

SMALLER ECONOMIES IN THE FREE TRADE AREAS OF THE AMERICAS

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At the Miami Summit of the Americas in December 1994, thirty-four countries of the Western Hemisphere committed themselves to begin construction of the Free Trade Area of the Americas (FTAA). These 34 countries included the most powerful economy in the world, the United States, along with some of the most susceptible—the small island economies of the Caribbean. At the start of the FTAA process, the United States' Gross National Product (GNP) was US\$6,388 billion, while the Caribbean island of St. Kitts and Nevis, one of the smallest members, was US\$185 million. Only Canada and the United States are classified as industrial, developed market economies.² The other 32 countries are in various stages of development, with Haiti classified as a Least Developed Country, a United Nations designation for the poorest 40 countries in the world.

This reality led the member states to include in the Miami Declaration of Principles a commitment to: "Remain cognizant of these differences as we work towards economic integration in the Hemisphere." This commitment has been reiterated at subsequent summits, and manifested itself in the provision of technical assistance, as well as the creation of the Hemispheric Cooperation Program (HCP).

Hemispheric Cooperation Program

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² These figures have been taken from a paper on the Regional Integration Fund for the FTAA, originally proposed by Dr. Jagan of Guyana in 1994. This document, and all FTAA-related documents cited in this article are available on the FTAA website at www.ftaa-alca.org.

The goal of the HCP is to strengthen the capacities of the smaller economies to participate in the negotiations and to implement their trade commitments, as well as to address their concerns about the ability of their economies to compete effectively in the regional free trade area. Still under development, key elements of the HCP have consisted of needs-assessment, technical assistance to address immediate concerns, and the more difficult task of developing and institutionalizing long-term solutions to the issues.

Assessing the Needs of Smaller Economies

To identify the countries deserving of special attention and their needs, a survey was sent to all FTAA countries. Seventeen countries (or 50% of the membership) responded, identifying themselves as “smaller economies” deserving of special attention.³ The respondents requested a wide range of assistance, including help with evaluating their areas of need; increasing their human resource and administrative capacity; and training in negotiating techniques and in specific technical areas such as rules of origin, customs valuation, and understanding WTO commitments. Consequently, a long-term goal of the HCP is to assist countries to develop trade capacity building strategies and to define and prioritize their needs pursuant to those strategies.

Technical Assistance

In the short-term, the HCP has consisted of technical assistance to strengthen the countries’ participation in the negotiations. A Trade Education Database has been developed which lists training opportunities available in FTAA-relevant areas of trade

³ The countries are twelve Caribbean nations and members of the Caribbean Community (CARICOM): Antigua & Barbuda, Bahamas, Barbados, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, and Suriname; and Bolivia, El Salvador, Guatemala, Honduras, and Peru.

policy and negotiation for both government officials and the private sector in the region in order to facilitate effective participation in the FTAA process. It is also widely recognized and agreed that the smaller economies will also need technical assistance to implement the obligations that they assume under the FTAA Agreement.

The Search for Long-Term Solutions

Several structures have been created to ensure that the special concerns of the smaller economies remain in the forefront of the FTAA process. The institutions with primary responsibility for moving the FTAA process forward are: the Trade Negotiating Committee (TNC), the second-highest decision-making body; nine Negotiating Groups with specific mandates to negotiate the text of the Agreement in their subject areas⁴; and three special committees charged with addressing horizontal issues related to the negotiations. One of the three special committees is the Consultative Group on Smaller Economies (CGSE), tasked with bringing to the attention of the TNC the issues of concern to the smaller economies, and making recommendations to address these issues. At its recent meeting in April 2003, the TNC reminded all the Negotiating Groups and the Technical Committee on Institutional Issues (TCI) of the need to maintain a timely and adequate flow of information with the Chair of the CGSE and to develop specific measures to address the treatment of differences in levels of development and sizes of economies.

Finding long-term solutions also requires identifying the means to implement the on-going technical assistance that the HCP envisions. The TNC, with the support of the CGSE, is charged with supervising the HCP. At its April 2003 meeting, the TNC

⁴ The negotiating groups are: market access, investment, services, government procurement, dispute settlement, agriculture, intellectual property rights, subsidies/anti-dumping/countervailing duties, and competition policy.

instructed the CGSE to develop and submit a plan of action for convening a meeting of a wide range of donor entities to discuss the financing and implementation of the HCP.

The TNC directed that the meeting be held before the Miami Summit in November 2003.

Outlook for the Future

Ultimately, however, the long-term approach to addressing the concerns of the smaller economies will be determined by the language in the FTAA Agreement. The first draft text, which was presented at the 6th Ministerial, held 1998 in Buenos Aires, contains several provisions aimed at addressing the concerns of the smaller economies. The Preamble of the Draft Chapter on General and Institutional Issues recognizes “the broad differences in the levels of development and size of the economies of the region” and the need to create opportunities for the smaller economies to benefit from hemispheric integration. Other articles in the draft text propose to address the issue through, on the one hand, providing technical assistance to all countries that need help to implement the Agreement. On the other hand, several articles propose special and differential treatment, i.,e., special provisions for the smaller economies that would, for example give them longer time periods during a dispute settlement procedure.⁵ This approach will most likely not have the support of the United States, whose officials have expressed a desire to move away from special and differential treatment toward a focus on technical assistance.

⁵ The draft chapters on Government Procurement; Origin Regime; Standards and Technical Barriers to Trade; Subsidies, Anti-dumping and Countervailing Measures; Intellectual Property Rights; Dispute Settlement, and Competition Policy include articles on special and differential treatment. Most of the language evokes the WTO special and differential provisions for developing countries.