

ORGANIZATION OF EASTERN CARIBBEAN STATES

TRADE POLICY BRIEF

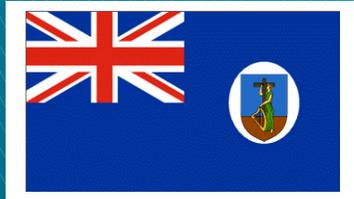
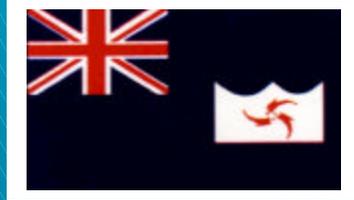
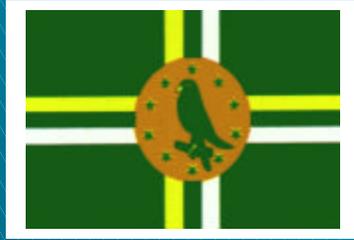
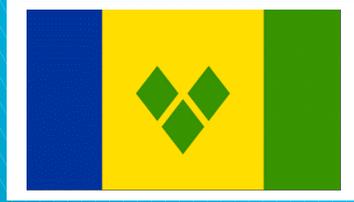
(Vol. 10)
A monthly policy brief on multilateral/hemispheric trade issues of currency for OECS Member States' Trade Policy-makers and the CRNM College of Negotiators



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Hemispheric Trade Integration: An Update of the FTAA Process

The FTAA: A Brief Overview

The FTAA is a comprehensive trade negotiation process embracing the 34 democratic nations of the Western Hemisphere.¹ Its origins date back to the first Summit of the Americas in Miami in December 1994. The Heads of State of the 34 democracies in the hemisphere agreed to construct a 'Free Trade Area of the Americas' or FTAA and to complete negotiations for the agreement by 2005; their decisions can be found in the Miami Summit's Declaration of Principles and Plan of Action.² Following extensive preparatory work over the four years in the wake of 1994, and based on recommendations developed by Trade Ministers at their meeting in San José, Costa Rica, in March 1998, leaders officially launched the negotiations at the second Summit of the Americas in Santiago, Chile, in April 1998. The aim is to reach an agreement that is balanced, comprehensive and consistent with WTO rules on regional agreements.

The FTAA is premised on enabling prosperity through increased economic integration and free trade (where barriers to trade in goods and services and investment are progressively eliminated) among the countries of the Western Hemisphere with a view to raising standards of living. Especially relevant for the Caribbean, this hemispheric integration effort is committed to actively facilitating the integration of the 'smaller economies' in the FTAA process so that they may more readily realize their opportunities and increase their level of development. The FTAA negotiations, which are overseen by a Trade Negotiating Committee (TNC)³, hold the potential for creating the world's

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

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

³ The Trade Negotiating Committee (TNC) plays a broad oversight role in the FTAA process; it has the responsibility of guiding the work of the Negotiating Groups and of deciding on the overall architecture of the Agreement and institutional issues.

largest free trade area, with 800 million people and a combined Gross Domestic Product (GDP) of some US\$11 trillion.⁴

Guiding Principles of the FTAA Negotiations

A number of agreed principles guide the negotiations. These include, among others:

1. Decisions will be taken by consensus;
2. Negotiations will be conducted in a transparent manner;
3. The FTAA will be consistent with WTO rules and disciplines, and should improve upon these rules and disciplines wherever possible and appropriate;
4. The FTAA will be a single undertaking ('nothing is agreed until all is agreed');
5. The FTAA can coexist with bilateral and sub-regional agreements and countries may negotiate and accept the obligations of the FTAA individually or as members of a sub-regional integration group; and,
6. Special attention will be given to the needs of the smaller economies.

Phases of the FTAA Process

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

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

⁴ Gaviria, Cesar, "Integration and Interdependence in the Americas," in Toward Free Trade in the Americas, Washington, DC: Brookings Institution and the Organization of American States, 2001, (Chapter 15, pp 303-316).

Current FTAA Negotiating Groups and Entities

At present there are nine Negotiating Groups and four special committees that form the framework for on-going negotiations in the FTAA and which receive significant technical/analytical assistance, back-stopping and financial support from the FTAA Tripartite Committee.⁵

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

Where do FTAA Negotiations Currently Stand?

The Fifth Meeting of Ministers responsible for trade held in Toronto, Canada, in November 1999, was witness to Negotiating Groups forwarding to the Ministers annotated outlines of their respective FTAA chapters. Pursuant to

⁵ *The Tripartite Committee consists:* the Inter-American Development Bank (IDB), the Organization of American States (OAS) and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

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

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

The tenth meeting of the FTAA TNC is scheduled for 25-27 April, 2002. The tenth meeting of the TNC is critically important as it is scheduled immediately after the April 1, 2002 deadline for submission to the TNC of methods and modalities for negotiations in all Negotiating Groups and immediately preceding the May 15, 2002 initiation of negotiations in all areas. For this reason the upcoming TNC is of critical importance as it is expected that a number of issues pertaining to advancing the FTAA negotiating process, including the initiation of negotiations in all areas on May 15, 2002, will be on the agenda.

