

# Western Hemispheric Trade Integration: An Introductory Analysis

## The Context

An initiative in its infancy in the early 1990s that had tremendous implications for CARICOM Member Countries' quest toward deepening the economic/trade integration process between themselves and the hemisphere was the Enterprise for the Americas Initiative. The purpose of the Initiative, as put forward by President George Bush (Senior), was to encourage and support market-oriented reforms and economic growth in Latin America and the Caribbean. In the 1990 Enterprise for the Americas Initiative, President George Bush (Senior) challenged the leaders of the Americas to construct a Pan-American free trade agreement in which the U.S. would play a central role. As a first but, nonetheless, critical building block towards forging closer pan-American cooperation, the Initiative was followed by the seminal December 1994 meeting in Miami, Florida (Miami Summit of the Americas) of the Heads of Government of the Americas. The vision for hemispheric cooperation in the 21<sup>st</sup> Century was clearly being set at this Conference, the backdrop for which was the end of Cold War and deepening economic globalization.

## The FTAA

The framework through which trade relations across the countries in the Western Hemisphere would be managed was established as the Free Trade Area of the Americas (FTAA)<sup>1</sup>. It is encapsulated in a broad Summit of the America's process. In Miami, in 1994, the Heads of State of the 34 democracies in the hemisphere (Cuba excluded) agreed to construct a FTAA and to complete negotiations for the agreement by 2005; their decisions can be found in the Miami Summit's Declaration of Principles and Plan of Action.<sup>2</sup> Following extensive preparatory work over the four years in the wake of 1994, and based on recommendations developed by Trade Ministers at their meeting in San José, Costa Rica, in March 1998, leaders officially launched the negotiations at the second Summit of the Americas in Santiago, Chile, in April 1998. The aim is to

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<sup>1</sup> This Grouping includes the following countries: Antigua and Barbuda  Argentina  Bahamas   
Barbados  Belize  Bolivia  Brazil  Canada  Chile   
Colombia  Costa Rica  Dominica  Dominican Republic  Ecuador  El Salvador  Grenada  Guatemala   
Guyana  Haiti  Honduras  Jamaica  Mexico  Nicaragua  Panama  Paraguay  Peru  St. Kitts and Nevis   
St. Lucia  St. Vincent and the Grenadines  Suriname  Trinidad and Tobago  United States  Uruguay   
Venezuela 

<sup>2</sup> Three countries have been designated as hosts of the negotiations, and where the FTAA Secretariat will be based, namely: the United States (Miami) from May 1998 to February 2001; Panama (Panama City) from March 2001 to February 2003; and Mexico (Mexico City) from March 2003 to December 2004.

reach an agreement that is balanced, comprehensive and consistent with WTO rules on regional agreements.<sup>3</sup>

The FTAA is premised on enabling prosperity through increased economic integration and free trade (where barriers to trade in goods and services and investment are progressively eliminated) among the countries of the Western Hemisphere with a view to raising standards of living. Especially relevant for the Caribbean, this hemispheric integration effort is committed to actively facilitating the integration of the 'smaller economies' in the FTAA process so that they may more readily realize their opportunities and increase their level of development. The FTAA negotiations, which are overseen by a Trade Negotiating Committee (TNC)<sup>4</sup>, hold the potential for creating the world's largest free trade area, with 800 million people and a combined Gross Domestic Product (GDP) of some US\$11 trillion.<sup>5</sup>

The FTAA process is characterized by four phases which are each accorded a Chair and Vice Chair as follows:

Phases of Negotiation	Chair	Vice-Chair
May 1, 1998 - October 31, 1999	Canada	Argentina
November 1, 1999 – April 30, 2001	Argentina	Ecuador
May 1, 2001 – October 31, 2002	Ecuador	Chile
November 1, 2002 – December 31, 2004	Brazil - United States (co-chairs)	

At present there are nine Negotiating Groups and four special committees that form the framework for on-going negotiations in the FTAA and which receive significant technical/analytical assistance, back-stopping and financial support from the FTAA Tripartite Committee.<sup>6</sup>

<sup>3</sup> i.e. the 'triple condition' that is set out in Article XXIV of GATT which regulates regional agreements. Specifically, regional agreements - that essentially serve to levy reduced/preferential tariffs on trade between partners - must not involve an increase in the 'overall' protection against third countries; must cover almost all trade (not excluding 'sensitive' products); must be put in place within a 'reasonable' period of time, i.e. as per WTO Agreements - not exceed 10 years in being brought to fruition.

<sup>4</sup> The Trade Negotiating Committee (TNC) plays a broad oversight role in the FTAA process; it has the responsibility of guiding the work of the Negotiating Groups and of deciding on the overall architecture of the Agreement and institutional issues.

