm subsidies and changes to anti-dumping rules would be negotiated only in the WTO, not in the FTAA. He said Brazil, along with other MERCOSUR countries, wanted a similar right not to include services, intellectual property, and government procurement in regional negotiations.

MERCOSUR includes Argentina, Brazil, Paraguay, and Uruguay, with Chile and Bolivia as associate members. In the past, sectoral disputes and conflicts between Brazil and Argentina often marred MERCOSUR unity.

Now, however, the governments of Presidents Luiz Inacio Lula da Silva in Brazil and Nestor Kirchner in Argentina are leading a united stance to defend the world's third-largest trade bloc and its decision-making autonomy, said Cristina Pecequilo of the Centro Universitario Ibero-Americano in Sao Paulo. Brazil seemed prepared to walk away from the talks rather than cave in to US pressure.

Brazil-US proposal

Faced with the prospect of another Cancun, the US and Brazil came up with a draft calling for a "flexible" FTAA, which would permit countries "to assume diverse levels of commitment" in the agreement. The draft pushed all the difficult decisions back to the Trade Negotiating Committee (TNC), where they have been stuck for a year. "There is an agreement between MERCOSUR and the US on this vision of the FTAA that will allow flexibility in certain areas and that will allow countries to be engaged in 'plurilateral' agreements, so that an FTAA will not impose on the 34 countries the

same obligations," said Brazilian FTAA negotiator Luiz Filipe de Macedo Soares. "So, they will be able to choose."

The proposal was seen as a diplomatic way out of the deadlock over the scope of the agreement. The clearest sign of the draft's avoidance strategy was its treatment of the deadline for completion of a pact. It repeated the January 2005 goal, yet provided no interim deadlines or instructions about how to meet it. The one firm deadline Sept. 30, 2004, for market-access talks makes it clear that the January 2005 deadline will not be met.

"By doing this, they are acknowledging there is no way to get the rest of it done by the end of next year," said David Waskow, trade-policy coordinator for Friends of the Earth. "It's a hollow shell of an agreement. For the US, this is a clear rebuff."

But US Trade Representative Robert Zoellick defended the proposal, saying one of its achievements was simply to keep the FTAA process alive. "I've never been in a negotiation where you move it forward by stopping," he said. "We will be judged by the final results."

Given the extent of the disagreements, the draft was probably the best that could be expected, said Pedro de Camargo Neto, a former Brazilian trade negotiator. "Both sides are going to call it a success," he said. But the conflicts haven't been resolved, just papered over and it merely postponed the confrontation.

A group of 13 countries led by Canada and Chile initially rejected the proposal, but gave in when the US and Brazil made it clear they were not prepared to change their positions. The rigidity led some negotiators to question whether the main purpose of the proposal was an attempt to avoid an embarrassing outcome in Miami, a city vying to be selected as the FTAA permanent secretariat site.

"This is nothing but a desperate attempt by Bob Zoellick to save face," said Thea M. Lee, chief international economist for the AFL-CIO.

Ministers approve "FTAA light"

The ministers, scheduled to finish negotiations on Nov. 21, said on Nov. 20 that they had achieved all they could in Miami, making plain the scope of the disagreements. Since the FTAA process began in 1994, the US had insisted that the pact be like the North America Free Trade Agreement (NAFTA): a comprehensive set of rules to which every country is bound.

Instead, the Miami Ministerial Declaration calls on negotiators to draw up a list of "core" obligations to which all countries would be bound, with additional negotiations only binding those countries that choose to participate. Another attempt to return the pact to its original scope is possible but improbable.

"US negotiators may try to put a happy face on the Miami talks, but the FTAA-lite deal will not please the big business lobby that has been the driving force behind the proposed trade pact," said

Sarah Anderson of the Institute for Policy Studies (IPS) in Washington. "By allowing countries to opt out of obligations on investment and other contentious issues, US negotiators have dashed the Fortune 500's hopes of gaining new investment opportunities and protections in Brazil, South America's largest economy."

