

**Lula and Lagos**  
**Countries with links under APEC and MERCOSUR**

Hilda Sánchez

ICFTU ORIT

November 2004

At the end of August, the presidents of Chile and Brazil, Ricardo Lagos and Luis Ignacio Lula da Silva, signed a number of agreements in Santiago de Chile increasing Chile's access to the Brazilian agricultural and agro-industrial market, together with a memorandum of understanding aimed at promoting trade and investment (trade between the two countries is worth approximately 2,700 million US dollars). They also coordinated their approach to various foreign policy issues, e.g. Chile's support for Brazil's receiving a seat as a permanent member of the United Nations' Security Council (Chile has been a non-permanent member of that organisation since January 2003 and Brazil has had the same status since January this year), a joint assessment of the current situation in Haiti (where both countries have deployed forces) and progress on Brazil's proposal to combat world hunger and poverty (due to be presented in New York this September)<sup>1</sup>. With a view to Ecuador, the President of Brazil felt it was vital to bring together Mercosur and the Andean Community in order to form a "South American Community of Nations", thereby strengthening and enhancing the developing countries' position within an increasingly globalised world<sup>2</sup>.

---

<sup>1</sup> On 30 January 2004 in Geneva, the presidents of Brazil, Chile and France joined the UN Secretary-General in adopting a Declaration against Hunger and Poverty, aimed at exploring innovative ways of financing that campaign and implementing the UN Millennium Objectives. Spain subsequently signed up to this initiative following its change of government. A High-Level Group of Experts was set up charged with examining any such innovative mechanisms. The group has already met three times and prepared a final proposal for submission to the 4 governments, with a view to presenting the final document to a United Nations Session on 20 September. To take advantage of President Lagos' visit to the United Nations, a meeting was held with the permanent representatives at the UN in order to discuss this initiative; the meeting was also attended by representatives from the IMF and the World Bank.

<sup>2</sup> In his keynote speech on this in Chile, Lula repeated his call for regional integration based on MERCOSUR: "...we can maintain strong relations within Latin America on the basis of which we can have strengthened relations with the rest of the world ". The Mercosur full members are Argentina, Brazil, Uruguay and Paraguay, whilst Chile, Bolivia and Peru are observers. Mexico and Venezuela are making preparations to join. Lula insisted on the need for the countries in the region to help each other, providing the example of Brazil with Bolivia: he said a discussion was under way with the Bolivian government on the construction of a gas pipeline "since we need to build up economic growth in Bolivia". He also criticised some countries in the region that had not managed to repair or build new roads, to increase and modernise airports and provide enough ports, all of which were needed in combating globalisation and "in particular, integration".

In an international context in which globalisation has deepened inequalities in global power relations and in which problems with establishing a new international order have become evident, we need to pay due attention to this new framework for relations between countries of the Southern Cone, which has promoted a new capacity and willingness amongst states voluntarily to take decisions with others and to form a united front, based on coalitions or joint actions, in addressing situations and processes of both internal and external proportions.

This form of relations was first seen in the multilateral approach established at the 5<sup>th</sup> WTP Ministerial Meeting in Cancun in 2003, where China endorsed the positions adopted by Brazil and 11 other Latin American countries on the agricultural agenda and the Singapore Issues. Brazil became the leader and spokesperson of a coalition of developing countries, baptized the “G-20 plus” Group, which maintained that the joint European Union and United States proposal would significantly reduce the Doha objectives and compromise all the associated negotiations. The Group submitted an alternative proposal for the agricultural negotiations, which provided for an ambitious elimination of subsidies and different terms of access to markets for developed and developing countries<sup>3</sup>. The creation and continued existence of this group, despite the desertion by some of the 12 Latin American members that subsequently preferred to avoid compromising potential FTAs with the USA, has been seen in Brazil and Beijing as a triumph for the developing countries.

Neoliberal calls for an increasing reduction of states’ autonomy have been restricting their weight within the global power structure. However, the growing interaction, negotiation and active participation of Brazil, Argentina and Chile in the drafting of international rules and standards promoting global governance has appeared to be the most effective way of reducing such power disparities and resisting such practices. This has involved the active, committed and responsible participation of the states concerned in world affairs, coupled with the use of this regional strategy to strengthen their negotiating power with respect to the USA or the European Union. Although globalisation responds to changing technological and economic processes it can also be shaped through the adoption of clear political decisions.

