



## **PECC Trade Forum**

# **Recent RTAs Developments in the Americas: A Latin American Perspective**

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# **Pacific Economic Cooperation Council**

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**Recent RTA Developments in the Americas:  
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# RECENT RTA DEVELOPMENTS IN THE AMERICAS: A LATIN AMERICAN PERSPECTIVE

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# Content

This presentation refers only to very recent (during 2003) developments in the Americas which provide examples of four RTA-related simultaneous processes:

- **FTAA**  $\Leftarrow$  a Mega-bloc formation process.
- **Bilateral /Plurilateral FTAs with the US**  $\Leftarrow$  Hub & Spoke configuration process.
- **South American Integration**  $\Leftarrow$  Sub-regional RTAs amalgamation.
- **Trans-Pacific RTAs.**

*Cautionary note:* the following account is accurate but it certainly does not have any pretension at all of being exhaustive. Comments with further information are most welcomed.

# FTAA at a crossroads?

- Controversy over Scope and Deepness:  
⇒ a comprehensive (NAFTA-type) FTAA ‘vs’ a “FTAA light”
- Brazil’s current position:
  - FTAA negotiations focused on:
    - Market access in goods (MERCOSUR negotiating as a group with the US); Special and differential treatment (by economy size and development level); S&PS rules; Trade facilitation; Disputes settlement mechanisms.
  - Transfer to WTO negotiations of sensitive issues, e.g. IPRs, Services, Investment, Government procurement.
- The above notwithstanding, FTAA negotiations are proceeding, with some of its recent advances referred hereunder:

# FTAA negotiations:

## Market access in goods

- Tariff elimination program:
  - Schedules for total liberalization: up front (Tariff Basket A), no more than 5 years (TB B) or than 10 years (TB C), and more than 10 years (TB D).
  - Negotiation on a bilateral or plurilateral basis: lists of TB offers and requests being exchanged by country or country groupings.
  - Such may include different schedules taking into consideration differences in size, in levels of development, and the case of small economies.
- An important goal of Andean countries: to consolidate ATPDEA preferences, rendering them permanent and binding.

# FTAA negotiations: Services

- Lists of offers & requests also being exchanged by country or country groupings ⇒ but progress is here uneven: not all of them have exchanged offers & requests yet.
- SNG is revising the whole chapter's draft, with a view on the Miami Ministerial (20-21 Nov. 2003).
- Main apparent consensus thus far on:
  - Basic principles and general articles in the chapter.
  - Negative list approach: the majority in favor.
- Main dissents thus far:
  - Cross-border services trade only?
  - Non-conforming measures: extent of them, quite large even in “liberal” economies.
- The above explained, to a large extent, by the sensitiveness of some modes of services trade:
  - engaging sub-national entities.
  - among neighboring economies.

# FTAA negotiations:

## Investment

- ING is revising the whole chapter's draft, with a view on the same Ministerial mtg.
- Main apparent consensus thus far on:
  - Investment definition: all (or almost all) forms of investment.
  - Investment process: including pre-investment phase.
  - Basic principles: non discrimination, NT, MFN.
  - Nationalization and expropriation
  - Disputes settlement: fair and equitable (consuetudinary Intl. Law)
- Main dissents thus far:
  - Non-conforming measures: extent of them, very large even in “liberal” cases.
  - Performance requirements (linked to UR subsidies).
  - Senior management nationality restrictions.
- Lists of offers & requests also being exchanged on a bilateral basis: the majority complying in this case, though MERCOSUR and VEN not yet.

# FTAA negotiations: Government Procurement

- Initial offers lists have been exchanged, on a bilateral or plurilateral basis too:
  - with a negative list approach for goods, but
  - allowing for either negative or positive lists on services, particularly in public civil works.
  - coverage of entities in negotiation mandate is limited: mandatory on central or federal entities only; sub-national may or may not (i.e. positive list approach).
- Majority of countries have complied with the exchange, except for those of MERCOSUR and CARICOM.

# Bilateral and Plurilateral FTAs with the US

- No doubt the “hot game” in the LAC region now, fueled by:
  - “secondary (or sub-) hub contest” among LAC countries
  - demonstration effect of US-CHI bilateral FTA (signed on 06 Jun 03)
  - uncertainty about FTAA & Doha Round outcomes and deadlines.
  - time-horizon of Central American (CA) and Andean countries current preferential access to US market
- CA-US negotiations under way, though with little information to assess progress.
- Andean countries: US FTA negotiations with PER and COL approaching?
  - March 2003: one year after Pres. Bush’s visit to Lima, USTR advises PER to examine US-CHI FTA (work done, for the US-SIN FTA as well)
  - August 2003: after letter of 28 US congressmen asking for a FTA with COL, Mr. Zoellick visits COL and called it a “strategic ally”; so did it Defense Min. Rumsfeld few days later ⇐ strategic dimensions of RTAs.
  - Late August 2003: PER mission to USTR on results of aforementioned work.

# South American Integration

- Recent precedents: CHI (1996) and BOL (1997) LAIA-type FTAs ('ACE') and Association Agreements with MERCOSUR.
- August 2003: PER-MERCOSUR 'ACE' signed during visit of Brazil's President Lula to Lima, covering:
  - Tariffs elimination program: along a 15-year period, starting by up to the front 0 tariff to 10% (600) of tariff lines; only one exception: sugar.
  - RoO allowing for RVA accumulation.
  - Special safeguard clause during tariff reduction period (as in recent US FTAs).
  - S&PS measures.
  - Dispute Settlement mechanism.
  - Trade and transport facilitation (land, water, air)
- At the same occasion, PER-BRA signed other 8 agreements, mostly on "Physical" (infrastructure & logistics) integration and Amazonian cooperation matters.

# Trans-Pacific RTAs

- Also fueled by Chile's recent bilateral FTA with KOR and current negotiations with SIN and NZ.
- PER has just finished the drafting of a framework agreement with THAI convening on FTA negotiations in 2004.

*Thank you.*