

Challenges Confronting the Free Trade Area of the Americas

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EXECUTIVE SUMMARY

The Summit of the Americas process has been ongoing since 1994. Despite notable achievements, the successful conclusion of the Free Trade Area of the Americas (FTAA) negotiations remains in doubt. The series of summits, ministerials, and technical meetings that have characterized the process since its inception have generated momentum and established a common agenda on trade and democracy and a sense of common purpose among the participating countries. However, the lengthy FTAA negotiating process has also created its own problems. The appropriate way to effectively incorporate business and civil society interests into the negotiations has been an ongoing challenge. The long process has caused fatigue, as over-stretched negotiators lose sight of the ultimate goals of the exercise. At the same time, several countries have been vigorously pursuing initiatives at the bilateral and multilateral level — leaving the objective of harmonizing trading rules in the Americas either unfulfilled or redundant.

Perhaps the most serious obstacle to the successful conclusion of an FTAA is the potential that the national interests and domestic politics of the United States will directly or indirectly derail the process. The unwillingness of the U.S. government to discipline its highly subsidized agricultural sector could mark the failure of any accommodation with the other major regional player, Brazil. For its part, Brazil has never been enthusiastic about the process and could overplay its hand by asking for more than the U.S. is prepared to offer. Mexico is more interested in protecting its preferential relationship with its NAFTA partners, the U.S. and Canada, than seriously negotiating the FTAA and has been extremely unhelpful at times. Venezuela's President Chavez is philosophically opposed to the agreement, and Argentina's economic mess is quickly spreading to infect other institutions in that country. In addition, the small Caribbean economies that are so dependent on tariffs for government revenue seem to have little to gain from a hemispheric trading agreement and few seem to have considered the political implications of less than universal participation in the FTAA.

Without real progress on incorporating business and civil society interests, subordinating “the national interest” to the common good, and responding to the needs of smaller economies, the dream of a hemispheric free trading area may prove difficult to realize.

RÉSUMÉ

Le Sommet des Amériques se déroule depuis 1994. Malgré les réalisations d'importance, le succès des négociations de la Zone de libre-échange des Amériques (ZLÉA) est remis en question. La suite successive des Sommets, les nombreuses rencontres ministérielles ainsi que celles portant sur les aspects techniques depuis le début des négociations commerciales ont certes engendré une dynamique, et mis en place un agenda commun inhérent au respect de la démocratie; de même qu'un objectif rassembleur au sein des pays participants.

continued on page 2



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Toutefois, la longueur du processus des négociations a également connu des ratés. Lors de celles-ci, les intérêts de la communauté des affaires et ceux de la société civile devaient être pris en compte, ce qui s'est avéré un défi de tous les instants. Cette démarche éreintante a provoqué une perte d'intérêt de la part des négociateurs à propos des objectifs finals de l'accord. Au même moment, plusieurs pays ont entamé des initiatives aux niveaux bilatéral et multilatéral, laissant de côté l'importance d'harmoniser les règles du commerce entre les Amériques, ou la jugeant superflue.

Le plus sérieux obstacle pouvant nuire à une conclusion dite « positive » de la ZLÉA a trait à l'épineuse question des intérêts de la nation ainsi que les politiques intérieures des États-Unis qui feront dérailler, de façon directe ou indirecte, le cours des négociations. La fin de non-recevoir du gouvernement américain à mettre de l'ordre au chapitre des subventions hautement disproportionnées dans le domaine de l'agriculture (par rapport aux autres pays des Amériques) pourrait faire échouer toute possibilité d'entente avec un partenaire commercial majeur : le Brésil. Ce dernier pays n'a jamais été satisfait à l'égard du déroulement des négociations et pourrait être tenté de faire une surenchère et exiger des Américains des concessions que ceux-ci se refuseront à faire. Le Mexique, pour sa part, est plus enclin à protéger ses relations privilégiées avec ses partenaires commerciaux de l'Accord de libre-échange nord-américain (ALÉNA), c'est-à-dire les États-Unis et le Canada, qu'à entamer un dialogue constructif au sujet de la ZLÉA, et ne s'est pas montré très coopératif tout au long des discussions. Par ailleurs, le président du Venezuela, Hugo Chavez, s'oppose à cet accord sur le plan idéologique, alors que le marasme économique auquel est plongé l'Argentine se propage à d'autres secteurs d'activités de ce pays. Au surplus, les petites économies caribéennes, qui sont tributaires des tarifs douaniers qui composent une bonne partie des revenus publics, semblent avoir peu d'impact devant l'avènement d'un accord commercial entre les hémisphères Nord et Sud; de même que les implications politiques au sujet d'une participation amoindrie à la ZLÉA, que seulement un faible nombre d'observateurs a pris en compte.

Sans un progrès significatif du processus en ce qui touche l'incorporation des intérêts du monde des affaires et de la société civile, qui relègue au premier plan l'intérêt national au détriment du bien collectif et qui répond aux besoins des petites économies, la possibilité de voir naître une zone de libre-échange entre les Amériques semble loin de la coupe aux lèvres.

RESUMEN

En 1994 se inició el proceso de Cumbres de las Américas; y a pesar de los logros considerables que se han obtenido, aún queda por ver si las negociaciones para el Área de Libre Comercio de las Américas (ALCA) culminarán exitosamente. Las reuniones cumbres, ministeriales y técnicas que han formado parte de este proceso han servido de impulso y ayudado a la creación de una agenda común en temas de comercio y democracia así como han creado un sentido de interés común entre los países involucrados. Sin embargo, el ya extenso proceso de negociaciones del ALCA ha creado también sus propias dificultades. Uno de los retos constantes que enfrentan las negociaciones es hallar una forma efectiva de incorporar los intereses del sector privado y de la sociedad civil. El largo proceso ha causado el agotamiento de los negociadores, a quienes el cansancio les hace perder de vista el objetivo máximo de estas negociaciones. Al mismo tiempo, algunos países se han enfrascado tenazmente en la búsqueda de iniciativas bilaterales y multilaterales que obstaculizan o hacen innecesario el propósito de lograr estándares comerciales comunes para todas las Américas.

