

OUR AMERICAS

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MEXICO

Privatizing Sovereignty

by Andrés Pañaloza Méndez, RMAC
(Mexico)

In 1962 there were 1,155 public enterprises in Mexico; in July 1996 only 195 remained.

The privatization process, one of the central hubs of the current neoliberal policy, far from bolstering growth, has contributed to the fostering of an unstable economic dynamic and the deterioration in living standards for the majority of the population. This process has strengthened monopolistic structures that engender an excessive concentration of wealth in the hands of a few businesspeople and has given rise to practices of illicit enrichment and influence-trafficking on the part of public officials.

The resources generated by the sale of national assets have been used mainly to service the public debt. The Contingency Fund, created in 1990 to channel the funds derived specifically from the sale of state-owned enterprises, has been used to amortize Mexico's internal debt. Nevertheless, and in spite of the fact that payments were made with these funds equivalent to 43 percent of Mexico's net domestic debt as of 1991, not only has the debt not diminished, but, by 1994, it had risen by ten percent.

The situation becomes even more absurd if one considers that many of the privatized businesses had been profitable and had generated income for the national coffers at the time of their sale. Teléfonos de México, for example, was sold to private interests for a price equivalent to only four years' worth of profits. The owners of the three largest Mexican banks – Banamex, Bancomer and Serfin – for their part, recovered the capital they invested in the acquisitions in just two years, or half the time foreseen.

Following the December 1994 economic crash, the Mexican government decided to sign a new Letter of Intent with the International Monetary Fund (IMF). In exchange for a package of emergency financial assistance from the IMF and the U.S. Treasury, the authorities promised to deepen the process of "structural change", accelerating deregulation measures and carrying out a new phase of privatizations. As a result, national and foreign private participation has been opened up in such strategic activities as the distribution of natural gas, the generation of electricity, and various branches of telecommunications, among others.

The Letter of Intent establishes, furthermore, that resources generated by the new privatizations will be used to defray the costs of the support programs for the banking system and for the financial cleanup of the network of tollroads contracted to private parties. That is to say, the government must privatize in order to subsidize the inefficiencies of the beneficiaries of previous privatizations.

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CHILE - CANADA

NEW TRADE AGREEMENT SIGNED

On 18 November, Chilean President Eduardo Frei Tagle and Canadian Prime Minister Jean Chretien met in Ottawa and signed a bilateral free-trade agreement, the negotiation of which had been stalled for months earlier this year. The main points of contention had been Chile's refusal to grant Canada a degree of market access for wheat equivalent to that granted the Mercosur countries and its refusal to eliminate its last remaining restrictions on foreign investment.

Chilean law prohibits foreign investors from repatriating profits for one year and requires them to deposit a half of the value of new investments in pesos at the Central Bank. These measures are widely credited with preventing the onset of the "tequila effect" in Chile when, in the wake of the December 1994 Mexican peso crisis, nervous investors yanked their funds out of stock markets throughout the Americas. The trade talks with Canada finally moved toward their conclusion in November when the Canadian government agreed to allow Chile to maintain those investment restrictions and won seasonal access to Chile's wheat market.

The Chile-Canada agreement is modelled closely on NAFTA. Frei and Chretien also signed two agreements patterned on the North American Agreement on Labor Cooperation and the North American Agreement on Environmental Cooperation (NAAEC), NAFTA's labor and environmental side agreements.

Trade activists in Canada and Chile, while having demanded the inclusion of labor and environmental issues in the trade talks, expressed dismay at the results of the negotiations. Both side agreements simply hold the parties to the enforcement of local laws, despite the significant deficiencies in Chilean labor and environmental legislation. Under Chilean labor law, for example, agricultural workers are prohibited from striking during harvest time. Furthermore, the NAAEC specifically excludes consideration of natural-resource issues, when 89 percent of Chile's exports are based on the extraction or basic processing of such raw materials as copper, lumber and fishmeal.

Following his visit to Canada to sign the bilateral accord, President Frei left for Manila to attend the Asia Pacific Economic Cooperation (APEC) meeting, indicating his intention to expand Chile's commercial relations. Citizens' groups from Asia and the Americas were also in the Philippines, holding parallel talks and addressing the key issues being debated by the participating governments. ♦

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CANADA

Government Mining Policies Facing Stiff Challenge

by Alan Young, Environmental Mining Council of British Columbia

This year there has been a tremendous increase in the level of public interest in Canada in environmental issues related to mining. From the Northwest Territories to Newfoundland, British Columbia and Ontario, the mining industry and local and national governments have run into resistance from both environmental and native-peoples' organizations.

This resistance is a reaction to the mining industry's great political strength and to the impunity with which it has operated, as demonstrated by numerous events and actions:

- * regulatory rollbacks in Ontario;
- * high-level federal political interference in the Environmental Assessment of the Huckleberry mine in British Columbia;
- * the abuse of parliamentary process to develop one-sided recommendations for the federal Standing Committee's report on Streamlining Environmental Regulation of Mining;
- * the flawed Environmental Assessment process and subsequent approval of BHP's diamond mine in the Northwest Territories;
- * the threat to native and environmental interests posed by the frenzied rush to stake claims at Voisey's Bay.

Meanwhile, Canadian companies overseas are under fire for substandard environmental and labor practices that have led to major accidents and troubles in Guyana, the Philippines, the United States, Chile and Papua New Guinea, among other places. In the face of mounting evidence to the contrary, the industry claims that it exports Canadian standards wherever it operates in the world. At the same time, it is spending substantial funds on public relations and lobbying in an attempt to convince governments that high Canadian standards are making the industry uncompetitive abroad.

The federal government has taken a number of mining initiatives during the course of 1996. Of these, two stand out as endeavors that will undoubtedly shape federal regulation and policy for mining in the foreseeable future.

In late June, the federal government released a series of recommendations for the Interim Report of the Standing Committee on Natural Resources. This report on streamlining environmental regulations was tabled without the input of any public or environmental organization; the only non-governmental testimony was from the Mining Association of Canada. The emphasis on "regulatory efficiency", voluntarism, and an increased role for NRCan (Natural Resources Canada), particularly in facilitating federal input into Environmental Assessments of major mines, give further cause for concern. While environmental-performance objectives are reinforced in the document, the question of the shrinking public capacity for monitoring and enforcement is not addressed.

