Timely Demise for Free Trade Area of the Americas

By Laura Carlsen | November 23, 2005

The stage was set for a showdown. When the Bush cabinet announced intentions to revive the moribund Free Trade Area of the Americas at the Fourth Summit of the Americas in Mar del Plata, the countries of the Southern Common Market closed ranks to prevent it. What followed was a diplomatic melee that reflects not so much divisions within Latin America, as a growing resistance to the current free trade model throughout the developing world.

The November summit was officially billed as a forum to discuss employment, and the issue of creation of a Free Trade Area of the Americas was not even on the agenda. However, well before landing in the Argentine beach town the Bush administration made clear its intentions to leave with a specific commitment to restart negotiations.

The U.S. government was determined to come out of the meeting with a revitalized FTAA because the administration feared that if the negotiations were left to languish, momentum could be lost for the initiative at a crucial time. The FTAA was first launched by George W. Bush's father, but after ten years of inconclusive talks and significant differences between the countries, the goal of a hemisphere-wide NAFTA remained elusive.

Since the FTAA meeting in November of 2003, when the two co-chairs United States and Brazil failed to agree on a basic model, substantive talks have been suspended completely. Against the backdrop of the upcoming December meeting of the World Trade Organization in Hong Kong, where disagreements similar to those that have held back the FTAA will be prominent, the United States wanted a formal statement of common purpose from its own hemisphere.

Official photo of the IV Summit of the Americas in Mar del Plata, Argentina, November 4-5, 2005. Photo: OAS

The administration has also presented its pro-business trade strategy as an essential pillar for democratization and freedom in developing countries. Latin America has been moving to the center-left recently and upcoming elections point to an even further shift left. Venezuela's Hugo Chavez has become a lightning rod in the region for criticism of the Bush government, which flared after the invasion of Iraq. In this context, Washington hoped for a clear affirmation of loyalties among nations of the Americas.

These hopes were dashed in Mar del Plata. Despite the efforts of Mexico's President Vicente Fox to push through a commitment to FTAA talks, the 34 nations represented in the Organization of American States (OAS) failed to reach a consensus on renewed negotiations due to the firm resistance of the four nations of the Mercosur and Venezuela.

Given the impasse, in a last-ditch diplomatic move worked out after several presidents including Bush had already left the Summit, paragraph 19 of the final declaration split into two positions.

Twenty nine countries stood behind the resolution that they would "remain committed to the achievement of a balanced and comprehensive FTAA Agreement that aims at expanding trade flows ...” These nations resolved to “instruct our officials responsible for trade negotiations to resume their meetings, during 2006, to examine the difficulties in the FTAA process, in order to overcome them and advance the negotiations within the framework adopted in Miami in November 2003.”

The second position, put forth by the four nations of Mercosur—Brazil, Argentina, Paraguay, and Uruguay—plus Venezuela, states: “Other member states maintain that the necessary conditions are not yet in place for achieving a balanced and equitable free trade agreement with effective access to markets free from subsidies and trade-distorting practices, and that takes into account the needs and sensitivities of all partners, as well as the differences in the levels of development and size of the economies.”

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Mercosur’s Position

The nations of the Mercosur took a stand against renewing FTAA talks to declare their opposition to free trade agreements along the NAFTA model that do not take into account the needs of developing countries while locking in competitive advantages for developed nations. Since the WTO meeting in Cancun in 2003 the focal point for Brazil has been the question of agricultural subsidies. Brazil has called for elimination of all agricultural export subsidies in the United States and the European Union and a schedule for review and elimination of trade-distorting domestic subsidies. The United States has made it clear that it will not enter into a discussion of its agricultural subsidies in the FTAA, so Mercosur refused to agree to further negotiations.

