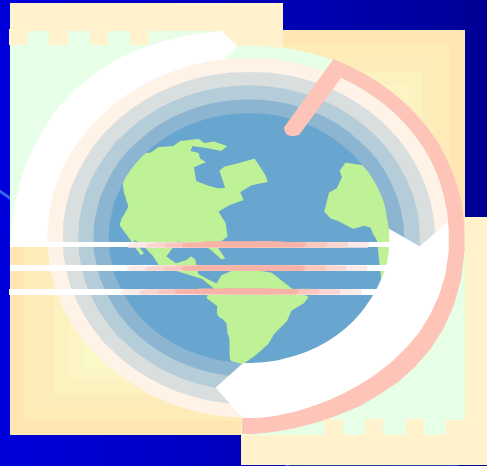
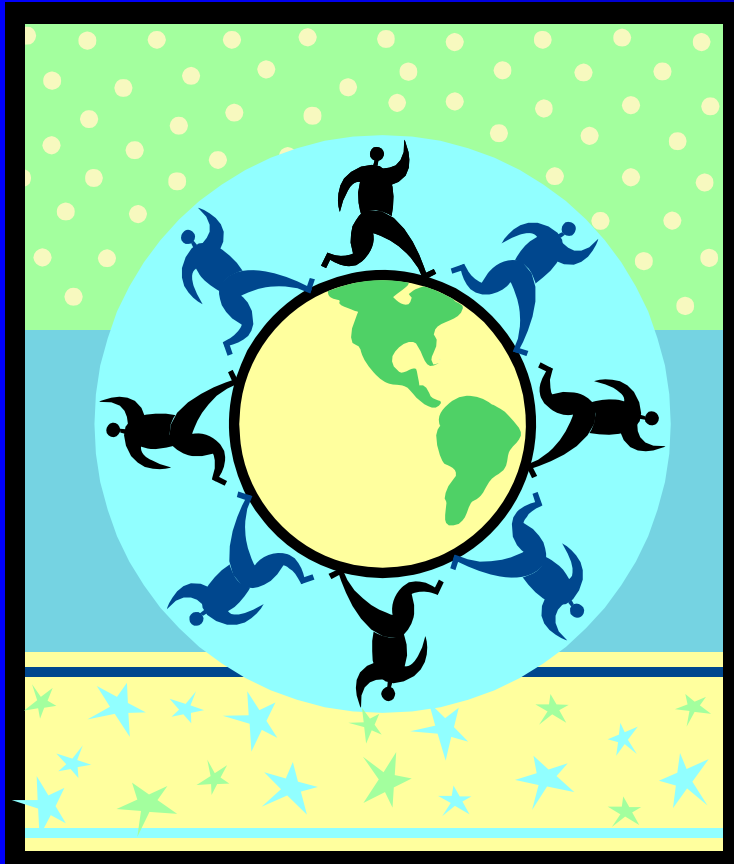


# Free Trade: Myth and Reality for the Americas



Mark B. Rosenberg  
Florida International University  
April 6, 2001

# FTAA



- Context
- The negotiations
- Perspective



## WHAT IS THE FTAA ?

- Objective: establishment of a hemispheric free trade zone by 2005
- Process initiated at Miami Summit of the Americas in 1994—motivated by NAFTA
- Other issues—democracy, security cooperation, alternative development
- FTAA would be one of the most important regional trade zones in the world

# FTAA-Institutional Structure

**Ministers of Trade**

**Trade Negotiation Committee(TNC)**

Vice-Ministers of Trade

**Experts Group  
on Business Facilitation**

**Tripartite Committee**

OAS  
IADB  
ECLAC

## **Negotiating Groups (9)**

Market Access, Agriculture, Investment, Services  
Government Contracts, Subsidies/ Dumping/ CVD,  
Competition Policy, Intellectual Property, Dispute Settlement

## **Committees and Groups (3)**

Small Economies  
Electronic Commerce  
Civil Society

## **Temporary Secretariat**

Panama City



# FTAA Institutional Structure

- Annual Regional Trade Ministers' Meetings
  - June 95 – Denver, United States
  - March 96 – Cartagena, Colombia
  - May 97 – Belo Horizonte, Brazil
  - March 98 – San José, Costa Rica
  - November 99 - Toronto, Canada
  - April 01- Buenos Aires, Argentina

# Negotiating Areas

- Market Access
- Agriculture
- Services
- Intellectual Property Rights
- Government Procurement
- Investment
- Competition Policy
- Subsidies, Antidumping & CVD
- Dispute Settlement
- Smaller economies



