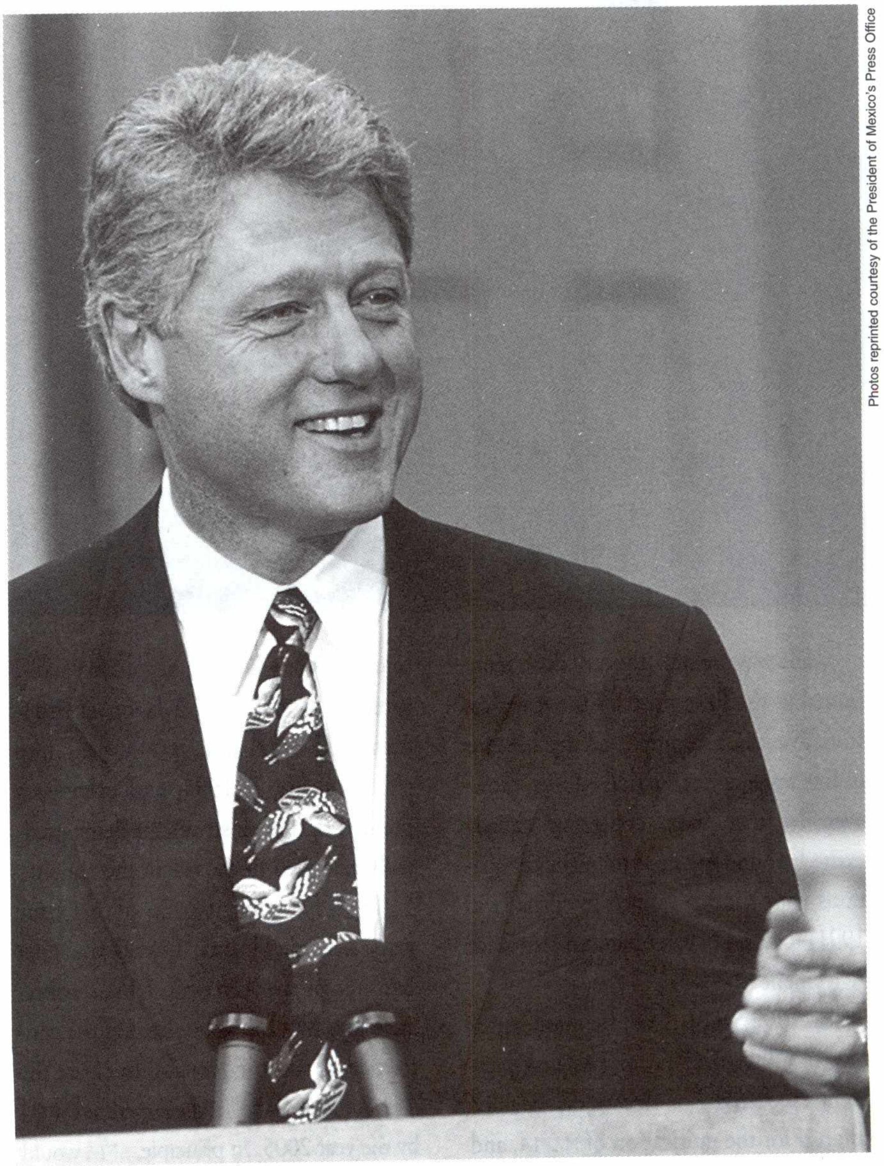
U.S. Trade Policy
At the Second Summit of the Americas

*María Cristina Rosas**

The Second Summit of the Americas will be held April 18 and 19 in Santiago, Chile. Thirty-four heads of state or chief executives from the Western Hemisphere will meet with the aim of hastening the creation of a free trade area from Alaska to Tierra del Fuego, ostensibly to begin operating in the year 2005. The negotiations process began in 1990 when then-President George Bush proposed the Enterprise for the Americas Initiative, as Latin America was emerging from the so-called "lost decade" of the 1980s. Bush's proposal included three basic items: debt reduction, investment and free trade. It should be pointed out that the fundamental aim of the proposal was to reactivate Latin American economies in the framework of the stagnation of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Faced with that, Washington opted for regionalization, as could already be seen in the 1985 Accord for the Establishment of a Free Trade Area between the United States and Israel.