Some circles are now arguing that in order to be successful the integration process needs to go beyond trade liberalisation and aim to establish a new paradigm of regional development based on coherent policies agreed by the countries involved in that process. The social assent and political will that would be required are limited within the current Mercosur approach to coordination or reduction of structural disparities, though these are not merely macro-economic and social issues but also political ones, since they depend on different states’ economic policy choices. However, a regional approach by those states could help build policies that promote growth and regional development on a more organic, sustainable and viable footing.

---

<sup>3</sup> The former G-22, led by Brazil, was a very mixed group, including both protectionist countries and advocates of free trade: Brazil, China, India, South Africa, Argentina, Bolivia, Colombia, Costa Rica, Ecuador, Guatemala, El Salvador, Venezuela, Mexico, Chile, Paraguay, Peru, Malaysia, Indonesia, the Philippines, Thailand, Cuba, Egypt and Pakistan. The group represents over 70% of the world’s rural population and over 50% of global food production.

Against that background the spotlight needs to be kept on Chile over the next few months, and on the preparatory meetings for the 12<sup>th</sup> Meeting of APEC Leaders<sup>4</sup>. That is for a number of reasons:

- Chile is the host (only the second one from Latin America following the Mexico Summit in 2002), as the American member with the closest trade links to Asian countries, with its exports to APEC countries amounting to 57% of its overall exports. As a result of the unilateral market opening (that dates back 20 years), multilateral negotiations and the intense bilateral and regional negotiations on opening since the early 1990s<sup>5</sup>, Chile now occupies 11<sup>th</sup> place in the rankings on international market opening, ahead of the USA, New Zealand, Taiwan or Spain (Cato Institute, Washington D.C).
- During the year APEC has become a key forum for exploring various multilateral strategies, particularly as regards: 1) the Declaration of APEC Trade Ministers, which supported the Doha Round and a strengthening of multilateralism (reiterating the compromise aimed at eliminating all forms of subsidies on agricultural exports, as confirmed by the leaders in Bangkok in October 2003, and reaching an ambitious agreement on access to the agricultural market that would allow all the partners safeguards on sensitive areas); 2) the APEC/OECD meeting, at which future forms of cooperation between the two forums were explored, together with the adoption of provisions on investment, since the majority of trade agreements that have been signed contain important rules on investment; 3) the forthcoming meeting of Finance Ministers, which will be attended by IMF Director-General De Rato and will address issues such as fiscal discipline and the development of institutions to combat the volatility of capital flows. The aim is to have well-regulated and fluid financial systems but a sensitive issue concerns where to draw the line between “regulatory measures a state may apply in any economic sector and state initiatives that might be regarded as indirect expropriation.” Other associated key factors are De Rato’s plans concerning Uruguay, Brazil and Argentina. Argentina’s default on its private debt and the possibility of its getting a new agreement with the IMF are being monitored by potential Spanish investors (following the announced postponement of the approval of the third revision of the 3-year credit agreement with the IMF, which is worth 13,300 million dollars). Despite the tough stance of the G-7, the US Treasury

---

<sup>4</sup> APEC was created in 1989 and represents over one third of the world’s population, approximately 60% of overall GDP and at least half of global commerce. That is because it brings together China, Japan and the member countries of the Association of South-East Asian Nations, ASEAN (Singapore, Malaysia, Thailand, the Philippines and Indonesia), with the United States, Australia, New Zealand, Canada and Russia, as well as the three Latin American members (Mexico, Peru and Chile).

<sup>5</sup> At the moment there are also fully-operational FTAs with Canada, Mexico, Central America and the European Union. An FTA is being negotiated with Bolivia and negotiations have been started up with New Zealand and Singapore. In addition, Chile is a member of Mercosur, APEC, the FTAA and the OECD. Based on the current trade agreements – according to official sources – the potential market for Chilean exports corresponds to some 858 million people. Once the agreements have been ratified with the USA, South Korea and EFTA that figure will rise to 1,189 million potential consumers of Chilean products (with the European Union accounting for 378 million, South Korea 47 million, the USA 272 million and EFTA 12 million).

and the IMF itself, which is insisting that Argentina make some adjustments that are pending, a recent IMF report stated that the banking crises suffered by some Latin American countries in the last decade had caused a “total reduction in the income and wealth” of the region’s inhabitants, and that the resulting costs had been higher than for similar events in developed nations. The frequency, severity and magnitude of these crises had, according to the report, led the IMF to remain concerned about the performance of the region, hence the firm nature of its policies.

