

PECC TRADE POLICY FORUM

Bangkok, Thailand



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Inter-American Development Bank
Integration and Regional Programs Department
Institute for the Integration of Latin America and the Caribbean

RTA DEVELOPMENTS IN THE WESTERN HEMISPHERE



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OLD REGIONALISM

- **SUPPORT STATE-LED IMPORT SUBSTITUTION INDUSTRIALIZATION**
- **INTEGRATION TO OVERCOME ISI LIMITATIONS THROUGH CREATION OF A REGIONAL MARKET**
- **REGIONAL INTEGRATION AND DEVELOPMENT MODEL INWARD-LOOKING**
- **LIBERALIZATION BASED ON MULTIPLE POSITIVE LISTS EMERGED FROM STEP-BY-STEP NEGOTIATIONS**

NEW REGIONALISM ↔ STRUCTURAL REFORMS

- **Deepening Trade Liberalization**
- **Broadening Scope Reforms and Institutions**
- **Signaling and Lock-in Commitments**
- **Creating and Diversifying Trade**
- **Attracting Foreign Investment**
- **Dynamic Economic Transformation Effects**
- **Geopolitical Tool**
- **Enhanced Regional Cooperation**

TRADE AGREEMENTS IN THE AMERICAS IN THE 1990s

AGREEMENTS IN FORCE	Date of Signature	Entry Into Force
Caribbean Community (CARICOM) ¹	1973	1973
Chile-Mexico ²	1991	1992
Central American Common Market (CACM) ³	1960	1961
Chile- Venezuela	1993	1993
North American Free Trade Agreement (NAFTA)	1992	1994
Colombia-Chile	1993	1994
Southern Cone Common Market (MERCOSUR)	1991	1995
Costa Rica-Mexico	1994	1995
Group of Three (G-3)	1994	1995
Bolivia-Mexico	1994	1995
Chile-Ecuador	1994	1995
Andean Community ⁴	1969	1969
Chile-MERCOSUR	1996	1996
Canada-Chile	1996	1997
Bolivia-MERCOSUR	1996	1997
Mexico-Nicaragua	1997	1998
Chile-Peru	1998	1998
CACM-Dominican Republic ⁵	1998	1999
CARICOM-Dominican Republic ⁵	1998	1999
Mexico – European Union ⁶	1999	2000
Mexico – Northern Triangle ⁶	2000	2001

SELECTED AGREEMENTS UNDER DISCUSSION

Regional: Free Trade Area of the Americas (FTAA); Andean Community-Panama; CACM-Chile; CACM-Panama; Chile-Panama; Mexico-Ecuador; Mexico-Panama; Mexico-Peru.

Extra-Regional: MERCOSUR-EU; Chile-EU; Chile-US; Chile-South Korea; CARICOM-EU (post-Lomé IV); APEC; Mexico Japan.

Source: Integration, Trade and Hemispheric Issues Division, IDB.

- Notes:
1. CARICOM is now updating its founding treaty in order to establish the legal basis for moving towards a single market.
 2. The parties have substantially revised and upgraded this accord; a new agreement is in force since August 1, 1999.
 3. The Presidents agreed to re-activate CACM in 1990 (Montelimar Summit) and opted to definitively pursue a customs union in 1993 (Protocol of Guatemala).
 4. The 1988 Protocol of Quito calls for amendments to the group's founding treaty. In 1996, the Group's name was changed to the Andean Community and its institutional structure was revised (December Declaration of Trujillo).
 5. Awaiting (sufficient) legislative approval.
 6. Northern Triangle Includes El Salvador, Guatemala, and Honduras.

LAC INTEGRATION KEY FEATURES & ISSUES

- REGIONAL INTEGRATION AS PART OF A NEW OVERALL STRATEGY FOR DEVELOPMENT:

OPENING TO WORLD MARKETS

PROMOTION OF PRIVATE SECTOR INITIATIVE

WITHDRAWAL OF STATE FROM DIRECT ECONOMIC ACTIVITY

PART OF THREE-TIERED PROCESS WITH THE UNILATERAL AND MULTILATERAL LEVELS

LAC INTEGRATION KEY FEATURES & ISSUES

ATTRACTING FDI AS A CONTRIBUTION TO
ENHANCED INTERNATIONAL COMPETITIVENESS

PROMOTION OF INTRAREGIONAL TRADE AND
INVESTMENT AS MEANS OF GENERATING
DYNAMIC TRANSFORMATION EFFECTS IN
PRODUCTIVE SECTORS

