CEO

TNI

Mercosur for sale?

The EU's FTAA and the need to oppose it

Research and analysis
by Claudia Torrelli
REDES, Uruguay

CEO & TNI Info Brief
August 2003

This **CEO & TNI Info Brief** is published by the *TNI Alternative Regionalisms* Programme.

As the crisis of neo-liberalism deepens, there is an urgent need for the articulation of alternatives. The ***TNI Alternative Regionalisms*** programme aims to address the question of alternatives from the perspectives of social movements in Latin-America, Asia and Africa and seeks to effectively influence the shape and substance of regional governance in the South, as key lynchpins in a more pluralistic, flexible and fairer system of global governance. It facilitates cross-regional exchanges and links campaigners and researchers in the development of policy alternatives specifically in the areas of trade, investment and socio-economic development, water privatisation, sustainable environment and security and peace.

The programme is being jointly initiated by the Transnational Institute and partner organisations: Alternative Information and Development Center (AIDC)-South Africa, Focus on the Global South-Thailand, Brazilian Institute of Social and Economic Analyses (IBASE)–Brazil, Red Mexicana de Accion Frente al Libre Comercio (RMALC)–Mexico.

The project is co-ordinated at the Transnational Institute by Brid Brennan
E-mail: bridbrennan@tni.org

Thanks to Olivier Hoedeman of Corporate Europe Observatory (CEO) and to colleagues at CEO, TNI and REDES who have contributed to the production of this ***Info Brief*** and to Trocaire and 11.11.11. for financial support.

Amsterdam, August 2003

Transnational Institute
Paulus Potterstraat 20
1071 DA Amsterdam
The Netherlands
Tel: + 31 20 662 6608
Fax: + 31 20 675 7176
http://www.tni.org
e-mail: tni@tni.org

Corporate Europe Observatory
Paulus Potterstraat 20
1071 DA Amsterdam
The Netherlands
Tel/Fax: +31 20 612 7023

http://www.corporateeurope.org
e-mail: ceo@corporateeurope.org

Mercosur for sale?

The EU's FTAA
and
the need to oppose it

Research and analysis by Claudia Torrelli
REDES, Uruguay

CEO & TNI Info Brief, August 2003

Mercosur for sale?
The EU's FTAA and the need to oppose it

Claudia Torrelli

Negotiations on a free trade agreement between the European Union (EU) and the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) have entered their decisive stage. Beyond its pro-development rhetoric, the EU's primary goal is to secure markets for European corporations, in the competition with the US over control of Latin America. This explains the influence of the Mercosur-European Business Forum (MEBF), which urges governments to further deepen the process of deregulation, privatisation and liberalisation which has swept the region in the 90s, with dramatic social and environmental consequences.

Argentina, Brazil, Paraguay and Uruguay have since 1991 worked on creating the Southern Common Market, Mercosur.[1] Since mid-2000, these countries have been engaged in negotiations with the EU to establish a free trade area covering both regions. In comparison with the intense controversy around the Free Trade Area of the Americas (FTAA) talks, involving the whole of North and South America (except for Cuba), it has been relatively quiet around the EU-Mercosur process. Why is it that networks like the Hemispheric Social Alliance (HSA) successfully mobilise millions of people against the US-driven FTAA[2], whereas the EU-Mercosur talks are relatively unknown even within the activist communities in both Europe and Latin America? Civil society engagement in the EU-Mercosur process, largely limited to conferences and government-hosted 'dialogue' events, has until now lacked the confrontational attitude known from the FTAA debate.[3]

Undeserved image

Among Latin-Americans, the EU is no doubt perceived as less threatening than the US. This perceived image of the EU arises from comparison with the more aggressive, overtly self-seeking style of the US government rather than on actual assessment of EU trade and investment policy. The European Commission's skillful use of pro-development rhetoric in the promotion of its external trade policies consolidates this image. The EU-Mercosur trade negotiations are presented under the common banner of the "Inter-regional Association Agreement", which in addition to the trade text also includes chapters on cooperation and political dialogue.[4]

However, beyond the rhetoric, trade and investment liberalisation is clearly the core issue of the EU-Mercosur relations. The FTAA negotiating texts, modeled around the NAFTA-model, have understandably caused outcry among civil society, and the EU-

Mercosur talks deserve no less critical scrutiny. Negotiations will go significantly further than the commitments made within the World Trade Organisation (WTO) as indicated by Karl Falkenberg (EC Director for free trade agreements) during the 9th round of negotiations - “it is clear that bilateral negotiations allow us to go beyond our multilateral negotiating capability.” [5]

The trade chapter covers a very broad range of issues, from industrial goods and agriculture, through services and investments, to intellectual property rights, government procurement, competition policy and trade conflict resolution. After completing a general framework for the agreement, the talks have now moved into the so-called request-and-offer phase, a very untransparent process of mutual bidding and bargaining between Mercosur and EU on a sector by sector basis. While the Interregional Framework Co-operation Agreement is available on the European Commission website, the trade texts under negotiation are labeled confidential and veiled in secrecy. The EU hopes to complete talks in the course of 2004.

