

# SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf

## 1: FTAA - Free Trade Area of the Americas

*History. In the latest round of negotiations, trade ministers from 34 countries met in Miami, Florida, in the United States, in November to discuss the proposal. The proposed agreement was an extension of the North American Free Trade Agreement (NAFTA) between Canada, Mexico, and the United States.*

We reiterate our commitment to conclude negotiations no later than , and to make concrete progress towards the attainment of this objective by the end of this century. We also reviewed the substantial progress that has been achieved in trade liberalization in the hemisphere since the Miami Summit of the Americas. We note that such progress is being reflected in the increasing widening and deepening of existing sub-regional and bilateral agreements; the implementation of our countries obligations under the Uruguay Round; the negotiation of new bilateral and sub-regional free trade agreements in the hemisphere; the participation of some Western Hemisphere countries in the negotiation of sectoral trade liberalization agreements in the World Trade Organization WTO ; and the autonomous trade liberalization measures adopted by individual countries. We also reiterate the principle previously adopted that the construction of the FTAA will not raise barriers to other countries. We will avoid adopting, to the greatest extent possible, policies that adversely affect trade in the hemisphere. At the Second Summit of the Americas, to be held in Santiago, in March , our Heads of State and Government will have the opportunity to review the implementation of the broad social and economic agenda contained in the Miami Declaration of Principles and Plan of Action, aiming at the prosperity of our peoples. We are aware that the FTAA should be negotiated taking into account those broad objectives. To this end, we recognize the wide differences in the level of development and size of economies existing in our hemisphere and we will remain cognizant of these differences as we work toward building the FTAA. We reviewed the work undertaken by the Vice Ministers regarding the various approaches for the construction of the FTAA, building upon the existing sub-regional and bilateral agreements. We agree that the FTAA negotiations should be initiated at Santiago, in March , and we will recommend to our Leaders that they do so at that time. To this end, at the Fourth Ministerial Meeting in San Jose, Costa Rica, in February , we will formulate how the negotiations will proceed, including such features as their objectives, approaches, structure and venue. We instruct our Vice Ministers to maintain the practice of holding three meetings before the next Trade Ministerial Meeting and to make recommendations to us on those issues for our decision at our San Jose Meeting. We welcome the specific proposals tabled by delegations and after comprehensive discussions, we agreed that there is a significant measure of convergence on key principles and issues: Consensus constitutes the fundamental principle of decision making in the FTAA process, which seeks to preserve and promote the essential interests of our 34 countries in a balanced and comprehensive manner; The outcome of the negotiations of the Free Trade Area of the Americas will constitute a comprehensive single undertaking which embodies the rights and obligations mutually agreed upon. The FTAA can co-exist with bilateral and sub-regional agreements, to the extent that the rights and obligations under these agreements are not covered by or go beyond the rights and obligations of the FTAA; The FTAA will be consistent with the WTO agreements; Countries may negotiate and join the FTAA individually or as members of a sub-regional integration group negotiating as a unit; Special attention should be given to the needs, economic conditions and opportunities of the smaller economies to ensure their full participation in the FTAA process; The need for establishing a temporary administrative Secretariat to support the negotiations; The year as the date for concluding negotiations, at the latest; We hereby establish a Preparatory Committee consisting of the 34 Vice Ministers responsible for trade. We instruct them to intensify their efforts to build consensus and to complete recommendations on the remaining issues which they will submit for our decision at the San Jose Meeting. We further instruct Vice Ministers to continue to direct, evaluate and coordinate the work of all Working Groups. We direct our Vice Ministers at their next meeting to review the reports of the Working Groups and approve as appropriate their recommendations on work programs, areas for immediate action and business