GEOPOLITICAL EFFECTS BY INCREASING
PARTICIPATION IN HEMISPHERIC AND WORLD
FOR A, CONSOLIDATION OF INSTITUTIONAL
STABILITY AND END TO TRADITIONAL BORDER
DISPUTES

LAC INTEGRATION KEY FEATURES & ISSUES

LIBERALIZATION MECHANISMS ON TARIFFS MOVED TO PHASE-OUT PROGRAMS BASED ON PREPROGRAMMED QUICK, AUTOMATIC AND UNIVERSAL SCHEDULES

HIGH PERCENTAGE OF PRODUCTS ARE LIBERALIZED IMMEDIATELY WITH SPECIAL PHASE-OUT PERIODS FOR “SENSITIVE” ITEMS

INCREASING IMPORTANCE AND SOMETIMES DISCRETIONARY APPLICATION OF RULES OF ORIGIN TO DETERMINE ELIGIBILITY FOR PREFERENTIAL ACCESS

LAC INTEGRATION KEY FEATURES & ISSUES

MARKET DRIVEN INTRAREGIONAL TRADE AND INVESTMENT DECISIONS FOR EXPANSION OF REGIONAL MARKET

MODEST SPECIAL AND DIFFERENTIAL TREATMENT

CASCADING OF AGREEMENTS: WHERE UPGRADING OF LIBERALIZATION INCLUDES THE SO-CALLED “NEW ISSUES”

SCALING DOWN COMPLEX AND COSTLY INSTITUTIONAL STRUCTURES

STRONGER ON IMPLEMENTATION AND COMMITMENTS

SOME OLD FEATURES OF NEW REGIONALISM

EXCESSIVE USE OF “IRREGULAR” UNILATERAL MEASURES TO DEAL WITH DISRUPTIVE TRADE IMBALANCES: NO PROVISION FOR SAFEGUARD CLAUSES, INSUFFICIENT ATTENTION TO FORMAL DISPUTE SETTLEMENT MECHANISMS AND NEED FOR AN ENHANCED AND TRANSPARENT RULES-BASED SYSTEM

THERE IS STILL CONSIDERABLE SECTORAL SELECTIVITY IN LIBERALIZATION SCHEDULES AND USE OF RULES OF ORIGIN

DIFFICULTIES IN ESTABLISHING AND MAINTAINING A COMMON EXTERNAL TARIFF FOR CUSTOMS UNIONS

CHRONOLOGY OF THE FTAA PROCESS (1)

PRE-NEGOTIATION PERIOD

- **December 1994: I Summit of the Americas (Miami)**
FTAA process launched
- **January 1995: OAS Special Committee on Trade**
Establishes initial work plan and timetable
- **June 1995: Denver Ministerial Meeting**
7 Working Groups established; IDB-OAS-ECLAC Tripartite Committee charged with providing technical support
- **March 1996: Cartagena Ministerial Meeting**
4 Additional Working Groups established
- **May 1997: Belo Horizonte Ministerial Meeting**
Working Groups mandated to complete all work by next Ministerial; 1 Additional working Group established

CHRONOLOGY OF THE FTAA PROCESS (2)

PRE-NEGOTIATION PERIOD (Cont.)

- **March 1998: San José Ministerial Meeting**

Launch of negotiations is recommended; Agreements reached on structure, calendar, leadership, and location of negotiations.

9 Negotiating Groups, 2 Committees, 1 Consultative Group established

- **April 1998: II Summit of the Americas (Santiago)**

Heads of State launch negotiations

CHRONOLOGY OF THE FTAA PROCESS (3)

NEGOTIATION PERIOD

- **June 1998: Buenos Aires Trade Negotiations Committee Meeting**
Vice Ministers set forth comprehensive work program for each Group and Committee
- **September 1998: FTAA Administrative Secretary established in Miami**
- **September 1998: Commencement of Negotiating Group and Committee meetings**
- **November 1999: Toronto Ministerial Meeting**
Annotated outlines of eventual FTAA Chapters reviewed;
Package of business facilitation measures approved;
Negotiating Groups mandated to produce bracketed text of eventual Chapters

CHRONOLOGY OF THE FTAA PROCESS (4)

NEGOTIATION PERIOD (Cont.)