Competitive liberalisation

The benefits for the EU and its major corporations are obvious: increased access to the markets and natural resources in the Mercosur area. But beyond that, the EU wants to consolidate its political and economic influence in the Mercosur region, which it sees threatened by the FTAA negotiations.[6] Unlike other parts of Latin America where the US is the primary foreign economic actor, the EU (which has the major share of trade in the region and is responsible for 43% of the FDI flowing into Mercosur) has taken a leading role in the Mercosur countries.

The EU and the US are increasingly engaging in a race of who can sign the most advantageous free trade agreements with developing countries, securing optimal market access and other competitive advantages. The EU’s free trade agreement with Mexico, signed in 2000 was meant to catch up with US privileges gained through North American Free Trade Agreement (NAFTA),[7] whereas the deal reached with South Africa paralleled US initiatives like AGOA (African Growth and Opportunity Act).[8] The free trade agreement signed with Chile in 2002 was intended to maintain the EU’s position on the Chilean market, then under threat by the US-Chile trade pact.

So while not new, this so-called competitive liberalisation race is accelerating and turning increasingly grim in recent years and months. The Bush administration has launched a flurry of bilateral and inter-regional free trade negotiations, also as part of its post-September 11 geopolitical power play - offering poorer countries trade advantages in return for supporting US foreign policy and military goals. Many see the US approach as undermining the multilateral WTO system. It might even signal a future US retreat from the WTO. In the short term however, the non-WTO agreements all push the liberalisation frontier further, preparing the ground for future multilateral WTO deals.

From the perspective of the Mercosur countries, the main goal for the negotiations with the EU is to gain access to European agricultural markets, until now heavily insulated by sizeable tariffs and subsidies. As in WTO matters, the EU's resistance to ending its agricultural protectionism has emerged as a major obstacle to reaching a deal. Indeed, in the light of renewed momentum in the negotiations in recent months due to political developments in Brazil and Argentina, a breakthrough on agricultural issues would mean that an overall EU-Mercosur agreement could be sealed within a few months.[9]

Neoliberal legacy

The silent advance of the EU-Mercosur negotiations is bad news for Latin American societies. The region has in the last three decades suffered the dramatic consequences of excessively neoliberal policies. Argentina is the clearest example of the social impacts of these policies. What used to be a wealthy country (although with a very unfair income distribution), now has over 20 million people (out of 37 million inhabitants) living under the poverty line. Seemingly endless waves of economic liberalisation, deregulation and privatisation were introduced in many Latin American countries, often dictated by the International Monetary Fund (IMF) or stemming from WTO agreements. Instead of the promised miracles, the region faces a spiraling external debt coupled with destabilising, uncontrolled capital flows, an unsustainable growth of imports, EU and US-based corporations aggressively buying their way in, and rapid de-industrialisation as local companies collapse. The result has been massive unemployment and excessive wealth concentration combined with extreme poverty, accompanied by social unrest and violence. Democracy suffers, as a vast majority of the population cannot trust the government to provide essential public services. Services provision has to a varying degree been handed over to transnational corporations. The ecological impacts of the extreme market-oriented policies have also been severe. Governments desperate to raise cash for paying interests on the debt (and financing imports) have given industries increasingly free reign to exploit natural resources.[10]

The European Union, the main international economic actor in the region (particularly due to trade and investment flows from Spain and Germany)[11], bears significant responsibility for these trends. This is not only due to the aggressive role played by EU governments within the WTO and the IMF, but also the fact that the behaviour of EU-based investors in Mercosur makes a mockery of the lofty discourse about human rights, democracy and environmental sustainability. European corporations, not the least a handful of large former state-owned Spanish services companies, have taken advantage of the privatisation wave in Mercosur countries to expand their international reach.[12] The expansion of these corporations has frequently had very negative impacts. In Argentina for instance, the operations of the Spanish oil giant Repsol have harmed the environment and indigenous people.[13] Besides, dramatic price hikes and unfulfilled contractual promises are part of the record of EU-based water and telecom TNCs operating in Argentina[14] and Uruguay[15] (Suez, Aguas de Bilbao, Telefónica, Telecom de France).

