Brazil Is the Target of Chile-U.S. Trade Accord

by Cynthia R. Rush

For the last several months, the Chilean government of socialist Ricardo Lagos has been negotiating its entrance as a full member into the Common Market of the South (Mercosur), the customs union founded by Argentina, Brazil, Paraguay, and Uruguay. Chile and Bolivia are associate members of the pact, but at the Mercosur summit on Dec. 14-15 in Florianopolis, Brazil, Chile's request to upgrade its associate membership to full membership status, was to have been a major agenda item.

As a full member of Mercosur, Chile was to have served as a bridge for the region to Asian and Pacific markets, while increasing its own access via the Atlantic to the markets of Southern African nations, whose governments also want to establish closer trade relations with Mercosur. Brazilian President Fernando Henrique Cardoso announced that South Africa, whose President Thabo Mbeki attended the Florianopolis summit, will become an associate member of Mercosur. India was also invited to send a representative.

Yet, less than ten days before the Florianopolis summit, Mercosur's members were stunned to learn, *not from Chile,* but from the U.S. government, that Chile was about to begin negotiations for a free-trade agreement with the United States. Rather than increasing its participation in a regional trade pact which holds the potential for breaking with globalization's insane grip, as the Association of Southeast Asian Nations plus China, Japan, and South Korea (ASEAN-Plus-3) have begun to do, an economically weak Chile opted to tie itself to the U.S. economy, whose physical breakdown is accelerating at breathtaking speed, matched only by the equally rapid disappearance of American political and moral authority internationally, in the wake of the recent electoral debacle. It is, as American statesman Lyndon LaRouche aptly put it, a case of the slaves going up to the back door of the plantation house, to ask for a few crumbs.

Others have described it as rats jumping back *on* a sinking ship.

Chile's decision to become part of what U.S. Trade Representative Charlene Barshefsky calls "NAFTA-plus" (referring to the North American Free Trade Agreement), hit the Mercosur nations like a ton of bricks. But Brazil, in particular, was enraged. It correctly perceived Chile's move as an attempt by Anglo-American financial interests, of which Chile has historically been a witting tool, to weaken Brazil's resistance to the Free Trade Association of the Americas (FTAA), scheduled to go into effect by 2005.

Brazil has always nominally been committed to joining the FTAA, but with the caveat that its membership would not be "automatic." Rather, it demands that certain conditions be met, including continued protection for some of its industries and a much longer timeframe for lowering of tariff barriers—possibly ten to 15 years. Brazil also demands reciprocity from the U.S. side on access to that market for Brazilian agricultural goods. Brazil's insistence on these conditions has enraged the arrogant Barshefsky, who has repeatedly threatened Brazil with retaliation, if it didn't abandon its "obstructionist" position.

During his 1988-92 Presidency, George Bush made the "Enterprise for the Americas," as he called it, the centerpiece of his policy for the hemisphere, promising to create a free-trade zone "from Alaska to Tierra del Fuego." Bush was determined to ram "free trade and democracy" down the throats of every nation of the Americas, a policy which unfortunately largely continued under the Clinton Administration. President-Elect George W. Bush has every intention of forcing through the FTAA.

But, the speed at which the world monetary system is disintegrating has prompted several Asian governments—the Asia-Pacific Economic Cooperation (APEC) Forum and

ASEAN-Plus-3 groups—to take bold steps independent of Washington and the International Monetary Fund (IMF), to establish new regional cooperation mechanisms to defend their sovereign economic and political interests (see *EIR,* Dec. 8, 2000).

Ibero-American nations haven't moved as aggressively as the ASEAN-Plus-3 in distancing themselves from globalization, but the Anglo-Americans are nervous that, under conditions of accelerating global collapse, that could quickly change. On Aug. 31 of this year, at the South American Presidents' summit in Brasilia, then-President Alberto Fujimori of Peru indicated the potential for moving in that direction, when he called for the formation of the "United States of South America," whose unity, based on a commitment to economic and industrial development, would allow it to negotiate with the industrialized nations on an equal footing. "As a region, we are politically weak," Fujimori said. "However, Brazil is one of the largest countries in the world, and one of the greatest economic powers on this planet."