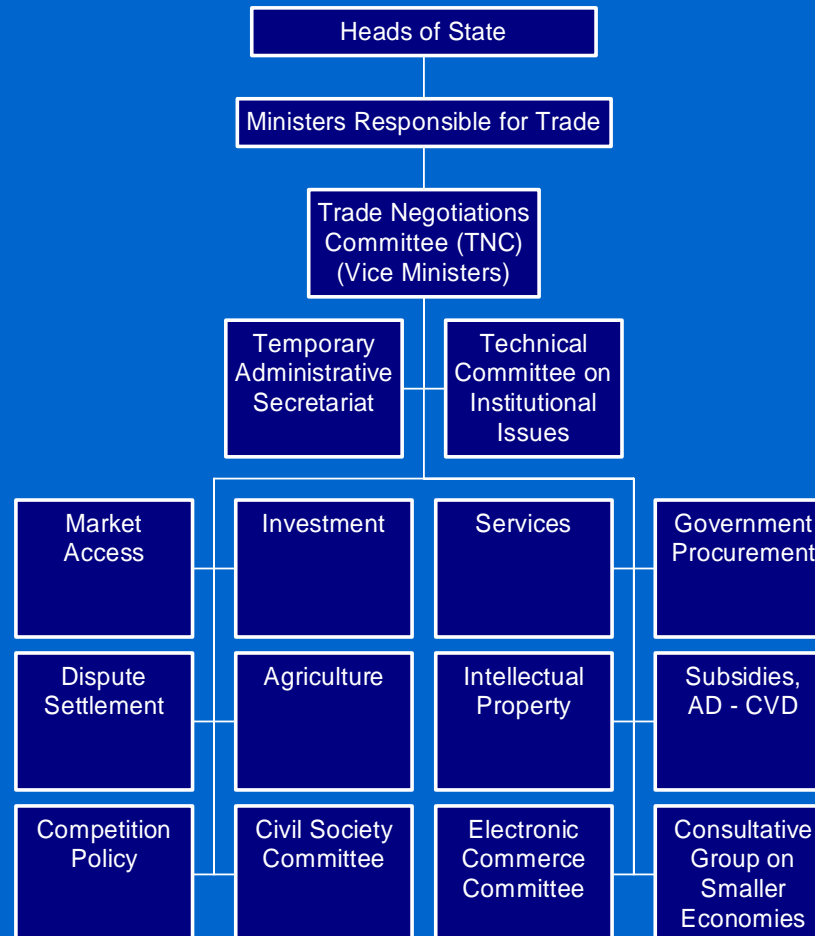
- **January 2000: Commencement of implementation of business facilitation measures**
Thereby fulfilling mandate to make “concrete progress” by 2000
- **March 2001: Transfer of Administrative Secretariat to Panama City**
- **April 2001: Buenos Aires Ministerial Meeting**
Review of bracketed text, issuance of new instructions
- **April 2001: III Summit of the Americas (Quebec City)**
Public release of the FTAA bracketed text in four languages
- **October 2002: Ecuador Ministerial Meeting**

CHRONOLOGY OF THE FTAA PROCESS (5)

NEGOTIATION PERIOD (Cont.)

- **November 2002: Commencement of Brazil/United States Co-Presidency**
- **March 2003: Transfer of Administrative Secretariat to Mexico City**
- **January 1, 2005: Conclusion of Negotiations**
- **December 2005: Entry into force of the FTAA Agreement**