Agricultural subsidies are not the only bone of contention. Other issues have also impeded progress and caused Mercosur members to question the long-term value of the FTAA. While the United States demands almost unhampered access to Latin American countries’ markets, it maintains protectionist barriers in many of the same products exported by their countries, including sugar and textiles. Unrestricted U.S. imports could destroy poor country sectors currently serving the domestic market. Intellectual property and the resulting barriers to access to life-saving medicines, government purchases, and investor guarantees are other areas that have been sticking points in negotiations and that are extremely sensitive to developing nations.

Both Brazil and Argentina announced before the summit that they did not want to discuss FTAA prior to the World Trade Organization meetings in December. Brazil, in particular, prefers the WTO for trade negotiations because there it can leverage the power it has built up since leading the still-strong Group of 20 developing countries at the WTO ministerial in Cancun in 2003. Alliances with emerging economies of India, China, Africa, and Latin America gives Brazilian trade negotiators a far broader base to confront the United States and the European Union on subsidies. As it plans to stage its battle at the WTO, Brazil did not want its hands tied by a commitment to an FTAA.

Dead, Dying, or Reincarnated?

Many analysts on both the right and the left have insisted in the FTAA post mortem that the patient is not dead.

At a time when the Bush administration is encountering serious problems—from the illegal exposure of a CIA agent to mounting opposition to the war—the last thing needed was to present Mar del Plata as a defeat. Although Sec. of State Condoleezza Rice was visibly upset at the refusal to commit to FTAA, the official U.S. press statement on the summit stressed agreement on a number of specific U.S. proposals and did not even mention the FTAA setback.

Despite Summit events, proponents cite the advance of bilateral free trade agreements as evidence that U.S. free trade strategy is still alive and kicking in Latin America. The model defined by NAFTA in 1992 continues to be the template for a growing number of free trade agreements. Central American nations and the Dominican Republic have entered into a free trade agreement (CAFTA-DR) and the Andean nations are now in the fourteenth round of difficult negotiations. Chile signed the U.S.-Chile FTA two years ago.

They also point out that in Mar del Plata 29 countries called for FTAA talks in 2006, and only five cited a lack of adequate conditions for negotiations. But the numbers argument is fallacious and masks hard realities. Calling for renewed talks is a far cry from agreeing with the FTAA model promoted by the United States and its free trade partners. In fact, many of the countries who called for talks to begin have had serious problems within there own bilateral negotiations due to differing views and a perceived U.S. intransigency. Even Panama, whose government presented the text to continue negotiating the FTAA, has been at an impasse in bilateral FTA talks with the United States since January of 2005. The sticking point is agriculture again—the demand of small Panamanian farmers to protect their internal markets from import surges in basic staple crops. Although this point is extremely important to the many smaller, largely rural-based economies of the continent, the United States has shown little flexibility.

Caribbean countries have also expressed major differences with the free trade model as expressed in the FTAA in other forums. The Caribbean Community (Caricom) has been concentrating its efforts on the World Trade Organization where it has received severe blows lately in banana and sugar rulings. In response, many of its leaders have formulated demands to take into account developing countries' needs through exemptions and compensations that would go against the terms of a NAFTA-style FTAA. Tens of thousands of protestors against CAFTA and AFTA have filled the streets in Costa Rica and Ecuador, and if Evo Morales wins the presidency in Bolivia's December elections, neither FTAA nor AFTA will have a prayer in that country.

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The defeat of prospects for a hemisphere-wide agreement deals a heavy blow to Washington's commercial strategy in the region. Since its inception in 1994, the FTAA has constituted the most ambitious forum for imposing a very specific model of free trade, dictated by U.S. interests and those of its transnational companies. Meanwhile, Latin American countries have expanded integration with Europe, and China has made major inroads into the region. What appeared a consensus among nations ten years ago has now become a focal point for deep-seated differences in perspectives on development and integration.

The death of the FTAA opens up room for the nations of the region to explore alternatives to a model that has lost support both among governments and civil society. Diversified trade, increased regional agreements, democratization, and policies oriented toward national development should be the guides along the new route.

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