# FTAA

## Institutional Structure

- Trade Negotiation Committee (TNC)  
formed by Vice-Ministers of Commerce  
15 TNC meetings to present
- Working Groups/ Negotiating Groups  
100 + meetings

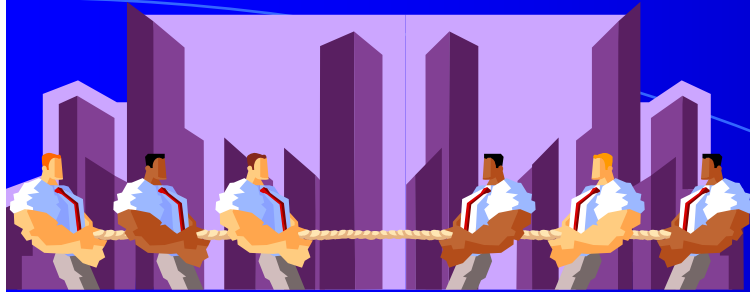


# FTAA

## Institutional Structure

- Tripartite Committee-(OAS, IADB, ECLAC)  
(Administrative and technical support)
- Temporary Secretariat
  - Miami (99-00)
  - Panama (01-02)
  - Mexico (03-04)



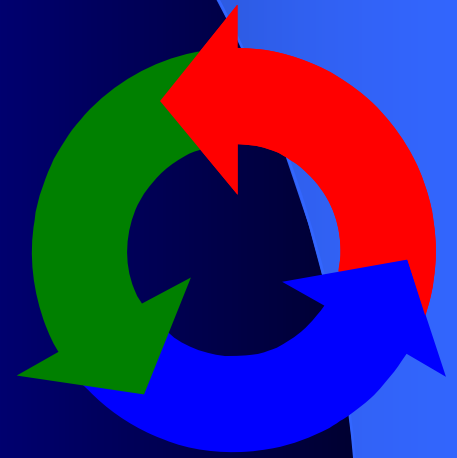


# Nature and progress of FTAA negotiations

- Preparatory phase issues (94-98)
  - Early harvest vs. single undertaking
  - Stages or simultaneous advance
  - Negotiating authority of the TNC's
  - Duration of negotiations
  - Treatment of labor and environment issues
  - US and the fast track question

# Nature and progress of FTAA negotiations

- Post April 98. Negotiation begins after agreements in Santiago Summit
  - Single undertaking – conclusion by 2005
  - Simultaneous negotiations
  - Decisions by consensus rather than voting
  - Subregional blocs recognized
  - Small economies group added
  - Labor and environment dropped



# Nature and progress of FTAA negotiations

- Current status
  - All Negotiating Groups (9) drafts completed with bracketed text (consensus and disagreements noted)
  - Recommendations of special groups and committees prepared (civil society, e-commerce, small economies)
  - Preparation for Buenos Aires Trade Ministerial Meeting (April 6-7, 2001)
  - Preparation for Quebec Summit of the Americas (April 20-21, 2001)



# Perspectives

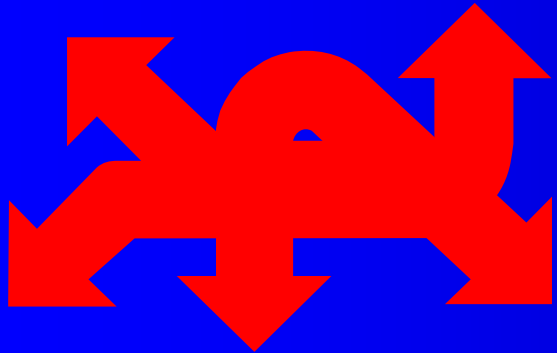


Reappearance of labor and  
environment issues



Subregional tensions

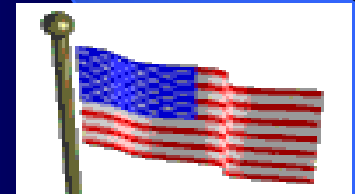
and economic distress



# Perspectives



- General consensus that free trade is desirable/little consensus about deepening and widening of integration mechanisms
- MERCOSUR and NAFTA have different assumptions and purposes
  - *MERCOSUR as political project*
  - *NAFTA as free trade area of three countries*
- How does FTAA emerge in this context?
- Major winner in this is Mexico!
  - *Does Mexico really want Brazil getting access to US market?*



# Mexico and Brazil

- Brazil's economy is twice the size of Mexico's
- Mexico has managed to dominate the US market for imports from the region—60%
- Rate of growth of US imports from Mexico dwarfs the rate from Brazil & Mercosur (as much as 2:1)
- Both countries compete for FDI (2:1 Brazil)



# Brazil and MERCOSUR: Dead End?

- Brazil has chosen a political approach to integration
- Inward toward Southern Cone has real limitations
- European Union strategy is import intensive!