STRUCTURE OF THE FTAA NEGOTIATIONS



ACTORS IN THE PROCESS



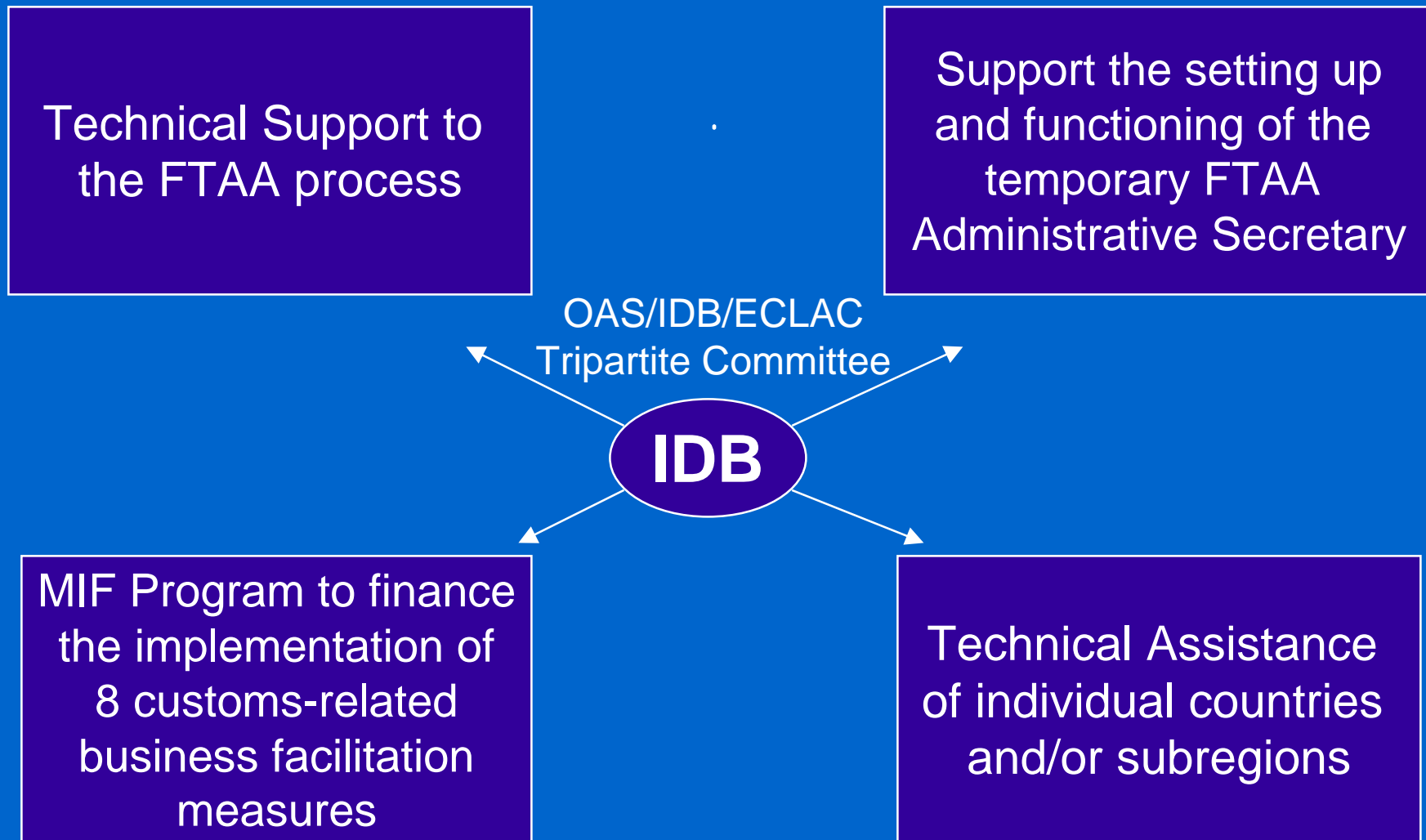
CHAIRMANSHIP OF THE FTAA

DATES	CHAIR	VICE-CHAIR
May 1, 1998- October 31, 1999	CANADA	ARGENTINA
November 1, 1999- April 30, 2001	ARGENTINA	ECUADOR
May 1, 2001- October 21, 2002	ECUADOR	CHILE
November 1, 2002- January 1, 2005	Co-Chair BRAZIL & USA	-

LOCATION OF THE NEGOTIATIONS & TEMPORARY ADMINISTRATIVE SECRETARIAT

DATE	LOCATION
May 1, 1998- February 28, 2001	Miami, United States
March 1, 2001- February 28, 2003	Panama City, Panama
March 1, 2003- December 2005	Mexico City, Mexico

ROLE OF THE IDB



SELECTED FTAA OUTPUTS (1)

