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*A Free Trade Area of the Americas:  
Implications of Success or Failure for  
the Members of the OAS*

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While many of the sources for this paper are written or internet documents, important source material came from formal interviews or informal conversations. Given the ongoing nature of the FTAA negotiations, some of the persons interviewed did not want to be identified or wanted to be identified in ways that hid their identities. Many statements are not cited or are referenced in a general way, such as, "according to a well-informed diplomat. . . ." While some of the sources who agreed to be cited are Washington, D.C.-based ambassadors, other sources include high-level officials working in different ministries from a wide range of governments throughout the Americas.

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# A FREE TRADE AREA OF THE AMERICAS: IMPLICATIONS OF SUCCESS OR FAILURE FOR THE MEMBERS OF THE OAS

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*Stephen K. Keat*

## **Introduction**

Ongoing negotiations involving all the nations in the Americas except for Cuba are aimed at agreeing on a Free Trade Area of the Americas (FTAA or ALCA in Spanish) “from Alaska to Tierra del Fuego” by 2005. In addition to potentially revolutionizing the economies of some of the members of the Organization of American States (OAS), an FTAA will have major political, social, and even military ramifications for the Inter-American System. Failure to agree, however, will not just leave the member states with the present status quo. It would have negative impacts in the above-cited areas.

Nation states have limits on how completely they can serve the needs of their populations. Even the United States, a powerful and wealthy nation, has chosen to further its national interests by joining with other nation states in cooperative ventures. In doing so, these nation states have voluntarily surrendered some of their sovereign authority to global and regional organizations. Nations cooperate to confront issues that may go beyond their capacity to adequately deal with on their own, and sometimes they work with non-state actors to respond to these issues. Goals such as fostering regional or global economic well being, maintaining a common defense, and fighting threats such as terrorism, are examples of issues which often test the ability of one state to adequately respond acting on its own. But, in practice, states have retained the vast majority of their sovereign rights. Most, and especially the most powerful, are unwilling to surrender sovereignty in critical areas such as the national defense.

In economic areas, often more so than in other areas, states have recognized the clear benefits of cooperation. If they surrender economic autonomy in limited ways, they can strengthen their economies, benefiting their peoples and strengthening their overall ability to exercise non-economic sovereignty within the international system. The great depression of the 1930s, with disastrous results from its beggar-thy-neighbor protectionist policies, stands out as a clear example of the harm generated by a failure to cooperate on trade and economic issues. The move to regional economic integration within the Americas is typified by the Canada/United States Free Trade Agreement (FTA), the North American Free Trade Agreement (NAFTA), and to a lesser extent by MERCOSUR<sup>1</sup> (the Southern Common Market), the Central American Common Market (CACM), the Andean Community (CAN in Spanish), and the Caribbean Community and Common Market (CARICOM).

Negotiations to create an FTAA hold out the hope of profound economic integration in the Americas that could bring equally profound benefits to the peoples and governments of the OAS members. The FTAA is the centerpiece of a larger process, the Summit of the Americas process. This larger process includes, for example, OAS agreements on fighting terrorism and supporting democracy, which of course also impact on progress for the FTAA. A failure to agree on an FTAA would not in and of itself preclude continued cooperation in other areas, but it would be a setback to economic and political prospects for the region, harming the economic development of OAS member states and probably hindering overall cooperation in some other areas.

While the governments engaged in the FTAA process clearly want a successful outcome, success is by no means guaranteed. As Brazilian Ambassador to the United States Rubens Barbosa pointed out, “Like other countries, Brazil’s positions in the negotiations are dictated by the defense of its national interests . . . the main concern in Brazil arises from the impression that the FTAA could fail to tackle the most sensitive and important obstacles to a truly comprehensive free trade area. . . . Brazil can only envisage the establishment of a free trade area if it is to obtain concrete and substantial access to highly protected sectors.”<sup>2</sup>

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## Some Antecedents/Historical Background

### *U.S./Canada FTA*

Reflecting close economic and political ties, the United States and Canada signed a free trade agreement (FTA) that took force on January 1, 1989, and phased in through January 1, 1998. Tariffs were gradually eliminated, as were most non-tariff barriers. Dispute-settlement mechanisms were an integral part of the FTA.<sup>3</sup> As with any agreement, there are imperfections in the FTA. But the U.S. and Canadian economies are probably the most integrated in the world. In fact, it is not unreasonable to argue that there are fewer barriers to trade between the United States and Canada than among Canadian provinces.

### *NAFTA*

Mexico, Canada, and the United States, expanding on the FTA originally drawn up between the United States and Canada, agreed to establish the North American Free Trade Agreement (NAFTA) in January 1994, formally implementing a series of measures to increase trade amongst the three. Other than the obviously significant change of including Mexico, NAFTA went beyond the FTA to include services, intellectual property rights (IPR), government procurement policies, and investments, among other sectors. Tariffs for some agricultural goods continue,<sup>4</sup> reflecting the same sensitivities that were evident in General Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO) negotiations and which are present in the FTAA talks.

NAFTA has revolutionized trade and economic relations amongst its three members. Total intra-NAFTA trade in 2000 represented 56.7 percent of its trade with the world and intra-NAFTA trade grew 10.8 percent on average from 1990 until 2000, while exports to the rest of the world only grew an average of 4.8 percent for the same period.<sup>5</sup> For the United States, NAFTA has also served an important political goal of stabilizing and strengthening the economy of Mexico. Mexican politicians no longer are automatically anti-gringo as an integral part of their electoral strategy, reflecting the impact of the 11.5 percent share of U.S. exports that Mexico enjoyed in 2001. Mexico's export industries paid salaries in 2001 that averaged 63 percent more than the national average,<sup>6</sup> a difference that voters notice. Political relations between the United States and Mexico are thus stronger than ever, and the political ambitions of both U.S. President George W. Bush and Mexican President Vicente Fox are well served by their friendship. Mexican/Canadian trade has also benefited, increasing 193 percent from 1993 to 2001,<sup>7</sup> although remaining far less important than either country's trade with the United States. Due to NAFTA and the other FTAs Mexico signed in the wake of NAFTA, Mexico has moved from having one of the most closed economies in the world to having one of the most open, having doubled its exports over the last fifteen years.<sup>8</sup>

While there have been some cases where members have been charged with not fully complying with their NAFTA obligations, for example in the case of restrictions the United States had imposed on Mexican trucking north of the U.S./Mexico border (and which it is modifying), in general the three members have complied with the requirements of NAFTA and it can be regarded as a success story for integration. These requirements have been carefully limited, largely coming under the rubric of trade or related areas, including labor and the environment. As a free trade area, NAFTA does not set common economic policies such as a common external tariff (CET), nor other policies that would go beyond its member's relations with one another to directly impact on their relations with non-members.

## Examples of Other Regional Groupings

### *CACM/CAN/CARICOM*

The Central American Common Market (CACM) took effect in 1961;<sup>9</sup> the Andean Community (CAN) took effect in 1969;<sup>10</sup> and the Caribbean Community and Common Market (CARICOM) took effect in 1973.<sup>11</sup> Based on statistics, CACM — which was incorporated in the 1990s into the System of Central American Integration (SICA) and SICA's economic subset, the Permanent Secretariat for the General Treaty of Economic Integration (SIECA)<sup>12</sup> — would seem to have been the most successful of the three. Its members in 2000 sent 20.1 percent of their exports to other CACM countries, a figure that has declined slightly from 22.7 percent in 1992 and from 1970, when it was about 26 percent.