- The incorporation of Chile in the APEC agenda this year and the proliferation of bilateral trade agreements and their impact on international progress on free trade have emphasised the complex task of establishing mechanisms for coordinating global trade and investment. President Lagos has stated that “*many countries are currently using the FTAs in order to liberalise their trade, and depending on the nature of such agreements they may have positive or negative effects for the Doha Round and for the implementation of the APEC Bogor Objectives*”. The political response of APEC to the potential distorting effect of the country of origin rules in various trade agreements will be contained in a “Good Practice Agreement” that will harmonise the FTAs with the WTO’s requirements that they be broad-ranging and non-discriminatory and contain mechanisms promoting cooperation and the solving of disputes.<sup>6</sup> The APEC Business Advisory Council (ABAC) wonders whether the 40 bilateral trade agreements between APEC member countries are indicative of the fragmentation of APEC’s bipolar nature: “*Both sides of the Atlantic are going their own ways, with the northern Asian nations forming a regional group based on ASEAN plus China, Japan and Korea, whilst North and South America are exploring a free trade agreement between themselves*”<sup>7</sup>.
- And lastly, because APEC is set to move forward and take on new members and issues. Meetings of the Forum’s so-called “comunidad académica” (think-tank) looked at the current moratorium on new members joining APEC and concluded that it was essential over the next 3 or 4 years to strengthen the forum by integrating other Latin

---

<sup>6</sup> The Director-General of the Chilean Direcon, O. Rosales, explained that the FTAs can assist regional and multilateral trade liberalisation, though experience has shown that countries involved in bilateral trade agreements do not reduce their multilateral links. “*Firstly, the free trade agreements are gaining increasing importance as means of liberalising and facilitating trade, both within the APEC region and at multilateral level. Secondly, some countries are using the FTAs as a way of achieving the Bogor Objectives, wherever appropriate. Thirdly, there is a series of ‘new issues’ that are currently being discussed, negotiated and regulated under the FTAs, owing to the slow progress being made in the WTO negotiations. Fourthly, the number of FTAs will continue to rise, simply because the economies concerned want to move more quickly and thereby avoid inferior treatment by third markets. We need to move on from the broad-ranging, academic discussions on whether FTAs have a negative or positive impact and notions like the ‘spaghetti bowl’ (2004 APEC International Symposium on FTAs in the APEC Region)*”. The Bogor Objectives concern free movement of goods, services and investment by 2010 between Australia, Canada, Japan, New Zealand and the United States, based on their joint undertaking in 1994. Chile, Singapore, Hong Kong and Chinese Taipei subsequently signed up to the 2010 target, whilst the other APEC members made similar undertakings for 2020.

<sup>7</sup> Mr. Somerville, the ABAC Chair, in “*Call for APEC trade deal as WTO struggles*” quoted by David Uren on 25 August 2004 at the Forum on Trade and International Labour Standards (Esther Busser)

American and Asia-Pacific nations. The various speeches included strong and well-founded arguments in favour of incorporating India.

The ICFTU has pointed out that despite the fact that the APEC leaders had expressed their concern that the body should give greater priority to social issues, APEC was still dominated by the interests of large companies, many of which think a free and open market is the only means of promoting the growth of their economies. Accordingly, the ICFTU has stressed, it is vital that the unions within APEC continue to work hard to strengthen its social dimension and ensure that they are consulted in the various processes linked to APEC. More particularly, we need to establish a Labour Forum, i.e. a formal advisory body within APEC bringing together the union centres of the member countries, with comparable terms of access to those of ABAC. In November the 10<sup>th</sup> Conference of the ICFTU's Asia and Pacific Labour Network (APLN) will be held, and will prepare the presentation of the trade union Statement to the APEC leaders, which is already available on the ICFTU website.