In IDB Supported Groups

PRE-NEGOTIATION PERIOD

- Hemispheric Market Access Database
- Comparative Study of Market Access Negotiations in the Americas
- Hemispheric Guide on Customs Procedures
- Study on the Main Provisions of Rules of Origin in the Americas
- Foreign Investment Regimes in the Americas: A Comparative Study
- National Legislation, Regulations and Procedures Regarding Government Procurement in the Americas
- Government Procurement Rules in Integration Arrangements in the Americas

SELECTED FTAA OUTPUTS (2)

In IDB Supported Groups

NEGOTIATION PERIOD

Phase I: Toronto

- Annotated Chapter Outlines for Market Access, Agriculture and Government Procurement that reflect the positions of the countries
- Maintenance and updating of Hemispheric Database

Phase II: Buenos Aires

- Harmonized bracketed text for 7 Draft FTAA Chapters that reflect the positions of the countries
- Study on Special and Differential Treatment in trade agreements
- Maintenance and updating of Hemispheric Market Access Database

FTAA PROCESS: DELIVERING RETURNS ALREADY (1)

NEGOTIATION PROCESS

- Hemispheric Espirit De Corps in Trade
- Increased Transparency
- Business Facilitation Measures Approved
- Learning Experience
- Strengthening Subregional Integration
- Strengthening Multilateral System
- Drawing Effective Support from Regional Organizations (OAS/IDB/ECLAC)
- New standards of transparency in trade negotiations

FTAA PROCESS: DELIVERING RETURNS ALREADY (2)

STRUCTURAL REFORM

- Supporting Reforms (new Regionalism)
- Inducement to Institutional Strengthening

HEMISPHERIC RELATIONS

- Lessons for other Areas of Summit Americas
- Raising Profile of Trade in OAS/IDB/ECLAS and other Regional Organizations
- Promoting Hemispheric Business Community

APPROVED BUSINESS FACILITATION MEASURES (1)

CUSTOMS-RELATED MEASURES

- Temporary Importation/Admission of Certain Goods Related to Business Travelers
- Express Shipment
- Simplified Procedures for Low Value Shipments
- Compatible Electronic Interchange (EDI) Systems and Common Data Elements
- Harmonized Commodity Description and Coding System (HS 1996)
- Customs Information Dissemination/ Hemispheric Guide on Customs Procedures
- Codes of Conduct for Customs Officials
- Risk Analysis/ Targeting Methodology

APPROVED BUSINESS FACILITATION MEASURES (2)

TRANSPARENCY MEASURES

- Disseminate and update through the FTAA Home Page information on tariffs and trade flows.
- Publish and disseminate the document “National Practices on Standards, Technical Regulations and Conformity Assessment in the Western Hemisphere”.
- Disseminate and update list of National Contact Points through the FTAA Home Page.
- Disseminate through the FTAA Home Page procedures and requirements for temporary entry of business persons in each of the FTAA countries.
- Link ECLAC Report on Foreign Investment in Latin America and the Caribbean to the FTAA Home Page.

APPROVED BUSINESS FACILITATION MEASURES (3)

TRANSPARENCY MEASURES (Cont.)

- Disseminate and update through the FTAA Home Page information on commercial arbitration regimes and services in the Hemisphere.
- Disseminate and update through the FTAA Home Page the Compendium on AD-CVD Laws in the Western Hemisphere.
- Disseminate and update through the FTAA Home Page the Inventory of Domestic Laws and Regulations referring to Competition Policy in the Western Hemisphere.
- Disseminate and update through the FTAA Home Page the Inventory of Dispute Settlement Provisions in existing Agreements in the Hemisphere and in the WTO.
- Make information on government regulations, procedures and competent authorities more accessible using Internet links to the FTAA Home Page, in the areas of negotiation.

MAJOR OUTPUTS FTAA NEGOTIATIONS (1)

Phase II Buenos Aires Ministerial, April 2001

- Draft bracketed text for FTAA Chapters
Substantial document of more than 400 pages
- Public release of the draft bracketed FTAA text, in four languages, following the Summit in Quebec City
- Clear roadmap for 2001-2002 negotiations

Instructions and target dates on:

- methods and modalities for negotiations²⁷ on market access, rules of origin, safeguards agriculture, export subsidies and other trade-distorting practices, investment, subsidies and trade remedy law, services, and government procurement.
- identification of non-tariff barriers and methodology for their treatment
- define treatment of sanitary and phytosanitary measures

MAJOR OUTPUTS FTAA NEGOTIATIONS (2)

Phase II Buenos Aires Ministerial, April 2001 (cont.)