Quizás el mayor obstáculo que enfrenta el ALCA sea la posibilidad de que los intereses nacionales y la política interna de los Estados Unidos puedan de manera directa o indirecta hacer naufragar el proceso. La falta de voluntad de los EE.UU. de disciplinar su altamente subsidiado sector agrícola podría hacer fracasar cualquier intento de acomodo aceptable para el otro gigante de la región: Brasil. En lo que a Brasil respecta, nunca ha sido un gran entusiasta del proceso y podría extralimitarse en pedir de los Estados Unidos más allá de lo realmente posible. Por su parte, México está más interesado en salvaguardar su relación preferencial con sus socios del TLCAN que en apoyar seriamente las negociaciones del ALCA, y en ocasiones no ha sido de mucha ayuda. El Presidente de Venezuela, Hugo Chávez, se opone al acuerdo esgrimiendo consideraciones filosóficas; y en Argentina, la debacle económica se esparce con rapidez afectando a otras instituciones de esa nación. Además, las economías más pequeñas del Caribe, cuyos gobiernos dependen grandemente de la recaudación de tarifas como fuente de ingresos, parecen no tener mucho que ganar con tal acuerdo comercial hemisférico, y pocas de ellas han prestado atención a las implicaciones políticas que se desprenden de no tener una participación completa en el ALCA.

De no lograrse mayores avances en cuanto a la inclusión de los intereses privados y de la sociedad civil en el proceso, la subordinación del “interés nacional” al bien común, y en responder a las necesidades específicas de las economías más pequeñas, el sueño de crear un área de libre comercio hemisférica podría ser difícil de alcanzar.

Background

The 34 countries of the Americas participating in the negotiation of a Free Trade Area of the Americas (FTAA) have been at work since the national leaders met in Miami in December 1994 to launch the process. That the Miami meeting happened at all was not a foregone conclusion. The United States, in particular, originally envisaged an agenda that downplayed trade liberalization as a theme, much less as a collective objective to be pursued. U.S. objections, principally within the Office of the United States Trade Representative (USTR) were gradually weakened — a process in which Canada played a significant role — and the concept of exploring the possibilities of an FTAA gained widespread support and official endorsement. Some participants, mainly Brazil, agreed to participate but have remained sceptical as to whether the United States would or could make sufficient concessions in terms of market access and in terms of rule-making to counterbalance the sorts of domestic changes that would be necessary to make an FTAA a reality.

The early phase of the FTAA project was principally an exercise in information exchange and confidence building. On the one hand, the 34 countries of the hemisphere had not, until this process, ever had a forum in which to conduct a deep and sustained discussion of trade and investment issues. Particular subregions had built mechanisms and institutions for such discussions, some examples being Mercosur, Caricom, the Andean Community and the countries of Central America. These subregional initiatives, some dating back to the 1960s and 1970s, were fragmented and isolated from each other. A few stillborn initiatives had been attempted within the context of hemispheric institutions, such as the Organization of American States (OAS), but these produced little of value or consequence. The FTAA thus, for the first time in post-war history, brought together all of the players simultaneously with a common agenda even if the pathways were subject to widely diverging plans and frameworks.

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Confidence building was achieved in a number of ways, some of which several countries themselves would not rush forward to admit. Confidence and familiarity grew out of the simple experience of well-planned and organized encounters over time. Trade officials, a term that encompasses national representatives ranging from those with almost no experience nor specialized trade policy knowledge to those with decades of negotiation experience and knowledge, had the opportunity to interact and develop networks of contacts. For many of the smaller or less experienced countries, subject knowledge and issue training were provided by a supporting structure of experienced experts collected within the regional institutions and dubbed the Tripartite Committee. The Tripartite Committee is composed of the trade policy focused units of the OAS, the Inter American Development Bank (IDB) and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). While some countries were, and remain, suspicious of the regional institutions — particularly the United States — most have come to acknowledge that their financial and substantive support have been both necessary and neutral with respect to national trade interests. While a number of countries had been nominal participants in multilateral trade discussions and negotiations, their practical experience was limited until the FTAA provided a framework for experience and experimentation.

The opportunity to build experience and confidence was also provided from the outset by the overall organization of the discussions. In Miami, national leaders gave a strong mandate to their cabinet-level officials to manage the process. From the start it was envisaged that Ministers would take a much more direct role in the discussions/negotiations than had ever been the case at the multilateral level. The first FTAA Ministerial meeting was held in Denver in 1995 and ministers authorized the creation of a limited number of so-called Working Groups. At subsequent Ministerial meetings in Cartagena (1996), Belo Horizonte (1997), and San Jose (1998) additional — preplanned — groups were authorized while the

progress of already established Working Groups was thoroughly reviewed. The requirement to report progress as well as deadlock to a forum of Ministers sharpened and concentrated the minds of officials. Despite the tendency of officials to pre plan the outcome of the Ministerial meetings themselves, there were sufficient areas of disagreement and problem solving to keep Ministers — and their cabinet-based political clout — engaged and occupied. At different points, direct Ministerial intervention and guidance has been critical to the continued evolution of the FTAA, thus ensuring that very few ministers felt the desire to delegate their authority or participation to subordinates.

Four years after the Miami Summit, the 34 countries felt sufficient confidence in the substance and process of the discussions to make a recommendation to their highest authorities that formal negotiations should be launched. The FTAA Ministerial meeting in San Jose is notable for two key outcomes. The first was the formal recommendation to launch the negotiations that was forwarded to leaders who were then scheduled to meet at the Santiago Summit of the Americas. The second, and more important to the negotiations themselves, was that the San Jose outcome was modeled on the Punta del Este declaration that launched the Uruguay Round of the then GATT (General Agreement on Tariffs and Trade) negotiations. Thus, by the time of the San Jose Ministerial, discussions had progressed sufficiently such that broad consensus was possible on the broad outline of what would be negotiated, the underlying principles of the negotiations and, finally, how the negotiations would be structured and managed.

Competing visions from earlier years on whether the FTAA would be constructed via accession to an existing arrangement (NAFTA) or via a “stitching together or docking” exercise involving existing subregional arrangements (with Brazil as the major proponent) had been largely laid to rest. Practical issues such as the need for some sort of Administrative Secretariat were also, largely, settled despite lingering suspicion against the over-institutionalization of a process that had achieved respectable progress with minimal institutional support.