The second significant government initiative is NRCan's long-awaited Federal

Mines and Metals Policy, which was released this summer. Early drafts of the policy have followed the direction of the Standing Committee's Interim Report in many respects. The policy has been the subject of criticism from a variety of environmental NGOs for its unbalanced and/or unclear treatment of voluntary measures, new risk-assessment processes, and regulatory reform principles affecting such vital areas as Environmental Assessments and fisheries, as well as for failing to address in a substantive manner any aboriginal or land-use issues.

Environmental organizations lobbied government agencies and politicians and sent a letter, signed by 20 leading groups across the country, calling for major changes in these policies to reflect public-interest and risk concerns. These efforts have been successful in knocking the policy off its fast track for announcement in September and in helping to mobilize a critical response from both inside and outside government.

Nonetheless, citizens groups still have their work cut out for them. The mining industry has stepped up its lobbying efforts, entering into another phase of its "Keep Mining in Canada" public-relations campaign and continuing its focused federal lobbying efforts for lower taxation, self regulation and limited corporate liability. ♦

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MEXICO

Citizens Move against Neoliberalism

by Alberto Arroyo Picard, RMALC (Mexico)

The First National Day of Condemnation of the Government's Economic Policy, a citizens' consultation on the social impact of the neoliberal program in Mexico, was held on 8 September. The event represented a new and important step in the long road traveled by Mexican civil society to modify the country's economic course.

Over the last 15 years, Mexico has undergone important and profound transformations. This period has been marked by the adoption of a development model that has signified the government's renunciation of the Mexican people's historical aspiration for full national sovereignty and true social justice. At the same time, it has seen a dramatic leap forward -- both in quantitative and qualitative terms -- by social movements, which have achieved significant advances in their political presence and their capacity to advance proposals.

In light of the economic crisis that broke in December 1994, Ernesto Zedillo's Administration has stopped accenting the merits and successes of neoliberalism (which had been common practice during the Carlos Salinas de Gortari period), and instead asserts that there is no alternative. Zedillo continues to insist that the emergency must be confronted with the same strategy followed in recent years.

On 26 February 1995, the Civic Alliance held a nationwide consultation in which, among other questions, it asked the population, "Should Congress reject the loan package advanced by the U.S. government because of the risks that it poses for the country's sovereignty and productive development?" Some 536,575 citizens (81 percent of total participants) responded that such financial "assistance" should be rejected; only 13 percent responded that it should be accepted.

The Liberty Referendum

A month earlier, RMALC brought together a team of economists in order to give form to and systematize a coherent, integral and viable economic plan, much of which was based on proposals that had been elaborated over the last few years. The idea was not just that a group of intellectuals develop an alternative plan, but rather to demonstrate that other paths do exist, to advance in the construction of a broad consensus behind them, and to

foster in civil society a pluralistic collective force capable of compelling the government to change its economic strategy.

By August last year, the proposal, a 12-point program -- in reality 12 packets of measures -- entitled an "Alternative Economic Strategy for Mexico's Development," was ready to be presented to Mexican citizens by eight national networks and organizations for signatures and support in the "Liberty Referendum".

The Referendum was concluded on 20 November, having obtained 428,000 signatures of endorsement. The results were delivered to the Chamber of Deputies amidst a great public rally. The proposal and the results of the Referendum were also sent to President Zedillo, who answered only that he would turn them over to the Minister of Finance.

Zapatismo vs. neoliberalism

Parallel to this, but with an underlying confluence of intentions, the struggle against neoliberalism was developed within the broad circle of influence and outreach of the Zapatista Army of National Liberation's (EZLN). The Zapatistas have ensured that society's consensus and dialogues feed into the work of the committees negotiating with the government. In fact, in spite of the Zedillo Administration's negativity, these sessions are the broadest expression of national dialogue between civil society and government.

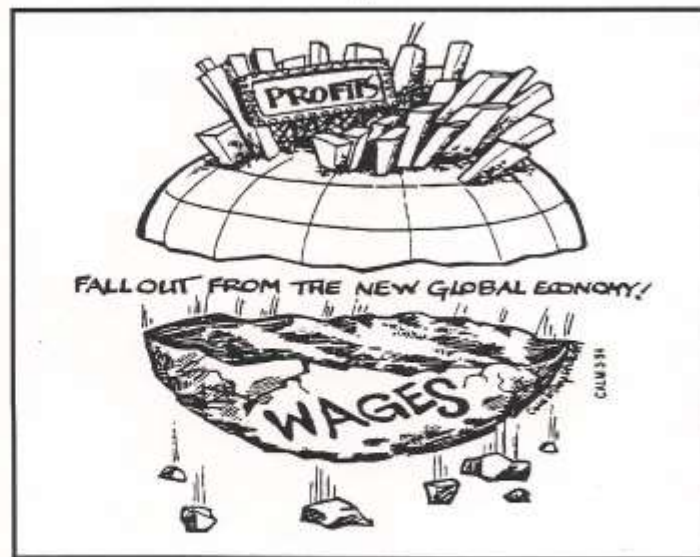
Three important events with the anti-neoliberal struggle as their central focus stand out.

a) *The National Zapatista Consultation held on 27 August 1995.* Although the main theme was the transition of the EZLN into a political force, this referendum included a question regarding the Mexican people's economic demands. Overall, more than a million Mexicans (97.5 percent of the 1,088,094 participants) supported the proposals presented by the Zapatistas. This consultation achieved the greatest level of citizen participation of those held to date. It also expressed a clear national consensus against the neoliberal program that has proven to be incapable of resolving people's problems.

b) *The Continental and Intercontinental Meetings for Humanity and against Neoliberalism.* Approximately 400 people from 15 countries attended the first of these, and approximately 3,000 people from 70 countries attended the second, which was held from 27 July to 3 August of this year. These meetings were an unprecedented leap forward in building the anti-neoliberal consensus, as well as the Zapatista's organizing capacity and legitimacy.

c) *The Special Forum on the Reform of the State held in San Cristobal de las Casas, Chiapas at the beginning of June 1995.* Close to 3,000 participants were in the final sessions of this forum and close to 2,000 participated in the negotiating committees the whole time. A committee was formed during the meeting to develop an alternative economic model. In fact, the final consensus document is completely consistent with the Liberty Referendum.

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SOVEREIGNTY - continued from page 1

The government's plans to push through a new round of privatizations, however, has hit an unexpected roadblock — a watchful public. Angered over the abundant evidence of corruption in the privatization of state-owned enterprises during the Salinas Administration, a broad range of civil society has actively opposed the Zedillo Administration's plans to sell off parts of Mexico's vital and politically sensitive petrochemical industry.