But intra-CACM trade is dramatically higher than in 1960, when it was about 7 percent. In contrast, CAN in 2000 sold only 9.1 percent of its exports within the region and CARICOM countries in 1997 sent only 15.4 percent of their exports to other CARICOM states.<sup>13</sup>

Although CAN includes some fairly large and regionally important economies (petroleum-rich Venezuela for example), CACM/SICA and CARICOM group relatively small economies. These three regional organizations, each in its own way, have played roles in improving their member's economic performance, but they have been limited in their overall impact. CACM's 20.1 percent share for intraregional trade, the largest of the three, pales in comparison with NAFTA's 56.7 percent. A well-informed official from one of the countries involved in the FTAA process pointed out that in some ways the level of Central American intra-regional trade is a result of the smallness of their economies and a natural interdependency imposed by geography, more than their governments' policies. Reflecting this, SIECA members are allowed to impose restrictions on imports of some products from their neighbors, including coffee, wheat, ethyl alcohol, and petroleum derivatives.<sup>14</sup>

CAN and CACM, and to a lesser extent CARICOM, have at times suffered from serious political divisions that have prevented them from functioning effectively. For example, CACM members Honduras and El Salvador went to war in 1969 (Honduras withdrew from CACM in 1970 for a variety of reasons although it is now a member of SICA.); El Salvador and Nicaragua suffered from civil wars in the 1980s that had profound implications for their neighbors. While the internal violence and rebellion in Guatemala and Honduras during this period did not impact as much on its neighbors as did the problems of El Salvador and Nicaragua, it certainly did nothing to help regional prosperity.

CAN also looks much better on paper than it is in reality. Colombia's civil war is a problem that just does not go away and which is spilling over the border into neighboring countries. Two members of CAN, Peru and Ecuador, have serious boundary disputes that led to a *de facto* border war in 1995 and still cause friction to this date. CAN's internal conflicts have drained its attention from economic and trade issues, harming its external effectiveness.

CAN and MERCOSUR have been unsuccessfully negotiating a free trade agreement for years, regularly missing deadlines and setting new deadlines rather than admitting that the talks were going nowhere. MERCOSUR negotiators have privately commented that CAN continually failed to come up with coherent and realistic negotiating positions. They have also cited CAN's lack of a common external tariff (CET) as a major complicating factor in MERCOSUR/CAN talks on an FTA. A high-level diplomat from one of the CAN members admitted that CAN's serious internal problems are holding back greater integration. But he held out the hope that CAN would establish a true CET in the near term (one that would be observed, not just take up space on the CAN website) and a common market with free circulation of persons and goods in the medium term. He criticized MERCOSUR for not being willing to negotiate seriously with CAN and said that CAN and MERCOSUR should be negotiating jointly in the FTAA talks, but they have not been able to agree and are thus negotiating in parallel.

## MERCOSUR

MERCOSUR, which incorporates Uruguay, Brazil, Argentina, and Paraguay as full members, and Chile and Bolivia as associates, shares NAFTA's goal of increasing trade amongst its members. But MERCOSUR has been more ambitious, setting a CET and seeking to harmonize national standards, for example. It has also expanded its scope to include areas that are not strictly economic in nature, such as establishing a democracy clause that has helped ward off coups in Paraguay and has been the inspiration for similar clauses in the draft FTAA and in the Leader's Declarations from the three Summits of the Americas held so far.

Despite a tiny secretariat (about 20 employees), MERCOSUR initially advanced rapidly in fostering the economic integration of its members. But economic problems which began in the late 1990s and which have intensified through the present, have slowed MERCOSUR's progress. In some cases, such as the CET and common auto policies, the word common is a fig leaf for deep problems that the MERCOSUR member states have not been able to resolve.

The CET, for example, originally set tariffs at zero to twenty percent (with provision for national exceptions). It was "temporarily" raised by 3 percent in December 1997 for three years by an agreement between Argentina and Brazil which Uruguay and Paraguay were forced to accept under protest. The

temporary raise has never been rescinded. As its economic crisis got worse, Argentina in 2001 unilaterally raised its tariffs on non-MERCOSUR products to 35 percent. Since other MERCOSUR countries did not follow suit, it is impossible to talk of a “common” external tariff, only of partially coordinated external tariffs. And, as of the December 2001 MERCOSUR Leaders’ Summit, efforts to establish common auto policies had gone nowhere.

MERCOSUR’s problems have grown dramatically in a short period of time. For example, the December 2001 MERCOSUR Leaders’ Summit approved only six decisions. This compares unfavorably with 10 in July 2001, 32 in December 2000, and 37 in July 2000. Uruguay has been negotiating bilaterally with countries outside of MERCOSUR (a violation of both the spirit of MERCOSUR and of a June 2001 agreement), for example seeking an FTA with Mexico and exploring the possibility of an FTA with the United States. It is now taking actions against MERCOSUR-origin goods (translate to Argentine-origin goods) that fall in price as a result of exchange-rate changes. Uruguay failed to raise its tariffs on January 1, 2002, as would have been required under certain provisions of the CET.

MERCOSUR at one time had serious goals of expanding to include other countries in the region. But Chile has no plans of raising its tariffs to allow it to move beyond its associate status to full membership (and Brazil and Argentina are more inclined to raise tariffs than to lower them to match Chile’s); Bolivia, a member of both MERCOSUR and CAN, will not be capable of moving from associate to full status anytime in the near future. One MERCOSUR diplomat criticized Bolivia for not being able to decide if it wants to be an Andean country or part of the Southern Cone. He likened Bolivia to a woman who cannot decide which of two men she wants to marry and is trying to be with both. (His wording was considerably more colorful than presented here.) While Venezuela’s President Hugo Chávez has talked of joining MERCOSUR, he has never provided a clear economic rationale for doing so. Some MERCOSUR diplomats, characterizing the Chávez regime as unstable and undemocratic, have privately dismissed the idea of trying to incorporate Venezuela in MERCOSUR.

The economic statistics reflect MERCOSUR’s problems. Intra-MERCOSUR exports hit a high of 25.0 percent in 1998, falling to 20.4 percent in 1999 and only slightly rising to 20.9 percent in 2001.<sup>15</sup> As is the case with all other regional blocs in the Americas, MERCOSUR’s level of intra-organizational trade pales in comparison with NAFTA’s.