During the Argentinian crisis, these corporations regularly used threats to stop providing public services as a political pressure tool.[16] They have systematically rejected protests by consumer groups as well as the legal system over the excessive price increases.[17] And what should we think of the financial support from some Spanish TNCs, such as Repsol, for the campaign of Mr. Menem in the recent elections in Argentina? Menem was responsible for the disastrous neoliberal reforms and crony capitalism which facilitated the expansion of Spanish corporations, but drove the country into a deep crisis. [18]

Trade relations between the EU and Mercosur, meanwhile, reflect the traditional North-South divide, with Mercosur exporting mainly agricultural products, while the EU exports industrial goods and services. EU investments have not brought the promised technology transfer nor new jobs, also because these investments have in fact mainly been acquisitions of newly privatised state companies.

Argentina's privatisation troubles

In the 1990's Argentina's state companies, including providers of essential services, were privatised at a speed and on a scale rarely seen anywhere before. A small number of foreign corporations, many Spanish, bought up newly privatised companies at often very low prices. European TNCs made huge profits as prices of water and telecom services sky-rocketed, while promised investments in many cases failed to materialise. The companies received tax exemptions but ignored promises of price reductions which they had made in return. The losers were low-income people, including millions of recently impoverished middle-class families.

In the 1990's Aguas de Argentina (subsidiary of French water giant Suez) made a staggering 23% profit (typical returns by water and sanitation companies in the US and Europe are 6-8%). Repsol-YPF earned a profit of 14,2% in 2000 on its Argentinian oil operations, almost triple the profit rates of its sales in the Spanish home market. Telecom and Telefónica had a profit margin three times larger than the average of the 10 major companies of the sector in the world during the last decade.

Source: "Privatization Report", FLACSO's Economic and Tecnological programme, Buenos Aires, June 2002, www1.hcdn.gov.ar/dependencias/ari/Principal/PRIVATIZACIONES/informe%20prensa%20privatizaciones.htm

Enter MEBF

The EU often boasts of the role it has given to civil society in the EU-Mercosur process, but the reality is that only business has been awarded any meaningful influence. On the EU side, two consultations with civil society have taken place, including both business and public interest NGOs.[19] Similarly, on the Mercosur side, there has been only very limited consultation.

Compare this to the Mercosur-European Business Forum (MEBF), which played a decisive role in preparing the launch of the free trade negotiations and has been a key actor ever since. “It was considered important to influence the general political process to achieve the economic agreement between the EU and Mercosur”[20], Carlos González Finat from the powerful European employers confederation UNICE explains the engagement of industry. Established in 1998, the MEBF follows the model of similar inter-regional industry coalitions, such as the Transatlantic Business Dialogue (TABD) or the Asia-Europe Business Forum (AEBF).[21] The MEBF leaves its marks on the EU-Mercosur negotiations by presenting a joint agenda from the largest corporations from both sides of the Atlantic, which often helps to speed up government talks on controversial issues.

Particularly the German members of the MEBF played a crucial role in the early stages of the negotiations, persuading European politicians to overcome their different positions on agriculture and decide to launch negotiations. A key figure in those early days was then MEBF co-chairman Jürgen Strübe (now president of UNICE), who previously co-chaired the TABD. Strübe, together with Carlos Bulgheroni of Bridas Corporation (Argentina) and Roberto Texeira of Banco Sul America (Brazil) launched a campaign to get European governments to grant the European Commission a mandate for free trade negotiations with Mercosur. “Finally, the MEBF lobbying succeeded and the EU complied with one of MEBF’s most urgent demands,” the MEBF congratulated itself in July 1999.[22]

The interest of German industry in launching negotiations with Mercosur is not surprising.[23] German corporations, such as Volkswagen, DaimlerChrysler, Siemens and BASF, account for 10% of total Brazilian industrial production and for the largest exports to the region.[24] The German industry federation BDI, a political heavyweight in Germany, has been a key driving force in the negotiations with Mercosur from the start. Using its close links with the German government, the industry group is “commenting and complementing each offer coming from Mercosur or the EU,” as BDI’s Sigrid Zirbel explains.[25] Besides, the annual bilateral meetings between German and Brazilian politicians and business leaders (a tradition going back over 40 years) have provided momentum to the negotiations. It was at such a meeting in 1998 that then Brazilian President Cardoso and German chancellor Schröder proposed BASF’s Strübe to establish the MEBF. [26]

