

**The Current “State of Play” in the FTAA Negotiations
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The Ministers Responsible for Trade of the thirty-four countries participating in the Free Trade Area of the Americas (FTAA) negotiations met in Quito, Ecuador on 1 November 2002. The leaders of the thirty-four democratically elected governments of the Americas had agreed to start working toward the establishment of the Free Trade Area of the Americas at their First Summit held in Miami in December 1994 and to conclude these negotiations no later than 2005. They launched the FTAA negotiations at the Second Summit of the Americas, which took place in Santiago, Chile in April 1998.

When the FTAA leaders met again at their Third Summit in Quebec City in April 2001, they renewed their commitment to the FTAA negotiations by directing the Ministers Responsible for Trade “to ensure that negotiations of the FTAA Agreement are concluded no later than January 2005 and to seek its entry into force as soon as possible thereafter, but in any case, no later than December 2005.”²

In Quito, the FTAA Ministers Responsible for Trade reaffirmed this commitment to conclude the FTAA negotiations no later than January 2005 and took stock of the

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²Third Summit of the Americas, Declaration of Quebec City, 22 April 2001; available at (www.sice.oas.org/ftaa/quebec/declara_e.asp).

progress accomplished since their last meeting in Buenos Aires, Argentina on April 7, 2001:

- The elaboration of the second draft of the consolidated negotiating texts of the FTAA Agreement;
- The initiation of market access negotiations in agricultural and non-agricultural goods, services, investment, and government procurement on 15 May 2002;
- The approval of the methods and modalities for negotiation to be applied in the next phase of the process and the setting of the timetable for the exchange of market access offers with initial offers beginning on 15 December 2002;
 - Initial offers must be presented between 15 December 2002 and 15 February 2003;
 - Submissions of requests for improvements to the offers must be made between 16 February 2003 and 15 June 2003; and,
 - The initiation of process for the presentation of revised offers shall begin on 15 July 2003.³

³ In accordance with derestricted document FTAA.TNC/20/Rev.1, which may be consulted on the FTAA official website at <http://www.ftaa-alca.org/tn20r1e.doc>

- The beginning of the preliminary work on the general and institutional aspects of the future FTAA Agreement; and
- The approval of the guidelines and directives for the treatment of differences in the levels of development and size of economies.⁴

The Quito Ministerial Meeting

In Quito, Ministers Responsible for Trade gave a new impetus and provided fresh momentum to the FTAA negotiations. They underscored the release of the second draft text of the Agreement, established the Hemispheric Cooperation Program, renewed their pledge to take into account the differences in the levels of development and size of economies in the negotiations, instructed the nine negotiating groups to prepare a third version of the draft consolidated texts of the FTAA Agreement, reaffirmed their commitment to achieve balanced progress in the negotiations and reiterated their hemispheric commitment to the elimination of export subsidies affecting trade in agricultural products in the Hemisphere, and instructed the FTAA negotiating groups with a market access component to meet the timetable for the presentation and revision of offers. There was also a strong message on the need to foster, through respective national dialogue mechanisms and appropriate FTAA mechanisms, a process of increasing and sustained communication with civil society to ensure that it has a clear perception of the development of the FTAA negotiating process.

⁴ In accordance with derestricted document FTAA.TNC/18, which may be consulted on the FTAA official website at <http://www.ftaa-alca.org/tn18e.doc>

Release of the Second Draft of the FTAA Agreement

Following their ground breaking decision in Buenos Aires to publish the first draft of the FTAA Agreement, Ministers Responsible for Trade agreed in Quito to release the second draft of the consolidated negotiating texts of the FTAA Agreement in the four official languages of the FTAA process (English, French, Portuguese, and Spanish).⁵

Hemispheric Cooperation Program (HCP)

Ministers created the Hemispheric Cooperation Program, which is intended to strengthen the capacities of FTAA countries for *preparing for negotiations, implementing trade commitments, and adjusting to integration*. The program includes a mechanism to assist countries to develop national and/or sub-regional trade capacity building strategies that define, prioritize and articulate their needs and programs pursuant to those strategies, and to identify sources of financial and non-financial support. In order to order to facilitate coordination and sharing of experiences, the strategies should follow a common format that will be developed by the FTAA Consultative Group on Smaller Economies (CGSE), with the assistance of the Tripartite Committee (Inter-American Development Bank, Organization of American States, and U.N. Economic Commission for Latin America and the Caribbean). The Tripartite Committee and other donors will assist countries, upon request, in the timely development of national or regional strategies. While these strategies are being prepared, the HCP will also respond to immediate assistance needs for the purpose of strengthening the participation of countries in the negotiations.

⁵ The text is available on the FTAA official website, at www.ftaa-alca.org.

The CGSE will ensure the effective and transparent execution of the HCP and will supervise and evaluate its progress. Under this overall management, the Tripartite Committee will coordinate the activities related to the HCP and present periodic progress reports to the CGSE. With the support of the Tripartite Committee, each country or group of countries shall provide timely reports to the CGSE on progress made. The successful development and implementation of a Hemispheric Cooperation Program will require financial support for HCP activities to complement the resources of beneficiary countries. This issue will require coordination and consultation within FTAA governments, and between governments and multilateral and regional financial institutions. These sources of support, financial and non-financial, should be secure, predictable and multifaceted. Sources of support, financial and non-financial, for the HCP could include, among others, the following: countries participating in the FTAA and their cooperation agencies, academic institutions, private sector entities, foundations and other organizations, and regional and multilateral financial and development institutions.

