

U.S. Trade Sanctions Seek to Pressure Latin America

By Ariela Ruiz Caro | August 22, 2006

The U.S. government's announcement that it will review the possibility of limiting, suspending, or withdrawing trade preferences under the General System of Preferences (GSP) to three Latin American countries—Argentina, Brazil, and Venezuela—is political pressure to make these nations participate in the model of regional integration proposed by the United States.

The GSP is a mechanism through which developed countries (especially the United States, the European Union, and Japan) offer preferential access to their markets to products from underdeveloped countries, through exemption from tariffs and customs fees. This preferential and unilateral treatment from industrialized nations, delivered for more than three decades, has been used often as an instrument of political intimidation toward the beneficiary countries.

The recent failure of multilateral negotiations in the World Trade Organization (WTO), and the recognition by industrialized countries that they will only be able to impose a trade system based on their requirements if it is built through bilateral agreements, has led some countries that give preferences to threaten to withdraw them. Specifically, the United States has announced it will carry out a review to determine whether to continue to offer the preferences to twelve countries, among them, the three Latin American nations mentioned.

The justification for this review is ostensibly to improve the distribution of duty exemptions, as the U.S. Congress has requested in order to renew the program, which runs out at the end of this year. But this change in rules has been interpreted by some of the Latin American governments cited as a threat in retaliation for their stand against the Free Trade Area of the Americas (FTAA) proposed by the United States at the recent presidential summit of the Americas held in Mar del Plata in November of 2005, and the resistance of the G-20 to accept the U.S. and European Union proposals in the WTO.

President Kirchner immediately declared that Argentina is a sovereign nation and that an eventual U.S. suspension of trade preferences responds to “sanctions

reminiscent of the old theories of the Roman Empire toward countries that didn't agree with its policies.”

The United States is pressing hard to consolidate an economic system that it has not been able to achieve within the WTO. To that end, a fundamental part of its strategy consists of sabotaging the advance of multilateral negotiations in this sphere and blaming their failure on the “stubbornness” of underdeveloped countries that “demand an end to agricultural subsidies, but refuse to open their markets to services, government purchases, and industrial products ...” The United States has also threatened to eliminate tariff preferences, which it unilaterally conceded before for political ends or to promote the exports of less-developed countries, if nations don't accept implementation of legal reforms in several areas of the economy that affect the institutional composition of the nations that submit to them.

In South America, Chile has been the best follower of this strategy of the U.S. government. The surprising decision of President Alan Garcia of Peru to go to Washington in October to promote the signing of the FTA in the U.S. Congress now indicates the configuration with Colombia of a “Pacific Axis.” Here Ecuador continues to be the wild card. The incorporation of Chile as an associate of the Andean Community (the same status that it has in the Mercosur) facilitates U.S. policy in the region and weakens the capacity for joint South American negotiations. With these characteristics, Bolivia no longer has much affinity with the Andean Community block.

The position of the Andean countries lends important support to U.S. government pressures for the smaller nations of the Mercosur to sign FTAs. This is the case of Uruguay and to a lesser degree Paraguay. In the first country, negotiations are taking place behind closed



doors and the government of the Broad Front (Frente Amplio) only recently admitted, following declarations by U.S. officials, that indeed it was negotiating a “classic” FTA and not just broadening access to the U.S. market as it had previously declared.

The positions of the “Pacific Axis,” although adorned with the rhetoric of diplomatic language, facilitate the configuration of the kind of economic system and model of regional integration that Washington promotes.

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