

## FDCL Alert

### European Free Trade Onslaught in Latin America

#### **European Union endorses highly dangerous negotiation mandates for free trade areas with Central America and the Andean Community**

At the end of April of 2007, the European Council adopted highly dangerous mandates for the negotiation of so-called Association Agreements with Central America<sup>1</sup> and the Andean Community<sup>2</sup>. The negotiations will start in a few weeks. Main pillars of the proposed Association Agreements are free trade areas which aim at a radical dismantling of all trade barriers in both Latin American regions. The negotiation mandates reach far beyond the accords of the World Trade Organisation, by including investment liberalisation and the opening up of state purchases to the benefit of European corporations. Moreover, the EU is explicitly demanding market openings in the water, energy and transport sectors, thus pushing for the unhampered privatisation of essential basic services.

Drafts of both EU mandates were leaked and can be found on the website of the Argentine non-governmental organisation FOCO (Foro Ciudadano de Participacion por la Justicia y los Derechos Humanos): <http://www.inpade.org.ar/>

The following excerpts highlight some of the most critical elements of the European Union negotiation mandates.

#### **Neoliberal mainstreaming**

According to the EU draft mandates, the Association Agreements shall deal „comprehensively with all trade components, and be fully consistent with WTO rules and obligations“. They have to provide for „the progressive and reciprocal liberalisation of trade in goods and services“. Reciprocal liberalisation means, that Latin American countries have to implement the same level of market openings as the EU, irrespective of the huge economic gap between both sides. Accordingly, the mandates do not mention any „special and differential treatment“, thus ignoring the most basic demand of Southern governments to, at least, mitigate current asymmetries.<sup>3</sup>

Differentiations of Latin American countries' commitments to the EU „shall be limited to a minimum“. Therefore, in the case of the Andean Community, Bolivia or Ecuador would have to agree to the same level of market openings as Colombia. Similarly, in the Central American case, Nicaragua's liberalisations would have to be as far-reaching as those of

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<sup>1</sup> In Central America the EU negotiates with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

<sup>2</sup> Members of the Andean Community are Bolivia, Peru, Ecuador and Colombia.

<sup>3</sup> The mandates only mention the possibility that asymmetries “may be considered, where necessary”, for instance, by agreeing to „different timings for transitional periods“.

Panama. In other words, progressive governments in Bolivia or Ecuador shall be forced to follow the same path as their neoliberal counterparts in Colombia and elsewhere.

This tendency will also be reinforced by the demand for „parity“ with third countries. If an Andean or Central American country has signed a free trade accord with a third country, like, for instance, the United States, „*EU investors shall be granted at least parity with the treatment granted to investors and service suppliers of this third country*“. This demand is especially dangerous for Ecuador and Bolivia, because Colombia and Peru have recently signed bilateral trade agreements with the US. Since differentiations of Andean countries’ commitments to the EU „*shall be limited to a minimum*“, Colombian and Peruvian liberalisations would effectively extend to Bolivia and Ecuador as well.

## **Blackmailing Latin America**

The Association Agreements aim at the dismantling of all import duties over a period of time „*not exceeding 10 years*“. A so-called „*review clause*“ shall enable further market openings for products that haven’t been fully liberalised after the entry into force of the free trade areas. Through successive rounds of negotiations the EU wants to abolish all remaining barriers to trade. Consequently, Andean and Central American governments will lose any means to protect family farmers or local enterprises against highly competitive and often subsidised exports from the European Union.

Under the EU General System of Preferences (GSP) Andean and Central American countries enjoy preferential market access to the European Union for selected products. However, these preferences will be covered by the new free trade agreements and the Latin American beneficiaries „*shall be withdrawn*“ from the list of countries benefiting from the GSP. Thanks to this provision, the European Commission disposes of a very effective means of extortion. Governments that don’t agree with European demands risk losing their current preferences.

## **Attacking public goods**

In order to facilitate and protect European investment the mandates envisage „*frameworks for establishment*“ which will be based on principles of „*non-discrimination, market access*“ and on „*general principles of protection*“. Furthermore, the EU wants „*competition rules*“, which restrict „*anti-competitive behaviour*“ like, for instance, state aids for public utilities or other local enterprises. Fostering the grip of private capital on public services, the European Union demands a „*progressive liberalisation*“ of Latin American procurement markets, including „*public entities in the water, energy and transport sectors*“.

The European negotiation mandates constitute a neoliberal offensive against already weakened public services. Ignoring all the bad experiences with failed privatisations they run counter to the many efforts of regaining democratic control over public goods like water, energy or land. They undermine politics of redistribution of wealth, agrarian reforms or nationalisations of natural resources, that are underway in Bolivia, Ecuador or Nicaragua. It is particularly disturbing to see the EU reintroduce the so-called „*Singapore issues*“ of

investment, competition and procurement rules, which have already been rejected in the WTO. In this sense, the Association Agreements would represent very dangerous „WTO plus“ accords.

Finally, the European trade attack effectively undermines alternative approaches of regional integration like the Bolivarian Alternative for the Americas ALBA.<sup>4</sup> While ALBA rests on principles of solidarity and complementarity, the European Union is pushing for unfettered competition and reciprocal market openings to the detriment of Andean and Central American economies. Therefore, the neoliberal European offensive shouldn't be underestimated. Trade agreements with the European Union pose the same threats as the US accords with Central America, Colombia or Peru.

Thomas Fritz, FDCL, 16<sup>th</sup> of May 2007

Further information

[www.fdcl.org](http://www.fdcl.org)

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<sup>4</sup> For an analysis see: Fritz, Thomas, 2007: *ALBA contra ALCA, La Alternativa Bolivariana para las Américas: una nueva vía para la integración regional en Latinoamérica*. FDCL, Berlin.