That industry has tremendous strategic importance for the Mexican economy. Its infrastructure currently consists of 61 plants (distributed among 10 complexes), 14 storage terminals, one maritime terminal and a shipping center. The government plans to transfer to national and foreign investors the exclusive right to utilize the 26 goods produced and handled in these installations, which supply 45 branches of the country's manufacturing industry.

The government argues that the public enterprise Petroleos Mexicanos (Pemex) does not have sufficient resources to provide for the maintenance, environmental safeguards and modernization of the petrochemical plants. The fact is that, in 1994, Pemex's consolidated profits were US\$11.126 billion, 90 percent of which was absorbed by the government through taxes and fees. Even so, Pemex's net profits are higher than those of transnational petroleum and petrochemical companies such as Mobil, Texaco and Dow Chemical.

The issue of sovereignty over Mexico's petroleum resources has such political and historical significance that special protections are written into the Mexican Constitution. Article 27 establishes that "direct, inalienable and imprescriptible dominion over hydrogen carbides corresponds to the nation," and that "concessions or contracts will not be granted" to private parties for the exploitation of that resource. "Direct dominion" is a special legal status that prevents the government from relinquishing the hydrocarbon deposits and/or the industrial installations used for its exploitation or industrial transformation under any circumstances. The term "inalienable" implies that direct dominion can not be transferred to others in any form (sale, rent or other). "Imprescriptible" means that this dominion will continue in perpetuity; that is to say, it has no expiration date.

Even taking these constitutional, political and strategic factors into account, the government's original determination to privatize the petrochemical industry has met astonishingly strong and unusually broad opposition. Besides those sectors that have questioned the privatization policy from the onset, the petroleum workers' union has now joined the fray. That union is part of the structure of corporatist control of the workers' movement and the official ruling party itself, the Institutional Revolutionary Party (PRI). In September, a heated debate erupted at the PRI's national party assembly on the privatization proposal. As a result, the party directed its Members of Congress to vote against the government's proposal to privatize the petrochemical plants.

On 13 October the Secretary of Energy, Jesus Reyes Heróles, presented a document to the Economic Cabinet and the press entitled, "New Strategy for the Petrochemical Industry." This paper is important because it represents the first time that a privatization plan has been reformulated in response to social pressure. In it, the government was forced to acknowledge that numerous serious legal errors were committed in the announcement of the privatization of the Cosoleacaque plant in the state of Veracruz (the first of these installations to be sold).

A few days later, President Zedillo sent a bill to Congress based on the Reyes Heróles document. The key elements in the proposal are the definition of a list of basic petrochemical products, including ethane, propane, butane, pentane, octane, heptane, raw materials for "lampblack",

naphtha, and methane, and the establishment of a maximum of 49 percent private participation (national or foreign) in the ownership of the plants dedicated to the production of those goods.

Later iterations of the bill have included provisions, however, allowing for 100 percent private ownership of new secondary petrochemical installations. Moreover, many of the petrochemical products listed in the bill are not petrochemicals but rather natural raw materials or subproducts from the process of refining crude oil, products that, according to Article 27 of the Constitution, are reserved for the nation.

Despite massive public opposition to these latter proposals, foreign investors still see them as a sign of less than full commitment on the part of the government to privatization. This uncertainty is placing upward pressure on interest rates, and, consequently, downward pressure on the Mexican peso and stock market.

On 31 October, the Mexican Congress voted to approve the modified privatization proposal, with PRI legislators voting in favor and the members of the principal opposition parties, the PAN and PRD, voting against the bill. Given the public outcry, however, it is unlikely that this vote will settle the matter. Whatever the final result of this story turns out to be, it is clear that the government's maneuvering room in privatization matters has been sizably reduced and the public debate on the neoliberal policies considerably expanded. ♦



UNITED STATES

Starbucks Promises but Has Yet to Deliver

The U.S./Guatemala Labor Education Project (US/GLEP) is a U.S. NGO that, working closely with Guatemalan unions and NGOs, campaigns to promote labor rights in Guatemala. Late last year, as a result of US/GLEP's consumer-led Justice for Coffee Workers Campaign, Starbucks Coffee Company adopted a framework for a labor code of conduct. Karen Hansen-Kuhn interviewed US/GLEP's Executive Director, Steve Coats, about his organization's work on the Starbucks code and what Starbucks has done -- and has not done -- since its adoption.

KHK: What led you to focus on coffee plantations and Starbucks?

SC: The coffee industry in Guatemala is the country's largest employer, employing about 700,000 workers. Despite the public attention being given to the situation of maquiladora workers in Central America, agriculture still dominates the economy, and working conditions and pay are generally much worse in agriculture.

We focused on Starbucks because it is a high-profile company that has been described in many business-ethics publications as a socially responsible company. It's nationwide, a trend-setter, and located in Seattle, where there is a good base of socially concerned people who were key in getting the campaign off the ground and pressuring the company in its own hometown.

KHK: What are the main elements of the Starbucks code of conduct?

SC: Starbucks' code first lays out "a statement of beliefs." These include statements respecting freedom of association, opposition to child labor, support for a living wage and so on. The statement of beliefs is followed by a Guidelines for Coffee Selection where Starbucks lays out its goals, one of which is "...to purchase coffee from people who share our commitment for treating employees with respect and dignity."

The Starbucks code is much weaker than most codes in the apparel sector in that it does not contain any clear statement that it will not purchase coffee from producers who violate these standards. On the other hand, the code issued last year includes specific actions for FY 1996 that lay out measurable steps that the company has pledged to take. These include developing a strategic plan for implementation of the code in

Guatemala and other key countries, including Indonesia, Ethiopia and Kenya.

KHK: How does Starbucks monitor its contractors' compliance with the code?

SC: Starbucks plans to begin implementation of the code in October 1996. I have to say that we're very concerned about how slowly Starbucks has been moving on implementation. The company received tremendously positive press coverage for pledging to do something it hasn't begun to do a year after the pledge was made. As yet, Starbucks' code hasn't led to any real changes on the ground. Frankly, we'd be happy if Starbucks moved on implementation of its code with a tenth of the speed with which it moves in opening up a new store nearly every day.

Now, if Starbucks were responding to the question about monitoring contractors, it would add that it doesn't know the origin of most of its coffee, since it, like most coffee companies, buys most of its coffee from export houses and not directly from plantations. But coffee experts tell us that Guatemalan coffee houses do know the origin of the coffee. Our position is that Starbucks has to tell the export houses that Starbucks has to know the origin of the coffee as a condition of doing business. Then Starbucks can begin setting up a pilot program in Guatemala to monitor and enforce its code of conduct. This will not be easy in Guatemala, but we are talking with local grassroots groups who would be willing to serve as monitors in coffee-growing communities.

