



*Robert Schuman*

**Reflections on the Development and Prospects of the  
Free Trade Area of the Americas:  
Does It Relate to the European Experience?**

– Ambler Moss



Jean Monnet/Robert Schuman Paper Series  
Vol.5 No. 17  
July 2005

This publication is sponsored by the EU Commission.

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Miami European Union Center  
University of Miami  
1000 Memorial Drive  
101 Ferré Building  
Coral Gables, FL 33124-2231  
Phone: 305-284-3266  
Fax: (305) 284 4406  
E-Mail: [jroy@miami.edu](mailto:jroy@miami.edu)  
Web: [www.miami.edu/eucenter](http://www.miami.edu/eucenter)

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the Americas: Does It Relate to the European Experience?**

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Ambler Moss \*

**The Jean Monnet Chair  
University of Miami  
Miami, Florida  
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\* Ambassador Moss holds a J.D. from George Washington University. A former diplomat, he was on the negotiating team for the Panama Canal Treaties of 1977 and was U.S. Ambassador to Panama from 1978-1982. Previously, as a member of the Foreign Service, he served in Spain, in the U.S. Delegation to the Organization of American States, and as Spanish Desk Officer in the Department of State. He was a member of the Steering Committee for the first Summit of the Americas in Miami (December 1994). Ambassador Moss is on the Board of Advisors to Florida FTAA, Inc., a public-private entity which promotes the Free Trade Area of the Americas. His research and teaching areas include U.S. foreign policy, international law, diplomatic negotiation, and U.S. - Latin American relations. He also served for many years as the Director of the North-South Center. He teaches in the area of International Organizations, International Dispute Resolutions, and Foreign Policy, as well as Latin America.

# Reflections on the Development and Prospects of the Free Trade Area of the Americas: Does It Relate to the European Experience?

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## Introduction

What is the Free Trade Area of the Americas (FTAA) really about? What kind of integration does it consist of? What motivates Western Hemisphere countries to move in such a direction? We need to reflect on the meaning and significance of the FTAA. At this writing, as we know, it is not entirely clear when there will be one.

It is perhaps easier to say what the FTAA is not about. Most obviously, its wellspring is not analogous to the Schuman Declaration, the political origin of the European Union announced on May 9, 1950. That document said quite plainly that the pooling of coal and steel between the two main European powers would be done to prevent any future war between them:

The solidarity in production thus established will make it plain that any war between France and Germany becomes not merely unthinkable, but materially impossible.

There have been wars between states in the Western Hemisphere during the past two centuries. However, they have been limited or minor when compared to the European conflicts of the Twentieth Century. World Wars have not rampaged through the region, and no one has suggested integration as a necessary way to insure international peace.

Yet, the idea of integration has been around in the Western Hemisphere since the independence of these republics. Their initiatives have been motivated by other sets of mutual interests. The FTAA is only a recent event in that chain. Let me mention just a brief selection of the integration efforts that have transpired. Essentially, using very disparate threads, a web of relationships has been woven over a long period, converging into the FTAA concept.

In 1826, Simon Bolívar inspired the Congress of Panama<sup>1</sup>, an effort to weld together the newly free states of northern Latin America. He invited the U.S. president, John Quincy Adams, who, though not especially an admirer of Latin Americans, was eager that his government attend the sessions. A reluctant Congress, however, held up the approval of the two U.S. representatives and then delayed the funding of their trip until it was too late for them to get there before it had ended. Does that sound familiar?

The Congress of Panama was attended by four American states--Mexico, Central America, Gran Colombia, and Peru. The "Treaty of Perpetual Union, League, and Confederation" drawn up at that congress would have bound all parties to mutual defense

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<sup>1</sup> Though he did not personally attend it.

and to the peaceful settlement of disputes. Only Colombia ratified it, however, and Bolivar's dream failed so completely that he lamented before his death that to support revolutions was "to plough in the sea."

A subsequent step toward integration was taken in 1889, when the First International Conference of American States, commonly known as the Pan American Conference, convened in Washington, DC. Its driving force was James G. Blaine, the American secretary of state. Its result, an initiative "for the prompt collection and distribution of commercial information" established the Commercial Bureau of the American Republics in Washington, with a secretariat. Some 18 Western Hemisphere nations, including the United States, joined it. In 1910, the Commercial Bureau became the Pan American Union, and philanthropist Andrew Carnegie donated \$5 million to construct a permanent headquarters, the beautiful building in Washington, which today is the headquarters of the Organization of American States.