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Chile was the only country Bush mentioned in the Enterprise for the Americas Initiative as an example of the benefits of free trade and structural reform. However, by that time, consensus already existed around the need to begin negotiations with Mexico (joined by Canada in 1991) to sign a North American Free Trade Agreement (NAFTA).

In 1992, Bush lost the presidential race to William Clinton. The new president, a partisan of free trade, decided to push for the ratification of NAFTA, and to do so, was willing to negotiate parallel agreements basically on labor, environment and safeguards. NAFTA went into effect January 1, 1994, and everything pointed to these instruments being gradually extended to the rest of the region.

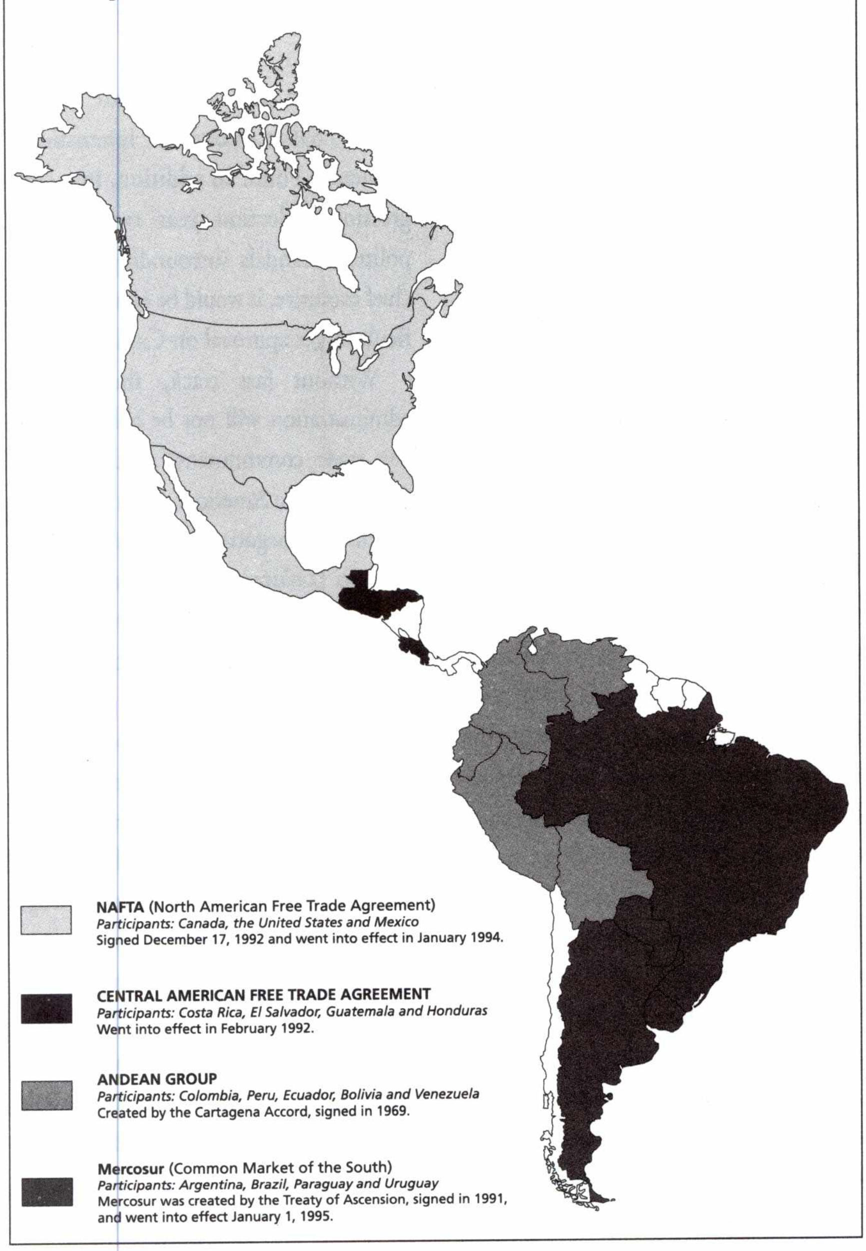
From December 9 to 11 of that same year, Miami, Florida, hosted the First Summit of the Americas. Chile's adherence to NAFTA was announced at the conference, as was the proposal to create the Area for Free Trade for the Americas (AFTA) by the year 2005. In principle, AFTA would include practically all the economies of the hemisphere (34 countries in all), with the notable absence of Cuba.