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achieved in the process that they had started in Miami. Three years later (April 2001) they would meet again in Quebec City and add further to the process. They could be justifiably proud of the fact that 34 very different countries ranging from the microstates of the Eastern Caribbean to mega developing countries such as Brazil and Mexico (each with over 100 million people) and industrialized countries such as the United States and Canada had been able to make the progress that they had. Leaders on both occasions were careful to point out that Summitry in the Americas had additional attributes of critical importance. The first critical message was that the Summit of the Americas process was more than “just trade” — despite what the popular press seemed to think. Santiago’s emphasis on education and Quebec City’s emphasis on an Inter-American Democratic Charter for the Americas (as well as a host of other initiatives) underscored a critical component of the emerging political economy of the Americas.

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Steered from the top, Summitry in the Americas had a broad agenda with varying degrees of depth. If the integration agenda was moderately deep in the trade field (not as deep as Europe’s trade agenda, for example, where a fully integrated economic space remains the guiding objective), then at least the total agenda was broad and encompassed social and political objectives. The specific linking by leaders of the Democracy Clause to the Summit process itself, and hence to the FTAA, helped to diffuse, without erasing completely, the underlying importance of a new instrument of economic, political and social guidance in the Americas.

The second critical message that was delivered was that by simply meeting a second and a third time — along with a commitment for a fourth meeting in Argentina in 2005 — Summitry in the Americas had broken out of the constraints of a “one off” Summit meeting. Leaders acknowledged in their various Summit statements an emerging condition of conscious interdependence and a willingness to pursue foreign policies supportive of collaborative cooperation. This cooperation was further strengthened by gradual expansion of supporting institutions that at the start was largely limited to regional entities such as the IDB, the OAS, ECLAC and the Pan-American Health Organization (PAHO). By the time of the Quebec City Summit, supporting institutions had been widened to include the regional operations of the

World Bank and the International Monetary Fund (IMF).

Regional Developments Between Miami and Quebec City

In addition to the emerging structures supporting the FTAA, the intervening period between the first two Summits also saw a number of non-contradictory external initiatives be successfully launched, a number of which have come to fruition and have started to pay positive dividends.

Outside the FTAA process itself, the region weathered a number of critical economic or financial challenges such as the Mexican Peso crisis. Mexico's Peso crisis, coming on the heels of that country's successful entry into NAFTA and its joining the Organization for Economic Cooperation and Development (OECD) sparked a concerted multilateral rescue effort. Led by the U.S. Treasury Department, the World Bank, the IMF and a number of central banks put together a rescue package that, tied to additional economic reforms within Mexico, functioned remarkably well especially when contrasted with past currency crises suffered by Mexico. The effort allowed Mexico to retire the full slate of emergency loans in full and ahead of schedule. Following the Mexican crisis, finance ministries and central banks in the Americas formalized a number of inter-institutional cooperation mechanisms that responded well to the currency crises that hit countries such as Brazil and Argentina in the late 1990s. The current Argentine currency crises has failed to generate the sort of support witnessed earlier and by most accounts this is due to Argentina's failure to put forward a responsible recovery programme. This actually underscores a critical element associated with the Summit of the Americas, that as a process of common effort and assistance it is directly linked to a commensurate effort on the part of those countries benefiting from such activities.

On the political front, Mercosur — as an economic integration scheme — proved adept at forestalling a potential return to military rule in one of its members. Subregional unity and progress was threatened by a potential return to power by the military in Paraguay. Within 48 hours, the three other Mercosur countries had established an internal policy that decreed

democracy as a fundamental condition for membership, which was operationalized by the emergency visit to Asuncion by Mercosur leaders where the message was delivered strongly and in person to the putative coup leaders. The Mercosur-led defence of democracy was probably most effective due to the speed with which it was communicated, thus denying any time for the consolidation of non-democratic governance. A politically strengthened OAS was also able to play a prominent and decisive role in defending democracy in Peru in 2000 and the new Democratic Charter saw its first application in the attempted military coup in Venezuela in April 2002.

Also worthy of celebration has been the further deepening of the trade liberalization philosophy as given concrete form in the proliferation of subregional or bilateral trade negotiating initiatives. Mexico and Chile, in particular, had embarked on ambitious

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negotiating schedules wherein — including with each other — liberalized access was negotiated with a range of partners. Canada joined the move with the rapid conclusion of an agreement with Chile and subsequently with Costa Rica. In the case of the latter, the agreement was signed in by the Canadian Prime Minister and the Costa Rican President in the days that followed the Quebec City Summit of the Americas. In Canada's case, the Agreement was subject to Parliamentary approval and received Royal Assent (the second last stage prior to implementation) on

December 18, 2001. On Costa Rica's side, however, the agreement had not been ratified by the Costa Rican legislature when it was dissolved on April 30, 2002 in preparation for the entry of a new government in that country. In Costa Rica, the main opposition party joined with other minority groups to block ratification, the entire process of which must begin anew in the newly elected assembly, where opposition to the Agreement is anticipated to be even stronger. The events in Costa Rica where a large developed economy (Canada) negotiated preferential market access with a small developing country (Costa Rica) serves to underline the question of the sustainability of trade liberalization efforts in Latin America. If the NAFTA is a testament to the ability to join developed and developing countries in a FTA arrangement, the Canada-Costa Rica FTA is the only known failure of such an arrangement. Despite the setback recorded in the case of Costa Rica, Canada is

currently negotiating an FTA with the remaining Central American republics (minus Panama) and talks are underway with CARICOM.

Some of the existing subregional arrangements also took up the trade liberalization agenda and launched processes aimed not only at increased external linkages but also the modernization of internal structures. In the Caribbean, a largely moribund trade arrangement was given a boost by the creation of a new entity — the so-called Regional Negotiating Machinery (RNM) — charged with internal as well as external revitalization. From the outset, the RNM reflected the deeply held view of the region’s leaders that the organization and structure of CARICOM (headquartered in Georgetown, Guyana) was locked into an intellectual and philosophical time that had long past. As a result, new instruments aimed at the liberalization of trade in goods and services have been forged and CARICOM has concluded an agreement with the Dominican Republic.

A major effort aimed at revitalization was also undertaken in the Andean region where the Community Secretariat was, at least for a short time, allocated new staff and a modified internal structure, which assisted the member countries in modernizing their collective approach to trade liberalization. Despite having created some of the most far-reaching supranational institutions, at least outside Europe, the Andean countries have nevertheless always exhibited a lingering suspicion of strong and effective regional institutions. That, in addition to the individual crises or semi-crisis that seem to wrack the Andean region has unfortunately resulted in a loss of liberalizing drive and the consequent dilution of what was a well educated and energetic staff in the Andean Community Secretariat. Elaborate discussions between the Andean countries and Mercosur have been held for some years now, but appear to be suffering from several complications, including the political and economic unrest that affects at least parts of both regions.