Other periods of United States-Latin American relations, while signifying interaction between these parts of the Hemisphere, can hardly be associated with integration. I refer to War of 1898 and Cuba, the Panama Canal, the period known as "dollar diplomacy," and the various interventions by the United States in Central America, the Caribbean and several times in Mexico.<sup>2</sup>

Franklin Roosevelt created a positive relationship with Latin America through his embracing the "non-intervention" principle, abolition of the Platt Amendment, and an ambitious program of educational and cultural interchange. It accounted for strong support from most of Latin America during World War II and set the stage for the Rio Treaty (1947) and the Organization of American States (1948) after the war. They were, for the United States, essentially security arrangements based on the Cold War. Those Latin Americans who hoped that they might be the precursor of a Marshall Plan were bitterly disappointed.

President Juscelino Kubitschek of Brazil proposed an ambitious integration scheme called "Operation Pan America" in the late 1950's which linked economic and development components to security considerations. It stated "The more rapid development of Latin America's economic strength will result in a growing sense of vitality and will enable it to increase its contribution to the defense of the West."<sup>3</sup> The establishment of the Inter-American Development Bank in December 1959 is a result of his efforts. The Hemisphere-wide development theme was advocated powerfully to President Dwight D. Eisenhower by his brother, Milton Eisenhower, who prepared a report on the region.

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<sup>2</sup> A highly readable account of these years is in Peter H. Smith, *Talons of the Eagle* (New York: Oxford Univ. Press, 2000).

<sup>3</sup> Council of the Organization of American States, Special Committee to Study the Formulation of New Measures for Economic Cooperation, *Volume I Report and Documents, First Meeting, Washington, D.C., November 17-December 12, 1958* (Washington, D.C.: 1959), 29-31.

During the Eisenhower years, in fact, plans were being drawn up to implement some of Kubitschek's and Milton Eisenhower's ideas. Nonetheless, it fell to the new John F. Kennedy Administration in 1961 to propose the Alliance for Progress. The Cuban revolution obviously gave it a Cold War rationale, as well, similar to that of the Marshall Plan; there must be no more Cubas. At the same time, it was clearly an integrative advance, and President Kennedy cited Operation Pan America in launching it. The Alliance's vision was bold:

And if we are successful, if our effort is bold enough and determined enough, then the close of this decade will mark the beginning of a new era in the American experience. The living standards of every American family will be on the rise, basic education will be available to all, hunger will be a forgotten experience, the need for massive outside help will have passed, most nations will have entered a period of self-sustaining growth, and, although there will be still much to do, every American Republic will be the master of its own revolution and its own hope and progress.<sup>4</sup>

By the late 1960's, the Alliance had nearly run out of steam, so to speak, but one last effort aimed at a true integration project. The Organization of American States held a Meeting of American Chiefs of State in Punta del Este, Uruguay from April 12-14, 1967, which President Lyndon B. Johnson attended. Its centerpiece was none other than a genuine common market:

The Latin American Common Market will be based on the improvement of the two existing systems: the Latin American Free Trade Association (LAFTA) and the Central American Common Market (CACM). The two systems will initiate simultaneously a process of convergence by stages of cooperation, closer ties, and integration, taking into account the interest of the Latin American countries not yet associated with these systems, in order to provide their access to one of them.<sup>5</sup>

The United States promised to assist this process with substantial aid. But President Johnson was increasingly bogged down in Vietnam, and the largely authoritarian countries of Latin America were not at any stage of readiness for a common market. Their economic policies became increasingly centered on protectionism, import-substitution industrialization, state-owned enterprise, and borrowing as preferable to foreign direct investment.

In 1969, President Richard Nixon asked Nelson Rockefeller to prepare a complete report on the state of U.S.-Latin American Relations and the region's political, economic, financial and social conditions.<sup>6</sup> Arguing for more U.S. attention to the region, it foresaw many of the issues which would later come to the forefront, including the debt crisis of

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<sup>4</sup> Address by President Kennedy at a White House Reception for Latin American Diplomats and Members of Congress, March 13, 1961.

<sup>5</sup> OAS Official Records, OEA/ser.C.IX.1 (English).

<sup>6</sup> The Rockefeller Report On The Americas The Official Report of a United States Presidential Mission for the Western Hemisphere (Chicago: Quadrangle Books, 1969).

the 1980's. But the Vietnam War had not ended, and the report, along with attention to Latin America, was laid aside.

The preferred economic policies ran their course with the debt crisis of the 1980's, properly termed a "lost decade," until they were replaced by neo-liberal reforms, beginning in the late 1980's and early 1990's. Economic failure also helped effect the restoration of democratic governments.<sup>7</sup> Moreover, the end of the Cold War enabled the United States to take a different view of the Hemisphere, among other things taking away the attractiveness of supporting anti-communist dictatorships.