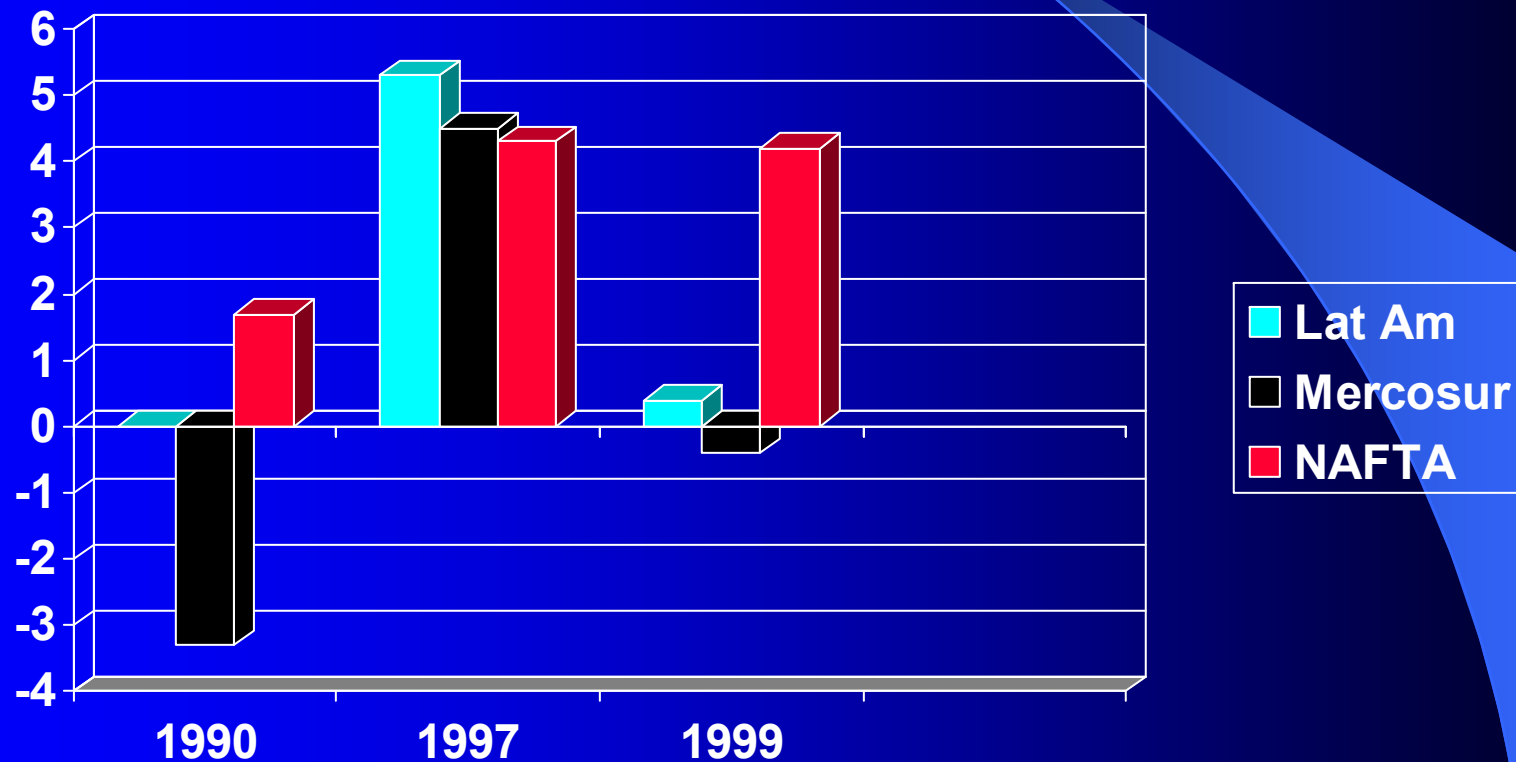


From the *Economist*, 3/29/01

# Real Gross Domestic Product

1990-1999

Inter-American Development Bank





# Conclusion

- To understand the next steps—watch US and world economies
  - Role of China (WTO & currency issues)
  - Japan's slide
  - Can Europe gain any momentum?
  - Will Brazil change course?
  - Can Latin America get President Bush's attention?