KHK: I understand that Starbucks representatives recently went to Guatemala. What happened?

SC: Starbucks' Senior Vice President for coffee, Dave Olsen, went to Guatemala in early September with the company's public-relations director. We understood that part of his agenda was to begin discussions about ways to implement the code of conduct, and he allowed us to set up a meeting for him with a number of groups representing agricultural workers, as well as the Catholic Church, in order to begin throwing around some ideas of how Starbucks might take steps toward implementation. Olsen, however, while he attended the meeting, didn't seem interested in taking advantage of this opportunity. He did report to us that he had had some preliminary conversations with ANACAFE, the Guatemalan coffee exporters' association, about developing a list of "good" plantations. Frankly, we were quite disappointed about the lack of progress made during this trip. Apparently, Starbucks even declined to make a commitment to get the code translated into Spanish. We'll be reassessing our approach to the company and looking for

ways to persuade them to move forward in concrete ways.

KHK: In retrospect, what were the most important elements of the campaign? Could similar campaigns be carried out in other countries?

SC: The most important accomplishment of the campaign was extending to the agricultural sector the principle that mainstream U.S. companies can and should take responsibility for the conditions under which the coffee, or any other agricultural product they sell in the United States, is produced abroad. This principle has already been adopted by most U.S. apparel companies through their codes of conduct for contractors and business partners. As we all know, most of these codes are poorly enforced, if at all. We have a long way to go before these codes translate into significant changes on the ground in Guatemala or elsewhere. But they are an important step in the struggle to hold globalizing corporations accountable.

Another important element was the demonstration that grassroots consumer pressure does make a difference in corporate behavior. Before the campaign, Starbucks refused to act on a code. Within two months of the consumers leafletting their stores, the company changed its mind.

One of the major purposes of obtaining these codes is to provide political space for those workers who wish to organize for better conditions and pay in Guatemala, a country with a violent history of repression against union organizing. We believe that real change on coffee plantations in Guatemala will not take place until workers are free to organize. But so far in the Starbucks case, we haven't seen any organizing campaigns take place on those few plantations which we know for sure sell to Starbucks.

Not only can similar campaigns be carried out in other countries, such campaigns are necessary for our efforts in the United States to succeed. I don't know how much Guatemalan coffee is imported by Canadian companies, but we need to persuade a lot more companies, here, in Canada and elsewhere, to adopt codes and begin enforcement before we're going to make a real difference on the ground in Guatemala and other coffee-growing countries.

I should add here that there have long been important efforts to develop alternative trade in coffee. Equal Exchange, for example, has been working for years to market fair-trade coffee that is purchased from cooperatives and small producers. We see the code-of-conduct approach as an effort to change behavior on the large plantations, complementing the work of fair-trade groups. ♦

CHILE

Mercosur Turns Its Back On Consumers

by Andrea Botto, *Consumers International (Chile)*

The debate in the Mercosur regarding the minimum standards of consumer protection is being held in the absence of consumers, and they are paying the price for their exclusion.

The agreement signed in 1991 by Argentina, Brazil, Paraguay, and Uruguay to create the Common Market of the Southern Cone, or Mercosur, clearly favors the region's big businesses. The circumstances faced by consumers are, at best, mixed. The reduction of tariffs, and, in some cases, non-tariff barriers, does give consumers access to a greater variety of goods at more competitive prices. Markets function imperfectly, however, and such unfair business practices as the formation of monopolies and price agreements diminish the benefits that free trade could provide consumers in the form of more competitive prices and a greater variety of available goods.

In the case of Mercosur, this situation is exacerbated by the presence of strong differences in the protection of consumer rights in the member countries. In Brazil and Argentina these rights are recognized at the constitutional level. Paraguay and Uruguay, on the other hand, do not even have consumer-protection laws on the books. These irregularities facilitate the introduction of low-quality goods that are unsafe or harmful to consumers in the region.

In late 1994, consumer organizations in the four member countries decided to unite to address this and related problems. They formed the Consumer Association of the Mercosur (ACOM) to coordinate activities that protect the interests of the region's consumers, such as the harmonization of consumer-protection legislation, as well as to do comparative testing and studies related to, among other things, product quality.

Despite the presence of ACOM, consumers, as well as others in civil society, continue to encounter barriers to their participation in the agencies responsible for implementing the trade agreement. Mercosur has an inter-governmental structure in which the only formal involvement of sectoral representatives is provided for at the level of the FES – the Economic-Social Forum.

The purpose of this institution is to advise the Mercosur's executive body on those subjects and projects that it has reviewed.

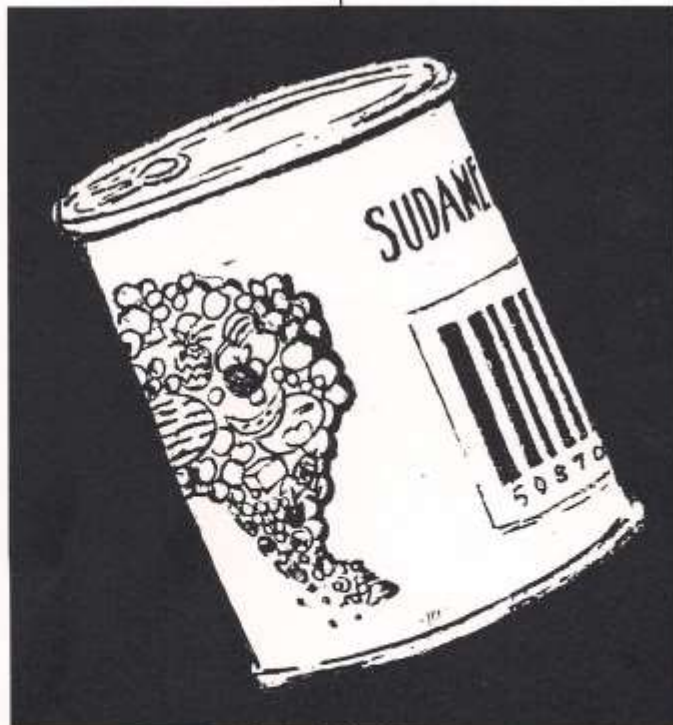
The operational regulations of the FES were adopted in May of this year. Originally, it was expected that each of the sectors (business, unions, and consumers) would have equal representation in the Forum. Unfortunately, power struggles resulted in a change in that decision, and a 4-4-1 (business-unions-"various", with consumers being included in the last group) ratio was adopted. The Brazilian and Argentine members of ACOM do have representation in their respective national FES, however.