As one diplomat from the region pointed out, MERCOSUR had ambitions to be a great economic power but it has never fulfilled these ambitions, at least in part due to the weakness of its institutional framework. Perhaps of greater importance, MERCOSUR leaders’ political will did not match their ambitions for the institution. While they looked more to the European Union (EU) for inspiration than to NAFTA, they set an imperfect CET, not a full customs union like the EU. A French product, for example, after paying the CET and entering Brazil, would have to pay the CET again if it was exported unmodified to another MERCOSUR state. Thus, imported goods do not pass freely from one country to another and regional distribution systems are limited to free trade zones and other similar constructs. While harmonization sounds good on paper, in practice MERCOSUR negotiates area-by-area and each country is required to change its laws one-by-one to conform with what MERCOSUR agrees to, a process which is as slow as it sounds. Although some MERCOSUR leaders have from time-to-time called for setting mechanisms to coordinate fiscal and monetary policy, and some studies were done on the issue, nothing has happened. Perhaps the most overly ambitious idea was when former Argentine President Menem called on MERCOSUR to establish a common currency. In recent years MERCOSUR seems to have been more successful at meeting its political goals—such as upholding democracy in the region—rather than in pursuing the economic goals that led to its original founding.

## The Miami Summit

Thirty-four heads of state met in Miami in December 1994 for what was to be the first Summit of the Americas. The Summit’s *Declaration of Principles* included a goal of increased prosperity from trade liberalization and greater integration of regional economies. The leaders instructed their negotiators to work toward the creation of an FTAA by 2005, in which impediments to investment and trade among future FTAA members were to be “progressively eliminated.” Of the nations in the Americas, only Cuba, excluded due to its dictatorial form of government, did not participate.<sup>16</sup>

## Other Summits/Other Meetings

Preparatory meetings, including meetings of Ministers of Trade (or heads of offices such as the United States Trade Representative (USTR) which function as Ministries of Trade, occupied the three years from 1995 to 1998. By the time of 1998 San José (Costa Rica) Ministerial and the Leaders' Summit in Santiago (Chile), the Ministers and the leaders agreed that negotiations would be based on consensus, held in a transparent manner, be in conformity with the WTO (although with a goal of going beyond the WTO), and that the final agreement would be a single undertaking.<sup>17</sup> This later point is critical to understanding the process. Nothing is settled until everything is settled. Thus, countries can have serious differences, differences that on the surface seem insurmountable, but can put these differences aside until the end game and work to resolve less contentious issues now. Once an agreement is almost completed, it will be easier for negotiators to make hard compromises when they see what will be lost if they fail to do so.

Twelve working groups (see next section) were established and a system of rotating Chairs and Vice-Chairs for the negotiations was put in place. Brazil and the United States will share the critical co-chair from November 1, 2002 until December 31, 2004, when the talks are due to conclude. Vice Ministers (or their equivalent) of Trade form the Trade Negotiations Committee (TNC) which has overall responsibility for details of the negotiating process (such as the working groups). It meets at least two times a year. Trade Ministerials are held approximately every eighteen months and there have been six so far. (Denver, USA, June 1995; Cartagena, Colombia, March 1996; Belo Horizonte, Brazil, May 1997; San José, Costa Rica, March 1998; Toronto, Canada, November 1999; and Buenos Aires, Argentina, April 2001) The leaders have met three times, starting with 1994 in Miami, USA; 1998 in Santiago, Chile; and most recently in 2001 in Quebec, Canada.<sup>18</sup> The Leaders' Statement from Quebec reiterated Miami's commitment to an FTAA "without subsidies or unfair practices . . ." and directed the Ministers to "ensure that negotiations of the FTAA agreement are concluded no later than January 2005 and to seek its entry into force . . . no later than December 2005."<sup>19</sup>

## Working Groups/Business Facilitation Measures/Trade-Related Technical Assistance

The Working Groups fall into two categories: nine Negotiating Groups and three Special Committees. The Negotiating Groups are: Market Access; Investment; Services; Government Procurement; Agriculture; Dispute Settlement; Intellectual Property Rights (IPR); Subsidies, Antidumping and Countervailing Duties; and Competition Policy (CP). They will be discussed further in the section on the draft text/key issues. The Special Committees are: Civil Society; Smaller Economies; E-Commerce; and Institutional Issues.<sup>20</sup>

The Special Committees deal with subjects that cut across the issues covered by the Negotiating Groups, making sure that these issues are not ignored as the process moves along. A well-informed participant said that the Special Committees have also served an important public relations role, showing that the FTAA process is open and willing to consider outside points of view. He singled out the Committee on Smaller Economies, stating that it also allows these countries to have their views heard and incorporated into the FTAA process without slowing down the work of the negotiating groups. The FTAA process includes Business Facilitation Measures (mandates from the Toronto Ministerial Declaration) that also fall into two categories: Custom-Related Measures and Transparency-Related Measures.<sup>21</sup>

While the details of the Business Facilitation Measures and Trade-Related Technical Assistance are dry, and likely to put non-trade geeks to sleep, they are an important part of the FTAA framework. They, along with the Special Committees, generate ideas that are incorporated into other parts of the process, including the Summits. These ideas do not just impact on the drafting of FTAA documents. They help provide legitimacy and to deal with real problems that are often overlooked in trade negotiations. While foreign ministries and trade bureaucrats are vital to the FTAA process, the private sector and NGOs also have a role to play, too, especially in discussions of labor and environmental issues and in the development debate around trade and globalization. The FTAA process, while highly technical, also is inherently political. Business Facilitation Measures and Trade-Related Technical Assistance are just two examples of how politicians (particularly those in the Clinton Administration) responded to criticism that

other trade negotiations were neither open nor transparent. While these measures do not satisfy many critics of globalization, they do represent real steps forward as compared with past negotiations.

A key difference between the FTAA and previous trade negotiations is the increased transparency of the process and the attempt to involve NGOs and other representatives of "civil society." Julio Maria Sanguinetti, a former President of Uruguay, and the current President of the United States have correctly pointed out that they, not NGOs and not demonstrators in the streets, were elected. But the FTAA leaders, including President Bush, are aware of the importance of other actors as they move toward greater integration and the prosperity and increased common welfare that it can provide. By taking the time to build a consensus first at the national level and then at the regional level, the FTAA leaders are working to lay the groundwork for public acceptance of the final agreement and for even more profound integration in the future.

### **Some Reflections on the Draft Text/Key Issues to Resolve**

The present draft text on the FTAA Website is full of brackets which make it very hard to figure out what are the areas with minor disagreements and which are the ones where important issues will require hard work to resolve. One participant in the process pointed out that the text is a starting point, placed on the web to be responsive to demands for transparency. But the text does not reflect progress since July 2001. Negotiators are working to eliminate redundancy in places where there is no true conflict. They have a goal of producing a text with dramatically fewer brackets by the next Ministerial in October 2002.

A well-informed participant focused on the Market Access Group and said that many details remain to be worked out, the non-NAFTA countries will gain dramatically increased access to the NAFTA markets and the NAFTA countries will gain dramatically increased access to the non-NAFTA countries. The FTAA will provide duty-free treatment for the vast majority of products produced in the Americas. It will lower or eliminate non-tariff barriers on goods and services. He expected, however, that the participants would engage in decades of squabbling over the details (a healthy sign as it means they will have something worth squabbling about).