<sup>5</sup> Gaviria, Cesar, "Integration and Interdependence in the Americas," in Toward Free Trade in the Americas, Washington, DC: Brookings Institution and the Organization of American States, 2001, (Chapter 15, pp 303-316).

<sup>6</sup> *The Tripartite Committee consists*: the Inter-American Development Bank (IDB), the Organization of American States (OAS) and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

<b>Negotiating Groups</b>	<b>Chair</b>	<b>Vice Chair</b>
Market Access	Argentina	Colombia
Investment	Mexico	Bolivia
Services	CARICOM	Venezuela
Government Procurement	Costa Rica	Colombia
Dispute Settlement	Paraguay	Chile
Agriculture	Guatemala	Uruguay
Intellectual Property Rights	United States	Dominica Rep
Subsidies, Antidumping and Countervailing Duties	Peru	CARICOM
Competition Policy	Colombia	Peru
<b>Special Committees</b>	<b>Chair</b>	<b>Vice Chair</b>
Consultative Group on Smaller Economies	Bolivia	Nicaragua
Committee of Government Representatives on the Participation of Civil Society	Dominican Republic	Panama
Joint Government-Private Sector Committee of Experts on Electronic Commerce	Canada	Peru
Technical Committee on Institutional Issues	Brazil	Ecuador

### An Update of FTAA Negotiations as of June 2002

The Fifth Meeting of Ministers responsible for trade held in Toronto, Canada, in November 1999, was witness to Negotiating Groups forwarding to the Ministers annotated outlines of their respective FTAA chapters. Pursuant to this these Groups received instruction to begin to flesh these out and to prepare a draft text of their chapters before the next Ministerial in April 2001. These draft chapters were successfully brought to fruition in the specified time-frame. At the end of the second phase of negotiations marked by the Sixth Ministerial meeting, held in Buenos Aires, and the Third Summit of the Americas held in Quebec City in April 2001, Ministers received from the Negotiating Groups a draft text of the FTAA Agreement. The draft chapters, however, are *not* legally binding because they are still under negotiation. The Text is subject to modification as negotiations progress; and are characterized by 'square brackets' - indicating that different points of view do exist on the Text.

The Ministerial Declaration emanating from Buenos Aires (Argentina), in 2001, recommended, and it was subsequently endorsed by Leaders (including those of the Caribbean) at the Third Summit in Quebec, that negotiations regarding the FTAA Agreement be concluded no later than January 2005. Entry into force of the Agreement is expected no later than December 2005. These dates signal an intensification of the negotiating process with the aim of achieving a consolidated draft Text emerging from negotiations in the period leading up to 2005.

The current phase of the FTAA process, in the wake of the Buenos Aires Ministerial, has focused mainly on broaching methods and modalities for removing the brackets within the existing draft Text. Work has been progressing in all Negotiating Groups to eliminate the brackets from the respective draft texts and to work on consolidating the texts.

The FTAA process has again reached an important milestone. This is signified, first, by the April 1, 2002 deadline for submission to the TNC of methods and modalities for negotiations in the five market access Negotiating Groups<sup>7</sup>. Secondly, there is the Tenth Meeting of the FTAA TNC held on Margarita Island, Venezuela on April 24-27, 2002. The meeting, however, met with mixed success as it only covered two of the four substantial agenda items, without consensus on the methods and modalities for negotiations in the negotiating groups dealing with market access issues. As a result, a supplemental TNC was convened in Panama on May 12 and 13, 2002. The resumed session of the FTAA TNC ended in the early morning of Tuesday May 14. There was agreement on all but one element of the methods and modalities for tariff negotiations, that is, the base tariff to be used for the initiation of market access negotiations for non-agricultural and agricultural goods. There was agreement to defer a decision on the base tariff until the next meeting of the TNC, scheduled for the end of August in the Dominican Republic.

The above notwithstanding towards the latter part of 2002, some Delegations expect that a second draft version of consolidated Texts for all Negotiating Groups will be brought to fruition. This, for the time being, is scheduled to take place prior to an important November FTAA Trade Ministerial Meeting (VIIth Trade Ministerial) scheduled for Quito, Ecuador.

### Concluding Remarks

In many ways the Enterprise of the Americas Initiative (and its successor Summit of the Americas process) is to Latin America and the Caribbean, in the post-Cold War world, what the Caribbean Basin Initiative was to the Caribbean Basin during the Cold War. Both relationships serve the same purpose - mediating and building U.S. relations with and influence over countries of the Western

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<sup>7</sup> i.e. Government Procurement, Agriculture, Investment, Market Access and Services.

Hemisphere. That hemispheric integration is a center-piece of spurring economic growth and creating political stability in Latin America and the Caribbean. It is a means by which U.S. integration in-roads into Latin America and the Caribbean, via trade and investment expansion, serve to underwrite regional political and economic reforms.

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