Tracking the FTAA From the Outside

Almost since its inception, the FTAA has attracted a wide range of observers and interest groups eager to influence the process and, in some cases, eager to halt it. Trade academics and those attuned to the intricate nature of trade negotiations have organized numerous seminars, roundtables and workshops where the pros

and cons of different approaches to technical issues such as intellectual property, market access, and government procurement have been discussed and debated. Frequently, national officials directly involved in the negotiations have appeared as guest panellists or presenters in an attempt to foster greater understanding of the process and its substance. The specialized trade policy press and various “insider” newsletters and publications have been remarkably accurate in their overall coverage of the discussions — helped no doubt by many of them having a home base in Washington, D.C., a notoriously “leaky” town. The efforts of the academic community have been aided by the policy of modest transparency taken on by the FTAA process — not without considerable angst and argumentation by some countries. While not approaching anything near the level of transparency that has overtaken the WTO, much useful information can be gleaned from the official FTAA Web site and various government sources. Western Hemisphere trade ministers responded

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positively to the calls for transparency when they last met in Buenos Aires in 2001 and decided to release the draft negotiating texts to the public. The community of academics, former trade officials, and trade policy commentators, however, have made little behind-the-scenes effort to influence the actual conduct and content of negotiations beyond those technical or policy suggestions and opinions expressed in their seminars, books and journal articles.

Beyond the academic community, two other communities of external actors can be identified, each of which attempts to exert influence on the negotiations. The first is the business community within the Hemisphere, and the second can broadly be labelled as civil society. A closer look at both is instructive, as each has pursued alternative strategies with respect to the procedural openings — and hence opportunities — within the FTAA process. The closer examination is also instructive in the sense that one approach has generally been acknowledged to be a successful exercise while the other is thought to be a well-camouflaged substitution of process over substance. Both, however, have largely failed to achieve their objectives and this failure could well come back to haunt the FTAA governments.

The stage for the hemispheric business community to play a role was set at the very first FTAA Ministerial meeting that was held in Denver in 1995. The

Ministerial itself was organized by the office of the United States Trade Representative, which was preceded by a meeting of hemispheric business people organized by the U.S. Department of Commerce. Envisaged originally as a traditional trade exhibition show where hemispheric business leaders could network, the Commerce-organized meeting also served one additional critical criteria: It helped to defray the considerable cost of the Ministerial meeting. However, it was the Colombian organizers of the second Ministerial (Cartagena) who really gave shape and substance to what has become known as the Americas Business Forum (ABF). The key difference was that the Colombians asked the business community to gather immediately before and not after the meeting of Trade Ministers, encouraging the business community to communicate its concerns and interests to the ministers directly in a plenary-type, face-to-face meeting.

The business community took up the challenge with vigour and came together — in Cartagena and subsequently — to discuss, analyze and offer suggestions and formal recommendations in a structure that mirrored the FTAA discussions. With minor variations in format, this procedure has occurred six times and planning is well advanced for a seventh session in Ecuador in October/November 2002. Ministers now are well trained to gather the afternoon/evening before their own meeting and to listen politely as the ABF organizers read their recommendations vis-à-vis intellectual property, investment, dispute settlement and the other topics covered by the negotiations.

As one ABF gave way to another and as one FTAA Ministerial meeting followed another, the pressure began to mount on governments. After the Cartagena, Belo Horizonte and San Jose ABFs it was increasingly clear to governments that polite attention was in itself insufficient in terms of response or to keep the business community actively engaged. If not halfway, the business community had to be met at least somewhere along the continuum, especially if those same governments felt that at some point they would require business support for the political and public affairs battles that would surely accompany efforts to ratify and implement any eventual accord. For the Toronto Ministerial meeting in 1998, the countries had decided that they would focus on the enactment of “business facilitation measures” as one way of responding positively to the business community as

well as — in their minds — meeting the objective set out for the FTAA in the original Miami summit of making “concrete progress by the year 2000”. Work on business facilitation measures was assigned to the Trade Negotiations Committee (TNC) itself — the most senior level of officials involved in the negotiations — as a sign of its importance. By the time of the Buenos Aires Ministerial in April 2001, countries had only been able to agree to a minimalist response consisting of agreement to publish an assortment of Tripartite Committee-authored studies and compendiums, and to modestly enhance the FTAA Web site with government-supplied information on business visitors visas and customs clearance procedures. Recognizing perhaps that the TNC had become too politicized, much of the work has subsequently been relegated to a technical subcommittee on customs related business facilitation measures, from which no significant announcement has yet been made.

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A second — albeit much less organized or even knowledgeable — watchdog is found in the broad collective of special and oppositional interests called Civil Society. Until the mid 1980s, governments could pursue trade policy initiatives without having to give much thought (or preparation) to the views of the body politic at large. While consultative procedures had been well designed and in place — often for decades — with respect to identifiable economic interests and specialized industry associations, there was little need or interest to do the same for the public at large. The demand for information was limited in the extreme and the supply generally met the needs of most customers. This existing happy state of affairs hit the allegorical brick wall, most emphatically within Canada, with the negotiation of the Canada — U.S. Free Trade Agreement (FTA) and the first large scale outpouring of public demand for information, explanation and justification by government(s) of trade policy initiatives and strategies. Retired judges, student groups and senior citizen coalitions of all stripes demanded more information and increasingly a direct role in policy formulation. If confined to Canada only, and if limited to the agreement with the U.S., this collection of disparate individuals and interests would not likely have become the threat that governments have come to perceive them as. Ignoring the Canadian experience, the United States initially approached the NAFTA negotiations with little regard or attention to the public relations exercise that would be needed to

secure the final successful passage of that agreement. Challenged by groups similar to those who had fought the “FTA Battle” in Canada only five years earlier, now often linked in coalitions of opposition, the U.S. Government quickly came to appreciate the need to placate entirely new constituencies vis-à-vis trade issues.