Agricultural issues will be one of the most contentious areas. The Uruguay Round of the GATT made limited inroads into protectionist agricultural policies and left the problem as a legacy for the new WTO. While many issues contributed to the failure of the Seattle WTO meetings, agriculture was probably the most important of these. The Leaders' call for an FTAA "without subsidies or unfair practices . . ." will be largely hollow unless agricultural subsidies are at least curtailed. But U.S. agricultural interests will fight hard to defeat an FTAA that cuts their production and export subsidies. Likewise, vulnerable U.S. industries (such as steel) and their powerful allies in the Congress will work against an FTAA that makes significant changes in present U.S. antidumping measures and related areas. Despite this opposition, the United States has agreed to discuss antidumping in the context of the FTAA.<sup>22</sup> While the present draft of the FTAA chapter on Subsidies, Antidumping and Countervailing Duties implicitly accepts the legitimacy of the concept of antidumping, there are dramatic differences in what the United States is willing to do and what Brazil is demanding to see. This negotiating group and the one on Agriculture will be the two most difficult ones and the ones that will have most of their issues resolved when the clock is stopped at the end of the negotiating process.

A well-informed participant in the process said he thinks that U.S. negotiators understand Latino demands (led by Brazil) over agriculture, subsidies, antidumping, and countervailing duties but that the United States feels the FTAA is not the venue for resolving issues that go far beyond the Americas. The U.S. strategy is to aim for synergy at the WTO Doha round and the FTAA. The United States hopes that it will be able to work with other FTAA participants (and non-FTAA allies such as the Cairns Group) to resolve these critical issues, especially export subsidies, before the FTAA deadline. The problem with this strategy is that it puts the FTAA process at the mercy of EU (and other) cooperation in the WTO. In the view of Brazilian Ambassador Barbosa, if these issues are not solved in the WTO by 2005, they will not be solved for the FTAA by 2005 and the FTAA will not conclude as scheduled.<sup>23</sup>

USTR Robert B. Zoellick and his EU counterpart, Pascal Lamy have an excellent working relationship that transcends their official roles, and they can be regarded as true friends.<sup>24</sup> However, this relationship may not be enough to enable these two chief trade negotiators to overcome deep differences on

WTO issues, especially given the French aversion to reductions in EU agricultural subsidies and France's long history of support for protectionism and a dirigiste state. Just as Bush and Zoellick have to consider U.S. political realities, French politicians have their own realities to deal with. Zoellick, in the interest of coming to agreement on an FTAA, may eventually have to modify the WTO/FTAA link.

IPR will also involve some interesting debates, but will not be nearly as contentious as agriculture and antidumping. The United States would like the U.S./Jordan FTA's IPR Chapter to be the model for the FTAA.<sup>25</sup> While some Latin American negotiators have problems with this, one of the most contentious past issues was largely resolved when the United States accepted that governments could legitimately overrule patents for AIDS drugs. A well-informed participant expects that some countries will hold out until the end on IPR, using concessions in this area to get the United States to make concessions in antidumping and agriculture.

## Selected Negotiating Strategies

### *Mexico*

Mexico is involved in the FTAA talks, and clearly wants to be sure that any final agreement serves its national interests. But Mexico already has preferential access to more than 32 countries with which it has signed FTAs, an FTA with the EU, and — most importantly — greater access to the United States market due to NAFTA, the prize that brought other Latin American Countries to the FTAA talks. Only Canada exports more to the United States than Mexico, and Mexico sends more exports to the United States than France and Germany combined.

Mexico claims it is willing to assist other Latin American Countries in gaining increased access to the U.S. market and that it is willing to offer advice based on its NAFTA experience and its experience in negotiating its other FTAs. But one well-informed Latin American official said that Mexico has not taken a very proactive role in the FTAA process, that it has instead concentrated its resources on negotiating FTAs with as many countries as possible. The official contrasted this with Mexico's role in the WTO, where he said it has been something of a bridge between developed and less developed countries.

While the United States economy is the prize, and Mexico has already won greater access, the regional economic growth that an FTAA will bring will serve Mexico's national interest. Mexico does not "need" the FTAA in the same sense as the rest of Latin America needs it. It does, however, have an interest in strengthening the markets of other countries in the region. This growth will enlarge non-U.S. economies, raising the demand for Mexican goods and services. It will increase political stability in the region, including countries bordering Mexico that have been sources of illegal immigration. But not all Mexican officials place equal emphasis on the importance of helping the region as a whole. Some Mexican officials seem pleased that they are one of only a few markets with privileged access to the U.S. market and don't see why they should help other countries compete with them in that market. Neither has Mexico taken as active a role in the negotiations as it would have in the absence of NAFTA. Mexico and Brazil regard each other as rivals, and Mexico would not be totally upset if the FTAA talks fail and Brazil is denied greater access to the U.S. market. As one well-informed Latin American official put it, "Brazil is a difficult country for Mexico."

### *Venezuela*

Venezuela and Brazil, each in their own way, have been the two countries in the Americas that are most critical of the FTAA process. Venezuela's President Chávez is less enamored of the market system and free trade than Venezuela's "professional" politicians. Joining a large FTA such as the FTAA would dilute the importance of his "Bolivarian Revolution" as an exception to the non-revolutionary economies of other Latin American countries (excepting Cuba which is not a part of the FTAA process), and help reduce him to the status of a "normal" politician.

Venezuela is a member of CAN (which negotiates in the FTAA as a bloc) and has talked of joining MERCOSUR (which is largely unenthusiastic about the idea — see section on MERCOSUR). But Chávez places greater emphasis on his relations with other countries in the Organization of Petroleum Exporting Countries (OPEC) than with other countries in the Americas. At least in the short run, increased earnings from higher petroleum prices are his number one priority, not CAN, not MERCOSUR.

SUR, nor an FTAA. Chávez has not given orders to withdraw from the FTAA talks, but he continually expresses doubts about the details of the talks and its 2005 deadline. Venezuela reserved its position on a number of clauses from the Quebec Leaders' Declaration that dealt with democracy and on the 2005 deadline.<sup>26</sup> No other nation joined Venezuela in its reservations, a sign that it is isolated in the hemisphere and that Chávez risks making Venezuela irrelevant to the FTAA process. It remains to be seen if the April 2002 unrest in Venezuela, which briefly removed Chávez from power but then returned him to office, will lead to a change in Venezuela's position vis-à-vis the FTAA.

### *Brazil/MERCOSUR*

Brazil, on the other hand, is critical of the FTAA process but strongly wants to see an outcome that serves its national interests. Brazil is a vibrant democracy. As pointed out by Ambassador Barbosa, Brazil's Congress, unions, media, and business community are all carefully monitoring the executive branch's conduct in the FTAA negotiations. Luiz Ignacio Lula da Silva, one of Brazil's major contenders in the October 2002 presidential elections, has criticized the FTAA process as not being in Brazil's interest. Da Silva has called for a bilateral FTA with the United States in place of the FTAA. Barbosa also held out the possibility that the Brazilian Congress will defeat an FTAA that it perceives as insufficiently serving Brazilian interests.<sup>27</sup> Another well-informed Latin American diplomat said that Brazil's Congress is considering trying to emulate the powers of the U.S. Congress (in the absence of TPA) and seek the right to strike down individual sections it did not like of a final FTAA.

