GRAIN BRIEFING

An agenda for domination

LATIN AMERICA'S FREE TRADE AGREEMENTS WITH THE EUROPEAN UNION

GRAIN

AUGUST 2008

Summary

The European Union is promoting "association agreements" or "co-operation agreements" with Latin American countries. These agreements appear weaker and more flexible than the equivalent agreements that the USA is signing with countries in the region. But behind this affable facade the EU is tough: it is insisting that the countries agree to extend periodically what has been agreed and to undertake an undefined number of legal, administrative, economic, technical and social reforms, the objective of which is to grant European countries ever more favourable conditions in all aspects of national life.

This amounts to a new Conquest (as the 1492 European "discovery" of the Americas is often referred to). It will lead to transantional corporations taking control over communications, water, the banking system, oil, biodiversity, all kinds of raw materials and fishing, as well as being able to use Latin American countries as bases for exports. Eventually European companies will take the place of state companies and be responsible for establishing norms, certification and patents. Tariff barriers, taxes, phytosanitary standards, quality controls and any other regulation seen as a barrier to the expansion of European companies and their trade will be swept away.

If these agreements are negotiated in secret and their implementation becomes the responsibility of the executive branch of government, civil society and the parliaments of the countries involved will not be allowed to protest or to investigate properly what is going on.

It is hoped that this briefing will promote discussion about what is happening and help Latin American society to stand up to the new European invasion.

GRAIN is an international non-profit organisation which promotes the sustainable management and use of agricultural biodiversity based on people's control over genetic resources and local knowledge.

GRAIN works to meet its aims by:

• Protecting and strengthening community control of agricultural biodiversity: GRAIN actively monitors, researches and lobbies against pressures that undermine the rights of farmers and other local communities to use, and benefit, from biodiversity. At the same time we work with national and local organisations across the world whom are advocating and building up mechanisms which enhance community control over local genetic resources and its associated knowledge.

• Promoting agriculture rich in biodiversity: All over the world there are farm and livelihood systems rich in biological and cultural diversity. Together with other NGOs, we work to support farmers and communities in strengthening sustainable agricultural approaches that are people-driven and serve food sovereignty first and foremost. GRAIN also explores how agricultural research programmes can better serve these approaches.

• Stopping the destruction of genetic diversity: Agricultural policies and trade liberalisation agreements have led to a more industrialised - and more vulnerable - food system. Through research, information and strategy work, we aim to help those involved in various activities to stop further privatisation and loss of agricultural biodiversity.

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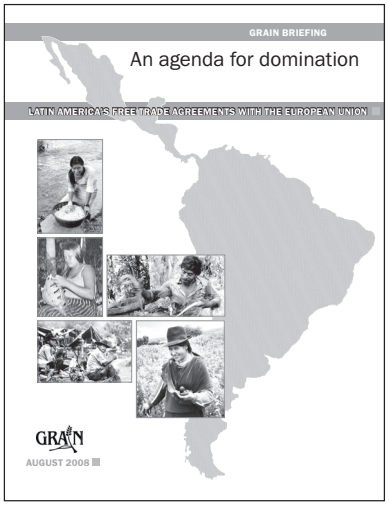

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LATIN AMERICA'S FREE TRADE AGREEMENTS WITH THE EU

An agenda for domination

Introduction

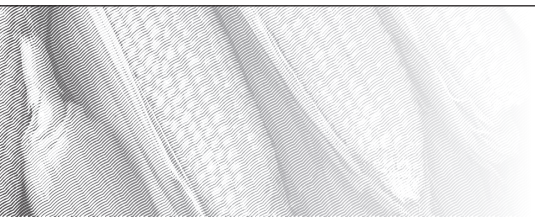
The European Union (EU) is negotiating a veritable epidemic of "Association Agreements" or "Cooperation Agreements" throughout the world. In addition to the almost 30 agreements already signed, the EU is currently negotiating, or about to begin negotiating, further agreements with more than 40 countries.[1] The agreements are notable for their broad scope and their "open" and "ongoing" nature; in other words, they oblige the signatory countries in years to come periodically to extend the agreement and to undertake an undefined number of judicial, administrative, economic and social reforms, the aim of which is to provide ever more favourable investment conditions for European companies. As they accumulate, the changes will amount to constitutional reforms, which will be decided at ministerial level, far from the eyes of Parliaments and public opinion in the countries concerned.