Stung by the close call on NAFTA — an agreement whose passage probably owes its life as much to then Vice President Al Gore out debating presidential contender Ross Perot on CNN’s *Larry King Live* as anything — the U.S. and Canada, in particular, began to push the other countries in the hemisphere to agree to some procedure that would allow the FTAA process to make some claim to be responding to the concerns of “civil society”. The method agreed to in San Jose was to strike a committee of government representatives who would receive written submissions and transmit to Ministers the substance of the comments made. Dubbed the “FTAA mailbox”, the Civil Society Committee made its first report to Ministers in Toronto, noting that submissions had been received from 16 countries but declining to reveal how many in total. By the time of the Buenos Aires meeting, some 18 months later, the Committee had received 82 submissions, of which only 77 were judged to have met the criteria for consideration. While “informing” Ministers of the essence of the submissions, agreement within the Committee to actually transmit the submissions to the appropriate negotiating group would not come before 2002. Thus, two “phases” of submissions sat within this non-technical Committee before the actual submissions were sent onward to the other groups meeting in exactly the same location as the Civil Society Committee.

Most recently the Committee is seeking additional methods of “reaching out” to an increasingly frustrated and sceptical collection of interests and individuals. Agreement has been reached to hold a series of regional seminars that would represent, for the first time, an opportunity for civil society to meet face to face with at least some small number of the government officials involved in the negotiation of the FTAA. As those seminars remain in the

planning stages, their effectiveness as a channel of communications, much less dialogue, remains an open question. They are not, however, likely to be seen as meeting even the minimum demands of most groups — a respectable number of which have taken pains to at least educate themselves in the complexities and technicalities of trade policy and trade negotiations.

Increased transparency represents a common ground for the two groups described in this section. Both the ABF and large sectors of Civil Society have urged FTAA participating governments to enhance their practices of transparency and the Buenos Aires Ministerial did achieve agreement to release the draft negotiating text to the public. While delayed by translation requirements (the FTAA operates in the two working languages of English and Spanish

but has four official languages necessitating the additional French and Portuguese translations of all public documents), the formal release of the draft text did represent a new departure in trade negotiations. As the process moves towards its next Ministerial in Ecuador, some countries are rumoured to have taken the position that the release of the text in Buenos Aires represented a “one off” experience. Such a conclusion, if true, would add another blow to the credibility of a process infrequently applauded for its transparency.

Thus we are left with a situation where the business community was promised a focus on measures

that would facilitate the conduct of business and where they received a few published studies and comparative compendiums. Civil society was promised a new and unique consultative mechanism — frequently lauded as a first in international trade negotiations — and received a mailbox that soon turned out to be the repository of dead letters. Almost eight years into the process and neither of the two external actors most attuned to developments are likely to be either impressed or convinced that they, and the interests they represent, are being taken seriously by the FTAA process. This belief becomes even more acute when placed in juxtaposition against the relative openness and outreach practiced by exactly the same countries in the context of the WTO.

Almost eight years into the process and neither of the two external actors most attuned to developments are likely to be either impressed or convinced that they, and the interests they represent, are being taken seriously by the FTAA process.

Additional Challenges to the FTAA

The FTAA process, while proceeding on a basis of strong support and a considerable convergence of national interests, is not without additional challenges.

Negotiation Fatigue: The FTAA discussions were launched in Miami in December 1994 and have now been carrying on for almost seven and a half years. Formal negotiations, which were authorized by leaders at their Summit in Santiago in 1998, have been going on for almost four years. According to the official Web site of the FTAA negotiations (www.ftaa-alca.org), the various negotiating groups and other special committees have logged — by early May 2002 — some 205 separate meetings for a total of 593 meeting days. As the negotiations progress toward their deadline of 2005, the pace of meetings is expected by participants to accelerate even more, with multiple negotiation groups meeting on a simultaneous basis. What is not often apparent to outside observers is that the FTAA process is not overly endowed with the necessary financial and human resources to maintain even the current pace, much less an accelerated one.

The negotiating teams of many countries remain highly restricted in terms of resources, particularly human resources with the necessary experience and expertise to carry out these complex trade negotiations. The element of structural and personal

FTAA Entity	No. of Meetings	No. of Meeting days
Trade Negotiations Committee	9	24
Customs Working Group	7	13
Institutional Issues	5	11
Market Access	18	76
Investment	15	40
Services	16	62
Government Procurement	16	45
Intellectual Property	14	39
Subsidies, Anti-dumping/CVD	15	42
Competition Policy	16	43
Smaller Economies	14	29
Civil Society	16	32
Electronic Commerce	12	33
Total	205 Mtgs	593 days

fatigue, without a doubt, affects the representatives of the smaller economies more than any other, but even the larger countries are not immune. A danger exists that individuals easily become “locked into” a process having lost sight of the ultimate objective. Individual negotiators tend to “hunker down” either defending or pursuing small points of contention oblivious of the end objectives. Even the Trade Negotiations Committee can fall prey to this sort of fatigue. An example of this facet of the negotiations is found in the continuing “draft” status of the so-called “Manual of Procedures” which was an attempt to set out how the negotiations would be conducted. One of the inside jokes of the FTAA is that the negotiation of the agreement itself will be concluded long before the negotiation of the Manual of Procedures is wound up.

Multilateral Engagement: After a major failure in Seattle, the member states of the World Trade Organization were finally successful in launching a new round of multilateral trade negotiations in November 2001. Dubbed the Doha Round, the negotiating agenda under the framework of the WTO tracks very closely with that of the FTAA — sharing many of the negotiating issues and timetables. Doha, nevertheless, did issue mandates to address (either in direct negotiations or in working group activity) some 19 different issues. Issues such as trade and investment, competition policy and government procurement have been under active negotiation in the FTAA since 1998 but are only scheduled to be addressed in the WTO by March 2003. The FTAA could play a guiding role for the WTO negotiations in these issues — much as was the case with NAFTA and Uruguay Round of GATT negotiations — unless participants decide to “hold back” on the regional front in favour of awaiting “developments” on the multilateral front.

Other issues such as agricultural negotiations, both for market access and subsidies, are most likely to be led by the WTO based negotiations with the FTAA largely relegated to “regionalizing a multilateral outcome”. While not inherently a bad strategy, one is reminded that much of the seven years devoted to the Uruguay Round was time wasted due to the logjam in agriculture that quickly developed between the U.S. and the EU. As both the U.S. and the EU continue to maintain programmes of massive financial support to their respective agricultural producers — itself a stark reflection of the political influence wielded by these sectors — the WTO negotiations will be difficult at best and likely unsatisfying in results to most participants, including those in the FTAA. This situation has just recently become even more

complicated (May 2002) with the massive new, and likely WTO inconsistent subsidies contained in a new Farm Bill passed by the lower house of the U.S. Congress (see the section below on the United States for a fuller discussion of this point).