The MEBF's agenda holds few surprises. The final declaration from its last Plenary[27] asks governments to boost trade flows between the regions through improved market access, not the least for agriculture products. It wants the EU-Mercosur chapter on foreign direct investment to guarantee 'national treatment' for all investors and investments, free movement of capital related to investments and non-discrimination in taxes. It wants further services liberalisation by eliminating regulatory limits (such as local content requirements, limitations for foreign ownership and operation, etc.), as well as expanded access to government procurement markets. Another key demand is for governments to encourage international financial institutions to increase co-financing of private infrastructure projects in Mercosur countries.

MEBF's privileged access

The MEBF's privileged access to decision-makers from both the EU and Mercosur is facilitated by the fact that CEOs of the major investors in Mercosur play a key role. On the European side, the MEBF includes car manufacturers like Volkswagen, Fiat, Renault, DaimlerChrysler and Peugeot; chemical giant BASF, electronics colossus Siemens, the oil company Repsol; big banks like Banco Santander, Central Hispano, Banco Bilbao Vizcaya and Banco do Investimento de Portugal, telecom giant Telefónica and Telecom de France, as well as the world leader steel producer ARCELOR, headquartered in Luxemburg. National employers federations also play a very active role, including the German BDI, the Spanish CEOE, the French MEDEF and the Italian CONFINDUSTRIA. Corporations from Mediterranean countries and Germany, clearly, dominate the MEBF.

On the Mercosur side, active MEBF member corporations include the Argentinian Bridas Corporation and the Brasilian Petroquimica da Bahia, Brasilian food producer SADIA Group, Companhia de Melhoramientos de Sao Paulo and the Uruguayan pulp and paper company FANAPEL. It should be noted that many companies listed as MEBF members from Mercosur are in fact subsidiaries of European TNCs. The Brasilian industry federation CNI has been a consistently active MEBF member since the beginning.

A steering committee on each side of the Atlantic coordinates the work on drafting consensus positions, which are finally adopted in the CEO-level MEBF plenaries. Apart from the steering committees, there are three working groups on each side, focusing respectively on: Market Access; Investment, Privatisation and Financial Services; and Services and Business Development.

Source: MEBF websites http://mebf.repsol-ypf.com/index.htm and http://mebf.arcelor.com

The Spanish take over

Following a flying start in 1998-1999, a two-year period of stagnation followed for the MEBF. The group even had to cancel the annual plenaries in both 2000 and 2001. The oil company Repsol-YPF and the Spanish employers federation CEOE took the lead in relaunching the MEBF during this difficult period.

The MEBF's troubles happened in parallel to the low ebb in the EU-Mercosur negotiations in 2000 and 2001. The Brasilian financial crisis and the deep recession in both Argentina and Uruguay led to protectionist reflexes that did not fit well with the 'free trade' orientation of the EU-Mercosur talks. The EU, meanwhile, was focused on enlargement towards the East and preparations for the launch of a new WTO round. Additionally, the European reluctance to open up agricultural markets had become a serious obstacle for the negotiations.

In particular the Spanish corporations in the MEBF, with huge investments in the Mercosur region, were keen to keep the EU-Mercosur negotiations alive. Oil giant Repsol was particularly eager, reflecting its purchase of the Argentinian YPF. In 2000 Repsol chairman Alfonso Cortina became the new co-chair of the MEBF and brought in other large Spanish companies with interests in the region, such as Endesa, Aguas de Barcelona, Iberdrola, Banco Bilbao Vizcaya, Banco Santander Central Hispano and Telefónica. Towards the end of Repsol's leadership, the MEBF had regained momentum, leading to the Madrid Plenary in May 2002. "Repsol worked a lot to involve the Spanish government and to transmit the importance of the plenary", says Luis González of CEOE.[28] At the plenary, business leaders issued the Madrid Declaration, which was the result of extensive consultations among 400 companies and business organisations from both continents. The MEBF's efforts aimed to get the negotiators to accelerate their talks. According to Luis González, the main achievement has been precisely "to keep the timing of the negotiations by pressing the negotiators."[29]

After the Madrid Plenary, however, the negotiations ran into new problems due to the dramatic crisis that hit Argentina and the instability of the last months of the Cardoso government in Brazil. Meanwhile optimism has returned in MEBF circles. The gradual stabilisation of the political situation in Argentina and other Mercosur countries has added new momentum to the free trade talks with the EU. Added impetus also comes from the newfound commitment among Latin-American countries to deepen economic integration within Mercosur, turning it into a full-fledged common market by 2006.[30] The renewed integration drive, incidentally, fits with the EU's demand for negotiating "one-to-one": with Mercosur as a whole instead of with individual countries.[31] The left-wing government in Brazil, led by Lula da Silva, and the newly elected president Kirschner of Argentina hope a stronger

Mercosur, with closer ties to countries like Peru, Venezuela, Colombia and Equador, may be able to counter-balance the US agenda, for instance in the FTAA talks.