Similar frustrations affect consumers at the regional level. The fulfillment of the objectives of this agreement requires – among other things – that countries harmonize their legislation in various areas, including technical regulations (establishing minimum requirements for goods that are traded in the common market) and certain macroeconomic issues. As many technical regulations have direct and indirect consequences for consumers, consumer organizations have been demanding the right to participate in the decisionmaking process on such issues. In general terms, however, it is fair to say that the discussions of the technical groups occur

behind closed doors. At certain times, representatives from industry are invited to participate in these discussions as observers, but consumer representatives are not.

In Argentina, the representative of ADELCO (Consumer Action, a member of ACOM) has participated in all of the meetings organized by the regulatory agency on the planning of the standards-harmonization project. Unfortunately this has not been the experience in other countries, where ACOM members have repeatedly found themselves up against obstacles – for example, the concealment of documents and the constant postponement of the announcement of meetings – that make their participation in policy debates more difficult.

Historically, the informed participation of consumers has contributed to the transparency of markets and the safety and accessibility of goods and services. It is critical, therefore, that the Mercosur's consumer organizations – their relative exclusion from official decisionmaking notwithstanding – continue to exert pressure to limit the negative effects engendered by the trade agreement. What happens in the Mercosur will set an important precedent for future integration agreements in the region. ♦



"South America" in a can

NAFTA and Mercosur: What's the Difference?

by Karen Hansen-Kuhn (The Development GAP, USA) and Valentina Delich (Universidad Nacional de Buenos Aires)

As informal talks regarding the possible creation of a hemisphere-wide Free Trade Agreement of the Americas proceed, NAFTA and the Southern Cone Common Market (Mercosur) continue to serve as the two principal models for its architects. The following is a brief comparison of the two accords and some of their main features.

Issue	NAFTA	Mercosur
Definition	A free-trade area in which barriers to trade in goods produced in the member countries are removed but where each nation retains the ability to set tariffs on goods from non-member countries. NAFTA effectively encourages production in low-cost sites. It includes provisions that liberalize capital flows and protect intellectual property rights, and open new sectors to foreign investment, while allowing only limited labor mobility.	Actually a customs union, in which there is free trade among the members and a common external tariff. While Mercosur does include measures to liberalize capital flows among the member countries and to protect intellectual-property rights, a true common market would also provide for the free movement of workers among the member countries, a topic that is still under discussion in the Mercosur.
Date Enacted	1 January 1994	The Treaty of Asunción, signed on 26 March 1991, initiated a process of trade liberalization. The second phase in the establishment of a common market began on 1 January 1995 and includes the eventual establishment of a common external tariff.
Members	Canada, United States and Mexico	Argentina, Brazil, Paraguay and Uruguay. Chile became an Associate member on 1 October 1996. Bolivia will become an Associate member as of 1 January 1997.
Decisionmaking	NAFTA is a treaty in Canada and Mexico, superseding any national legislation. In the United States, it is an agreement; Congress must determine whether to change national laws. A trinational NAFTA Commission has been established to oversee implementation.	Supplementary Decisions and Resolutions are reached by consensus in an ongoing process involving all members and must be approved by the national legislatures. Associates are only bound by those Decisions or Resolutions that they specifically endorse.
Dispute Resolution	A panel of experts meets in secret to resolve trade disputes in cases in which national laws or practices may constitute restraint of trade. Parties to disputes are governments, except in cases of expropriation, whereby foreign investors are given legal standing.	Ad-hoc Arbitration Panels are constituted as needed. Individuals can bring claims if supported by their governments. Public hearings are held, and the decision of the majority is published.
Tariff reductions	Varying time frames, ranging from immediate liberalization of trade in passenger automobiles to a 15-year phase-out of tariffs on corn and bean imports into Mexico and orange juice and sugar imports into the United States.	Beginning on 1 January 1991, no tariffs on 90% of goods traded among member countries. All exceptions are to be phased out by 1999 for Brazil and Argentina, and 2000 for Paraguay and Uruguay. Between members and Chile, about 40% of goods are, as of 2 October 1996, traded duty-free. Remaining tariffs will be gradually reduced over eight years. Among the most important exceptions are wheat and flour (18 years), rice and olive oil (15 years) and sugar (exempted indefinitely).

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Issue	NAFTA	Mercosur
Common external tariff	None.	An average of 14% on the 85% of goods included under the common external tariff regime. Certain exceptions apply, including capital goods, computer products and telecommunications, some of which will eventually be phased out. Associate members do not apply the common external tariff.
Investment	Investors from member countries receive national treatment (no less favorable than that granted to local investors), though Mexico prohibits foreign investment in petroleum. The application of performance requirements (such as levels of technology transfer, exports, etc.) to any foreign investor is prohibited.	Investors from member countries receive national treatment, although Argentina exempts real-estate investments in border areas. Investors from Associate countries do not automatically receive national treatment.
Intellectual property rights	Protects copyrights and patents of written materials, recordings, software, and pharmaceuticals, among others, according to the terms of various international agreements. Relevant Mexican and Canadian laws were changed to lengthen copyright-protection periods to meet U.S. standards. Strict trade sanctions possible for violators. Does not protect the intellectual property rights of indigenous peoples vis-à-vis traditional knowledge.	As a result of Decision 8 (1995), members will take steps to harmonize local laws regarding protection of intellectual-property rights. Ratified the Paris Convention and WTO annex on intellectual property. As in NAFTA, indigenous peoples' rights are not included.
Labor rights	Under the supplementary but relatively weak North American Agreement on Labor Cooperation, members agree to enforce national laws. Fines possible in cases of persistent violations of workplace-safety, minimum-wage and child-labor laws. Consultations possible when the rights to strike, to the freedom of association and to collective bargaining, etc. are violated.	The members have agreed on the need for a social charter to establish common labor norms, but no agreements have yet been reached.
Labor mobility	Temporary entry for certain classes of professional workers and businesspeople.	National legislation applies until the Labor Commission agrees on a common policy.
Environment	Under the similarly weak North American Agreement on Environmental Cooperation, members agree to enforce national laws. Fines possible in cases of persistent violations. Issues related to natural resources are excluded from consideration under this side agreement. Consultations, but not sanctions, possible in cases of disputes related to provision that members "should not" lower environmental standards in order to attract investment.	Decision 10 (1994) establishes the "basic guidelines for environmental policy," including a provision that governments should ensure equality of competitive conditions among the member countries through the inclusion of "environmental costs" in the analysis of the cost structure of any productive process. Decision 10 also states that governments "should" guarantee that producers do not lower environmental standards in order to reduce costs, but does not indicate how this would be done.
Democracy	Not addressed.	Addressed in a Protocol to the Treaty of Asunción earlier this year, which states that any member country that comes to be governed by a military dictatorship will be dropped from the Mercosur. Chile has also ratified this Protocol.