In June 1995, in the framework of the First AFTA Ministerial Meeting in Denver, seven working groups were set up to deal with market access; customs procedures and rules of origin; investment; norms and technical barriers to trade; sanitary and phytosanitary measures; subsidies, anti-dumping and compensatory rights; and smaller economies.

In March 1996, AFTA's Second Ministerial Meeting was held in Cartagena de Indias, Colombia. At that meeting, four new working groups were set up (government acquisitions; intellectual property rights; services; and competition policies). The meeting also named coordinators for each working group: El Salvador heads market access; Bolivia, customs procedures and rules of origin; Costa Rica, investment; Canada, norms and technical barriers to trade; Mexico, sanitary and phytosanitary measures; Argentina, subsidies, anti-dumping and compensatory rights; Jamaica, smaller economies; the United States, government acquisitions; Honduras, intellectual property rights; Chile, services; and Peru, competition policies.

However, at the Cartagena de Indias meeting, open differences between Brazil and the United States emerged on hemisphere-wide free trade. For that reason, the Third Ministerial Meeting was slated for Belo Horizonte. So, in May 1997, Brazil hosted a tense debate in which Washington's opposition to the Southern Cone Common Market (Mercosur), based on its opinion that its objectives are incompatible with AFTA, became very clear. This made Belo Horizonte the scene of the near collapse of the U.S. hemispheric model,

Major Trade Agreements in Effect in the Americas



put in question by the differences of opinion with the Brazilian government.

At the end of June and the beginning of July of that year, the Washington-Brasilia confrontation was very noticeable at the Third World Bank Conference on Development in Latin America and the Caribbean held in Montevideo. Several World Bank analysts, as well as U.S. academics, accused Mercosur of diverting trade to the detriment of the United States, arguing that, according to their sources, trade within Mercosur was growing more rapidly than trade between Mercosur countries and the rest of the world. More objective analyses presented by officials of the World Trade Organization showed, in contrast, that while it was true that trade among Brazil, Argentina, Uruguay and Paraguay had grown significantly, their trade with countries outside the Rio de la Plata basin had increased even more.

The United States' criticisms were apparently sparked by declarations that Brazilian President Fernando Henrique Cardoso had made about the future of AFTA. Cardoso went so far as to suggest that his country was not interested in participating in the design of AFTA since the Mercosur had a different dynamic and other objectives. Naturally, the Clinton administration, which, through its spokesperson Secretary of State Madeleine Albright had stated that free trade in the Western Hemisphere is of central importance to Washington and an essential part of its government policy, was not pleased by Cardoso's criticisms. Since Brazil is the hemisphere's third economy in size, surpassed only by the United States and Canada, its participation in AFTA is considered a necessity. Therefore, at the end of 1997, when President Clinton made his first visit to South America since taking office, he visited Venezuela, Argentina and, naturally, Brazil.