The MEBF is currently co-chaired by European steel giant Arcelor and the Brazil-based company Cia de Melhoramentos de Sao Paulo. The new leadership is working to prepare the fourth plenary, likely to be held in Brasilia on October 28-29th 2003. The plenary conference is expected to set corporate priorities for the Iberoamerican Summit of the Spanish, Portuguese and Latin-American governments in Mexico, March 2004.

The EC - nurturing the MEBF

The European Commission (EC) has been a strong supporter of the MEBF since its inception. According to Telefónica's Carlos Alberto Rodríguez[32], then Industry Commissioner Martin Bangemann was instrumental in the launch of the MEBF. The Commission's Tomas Abadia[33] told business leaders at the third MEBF Plenary in Madrid in May 2003, "The business community has strongly supported the launching of the Association Agreement negotiations with Mercosur and we consider you a natural ally in these."[34]

Following the TABD model,[35] the MEBF's annual meetings are attended by government officials from both regions who listen and respond to key business demands and recommendations. Until now, the three plenaries (Rio de Janeiro January 1999; Mainz November 1999 and Madrid May 2002) and the Business Facilitation Conference held in November 2001, have all featured the participation of high-level EC officials, including Commissioners such as Lamy (trade) and Liikanen (industry). Apart from the plenary conferences, the European Steering Committee is in permanent contact with the Commission. According to BDI's Sigrid Zirbel, the Steering Committee is the main channel through which the MEBF is interlinked with EC decision-makers.[36]

But the EC's involvement goes further than merely attending MEBF events. During the meeting of the European Steering Committee in December 2002, the establishment of a new working group on tourism was discussed. The EC, present at the meeting, offered to compile a list of business associations within this sector that could be interested in leading the new group. [37] The clearest indication of the EC's far-reaching commitment to the MEBF is the active efforts to help revive it when the group was in a state of crisis. During the 7th Latin American Conference of German Industry (Munich, June 2001), EC officials discussed with business leaders from Brazil, Argentina and Germany how to relaunch the business forum. It was agreed to propose to the MEBF co-chairmen that the next plenary conference would be held in parallel to the EU-Latin American Summit, which was going to take place in May

2002 in Madrid. An internal EC mission report recommends that the EC should actively support this MEBF plenary: "Care should be taken that the momentum that has been built up in Buenos Aires will not be lost, specially in the perspective of the Madrid Conference and the EU/LAC Summit. Therefore the Commission should consider suitable means of support."[38]

Wake-up call

The EU still hopes to finalise the Mercosur 'free trade' talks in 2004. After recent political developments within Mercosur have brought renewed life to the talks, there are rumours that a deal could be reached within a few months. Much depends on whether the WTO Ministerial Meeting in Cancun (September 10-14) will produce a global deal on agricultural trade.

This means there is an urgent need for civil society to expose the dangers of an agreement which would further reinforce the neoliberal policies that have brought severe consequences for the Mercosur economies and societies. The secrecy around what is exactly being asked for and offered in the trade negotiations obviously makes a thorough assessment very hard. A version of the EU's offers on investment were leaked in May 2003, but its wish-list for liberalisation and deregulation in Mercosur remains unavailable to the public.[39] Knowing that the EU's liberalisation ambitions for the Mercosur talks go further than what it is pushing for in the ongoing Doha round in the WTO, there is every reason for concern.