## **SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf**

facilitation measures. We also took note of the documents listed in Annex I which have been proposed by the Working Groups and approved by Vice Ministers for publication as official documents of the FTAA; as such, they are already available for the public and constitute a concrete result of the ongoing preparatory work for the FTAA negotiations. We instruct the Working Groups to continue their tasks according to their agreed terms of reference. In accordance with our agreement at Cartagena, we have set up the Working Group on Dispute Settlement, whose terms of reference are to be found in Annex II. The Working Group will take into account the compilation of information prepared by the OAS, as requested at Cartagena, on the existing mechanisms for dispute settlement in the sub-regional and bilateral agreements in the hemisphere. After diligent efforts have been made to reach agreement on controversial issues, different positions should be remitted to Vice Ministers for their decision. We are in receipt of the report of the Working Group on Smaller Economies and have taken note of the range of factors identified which could constrain the effective participation of the smaller economies in the FTAA. We have studied the recommended measures to facilitate their integration into the FTAA, including the need for appropriate internal policies, technical assistance and cooperation in order to facilitate the effective participation of these economies in the FTAA process. We encourage the Working Group on Smaller Economies to advance its ongoing work and urge it to make specific suggestions to the Vice Ministers as to measures that would allow their effective participation in the FTAA process. We call upon other Working Groups to take into account, in their deliberations, the findings and recommendations of the Working Groups on Smaller Economies in order to realize the opportunities of those economies in the FTAA and to increase their level of development. We ask Vice Ministers to recommend to us, by our next meeting, how the Working Groups could be reconfigured into negotiating groups, taking into account the need for efficiency and the complementarity of subject matters. We request that the Tripartite Committee continue to provide analytical support, technical assistance and related studies, as requested by the respective Working Groups. We also request the member institutions of the Tripartite Committee to provide assistance to individual member countries, on request, in accordance with the procedures of the respective institutions. We encourage further contributions in support of those tasks, within their areas of expertise, from relevant regional, sub-regional and multilateral institutions as may be requested by the Working Groups. Moreover, we agreed to ask the Tripartite Committee to undertake a feasibility study on alternatives for establishing a temporary administrative secretariat to support the FTAA negotiations, based on the terms of reference in Annex IV, and to report their findings to Vice Ministers in time for them to issue recommendations for our decision at our meeting in Costa Rica. We received with interest the contributions for the Third Business Forum of the Americas relating to the preparatory process for the FTAA negotiations, which we consider may be relevant to our future deliberations. We reiterate our commitment to transparency in the FTAA process. In this sense, we consider the inputs from stakeholders of our civil societies to be important to our deliberations, including those from the labor sectors, and we encourage all countries to take them into account through mechanisms of dialogue and consultation. The issue of the environment and its relation to trade has been considered by our Vice Ministers since the Cartagena meeting and is the subject of ongoing discussions within the WTO and within the FTAA process. We will keep this issue under consideration, in light of further developments in the work of the WTO Committee on Trade and Environment. We therefore accept with appreciation the offer extended by the government of Costa Rica to host those two meetings. We request the host country of the Trade Ministerial Meeting to chair the Vice Ministerial Meetings to be held until then. On the basis of this inventory, identify areas of commonality and divergence among dispute settlement systems in the hemisphere, including with respect to the extent to which these systems have been employed. Exchange views, following internal consultations with the private sector, regarding mechanisms to encourage and facilitate the use of arbitration and other means of alternative dispute resolution for the settlement of international commercial disputes. In the light of the various subjects to be covered by the FTAA agreement and other relevant factors, exchange views on possible approaches to dispute settlement under the FTAA agreement, in line with the World Trade Organization understanding on Rules and

**SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf**

Procedures Governing the Settlement of Disputes. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

# SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf

## 2: Free Trade Area of the Americas - Wikipedia

*This title was first published in This work examines the hemispheric diplomacy after the Summits of the America in Miami (December ) and Santiago (April ), focusing on the strengthening of the South American position in the FTAA negotiations and the Brazilian proposal for a South American Free Trade Area (SAFTA).*