Although, of course, the Summit of the Americas' main agenda does consist of taking the necessary steps to establish a vast free trade zone in the Western Hemisphere, it is not only part of a plan to liberalize trade. It also has other aims, such as inter-American cooperation in the following spheres: strengthening democracy; human rights; social welfare; cultural values; the fight against corruption; the struggle against drugs and the criminal activity surrounding drug trafficking; mutual security questions; liberalization of capital markets; hemispheric infrastructure; cooperation on energy questions; telecommunications; science and technology; tourism; access to education without discrimination; provision of health services; women in society; micro-companies; the special troops known as the "white helmets"; sustainable use of fuels; preservation of biodiversity; environmental cooperation; and sustainable development.

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This very heavy agenda gives the Summit of the Americas special significance which transcends the specific sphere of trade. Specialists of the Latin American Association for Integration (ALADI) and the governments of the Mercosur countries (visibly Brazil) argue that there are important differences between fostering access to markets and promoting Latin American integration, with the understanding that AFTA would favor the former, while Mercosur, following the ALADI lead, would seek the latter. However, the Summit of the Americas is, in fact, proposing and fostering a new relationship between the United States and the rest of the Western Hemisphere on the eve of the twenty-first century.

The success or failure of the Summit of the Americas will depend on the advances or reverses the AFTA project has suffered by the year 2005. In that sense, there has already been an important delay, not only because of Brazil's position, but because of the way U.S. foreign trade policy is shaping up around these questions.

For AFTA to become a reality, the U.S. president needs "fast-track" authorization from the U.S. Congress, which would allow him to negotiate trade agreements with other countries of the world. Once treaty negotiations have finished, the accord is presented to Congress, which can only pass or vote down the proposal, without making any changes in it. Fast track was created to make it possible for the United States to carry out negotiations with its trade partners without Congress being able to change the terms of the agreements, which could take decades to decide.

The 1985 Agreement for the Establishment of a Free Trade Area Between the United States and Israel, the 1989 Canada-U.S. Free Trade Agreement and NAFTA (1994) were negotiated with fast-track authorization. However, free trade with Mexico sparked such intense debate in the United States around questions of whether it was advisable or not to sign important commitments with a country so unlike the U.S., that subsequent attempts by the Clinton administration to get fast-track authorization have had to be postponed.

In fact, last January 28 it became public that the White House had decided to indefinitely postpone its fast-track request given that it considered other topics on Washington's international agenda requiring congressional support more important. High-ranking Clinton administration officials have stated that the fast track will not be an important priority in 1998; de facto, this means a step backward with regard to the goals stipulated at the First Summit of the Americas and in making AFTA a reality. Apparently, President Clinton is willing to sacrifice fast-track authorization in exchange for Congress giving the go-ahead to broadening out the North Atlantic Treaty Organization; paying back contributions to the United Nations; and, of course, Asia's financial bail-out, an item to which Washington plans to dedicate around U.S.$18 billion through the International Monetary Fund. In addition, in a congressional election year replete with political scandals surrounding the U.S. chief executive, it would be even more difficult to get approval on Capitol Hill.

Without fast track, the Clinton administration will not be able to make any trade commitments at the Second Summit of the Americas, given that it will not have the negotiating authority it needs to do so. Looking more closely at the question, it is clear that U.S. foreign trade policy has shifted its international priorities. Suffice it to recall that the trade negotiations that led to major accords with Israel, Canada and Mexico took place in the context of the breakdown of the GATT's Uruguay Round, the deepening of European integration through both the 1987 European Union Act and the 1993 Treaty of Maastricht and the increasing U.S. trade deficit in the 1980s. At that time, Washington thought the bilateral free trade agreements would allow it to correct its trade deficit. With that same logic, it expected the multilateralism that had fostered GATT to fail at the Uruguay Round, which would then disappear, and that therefore the United States needed a bilateral alternative, at least with its main trade partners. Lastly, European integration seemed to be consolidating since, during the Uruguay Round, Spain, Portugal, Sweden, Austria and Finland became full members of the European Common Market; Washington, therefore, needed to strengthen its presence in its natural area of influence, the Western Hemisphere. This is how regionalism became one of the pillars of U.S. trade policy, and everything seemed to indicate that the accords with Canada and Mexico would be the model for creating AFTA.