Since 1990, Latin America has been an important target for European investment; indeed, it is the most important foreign destination of all for Spanish companies, whose profits from this region have played a significant role in promoting economic growth at home. Industrial capital is interested in Latin America because of the continent's rapid process of urbanisation (which increases demand for services), its abundant mineral resources, its oil, its biodiversity and the willingness of the region's governments to privatise resources, ecosystems and public sector companies at derisory prices. European investment has now overtaken US investment and people today are talking about a new Conquest, with Europeans increasingly taking over communications, energy, water, banks, oil and fishing. Investment has been particularly high because of the privatisation of the public sector.[2]

It is therefore not surprising that Latin America has also become an important target for EU attempts to conclude trade agreements. The EU's first trade agreement was signed with Mexico in 2000. This was followed two years later by an agreement with Chile and, more recently, with Caricom (the Caribbean Community, composed of 15 Caribbean nations). The EU is currently negotiating with Central America, the Andean Community of Nations and Mercosur. If all these negotiations end in agreements, the EU will have extended its tentacles into all countries in the region, with the possible

1 See the list of agreements already signed (with access to the full texts) and a list of negotiations under way at: http://tinyurl.com/66yyrd

2 ECLAC, Foreign Investment in Latin America and the Caribbean 2001, United Nations, Chile, May 2002. http://tinyurl.com/6dtxcq



exception of Cuba and Venezuela. The region will be incorporated into an expanded version of the Free Trade Area of the Americas (FTAA), except that now it will be linked to the European Union rather than the USA (as was envisaged under the FTAA). The EU's objective is to use these agreements to complete the privatisation process, to remove restrictions on European property and activity in the region, to acquire full access to natural resources and to obtain guarantees that European companies will be able to operate with clear advantages over national companies. Moreover, all these concessions granted to European companies are to be protected from any political changes that the peoples of the region might want to undertake in the future.

As with the United States, negotiations with the EU have been conducted largely in secret, which prevents parliaments, citizens and social movements from obtaining any relevant information. It is clear that the reason for such secrecy is to prevent the kind of social mobilisation that helped to scupper the FTAA. In order to put pressure on countries that take a more independent position or are more willing to defend their national interest, the EU has negotiated with regional blocs, at times destroying earlier processes of integration, such as the Andean Community of Nations. The message is clear: "sign up or be isolated". Unless there is significant social mobilisation, it is very likely that the governments of the region will give in to this pressure.

With a view to promoting public discussion and debate about these agreements, we present here an analysis of the implications and scope of some of those that have already been signed. We also analyse the implications of some European Union documents, published over the last two years, that set out the EU's strategy and intentions in the negotiations.

General aspects

"This is an ambitious agenda designed to sharpen the contribution of trade policy to growth and jobs in Europe, to contribute to the liberalisation of global trade and to complement other external policy objectives of our trade policy."
Global Europe: competing in the world [3]

The agreements with the European Union are notable for their scope and for covering much more than strictly economic matters. The EU talks about "political and economic" agreements, or "Free Trade Agreements Plus" (FTA+),[4] and has explicitly said that it seeks coverage and guarantees equal to or greater than those contained in any other current free trade agreements – for example, those signed with the United States. According to official EU documents, trade negotiations must be compatible with the European Union's Security Strategy, which states that the greatest threats to European

3 Commission of the European Communities, Staff Working Document 52006SC1230, *Global Europe: Competing in the World, a Contribition to the EU's Growth and Jobs Strategy*, annex, Brussels, 4 December 2006. http://tinyurl.com/6ra542

4 *El Comercio* supplement, Ecuador, 9 May 2008.

security lie outside Europe.[5] The EU therefore requires that Third World countries, as well as conceding trade advantages, must also cooperate on political, military and internal control matters, including repression under anti-terrorist laws.

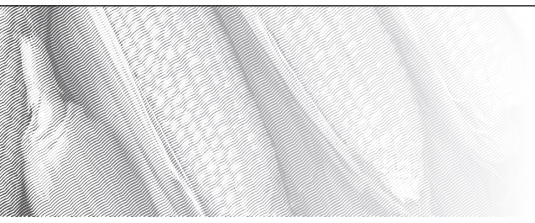
The agreements already signed vary significantly from one country to another. Unlike those signed with the United States, the content of which changes very little, agreements signed with the EU vary in form and content. However, certain fundamental elements are present in all agreements, including those that guarantee, in the medium term, that the conditions imposed by the agreements fully correspond to the EU's trade objectives.