Large steps forward occurred during the administration of President George H.W. Bush during 1990. The significant economic policy transformations in Mexico under the de la Madrid and Salinas de Gortari governments made the start of the NAFTA negotiations possible (building on the already existing FTA with Canada.) The debt workout using Brady bonds would put the debt crisis into the background. On June 27, 1990, President Bush announced the Enterprise for the Americas Initiative, resting on the tripod of debt workout (linked to environment initiatives), stimulation of new investment, and trade initiatives reaching beyond NAFTA. Bush's vision was one of a democratic free trade region reaching from Alaska to Tierra del Fuego.

Part of the Bush motivation may have been the U.S. economic interest in a world that might be dividing up into trading blocs, if the Uruguay Round of the GATT were unsuccessful. Under such circumstances, the United States might not have a trading bloc to call its own in which it enjoyed such high market share.

But NAFTA negotiations were not the only game going on in the Hemisphere. Bilateral and regional integration efforts were breaking out all over. On March 26, 1991 the Southern Cone countries of Brazil, Argentina, Uruguay and Paraguay signed the Treaty of Asunción, establishing the MERCOSUR common market. Not just a free trade agreement, it was to be a European-style common market. The agreement provided:

*The States Parties hereby decide to establish a common market, which shall be in place by 31 December 1994 and shall be called the "common market of the southern cone" (MERCOSUR).*

*This common market shall involve:*

*The free movement of goods, services and factors of production between countries through, inter alia, the elimination of customs duties and non-tariff restrictions on the movement of goods, and any other equivalent measures;*

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<sup>7</sup> Other factors also obviously brought about the change. In Argentina, the defeat of the military government by the United Kingdom in the Malvinas/Falklands War of 1992 brought down the regime. By the end of the decade a referendum was finally held in Chile which ended the Pinochet dictatorship.

*The establishment of a common external tariff and the adoption of a common trade policy in relation to third States or groups of States, and the co-ordination of positions in regional and international economic and commercial forums;*

*The co-ordination of macroeconomic and sectoral policies between the States Parties in the areas of foreign trade, agriculture, industry, fiscal and monetary matters, foreign exchange and capital, services, customs, transport and communications and any other areas that may be agreed upon, in order to ensure proper competition between the States Parties.*<sup>8</sup>

Despite a deep division among Democrats, President Bill Clinton completed and signed the NAFTA and then waged the political fight in the Congress for its approval, which finally came in late 1993. It was a true Armageddon between those two great macro-tendencies in U.S. politics, the globalist-free traders and the protectionists. (The following year U.S. adhesion to the WTO was fought the same way, though less acrimoniously.) An interesting speculation is whether the NAFTA legislation could have passed if it were not for an expensive public relations campaign put on by the Mexican Embassy in Washington, aimed at the U.S. public.

In December 1993 Vice-President Al Gore was in Mexico City, mending fences after the rough atmospherics of the U.S. Congressional debate. There he made the surprise announcement that President Clinton would invite all of the Hemisphere's heads of state and government to a meeting in the United States in 1994. This, of course, ultimately turned out to be the Summit of the America, in Miami, in December 1994. All countries in the Western Hemisphere were there except Cuba, and they were represented by freely-elected leaders.

The FTAA turned out to be the centerpiece of the Summit, though, strangely, that was only decided upon in October. Well, not so strangely, there were members of the Clinton Administration still licking their political wounds over NAFTA and determined that there would be "no more NAFTA's." But, consensus prevailed at the Summit, and the long process was begun toward a FTAA. To keep momentum going, the first Trade Ministerial meeting was set for the following spring in Denver, to begin the FTAA's implementation.

There were several obvious holes in the FTAA web from the outset which would have to be filled in.

First, it was plain that there was no commonly-held design or blueprint. In general, NAFTA countries assumed that the FTAA would be a sort of NAFTA rolling southward until it reached Tierra del Fuego.<sup>9</sup> Meanwhile, in Brasilia, other thoughts ran strong:

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<sup>8</sup> Text reproduced on the official web site, at <http://www.mercosur.org.uy/pagina1esp.htm>

<sup>9</sup> Immediately after the closing ceremonies of the Summit, the three NAFTA heads of state announced that Chile would be the next NAFTA member. Although Chile would proceed to sign FTA's with Mexico and Canada, its agreement with the United States could not be reached until 2003, when "fast-track" authority was restored by the U.S. Congress.



perhaps the deepening of MERCOSUR to become a kind of SAFTA to negotiate more evenly with the North.