Multiplying Confusion: A key objective at the time that the FTAA was launched was to bring together the myriad of rules and regimes that had been built up in the Hemisphere via subregional, plurilateral and bilateral trade agreements. The pure number of such arrangements has continued to grow during the course of the FTAA negotiations (Canada has inked agreements with Chile and Costa Rica, for example) and there are few signs that the trend is reversing or even slowing down. Those Central American countries not part of the Costa Rica agreement, for example, are pursuing Canada and negotiations are well underway (Canadian government trade officials who initially had little enthusiasm for such an objective were essentially overruled by the Prime Minister). Close on their heels are the CARICOM countries that hold certain “promissory notes” in the line-up of Canadian FTA negotiations. While regional engagement in trade negotiations has had the beneficial effect of further promoting trade liberalization and its attendant economic reforms, the overall landscape has become even more clouded than it was at the outset of FTAA negotiations. Thus, at least one of the broad objectives cited at the beginning of the FTAA negotiations is probably impossible to achieve (collect all of the arrangements under a single roof) and the consequences for actual commercial exchanges (i.e., potentially confusing or conflicting rules of origin etc.) will be unavoidable.

As a counterpoint to the objective of bringing trade agreements in the Americas under one roof, we could wind up with a situation where with enough subregional, plurilateral and bilateral agreements in place, the need for a FTAA might well disappear. Take the situation of Chile as an example. In the Americas, the last significant market not open to Chile on a preferential basis is that of the U.S. — with whom they are currently negotiating, albeit without the protection afforded by Trade Promotion Authority (see below). If successful, Chile will have essentially ensured its rules-based preferential access to: Mercosur, Mexico, Canada, the U.S., Central America and the Andean Community. Mexico has done likewise with the exception of Mercosur for which

trade remains outside of a preferential arrangement — excepting the largely unwieldy and commercially insignificant framework provided by the Latin American Integration Arrangement (ALADI). Part of the impetus to such negotiations has been the steady but slow progress of the FTAA itself. After seven and a half years of effort and almost 600 meetings since the negotiations were formally launched in 1998, the promise of effective trade liberalization and enhanced market access still appears to be illusionary to many countries which have responded by multiplying bilateral and subregional efforts. To the degree that such efforts do liberalize individual trading regimes — if the cost in often confusing and competing rules is not too high — then such efforts are worthwhile and do serve to further reduce the total number of barriers that would have to be addressed in an FTAA. Given the existence of agreements such as NAFTA, Mercosur, etc. the vast majority of trade conducted within the Americas is already subject to preferential access.

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National Challenges

United States: Despite years of effort by both Democratic and Republican party administrations, the U.S. is still unable to approach the FTAA negotiating table armed with unencumbered executive authority. The U.S. domestic legislative instrument previously called “fast-track” [which to attract political and public support has been renamed “trade promotion authority” (TPA)] has received approval by the House of Representatives and also passed the U.S. Senate. What remains is

for the differing House and Senate versions to be reconciled. The absence of TPA has not prevented either the U.S. or other negotiating parties from engaging in serious discussions to date. But those negotiations themselves have had difficulty getting beyond discussions of liberalization means and modalities. The harder task of negotiating actual conditions for preferential market access have not yet started and, of course, TPA will be absolutely required to ensure the integrity of agreements reached at the negotiating table. Without TPA, political forces within the U.S. would quickly succumb to the temptation to renegotiate, through legislative powers, tariff timetables and other provisions that in the end would most likely throw the entire agreement into doubt.

The difficulty in securing TPA in the United States reflects a political logjam between the two national parties, which carry different views as to the role of

labour and environmental issues within the context of trade negotiations. While President Clinton can be faulted for introducing these elements into the debate (and his then Trade Representative, Mickey Kantor, for being particularly polemical and confrontational in nature), their presence does reflect an underlying suspicion within the U.S. body politic as to the balance of benefits of such trade arrangements. Mountains of empirical studies and tabulations supporting the beneficial economic effects of such arrangements have failed to turn popular opinion around in its belief that such arrangements do not serve U.S. interests. Popular sentiments against such arrangements as NAFTA remain high and this is nowhere more true than in those regions of extraordinary political importance and influence. NAFTA, for example, remains politically unpopular in the vital electoral state of Florida where protected agricultural interests (i.e., sugar and tomatoes) have the power to seat or unseat a President, not to mention individual members of Congress. Sensing that the political classes have little time or interest to invest in the promotion of the trade liberalization philosophy, the strong coalition of private sector players that were key to NAFTA's passage have all but disappeared from the national scene. Business interests see little immediate and only modest medium term benefit in programs designed to educate and inform the public of trade liberalization benefits.

Brazil: From the beginning, Brazil has understood that the FTAA stands and falls on the question of whether Brazil and the U.S. can come to an accommodation. While recognizing the necessity of an accommodation, both parties also need to remember that the FTAA is more than a bilateral negotiation. Neither would normally be so inclined, and thus the remaining 32 participants will have to continuously impress upon the two big players that other interests and participants are legitimately in play. The danger for Brazil is that it could very easily overestimate the strength of the hand they are holding. Brazil does represent a large and growing market for U.S. and other countries' goods — total imports were US\$73.9 billion in 2001 — but not nearly as large as, for example, Mexico with imports of US\$184.5 billion in 2001. Almost from the start, Brazil has stated that TPA is a *sine qua non* for serious negotiations to take place. Brazil also brings to the table a long list of grievances that it expects the U.S. to address.

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The difficulty is that Brazilian grievances are in the areas of agriculture (both on the market access side, particularly in the area of citrus products, and the subsidy side) and the trade rules concerning the imposition of anti-dumping and countervailing duties, which have hit Brazil particularly hard in the last few years. Even if U.S. negotiators were so inclined — and they historically have not been — fundamental changes to these two areas are almost 100 percent politically impossible in the United States. On the agricultural side, figures from the OECD show that subsidies to the agricultural sector in the U.S. are equivalent of 23 percent of the total value of production (the corresponding figure for the EU is approximately 40 percent while Japan ranks at a phenomenal 60 percent). The massive subsidies granted by the U.S. to its agricultural producers are a clear sign of many things, but above all a testament to the sector's unmatched political power. Past attempts to bring even a measure of discipline to this economic sector have by and large failed, including the seven years of Uruguay Round negotiations. Brazil, indeed all of Latin America, doesn't possess the sort of negotiating leverage necessary to bring discipline to U.S. farm policy, leaving Brazilian policymakers with little alternative but to abandon this objective in the negotiations, or conversely, the negotiations themselves.

