

HEMISPHERIC TRADE RELATIONS: A CHILEAN PERSPECTIVE

*Speech by Mr. Ricardo Lagos, Ministry of Public Works of Chile
and President of the Chile 21 Foundation;
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Introduction

It is a real honor for me, coming from Chile and having acted in behalf of human rights for many years, to participate in an event organized by the Carter Center.

We have always followed President Carter's initiatives with great interest and appreciation: the results of his brave human rights policies of the late seventies are still having consequences today in our part of the world. Pinochet's chief of the secret police was finally put in jail two years ago, due in part to the pressures by the Carter administration, which resulted in the exclusion of the Letelier-Moffitt assassination in the Amnesty Law of 1978. Without that, general Contreras would probably not be in prison today.

Let me now focus on the topic of hemispheric trade which brings us together today.

(Clarificación del carácter de la intervención: ¿como ministro?, ¿como hombre público chileno?, ¿como Presidente de Chile 21?).

The situation in Latin America

Ever since the early nineties, the United States has been proposing the liberalization of hemispheric trade and investment flows, as an instrument to advance economic growth, development, and increase prosperity in the region. Most Latin American nations have viewed this proposal favourably, because it has coincided with their own efforts at opening up their economies and increasing their international competitiveness.

All the region's Governments have made strenuous efforts in recent years to improve their countries' linkages with the international economy in response to growing economic globalization and to the fact that the previous industrialization strategy was in many cases inadequate. Public action in this regard has focused on the more efficient promotion of the international competitiveness of the goods and services which each country has to offer.

However, it should be kept in mind that since 1994, when President Clinton called for a "hemispheric partnership" at the Miami Summit, and more so since 1990, when President Bush announced the Enterprise for the Americas Initiative which would replace "aid" by "trade", as a cornerstone of U.S. policy towards the region, really dramatic changes have taken place in Latin America.

These changes are not only manifest in the areas of economic reform and liberalization, as well as in the establishment of democracies throughout the subcontinent -these are transformations the U.S. had been advocating for some time- but also the way in which Latin American countries relate to one another has been thoroughly transformed.

Nineteen-century perceptions of mutual threat and national security concerns, which resulted in a search for trade partners and allies in other regions of the world, and made Latin American nations look only scarcely at their own neighborhood, have been replaced by lively and dynamic political dialogue and consensus-seeking mechanisms (such as the Rio Group), successful new economic integration schemes (such as the Mercosur), the revitalization of previously existing agreements (such as the Central American Common Market, CARICOM and the Andean Pact), as well as dozens of preferential trade agreements all countries of the region have engaged in.

Chile has been especially active in this area (we have not sat idly, waiting for the promise of NAFTA accession to come true), has signed agreements with Mexico, Colombia, Venezuela, Ecuador, Mercosur and Canada, as well as joining the APEC, and is currently negotiating with Peru, Bolivia, Panama, and the European Union.

All possible flows have substantially increased within the region: people, means of transportation, communications, energy, goods, and capital are circulating as never before, works of infrastructure to join our countries are being built, and the intensification of political exchanges has been truly impressive, setting the foundations of a real process of Latin American integration.

The effects of these developments are being felt in the FTAA negotiations because, more and more, economic integration at the hemispheric level is becoming a necessary framework in order to harmonize the trade policies of the participant countries. This is especially the case of Chile with its many trade agreements.

The United States has lagged behind

Clearly, the one country in the hemisphere which has not been able to make much progress in regional trade liberalization since signing the NAFTA, is the United States. We now wish the Clinton administration the best of luck in its struggle to obtain fast-track, but we do hope that if it is finally approved by Congress, the administration will be aware that conditions have changed substantially in the hemisphere since trade liberalization in the Americas was first proposed.

Integration within the region has made considerable strides and is number one priority for many countries, several Latin American countries have joined APEC and are looking at the Asia Pacific region with ever greater interest, while negotiations by Mexico, Chile and Mercosur with the European Union are also being conducted. The way things stand today, negotiations with the United States are, of course, still interesting, but are not the one and only option of expanding markets and becoming a global trade partner.

Hemispheric integration and the international economy

It is our belief that integration agreements between countries not only may be compatible with the goal of steadily increasing international competitiveness but also may be instrumental in achieving it.

In fact, none of the countries –developed or developing– that have concluded integration agreements have seen them as alternatives to a more dynamic role in the international economy; they are viewed, instead, as processes that complement the effort towards that goal. Their purpose, for both groups of countries, is to usher in a more open, transparent international economy; in other words, integration is seen as a building block of a future international economy free of protectionism and barriers to the exchange of goods and services.