Second, there was no entity around which to build the FTAA; nothing which would correspond to the European institutions created from the beginning of the 1950's. This was deliberate; countries of the Americas are highly nationalistic and would not countenance the erosion of sovereignty which has taken place in Europe. The idea of some creeping supranational authority, accepted early on in Europe, was and still is anathema on this side of the Atlantic.

Third, despite the bold declarations to the contrary, there was no successful way to bring the private sector and civil society directly into the process. When the Trade Ministerial meetings began, to be sure there were Business Forums seeking private sector input, and finally a civil society forum was held along with the Miami meeting in December 2003. Their input has not been direct, however.

Fourth, from the beginning there has been some doubt about the U.S. commitment, without which there can be no FTAA. In 1995 the "fast-track" authority ran out which allowed up-or-down voting in the Congress for trade agreements. It was only restored (under the new name Trade Promotion Authority) in the George W. Bush Administration in 2002 (but runs out again in June 2005). Although the U.S.-Chile FTA passed the Congress and has had one good year of positive accomplishment, it is not clear at this writing whether the DR-CAFTA regional FTA will be approved.

Another problem for the FTAA, of course, is the issue of the smaller economies (over half of the FTAA countries) and whether they can survive without more special arrangements than now seem to be offered. After all, the special aid offered to new European Common Market countries in the past (Ireland, Greece, Spain, Portugal) has been essential to their integration.

But after two more full Summits (Santiago, 1998 and Québec, 2001, two special summits (Santa Cruz on sustainable development in 1996 and Monterrey on security and democracy in 2004), and a projected one (Mar del Plata, November 2005, which President Bush will attend) the process continues. Never mind that it did not make its completion date of January 2005. That was an arbitrary and speculative goal when chosen at the Miami Summit.

The emphasis today in South America seems to be movement toward regional integration, as does the movement by the United States and its closer-in neighbors. Meanwhile, the idea of a North American Community, elucidated at this conference by Dr. Robert A. Pastor<sup>10</sup>, may be the closest thing at this end of the Hemisphere to the beginnings of European-style integration, based, as it is, on the reality of economic relationships.<sup>11</sup> The recent meeting in Crawford, Texas between the three NAFTA country leaders underscored that vision, even though it produced little results.

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<sup>10</sup> See his book, *Toward a North American Community* (Washington, Inst. of Int'l. Economics, 2001).

<sup>11</sup> Recent recommendations go quite far in this respect. The Independent Task Force on the Future of North America under the auspices of the Council on Foreign Relations, the Consejo Mexicano de Asuntos Internacionales and

How far and how fast will the Hemispheric relationships progress, of which the FTAA is a paradigm rather than a tangible reality? There are, of course, external relationships to be taken into account: The European Union has FTA's with Mexico and Chile; Chile and Mexico are members of APEC. MERCOSUR and the EU have held talks, though the most recent meeting of negotiators this month ended on a dismal note.<sup>12</sup>

As for the United States, as Latin Americans are well aware, its policy toward Latin America and the Caribbean has long been characterized by sporadic periods of attention punctuated by longer periods of inattention. In the view of many, the United States can and should do better in the region in pursuit of its own national interests.<sup>13</sup> This country's leadership now focuses on homeland security, the war on terrorism, and the problem of failing states around the world. The outcome (and exit plan) in Iraq is far from clear.

Moises Naim, editor of *Foreign Policy* magazine, said that despite President Bush's presence at the Monterrey summit last year, which pleased Latin American leaders, "...the reality is that Latin America, usually seen as the US backyard, has become Atlantis, the lost continent."

As in many situations, it is useful to look at U.S. relationships before and after the date of September 11, 2001, which changed the United States' relationship with the world to such an extent. President George W. Bush began his administration in 2001 with a great deal of obvious interest in Latin America. His first foreign visit was with President Vicente Fox of Mexico, and the two discussed a special migration accord (strongly desired by Mexico but which became a non-starter). President Bush committed to achieving the FTAA on schedule in 2005 and an "early harvest" of business facilitation measures. At the Quebec Summit of the Americas, shortly after his inauguration, he endorsed a "democracy clause" for the FTAA, which, was encompassed in the "Democratic Charter" signed at Lima on September 11, 2001 by Secretary Powell. It makes democracy the only accepted norm in the Western Hemisphere, a policy which President Bush had given strong endorsement. In this important respect, the FTAA process coincides with the norms and standards of the EU.