The summit, and Fujimori's vision, struck fear on Wall Street and in the City of London, and the Peruvian President was ousted from power only a short time afterward. The financial oligarchs weren't about to tolerate a united South America, in which economic powerhouse Brazil would play a leading role in pursuit of continental economic development and physical integration, to the detriment of Anglo-American interests. Even President Cardoso made them nervous. Although always with his feet in the globalization camp, he had organized the 12-nation Brasilia summit, excluding the United States and Mexico, and had also resisted State Department efforts to bash Peru.

Smash Brazil

To circumvent anti-free-trade resistance in Asia, Anglo-American strategy has centered on setting up a number of mini free-trade agreements (FTAs) among the nations of the APEC group, beginning with City of London asset Singapore. The plan is to force through a regional free-trade pact, and isolate those who refuse to join.

Right before the APEC meeting in November, Singapore and New Zealand set up the first Asian FTA, while Singapore and Mexico set up the first cross-Pacific FTA. Plans are also under way to negotiate a U.S.-Singapore FTA, and the pact with New Zealand is intended to be expanded to include Australia, Chile, and the United States, which will be known as the "Pacific Five," or P-5.

As Barshefsky admitted in a Dec. 12 press conference in Washington, the signing of free-trade agreements with Singapore and Chile, is viewed in the same "strategic light . . . that is to say, to catalyze what we hope will be a broader, region-wide process of ever-freer trade." Barshefsky also warned Brazil that "the United States and Brazil *together* are going to have to make the FTAA a reality. . . . We are the dominant power economically in our hemisphere, along with Mexico. And if the NAFTA countries and the Mercosur countries cannot work together, we will put in sharp jeopardy the Free Trade Area of the Americas, which I believe all countries in the region want, including Brazil."

That Wall Street and London intend to isolate Brazil is clear. As the *New York Times* favorably reported on Dec. 3, with Chile's shift, "Brazil now faces the prospect that its South American partners may be tempted to defect" from Mercosur. The daily *Folha de São Paulo*'s veteran journalist Clovis Rossi warned on Dec. 8, that instead of the powerful South American bloc "intended by the Brazilian government," able to negotiate with the United States on the issue of the FTAA, "the powerful North American magnet is picking off the countries in its backyard, one by one," and obtaining "unconditional surrender." For starters, Chile is negotiating a free-trade agreement, and Ecuador and El Salvador have become fully dollarized.

Who's Next?

The ever-slavish Argentina, now totally dependent on the IMF to bail it out of its current financial crisis, has already shown its willingness to turn on Brazil. Finance Minister José Luis Machinea praised Chile's decision to negotiate with the United States, and called on the rest of Mercosur to support more rapid creation of the FTAA. In her Dec. 12 press conference, Barshefsky coyly suggested that a free-trade agreement with Argentina, similar to Chile's, could be next on the agenda. Chilean President Lagos, meanwhile, has announced that his government has formed a "strategic alliance" with Mexican President Vicente Fox, an ardent proponent of a "super-NAFTA."

The Anglo-American financial apparatus is playing hardball with Brazil now. In response to the sharp criticism of Chile by Brazilian Foreign Minister Luiz Felipe Lampreia—he suspended all negotiations with Chile on its entry into Mercosur, and warned that Mercosur might even demand compensation for economic damages from the Lagos government—U.S. Deputy Trade Representative Richard Fisher told Argentina's *La Nación* that Brazilian resistance to a hemispheric free-trade accord is "infantile" and "quasi-irresponsible." Crudely attempting to get President Cardoso to turn against his Foreign Ministry, Itamaraty, Fisher dismissed Lampreia's criticisms of the U.S.-Chile negotiations as "not a reaction by Brazil, but by Itamaraty," and lavished praise on Cardoso as the most "internationalist" President Brazil had had in years.

Uncowed by such thuggery, Lampreia shot back that Fisher didn't speak for the U.S. government, and should stop being provocative. In Washington, Brazil's Ambassador Rubens Barbosa responded that what Brazil is doing, "is defending our national interest, just as the U.S. defends its interests, and Chile, theirs." But it was Brazilian Agriculture Minister Pratini de Moraes, who succinctly put the whole discussion into perspective. "After what happened in the U.S. elections," he said, "they can't call anybody infantile."