A fundamental characteristic of treaties with the EU is that they are not only broad in scope but also designed to be extended. In addition to specific and detailed clauses, there are very general and open clauses that can be interpreted in many ways, or that require future reformulation and expansion, always with the aim of facilitating European company operations. These are the so-called "progressive" or "review" clauses, which may form part of each chapter (as in the cases of Chile and Mexico) or may be included in the general provisions (as in the case of the Caribbean countries). The EU does not therefore need to sign the same agreement with all countries because it can achieve in future reviews anything that it does not achieve in the first round. It is therefore important when analysing the possible effects of treaties with the EU to examine not only the text currently being negotiated, but also the economic and political objectives being pursued by the EU.

The task of monitoring the implementation of agreements and of periodically extending their scope falls to an Association Council, formed by representatives of the Council of the European Union and ministerial representatives of the non-European partners (in this case, the Latin American countries). The Association Council has the power to set up committees (also at ministerial level) to carry out more detailed monitoring, draft new agreements and decide upon implementation measures. The final decisions, taken by the Council, will be converted by decree into rules and norms, and their implementation will be compulsory. The Association Council and its committees can listen to the opinions of the respective parliaments and civil society organisations, but they have no obligation to take them into account.

In other words, the agreements with the EU are more than a series of specific agreements: they are an indefinite commitment to change national ways of life and societies in order to provide European companies with increasing guarantees. The power and obligation to make and implement future changes remains in the hands of governments. Parliaments and social movements are denied a chance to reject the changes, to exercise effective control or

5 The Council of the European Union, European Security Strategy, *A Secure Europe in a Better World – the European Security Strategy*, Approved by the European Council. Brussels, 12 December 2003. http://tinyurl.com/6kldec



even to participate. This means that countries are giving up both the right to exercise national sovereignty and the obligation to respect the right of society to participate in decision-making.

The so-called "soft" part of the agreements

"The EU has a strategic interest in developing international rules and cooperation on competition policies to ensure European firms do not suffer in third countries …"
Global Europe: competing in the world [6]

"The central aims will be … to promote industrial cooperation projects, including projects deriving from the process of privatisation …"
Article 17c of the EU–Chile Agreement [7]

Agreements with the EU are usually presented as "soft" agreements designed to promote cooperation rather than to protect the European Union's economic interests. The agreements include many cooperation clauses in various fields, such as technology, science, culture, education and support for sustainable development.

Closer examination, however, reveals that much of this "co-operation" amounts to little more than vague promises, with no firm commitments. Moreover, many conditions are attached to such "co-operation", conditions that are designed to strengthen the presence of European companies in all aspects of the partner country's national life. Indeed, the use of the term "cooperation" is in many cases only a way of disguising obligations that partner signatories are agreeing to.

Tariff reductions, for example, form part of "co-operation in the field of customs". In the proposed agreement with Central America, "cultural cooperation" is in fact an instrument with which to privatise culture, with one clause stating: "the parties will seek to provide technical assistance to Central American states with the aim of assisting in the development of cultural industries."[8]

A great deal of EU effort focuses on achieving for itself the most favourable position with regard to intellectual property rights. This is largely achieved through the paragraphs on cooperation. The first paragraph of the chapter on technical and scientific co-operation in the agreement with Chile states that cooperation should take place "particularly as regards the rules for use of intellectual property resulting from research"[9] and then includes business participation in scientific and technological development among the objectives. In other words, scientific and technological cooperation is a tool for privatisation, patents and other forms of intellectual property.

Something very similar occurs in the agreement with the Caribbean coun-

6 European Commission, External Trade, *Global Europe – Competing in the World*, Brussels, 4 October 2006. http://tinyurl.com/6m89lk

7 Inter-American Development Bank, *Acuerdo por el que se establece una Asociación entre la Comunidad Europea y sus Estados Miembros, por una parte, y la República de Chile, por la otra* (in Spanish). http://tinyurl.com/6aw8uw

8 Proposed text for EU–Central America Agreement, Chapter 8, Article 4, on cultural co-operation.

9 EU–Chile Agreement, Article 36.1.

tries, which states that cooperation includes "support in the preparation of national laws and regulations for the protection and enforcement of intellectual property rights, including the training of personnel on enforcement". [10] "Co-operation" means here that new intellectual property laws will be introduced and that European experts expect to draft those laws.

