

Executive Memorandum

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RUSH!

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WHILE CLINTON DITHERS IN HAITI, THE FREE TRADE AGENDA IN LATIN AMERICA FOUNDERS

While the Clinton Administration preoccupies itself with Haiti, America's far more important free trade agenda in Latin America is foundering. The head of steam reached by last year's passage of the North American Free Trade Agreement is running out. Instead of wasting American lives to install a left-wing priest as president of Haiti, the U.S. should be moving quickly ahead to spread free trade throughout the Western Hemisphere.

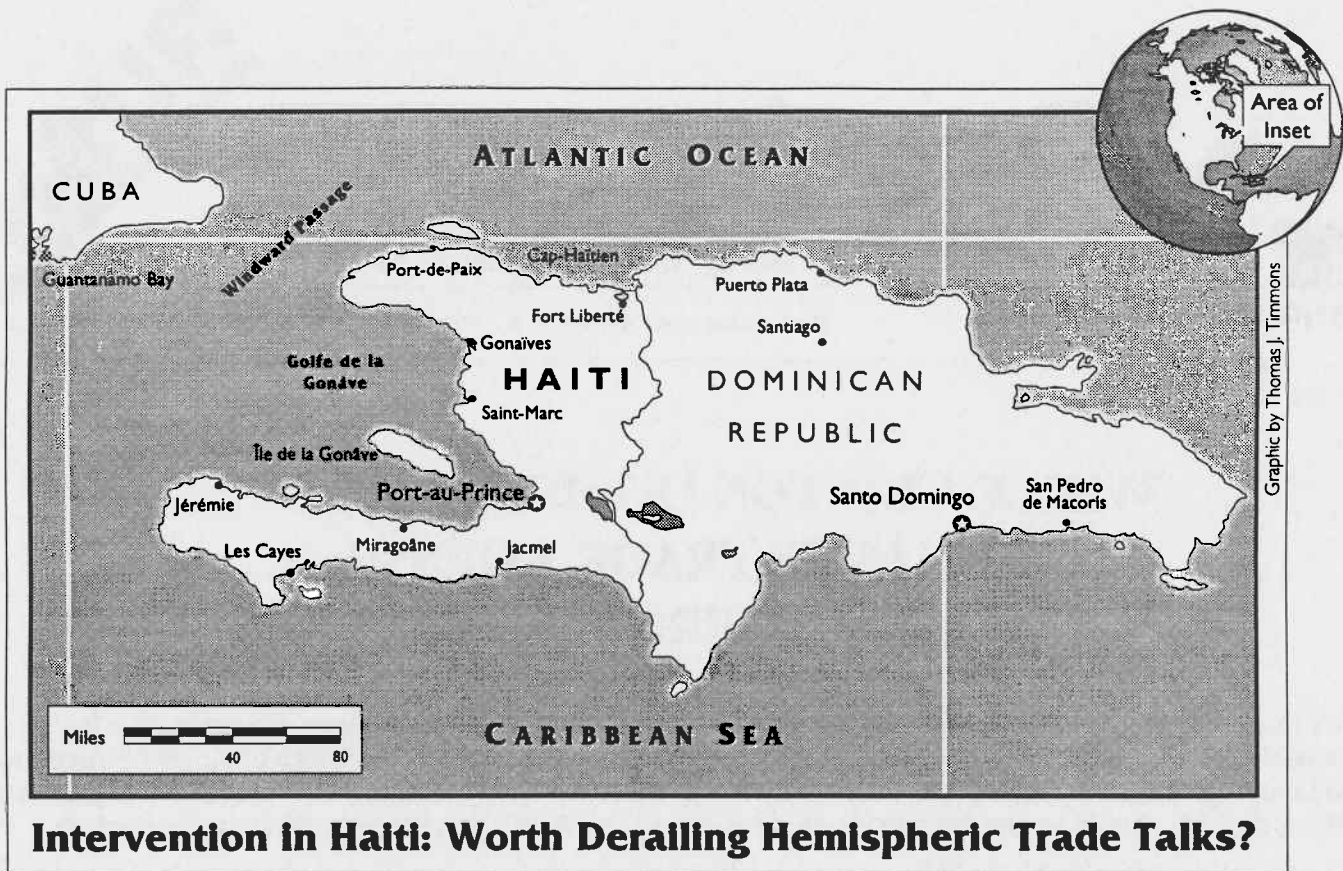
The invasion of Haiti indeed will be a waste. It will needlessly place at risk not only the lives of U.S. soldiers, but some 3,000 U.S. citizens on Haitian soil who, to date, have not been threatened or harassed in any way by the military regime. It will cost at least \$500 million from U.S. taxpayers and surely will require the continued presence of U.S. troops for many months to prop up Jean-Bertrand Aristide's unstable government. And it will further damage U.S. relations with Latin America, already shaky after the latest round of charges and counter-charges between Washington and Havana regarding the flood of Cuban refugees.