Does this mean that the United States is reconsidering the regionalist option with regard to the Americas? To answer this question we have to take a look at the current trade situation. For starters, the predictions of the failure of the Uruguay Round were wrong, and the negotiations inside GATT not only culminated satisfactorily but the international community reached a consensus to create a replacement for GATT that would meet the needs of international trade at the end of the millennium: the World Trade Organization. On the other hand, European integration has not moved forward at the speed expected, and the application of the Treaties of Maastricht and Amsterdam has met with some obstacles. Finally, the agreements of selective trade liberalization that the United States signed with Israel, Mexico and Canada have not corrected the structural deficit in the U.S. trade balance. All this shows that given the new conditions of the world economy, the U.S. government may be emphasizing other resources in its foreign trade policy, such as unilateralism and multilateralism.

Latin America's relatively small specific weight —with the exception of Mexico— among U.S. trade partners should also be taken into account. Four countries top the list of U.S. trade partners: Canada, Mexico, Japan and the People's Republic of China, in that order. While for some Latin American countries the exchange of goods and services with the United States is important (like Venezuela, the Central American countries and Colombia), the Southern Cone countries have very diversified trade relations internationally, particularly among the members of Mercosur.

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The only Latin American country important to the U.S. economy is Mexico: it is said that a little over a million jobs in the United States depend directly on trade with Mexicans. We should not forget that a broad range of topics on the bilateral agenda —like the fight against drug trafficking, ecocide and undocumented migration— also put Mexico at the top of Washington's list of items to be taken care of, before any other Latin American nation. Otherwise, we would be unable to understand why Chile, a country Bush mentioned explicitly in his Enterprise for the Americas Initiative as the economic model for Latin America, still has no trade agreement with the United States, despite the fact that at the First Summit of the Americas Mexico, Washington and Ottawa came to a concrete agreement to make Chile the fourth NAFTA partner. Regardless of how well the Chilean economy has looked to Washington, in practice, even given the so-called Tequila Effect, Chile just does not have the economic and political significance of Mexico.

Ironically, the Second Summit of the Americas will be held in Santiago, headquarters for the United Nations' Economic Commission for Latin America and the Caribbean (ECLAC), which is celebrating its fiftieth anniversary. ECLAC was born 50 years ago despite U.S. opposition, to make Latin American integration possible. A few decades later, ECLAC was at the vanguard of international economic bodies as it made the development of dependency theory possible. Today, ECLAC has come under sharp criticism by reformer groups which suggest restructuring the U.N. The Commission on Global Governance has insisted on the need to eliminate ECLAC and the other U.N. regional commissions given that their functions could perfectly well be performed by other bodies. With regard to ECLAC, the idea is concretely that the ideal body to substitute it could be the Organization of American States (OAS), with support from AFTA in questions of trade. Of course, the OAS, which is also celebrating its fiftieth anniversary in 1998, is an institution which, in contrast with ECLAC, was born with U.S. blessings. Given this state of affairs, everything seems to point to the debate in Santiago de Chile next April dealing with something more than the creation of a hemisphere-wide trade zone. The community of interests between ECLAC and Mercosur will clearly be part of the agenda, and the debate over access to markets (Washington's priority) and genuine integration (broached by partisans of ECLAC and Mercosur) will give rise to a new confrontation which could be headed up by the United States and Brazil, given their foreign policy interests. However, given the priorities of the Clinton administration, everything seems to indicate that the U.S. chief executive will come to Santiago in a debilitated state, without even being able to offer the hope that the U.S. Congress will give him fast-track authority by the end of 1998. VM