CHILE

CONFRONTATION MARKS ENVIRONMENTAL CONFLICTS

by Cesar Padilla, *Environmental Conflicts Observatory (Chile)*

Chileans are becoming increasingly concerned about the negative effects of natural-resource exploitation, particularly in sectors such as mining, as well as about the long and difficult environmental conflicts among local people, the government and businesses that they often generate.

These conflicts have been exacerbated by the weak and vague legal framework provided by the Environmental Framework law. This is in part due to the fact that, two-and-a-half years after the law's passage, regulations for an Environmental Impact Assessment System have still not been approved. Such a system would provide a legal instrument to evaluate the sustainability of investment projects. This lack of guidelines is a clear indication of the conflicts — perhaps unresolvable — within the government that exist as it attempts to stimulate both economic investments and environmental protection.

As environmental conflicts accumulate and lessons are drawn from them, each sector is adjusting its strategies. Businessmen are promoting their projects better, the government is being more meticulous in its treatment of complaints, and environmentalists and other citizens are structuring their alliances better in order to defend the environment.

Many communities facing environmental problems now opt for a confrontational strategy. This is a direct result of their feeling of abandonment generated by participation exercises that have not guaranteed protection of either the environment or people. These communities have become extremely skeptical about the environmental review process generally, for even when environmental feasibility studies have been carried out most projects are approved without modification, and the studies are then used to justify the decisions to implement the projects. To compound the problem, the communities most harmed by environmental problems are often those with scarce resources, such as fishermen, artisans, indigenous peoples, peasants and poor city dwellers.

The government has tried a number of maneuvers to end this confrontational strategy. One of these has been to discredit environmental groups, which often constitute the only support that affected people have in their fight to protect their environment. Another has

been to let the communities affected by investment projects with serious environmental impacts believe that they can effectively influence the process of project approval simply by commenting on the environmental-impact studies, even though this approach has never been effective.

Lately, the government has chosen to bang its fists on the table, with the President declaring that the objective of environmental law is not to jeopardize investment projects, but to implement them with the least environmental impact possible. Neither this public posture nor the increasingly aggressive campaigns waged by businesses have, however, stopped the daily increase in environmental conflicts.

And it cannot be otherwise, since, more and more, as environmental consciousness increases along with the lessons learned from important environmental conflicts, those citizens most sensitive to these issues are better prepared to defend their environment, their health, and their personal and collective security. While some officials have claimed that environmentalists have generated these conflicts and increased their intensity, the truth is that the government's failure to adequately address these problems has contributed to communities taking even more extreme positions on these conflicts.

In San Alfonso, for example (see the Summer 1996 issue of *OUR AMERICAS*), public resistance to the installation of a gas pipeline through a nature sanctuary bordering an inhabited area marked an important milestone in the decisionmaking processes of the various sectors of society facing this kind of situation. Yet, the recently negotiated agreement to provide greater safety to the population is now being ignored by the government and the company, and the commitments they made are not being properly fulfilled.

Within this setting of increased cynicism on all parts, it seems inevitable that environmental conflicts will continue to be a part of Chile's national reality. ♦



NEOLIBERALISM - continued from page 3

The conveners of the Liberty Referendum have continued to seek to expand the consensus and to raise awareness that there is indeed another economic path for Mexico, as well as to mobilize the citizenry in order to pressure for a change in economic course. A series of meetings were subsequently held that were open to all social, political and civic organizations so that, together, they could design post-referendum plans to achieve economic change.

The participants decided to hold a national day of condemnation of the neoliberal model. This would not be a condemnation based on academic or scientific analysis. Instead, citizens would speak out on the impact of the government's economic policy on them personally, on their friends and families, or collectively. The organizers sought to generate a public consciousness, that, in effect, "my problems are the problems of many; my problems are related to the decisions and orientation of the government's actions."

A group of close to 100 organizations convened the one-day event. Among those were large social organizations from all sectors: popular; union; family-farm; women's; environmental; and human rights. The available partial data show the participation of some 177,000 Mexicans from 30 states and Mexico City, organized in 1,875 committees and 75 assemblies that denounced one or more of the wrongs caused by the government's economic policy.

There was a rich diversity of responses. In addition to those that could be collected in the form of statistics, there were direct narrative testimonies. The organizers have not yet finished systematizing the information or selecting among the best testimonies. Nevertheless, some general tendencies have emerged:

- * the great majority complained that they have experienced drops in their incomes (62 percent) and that taxes are excessive (66.7 percent), and demanded that the value-added tax be reduced (86.3 percent);
- * approximately a half (52 percent) of the respondents complained that they cannot obtain adequate nutrition;

- * more than two-thirds have suffered harm in terms of employment — meaning that they do not have work, cannot find work, do not have stable employment or cannot produce due to the high interest rates or prices of supplies or the contraction of the market for their goods;

- * a third of the respondents have lost or are in danger of losing their assets (housing or means of work) because of harassment by creditors. The great majority mentioned additional ways in which their quality of life has diminished.

At the event there were open forms of direct and mass participation in which people spoke for themselves and evaluated the government. Just as importantly, the one-day national event generated an unprecedented assortment of information on the damage done to the population and on the perceptions of the Mexican people regarding the causes of those effects. ♦

CHILE

Commentary:

Trade Agreements are Displacing International Organizations

by Maria Elena Ahumada, Committee in Defense of the People (CODEPU, Chile)

The United Nations and the Organization of American States have long served as forums for debate and decisionmaking on policies related to cooperation among countries in the construction and maintenance of peace and respect for human rights. These organizations emerged in order to facilitate fruitful relations among countries and among peoples, based on the principle of equality among nations. Today, the forces of economic globalization are serving to undermine the very institutions that have fostered international cooperation on a range of political and social issues.

These international organizations do not now have the same historical and political relevance as they did in the past; they are being displaced by economic agreements. At the same time, the United Nations system is suffering from serious financial problems and has come to depend almost exclusively on the contributions of the most powerful countries in the world, undermining, in practice, the one-country, one-vote principle that made them such important forums in the past.