The overall situation with respect to agricultural issues became immeasurably more complicated in early May 2002 when the U.S. House of Representatives passed a new farm bill that would see a US\$70 billion increase in agricultural subsidies over existing programs. At the time of writing, President Bush said that he would sign the new bill — which essentially reverses six years of efforts to wean American farmers off subsidies — when it passed, as expected, considerations in the Senate. Brazil, which has been watching these developments very closely, almost immediately stated its firmly held view that the new subsidies were in contravention of U.S. obligations in the WTO and announced its intention to challenge the measures under the WTO's Dispute Settlement procedures. While a challenge to the most recent U.S. measures is almost certain, and while a large number of countries can be expected to join such a challenge, it remains highly uncertain that the legislative branch of government in the U.S. is prepared to take such concerns into account. It is too early to understand the full implications of the new Farm Bill, nevertheless,

it is certain that its anticipated passage in the U.S. Senate and its signature into law by the President will throw a major monkey wrench into trade negotiations in both the WTO and the FTAA.

Equally daunting prospects haunt the negotiations on anti-dumping and countervailing duty measures (AD/CVD). U.S. politicians have a deep seated, if incorrect, view that the rest of the world competes in the U.S. market by “cheating” (simply being successful in the U.S. market is often taken, politically, as proof of guilt). For them, U.S. AD/CVD legislation and procedures represent the last bastion of protection against “unfair competition”. Equally ignored is the vast economic burden that such protectionist measures impose on the U.S. economy at large — protectionist measures against Canadian softwood lumber are estimated to add US\$1,500 to the cost of building a new home. Besides, if the U.S. could not be pressured into serious reform by the weight of global negotiations — which include such large trading powers as the EU and Japan — then it is highly unlikely that major concessions would be offered up in exchange for access to the relatively small Brazilian import market. What is often forgotten, or ignored, by foreign interlocutors of the U.S. is that the U.S. does not seek a philosophical outcome (“free trade”) from trade negotiations. It seeks, and gets, commercial advantage. Brazil above all other FTAA participants will have to confront that reality and pursue its policies and national interests accordingly.

In the face of the FTAA, Brazil has always maintained that its primary trade policy priority would always be the Mercosur grouping of which it is the most important member. In the early years of the FTAA, Brazil maintained that its participation depended upon its ability to broaden and strengthen its subregional alliance with Argentina, Uruguay and Paraguay. Mercosur has never been an easy alliance — particularly between Brazil and Argentina — and thus its strengthening has not always progressed in a linear fashion. Brazil complained that exchange rate conditions in the southern part of the Hemisphere gave Argentina an advantage that gave it significant trade surpluses with its neighbour. In January 1999, Brazil devalued its currency, largely eliminating Argentina’s competitive position. Still later, Argentina attempted to raise tariffs unilaterally in an attempt to address some of its domestic problems. The most

recent crisis in Argentina has further exacerbated the instability of Mercosur and the government of President Duhalde is currently proposing an export tax as one means of increasing government revenue. While the outcome remains far from clear, suffice it to say that Mercosur is once again face to face with a major challenge to its legitimacy. These conditions could provide Brazil with yet another reason for de-emphasizing the FTAA process in favour of urgent, and clearly necessary, ministrations to its own grouping.

Mexico: Almost from the start of the FTAA negotiations, Mexico has done little to dispel the perception that it was playing a “spoiler” strategy. Mexico is highly conscious of the fact that it is the sole low labour cost manufacturing platform in Latin America with preferential access to the U.S. market. Excepting some unilateral concessions that the U.S. provides — from time-to-time, as the supporting legislation isn’t always renewed — to parts of Central America, the Caribbean and some Andean countries, Mexico’s strategy for attracting foreign investment has been grounded on this unique preferential access.

Mexico has thus been obstructionist and frequently unconstructive inside the negotiations including its preference to underfund the FTAA’s supporting structures in the form of the FTAA Secretariat and the Tripartite Committee. Some of these strategies are now coming home to roost as Mexico is the chosen host of the FTAA Secretariat for the final stages of the negotiations for which the operating budget is currently in deficit to the tune of US\$1 million, based on the desired number of negotiating meetings. Mexico’s preference to locate the Secretariat in the city of Puebla rather than Mexico City itself (as originally decided by Ministers and where negotiating teams could draw upon additional support from their Embassies) is undoubtedly part of this strategy. The FTAA countries are likely to allow Mexico to have its way with regard to the location of the Secretariat and the FTAA meetings in exchange for Mexico accepting financial responsibility for the financial deficit. Mexico has been especially obstructionist with respect to efforts to increase transparency in the negotiations and to design effective mechanisms for civil society input.

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The Caribbean: Politically successful in guaranteeing that “smaller economies” are a major agenda item on the FTAA negotiating schedule, the Caribbean has nevertheless been much less successful in defining the trade measures necessary to ensure their beneficial participation in a completed FTAA. Heavily dependent on tariffs as a major source of government revenue — as high as 60 percent in at least one case — and with services (tourism and banking) dominating their external trade, the question of what benefits the FTAA could bring remains difficult and largely unanswered. The Caribbean challenge to the FTAA is often discounted by the technical specialists, up to and including Trade Ministers, involved in the negotiations. Their focus is on trade measures and regimes. Lost is the broader, but critical, context, which is that the FTAA represents a joint endeavour of all 34 countries, being pursued in the framework of the Summit of the Americas process.

The Caribbean represents a political challenge at the level of leaders in that the FTAA process may not be sufficiently inviting to attract even a majority of Caribbean countries when it comes time to sign the final agreement. The question is, what happens politically with the FTAA process when only 23 of the 34 countries sign the final agreement? The ramifications are even larger if one accepts the prevailing view that the FTAA represents the “bedrock” of the Summit of the Americas process. Thus, failure to ensure sufficient reason for the entire Caribbean region to “sign on” could have severe and profound implications for Summitry in the Americas. To date, Summit leaders have not inserted their political authority into the FTAA process, leaving both the political and technical management largely to their trade ministers. This could easily prove to be a major error as the Caribbean’s full and enthusiastic participation can probably only be ensured by an unequivocal mandate from leaders for their subordinates to make that happen.

