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# The Free Trade Area of the Americas: A Latin American Perspective on Future Prospects

*Manuela Tortora\**

*"Oft expectation fails, and most oft there where most it promises."*

Shakespeare

## Summary

The negotiation of the Free Trade Area of the Americas (FTAA) began on September 1 in Miami with the participation of thirty-four countries. This process has enormous relevance to hemispheric relations. Indeed, the FTAA is the most ambitious project ever launched in the Americas—a project teeming with political implications besides the obvious economic ones. This article explores the future of this process in the next few months. It includes more questions than answers, and it tries to highlight how the project's expectations will face the realities. The establishment of an FTAA will not be an easy task for any of the participants involved.

To what extent will the FTAA redesign the hemispheric relations? What changes can be expected? How divergent are the views of the United States and those of the Latin American and the Caribbean countries on the relevance and the goals of the FTAA? Does this initiative have the same meaning for all parties? What can reasonably be achieved with this project? Clearly, the FTAA will have to face technical and political obstacles inherent to its complex nature. But much more will come from the international economic environment that is currently surrounding the process.

On September 1, the negotiations on the Free Trade Area of the Americas (FTAA) entered a decisive phase. After more than three years of preparatory work, the countries of the Western hemisphere (with the exception of Cuba) decided to begin negotiations within nine working groups. Furthermore, the hemispheric countries decided that all talks must conclude, whether or not successfully, by 2005. Thus, during the coming months, the Foreign Trade Ministries and other economic bureaus of Latin American and Caribbean countries will focus on these negotiations.

It is not an exaggeration to view the FTAA project as a political investment and economic bet of major significance in the history of hemispheric relations. Even if it only represents one element of a bigger scheme including other fields in addition to trade, it is

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obvious that the FTAA's success or failure will determine the framework of future relations between the United States and the nations of the Caribbean and Latin America.

Whether the expectations the FTAA has given rise to ever since the 1994 Miami Summit—both within governments and the private sector—will match the results remains to be seen. For the moment, it appears that the road to the FTAA is mined with frustrations.

## I. Towards a New Hemispheric Relation?

Ever since the nineteenth century, relations between the United States and the countries south of the Rio Grande have been marked by tensions, asymmetries, and a lack of understanding. After an array of political initiatives ranging from 1824's Monroe Doctrine to the "carrot and stick" of the 1930s, it was not until the "good neighbor policy," and particularly President John F. Kennedy's Alliance for Progress, that the issue of "cooperation" was introduced for the first time in the debate on hemispheric relations.

The following decades were characterized by ideological differences in both the political (within the framework of the cold war) and economic arenas (particularly regarding trade and investment) and by new initiatives launched by the United States in an effort to restructure hemispheric cooperation by targeting only select countries. During the 1980s, with the foreign debt crisis and the Central American conflict as background, Washington announced the Caribbean Basin Initiative, then the Andean Trade Preferences, and finally the hemisphere-oriented Bush Initiative, which in 1994 became the FTAA. The main difference between this project and the previous ones is that the FTAA is not conceived as a "welfare" cooperation system in which the United States grants unilateral concessions and assistance. The FTAA represents a new economic relation based on reciprocity the exact content of which will depend on the results of the negotiations.

The shift in Latin American and Caribbean countries' domestic economic policies that began at the end of the 1980s—without which Washington would not even have conceived a FTAA—is the new background for this latest initiative. It implies two fundamental changes. First, the opening up of national economies, which constitutes the FTAA's ideological foundation. Second, the concept of reciprocity. Reciprocity is the abandonment of the special and differential treatment which was, until the last decade, the cornerstone of Latin America's foreign economic policy vis-à-vis the United States and the rest of the industrialized countries.

To a good extent, the expectations derived from the FTAA spring from a belief that the new ideological consensus that has brought uniformity to the economic policies of the hemisphere's countries, as well as the disappearance of Cold War conflicts, will insure the success of this initiative. In reality, these are necessary conditions, but they are not enough to spell success.

On the economic negotiations table, the similarity of ideas and a favorable climate for expanding relations do not guarantee results that will meet Latin American and Caribbean long range development priorities and the region's need to strengthen its new political relations with the United States through updated economic cooperation instruments.

The question here is what place does Latin America hold in the United States' global foreign policy map. One of the expectations unleashed by the FTAA is that the region supposedly holds a priority place in the scale of Washington's concerns and that this gives it the "right" to expect a preferential treatment compared with other regions of the world.

In reality, there is no such priority in place, neither in the political nor in the economic and trade areas, especially if we consider the countries of Latin America and the Caribbean as a whole (with the exception of Mexico, a neighboring country, now a member of the North American Free Trade Area).