There are many examples in other fields. The main objective of "cooperation on mining" with Mexico is "promoting exploration, exploitation and profitable use of minerals".[11] The chapters on economic cooperation with Chile and Mexico are worded vaguely but are aimed at protecting investment. The objectives include "developing a legal framework for the Parties that favours investment".[12] In the case of Chile, the chapter on economic cooperation mentions the need to "consolidate economic relations in key sectors such as hydroelectricity, oil and gas, renewable energy, energy-saving technology and rural electrification"[13] and promote "better access to the urban, air, maritime, rail and road transport markets".[14]

In general, the clauses on cooperation do not necessarily envisage direct co-operation or links between nation states or public sectors. The different treaties make repeated reference to cooperation between "networks of economic operators", that is, to links between private entities or between states and private entities. The obligations are very lopsided: at no point do the agreements provide for the regulation of demands and conditions imposed by the private sector during "cooperation", but they do compel states to open up to the private sector. In fact, this kind of "cooperation" means placing Latin American countries at the disposal of European companies.

No ambiguity in the "tough" part of the agreements

> "Each party shall take any measure necessary to comply with the arbitration panel ruling."
> *Article 210 of the EU–Cariforum agreement*

In contrast to sections about cooperation, which are ambiguous and often mask what is really intended, the sections about the need to "create a favourable environment for investment" are based on two very clear provisions: implementation of the agreements is compulsory, and reprisals for non-implementation are allowed. If the EU considers that a country has not complied with an agreement, it can take that country to a private tribunal whose decisions are binding. If the country in question does not then comply, the EU can take reprisal measures such as unilaterally increasing tariffs or banning imports from that country.

Moreover, the agreements strengthen transnational companies' powers

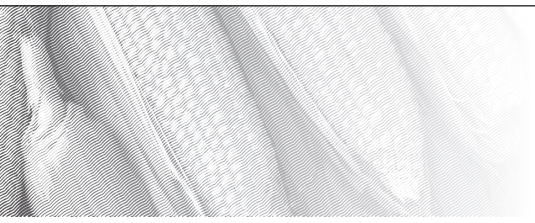
10 EU–CARIFORUM Agreement, Article 164.2.

11 EU–Mexico Agreement, Article 22a.

12 EU–Chile Agreement, Article 21b.

13 Ibid.

14 Ibid.



(granted by the WTO) to sue (also in a private court) when they consider that their interests have not been sufficiently protected. In this case, rulings against countries include impounding exports and forcing a country to pay million-dollar fines. More than 200 lawsuits of this kind were under way in 2007 alone. The total number of disputes is much higher, as parties often reach agreement before the matter goes to court. Chile has been fined more than US$1 billion over the last five years.[15]

EU objectives and strategies

> The European Union has decided to renew its efforts to help EU businesses get their goods and services into new markets … using the EU's global and bilateral trade deals not only to open markets further, but to ensure they stay open. [16]

European Union documents are illuminating. In *Global Europe: competing in the world*,[17] the EU Commission states that opening markets abroad is a pillar of its competitiveness. In a later document,[18] the Commission sets out its policies in detail, especially those related to its Market Access Strategy, and identifies what the EU perceives to be the main trade barriers. Below, we briefly discuss the implications of the EU's definitions. Given the open and expansive character of the agreements that the EU intends to negotiate, all these scenarios could well become reality.

1. Reduction of taxes on foreign business activity, including tariffs on imports and exports. The EU believes that it is essential to reduce taxes paid by European companies in Latin American countries. It therefore requests additional reductions in import/export tariffs and fewer taxes on all European company activities in signatory countries, including mining and oil. It is especially concerned to stop the levying of taxes on the export of raw materials. In addition, the "most-favoured nation" and "double taxation" clauses (explained below) might mean that companies do not pay taxes on the profits obtained in Latin American countries.

With regard to tariffs, the EU has stated that "although these have been eroded by successive rounds of negotiation, high tariffs still pose problems for EU exporters".[19] It therefore seeks further reductions in import tariffs, including tariffs on agricultural products. The EU makes no commitment to reduce its agricultural subsidies in return. If these reductions are agreed, local agricultural products will therefore have to start competing, either gradually or immediately, with subsidised European products.