Important decisions affecting relationships among countries are now being made in meetings on international market arrangements. Economic blocs such as the European Union, the Mercosur and NAFTA continue to gain startling political force, and their decisions in the area of international relations appear to carry great weight.

In the Mercosur, for example, a standard of membership (or entry) has been established that sanctions those countries that do not have a democratic system. The recent near coup-d'etat in Paraguay, prevented in large part because the country would have been excluded from the Mercosur had the military taken control, demonstrated the fact that times have changed and that political decisions are extremely dependent on countries' economic decisions (and those of businesspeople in those countries and trading areas).

As a policy, this kind of decision has both positive and negative aspects. We could consider it positive that a decision such as that made on the Paraguayan situation serves as a warning to all, especially those forces not fond of democracy, that common markets function only if formal democracies exist in the member countries. Coups d'etat and military dictatorships are now out of style. They do not serve to improve the economy or to consolidate a society's open economic development.

The Mercosur and other trading blocs, however, cannot adequately resolve issues related to the fundamentals of democracy. The guiding principle of the relationship among the countries that make up the common market is the promotion of commercial exchange, and the ostensible goal is the area's economic development. This means that the national or local economy is subordinated to the regional economy, and, just as significantly, that decisionmaking is further removed from the local level and relegated increasingly to relatively unaccountable regional authorities. It also implies that only one model of development and only one model of democracy exist.

These agreements do not address the complex and far-reaching political and social consequences of expanded trade, both within and among nations. Unless trade agreements are fundamentally transformed so as to address those issues in a democratic manner, it is critical that there be international forums in which Latin

American countries can raise those issues separately from negotiations of trade concessions. The UN and OAS, however, have practically been reduced to carrying out promotional work on human rights and social, educational, health and environmental projects. The fact that the importance of these institutions has diminished considerably is primarily due to the world development model whose central focus is the logic of technological and economic competition, as well as to the policies imposed by other, less democratic institutions such as the World Bank and International Monetary Fund. The concept of the market is therefore being irreversibly imposed on relations among nations and among peoples.

As we all know, however, the market does not regulate human or social relations, nor those among nations or regions. The market does not regulate relationships among persons and among peoples; it is only useful as a regulator of prices, goods, purchasing power, business profits, and capital relations.

Another nefarious effect of this process is that market forces tend to lower labor standards through deregulation and the opening of labor markets to the forces of competition. We must ask ourselves who should have the sovereignty to make decisions of that magnitude.

From a human-rights perspective, this extreme liberalization is not legitimate, since, in the first place, the exercise of any sovereignty is limited by the rule of law and human-rights standards. But if sovereignty is to be exercised, it is the people themselves who must do so, since this authority is given only temporarily by the people to its leaders in order to carry out a specific political program.

Finally, beyond broad trade relations, we need cultural, social, intellectual and human exchanges. To this end, it is also critical to strengthen the United Nations and OAS systems, for it is precisely in those international forums where the commitment to peace, international cooperation and respect and protection of human rights has arisen. ♦

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CANADA

Citizens' Groups Work to Protect Health Care

by Michael McBane, Canadian Health Coalition

On 1 April 1996, the trade ministers of the United States, Mexico and Canada exchanged letters exempting state, provincial and territorial laws and regulations in effect prior to 1 January 1994 that do not conform to NAFTA from challenge under the agreement. This exemption was the best possible outcome for the general population of a process aimed at making sub-federal measures and programs such as health care, education and social services subject to NAFTA rules.

Just days before, Canadian federal authorities had advised the provincial governments not to submit reservations to protect public services, arguing that health and social services were already protected under a clause exempting services "established or maintained for a public purpose". Local authorities had, however, been forewarned of the risk that they would be running.

The Canadian Health Coalition (CHC), which includes seniors', women's, anti-poverty, students', church and trade-union groups, had been monitoring trade developments that threaten health care and other public services. The group challenged the federal government's interpretation and commissioned a legal opinion from Prof. Bryan Schwartz of the University of Manitoba. His opinion substantiated CHC concerns that the Canadian government was exposing Medicare and other public services to NAFTA rules.

A significant victory

Schwartz argued that the existence of several "grey areas" in NAFTA could encourage U.S. health-care corporations to put political pressure on Canada to open up large areas of the health-care and social-service sectors to market forces. Canada interprets the term "public purpose" broadly, while the United States defines it very narrowly, so that if a NAFTA dispute-resolution panel were to rule in favor of a narrow definition, and the Canadian government had not submitted reservations for public programs, the Canadian health-care system could be jeopardized. The CHC network briefed provincial governments across Canada. The media reported a growing anxiety in several provinces that Medicare was being put at risk.

Canada's health-care system is based on principles of shared social responsibility and universal and free access to health care, and is therefore radically different from the U.S. system. The federal authorities understood that they could not afford to be seen to be opening up the health-care system to U.S. corporate interests. Prime Minister Chrétien called a Cabinet Committee meeting at which the Minister of Health convinced the Cabinet to instruct the Minister of International Trade to negotiate an agreement with the NAFTA partners reserving all existing health-care and social services from challenges under NAFTA's Investment and Services chapters.

While this represents a significant victory for health-care activists, several other NAFTA provisions continue to threaten public programs. In particular, Canada is at odds with the United States over the definition of a "public purpose" in Annex II-C-9 of NAFTA. The Office of the United States Trade Representative (USTR) has said that "public purpose" should not apply to services supplied by a private firm, whether on a profit or non-profit basis. If this interpretation were applied to Canada's health-care system, hospitals would be excluded from this provision because they are private, non-profit entities. This definitional dispute needs to be brought out of closed-door meetings of NAFTA working groups and into the light of public discussion and democratic decisionmaking.

Internal free trade

While Ottawa was announcing its "deal to shield Medicare from NAFTA," federal and provincial trade officials were negotiating changes in the rules of inter-provincial trade, known as the Agreement on Internal Trade (AIT), that could undermine those very protections. Once provincial government procurement contracts for health-care services, for example, are subject to internal "free trade" rules - which the latest AIT Draft Agreement portends - there is nothing to stop a transnational company from opening an office in Calgary to bid on a strategic health-care contract in Vancouver or Montreal.

The driving force behind this domestic trade liberalization is the federal Department of Industry, with strong backing from the provincial governments of Quebec, Alberta and Ontario. The government of British Columbia is leading the opposition to the proposed changes in the AIT. The Internal Trade Ministers of the provincial governments will meet again at the end of the year.