Ambassador Barbosa repeatedly stressed that Brazil's trade policy is global, not just with the United States as (he said) is the case with some other countries in the region. He gave highest priority to Brazil's foreign policy vis-à-vis South America, citing goals of peace, stability, and regional integration. Regional integration, in Brazil's view, emphasizes MERCOSUR yet includes the rest of South America. (Barbosa did not mention Mexico and Central America.) In second rank, he put hemispheric negotiations (FTAA) and talks with the EU, stating that they were of equal importance to Brazil. While Barbosa described the relationship with the United States as "excellent," he was clear that it was not the major priority for Brazil.<sup>28</sup>

Ambassador Barbosa was positive about the upcoming (2003) Brazilian/United States co-chairmanship of the FTAA talks. He said that this would help U.S. decisionmakers to understand Brazil better. He dismissed the possibility that something similar would happen for Brazil, stating that Brazil already understands the United States very well, but that the United States often makes decisions without taking Brazilian interests into account. Being co-chairs will not decide everything. Barbosa described it as an exercise in leadership and coordination, pointing out that will not be a bilateral process.<sup>29</sup> Another well-informed Latin American diplomat predicted that the co-chairmanship of the talks would be decisive, that it will produce concrete results, and that it would guarantee that the negotiations conclude as scheduled.

An analogy can be drawn between Brazil's trade policies and France's negotiating strategy in the GATT talks which led to the WTO (and France's negotiation strategy in general): France pushed harder than any other country to defend its key goals, going to brink (but never over the brink) of scuttling the GATT negotiations. While France — as usual — annoyed the United States and many of its other negotiating partners, it got a WTO agreement that gave it what it wanted in agriculture and "cultural" issues. Brazil has been insistent that it will not agree to an FTAA that is one-sided in favor of the United States. A failure to defend its interests vigorously would weaken any Brazilian government — be it of the center or of the left. The executive branch has to answer to the Brazilian Congress and a skeptical electorate. Brazil has been in the lead in pushing for action on anti-dumping and agriculture, the two most sensitive issues for the United States. While this may annoy the United States, Brazil may get much of what it wants.

Brazil sees itself as competing with Mexico for leadership of Latin America and often displays a schizophrenic attitude toward the United States, apparently not sure whether Brazil and the United States are the best of friends or cutthroat competitors for influence in the Americas. It would be hard to see how Brazilian leadership would be furthered by torpedoing an agreement widely perceived within the Americas as being in the overall interest of all participating countries. (A number of Latin American diplomats who did not want to be quoted were strongly critical of Brazil's expressed position.) And, despite Barbosa's comments, it is hard to imagine that the Brazilian Congress will defeat an agreement

its negotiators signed and thus leave Brazil (and perhaps Venezuela) in the company of Cuba as the only countries in the Americas without preferential access to the U.S. market.

In theory, MERCOSUR negotiates as a bloc within the FTAA process. In practice, with Brazil being by far the dominant power in MERCOSUR, Brazil's position largely translates to be MERCOSUR's position. Paraguay and Uruguay have only limited influence on Brazil, which often treats its smaller neighbors in a manner similar to the United States' past attitude toward Caribbean and Central American countries. While Argentina played a more important role in the past, its present economic turmoil has left it heavily dependent on Brazil's good will and it is in no position to challenge Brazil during intra-MERCOSUR discussions on FTAA strategy.

But Argentina's problems also have introduced complications for Brazil. As one well-informed Latin American diplomat pointed out, while Brazil's role in conducting MERCOSUR's FTAA negotiations has been strengthened by the Argentine crisis, MERCOSUR cannot effectively and credibly negotiate as a bloc in the FTAA in the absence of a CET that all its members adhere to. The impact of Argentina's problems on MERCOSUR has left Brazil and the other members of MERCOSUR more in need of an FTAA than ever. This has weakened MERCOSUR's leverage in the negotiations, something that Brazilian negotiators are unlikely to admit but something that is nonetheless true.

### *Chile*

While Chile is an associate member of MERCOSUR, it clearly has no intention of moving to full membership. Chile's tariffs are far lower than MERCOSUR's CET, and neither side is interested in harmonizing its tariff schedules. Equally important for Chile, MERCOSUR's rules on negotiating in common, even though largely unenforced, could hamper its commitments to FTAs with Mexico and Canada and its ongoing FTA negotiations with the United States and the EU. The FTAA will give Chile much the same benefits with all the countries of the Americas as those that it enjoys with the countries with which it has entered into FTAs. While in some ways its situation is similar to Mexico's, Chile is a stronger supporter of the FTAA process because it has more to gain than Mexico in strengthening other Latin American countries and it does not participate in the Brazil/Mexico rivalry for regional leadership.

### *The Smaller Economies*

The smaller and more isolated the country, the more likely it is to benefit from the opening the FTAA will provide. Thus, it is not surprising that small countries are some of the strongest supporters of the FTAA process. Guyana's President Bharrat Jagdeo, for example, was recently quoted as stating, "We in Guyana are committed to the Free Trade Area of the Americas . . . As we all get closer, borders become irrelevant. We're promoting larger South American regional integration, and borders should not be there to divide people."<sup>30</sup>

Antigua and Barbuda's Permanent Representative to the OAS, Ambassador Lionel A. Hurst, also was enthusiastic about the FTAA, stating that it, ". . . will be as much of a benefit to the smallest economies as to the largest . . . there is no greater (impetus to development) than trade." He hailed the prospect of an FTAA that would open the U.S. and Canadian markets to smaller countries. Ambassador Hurst felt that CARICOM was effective as a negotiation bloc, but he was even more positive about the "Regional Negotiating Machinery" (RNM) that looks after the interests of smaller economies. He said that CARICOM was working closely with the Central American economies, forming coalitions to strengthen their positions.<sup>31</sup> The Organization of Eastern Caribbean States (OECS)<sup>32</sup> also is active in the process, and one observer regards them as following a more conflictive strategy than CARICOM.

While smaller countries gain added clout by negotiating in blocs, the blocs are not enough. The Permanent Representative of Guyana to the OAS, Ambassador M.A. Odeen Ismael stated that he is "very satisfied with the progress being made in the negotiations" and in CARICOM's role as a negotiating bloc. But he emphasized that several issues of smaller economies need to be met, "issues of fairness." He pointed to a CARICOM proposal for a special integration fund similar to the EU fund for weaker economies to level the playing field by assisting with the development of infrastructure, training, and in similar areas.<sup>33</sup>

While some negotiators from these countries may wish for a higher profile in the process, in the real world, they have done very well considering the smallness of their economies and their relative lack of political clout. The RNM, for example, was the center of a June 2002 dispute between CARICOM on one side and the United States, South and Central America on the other. CARICOM blocked agreement on a timetable for the market access negotiations and the definition of the FTAA base tariff. CARICOM was isolated and found itself accused of creating “substantial ill will.”<sup>34</sup>

While the larger countries are not going to give the smaller economies the right to dictate the FTAA process, neither are they totally ignoring their call for special consideration. In response to Guyana’s and others’ concerns, the FTAA process has taken note of the needs of smaller countries. *The Declaration of Quebec City*, of April 2001, made the following point:

...We attach great importance to the design of an Agreement that takes into account the differences in the size and levels of development of participating economies.<sup>35</sup>

The very fact that the Quebec Leaders’ Summit mentioned differences in size and levels of development was an accomplishment for the smaller countries participating in the FTAA process. They have successfully fought to have their concerns heard, resulting in the creation of the Special Committee on the Smaller Economies. The Special Committee will not give the smaller countries the same clout as Brazil has, but it does serve to keep their concerns under consideration.