These tax reductions will seriously affect the capacity of partner countries' national companies to compete with European companies on their

15 World Trade Organisation, *The Disputes*.
http://tinyurl.com/eadxf
and the International Centre for Settlement of Investment Disputes,
http://tinyurl.com/5vhgd4

16 European Commission, *External Trade Explained. The Market Access Partnership – removing obstacles to doing business outside the EU*. December 2007.
http://tinyurl.com/5wmq5s

17 European Commission, *Global Europe: Competing in the World: a contribution to the EU's growth and jobs strategy*.
http://tinyurl.com/63pogc

18 Commission of the European Communities, *Global Europe: A Stronger Partnership to Deliver Market Access for European Exporters*, Brussels, 18 April 2007.

19 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions, *Global Europe: A Stronger Partnership to Deliver Market Access for European Exporters*, 2007, 183 final.

own territory. Another major impact is that the government's tax revenue will be reduced, and consequently the state's capacity to provide education, health, infrastructure, sanitation, welfare, technical and other services. This may have a very severe impact on countries with weak or small economies. EU figures indicate that African, Caribbean and Pacific (ACP) countries will lose 70 per cent of their revenues from import duties on EU exports,[20] which would mean an average reduction for African countries of a quarter of total public revenue. The EU suggests increasing other taxes to compensate. Indeed, in Chile such policies led to the elimination of import duties on luxury items and an increase in taxes on domestic consumption. So any Chilean importing a Rolls-Royce pays no special taxes, but the tax that all pay on food, clothes and medicines has increased by 5 per cent.

2. Opening the country to uncontrolled trade flows. The EU sees controls over imports and exports as "customs procedures [that are] burdensome for [the] import, export and transit"[21] of goods. It denies countries the possibility of regulating or even influencing their international trade, or encouraging determined economic processes, or protecting their own population.

In Latin America's free trade agreements with the United States, the prohibition of controls over trade specifically included a prohibition on regulating the flow of food products (only Nicaragua demanded an exception in this case). There is no guarantee that the EU will not make the same demand when the time comes to interpret or extend the agreements. Such a clause prevents countries from stopping the export of basic foods, even when the population is starving or experiencing a food crisis.

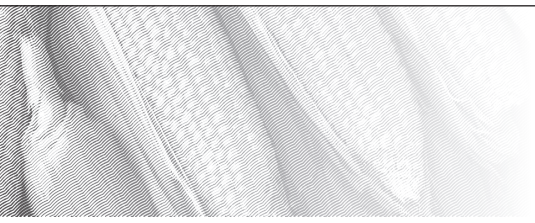
The EU also seeks to reduce rules on the transit of goods. Signatory countries may be used as a platform to export to third countries. In the case of Central America, this might mean, for example, that countries are required to allow EU goods to arrive at a single port in the region and be distributed to the other Central American countries from there.

Along with the full freedom to circulate its goods, European companies are demanding national legal status, which will increase their opportunities to use signatory countries as platforms for exports. European companies will therefore not only become strong competitors in national markets but will also compete with the local country's exports to other markets.

3. Changing quality standards and technical rules. The EU sees quality and technical rules as possible "barriers" to trade and has included various clauses aimed at eliminating them on a case-by-case basis. The EU wants gradually to reduce each country's capacity both to draw up and to enforce

20 L. Fontagne, C. Mitaritonna and D. Laborde, *An Impact Study of the EU–ACP Economic Partnership Agreements (EPAs) in the six ACP regions*, Commission of the European Union, Directorate General for Trade, Paris, January 2008.

21 Commission of the European Communities, *Global Europe: A Stronger Partnership to Deliver Market Access for European Exporters*, Brussels, 18 April



rules on the quality, security and safety of imports, exports and the economic activity of European companies within its borders.

Elimination will take place during future rounds of negotiations held to "review" the agreement and undoubtedly the strongest negotiator will win. The EU will first seek selectively to reduce enforcement procedures and quality requirements on products entering another country. This will doubtlessly facilitate the import of products rejected in the EU. Brazil was recently forced to accept second-hand tyres after the EU took the case to the international courts. Meanwhile, private companies remain free to make their own demands as and when they like, especially when importing into Europe.

4. Simplifying and restricting the use of sanitary and phytosanitary measures. These measures are used when goods enter a country, with the aim of protecting the health of human beings, plants and animals, and agricultural development in general. They are especially used with foods, medicines and agrochemicals and are already strongly biased in favour of agribusiness and pharmaceutical companies. However, they are still among the few barriers to the use and entry of dangerous or poor quality substances, medicines and foods.

