

Negotiations for a Free Trade Area of the Americas Enter a New Phase

By Robert Spitzer and Loyd Coonrod

The President has made trade in this hemisphere one of his top priorities. The Third Summit of the Americas meeting in Quebec City, Canada, in April, proved a case in point. There, 34 heads of state agreed to conclude negotiations to form a Free Trade Area of the Americas (FTAA) by Jan. 1, 2005, with implementation by Dec. 31, 2005.

By reaching this consensus, the nations of the Western Hemisphere have set a course for the next phase of FTAA negotiations.

In the Beginning...

The effort to create the world's largest, most comprehensive free trade area, stretching from the Arctic to Tierra del Fuego, began in Miami, Florida, in 1994 at the First Summit of the Americas.

After that historic meeting, four ministerial meetings took place under the preparatory phase of the FTAA process. They were held in Denver, Colorado—1995; Cartagena, Colombia—1996; Belo Horizonte, Brazil—1997; and San José, Costa Rica—1998.

At the Second Summit of the Americas in Santiago, Chile, in April 1998, heads of state agreed to move into the formal phase of negotiations. Accordingly, nine FTAA negotiating groups were established covering agriculture; competition policy; dispute settlement; government procurement; intellectual property rights; investment; market access; services; and subsidies, antidumping and countervailing duties.



Accomplishments at the Sixth Ministerial

At a sixth ministerial meeting, in Buenos Aires, Argentina, in April 2001, firm benchmarks were established for the next critical phase of negotiations. Setting a precise timeframe for the agreement's entry into force was a significant accomplishment.

Another important achievement was agreement that methods and procedures for the market access negotiations in merchandise trade, services, government procurement and investment should be decided by April 1, 2002. Detailed product- and sector-specific market access negotiations should begin by May 15, 2002.

The scheduling is short. This time line gives the nine negotiating groups less than a year to sort out several differing, and in many cases conflicting, proposals on how these negotiations should be conducted. Nevertheless, agreeing on these milestone dates was a significant step forward to help focus the negotiations on clear objectives with definitive timeframes.

Where Do We Go From Here?

The process is far from over; the most important and difficult work is yet to be done. In addition to the framework for the market access negotiations, negotiators must make progress on the text of the agreement. Over the last year and a half, draft text for each chapter of the FTAA Agreement was compiled and submitted to the trade ministers in Buenos Aires.

To bypass stumbling blocks, these drafts contain what is known as bracketed text. Bracketed text appears wherever a participant objects to proposed text by another participant or one or more participants propose different wording on the same issue. It also appears around small revisions when a participant agrees in general with pro-

posed wording, but suggests changing one or two words. At this point, there are brackets within brackets within brackets. The challenge for the next year and a half of negotiations is to remove as many of the brackets as possible.

Examples of bracketed text include the section on "Other Measures and Practices That Distort Trade in Agricultural Products." In this section, provisions are included to commit participants to work toward reducing domestic subsidies as called for by the World Trade Organization. But the section also includes provisions requiring specific reductions in domestic subsidies as part of the FTAA Agreement.

In addition, the section includes provisions to restrict the use of export taxes or export credits, while other provisions establish limits on the activities of monopoly State Trading Enterprises, which conduct trade exclusively for a country through a government agency.

Another example of bracketed text occurs in the section on "Sanitary and Phytosanitary Measures."

Some provisions refer to cooperation in multilateral standards-setting bodies, while others spell out specific rules and requirements which must be

met when any new measure is introduced. All of these issues are on the table, but there is no consensus on any of them. These contradictory provisions will need to be reconciled.

During the next year and a half, the nine negotiating groups will intensify their efforts to eliminate the brackets from the draft text before it is submitted to trade ministers for consideration at a seventh

Chronology of FTAA Talks

Summit of the Americas

1994–Miami, Florida
1998–Santiago, Chile
2001–Quebec City, Canada

Trade Ministerials

1995–Denver, Colorado
1996–Cartagena, Colombia
1997–Belo Horizonte, Brazil
1998–San José, Costa Rica
1999–Toronto, Canada
2001–Buenos Aires, Argentina

Future Milestones

- April 1, 2002–Methods/Procedures for Market Access Negotiations Finalized
- May 15, 2002–Detailed Market Access Negotiations Begin
- October 2002–Seventh Ministerial in Ecuador
- Jan. 1, 2005–FTAA Negotiations Conclude
- Dec. 31, 2005–FTAA Implementation



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ministerial meeting set for October 2002 in Ecuador.

Potential Benefits for U.S. Agriculture

The United States has much to gain from an FTAA agreement and much to lose if a hemispheric free trade area were created without U.S. participation.

According to preliminary USDA analysis, U.S. participation in the FTAA could increase annual U.S. agricultural exports to the hemisphere by 8.4-9.2 percent and imports by 6.7-8.8 percent. In dollars, U.S. agricultural exports to the hemisphere could increase \$1.6-\$1.7 billion annually based on 2000 trade data and imports could increase \$1.4-\$1.8 billion. U.S. exports of wheat, livestock, meat and processed products could increase.

If the United States were to choose not to participate in the FTAA, annual U.S. ag-

ricultural exports to the Western Hemisphere could decline as much as 1.5 percent or \$276 million based on 2000 trade data. The largest losses in terms of exports could occur in wheat, other grains, and processed products. USDA is currently working to update this analysis.

These estimates reflect only the effect of removing tariffs under the FTAA. They do not include the potentially larger "dynamic" gains for U.S. trade that are expected to result from increases in savings, investment and productivity throughout the hemisphere following further trade liberalization.

With the FTAA, U.S. agricultural trade will grow and so will the U.S. economy. Currently, the business of agriculture, from production to processing to transportation to marketing, generates about 16 percent of U.S. economic activity and employs

nearly a million U.S. workers in all 50 States.

Over the next decade, food consumption in Latin America is expected to surge as a growing middle class, with rapidly rising disposable incomes, purchases more and better food. The expanding demand from this market of 450 million consumers (outside the North American Free Trade Agreement countries) will help sustain a strong and prosperous U.S. agricultural sector, while fueling the engine of the U.S. economy. ■

The authors are U.S. agricultural economists in FAS' International Trade Policy program area in Washington, D.C. Tel.: (202) 720-6887; Fax: (202) 720-0069; E-Mail: spitzer@fas.usda.gov and coonrod@fas.usda.gov.