Based on the experience with similar trade agreements, such as the one between the EU and Mexico,[40] there is no doubt that European exports will increase, further deepening the unsustainable trade deficit of Mercosur countries.[41] Large corporations will expand their control of essential services, at the expense of the poorest. The agreement on investment and government procurement puts further constraints on the use of policies ensuring that local communities benefit. The new chapter on intellectual property rights will grant new rights to private corporations to the detriment of traditional local knowledge, food security and biodiversity.[42]

Even when it comes to agriculture, on which Mercosur countries have based their growth strategies and gained competitive advantage, the agreement will do more harm than good. The millions of 'sem terra' subsistence farmers will certainly not gain, in contrast to the big agribusiness and food processing corporations, including European giants like Nestlé, Parmalat and Danone. The industrial production systems (increasingly based on biotechnology) imposed by the large agro-exporters of the Mercosur region will further intensify, at the expense of food security and sovereignty, as well as the biodiversity of the region.[43]

Towards inter-regional solidarity

Luckily, there is no lack of alternatives. Civil society groups from all Mercosur countries are jointly developing visions of alternative regional integration processes based on social equity, environmental sustainability and democratic participation.[44] If both blocks would embrace these key positive values as the fundament for a joint project, an EU-Mercosur agreement would look entirely different from the one currently under negotiation. The overall common goal would be to build equitable, participatory societies with the power of defining their own development path. This would demand the EU to join hands with the Mercosur governments to ensure effective democratic control over financial markets and over corporations operating in the region. It would also imply that the EU embrace debt cancellation, which would free enormous amounts of local public finance in the Mercosur countries that are now used to pay interests on debt. European governments would then have to use their powers in the International Monetary Fund and the World Bank as well as WTO talks for people-centered policies instead of the current neoliberal agenda.

There are currently more hopeful signs coming from the Mercosur countries than from Europe. This is the case on the government level, where the new government in Brazil is trying to implement a progressive vision, although its hands are to a large extent tied both by the domestic elite as well as by financial markets and international institutions. On the level of citizens' politics, there is an inspiring increase in popular resilience and awareness on the role of corporate globalisation. In Europe, the global justice movement still lacks the strength necessary to force EU governments to move away from shaping trade polices around the interests of transnational corporations. For movements in both Europe and Latin America, there is an urgent need to start building common transatlantic campaigns. There are positive lessons to be learned from the civil society coalitions that organised around the EU-Mexico free trade negotiations.[45] Time will tell whether inter-regional grassroots solidarity networks will be able to steer EU-Mercosur talks away from the current neoliberal course.

[1] MERCOSUR (Southern Common Market) was established in 1991 as a customs union and common market between Argentina, Brazil, Paraguay and Uruguay. Chile and Bolivia later joined as associate Mercosur members.

[2] Negotiations on the Free Trade Area of the Americas (FTAA) started in 1994. Civil society opposition has grown ever since, not the least after trade unions in 1997 took the initiative to develop joint strategies with other citizen's networks advocating alternative trade policies. The Hemispheric Social Alliance, which rejects the FTAA and any other hemispheric agreements based on neoliberal models, serves as an umbrella for numerous organisations from all parts of the continent,

in total representing close to 50 million people. The opposition to the FTAA has shown its teeth by mobilising in large demonstrations in Quito (October 2002) and elsewhere. Now groups have started organising referenda in each single country to give the populations the opportunity to voice their opinion on the FTAA. For more information see the Hemispheric Social Alliance webpage: http://www.asc-hsa.org

3 For more information on civil society positions and activities in relation to the EU-Mercosur negotiations, see for instance "Documento Nacional de Brasil", Silvia Portella, ALOP, 2003. http://www.alop.or.cr/Proyecto%20UE-3/ue-2.html Additionally, a Sustainability Impact Assessment (SIA) on the free trade talks between the EU and Mercosur/Chile is being carried out by Planistat, a Luxembourg-based consultancy, see http://www.planistat.com/sia/en/seminar.php

4 A general framework for the agreement (the Interregional Framework Co-operation Agreement) was agreed in 1996, including three chapters (trade, cooperation and political dialogue). Negotiations on the Interregional Association Agreement started in 2000 and talks on the co-operation and political dialogue chapters were practically concluded at the EU-Mercosur Summit in Madrid in May 2002. For basic information on the negotiations, see the following European Commission websites: http://europa.eu.int/comm/trade/bilateral/Mercosur/Mercosur.htm http://europa.eu.int/comm/external_relations/Mercosur/intro/index.htm

5 See Noticias, March 25, 2003 http://www.economia-bruselas.gob.mx

6 After NAFTA, Mercosur is the largest regional integration process of the American continent. Total Mercosur GDP is 1.100 billion US$. The area holds half of Latin American population and almost a third of the investments and regional trade. Source: Sectorial Commission for Mercosur, 2003.

