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Latin America

# FTAA - illusion and reality

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**The Free Trade Area of the Americas (FTAA) is a strategic project of the United States which seeks to consolidate its domination of the region through new mechanisms of trade penetration, greater control over investment and refined forms of supervision of financial flows.**

The implementation of this project has accelerated abruptly in recent months because of three conjunctural needs of the great power; to attenuate the effects of the imminent economic recession, halt the European advance into the zone and strengthen the region's military alliances given the deterioration of a number of Latin American political regimes.

The FTAA began to be sketched out 7 years ago but remained on paper until 1998. The initiative has gained a new momentum under the Bush presidency. The immediate motivation of the US is the search for a foreign trade boost given the slowing up of its economy. Unlike Europe and Asia, the region is a niche for the exports of US companies, which could increase their sales considerably if the dollar begins to fall in value in the coming period. [\[1\]](#)

The FTAA is intended to restrain European competition by hindering the negotiation of other free trade agreements, particularly that proposed by Spain at the Iberian-American summits. Faced with this challenge the 500 US corporations with the closest links to Latin America have exerted pressure to speed up the FTAA.

The negotiations, initially secret, have passed into the public domain and have met with strong opposition inside the US from the non-internationalised sectors of industry. Their representatives in Congress did not grant President Clinton (nor, so far, President Bush) the "fast track" required to sign the agreement without delay.

The political-military pressures to sign the FTAA are less visible, but more decisive. For some years there has been an escalation of popular revolts, rural and urban, with a high level of organization and clear social demands, in several Latin American countries.

These movements have accentuated the erosion of the various political systems, which have lost legitimacy because of their incapacity to respond to popular demands. This loss of credibility on the part of the regimes has led to the interruption of presidential terms (Peru), disintegration of governments (Ecuador), the collapse of states (Colombia) and the break-up of traditional parties (Venezuela, Mexico).

To preserve stability faced with these convulsions is a priority for the US government, which identifies this crisis with the weakening of its responsibility for continental security.

Through the FTAA, Washington hopes to strengthen its covert military intervention in Colombia, regional rearmament linked to the war on drugs, war exercises like that at Vieques in Puerto Rico and diplomatic pressure on the Latin-American countries to apply sanctions against the countries demonised by the state department (Cuba, Iraq, Libya, North Korea).

The US hopes to deactivate Brazil's independent nuclear development and that of Argentina and hope to generalize this to the international level, to advance the project of the antimissile shield.

# The old neo-liberal arguments

Nobody doubts that the FTAA is a hegemonic project of the US. Indeed, after a decade of neo-liberal primacy there are those who idealize this domination. If it is traditionally the case that the supremacy of a great power becomes the object of immediate criticism and accusations of imperialism and colonialism, in our days we hear arguments favourable to this domination.

Anthropological, geographical, or racial justifications are invoked by those who claim the FTAA will serve as a counterweight to the absence of a spirit of enterprise among Latin Americans. They predict that if the region misses the chance to fall in behind US leadership it cannot escape its destiny of poverty and decadence. [2]

The last decade of economic and social regression hardly bears out this argument, however. The four big disequilibria that the region has encountered in this period - foreign debt, export specialization, unequal exchange and the contraction of purchasing power - are not the consequence of a distancing from the US but on the contrary the expression of closer relations of subordination to this power. Economic crises in the region are not due to endemic defects among Latin Americans but rather to an increasing dependent insertion of the zone in the world market. [3]

Other analysts claim that we will never emerge from underdevelopment through internal markets and say that the FTAA will help improve our export performance and favour the region's entry into the world's biggest market. [4]

But what are the symptoms of exhaustion of internal markets? The opulence of the purchasing power and levels of consumption of the population? Moreover, how will Latin American products penetrate the most competitive and demanding market of the world? How will the yawning differences in productivity which have frustrated this entry until now be overcome?

Each of these questions throws doubt on the naïve belief in a regional takeoff supported by the FTAA. Indeed, the opinion formers do not assess their illusions against the real course of events; they only reiterate their confidence in the growth of exports and the flow of investments.

Some backers of the FTAA are also partisans of dollarisation, even if they do not seek support for their argument from the economies of Central America who have adopted this policy (Guatemala, El Salvador). They also ignore the fact that in Ecuador this orientation has been implemented as an emergency measure owing to financial collapse.