Both civil-society opponents and corporate supporters of the proposed FTAA opposed the compromise. Civil society groups said it sought to rescue the FTAA from the impasse regarding the scope of the plan.

"It doesn't offer a solution that will promote development and poverty reduction for the 220 million people in poverty in the hemisphere," said Phil Bloomer, who heads the trade campaign for Oxfam International. "Instead it creates new dangers. It will open up smaller countries to new political pressures to sign bilateral agreements that go further than WTO agreements and even than the current FTAA."

US business groups, meeting at the Americas Business Forum in Miami, also voiced concerns. "The past six months have witnessed a hemispheric debate over the basic architecture of the FTAA," said Larry A. Liebenow of the US Chamber of Commerce. "Some governments participating in the negotiations have proposed to shut down a number of the FTAA's nine negotiating groups. This would be a lost opportunity of tragic proportions."

US responds with new bilateral agreements

While the scaled-down document marked a US retreat on its ambitious trade policies in the Western Hemisphere, the meeting also marked the initiation of a more vigorous US strategy of bilateral trade talks.

On Nov. 18, Zoellick announced that the USTR would notify Congress of its intention to begin free-trade negotiations with Colombia, Peru, Ecuador, Bolivia, the Dominican Republic, Panama, and possibly Uruguay during the coming year. Ecuador and Bolivia must first approve domestic policy changes to ready their economies for the agreements, including making changes in laws that protect workers' rights widely interpreted as an effort to relax those protections and resolving current disputes involving US investors. The new talks are in addition to negotiations underway for the Central American Free Trade Agreement (CAFTA) and the US-Chile pact finalized earlier this year (see NotiCen, 2003- 11-06, NotiSur, 2003-08-08).

The US Chamber of Commerce called the expansion of bilateral agreements an "economic shot in the arm for the US and the Andean region" that will boost trade in the Western Hemisphere. "It will create new markets for US exporters and generate a broader range of business and job opportunities from Lima, Ohio, to Lima, Peru," said the chamber's senior vice president Daniel W. Christman.

Under the deals with the US, say US analysts, the countries would be required to adopt stronger protection of intellectual property rights, drop high tariffs on agricultural goods, hygiene

regulations, and other practices the US says discourage trade, like protective licensing practices or limitations on access for providers of services. Opening up the services sector would most benefit US companies in electric power, air cargo, electronic commerce, telecommunications, banking, and insurance businesses.

Georgetown University professor Robin King says the bilateral treaties could reduce the pressure to achieve an FTAA because what the Latin Americans want is access to the US markets. She says that, once a country obtains privileged entrance for its products through a bilateral agreement, its principal motivation to support the FTAA is eliminated.

In a recent study, Soamiely Andriamananjara, economist with the US International Trade Commission, said that these countries would prefer that other nations not have that same access to US markets to give them a competitive edge for their exports. Some analysts see the bilateral agreement push as a form of pressure to force Brazil, the market that most interests the US, to make more concessions in the FTAA.

The pressures are also political, says Sidney Weintraub of the Center for Strategic & International Studies (CSIS), who says that the US will most likely only sign the agreements if its trading partners "are willing to adhere to the US foreign policy positions." High on that list of US demands would be that the country agree that no US citizen would be extradited to the International Criminal Court (ICC), an agreement already made by El Salvador, the Dominican Republic, and Honduras.

Civil society groups warned the deals could hurt the less-developed southern countries in the face of the much stronger US economy. "I am concerned that the bilateral agreements may ultimately destroy the few benefits that exist in a multilateral process," said Eric Dannenmaier of the Tulane University's Institute for Environmental Law and Policy. "If you are afraid of the FTAA, then you should be very afraid of the bilaterals."

Oxfam said the proposed rules in the bilateral agreements could erode development prospects in the hemisphere. For instance, proposed patent rules would reduce poor people's access to affordable medicines, while unregulated opening of agricultural markets would stop governments from protecting their farmers from unfair competition and US dumping.