The term “open regionalism” has been introduced to refer to a new process that results from reconciling the the se two phenomena: the interdependence that stems from special, preferential agreements, and that which basically arises from the market signals that are produced by trade liberalization in general. What open regionalism seeks to accomplish is to make explicit integration policies compatible with, and complementary to, policies to enhance international competitiveness.

Convergence of integration mechanisms

True economic integration usually happens between neighboring countries. This is the case with NAFTA and also with Mercosur, the two most powerful examples of integration in the Americas. This is also the reason -together with political, strategic and cultural considerations- why Chile has privileged its relationship with Mercosur: we strongly feel that our future development is very much intertwined.

Various schemes to bring about the convergence of already existing integration mechanisms have been discussed throughout the years. Most of them are attached to some notion of hemispheric or subregional hegemony, and to power-politics concepts more closely related to traditional geopolitics than to the dynamics of contemporary economic integration.

In the early and mid-nineties, the possible scenarios were either a NAFTA-enlargement or a hub-and-spokes framework, in which the United States played a dominant role; or a situation where the NAFTA countries negotiated with a bloc of South American countries (an enlarged Mercosur, with Brazilian leadership) in a kind of North-South confrontation. Within these scenarios, the large players and their overall national interest and hegemonic ambitions had an overwhelming importance, while the trade issues themselves, as well as the interests of small and medium countries were pushed into the background.

Although these concepts reflect existing power relationships in the region, the present dynamism of Latin American integration and the limitations of U.S. leadership in this process, have facilitated the emergence of another scenario for FTAA negotiations, which is more interesting for a country like Chile: a small scale, GATT-like, multilateral negotiation of (until now) 34 countries.

Naturally, some of these countries carry more weight than others and alliances will be made according to the issues being discussed. However, the alignments will hopefully be made in relation to the specific interest of the issues being discussed and not only as a result of rather abstract power-politics allegiances. We favour simultaneous negotiations on all issues, and are definitely against a sectoral approach where the interests of all participants would be impossible to meet and there would be no margin for trade-offs.

Integration must be made a building block of a more open, transparent international economy, instead of turning it into an obstacle to such an economy, thus curbing the options available to the Latin American countries. This means that integration agreements should tend to eliminate the barriers applicable to most trade in goods and services among

the signatories, in line with their trade liberalization policies towards third parties, while at the same time making it easier for new members to accede to the agreements.

In this context, the preparatory work for launching the FTAA has served as a great learning process regarding the issues involved for the 34 participant countries, even if complete agreement has not been reached yet on some important topics. Hopefully, during the next half year, the differences between our countries will be ironed out, the U.S. administration will obtain fast-track authorization from Congress, and in April 1997, at the Santiago Summit, we will be able to share with many of those present in this room, the exciting moment of the formal launching, by the heads of state, of free hemispheric trade negotiations in the Americas.

Thank you.

**PARTICIPACIÓN DEL SEÑOR MINISTRO RICARDO LAGOS EN LA
CONFERENCIA " LIBERALIZACIÓN COMERCIAL: EN EL INTERÉS DE
QUIEN?". (ATLANTA, GEORGIA, ESTADOS UNIDOS, 20 DE OCTUBRE)**

Invitado por el Centro Carter, el Banco de la Reserva Federal de Atlanta y el Brooking Institute, el Ministro de Obras Públicas, señor Ricardo Lagos viajará este fin de semana a la ciudad de Atlanta, Georgia, para participar en la conferencia "Liberalización Comercial: en el interés de quien ?.

La Conferencia que consta de los siguientes paneles: Globalización: su impacto en los Estados Unidos; el debate del Fast Track y el Área de Libre Comercio de las Américas, será inaugurada por el ex Presidente de los Estados Unidos Jimmy Carter y contará con la participación de, entre otros, del Hon. Jack Guynn Presidente del Banco de la Reserva Federal de Atlanta, el Dr. Janet Yellen, Jefe del Consejo Asesor Económico del Presidente, el Hon. Bill Brock, ex Senador y Representante Especial de Comercio de los EE.UU, junto a representantes sindicales y destacados académicos y economistas norteamericanos.

El Ministro Ricardo Lagos expondrá en el panel: el Area de Libre Comercio de las Américas junto al Dr. Ricardo Hausmann; Economista Jefe del Banco Interamericano de Desarrollo y el Dr. Roberto Pastor, Profesor de Ciencias Políticas de la Universidad de Emory y Director del Programa de America Latina y el Caribe del Centro Carter.

El señor Ministro regresará al país el martes 21 por la mañana.