- Clear roadmap for 2001-2002 negotiations (cont.)

Instructions and target dates on: (cont.)

- a complete Hemispheric Data Base with the support of the Tripartite Committee
- treatment of smaller economies

Set Dates:

- April 1, 2002: conclude consensus recommendations on all these issues
 - May 15, 2002: initiate specific negotiations on tariffs, rules of origin, agriculture, services, investment and government procurement
- Precise decisions regarding the conclusion of negotiations: January 1, 2005, as well as the compromise to seek its entry into force by December 2005

MAJOR OUTPUTS FTAA NEGOTIATIONS (3)

Phase II Buenos Aires Ministerial, April 2001 (cont.)

- A process of increasing and sustained communication with civil society, including dissemination programs with support requested from the Tripartite Committee
- Establishment of a Technical Committee on Institutional Issues, chaired by Argentina, with the following mandate:
 - prepare recommendations regarding issues of the future general structure of the FTAA Agreement
 - institutional architecture for the operation of the Agreement
 - other horizontal issues: preamble, final clauses, etc.
- Acknowledgement of the technical, analytical and financial support of the Tripartite Committee, the IDB and the MIF regional technical cooperation program.

SELECTED QUESTIONS (1)

- Final balance of concessions?
 - Latin America and the Caribbean: agriculture, textiles, disciplines on antidumping
 - USA, Canada: tariffs, investment, services, intellectual property
- Fast track in the US?
 - The Bush administration has signaled that it will seek its approval by Congress soon
 - Latin America and the Caribbean require its approval as a signal
- Labor and environmental issues?
 - Politically sensitive issues in USA political circle.
 - Latin America and the Caribbean strongly rejects the imposition of trade sanctions for non compliance of environmental or labor legislation

SELECTED QUESTIONS (2)

- Interaction with WTO?
 - Consistency with WTO Agreements
 - Incorporation of the results of an eventual new multilateral round of trade negotiations

- Challenges for smaller economies?
 - Institutional capacity and identification of bottlenecks
 - Adjustment costs, including fiscal
 - Socially responsible management of social costs

SELECTED QUESTIONS (3)

- Future of subregional integration agreements?
 - “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.”
 - Deepen subregional integration
 - ✕ policy harmonization (trade, fiscal, social and macroeconomic)
 - ✕ infrastructure for integration
 - ✕ customs modernization and cooperation
 - ✕ development of border zones
 - ✕ subregional improvement and strengthening of WTO disciplines: more transparency, additional cooperation mechanisms, clear provisions, etc.

A VIEW OF US INTERESTS

TO OBTAIN TPA THE US ADMINISTRATION MUST FIND SOME MIDDLE GROUND ON THE LABOR AND ENVIRONMENT ISSUES

THE US WILL USE ONE SET OF NEGOTIATIONS AS LEVERAGE TO ANOTHER SET (FOR EXAMPLE FTAA VIS A VIS WTO)

TWO TOUGHEST AREAS: ANTIDUMPING AND AGRICULTURE

USE NEGOTIATION OF BILATERAL FTAs TO INCREASE PRESSURE ON SOME LAC NEGOTIATORS

KEY US-BRAZIL RELATIONSHIP / EU-MERCOSUR DEVELOPMENTS

AN AGENDA FOR ASIA-PACIFIC/LAC CONSULTATION ON REGIONAL INTEGRATION

EMPIRICAL EVALUATION OF MICROECONOMIC IMPACT OF
REGIONAL INTEGRATION ON TRADE AND FDI

IMPLICATIONS OF INCREASING NUMBER OF BILATERAL
AGREEMENTS FOR THE MULTILATERAL SYSTEM

DEEPENING OF REGIONAL AGREEMENTS BEYOND TRADE
THROUGH POLICY COORDINATION

CONVERGENCE OR DIVERGENCE IN FRONT OF A NEW
WTO ROUND

INTERREGIONAL INFORMATION GAP FOR BUSINESS
COLLABORATION