### *The United States*

While the Miami Summit of the Americas occurred during President Bill Clinton’s first term, the seeds of the Summit were laid during the administration of George Herbert Walker Bush. For a brief period at the start of Clinton administration, when Clinton and his largely inexperienced team — aside from Secretary of State Warren Christopher who was experienced, but ineffectual — were still trying to decide what foreign policy directions they wanted to take, U.S. support for new free trade initiatives was tepid. The first President Bush was more in favor of trade liberalization than had been candidate Clinton, but it was President Clinton who in the end pushed the NAFTA agreement through the Senate. As he matured in office, Clinton increasingly recognized the importance of free trade and, more specifically, the importance of an FTAA for the United States. Ironically, Clinton’s strongest congressional allies on free trade issues were Republicans, and his strongest opponents were Democrats.

The administration of George W. Bush shares his father’s commitment to free trade, although this commitment is tempered by a greater sense of domestic political realities than his father had displayed. Both the Clinton administration and the new Bush administration have recognized that achieving an FTAA would be a key gain for the United States. Both administrations, despite problems with the Congress, have vigorously pursued an FTAA and both realized the value of a divide-and-conquer strategy. Near the end of Clinton’s second term, his administration opened FTA talks with Chile. Chile, which had come close to being added to NAFTA after Mexico and which for years had fruitlessly tried to convince the United States to negotiate an FTA, jumped at the chance to achieve greater access to the U.S. market. MERCOSUR was divided, with Brazil sharply critical of Chile and with Uruguay standing up for Chile’s right to pursue an FTA. Uruguay’s President publicly pushed the United States to consider an FTA with it too. Prior to the acceleration of Argentina’s economic problems into a full-blown crisis, it also was considered as a possible candidate for an FTA with the United States. The unstated message to Brazil was clear: if it blocked progress on an FTAA, the United States would go around MERCOSUR, negotiate FTAs with other countries in the region, and leave Brazil isolated.

President Bush sent a similar message on January 16, 2002, in a speech at the Organization of American States, when he said that, “I announce that the United States will explore a free trade agreement with the countries of Central America.”<sup>36</sup> Although he described this as “. . . another step toward completing the Free Trade Area of the Americas,”<sup>37</sup> the message to Venezuela, Brazil, and any other doubters was clear: if they block an FTAA, they may find themselves isolated in a region where many other countries have preferential access to the U.S. market and they do not.

Reflecting the political realities and the strength of special interest groups, U.S. administrations under both political parties have often imposed protectionist measures that fly in the face of U.S. rhetoric about free trade. A recent example, the United States, after much internal debate and in the face of public criticism from the Secretary of Treasury, imposed new tariffs on steel imports in March 2002,

protecting U.S. firms in states that will be politically important for President Bush's reelection drive and winning the gratitude of normally-Democratic steel unions. USTR Robert B. Zoellick, trying to explain these tariffs, told a Brazilian audience on March 13, 2002 that, "We are committed to moving forward with free trade, but like Brazil, we have to manage political support for free trade at home . . . We have to create coalitions."<sup>38</sup> While these tariffs certainly serve domestic political interests, they may also serve a goal of increasing pressure on the Brazilians to conclude an FTAA. No tariffs were imposed on NAFTA members Mexico and Canada, something that was reported in at least one Central American newspaper<sup>39</sup> and which certainly was noted in Brazil. The new tariffs are due to expire in three years, just in time for the FTAA and after the next U.S. presidential elections.<sup>40</sup>

President Bush, again reflecting the political realities and the strength of special interest groups, signed the "Farm Security and Rural Investment Act of 2002" into law on May 13, 2002, increasing trade-distorting agricultural subsidies.<sup>41</sup> Steel tariffs, farm subsidies, and restrictions on Canadian lumber are all examples of policies that anger free traders and trade negotiation partners. But Bush, in addition to thinking about November 2002 congressional elections and the 2004 presidential elections, had to consider how he could get Trade Promotion Authority (TPA — formerly known as Fast Track) approved by the U.S. Congress. TPA, now approved, which forces the Congress to vote for or against trade measures such as the FTAA without having the right to amend them, was probably a prerequisite to a final deal. Free trade purists may not be happy, but a new WTO agreement and an FTAA would be less likely in the absence of these protectionist measures. As USTR Zoellick put it:

The United States remains fully committed to the mandate for agricultural trade negotiations that we helped attain at Doha. While the negotiations are proceeding, we, like the EU and others, will continue to promote our national interest within the global WTO rules. . . . Many businesses in the United States believe, as I do, that our national interest is best served by freer trade. Yet if they and their employees do not persuade the Congress, the President's hands will be tied. Because President Bush is an ardent believer in free trade, he made it a top priority to secure Congressional approval of the trade negotiating authority that lapsed eight years ago.<sup>42</sup>

## What the FTAA Will Probably Look Like

The framework for the FTAA is clear. It has been laid out on the official FTAA Website and described in a more limited fashion above. While it would be arrogant to be overly precise in predicting the final shape of the FTAA, some trends seem clear. Tariffs will fall and market access will dramatically improve, especially access for sensitive goods that have been blocked in the past.

If agricultural issues, antidumping, and related issues are not first resolved in the WTO, the United States will reluctantly make some concessions in these areas. U.S. agricultural concessions are unlikely to include anything major under export subsidies but it may agree to provide important levels of market access and increased transparency for sanitary and phytosanitary measures. And agriculture will not be a one-way street. The U.S. Department of Agriculture predicted increased agricultural exports of more than \$1.5 billion if the FTAA is implemented.<sup>43</sup>

Last-minute U.S. concessions on subsidies, antidumping, and countervailing duties will probably be significant if Bush is re-elected and the Republicans control the Senate. If neither of these conditions hold, U.S. concessions will depend on what is possible under the new political lineup. Almost every observer predicted, however, that the United States would at least partially rein in its antidumping system. In turn, Brazil and other non-NAFTA countries will reciprocate U.S. flexibility on agriculture, antidumping and related measures by making concessions in other areas, especially IPR and services.

Rules on government procurement should be relatively noncontroversial (at least compared with agriculture and antidumping), and the Organization For Economic Cooperation and Development's government procurement rules provide a convenient reference point, but many of the participating countries are inexperienced with rules of this nature.<sup>44</sup> Some opposition may also be generated because transparent and predictable procurement that is open to foreign competition reduces opportunities to solicit bribes. That said, agreement in this area is likely, and it will have major benefits in reducing corruption and increasing government efficiency.

In one sense, drafting investment rules should also be relatively straightforward, as clear international standards are in place and few countries want to have an international reputation for providing sub-standard protection to investors. However, the United States has been pushing for a more sweeping

agreement than some other countries are willing to consider.<sup>45</sup> Market access negotiations will be fairly technical, with the base tariff to be used for calculating reductions, safeguard measures, worries over compliance capacities, standards, and poor-nation concerns about diminished custom duties being the major problem areas. Dispute settlement will also be highly technical and should not be subject to major last-minute concerns.