7 See http://www.rmalc.org.mx

8 See for instance the website of AIDC on EU-South Africa free trade talks: http://www.aidc.org.za

9 "Agricultural goods account for 50% of all exports from Mercosur to the EU so progress in the free trade agreement depend on reforming the CAP", says Sigrid Zirbel of the German industry federation BDI. The German government's pressure on other EU members to reform the Common Agricultural Policy (CAP) has played an important role in keeping the negotiations with Mercosur alive.

10 "Comercio y Sustentabilidad en el CONOSUR", Sergio Slesingher, Programa Cono Sul Sustentavel (Brasil), April 2003.

11 Spain is the main foreign investor, Germany the main exporter to the Mercosur region.

12 Many of the Spanish TNCs were well-functioning public companies, built up with public money. After privatisation, they had the capacity and the cash to expand worldwide. Repsol and Telefònica are the two biggest foreign investors in Latin America, followed by banks like Banco Bilbao and Banco Santander. The Spanish services TNCs expanded into Latin America by buying up recently privatised public companies, often at bargain prices. Repsol's CEO Alfonso Cortina, for instance, used his personal connections to buy up the Argentinian oil company YPF, at an

estimated 10% of the real price. Source: speech by David Llistar (L'OT) during the workshop "Europe - Latin-America: corporate power and 'free trade'", Annemasse (France), May 30th 2003.

13 The Mapuches are taking Repsol to court for 445 millon US$. Source: Enlace Mapuche Internacional, March 27th 2002, http://www.mapuche-nation.org/espanol/html/medioambiente/me-am-06.htm

14 Privatization Report. Economic and Tecnological area of FLACSO. June 2002, Buenos Aires

15 "The sustainable management of water in Uruguay", Ana Dominguez (2003), http://www.tierraamiga.org/documentos.html

16 "Lista de 28 aprietes al poder de Kirschner", Pagina 12 (newspaper published in Buenos Aires), May 19th 2003, http://www.pagina12web.com.ar

17 "Consejo de los empresarios españoles a Kirschner. Pragmatismo si, ideologia no." Página 12 (newspaper published in Buenos Aires), May 19th 2003, http://www.pagina12web.com.ar

18 "Petrolero que recibe sabe agradecer", Página 12 (newspaper published in Buenos Aires), May 19th 2003, http://www.pagina12web.com.ar/index.php

19 Conferences organised by the European Commission with representatives from the European Civil Society, business community and academic community on the EU-Mercosur and EU – Chile Association Negotiations, October 12 2000 and February 12 2002 in Brussels.

20 Although UNICE's main priority is the WTO, it follows the EU-Mercosur negotiations and participates in the MEBF. The MEBF's European Steering Commitee meets at the UNICE headquarters in Brussels. For the UNICE position on the EU-Mercosur negotiations, see http://www.unice.org/content/default.asp?PageId=193/ Telephone interview with Carlos González Finat, UNICE Foreign Relations Department (Asia, Mercosur and Mediterranean), June 14th, 2003.

21 Since 1995, the largest EU- and US-based corporations have worked closely with the Commission and the US government through the TABD to remove "obstacles to transatlantic trade" and boost EU-US powers within the World Trade Organisation (WTO). For background information on the TABD see, "TABD Takes Up Arms; Post-September 11, major EU and US arms producers take a leading role in the ailing group", Issue 11, Corporate Europe Observer. http://www.corporateeurope.org/observer11/tabd.html>. The Asia-Europe Business Forum (AEBF) holds strong powers over negotiations between the EU and East Asian countries with the ASEM process (Asia-Europe Meeting). http://www.nadir.org/nadir/initiativ/agp/free/asem/corporatebias.htm See also Asia-Europe Business Forum-ASEM's Corporate Bias, Olivier Hoedeman, Asia Europe Crosspoints, TNI 2002 http://www.tni.org/asem/index.htm

22 MEBF Newsletter, Issue II, July 1999.

23 "Strengthening the Mercosur is not only of interest to the member states but is also a central matter of concern for German industry in Latin America. The high investments made by German companies in the four Member States during the last

decade have also been prompted by the signs of an emerging common markets,” the Federation of German Industry (BDI) explained. “EU-Mercosur Free Trade Negotiations: the Position of German Industry”, February 4th 2002.

24 “EU-Mercosur Free Trade Negotiations: the Position of German Industry”, February 4th 2002.

25 Interview with Sigrid Zirbel, BDI (Federation of German Industries) Regional Director, North and Latin America International Affairs – Bilateral Relations. Berlin, June 27th 2003.