Claudio Katz September 25, The U. Planning for the FTAA began seven years ago, but the project remained at a standstill until The immediate objective of the United States is to find external trade outlets to compensate for the U. The FTAA negotiations were initially secret and although they are now public, the pact still faces strong opposition from U. They believe they would be worse off under the agreement. Representatives of this sector successfully prevented Congress from giving former President Clinton fast track authority. The importance of the political-military interests behind the FTAA is less obvious, but more decisive. For several years, highly organized popular movements with clear social demands have been growing stronger in both rural and urban areas of many Latin American countries. These movements highlight the erosion of political systems that have become delegitimized because of their inability to meet popular claims. Lack of confidence in existing regimes accelerated the end of a presidential term in Peru and led to government dissolution in Ecuador, the effective collapse of the state in Colombia and the disintegration of traditional political parties in Venezuela and Mexico. Preserving stability in the face of this upheaval is a priority of a U. The FTAA would be a means for the United States to strengthen its covert military intervention in Colombia, continue with the regional re-armament associated with the U. Cuba, Iraq, Libya, and North Korea. However, after a decade in which neoliberal ideology has been in the ascendancy, some now idealize U. In the past, great power domination was criticized and the dominant states were accused of imperialism and colonialism; now there are those who argue that such domination is useful. Some maintain that the FTAA will help counteract a supposed lack of entrepreneurship among Latin Americans; they use anthropological, geographical and racial justifications to back up their claims. Others predict that if the region does not take this opportunity to accept U. What will be the effect of the enormous gaps in productivity that have so far thwarted access to this market? Opinion makers, however, do not weigh their illusions against actual developments, but reiterate their faith in increased exports and investment inflows. Nevertheless, dollarization supporters have not provided any proof of its advantages for the Central American economies that have already adopted this policy, Guatemala and El Salvador. They also ignore the fact that in Ecuador dollarization was implemented as an emergency measure in the face of financial collapse. Panama is the only country that has had a dollarized economy for an extended period of time, and it certainly does not represent a model of poverty eradication and adequate employment. Over the last decades, Panama, like any other debtor country in the region, had to abide by 17 IMF stabilization programs. Consequently, those Latin American countries that give up control of their national currencies by dollarizing do not get in return any commitment from the U. Federal Reserve that the Fed will act as a lender-of-last-resort in case of a banking crisis, as it would do in the United States. And while small economies that are commercially integrated with the United States can tolerate the fact that, under dollarization, U. For now, however, U. But, as with everything neoliberal, the predicted prosperity is a promise for the future, while sacrifices are immediately required for implementation. In the area of investments, FTAA negotiators are considering provisions that would grant foreign companies the right to resort to an international court that would have more authority than any national legal system. Such legal entities are already part of NAFTA, and have ruled in favor of companies that filed complaints against several states in Canada and Mexico when the states tried to enforce environmental and other local laws. North American consortia will be able to push aside any local competitor that does not have as much access to international credit as they do. Agriculture is a key area in the agreement. If this dispute is not solved, all expectations that Argentine exporters, for instance, might have for the FTAA will be frustrated. Though this program saves lives and heals patients, it does not meet the profit requirements of the international

## SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf

laboratories. Last, but not least, the FTAA will authorize the United States to continue violating environmental protection agreements. The overall effect of the agreement will undoubtedly be a regional economic cycle more dependent on the U. This will deepen the vulnerability of the Latin American productive sector to downswings. This customs union, currently made up of Argentina, Brazil, Paraguay and Uruguay, cannot survive in a general free trade zone. The United States has clearly expressed its intention of dissolving the South American association in proposals for bilateral agreements with Chile, recently extended to Argentina. But conditions are very different in these two countries: Chile has a small industrial base and has developed a complementary trade with the United States in mineral, fruit and timber products. Argentina, by contrast, still possesses the sort of industrial sector that would see its final days under the FTAA. Unlike other countries, Brazil cannot acquiesce to the FTAA without sacrificing the international market shares it has already gained. Ten years after its creation, Mercosur promoters acknowledge its deterioration. It failed to make progress in the establishment of a common currency, and in the foundation of regional political and judicial institutions. Neither were customs pacts consolidated because common tariffs were never implemented. No arbitration court for conflict settlement was ever established and disagreements regarding subsidies and government procurement systems were not solved. While Brazil decided to devalue its currency and lift tariffs, Argentina opted for convertibility and trade opening. No North-to-South budget transfers are planned and gaps in living standards between Latin American countries and the United States will remain. It is therefore appropriate to define this initiative as an imperialist, neocolonialist project for Latin America. If the agreement is put into effect, it will change the nature of the regional bourgeoisie, ending the debate about whether it is dependent or transnational. The Andean and Central American pacts experienced the same defeat that Mercosur is suffering now. While during the twentieth century the regional bourgeoisies were unable to develop their Bolivarian dream of integration, they have now lost any interest in such an objective because their level of association with metropolitanâ€”U. Instead of common labor laws and protection of salaried workers, unemployment rates and labor insecurity soared in member states. This experience demonstrates that any genuine integration project among peoples should be based on different principles. First, it should start from the satisfaction of basic demands, such as increased minimum wages, unemployment insurance, free education and health care. The prerequisites for policy coordination towards these goals are solidarity, promotion of labor stability and improvement of living standards rather than competitiveness, capital mobility, and business efficiency. Second, genuine integration cannot be achieved under the obstacles to sustainable development imposed by the external debt, as illustrated by the Mexican, the Brazilian, and the Argentine crises. Payment defaults obliterate any regionwide effort towards development, and continuing IMF adjustment programs prevent reconstruction of devastated Latin American economies. Finally, an integration project should be conceived as part of a socialist transformation process given that capitalism poses an impossible barrier for Latin American countries to overcome their periphery status. There is a direct link between the old dreams for Latin American unity and the establishment of new forms of ownership and collective economic management. The debate on these proposals is now framed within the new international political climate created by recent protests against globalization. This article originally appeared in Nueva Sociedad, July-August, Translated from the Spanish by Carolina Escalona. For more on this topic, see Claudio Katz: The Argentine final position is a mystery because, at this writing, the country is on the verge of a suspension of payments and a potential deflationary collapse. While this chaos subsists, the government will have an undefined position vis-a-vis Mercosur and the FTAA. Under the present crisis, some measures taken point to either option but these are actually improvised measures with no clear objectives. James Petras suggests that this change has already occurred.

# SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf

## 3: The Free Trade Area of the Americas: US Interests and Objectives | PIIIE

*Free Trade Area of the Americas (FTAA), proposed free-trade zone encompassing all of the www.enganchecubano.comations to establish the Free Trade Area of the Americas (FTAA) ended in failure, however, the state parties having been unable to reach an agreement by the deadline they had set.*

Hemispheric leaders are expected to officially launch the trade talks when they reconvene for a second Summit of the Americas in Santiago, Chile, in April. To be sure, actual US participation in FTAA negotiations depends on the restoration of fast track authority to implement trade agreements in US law and Congressional approval for the use of such authority for the hemispheric talks. If fast track fails, or is limited to talks with specific countries e. In related testimony before this committee and subsequently before the Senate Finance Committee, my colleague C. Fred Bergsten has argued why expeditious passage of fast track authority is critical to the achievement of US policy goals. By way of introduction, I will first discuss the possible scope and coverage of an FTAA, given developments to date since the Miami Summit. I conclude with a few lessons regarding hemispheric integration based on the experience of NAFTA and other subregional economic initiatives. The NAFTA represents one of the most comprehensive pacts in terms of coverage of trade and investment in goods and services sectors, and incorporates extensive disciplines on domestic policies that can distort trade and investment flows. Other FTAs are more limited and some simply involve the removal of tariffs on merchandise trade often with some sectoral exceptions such as agriculture. Rather the process of building the FTAA will likely be an eclectic one, involving concurrent negotiations among bilateral and subregional partners as well as hemisphere-wide talks. To date, trade ministers from the 34 countries have met three times to discuss areas of existing and potential cooperation, and have established 12 working groups to prepare for the FTAA negotiations in three broad areas: All of the issues included in the FTAA negotiations will be considered as a package. Some agreements may be reached early in the process, and could be implemented by to satisfy the "early harvest" commitment of the Miami Summit declaration. Customs reforms and other trade facilitation measures endorsed by the Americas Business Forum may be achievable in this timeframe; an investment accord comparable to the Multilateral Agreement on Investment being developed in the OECD is also possible. Brazilian officials seem to be pushing a "go slow" approach to FTAA trade liberalization to avoid additional adjustment pressures that could upset the noteworthy but fragile progress to date of their Real Plan -- even though continuing trade reform is a critical component of their macroeconomic stabilization policy. I regard the Brazilian proposal as a tactical ploy to assuage their domestic constituencies and not as a roadblock to the launch of substantive FTAA negotiations. One additional and important point deserves mention. During the past 30 months, the viability of the FTAA commitments has been tested by the Mexican peso crisis, which erupted just 10 days after the Miami Summit and generated a "tequila effect" in a few other Latin American economies, and by a number of political concerns involving inter alia drug trafficking and large income disparities both between and within countries in the region. These problems are difficult and immune to quick fixes via trade or other policy initiatives. Rather they require a long-term commitment to improve education and create viable alternatives to illegal commerce. In that regard, the Miami Summit process, which comprises not only trade but important cooperative efforts in areas such as strengthening democracy, combatting drug trafficking, and promoting sustainable development, should be a constructive part of national responses to these problems. To a somewhat lesser extent, the same situation holds today with respect to US interests in Latin America and the Caribbean. The United States has an important stake in the economic health and political reform of our southern neighbors. First, the United States has substantial and growing trade and investment interests in the region. The Latin America and the Caribbean region is becoming an increasingly important market as a result of a decade of economic reform that has produced region-wide GDP growth of 3. Forecasts for look even better, with GDP growth expected to expand by 4. Latin America already is an important market for US companies and has become increasingly attractive