Competition policy (CP) originally was a province only for antitrust lawyers but has come to be considered a trade issue. It is a specialized area that few people in the FTAA governments understand. (Only 12 of the 34 participating nations even have laws dealing with CP).<sup>46</sup> It is also an area where U.S. agencies are divided in their assessment of what U.S. goals should be. The final agreement on CP will probably be watered down in the rush to conclude and due to concerns about agreeing to something with unintended consequences. One well-informed Latin American diplomat even predicted that CP would be dropped from the final FTAA agreement.

## **Success or Failure: Implications for Members of the OAS**

### *Success*

An FTAA will have major political, social, and even military ramifications that will go beyond issues of intra-Americas trade. Perhaps the best example is the attitude of the EU toward the Americas. Spurred by the possibilities of an FTAA and a dramatically strengthened U.S. trading position in the Americas, the EU has moved to talk with MERCOSUR (and to a lesser extent with Latin America as a whole) on expanding trade. But so far the EU has been unwilling to make important compromises over agricultural issues. The EU's unstated goal in its talks with MERCOSUR is to have a framework for an agreement ready by the end of 2004. If the FTAA talks fail, the EU will refuse to compromise on agriculture, and talks with MERCOSUR will also end in failure. If the FTAA talks are moving toward a successful conclusion, or if they have concluded, the EU will immediately offer to make a deal on agriculture to close FTAs with MERCOSUR and some other FTAA members. While the future cannot be predicted, it is worth noting that the EU is only negotiating with MERCOSUR but that it has an FTA with Mexico, a member of NAFTA, and with Chile, which has an FTA with Canada and is on the verge of getting one with the United States.

An FTAA will not only increase trade and economic growth among its members. It will bring discipline and credibility to nations that in many cases sorely need it, helping them to attract foreign investment and technology transfer, and the growth they generate. FTAA provisions on market access, investment, services, competition policy, intellectual property rights (IPR), and — most importantly — dispute settlement will provide an important sense of security to firms when they make investment decisions. The Microsofts and IBMs of the world, for example, are more likely to invest in a nation that adheres to IPR standards and dispute settlement rules that have been established by the FTAA process than they are to invest in a third world country with a shaky track record on IPR protection and that does not adhere to “WTO plus” standards. Foreign investment soared after Mexico joined NAFTA, both because Mexican plants would now have preferential access to the United States and Canada but also because Mexico had received a “Good Housekeeping Seal of Approval” as a place to invest.

The political and military ramifications of an FTAA will also be significant. Latin American coups — despite the April 2002 events in Venezuela — seem to have largely become relics of the past, but an FTAA will make it even less likely that democratically elected governments will be overthrown in member states. What general will want to see his country suspended from the FTAA (and the OAS) in the wake of a coup with the resulting ostracism that the country and he would suffer? Likewise, it is hard to imagine two members of an FTAA going to war with each other, disrupting their economic ties and raising the possibility of coordinated action by other FTAA states.

The United States also will clearly gain from an FTAA. Just as U.S. military and political interests were served when NAFTA strengthened Mexico, so the United States will benefit from the increased economic, political and military stability that the FTAA will bring to its non-NAFTA members. While the United States needs the economic benefits of the FTAA less than Argentina, for example, the United States economy will directly benefit from the FTAA. It will gain increased access throughout the Americas for its goods and services. Increased imports from the Americas will lower the cost of consumer items and lower the cost of doing business as the prices of manufacturing inputs fall.

The FTAA will allow the United States to discard protectionist measures that benefit small, but powerful, segments of the U.S. economy at a high cost to the economy as a whole. An analogy can be drawn to China's recent WTO accession. The Chinese government made concessions in the negotiations by opening markets that it wanted to open for reasons that went beyond the WTO, but which it feared to undertake because of the political implications. The Chinese government can now implement reforms and say that they are part of the package deal enabled its entry into the WTO, blunting the political fallout. In a similar way, the United States will be able to make some concessions in sensitive areas such as anti-dumping and agriculture. As pointed out previously, the United States will be able to leave the most sensitive concessions for the last minute under the protection of the "nothing is agreed until everything is agreed" concept. Sectors of the economy which will benefit from the FTAA, such as services and IPR, will support the administration in the fight against those sectors whose interests will be damaged to get the Senate to approve the FTAA. While the entrenched special interests will put up a strong fight, the administration will be able to present the FTAA as a package deal in the overall interest of the country.

### *Failure*

Only one person interviewed for this paper was pessimistic about prospects for an FTAA. While nobody else seems to share his perspective, he is too well informed and at too high a level for his views to be dismissed out of hand. He predicted that the process would fail because of "backtracking in Central America," because Venezuela is going "in the wrong direction," because "Colombia is out of control, Ecuador is corrupt, the Shining Path is coming back in Peru, and Argentina is collapsing."

But most of all, this Latin American official criticized the United States and especially the Congress for having become more protectionist. He said that the United States had not opened its markets sufficiently and had cut its foreign aid programs. (This interview was held prior to President Bush's March 2002 announcement of increased foreign aid.) He questioned how the United States could sell reform when its own market is not opening and especially criticized the (at that time) failure of Congress to renew the Andean Trade Preference Act (now approved). This official doubted if Brazil would conclude an agreement "to have an agreement" and said that what Brazil wants, on steel and citrus for example, would give the United States "heartburn." He predicted that failure of the process would lead to an increase in protectionism across the Americas and that import substitution will replace trade-promotion policies, controls on foreign exchange will be imposed/strengthened, some countries will fall into a debt spiral, and corruption will worsen.

This official's prediction of the results from a failure of the process seems plausible, although probably more dire than would be the case. But his pessimism about the process seems overdrawn and he admitted that he is "probably more pessimistic" than others of a similar level in his country's government.

A well-informed Latin American diplomat who was not pessimistic about the process, but who responded to a question about the consequences of an FTAA failure, said that it would hurt investment and it would hurt hemispheric relations in general. While the nations could explore more limited FTAs, they would lose the chance to deal with the hemisphere as a whole in a different way and important political gains would be lost.

One ambassador for an important government involved in the FTAA process was more sanguine about the possibility of failure. He predicted that failure would leave the status quo as is. He thought, however, that trade liberalization, probably through bilateral deals, "in one form or another," would be inevitable. While the most disciplined route would be through an FTAA, "Free trade is on its way."

In line with the above predictions, it is not unreasonable to speculate that a failure of the FTAA process would set back Americas-wide economic cooperation and promote a series of FTAs in its place. Most of these FTAs would be with the United States, and they would benefit the participants. But, as subsets of the inter-American system, they would not incorporate the system as a whole. Spillover benefits in political, military, and social areas would therefore also be restricted to these subsets, and not to the Inter-American system as a whole. Failure would probably be accompanied by failure of the WTO Doha round. (Doha's success may in turn depend on the degree to which EU concerns over the FTAA motivate it to compromise on agriculture.) In a similar way, and as stated previously, failure of the

FTAA negotiations would certainly lead to failure in the MERCOSUR/EU talks, in which the EU participates because of its concerns that an FTAA will hurt its market share in the Americas.