The only country which has experimented with dollarisation over a prolonged period (Panama) can hardly be cited as a model of eradication of poverty and unemployment. In recent years this country has suffered - like any other regional debtor - no less than 17 IMF stabilization programmes. [5]

Although dollarisation is associated with the FTAA project, it is not a precondition for it, notably because inside the US government there are strong divergences on the pertinence of this choice. Up until now Latin American nations who have renounced control over their currencies have not gained any commitment from the Federal Reserve to act as lender of last resort in the event of banking crises.

If the impact of this asymmetry can be tolerable in smaller economies that are commercially integrated with the US, for Argentina or Mexico an inequality of this order would have devastating consequences.

For the moment, the US interest in the FTAA is above all commercial and not subject to the advance of dollarisation.

Like any ruling class initiative, the launch of the FTAA has been surrounded by a big marketing operation peddling fantasies reminiscent of those that accompanied the privatisation plans of the 1990s. As always with neo-liberalism, the benefits are a promise for the future, while the sacrifices demanded are immediate.

## Areas of concession

In the area of services, US corporations are looking for entry into the insurance, teaching and health markets. These are particularly profitable activities because the upper middle class of the region tends to use the private sector given the debacle of public services.

In the area of investment, a law is being debated which would give foreign companies the right to appeal to international tribunals with greater powers than national legal systems. Such regimes are already in force for NAFTA and have upheld the claims of various US companies against Canada and Mexico. [6]

On the level of public sector purchasing, the talk is of eliminating the mechanisms of preferential purchasing of goods from local suppliers. In the construction sector especially, US consortiums could beat any competitor without comparable access to international credit. [7]

US negotiators are also seeking a total customs opening of Latin American economies without accepting any concomitant dismantling of their own discriminatory system.

Agriculture is the key sector of the agreement, because while proceeding with the destruction of the regulations protecting small Latin American peasants, the agro-business corporations do not intend to practice free competition in the US itself.

US trade secretary D. Evans has said that agricultural subsidies of around \$97,000 million a year in the US are not part of the FTAA discussions. [8] This decision does not depend moreover on negotiations with Latin America but rather on discussion with the EU to reduce subsidies equivalent. Already some estimates predict the outcome of this agreement for Argentina will be a growth of 30-35% in imports and a reduction de 4% in exports. [9]

The FTAA will revise intellectual property rights in favour of US high tech sectors. A first casualty will be Brazil's anti-AIDS programme which saves lives and cares for the sick but does not satisfy the lucrative demands of the international laboratories.

Finally, the FTAA authorizes the US to continue to violate environmental protection treaties. The NAFTA has converted various frontier zones of Mexico into toxic dumps and an estimated 40% of the forests in the state of Guerrero have been destroyed because of pollution. [10]

The FTAA will also lead to greater wage flexibility on the model of the Mexican maquiladoras. There is no doubt that the FTAA will favour the dependence of the regional economic cycle on the evolution of US GDP which will accentuate the vulnerability of productive activity of the region.

## The defeat of Mercosur

In its current form, the FTAA implies the disappearance of Mercosur, because this sub-regional customs union cannot subsist inside a general free trade zone. For the US corporations Mercosur constitutes an area of dispute with their European rivals and an obsolete framework for the protection of their activities, with custom rights and national or regional subsidies. The US intention to destroy Mercosur is clearly expressed in the proposals for bilateral accords with Chile, recently extended to Argentina. In fact, the situation of the two countries is very different, because Chile has a narrow manufacturing base and has developed a complementary trade with the EU in mining, fruit and forest products. Argentina still has a certain industrial development of its own, which would be killed off by the FTAA. [11]

There is no doubt that the heavy US artillery is targeting Brazil, which has the most appetizing market and the most autonomous industrial complex in relation to the US corporations. Unlike other nations, Brazil cannot accommodate itself to the FTAA without renouncing the positions it has won on all markets. Thus its government seeks to slow down the coming into force of the treaty and envisages a strategic alliance with Venezuela. These centrifugal pressures sharpen the internal tendencies towards disintegration of Mercosur. On its 10th anniversary, the weakening of this association is recognized by all its backers. [12]

It has not been able to advance to the formation of a single currency, nor towards the setting up of regional political and legal institutions. The customs accords will not be realized either, because the common customs system has never succeeded in establishing itself, no body for settling conflicts has been created and divergences on the subject of subsidies and systems of governmental purchasing have not been resolved. Indeed, these divergences are deepening with the reaction of each country to its debt crisis. While Brazil has opted to devalue the real and increase tariffs, Argentina has gambled on convertibility and greater openness.