## **SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf**

for direct investment as their economic reforms have taken root. The region including Mexico now accounts for about 18 percent of total US merchandise exports and 16 percent of US imports; and regional sales to the US market represent about half of all merchandise exports by Latin American and Caribbean countries. US-Mexico trade accounts for more than half of those totals, even though Mexico produces only about a quarter of regional output. US exporters have a growing and underdeveloped market for their goods in South America, and have been rapidly expanding their presence in those markets over the past five years. These efforts have removed much of the "water" in their protection, but the "muscle" remains intact and will require a broader negotiation to get it removed. Overall, an FTAA bargain will likely entail substantial new liberalization by Latin American countries in return for guarantees of continued good access to the US market and the removal over a long transition period of a few notable US barriers in textiles and agriculture comparable to what was done in the NAFTA. Whether some specific barriers will be exempted from the FTAA liberalization commitments and the length of the phaseout periods for remaining trade barriers will undoubtedly be left hanging until the end of the talks. Why would Latin American countries agree to such asymmetric liberalization? The short answer is that they really have little choice if they want to compete in global and regional markets. The FTAA would provide an insurance policy against new protectionist impulses in the US and other regional markets, as well as "locking in" their domestic reforms through international obligations and thus substantially raising the cost of policy reversals. In so doing, the FTAA would provide strong incentives for both domestic and foreign investors to develop their markets and bring in new technology and management skills. What was remarkable about the Miami Summit commitments was that the developing countries were in the forefront pressing for trade reforms, even though they maintain much higher trade barriers than the United States and face the daunting challenge of competing openly against the advanced industrial economies of North America. The reason is clear: Their focus was not on the prospective change in their bilateral trade balance but rather on the impact free trade could have on promoting economic growth in conjunction with the broad array of domestic economic reforms that they had been implementing for several years. Third, as evidenced at the Miami Summit, the prospect of improved trade relations can act as a magnet for attracting support among our hemispheric neighbors for other important US political and foreign policy goals, including cooperation on drug interdiction, improving environmental and labor conditions, and reinforcing democratic reforms. This point is well illustrated by the recent Mexican election, which demonstrates the salutary effect of economic integration on political reform. Fourth, and perhaps most important, the United States benefits when its neighbors prosper and democratic processes take root. The FTAA process would support the important economic and political reforms that have been achieved throughout Latin America over the past decade. Ongoing and deepening implementation of these policies is a prerequisite for the developing countries in the Western Hemisphere to be able to undertake and sustain the reciprocal obligations of a free trade pact with industrial countries. Free trade talks with Chile, advocated by Presidents Bush and Clinton, seized up; negotiations to remedy the potential adverse impact of certain NAFTA provisions on trade and investment in the Caribbean Basin were placed on a back-burner; and US participation in the preparatory meetings for the launch of the FTAA negotiations has been seriously constrained. To date, the cost of US inaction has been modest. If US negotiators stay on the sidelines much longer without fast track authority, however, the adverse impact on US trading interests in the region could grow significantly. Three related problems bear mention. First, without fast track authority, our trading partners will understandably question the US commitment to the FTAA talks and our willingness to deepen regional trade relations. The United States accounts for about 75 percent of total economic output in the hemisphere. If the United States backed away from its Miami Summit commitments, or even rode the fence for another year or more pending fast track approval, we would both undermine the credibility of the hemispheric negotiations and encourage a protectionist backlash against the reform policies introduced in Latin America during the past decade -- thus making it more difficult for Latin American countries to maintain and extend the liberalization already implemented. The Venezuelan experience of the early 80s is instructive in