The EU has expressed its interest in modifying or eliminating these measures, just as it has with other quality standards. Indeed, it will probably use the same process to modify and eliminate them. The United States already uses these arguments to stop countries restricting or controlling the entry of genetically modified organisms. In the case of Europe, it means that Latin American countries could bar the entry only of cattle definitely shown to be infected with BSE ("mad cow disease"), not those that might be infected, as the precautionary principle would dictate. Europe is pressing so hard to reduce controls over its exports that Argentina no longer carries out health inspections on some animal products imported from Europe, although this could endanger its own multi-million-dollar economic activity.[22]

5. Unrestricted access to raw materials, especially mineral resources. The EU considers it unacceptable for countries to impose "restrictions on access to raw materials, particularly restrictive export practices, including export taxes, which drive up prices for products such as ... key mineral and metal goods."[23] In other words, it wants unrestricted access to the natural resources of countries signatory to trade agreements. That includes access to biodiversity and a total opening of its territorial waters to European fishing vessels.

Clauses of this type seek to establish that restrictions to the exploitation and export of natural resources by European companies are possible only if

2007. COM (2007) 183 final.

22 European Commission, *Strengthened Market Access Strategy delivers results for EU exporters*, 27 May 2008. http://tinyurl.com/6996db

23 Commission of the European Communities, *Global Europe: A Stronger Partnership to Deliver Market Access for European Exporters*, Brussels 18 April

national consumption, or exploitation by national companies, is simultaneously restricted.

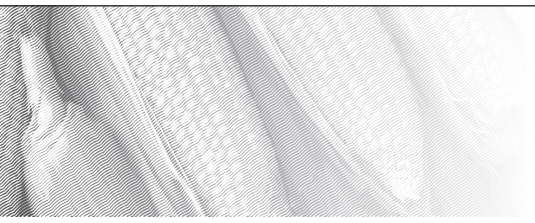
Food crops are currently considered to be raw materials for the production of fuels. If the EU achieves its objective, countries could face serious obstacles if they attempt to regulate the flow of food unless they simultaneously restrict consumption by their own population. In the current food crisis, such a development appears unlikely but it is possible; its consequences would be very serious.

6. Tougher regime for intellectual property rights. The EU has specifically said that it wants to obtain "the maximum possible protection" for intellectual property rights and tough penal sanctions for infringement of the new laws. This is extremely serious because intellectual property laws operate on the assumption that the accused is guilty until proved innocent. The worst aspect is that the agreements with the EU incorporate the principle that it is possible to take legal action against someone on the grounds that they intend not to respect intellectual property rights.

With regard to plants and seeds, the EU demands adherence to UPOV Convention 91, a form of appropriation that is very similar to a patent. The EU requires patents for medicines, and biological and biotechnological products, including those that derive from traditional knowledge. It does not explicitly require patents on plants and animals, but neither does it ban them nor identify them as an exception. According to European rules (which is what the EU intends to impose in the region through the Association Agreements), plants, animals and micro-organisms are patentable biotechnological products. Plants and seeds could therefore be subject to double privatisation: UPOV and patents.

7. The opening of all sectors of the economy and all aspects of national life to European investment. In its most radical version, this would allow the direct or indirect privatisation of all public companies and state services, including armies and police forces. It would be similar to current practice by the United States. In the more immediate future, it will open up mineral and natural resources, water, transport, communications, electricity, health, education, pension funds, banks, the management of national parks, ports and airports to European companies. If states privatise their services through "outsourcing", European companies will be able to tender. The review clauses ensure that the opening gets more and more extensive. It will not be possible to place limits on foreign property. European companies will be able to gain monopoly control of basic sectors of Latin American economies.

In addition, European companies will be accorded "national treatment";



that is, it will not be possible to give public and private national companies preferential treatment over European companies. At best, European companies will enjoy the same conditions as national companies. "Most-favoured nation" clauses, however, give European companies special privileges, including less taxation or simply no taxation at all, guaranteed profits and absolute freedom to withdraw capital from the country.

8. Government obligation to put all public procurement out to international tender. Public procurement is an important market, politically and economically. EU documents calculate that it is worth between 10 per cent and 25 per cent of a country's GDP. These state contracts ensure the supply of goods to hospitals, schools, the army, police, ministries and parliament. They are also an instrument for ensuring a stable market for local small, medium and large companies.