After September 11, 2001 Latin America showed its solidarity with the United States by adopting an Organization of American States (OAS) resolution proposed by Brazil on September 21 to invoke the Rio Treaty, as an attack on a member state which called for action by all members. Nevertheless, it was clear that other priorities, obviously the war against al- Qaeda and the Taliban regime in Afghanistan, dominated the scene. The special relationship with Mexico faded in importance, and there was some doubt as to whether the Congress would give Trade Promotion Authority to the President in order to stay on course with the FTAA. The general world economic downturn and especially that

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the Canadian Council of Chief Executives even recommends a common external tariff; see "Creating a North American Community." New York: Council on Foreign Relations 2005.

<sup>12</sup> "Hopes fade for early EU trade deal with MERCOSUR," *Financial Times* (US ed), March 29, 2005

<sup>13</sup> See "Agenda for the Americas," Washington: Inter-American Dialogue, 2005. This report argues for a far stronger Latin American- U.S. partnership.

of the United States affected Latin America profoundly, cutting its already low growth rate to almost zero and negative in some countries.

Beginning early in 2002, however, the picture improved. On January 16, 2002, President Bush addressed the OAS, again committing this country to the FTAA and announcing his intent to pursue a free trade agreement with Central America. U.S. Trade Representative Zoellick presented a strong pro-trade testimony to the Senate on February 7. In March 2002 President Bush visited Mexico, El Salvador and Peru, and he began the final push for Trade Promotion Authority and other measures of a trade bill approved by the Congress in August. In Monterey, Mexico, last March 14, 2003, President Bush announced the creation of the Millennium Challenge Account, which, by 2006, adds 50 percent to the core development assistance funding of 2002. From 2006 onwards, \$5 billion per year would be put into that account. In the meanwhile, however, the Administration also showed a protectionist face by adopting special tariffs on steel and by supporting a \$180 billion farm subsidy bill. These measures again raised doubts about U.S. credibility in free trade.

From the beginning of this administration, it has seemed that President Bush is the one person in his administration who has had the highest interest in Latin America, and that this interest is personal. His closest advisors, such as Vice President Cheney, Secretary of Defense Rumsfeld, National Security Advisor Rice and even Secretary of State Powell, were not previously known to have any special interest in the Western Hemisphere.

On a concluding note, it is evident that the United States still enjoys a great deal of goodwill in Latin America and the Caribbean. The Iraq crisis, and then the subsequent war and present occupation under violent circumstances have provoked very strong anti-U.S. attitudes in many parts of the world. Latin America and the Caribbean have constituted a region perhaps somewhat less affected by that phenomenon than in other places. Their countries have their own pressing matters to attend to, and they need help. It is also a part of the world with which the United States shares a great many goals and aspirations. It should simply find ways to expand its attention span to give the Western Hemisphere the consistent focus in its policy mix that is compatible with broader, long-term national interests. Public opinion polls (Zogby, Latinobarómetro) reflect highly unfavorable attitudes in Latin America toward Bush Administration policies, as much as 87 percent among opinion leaders. These probably signify, as much as anything else, a sense of frustration from the relative low priority given to the region by Washington under present circumstances.

Shared values and common interests still come to the fore, however. Latin American response to this year's Haiti crisis has been impressive. Chile sent troops within 36 hours of President Aristide's departure, to join the U.S., Canadian and French forces in Haiti. It since sent a second increment on March 9. Brazil is now in charge of the international peacekeeping contingent. It is an impressive demonstration of shared responsibilities in the Hemisphere.

How will the relationship play out in the future? Latin America continues to hope for a greater role of partnership with the United States. At the same time, it is in a mode of deepening its economic ties with the rest of the world, especially Europe and Asia.

On another positive note, Chile, Brazil and Argentina have benefited from the rise of the Chinese economy. Although the region cannot compete with China in manufactured goods, China has become an excellent customer for agricultural products, especially soy, livestock, and mineral products such as iron ore. China is now Chile's third-largest trading partner. President Hu spent 12 days on a tour of Latin American and Caribbean countries last year. Among other things, he promised increased investment. Chinese purchases of agricultural and mineral products are partially responsible for the upturn in the growth rates in several Latin American countries.

China is on the move in other areas as well. Because of dogged U.S. opposition to the International Criminal Court, eleven Latin American countries which once sent military officers for training and education to the United States (about 700-800 officers) are now unable to do so under a U.S. law because of their countries' refusal to sign "Article 98" agreements (i.e., agreeing never to turn over a U.S. person to the ICC). According to U.S. military sources, many of them are now going to China at the invitation of the Peoples' Liberation Army.

As the EU enters its bold new step of enlargement, it is all too clear that nothing similar will happen any time soon in the Western Hemisphere. The European willingness to experiment with political institutions and to trade elements of national sovereignty for closer integration, remain a distant model for this part of the world.