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how costly a political backlash against economic reforms can be. Second, most countries in the hemisphere continue to pursue bilateral and regional free trade pacts without us. In most instances, the new agreements are designed as way stations to an eventual FTAA, but the tariff preferences are accorded only to member countries and thus discriminate against US-based exporters. Both Mexico and Canada have concluded free trade pacts with Chile; Mexico also has agreements with Costa Rica, Colombia, and Venezuela, and is talking with other Central and South American countries about similar deals. What this means for US firms is that they often are handicapped in competing for sales in South American markets because they have to pay sizable tariffs and their regional competitors do not. Sometimes US firms can source from foreign plants in countries that receive tariff preferences, but this is costly both for the company and their US workers. The proliferation of different customs procedures and content requirements in these arrangements can create a paperwork nightmare for businessmen. Third, recently concluded regional agreements create precedents involving practices significantly different from those inscribed in US law that member countries may want to extend to the broader FTAA. For example, the Chile-Canada FTA prohibits the use of antidumping laws with respect to bilateral trade as soon as tariffs are removed. Furthermore, US firms compete in regional markets not only with other hemispheric producers but also with European and other overseas companies. To date, EU initiatives in the region have resulted in agreements similar to the "framework" or consultative arrangements that the United States negotiated with virtually all the countries in the region in the 1980s and early 1990s; the promise of future free trade pacts is somewhat suspect, however, since the Europeans refuse to consider farm trade reforms in their negotiations with Latin American countries and thus exclude a large share of MERCOSUR exports to Europe. In sum, regional trade pacts affect US trading interests. Trade agreements create opportunities; they do not guarantee sales. To promote sustained growth and take full advantage of those opportunities, macroeconomic policy must be prudent -- at home and in the partner countries. Trade pacts provide an insurance policy against new protectionism at home and abroad. They deter abrupt policy reversals and help governments withstand the protectionist demands of their domestic lobbies. Free trade pacts involve asymmetric obligations which fall heavier on developing than developed country partners. The benefit for developing countries is that the pact locks in the domestic reforms needed to reinforce growth and represents a "good housekeeping" seal of approval for those policies -- thus making them more attractive to foreign investors and promoting the transfer of technology and management skills. Trade pacts are not engines of job creation, but they do support jobs that provide a substantial wage premium over earnings in the non-exporting sector. Integration is an iterative process. Not all issues of importance in bilateral or regional relations are covered ab initio in trade pacts; but as countries become more integrated, new issues which span domestic and international concerns often are added to the common agenda. Indeed, as the Summit of the Americas process has demonstrated, trade talks can serve as a magnet for attracting support on a wide array of initiatives including strengthening democracy, combating drug trade, and promoting better environmental conditions and labor rights. Labor issues are not included among the topics for negotiation, but governments committed to "further secure the observance and promotion of worker rights, as defined by appropriate international conventions" Summit of the Americas Plan of Action, Section II: For a discussion of the evolution of the Summit of the Americas and its immediate aftermath based on analysis by one of the senior US participants, see Richard Feinberg, *Summitry in the Americas*, Washington: Institute for International Economics, Perry, *The Long March*: The World Bank,

## SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf

### 4: Free Trade Area of the Americas - Infogalactic: the planetary knowledge core

*Free Trade Area of Americas (FTAA) was the effort to unite the economies of the Western Hemisphere into a single free trade arrangement. It was initiated at the Summit of the Americas on December of in Miami.*