"Unfortunately, the US has violated the spirit of the ministerial declaration by undertaking a strategy of negotiating bilateral and mini-regional agreements containing exactly the horrific proposals on intellectual property, investment and other areas that the US has failed to ram through in the FTAA," said Robert Weissman, co-director of Essential Action, a Washington-based organization that campaigns for health rights.

Bush administration weighing effects on 2004 election

Zoellick's two-track strategy hinges on US congressional willingness to approve such bilateral agreements. US business support is patchy, and growing opposition, particularly from Democrats, to the planned CAFTA pact has raised doubts about plans for its ratification early next year. Some

analysts speculated that US President George W. Bush might not be unhappy with a stalled FTAA as he concentrates on his re-election campaign.

US labor unions and Florida citrus and sugar barons, all generous campaign contributors, have strong objections to the FTAA. Brazil's strong positions could give Bush a political out on trade issues prior to the election. Grassroots opposition to FTAA in evidence in Miami Among the protesters in Miami were a hundred workers and farmers who walked the 54 km from Fort Lauderdale to Miami.

"One mile for each country affected by this damned agreement," said immigrant Lucas Benitez, a leader of the Coalition of Immokalee Workers, based in northern Florida. Benitez, who along with colleagues Julia Gabriel and Romeo Ramirez last month won the Robert F. Kennedy Human Rights Award, says free trade agreements are a scam. "I am a Mexican, and I know from my own experience," he said. "We say 'no' to the FTAA because it will only increase profits for a handful of transnational corporations." Benitez believes the only way to salvage such agreements is to include the people affected by them in the negotiations. "The FTAA should include basic workers' rights, such as decent wages, respect, and dignity in the workplace, and ensure a space for the small and medium entrepreneur," he said.

Oxfam's honorary president Mary Robinson, a former president of Ireland and former UN high commissioner for human rights, said the problem with the FTAA framework is that it would enforce a blueprint for wholesale deregulation of developing-country markets while maintaining unfair advantages for US domestic industries in the same sectors in which developing countries have the best chance of competing and lifting millions out of poverty. She said the recent Latin American history shows that unregulated open markets, rapid import liberalization, and the absence of essential government regulation and public services is bad for growth, bad for stability, and disastrous for poverty reduction. Under the FTAA, she said, unfair agricultural trade with the US would continue. The US\$50 billion the US provides to its agriculture producers results in vast surpluses that are sold in other countries at prices below their costs of production.

Meanwhile, internal opposition to the FTAA is growing across Latin America. In Argentina, a coalition of 300 social movements, political parties, and church groups held a "popular vote" Nov. 20-Nov. 26, in which almost 2.5 million people expressed their views on the FTAA. In Brazil, the anti-FTAA movement is calling for an official plebiscite on the FTAA to be held during the October 2004 municipal elections.

In September 2002, about 10 million citizens voted against the FTAA in a popular vote held by 60 civil-society organizations. Reports question NAFTA benefits The decade-old trade deal among Canada, the US, and Mexico did not help the latter boost its economy, create jobs, or rejuvenate its agricultural sector as promised, say two studies released Nov. 18. The findings were particularly relevant as trade ministers discussed the FTAA.

When NAFTA came into effect in 1994, officials from the three countries promised it would bring increased economic prosperity for all, particularly Mexico, the only developing economy involved. They said that NAFTA would create some 200,000 new US jobs each year, bring higher wages

in Mexico, initiate an environmental clean-up, and boost the health of citizens. The reports said NAFTA failed to fulfill most of those promises.

"NAFTA has not helped the Mexican economy keep pace with the growing demand for jobs," said the report NAFTA's Promise and Reality by the Washington-based Carnegie Endowment for International Peace. While foreign direct investment (FDI) in Mexico created 500,000 manufacturing jobs from 1994 to 2002, the country lost at least 1.3 million jobs in the agricultural sector alone, where one-fifth of Mexicans still work. Real wages of most Mexicans are lower today than when NAFTA took effect.