To put public procurement out to international tender, as required by the agreements, will mean that governments might have to entrust the construction of roads and schools to European companies, and buy exercise books, pencils, textbooks, military shoes, uniforms and hospital food supplies from European companies. Governments must select contractors and sources of supply on economic criteria alone and must refrain from using their powers to promote particular policies through the allocation of public expenditure. Transnational companies will be able to question quality requirements.

9. An end to policies and programmes to support and protect national economic activities and products. This is another blow to the capacity of states and governments to protect national economic activity and the weakest sectors of the economy – for example, indigenous and peasant agriculture. Using ambiguous and subjective language, the agreements create conditions in which it is possible to question all development policies that could be adopted by governments, including subsidies, technical assistance, low-interest loans, and so on. Signatory countries could be taken to court for implementing certain development policies and, to avoid this, they would have to undertake gradually to eliminate them. In practice, it will be impossible for countries to adopt trade defence measures, that is, measures to prevent the entry of goods that endanger the country's economic activity. The definition of such measures at the WTO and in the agreements is ambiguous and wide-ranging, and it will be possible to take international legal action against any protective measure taken by countries.

The EU proposes that non-European countries reduce protection measures to a minimum and has taken a very active position in eliminating any policy or mechanism of this type. The EU overturned more than eleven pro-

tection measures in ten different countries between June 2007 and April 2008.

The EU itself pays out millions of euros in subsidies, especially to farmers. Although such subsidies have been the subject of international litigation, the EU has sufficient economic power to keep them in place.

The hidden costs

"ACP countries are forecast to have large adjustment costs …"
Study commissioned by the EU and conducted by experts at universities in France and Italy [24]

Not much has been said about the cost to public funds of implementing free trade treaties. These include not only lower tax revenues but also the extremely high costs of implementing the various reforms and introducing new services required by the treaties. Chile has already spent more than US$1 billion in reforming its judicial system in response to the demands of the United States. This represents more than 2 per cent of the country's total budget since 2005.[25] Mexico will have to spend much more. Millions of dollars have been deployed on administrative reforms required by the EU, including the simplification of procedures that foreign investors must follow and other procedures to comply with "transparency" clauses, which are nothing more than an obligation to keep European states and investors informed of any measure, regulation or decision adopted or about to be adopted that might affect European trade interests.

The political cost is also high. Reform of the Mexican judiciary was used to introduce detention of suspects for up to 80 days on the pretext of fighting organised crime.[26] Member countries of CARICOM were forced to accept the Dominican Republic as a member, granting it the same privileges given to the EU (and vice versa), even though this meant that their companies had to face greater competion from the Dominican Republic. As the agreement obliges them to act in unison on matters related to the implementation of the agreement, they are forced to coerce countries of their own region in the event of any dispute with the EU. This all means that the peoples of the Caribbean have less opportunity to participate and less democratic control over decisions, and face a greater likelihood of regional conflict.[27]

2007. COM (2007) 183 final.

24 European Commission, *An Impact Study of the EU–ACP Economic Partnership Agreements (EPAs) in the Six ACP Regions*, March 2008. http://tinyurl.com/6qbnxk

25 Government of Chile, *Reforma Procesal Penal, Inversión*, http://tinyurl.com/5q76jn

26 EFE, "Según Human Rights Watch, la reforma judicial de México violaría los derechos humanos", quoted in *The Santa Fe New Mexican* newspaper, 14 March 2008. http://tinyurl.com/6czfjg

27 Norman Girvan, *Implications of the*

But economic activity will increase, won't it?

"If copper, oil and natural gas are excluded, the trade balance in all the years under review shows a deficit rather than a surplus."

Report by the Economic Relations department of Chile's Foreign Ministry. [28]

The biggest myth about free trade agreements is that they will bring economic benefits. Chile has signed free trade agreements with more than 50 countries. According to a government report published in April 2008,[29] Chile's trade surplus increased from a little less than US$2 billion in 1999 (one year before signing the Free Trade Treaty with the United States and three years before signing the agreement with the EU) to almost US$24 billion in 2007. However, these figures disguise the fact that the trade surplus is almost exclusively due to the uncontrolled increase in mining exports, worth more than US$30 billion. If mining, gas and oil exports are excluded, the surplus is transformed into a deficit of US$10 billion, with a particularly large deficit occurring in industrial products. It is also worth pointing out that European companies receive an annual income of US$30 billion from subsidiaries that could all, without exception, be in the hands of Chilean public or private companies – in electricity, communications, pension funds and health insurance.[30]

In addition, Chile has lost control over a significant quantity of resources: 70 per cent of its mining exports are today handled by foreign companies, which repatriate all their profits and organise their accounts to take advantage of their privileges and to avoid paying tax. By signing the agreement, Chile was forced to accept an acceleration in the exploitation of its mining resources, without the financial benefits remaining in the country and with all the side effects caused by increased mining; these include greater pollution and growing scarcity of water.

