

After NAFTA—CAFTA and AFTA

By Laura Carlsen | September 19, 2005

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Last year was the tenth anniversary of the North American Free Trade Agreement (NAFTA), and nearly all evaluations of the agreement conceded that the period showed negligible or negative results for Mexico. As the developing country partner of the agreement, Mexico's experience under NAFTA has major implications for other developing nations negotiating FTA's, particularly with the United States.

A decade later, there is a huge gap between the promises and the reality of NAFTA. In the early nineties, NAFTA promoters asserted that the agreement would usher Mexico into the First World, leaving behind decades of intransigent poverty and underdevelopment.

NAFTA was negotiated over a decade ago. Since then, many countries in Latin America have seen the growth of civil society movements in opposition to the NAFTA trade model. The governments of several nations, notably Brazil, Venezuela, Argentina, and Uruguay, have criticized the model and urged modifications while emphasizing alternative forms of regional integration like Mercosur. The Free Trade Agreement of the Americas (FTAA) is at an impasse.

In this new context, has the United States changed its negotiating style or stance?

The answer, with few exceptions, is no. Instead of heeding this wave of opposition, the United States has dug into its trenches, and in economic policy those trenches are the bilateral trade agreements. From the FTAs, the U.S. government hopes to gain the strength to launch renewed trade offenses in broader multilateral organizations like the WTO and any eventual FTAA. Each NAFTA-style FTA signed not only locks the partner country into a series of pro-corporate measures but also sets a precedent for later negotiations.

This summer the U.S. Congress ratified the Central American Free Trade Agreement. The time it took to negotiate and ratify this agreement was much longer than what the Bush administration had anticipated. Some of the problems are illustrative of what's in store for future negotiations.

Popular protest broke out in most of the nations involved, led by farmers and labor organizations. The political costs for the governments involved are high. Just as the Bush administration was forced to delay ratification in the U.S. Congress due to lack of votes, Central American governments fear ratification will meet with major opposition in their legislatures and in the streets. In Guatemala, the CAFTA debate took a life when a demonstrator against ratification was killed by police. Nicaragua, the Dominican Republic, and Costa Rica still have not ratified, and the Costa Rican president is said to be waiting out his term to pass the hot potato on to his successor. Demonstrations against the incorporation of the telecommunications sector in that normally docile country nearly caused Costa Rica to pull out of the agreement.

In the Andean countries, the situation is even worse. Bolivia is out of the picture because a showdown over the Andean Free Trade Agreement (AFTA) could easily cause the fall of yet another government, caught between the dictums of the economic model and the anger of a people fed up with empty promises. Venezuela under the U.S. nemesis, Hugo Chavez, has denounced all prospects of an FTA with the United States. Both Ecuador and Peru face possible referendums on the issue in their countries and may be barred from participating anyway by the United States, which—acting openly as a corporate advocate rather than a government—has premised their participation on resolution of several cases of investor claims by major U.S. transnationals.

In both CAFTA and AFTA, rather than take a conciliatory stance faced with the probable negative and destabilizing impacts of the agreements, U.S. negotiators have played



hardball. First, they threatened to withdraw or not renew the current trade preferences these countries enjoy—under the Andean pact for Trade Promotion and Drug Eradication in the Andean case and the Caribbean Basin Initiative and others in Central America. Since many industries had already oriented production toward markets assured under these measures, the threat had real weight. Even government officials have complained that in effect the FTA process means that these nations are forced to concede in non-trade areas such as intellectual property and investor protection only to assure the market access they already have.

Negotiating teams in several countries have complained that the United States gives little and asks a lot. Rice has been particularly sticky. The Central American agreement allows ten years for tariff free entry but farmers argue that time is not the problem—U.S. subsidies make it impossible to compete, ever. Andean countries are being pressured to increase their quotas for U.S. rice although a study by the Latin American Economic commission recommends the total exclusion of rice from the agreement be considered due to the pivotal role of rice as a source of food and employment.

Laura Carlsen directs the Americas Program of the International Relations Center, online at www.irc-online.org.

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