Government leaders committed at the Miami Summit of the Americas in December to negotiate a hemispheric free trade pact by . After three years of preparations, the Santiago Summit in April formally launched the negotiations. Hemispheric leaders then reaffirmed their mandate at the Quebec City Summit soon after President Bush took office. The FTAA initiative is now almost eight years old. Lots of meetings have taken place, but scant progress has been made on the principal task of eliminating restrictions on trade in goods and services that block access to foreign markets. Indeed, those talks have barely begun. Many countries seem distracted by pressing international actions against terrorism as well as domestic economic and political problems. Not surprisingly, questions have been raised whether governments can fulfill their lofty Summit promises-or whether they even still want to do so. The FTAA negotiations have had a star-crossed history. Each summit meeting has been followed by serious financial crises in the region that have called into question the viability of the FTAA talks. The Miami Summit was followed almost immediately by the collapse of the Mexican peso; the optimism from the Santiago Summit faded several months later in the wake of the Brazilian financial crisis of ; and the Quebec City Summit was soon overshadowed by the still-evolving crisis in Argentina. Each crises tested national resolve to sustain domestic reforms and to pursue regional integration initiatives. In most cases, countries tended to reinforce their economic reforms instead of retrenching-though Argentina and Venezuela have raised some trade barriers and others have delayed privatization programs. To be sure, the current economic and political problems in the hemisphere are more complex and daunting than the localized crises of the past decade. The Argentine crisis, economic stagnation in the region, political instability in the Andean region, armed insurrection in Colombia, and drug-related violence in the Caribbean Basin raise major concerns about Latin American participation in the FTAA. At the same time, new US farm subsidies and steel import restrictions provoke questions regarding what Latin American countries actually can gain from the trade pact. If governments do not adequately address these current problems, they could lose public support for continuing to pursue the longer run benefits of the free trade pact. What are the prospects for the FTAA negotiations? As trade officials prepare for the next FTAA ministerial in Quito in October , the unbridled optimism of the Quebec City Summit seems to have given way to untempered pessimism. This mood swing reflects three broad concerns about the FTAA process: Will economic growth be sufficient to sustain public support for trade and other economic reforms? To put the argument in simple terms, lower growth means a smaller economic pie to divide among national constituencies; workers and firms face harsher adjustments; and fewer revenues are generated to fund social safety net programs. Since the relative boom of , when economic growth in Latin America and the Caribbean LAC averaged 4 percent, the region has suffered two years of stagnation and rising unemployment. Argentina faces an economic depression of a magnitude seen recently only in the transitional economies of the former Soviet Union. Most other countries are in the black, but growth is anemic-particularly in the two largest economies, Brazil and Mexico, that have been sideswiped by economic downturns in their neighborhood. Will current political strife in Argentina and the Andean region erode support for new trade reforms-or worse, be so destructive as to lead to a wave of "failed states" that consequently are unable to participate in a hemispheric pact? Such an outcome seemed unthinkable in the pro-democracy boom-let of the s in Latin America. Since then, however, Argentina has endured a parade of presidents in December January ; Ecuador disposed of five presidents of its own at a somewhat more leisurely pace in the late s; the plague of military coups resurfaced in Venezuela; drug-related violence spread in the Caribbean Basin; and the peace process broke down in Colombia. How committed is the United States to liberalizing its own well-entrenched trade barriers? The new US farm bill and steel import safeguards, coupled with Congressional demands to "strengthen" US antidumping laws, provoke skepticism in Latin

## SOUTH AMERICAN FREE TRADE AREA OR FREE TRADE AREA OF THE AMERICAS? pdf

America about the willingness of US officials to open their market to foreign competition. Brazilian President Fernando Henrique Cardoso bluntly warned that an FTAA would be "welcome if its creation is a step toward providing access to more dynamic markets" otherwise, it would be irrelevant or, worse, undesirable" [http:](http://)