The current phase of the FTAA process, in the wake of the Buenos Aires Ministerial, has focused, *in the main*, on broaching methods and modalities for removing the brackets within the existing draft Text. Work has been progressing in all Negotiating Groups to eliminate the brackets from the respective draft texts and to work on consolidating the texts. Importantly, the pace of negotiations has increased and is likely to become more intense as the May 15 deadline for the start of negotiations approaches. The period starting May 2002 will begin in earnest to move the Texts of the Draft FTAA Chapters to a stage where consensus can be built and agreement be reached on language and substance. This, in turn, will lead the way to August 2002 at which time the submission of a second draft version of consolidated texts for all Negotiating Groups will take place prior to an important November FTAA Trade Ministerial Meeting (VIIth Trade Ministerial - scheduled for Quito, Ecuador).

Clearly, the FTAA process is at a critical stage and moving steadily along. As work progresses in the different Negotiating Groups towards the removal of

brackets, and as negotiations begin on specific and multiple technical issues, OECS countries - with the assistance of CARICOM/CRNM negotiators - will be expected to participate even more so in the process.

U.S. Restrictions on Steel Imports: Implications for the FTAA

The timeline reviewed above, however, *'could'* be affected by a March 5 decision by U.S. President George W. Bush, in response to pressure from the U.S. steel industry, which is struggling to compete with cheaper steel products imported to the U.S. from abroad, to severely restrict the U.S. market to steel imports from the rest of the world.⁶ As a result, the U.S. has imposed as much as a thirty percent tariff on imported steel to the United States.⁷ President Bush is imposing the tariffs under a three-year plan to help the ailing U.S. steel industry, arguing that such 'temporary safeguards' are in keeping with the spirit and letter of relevant World Trade Organization (WTO) provisions. This notwithstanding, the EU maintains the U.S. actions are contrary to WTO rules, arguing the U.S. decision fails to meet the requirements of the WTO safeguards agreements on both procedural and substantive grounds.

Brazil has been quick to deplore this latest U.S. action in respect of steel imports. A senior Brazilian trade negotiator, Jose Alfredo Graca Lima, criticized Washington's move saying "we have been an indiscriminate and unfair victim of the United States". Similarly, EU Trade Chief, Pascal Lamy, said "the US decision to go down the route of protectionism is a major setback for the world trading system"; he said further that, "we will do everything we possibly can to protect our own industry and our own jobs". Along with the EU, Brazil said the U.S. decision flouted international trade rules, and promised to launch an immediate complaint with the WTO.

⁶ The U.S.'s NAFTA partners - Canada and Mexico - are excluded from these restrictions.

⁷ The duties range from 8 percent to 30% and will take effect on 20 March – affecting some 10 separate steel products. Details of the tariffs:

1. Tin mill steel, 30%
2. Flat steel products including cold-rolled, plate-rolled and coated sheet steel, 30%
3. Hot-rolled bar and cold-finished bar, 30%
4. Carbon and alloy fitting and flanges, used in car production, 13%
5. Stainless rod, 15%
6. Rebar (product used largely in construction) 15%
7. Slab steel, 30%, but only after the first 5.4 million tons are imported

The significance of this recent tariff action, on the part of the U.S., for the FTAA dispensation is that Brazil is amongst the steel producing nations affected.⁸ Brazil, which recently has been approaching the FTAA process cautiously warned in February that U.S. restrictions on steel – if they come to pass – *could jeopardize the on-going FTAA talks*. The U.S. actions, with respect to steel, then, do not auger well for the momentum in the FTAA negotiations which has already been affected as a result of the financial crisis in the Argentinean economy and the new Argentinean President suggesting that his country might turn in a more protectionist direction.

Concluding Remarks

The current dispute over steel has the potential of, at best, stalling and at worst derailing trade negotiations at the hemispheric levels. This is a very real possibility as the dynamic of and climate for hemispheric trade negotiations will change as the pace and spirit of cooperation will be tempered by the current row over steel imports into the U.S. This notwithstanding, Caribbean trade policy officials should temper their conceptual considerations on this matter – especially as they relate to integration in the Western Hemisphere – by noting that U.S. policy-makers have believed for decades that hemispheric integration is a center-piece of spurring economic growth and creating political stability in Latin America & the Caribbean. In this respect the Caribbean cannot afford to be complacent as the FTAA process will, ultimately, move along steadily under the stewardship of the U.S.

All correspondence should be directed to:



⁸ The steel exporting countries most directly affected by the U.S. decision to severely restrict the US market to steel imports are Australia, Brazil, China, European Union, Japan, Russia, South Korea, Turkey, and Ukraine.