### *The Most Likely Outcome*

Achieving an FTAA will be difficult; all participating countries, but especially the United States and Brazil, will be forced to make compromises that will inflame domestic pressure groups. However, it is hard to conceive that politicians from any of the OAS countries would be foolish enough to discard the clear benefits that will flow from an FTAA. According to a project report by the IDB and ECLAC,

In a world of trade restrictions, a free trade agreement can open markets. . . .Inclusion in a continental free trade agreement is a far better option than exclusion. The costs of exclusion are likely to encompass the diversion of trade and investments, as well as lost opportunities for growth through economic cooperation in a broad range of issues.<sup>47</sup>

The Brazil/U.S. co-chair of the final stage of the negotiations will be critical to its success. One well-informed participant in the process views the United States and Brazil as two big countries with many common interests. He felt that the co-chair would promote greater communication between the two countries. He predicted that the two would work out compromises (chairman's reports) on issues such as antidumping and then sell these compromises to the other participants in the process.

The Doha WTO talks may resolve difficult issues such as agricultural export subsidies and antidumping in time for the conclusion of the FTAA. But if they do not do so, it is unlikely that the United States will allow the EU or others to hold the FTAA hostage. And if the United States is willing to make some compromises in these areas, however limited they may seem to somebody who does not have to sell the final FTAA to a skeptical Congress, Brazil is unlikely to ignore these compromises and discard the agreement. Especially not, for example, if the United States offers increased access for orange juice and sugar in return for increased access for U.S. wheat and other grains. If the United States and Brazil can agree on a document, the rest of the Americas will largely fall in line if the alternative is to join Cuba and be the only nations in the Americas that are not members.

## NOTES

1. MERCOSUR is the Spanish name. It is MERCOSUL in Portuguese.
2. Rubens A. Barbosa, "A View from Brazil," *The Washington Quarterly*, Spring 2001, 153.
3. Agriculture and Agri-Food Canada Website: <<http://www.agr.ca/itpd-dpci/indexe.html>>.
4. Agriculture and Agri-Food Canada Website: <<http://www.agr.ca/itpd-dpci/indexe.html>>.
5. Economic Statistics from IDB Statistics and Quantitative Analysis Unit, provided by Dr. Barbara Bowie-Whitman, January 15, 2002.
6. Statistics provided by the Mexican Secretariat of Economics, February 2002.
7. Statistics provided by the Mexican Secretariat of Economics, February 2002.
8. Statistics provided by the Mexican Secretariat of Economics, February 2002.
9. The treaty establishing the CACM was signed in Managua on December 13, 1960 by Guatemala, Honduras, El Salvador, and Nicaragua.
10. CAN members are Bolivia, Colombia, Ecuador, Venezuela, and Perú.
11. CACM members are Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.
12. System of Central American Integration Website: <<http://www.sgsica.org/>> and the Permanent Secretariat for the General Treaty of Economic Integration (part of SICA) Website: <<http://www.sieca.org.gt>>.
13. Economic Statistics from IDB Statistics and Quantitative Analysis Unit, provided by Dr. Barbara Bowie-Whitman, January 15, 2002 and from The Library of Congress Federal Research Division/Country Studies/Area Handbook Series/Honduras/Appendix B, Central American Common Market: <[http://lcweb2.loc.gov/frd/cs/honduras/hn\\_appnb.html](http://lcweb2.loc.gov/frd/cs/honduras/hn_appnb.html)>.
14. CARICOM's April 2000 report to the World Trade Organization indicates that 1997 intraregional trade was 17.0 percent. While greater than the IDB data, this later statistic is not high enough to alter the thrust of the analysis and it is not important for this paper's purposes to explore the differences. "Caribbean Community and Common Market: Biennial Report on the Operation of the Agreement," World Trade Organization Document, WT/REG92/R/B/1 G/L/359, April 12, 2000, 4-6.
15. Permanent Secretariat for the General Treaty of Economic Integration (part of SICA) Website: <<http://www.sieca.org.gt>>.
16. Economic Statistics from IDB Statistics and Quantitative Analysis Unit, provided by Dr. Barbara Bowie-Whitman, January 15, 2002.
17. SICE, the OAS Trade Unit's Foreign Trade Information System Website: <<http://www.sice.oas.org/>>, *Free Trade Area of the Americas: Negotiators Move Toward Agreement That Will Have Benefits, Costs to U.S. Economy*. United States General Accounting Office Report (GAO-0101027) to the Ranking Minority Member, Committee on Finance, U.S. Senate, September 2001, and the FTAA Official Website: <<http://www.ftaa-alca.org/>>.
18. SICE, the OAS Trade Unit's Foreign Trade Information System Website: <<http://www.sice.oas.org/>>, *Free Trade Area of the Americas: Negotiators Move Toward Agreement That Will Have Benefits, Costs to U.S. Economy*. United States General Accounting Office Report (GAO-0101027) to the Ranking Minority Member, Committee on Finance, U.S. Senate, September 2001, and the FTAA Official Website: <<http://www.ftaa-alca.org/>>.

19. AmericasCanada.org Website: <<http://www.americascanada.org/event/summit/declarations/declara-e.asp>>.
20. The FTAA Official Website: <<http://www.ftaa-alca.org/>>.
21. Custom-Related Measures are: Group of Experts on Customs-Related Business Facilitation Measures; Implementation and Technical Assistance Information on Customs-Related Business Facilitation Measures; and Hemispheric Guide on Customs Procedures. The Transparency-Related Measures are: Hemispheric Trade and Tariff Database; Visa Requirements for Business Travelers; Foreign Investment Report; and Commercial Arbitration/Alternative Dispute Resolution Regimes. Lastly, under Trade-Related Technical Assistance, the FTAA process includes: Database of Technical Assistance Programs; Technical Cooperation Needs Assessment for Smaller Economies; Trade Education Database –(TED); and Trade-Related Technical Assistance Documents. The FTAA Official Website: <<http://www.ftaa-alca.org/>>.
22. The issue of antidumping and countervailing duties (AD/CVD) was included in the San José Ministerial declaration of 1998. USTR’s position is that it would like to delete the text of this chapter and deal with AD/CVD, as well as agricultural subsidies, on the WTO level. Related to this, USTR Zoellick agreed to put the subject on the Doha WTO agenda, with several caveats.
23. Brazilian Ambassador to the United States Rubens A. Barbosa, on-the-record comments of February 22, 2002.
24. Common knowledge based on various press reports.
25. Jordan, delighted to get an FTA with the United States, was very accommodating to the U.S. proposals for the IPR chapter.
26. AmericasCanada.org Website: <<http://www.americascanada.org/event/summit/declarations/declara-e.asp>>.
27. Brazilian Ambassador to the United States Rubens A. Barbosa, on-the-record comments of February 22, 2002.
28. Brazilian Ambassador to the United States Rubens A. Barbosa, on-the-record comments of February 22, 2002.
29. Brazilian Ambassador to the United States Rubens A. Barbosa, on-the-record comments of February 22, 2002.
30. Larry Luxner, “Guyanese Leader Calls Unity Top Goal,” *The Washington Times*, February 12, 2002.
31. Permanent Representative of Antigua and Barbuda to the OAS, Ambassador Lionel A. Hurst, on-the-record comments of February 1, 2002.
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