Smaller Economies

Ministers instructed the Trade Negotiations Committee (TNC) to ensure that all the negotiating groups, in particular those undertaking market access negotiations, translate the guidelines and directives for the treatment of the differences in the levels of development and size of economies into specific measures so that they are reflected in the results of the negotiations.

Preparation of a Third Version of the Consolidated Draft Texts of the FTAA Agreement

Ministers agreed to meet in the fourth quarter of 2003 in Miami and to instruct all negotiating groups to achieve consensus on the greatest possible number of issues and to present a revised version of their draft chapters no later than eight weeks before the next Ministerial meeting.

Balanced Progress

There was also a clear commitment in Quito to highlight the importance of making continuous, balanced, and substantial progress in all subject areas of negotiations.

Agriculture

As agriculture remains a central issue in the FTAA negotiations, Ministers reaffirmed their hemispheric commitment to the elimination of export subsidies affecting trade in agricultural products in the Hemisphere and to the development of disciplines to be adopted for the treatment of all the other practices that distort trade in agricultural products, including those which have an equivalent effect to agricultural export subsidies, and to make substantive progress in the market access negotiations. They also recognized that, in a global market, there must be significant results in the negotiations on agriculture, both in the FTAA and in the WTO.

Ministers instructed the FTAA Negotiating Group on Agriculture (NGAG) to intensify its work with the view to presenting to the TNC, before its fourteenth meeting, a report on the progress achieved in all the subjects under consideration by the NGAG.

Market Access Offers

As to the market access offers, Ministers instructed negotiating groups with a market access component to meet the timetable for the presentation and revision of offers. They also instructed the TNC to continue its discussions on principles to guide the negotiations, including the most-favored-nation (MFN) principle.

Fostering Dialogue with Civil Society

In Quito, there was also a very strong message on the need to foster, through respective national and regional dialogue mechanisms and appropriate FTAA mechanisms, a process of increasing and sustained communication with civil society to ensure that it has a clear perception of the development of the FTAA negotiating process. Ministers instructed the TNC to provide guidance to the FTAA entities, including the nine negotiating groups, so as to ensure a substantial increase in the quality of the information provided in their public statement at the conclusion of each of their meetings.

The FTAA Negotiations: Remaining Challenges

FTAA countries have now entered the penultimate phase of the negotiations. In order to conclude the negotiations no later than 1 January 2005, as agreed by the leaders in Quebec, numerous challenges need to be addressed on the negotiating front. Moreover, given that the Doha Development Agenda launched at the WTO Ministerial Meeting of November 2001 must also be completed by 1 January 2005, FTAA countries also face additional challenges.

Each FTAA Negotiating Group must strive to negotiate a balanced agreement that will serve the interests of all participants. As explained earlier, negotiators have the mandate to prepare a revised version of the draft text in their own issue area and to achieve consensus on the greatest possible number of issues. Negotiators must also make progress on the overall architecture of the Agreement and the institutional framework to implement the Agreement. FTAA countries also need to take into account, in designing the FTAA, the differences in levels of development and size of the economies in the Hemisphere to create opportunities for the full participation of the smaller economies and to increase their level of development.

There is no doubt that on several issues FTAA countries will make deeper commitments at the hemispheric level. This will be the case in trade in goods where the main objective of the FTAA is to create a free trade area with complete elimination of tariffs, albeit with –most probably– a few exceptions. In services, it is very likely that, given the liberalization achieved in recent years by numerous countries in the Americas, the FTAA will lead to freer trade in services at the hemispheric level than what will be possible at the WTO. Moreover, in the areas of competition policy, government procurement, and investment, the FTAA agenda is by far more ambitious than the Doha Work Program. On other issues, however, particularly in agriculture and subsidies, significant progress is most likely to be only possible at the multilateral level because not all the important players in those areas are sitting at the FTAA negotiating table.

On the policymaking front, the sheer complexity and intensity of managing several major negotiations simultaneously poses an enormous challenge to FTAA countries. For example, the capacity to be present at meetings, the organization of negotiating teams, the domestic and international preparation of negotiating positions, as well as the exchange of information and adequate briefing on progress achieved in the two forums presupposes intense coordination. Fortunately, the FTAA has already produced positive externalities in contributing to significant capacity building allowing countries to better engage in a meaningful manner at the multilateral level.⁶

Concurrent negotiations in the FTAA, at the WTO, and at the bilateral level for many countries of the region will require not only strengthened trade technocracies able to engage internationally but also increased transparency and consultation locally with broad sectors of civil society. It is important to arbitrate the distributional effects inherent to trade policy reforms and to develop a sense of “local ownership” and support for what is being negotiated.

Negotiations on several fronts also call for more trade capacity building than ever to ensure the full implementation of the new negotiated trade obligations. This represents a challenge for both FTAA countries but also for aid-providing governments and Inter-American and global development agencies. In addition, it is also undoubtedly clear that trade agreements need to be accompanied by a wide range of policies if countries want to reap the full benefits that these agreements create. Ultimately, it is up to national

⁶ See José Manuel Salazar-Xirinachs, “The FTAA Process: From Miami 1994 to Quebec 2001,” in *Toward Free Trade in the Americas*, edited by José Manuel Salazar-Xirinachs and Maryse Robert. Washington,

governments and societies to find the unique combination of economic and social policies necessary to achieve sustained growth and development.