The report said, "Despite predictions to the contrary, Mexican wages have not converged with US wages." The Carnegie report called predictions of benefits of free trade deals like the FTAA empty promises. "Trade liberalization is facing a crisis of legitimacy among people around the world, from rural farmers in Latin America to cotton producers in Africa, to manufacturing workers in the US and Europe," it said.

The second report "Unfair Trade" released by Public Citizen and the Global Resource Action Center for the Environment (GRACE), said that US and Mexican farmers are struggling to survive as a result of NAFTA. It said NAFTA has eliminated 99% of Mexico's agricultural tariffs. Since 1994, the amount of US corn sold at subsidized prices on the Mexican market has increased 15-fold, while the amount of US beef going into Mexico has doubled, poultry has tripled, and pork imports have quintupled. "Farms by the hundreds of thousands have been driven into bankruptcy, creating havoc in the Mexican countryside," the document says. "Three-fourths of the Mexican population now lives in poverty, up 80% since 1984." The US argues that most US corn sold to Mexico is yellow corn used as livestock feed while Mexican farmers mostly grow white corn for human consumption.

Washington also says that Mexican farm production increased 50% from 1993 to 2001, including output of pork, beef, chicken, and vegetables. But Lori Wallach of Public Citizen says USTR figures can be misleading. "When they talk about farm production, they are talking about volume. We are talking about farmers," she said, referring to how NAFTA led to multinational companies buying up farmers' lands. Those companies produce more in volume, but at the expense of hundreds of thousands of small farmers who have lost their livelihoods, Wallach said.

A brief report released by the USTR office argues that NAFTA did help the Mexican economy. "NAFTA has resulted in expanded Mexican exports, higher wages for Mexican workers, less poverty, more foreign investment, and a stronger agriculture sector," said the report.

Calls for investigations of police action

As at most recent international-trade gatherings, hundreds of thousands of protesters came to Miami to express their opposition to the FTAA. Police used batons, tear gas, pepper spray, taser guns, and rubber bullets against the protesters in what many called an excessive response. John De Leon of the American Civil Liberties Union (ACLU) said police tactics were heavy-handed. "I think these are totalitarian-type tactics," he said. "I think there are too few people here to justify this sort of policing."

Miami police chief John Timoney accused the protesters of firing tear gas at his officers. He also said the demonstrators had hurled "missiles" at the police. "I got a lot of tear gas," Timoney said. "We all got gassed. They were loaded to the hilt. A lot of missiles, bottles, rocks, tear gas from the radicals."

Miami Mayor Manny Diaz called the police actions a model for homeland security. Borrowing from US war against Iraq, the Miami police "embedded" reporters with the police deployed to keep order during the FTAA meetings. The police received US\$8.5 million in federal funds from the US\$87 billion Iraq spending bill to provide security during the FTAA meeting.

Activists are threatening to sue over civil rights abuses and are calling for the firing of Timoney. They said at least 10 detainees were beaten in jail, and they had received four reports of sexual assault while in custody. At a news conference, spokespersons for the protesters said the police had fired on unarmed demonstrators with rubber bullets that left large welts, forced them to the ground, handcuffed them at gunpoint, and used pepper spray on them. They said the police also stopped hundreds of people on the streets, searched them without cause, and sometimes seized their possessions.

"Timoney and Diaz suspended the Constitution to achieve their version of homeland defense," said Brenna Bell, a lawyer with the group Miami Activist Defense.

On Nov. 27, human rights group Amnesty International (AI) called for a full investigation into allegations that the police used excessive force during the protests. "The level of force used by police does not appear to have been at all justified," the AI said in a statement.

AFL-CIO president John J. Sweeney released a statement on Nov. 26 saying that the police had violated "virtually every agreement" made with the union in advance of its protests and added that the union might sue. "It is clear that the protesters' basic right to have their voices heard was severely restricted and that all Americans' civil liberties took a one-two punch in Miami," Sweeney said.

The United Steelworkers of America (USWA) has called for a congressional investigation into the police tactics, saying officers systematically intimidated its members who participated in a peaceful rally and march sponsored by the AFL-CIO.

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