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FTAA

## Chávez's trade fight

BY CARLOS ALBERTO MONTANER

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The Free Trade Area of the Americas (FTAA), promoted by the United States, has run into a cunning and quarrelsome opponent: the Bolivarian Alternative of the Americas (ALBA), created by Venezuelan President Hugo Chávez with the enthusiastic complicity of Fidel Castro.

It is very likely that neither option will take off. The FTAA will be hard put to overcome the opposition of the regional protectionist right allied with its U.S. counterpart, which has wed the left in a marriage of convenience sanctified by a large number of devout enemies of the freedom of trade.

For its part, ALBA can count only on the allegiance of the countries where the anti-West collectivist delirium - in the style of Cuba and Venezuela -- manages to take hold. Potential members would be a Bolivia presided over by Evo Morales; Nicaragua, if Daniel Ortega returns to power; and El Salvador, if Shafik Handal finally manages to defeat the ARENA Party.

### Populist rhetoric

Also Ecuador, which, as a consequence of the reigning confusion, might drift irresponsibly toward some sort of revolutionary populism stuffed with indigenous rhetoric.

However, it does not seem likely that the countries in the Southern Cone will take that road, particularly Chile, whose democratic ruling class -- from President Ricardo Lagos' Socialists to Lavin's conservatives -- has abandoned the very Latin American custom of sucking its political thumb.

The differences between the FTAA and ALBA were established clearly by Chávez at a recent meeting in Havana. ALBA, his personal creation, would not be at the service of capitalism, as the FTAA is. It would be an entity devoted to developing trade and financial transactions between states, not between private enterprises.

Chávez is one of the last believers in the Theory of Dependence, a superstition that contends that the First World has handed out the productive roles throughout the planet, assigning to the Third World the role of poor supplier of raw materials and consumer goods, which condemns it to underdevelopment and poverty.

What Chávez doesn't know is that the battle between the FTAA and ALBA was fought in the past under different names and in another continent. In the late 1940s, when the Cold War began, the United States launched the Marshall Plan in western Europe to help rebuild the countries devastated by World War II.

### Economic coordination

Shortly thereafter, France, Germany, Belgium and Holland started a kind of common market of energy that eventually became the European Union. To compete against these efforts at western integration, the Soviet Union, which opposed the Marshall Plan, created a mechanism of economic coordination with all its satellites, which it called the Council for Mutual Economic Assistance (COMECON).

The outcome of that competition between capitalist Europe and communist Europe is plain to see: Western Europe became an opulent and pleasant economic and social space filled with brightly lit cities and workers with a high standard of living, while the communist countries became impoverished dictatorships beset by a

shortage of goods and a lack of services.

Why did the COMECON fail? Precisely because of the function that Chávez has set out for ALBA: for trading without competing. The communists, who were addicted to planning, assigned each other tasks. The Russians were responsible for supplying crude oil, just what Venezuela does today. The Germans and the Poles would build the ships. The Slovaks would manufacture firearms. The Cubans would contribute sugar. The Bulgarians, Hungarians and Czechs would provide agricultural products, meat, sausages and some light industry.

There was no creativity. There were no entrepreneurs. The exchanges were planned and executed by bored bureaucrats who made decisions mechanically, always under the *diktat* of political commissars. Eventually, they achieved an amazing result: For the first time in history, a model of business was established in which everybody lost.

For that reason, when the Soviet Union disappeared in 1991, the satellite nations fled unhesitatingly toward the market and competition. They knew what the "fair terms of socialist exchange" meant. They meant horror.