Forging a New Relationship. Now that the Cold War is over, the best way to advance U.S. interests in Latin America is through free trade. With the exception of Cuba and Haiti, democracy has spread throughout the hemisphere, and the region's governments are setting the pace for other developing regions as they rush to open their markets and modernize their economies. Free trade will strengthen democracy in the Americas, encourage political reform, and improve the living standards of hundreds of millions of people.

Latin America and the Caribbean have embraced free trade wholeheartedly. Latin American markets have opened more rapidly than any region in the world. In the past five years, free market policies have been implanted firmly and tariff and non-tariff barriers have tumbled as some 30 bilateral and multilateral trade pacts have been signed within the region. Intra-Latin American trade nearly doubled from \$12 billion in 1989 to \$23 billion today. After the NAFTA was approved last year, President Clinton fanned the region's expectations of better trade relations with the U.S. by inviting all of its democratically elected leaders to a Summit of the Americas to be held in Miami this December. The stage was set to make trade the centerpiece not only of the Summit of the Americas, but of U.S. policy toward Latin America.

Regrettably, this turned out not to be the case. Before long the Haitian and then the Cuban crises distracted the Administration from the admirable course set last year during the NAFTA debate. Instead of threatening to invade Haiti, the Administration should be fashioning an agenda for the Summit of the Americas that places free trade front and center.

By getting bogged down in Haiti, the Clinton Administration not only risks a major foreign policy failure at the December summit, it also is encouraging the nations of Latin America and the Caribbean to pursue free trade arrangements that exclude the United States. For example, Mexico has signed bilateral trade agreements with Chile, Colombia, Venezuela, and Bolivia. In the years to come, the loss of Latin American trade could cost tens of billions of dollars in U.S. exports and millions of U.S. jobs. European and Asian competitors will be quick to take advantage of a Latin American market left unattended by the U.S.



Intervention in Haiti: Worth Derailing Hemispheric Trade Talks?

Latin America and the Caribbean indeed are not waiting for the Clinton Administration to decide whether or not to move ahead with free trade in the region. Mexico is eager to expand trade relations with the 17-member Asia-Pacific Economic Cooperation (APEC) forum and the European Union. Chilean Finance Minister Eduardo Aninat has said that Chile expects to finish negotiations this year on a trade pact with Argentina, Brazil, Uruguay, and Paraguay, the countries of the regional Mercosur pact. Chile also is hurrying to strengthen ties with APEC and the EU. New Colombian President Ernesto Samper announced in August that the NAFTA "is not a priority" since Colombia's accession to the agreement is not likely for ten or fifteen years. Instead, Colombia will concentrate on building stronger trade relationships with the Group of Three (Mexico, Colombia, and Venezuela), the five-nation Andean Pact (Venezuela, Colombia, Peru, Ecuador, and Bolivia), Mercosur, Central America, and the Caribbean.

In Washington, meanwhile, the Clinton Administration was forced on September 12 to drop its request for fast-track authority to negotiate future free trade agreements. Fast-track authority permits the Administration to negotiate agreements and present them to Congress for approval on an up-or-down vote. The request had been included in the legislation for implementing the General Agreement on Tariffs and Trade (GATT), the seven-year long negotiations which ended last December. The defeat of the fast-track request for this year is a solid brake on the free trade momentum that began with the passage of the NAFTA last November. It also will dampen the free trade enthusiasm of Latin Americans at the Miami summit.

Reclaiming the Free Trade Mantle. The core of U.S. policy toward Latin America should not be liberal gunboat diplomacy, but free trade. As the U.S. prepares for the December Americas Summit in Miami, the Clinton Administration should put eliminating all tariff and non-tariff barriers throughout the region at the top of the agenda. If this is done, trade will grow very quickly, especially if the Clinton Administration presents a timetable for expanding the NAFTA throughout the region and adheres to it. Even if some countries fail to qualify for full NAFTA membership, that should not be an impediment to negotiating partial trade agreements which can be expanded in stages.

Clinton should place trade at the top of his Latin America agenda. In the wake of the fast-track defeat, a high-visibility tour through the region by Vice President Al Gore or Trade Representative Mickey Kantor would go a long way toward assuaging hemispheric concerns about the loss of momentum on trade. It also would ensure that two uninvited guests to the Miami Summit—Haiti and Cuba—do not steal the show.

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