Meanwhile, large U.S.-based health-care companies, such as Liberty Health, Columbia, United States Surgical Corporation, National Medical Care, and

We Care, Inc., working around the obstacles created by citizens' groups and local governments, have moved in and fragmented Canadian health-care delivery. The Canadian health-care system is gradually being transformed from a non-profit, community-based system to a for-profit, largely U.S.-based one. The privatization of the system is incremental, but, under NAFTA, bringing services back into the public sector could be difficult.

The challenge ahead

As we head toward the next federal election, the political lesson is clear. It is not enough for Prime Minister Chrétien to say his government is committed to preserving public, universal health care in Canada. He must instruct his officials in the Departments of Finance, Trade, and Industry to abandon the policy of opening up the health care system to market forces and "free" trade agreements. The Chrétien government must also restore stable and adequate financing of health and related programs. This preservation and improvement of Medicare will require a dose of transparency and generous amounts of political pressure from social movements.

Because NAFTA concentrates power and authority in the hands of trade officials, the policy reversal on the NAFTA reservations is a victory for popular democratic movements. It also underscores the need for vigilance. It represents a victory because it illustrates that international trade agreements are not static or inevitable frameworks. Given the international nature of corporate power, social activists in Canada need to reach out and network with counterparts throughout the Americas and the world to learn from the hard-won victories of popular movements in each country. ♦



AMERICAS

Food Subsidies and Security Implications of the FTAA

by Steve Suppan, Institute for Agriculture and Trade Policy (USA)

Recent trade discussions could produce policies that would seriously affect the ability of nations and households to produce and, if need be, purchase foods in sufficient amounts, diversity and quality to foster the health and well-being of their people.

A proposal to develop the Free Trade Area of the Americas (FTAA), a trade agreement that would link all the states of the Western Hemisphere except Cuba by the year 2005, was presented at the Summit of the Americas, convened by the United States in Miami in December 1994. At the Summit, a "Plan of Action" was approved that instructed the "ministers responsible for trade" to take steps to achieve an FTAA with the assistance of such agencies as the Inter-American Development Bank, the Organization of American States Special Unit on Trade, and the United Nations Economic Council on Latin America and the Caribbean. The Plan also set up a series of Working Groups (WG) and ministerial-level meetings intended to further the FTAA process.

Food security implications in the FTAA process

One issue now being addressed in FTAA Working Groups is food security -- defined by the United Nations' Food and Agriculture Organization as the ability of households, localities, regions, and nations to buy or grow food of sufficient quantity,

variety and quality as to meet nutritional needs. Even such proponents of "free" trade in agricultural goods as the International Food Policy Research Institute acknowledge that food security has been declining in Latin America for at least fifteen years.

Subsidized agro-exports "dumped" at below the cost of production make importing countries "food insecure" by driving domestic producers out of farming and leaving those countries vulnerable both to price increases and supply scarcity in imported commodities (the current situation), as well as to exchange-rate volatility.

Despite its public stance in support of eliminating agricultural subsidies, in reality U.S. policy on subsidies has been inconsistent. In a December 1995 letter to the FTAA Subsidies Group Working published in *Inside NAFTA*, the United States government expressed its interest in addressing such trade-restrictive practices as "state trading enterprises, differential export taxes and export rebates, and European Union subsidies on agricultural goods such as grains and dairy products." The 1996 U.S. farm bill, however, maintains agro-export subsidy programs at very high levels, while the Clinton Administration has led opposition to an Argentine proposal to end such subsidies.

In an apparent response to a paper submitted to the WG by the Argentine government, both the U.S. and Mexican governments contended in a cable report this March that the WG had not carried out its mandate and postponed approving its report. The paper had recommended that the FTAA "deepen" commitments made in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) to eliminate agro-export subsidies and to impose countervailing duties on those countries that "dump" exports at below

the cost of production. In July, the United States, Canada, Chile and Venezuela went further, charging that the Argentine proposal would probably violate WTO rules that permit subsidies. Argentina maintained that its proposal was indeed based on WTO rules and therefore merited further FTAA discussion.

Subsidizing competition

The Argentine FTAA paper calls for negotiations towards freeing agriculture from a regime of export subsidies that has undermined food security in many countries. In a paper for the WTO Committee on Trade and Environment (CTE), Argentina has also called for discussions on whether to curtail or eliminate agricultural trade subsidies that prompt environmentally unsustainable agriculture production practices.

According to the 20 September issue of *Inside U.S. Trade*, the CTE report to the WTO Trade Ministerial meeting in Singapore in December 1996 is likely to follow closely the U.S.-proposed report. One diplomat said the CTE report will "hit a fairly low level of ambition," because of U.S. opposition to several initiatives, including that of reducing agricultural subsidies for environmental benefits.

U.S. opposition to the Argentine papers is consonant with the "Recommendations on U.S. Trade Policy for Agriculture," a 12 September 1996 report of the President's Advisory Committee for Trade Policy and Negotiations. Despite the demonstrated negative impacts of agricultural export subsidies on food production in developing countries, the report argues that the United States must maintain a high level of subsidies in order to compete with other Northern exporting nations, which, like the United States, "compete" with unsubsidized farmers in developing countries. ♦

In Dispute in FTAA Discussions

Controversy over what to achieve in the Free Trade Agreement of the Americas and how to achieve it surfaced at the March 1996 trade ministerial meeting in Cartagena, Colombia. The U.S. plan for the FTAA, which is supported by Mexico and Canada, is either to add member states to NAFTA or to draft a new agreement using NAFTA as a model. Brazil, supported by several member states of other existing regional trading blocs, argues that the FTAA should be negotiated among NAFTA, Mercosur and other regional blocs.

There is also a dispute about the pace of negotiations. According to articles in the 6 March issue of *Inside NAFTA*, U.S. business groups, led by the Bush Administration's chief NAFTA negotiator Ambassador Julius Katz, have pressed for a 1997 start to FTAA negotiations, a position supported by the U.S. government.

On the other side, Brazil's Foreign Minister Luiz Felipe Lampreia has stated that countries in the hemisphere need first to meet their existing commitments to regional trading blocs and the World Trade Organization (WTO) before negotiating an FTAA. Canadian Trade Minister Art Eggleton countered that negotiations could begin for some economic sectors in 1997 and that WTO commitments could change as a result of "common front" lobbying by FTAA members (29 March, 1996, *Inside U.S. Trade*).

At issue is not simply the pace of the negotiations or appropriate legal frameworks, but whether the FTAA will undermine the WTO in the U.S. effort to keep Latin America in its trade orbit. The WTO has initiated a Work Programme to investigate the implications of regional trade agreements for the Organization.

Steve Suppan