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Preparations Nearly Complete for Second Summit of the Americas

by LADB Staff

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When the hemisphere's leaders come together at the Summit of the Americas in Santiago de Chile in April, the Free Trade Area of the Americas (FTAA) will be the primary focus. While the failure of US President Bill Clinton to obtain fast-track negotiating authority has not derailed the FTAA, it has allowed other countries, especially Canada and Brazil, to play much more prominent roles in the process (see NotiSur, 05/02/97 and 02/27/98).

At the recent ministerial-level meeting in San Jose to finalize preparations for the summit, delegates hammered out a compromise that allows everyone to arrive in Santiago claiming victory. Washington's loss is Latin America's gain. Until recently, many Latin Americans said that without fast track, the FTAA was dead. But participants in the preparatory phase are now interpreting Washington's reduced maneuvering capacity as an advantage for the region. The Southern Cone Common Market (MERCOSUR) and other Latin American trade blocs see any delay from Clinton's lack of fast track as potentially beneficial because it will allow more balanced negotiations and give the Latin Americans time to improve their internal situations (see NotiSur, 11/14/97).

Miguel Rodriguez, head of the trade division of the Organization of American States (OAS), said that "the end result differs radically from the initial pessimistic view" regarding fast track. Latin American and Caribbean nations have begun to see the FTAA "as something in their own interests," rather than something they were "dragged into by Washington." It has become more clear that it will be "a long process," a hemispheric process, in which "no country can impose its own pace," said Rodriguez. "In short, today the FTAA is not the US."

Rodriguez also said Canada had been the most important player in North America throughout the preparatory phase. "From the word go, Canada has understood, taken up, and motorized the FTAA," he said. Brazil continues to be the strongest voice for moving slowly as others rush toward hemispheric free trade. Brazil has said its priority is the consolidation of MERCOSUR which also includes Paraguay, Uruguay, and Argentina, with Chile and Bolivia as associate members. "I believe we all need to analyze our trade interests and ask ourselves a simple question with the FTAA, will we have better access to North American markets, yes or no?" said Brazil's Jose Botafogo Gonsalves. "If the answer is yes, the FTAA interests us all, but if it is no, then the FTAA would not interest us."

At San Jose everyone wins

The preparatory meeting in San Jose created nine working groups that will begin to negotiate this year in Miami, where they will meet until February 2001. Panama City will host the meetings until February 2003, and Mexico City until the FTAA is launched in 2005. Canada will chair the process from May 1998 to October 1999, Argentina until April 2001, Ecuador until October 2002, and finally Brazil and the US will co-chair the talks until December 2004.

The ministers struck a compromise on labor and environmental concerns by agreeing to the creation of a committee of government representatives through which civil society can express its concerns regarding labor, environmental, social, and even trade questions. The proposed committee fell short of US demands for a study group on labor and environmental issues, but also avoided the position of countries like Mexico that wanted labor and environment excluded from the negotiation process.

US Trade Representative Charlene Barshefsky said that, for the first time in 40 years, the US won a victory in labor and environmental issues. "This is what we've been after for four years," said Barshefsky, noting input will be received equally from business organizations, unions, environmental groups, and academia. Not all recommendations will be acted on, but those deemed to have merit in a process still undefined will be distributed to all participants. Both Brazil and the US came away with significant gains that affect their respective trade agendas. Although the US called for study groups on environmental and labor, the administration can at least go back to those groups saying their importance was recognized.

The designation of Miami as the site of negotiations through 2001 is also important to the Clinton administration, which hopes it will raise the profile of the process and win congressional support for fast track. The Brazil-led MERCOSUR can also claim important victories. Argentina will serve as the first chair for negotiations on agriculture, a top priority of Brazil, which complains that the US keeps out citrus and other of its agriculture exports. Perhaps most important for Brazil, it will co-chair with the US the final three years of negotiations. The US is the largest foreign investor in Brazil among the fastest-growing markets for US exports and the source of much of Brazil's trade deficit.

The FTAA process could either strengthen the Brazil-US trade relationship or strain it even further. As the first chair of the process, Canada will play an enormously important role in the negotiations and will set the tone for the talks. While the Clinton administration's trade agenda was being stalled by Congress, Canada moved ahead on its own, reaching a trade agreement with Chile and beginning talks with MERCOSUR (see NotiSur, 01/23/98). Canada intends to be a major player in hemispheric trade and wants to get negotiations off to a strong start, said Canadian Trade Minister Sergio Marchi.

Declaration launches FTAA process

The San Jose Declaration fills the same role as the Punta del Este Declaration, which launched the Uruguay Round of trade negotiations in 1994. It's four main negotiating principles are: *All nations on the continent will participate (except Cuba, which was expelled from the OAS in 1961), and they will work on a consensus basis, with no one group able to impose a decision on any other.

*The negotiations must be "consistent with the WTO," meaning all import and export tariffs must be eliminated within 10 years from the beginning of the process in absolutely all sectors.

* The countries may participate either individually or as groups. Central America, the Andean Community, the English-speaking Caribbean Community and MERCOSUR all plan to act as blocs. Meanwhile, the three nations of the North American Free Trade Agreement (NAFTA) Canada, Mexico, and the US will act individually, as will Panama and the Dominican Republic.

*Negotiations must be "considered as a whole," meaning no element will be agreed until everything is agreed. (Sources: Notimex, 03/04/98, 03/14/98, 03/16/98; Associated Press, 03/18/98; Reuter, 03/17/98, 03/19/98; Inter Press Service, 03/17/98, 03/20/98; Journal of Commerce, 03/20/98)

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