Venezuela, Colombia and Argentina: Three Latin American countries present different challenges for the FTAA for different reasons. Venezuela and Colombia are characterized by challenges principally political in nature. Venezuela is challenged by fractured civil–military relations while Colombia confronts an armed insurgency whose genesis was political but whose current reality is largely narco-trafficking criminality. Argentina simply seems to be

falling further and further into an unknown abyss with each passing day.

Venezuela is currently led (taking into account the coup/countercoup episodes of April 2002) by a political leader with marginal affiliation to the trade and investment liberalization philosophy that underpins the negotiations. President Chavez is the national leader least committed to either the process or the outcome in the Americas. His populist bent and ill-formed neo-socialist views place him firmly in the opposition camp and his term of office will not expire before the planned conclusion of the FTAA negotiations. Luckily, to date he has not taken the time to articulate a clear national policy of opposition and thus Venezuelan officials have had the latitude to participate constructively in the negotiations proper. He will, however, at some point get around to this issue and at that point Venezuelan officials will be working from a completely different set of government instructions. Add to this formula a domestic political situation of increased polarization between pro and anti Chavez forces, combined

with the demonstrated political engagement of that country’s armed forces, all of which could easily result in further instability within Venezuela and within the FTAA process.

In **Colombia** insurgent and national armed forces of roughly equivalent size and military capability continue to battle each other. The toll in lives, infrastructure and social cohesion

continues to mount to the point where Colombia contains one of the largest displaced populations in the world. While its participation in the FTAA is not in question — successive Colombian governments have been staunch supporters of the process — its ability to capture the economic growth and development benefits from a more liberalized trading environment is in question. The Colombian situation is, of course, more historical and longlasting in nature than the difficult situations encountered elsewhere in the Americas. That Colombia, thus far, has been able to absorb these crippling conditions is no guarantee that the situation is sustainable indefinitely. The predominant concern of many is that an unresolved national crisis could begin to spiral out of control and could bring more instability to the Andean Region as a whole.

Argentina, since December 2001, presents a completely different and more dramatic state of affairs. The financial crisis — and the seeming

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inability of domestic political leaders to even begin to get a handle on the situation, unlike Mexico for example during its Peso crisis in 1995 — is quickly leading to full economic and social unravelling of the country. The economic status and stability of millions of citizens has been overturned in what must seem, to the individuals involved, like a heartbeat. Large sections of the middle class, in particular, have seen a lifetime of work and effort reduced to financial ruin with their economic and social prospects being trashed overnight. Unemployment affects a fifth of the workforce and productive employment for the remainder is quickly falling as the economic interaction between individuals and between companies grinds slowly to a halt. Optimistic scenarios call for a contraction of the economy by 15 percent, while pessimistic scenarios peg the number much higher.

Put simply, individuals stop getting haircuts and companies stop shipping inventory when financial instruments are absent (cash) or unreliable (pseudo-currencies such as government issued script or currency that lacks the fundamental confidence of the citizenry). Trade liberalization is above all else a process of economic activity built on a set of predicable rules enshrined or protected by the rule of law. Predictability is currently absent in Argentina. Legal instruments are overturned by decree or by the backing of political cliques and responsibility — legal and otherwise — is refused everywhere. Rules and regulations are introduced on almost a weekly basis only to be overturned or rewritten within days. The banking system in particular is probably finished in anything resembling its current form. Were an FTAA in place at the moment, Argentina could not even begin to live up to the kinds of rules and disciplines that would be required of them (particularly those relating to investor rights), even if they wanted to.

Concluding Comments

The rolling agenda of the Summit of the Americas is full of issues critical to the future political, social and economic development of the Western Hemisphere. In the past three Summits, leaders have devoted their time to approving new multilateral instruments that range from the protection of democracy to the protection of journalists. They have pledged

themselves to ambitious targets in the areas of education, health, gender equality and indigenous rights. They have corralled the often-unwieldy regional institutions of the Hemisphere — such as the OAS and the IDB — to their political vision and have, more recently, extended that reach to the regional activities of such global institutions such as the World Bank. Much of this edifice, however, stands on the promise made at Miami in 1994 to secure a Free Trade Area of the Americas by the year 2005.

Seven and a half years after that promise, an underfunded and frequently contentious process continues to plod along. It has sustained crises of major and minor proportions and has served, at least in the early years, to deepen the philosophy of trade and investment liberalization. Sceptics of the process and the ultimate objectives were directed to examine the empirical successes and benefits of a whole range of bilateral, plurilateral and subregional agreements

(NAFTA, Mercosur, Canada — Chile, etc.) all of which were taken as previews of what could be possible in an FTAA.

Not all the signs, however, are promising. The FTAA faces a number of challenges not all of which have answers. Trade Ministers, and indeed national leaders, need to be reminded that the future will bring tough decisions — decisions too complex or critical to be left to the management of even well motivated and experienced officials. Collectively,

the FTAA countries need to face the fact that they have failed so far to respond adequately to two critical constituencies: the business sector and civil society. Also in a collective sense, leaders need to be given a warning sign that the process, so far, has failed to respond to the complaints and concerns of the smaller economies. A continued failure to present positive inducements for participation bears with it the very real risk that a large number — albeit economically insignificant — of Caribbean, and possibly Central American participants will not be present at the final signing ceremony. The potential implications of this on the larger Summit of the Americas process need to be thought out very carefully.

Another set of complexities is present at the level of individual countries. In the United States, as in most countries but with magnified hemispheric and global

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effects, politics and special economic interest groups will continue to dominate the trade agenda — such as it is. Countries negotiating with the United States, particularly Brazil, need to take a realistic appraisal of their negotiating leverage and to adjust negotiating priorities accordingly. The United States does not negotiate from the basis of philosophical principle but from the basis of defined (even if ill-defined) national interests. It does not seek “free trade” but is open to agreements where some additional measures of commercial advantage can be exchanged on a reciprocal basis. The sooner that

U.S. negotiating partners understand this, the better positioned they will be to pursue their own national commercial interests — and those interests may be best advanced in frameworks other than the FTAA. It is not up to the U.S. and Brazil alone to define the scope and shape of an FTAA, but it is up to those two countries to define whether an FTAA can encompass an accommodation acceptable to each of them. If not, then they owe it to the other 32 participating countries to find an accommodation that allows the FTAA to proceed.

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