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President Vazquez Stops US Trade Treaty

by LADB Staff

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Uruguay's President Tabare Vazquez announced on Sept. 28 that his government would not negotiate a "fast-track" free-trade agreement (FTA) with the US, opting instead to set up a significantly less ambitious agreement in the short term. The step back from fast-track negotiation was a minor victory for groups within Uruguay, the leftist factions in Vazquez's government, and the regional governments that had been pressuring against an Uruguay-US FTA, although the president says his administration could still seek to set one up in the future.

More-flexible, less-ambitious agreement to be sought

President Vazquez had been stepping up efforts to work out an FTA with the US even as various trade-union groups stepped up their opposition to such a deal. The Uruguayan government, frustrated with its role in the Southern Cone Common Market (MERCOSUR), has looked to the wealthier export market of the US and other countries like China and India as alternatives (see NotiSur, 2006-09-22). But Vazquez called his ministers together on Sept. 28 to tell them that he would not sign an FTA and would instead seek a Trade and Investment Framework Agreement (TIFA).

"I want to give you an important piece of news," said Vazquez, according to Uruguayan daily newspaper El Pais. "In the last few days it has been necessary to make decisions, and I assume all the responsibility. Uruguay will sign neither the fast track nor an FTA with the US." The TIFA is more flexible than an FTA would be and covers only a subset of national production, with products like meat, rice, dairy, citrus, and software products that Economy Minister Danilo Astori called "classic" Uruguayan products.

Officials from the office of the US Trade Representative (USTR) came to Montevideo in the first week of October to begin negotiations on the TIFA. Vazquez said, "It is not the most convenient" decision to slow FTA talks. But he said of the US proposal to move them forward through fast-track discussions, "We consider that this FTA did not permit us time to analyze the different issues to arrive at an agreement." He said the government would "create a high-level commission that would explore the agreements that can be reached." The fast-track process is one that Peru followed to make a bilateral deal with the US (see NotiSur, 2006-01-13 and 2006-07-21).

"This path that Uruguay has proposed, a Uruguayan path, is a path that it seems to us is adapted to our characteristics: gradual, serious, strong. We are taking secure steps, and we are advancing in making concrete the objective that we had proposed," said Vazquez, claiming that an agreement could come within eight to 12 months. The TIFA would come in addition to a Bilateral Investment Treaty (BIT) that the US and Uruguay have already signed and that goes into effect on Nov. 1 (see NotiSur, 2006-02-17).

Vazquez's government seeks to avoid conflicts within MERCOSUR, saying the new negotiation strategy "does not harm the MERCOSUR common external tariff (Arancel Externo Comun, AEC), which is the heart of the bloc." Vazquez says the decision does not preclude the possibility of a future US-Uruguay FTA. "We do not close off any path," said Vazquez, "if [conditions] are favorable to the interests of the country."

Small "win" for leftist sectors

Fellow MERCOSUR members Argentina and Brazil had opposed Uruguay's FTA plans, fearing it would damage the bloc's unity and effectiveness. Union groups within Uruguay also opposed the negotiations and, perhaps most importantly, so did members of Vazquez's government and ruling coalition. More hard-line leftist members of the Encuentro Progresista-Frente Amplio (EP-FA) had stood against a deal, while more right-leaning administration members and legislators sought to promote a deal. Economy chief Astori personified the pro-FTA faction within the government while Foreign Relations Minister Reinaldo Gargano spoke up against it, joining Partido Socialista and Partido Comunista voices within the EP-FA who opposed the deal.

Political opposition groups scorned the decision, with Jorge Larranaga of the Partido Nacional (Blancos) saying, "Since they don't want to call it an FTA they seek euphemisms of all kinds to try to put makeup on what should be an open relation. With this decision, the executive is trying to dissemble about the growing internal insurrection and the discontent the FTA is generating within the Frente Amplio." "We are perplexed by the amateurism of this government and by its lack of seriousness and responsibility regarding international [market] insertion," said Larranaga. "This government is directionless."

Former President Jorge Batlle (2000-2005), who initiated free-trade talks with the US in 2002 and is a member of the Partido Colorado, said, "The announcement is a failure for our country and leaves us at a frank disadvantage with nations that have already signed FTAs with the US." Representatives from the business sectors generally took a dim view of the decision, but some did not seem to feel all hope was lost in their pursuit of a deal. Exporters in particular felt that it would be a lost opportunity, according to trade-group representatives quoted in the Uruguayan press.

Strikers oppose trade deal

Labor groups demanding higher wages and an end to Uruguayan efforts for a trade deal with Washington walked off the job for four hours on Sept. 21, though public transport ran normally and shops and offices stayed open. There were no reports of violence as about 2,000 people rallied outside government ministries in the capital of Montevideo, but the strike underscored growing union unease over Vazquez's overtures to the US. There were other protests throughout September against the FTA. Additionally, labor groups from different sectors conducted strikes through September and October, partially in response to negotiations with the US and in favor of their own interests.

Union leader Luis Puig of the Plenario Intersindical de Trabajadores-Convencion Nacional de Trabajadores (PIT-CNT), said, "An FTA with the US seriously compromises our sovereignty and

does not ensure a better positioning for the country, because trade with the US would not be free. It puts the possibilities for Uruguay's development at risk and puts a wedge in MERCOSUR, impeding its growth."

-- End --