The range of economists and political personalities [13] which continues to propose entry to the FTAA after Mercosur have not explained how the former could succeed if after a decade there has been no success in realizing much more elementary accords in the framework of the latter.

## Another possible world

Unlike the European Community the FTAA is not about creating homogeneous zones: no backward countries will be brought closer to the motor economy of the accord. There is no provision for budget transfers from North to South and the gulf in living standards which separates all Latin American countries from the US will remain.

The cause of the differences between the European Community and the FTAA is obvious: the first association is projected as a dominant bloc intended to challenge the US while the second is an instrument of US domination intended to fight this battle.

Thus, it is very pertinent to characterize this initiative as an imperialist project aimed at recolonising Latin America. If this process happens, the nature of the regional bourgeoisie will change completely and the current discussion around its nature - dependent or trans-national - will be settled. [14]

The inability of the dominant class in Latin America to realize its own project of integration is obvious. The Andean and Central American pacts will meet the same defeat as Mercosur now.

If in the 20th century the regional bourgeoisies were unable to develop the program of Bolivar, now they have lost all interest in this objective because their degree of association with metropolitan capital is substantially greater.

The 10 years of Mercosur were also marked by unprecedented attacks on the living conditions of workers. Instead of common labour regulations and measures of protection of wages, the countries involved developed greater labour flexibility and unemployment.

This experience allows us to conclude that a genuine project of integration of the peoples should start from other principles. First, it should be founded on the satisfaction of fundamental demands like an increased minimum wage, unemployment benefit and free education and health.

The coordination of policies to reach these objectives should encourage solidarity and not competitiveness, encourage stability of work and not mobility of capital, promote higher standards of living and not the efficiency of trade.

Second, there is no real integration without the removal of the foreign debt as obstacle to sustained development - as shown by the Mexican crisis of 1995, the Brazilian crisis of 1998 and Argentina in 2000-2001.

Finally, integration should have the perspective of a process of socialist transformation, because capitalism is an insurmountable obstacle to overcoming the peripheral status of the countries of the region.

There is a link between the old dream of Latin American unity and the establishment of new forms of property and collective management of the economy.

The debate on these proposals takes place in the new political climate created by the protests against globalisation. The negotiators of the FTAA have already directly faced this hostility in the streets of Buenos Aires and Quebec.

The novelty is that a large number of demonstrators no longer limit themselves to saying that another world is possible, they are defining the nature of this desirable universe and explaining how to get there.

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[1] See Luis Bilbao, "Democracia amurallada", Le Monde Diplomatique (Argentine edition) May 2001, Buenos Aires.

[2] See Andres Oppenheimer: "Geografia y cultura: factores de progreso?", La Nacion, August 1, 2000, Buenos Aires; "La posible particion de las Americas", La Nacion, August 6, 2000; and "Que se espera para America Latina", La Nacion, January 2, 2001.

[3] See Claudio Katz, "[New Economic Turbulences](#)", IV 331, May 2001.

[4] Mariano Grondona, "America Latina: se salvara con el ALCA?", La Nacion, April 12, 2001.

[5] Sebastian Edwards, "El dolar no es la cura magica", Clarin May 13, 2001, Buenos Aires.

[6] Maude Barlow, "Zone de libre-echange et menace pour les programmes sociaux", Le Conseil des Canadiens, 2001, <<http://www.canadians.org>>.

[7] IDEP, "Los capitales unicos ciudadanos del ALCA" in Nosotros-ATE, March 2001, Buenos Aires.

[8] Quoted in Pagina 12, April 10, 2001, Buenos Aires.

[9] Eduardo Lucita, "ALCA un proyecto hegemónico", Realidad Económica number 178, March 2, 2001.

[10] Document of the Comité Argentino contra el ALCA, March 2001, Buenos Aires.

[11] Argentina's definitive position is a mystery, because the country is on the verge of the cessation of payment and a possible deflationary collapse. Until this chaos is overcome the government will not decide in favour of Mercosur or the FTAA. In the current crisis means are adopted which seem to lean towards one or other of these options, but in reality these are improvised means without any clear objective.

[12] See Roberto Bouzas, "El bloque puede desaparecer", Página 12, April 12, 2001.

[13] Marcela Bordenave, "Mercosur o ALCA", Página 12, April 10, 2001; and Alieto Guadagni, 'El ALCA desde el Mercosur', La Nación, March 29, 2001.

[14] James Petras suggests that this change has already happened. See Rebellion, March 17, 2001, and Página 12, May 13, 2001.