26 The next German-Brazilian meeting will take place in October 2003 and bring together an expected 500 representatives from government and business, just prior to the next MEBF plenary.

27 Mercosur-European Union Business Forum III, Madrid, May 2002.

28 Telephone Interview with Luis Gonzalez, International Affairs CEOE Deparment. April 25th, 2003.

29 Ibid.

30 “Mercosur Leaders Pledge to Create by 2006 Full-Blown Common Market, Add 4 Members”, International Trade Daily, June 20 2003.

31 “EU Commissioner Lamy Dampens Hopes For Early Free Trade Accord With Mercosur”, International Trade Reporter, July 10 2003.

32 Telephone Interview with Carlos Alberto Rodríguez, European and International Regulation, Telefónica. July 3th 2003.

33 Tomas Abadia is the desk officer for Mercosur relations at the Directorate-General of External Relations of the European Commission.

34 Speech by Tomas Abadia (European Commission) during the Mercosur-European Union Business Forum III, Madrid, May 2002.

35 The TABD hosts annual conferences that bring together business leaders and government officials from the EU and the US. At these meetings the TABD presents government officials with a wish-list containing industry demands. For background information on the TABD see, “TABD Takes Up Arms; Post-September 11, major EU and US arms producers take a leading role in the ailing group”, Issue 11, Corporate Europe Observer. http://www.corporateeurope.org/observer11/tabd.html>.

36 Interview with Sigrid Zirbel, BDI (Federation of German Industries) Regional Director, North and Latin America International Affairs – Bilateral Relations. Berlin, June 27th 2003.

37 MEBF Newsletter. Issue XI, December 2002. http://mebf.arcelor.com

38 Mission Report, European Commission, Enterprise Directorate General, Brussels, December 10 2001.

39 The leaked document shows that the UK, for instance, offers largely unrestricted access for investors, while countries like France and Greece retain some restrictions. Urgent note for the attention of the 133 Committee - “EU/Mercosur negotiations: EC revised offers on Services, Investment and Government procurement”, Trade C-3/IC D(2003), Brussels, 7 May 2003. On file at Corporate Europe Observatory (CEO).

40 "Que significado tiene el TLCUE en el contexto de la globalización? Una perspectiva crítica desde el sur", Mexican Action Network on Free Trade (RMALC), http://www.rmalc.org.mx/documentos.htm

41 The trade flows between Mercosur and the EU grew at an annual average of 10,4% during the period 1991 – 2000. The annual increase of exports from MERCOSUR to the EU, however, was only 3,8%, against an annual growth of 27,5% of EU exports to the MERCOSUR during the same period. In recent years, Mercosur has accumulated significant trade deficits with the EU, some years reaching 6 billion euros. Source: European Union-Mercosur Business Forum, Madrid, May 2002.

42 As happened in the context of the EU-Mexico Free Trade Agreement. See for instance "Make fair trade for the Americas", page 29, Oxfam briefing report, http://www.asc-hsa.org

43 To see how the shift to export agriculture under the WTO, World Bank and IMF conditionalities, as well as domestic liberalisation initiatives, has consolidated concentration in land ownership, expropriated and displaced the peasantry, and harmed the environment, see http: //www.foodfirst.org/pubs/policy

44 For example the Sustainable South Cone Programme, a regional initiative of civil society organizations who articulate and support a critical vision of the current development path in Latin America and create a space for the elaboration of regional political proposals with sustainability criteria: http://www.conosursustentable.org/mapa.html

45 Joint RMALC-CIFCA initiatives have been developed to establish a civil society Social Observatory to assess impacts of the EU-Mexico Global Accord. See Mexican Action Network on Free Trade (RMALC) webpage http://www.rmalc.org.mx/documentos.htm and Transnational Institute (TNI) http://www.tni.org/altreg/index.htm

Some recommended links and contacts

REDES / Friends of the Earth Uruguay: http://www.redes.org.uy

L'Observatori de las Transnacionales (LO'T), research group focusing on Spanish TNCs in Latin-America. Contact: David Llistar david.llistar@debtwatch.org>

Red Mexicana de Accion Frente al Libre Comercio (RMALC): http://www.rmalc.org.mx

Transnational Institute (TNI): http://www.tni.org/altreg/index.htm
Corporate Europe Observatory (CEO): http://www.corporateeurope.org

Alianza Chilena Por Un Comercio Justo y Responsable (ACJR): http://www.comerciojusto.cl/index.htm

Asociacion Latinoamercana de Organizaciones de Promocion (ALOP): http://www.alop.or.cr