The current economic and political difficulties in Latin America lead some FTAA pundits to project a dismal outlook for hemispheric initiatives. But similar pessimistic projections were made in when the "tequila effect" of the Mexican peso crisis infected Argentina and others in Latin America; yet Latin American countries generally recovered strongly in the second half of the decade and continued to deepen their economic reforms and integration initiatives. While the immediate challenges seem daunting, the medium term outlook remains positive, for several reasons. First, economic prospects are improving, albeit from the weak base of Overall, the Inter-American Development Bank predicts growth of 3 percent for the Latin America and Caribbean region in compared to Even the Argentine forecast presages less volatility, inflation, and positive growth in albeit at income levels well below those of the late s. New IMF loans already have strengthened the financial reserves of Brazil and Uruguay, and likely will help restructure the disabled Argentine banking system in To be sure, Brazil is a big wild card in this forecast. If the new government can calm financial markets, interest rate spreads will narrow, the real will appreciate from its current depressed levels, and the economy could achieve growth of 4 percent or more. However, market participants are hedging their bets on the likelihood of such a benign result; indeed, Brazilian debt carries a risk premium of around basis points, indicating a strong fear of default in A new debt crisis would likely delay, though probably not derail, the FTAA and other economic initiatives in the hemisphere. In addition to the small up-tick in growth, there are other positive economic developments in the LAC region that bode well for the FTAA: Despite populist rhetoric in a number of countries, the traditional political reaction to hard times in Latin America, lurching back to protectionism, has been limited. Argentina raised tariffs on many consumer goods to counter its overvalued peso, but after the currency peg collapsed, so too did the need for the import barriers. Indeed, depreciating currencies throughout the region effectively protect many domestic industries by making imports more costly-thus obviating the need for import restrictions. The down side is that weaker currencies also hinder some local firms that require imported components to maintain their international competitiveness. Free trade continues to attract, not repel, Latin American governments. The continuing spread of free trade agreements in the region, especially those involving the industrial economies of North America, create important way stations on the road to the FTAA. The physical integration of the region continues to grow, admittedly slower than in the s, as countries pursue regional infrastructure projects that link power grids and gas pipelines, and expand road and rail transport networks. Such investments in concrete and steel create durable examples of the benefits of regional integration. Second, several LAC countries are plagued with ineffective governments and face populist opposition, but their governance problems seem unlikely to devolve into a crisis of "failed states". Political regimes may remain weak in several LAC countries, but left- or right-wing regimes have few viable alternatives to continuing to pursue trade and investment reforms if their industries and workers are to keep pace of global competitors. Import-substitution policies failed in past decades and are even less viable in a world of increasingly globalized markets. Today, countries need to adapt more quickly to rapidly changing developments in global markets; standing pat means falling behind. Third, liberalization of US trade barriers in an FTAA is now more promising due to three important developments over the past year: The passage of Trade Promotion Authority in empowers US trade officials to put all US barriers on the negotiating table without exception. To be sure, Congress has set onerous consultation and reporting requirements on reforms of the most politically sensitive issues, but such actions would have been necessary-even without the legislative mandate-to build domestic political support for the results of the trade negotiations. The two sets of talks are integrally linked-both by timetable and substance. Each targets completion of negotiations by January and phase-in of the agreed reforms over the following 5 to 10 years, plus trade officials confront similar broad based agendas. In some areas such as reform of farm subsidies, progress in the WTO talks is necessary for the FTAA talks to succeed since FTAA disciplines could be undercut unless European and other countries also

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adhere to the same obligations. In the WTO negotiations, US trade officials tabled a radical proposal to substantially cut farm subsidies and import barriers. In so doing, they indicated a willingness, if WTO talks are successful, to reverse many of the new US subsidies recently incorporated in the farm bill. In sum, the FTAA talks are on track, though negotiators have not moved very far down the tracks. But the positive developments of the past year, and the emerging recovery of Latin American economies in , provide grounds for fragile optimism. I say fragile because much depends on the health of the Brazilian economy and the political will of the leading trading nations of North and South America to build a free trade regime for their mutual benefit. Hopefully, they will build on these precedents to lead the FTAA negotiations to a successful conclusion.

## 5: North American Free Trade Agreement (NAFTA) | United States Trade Representative

*The Free Trade Area of the Americas (FTAA) is a trade agreement currently under negotiation that would expand the North American Free Trade Agreement (NAFTA) to include 31 additional nations in the Western Hemisphere.*

## 6: Free Trade Area of Americas (FTAA)

*The journal focuses on the legal, business, economic, political, and social dimensions of economic integration in the Americas, such as the North American Free Trade Agreement (NAFTA), Free Trade Area of the Americas (FTAA), and Mercosur.*

## 7: Union of South American Nations - Wikipedia

*The U.S. plan to create the Free Trade Area of the Americas (FTAA) as a hemisphere-wide successor to, and expansion of the North America Free Trade Agreement (NAFTA) is a strategic project aimed at consolidating U.S. supremacy in the region by means of increased U.S. exports, more investment controls and sophisticated financial-flow monitoring methods.*

## 8: Dominican Republic-Central America Free Trade Area (CAFTA-DR) Definition | Investopedia

*The Free Trade Area of the Americas is a proposed free trade agreement between the United States and thirty-four countries in North, Central, and South America, as well as the Caribbean. The exception is Cuba.*

## 9: Free Trade Area of the Americas: NAFTA Marches South | NACLA

*The Free Trade Area of the Americas (FTAA) was an attempt to create a multilateral institution with the objective of reducing and eliminating the many trade barriers that existed between all American countries.*

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