In Mexico, the economic damage is even clearer. Its overall trade deficit increased from a little over US$9 billion in 2002, when the country signed an agreement with Europe, to almost US$19 billion in 2006. The banking sector provides a good example of what has happened. In 2005, three European banks (Santander, bbva and hsbc), which control half of the country's banking sector, increased their profits in Mexico by more than 30 per cent. A large part of the profits came from high interest rates and service charges. In the first half of 2006, bbva alone made a profit of more than US$1 billion in Mexico, which was more than it achieved in Spain and Portugal combined.[31]

Cariform–EC EPA, http://tinyurl.com/5e3r5w

28 Government of Chile, Foreign Ministry, *Trade balance 1999–2007* (in Spanish), April 2008. http://tinyurl.com/5gwlhr

29 Ibid.

30 GRAIN figures based on European companies' annual reports.

31 Rodolfo Aguirre Reveles and Manuel Pérez Rocha L., *The EU–Mexico Free Trade Agreement Seven Years on: a Warning to the Global South*, debate paper,

In conclusion

"Free trade treaties are instruments of colonisation and domination."
President Evo Morales, in response to the request from Presidents Alan García and Álvaro Uribe to accelerate negotiations between the EU and the Andean Community of Nations [32]

Like the Free Trade Treaty with the United States and other "new generation trade agreements", the "Cooperation Agreements" or "Association Agreements" with the EU are much more than trade agreements. They affect everybody's lives and leave signatory countries at the mercy of the interests of transnational companies, bypassing national legislation and even national constitutions, as well as regional agreements. The agreements with the EU are just as ambitious as – or perhaps even more ambitious than – the FTAA and the FTAs negotiated with the United States. They are also more ambiguous, but only to ensure that European countries will be able to maximise their profits in the years to come. It is therefore all the more important that society reacts.

Parallel to the summit meeting between the European Union and the governments of Latin America in May 2008, a large number of social and civil organisations met in Lima. The organisations said clearly: "We reject the Association Agreements proposed by the European Union and supported by some Latin America and Caribbean governments because they only want to intensify and perpetuate the current system of domination that has caused so much harm to our peoples."[33] It is important to share information on this issue so that the citizens of each country can exercise their right to decide their own future. Social mobilisation played a key role in stopping the FTAA and only social mobilisation can stop the agreements with the EU.

Alternative Regionalisms, June 2007. http://tinyurl.com/59mxms

32 ADN Mundo, *Evo Morales: "Los TLC son instrumentos de colonización y dominio"*, bilaterals.org, 16 May 2008. http://tinyurl.com/6qo7ov

33 *Enlazando Alternativas 3: Declaración de la Cumbre de los Pueblos*, bilaterals.org, 19 May 2008. http://tinyurl.com/55j2cb

Further reading

http://www.bilaterals.org
bilaterals.org is a collective effort to share information and stimulate cooperation against bilateral trade and investment agreements that are opening countries to the deepest forms of penetration by transnational corporations.

http://www.fightingftas.org, 2008
"Fighting FTAs" provides a big picture of what today's frenzy over free trade agreements (FTAs) means, and an insight into some of the struggles being waged by social movements fighting back.

Norman Girvan "Implications of the EC–Cariforum EPA", 2008
http://www.normangirvan.info/implications-of-the-cariforum-ec-epa-norman-girvan/
Detailed analysis of the EU agreement with Caribbean countries and the Dominican Republic.

GRAIN "Una introducción al ALCA: Las negociaciones por un tratado de libre comercio en las Américas", 2003
http://www.grain.org/briefings/?id=158
In Spanish, an introduction to the FTAA (Free Trade Agreement of the Americas).

GRAIN, "No free trade at all", 2003
http://www.grain.org/seedling/?id=229
An overview of the impact that an FTAA will have on the Americas.

GRAIN "The disease of the day: acute treatyitis", 2004
http://www.grain.org/briefings/?id=183
These documents explain in greater detail the guarantees provided to transnational companies. Although they refer to agreements with the United States, these guarantees are repeated and extended in the agreements with the EU.