On the economic front, the United States' trade figures with its future FTAA partners are not so significant as to warrant granting more importance to that project over many other of its priorities in the international arena. Only 19.5 percent of the United States' exports and 15 percent of its total imports are to and from Latin America and the Caribbean (half of those figures correspond to Mexico). In 1950, those figures were 27.9 percent and 34.1 percent, respectively—in this sense, the FTAA was more justifiable then than now.

On the political front, and still from Washington's perspective, the new hemispheric relation resulting from economic globalization and the absence of ideological conflicts derive from an agenda that reflects the United States' objectives for any area of the world: the struggle against drug trafficking, money laundering and corruption, immigration controls, human rights and democracy, environmental protection, and "good governance." Those objectives are valid with or without the FTAA, but obviously the FTAA is conceived as an effective tool to achieve them.

On the other hand, from the Latin American perspective, the FTAA's negotiation holds a different place in the external policies of the region. For the Central American and Caribbean countries, trade and investments with the United States absorb a proportion of eighty percent of their total external economic links, while this proportion goes down to forty percent for the Andean countries and twenty percent for MERCOSUR.

Therefore, the FTAA project has not the same relevance for the thirty-four countries involved. Their interests and goals will become more and more distant while the commitments of the future agreement are being determined during the negotiations scheduled to conclude in the year 2005—whatever their results. In addition to the differences regarding external priorities, there are also different conceptions and expectations complicating the road towards a new hemispheric relationship.

## II. FTAA as Seen From the United States.

Since they launched their initiative in 1994, two main goals characterize the United States' FTAA strategy. First, to "level the playing field" of the economies in the Western Hemisphere. Second, to take advantage of the potential FTAA results as a precedent for other international negotiations, particularly those to be held in the World Trade Organization (WTO) starting in 1999.

The first goal is based on the United States' vision of what should be the ideal rules of the game in the global economic scenario. Specifically, that the market access conditions and the competition in national economies should be "leveled" in order to erase all sorts of distortions, preferences and discriminations. This leveling is the first stage towards the harmonization of national norms and policies, which will, through the adoption of international instruments, achieve an increasing "contestability" of all markets.

Therefore, the FTAA looks for economic rules and policies in the hemisphere compatible with a free trade area that will not be limited to the free flow of goods. This is so because the FTAA also looks for the openness and harmonization of domestic regimes

such as those related with government procurement, services, investments, and competition. Such a goal of openness and leveling of domestic legal frameworks and policies is based on the parameters set by the United States' domestic rules in those areas.

Regarding the treatment to be given to the economic and trade partners in the hemisphere, the goal is to improve both the openness already obtained with the World Trade Organization commitments as well as the one already in place in the intra-Latin American integration and free trade agreements. In fact, subregional schemes such as the MERCOSUR or the Andean Community, which establish preferential treatments in favor of their own members, are considered as obstacles to the leveling aimed by the FTAA. A sort of "hemispheric globalization" should be achieved by this new initiative.

In accordance with this view, for the United States and for Canada — as far as those two countries share the same general criteria — the FTAA does not represent a difficulty in terms of the articulation and the convergence of existing trade and integration agreements. The FTAA is aimed at going beyond harmonizing and amalgamating all previous openings and integration efforts, particularly if they have a lower intensity or coverage compared to what will be agreed in the FTAA.

Current convergence efforts, such as the negotiation between the Andean Community and MERCOSUR, have no particular political relevance from the point of view of the United States. Such convergence efforts only represent a way of anticipating and facilitating the hemispheric "leveling" which will occur anyway in the framework of the FTAA. That also explains why the United States does not distinguish between the project of a hemispheric free trade area and the intra-regional integration schemes already in place. This is true even if the intra-regional integration schemes are inspired by a supranational political and economic paradigm that is totally different and more ambitious.

Regarding the negotiating process itself, from the United States' perspective the lack of the "fast-track" authorization is not an impediment to go forward (it is not, either, in the framework of the WTO, the Asia-Pacific Economic Council, or in other trade negotiations). Indeed, fast-track authorization is needed only to avoid Congress' amendments to international agreements that imply changes in the domestic legislation of the United States.

In the case of the FTAA, fast-track authority would be mandatory only if the new agreement commits to changes. For example, changes in the tariff regime, agriculture subsidies, antidumping rules and procedures, or the unilateral trade sanctions included in Section 301 of the United States domestic law. It is unlikely that the United States will accept introduction of any specific hemispheric preference in those fields because they would be setting a precedent for the negotiations with other economic partners.

Therefore, fast-track authority is necessary for the issues which are important for the Latin American and Caribbean countries (a better market access to the United States, the "NAFTA parity," and elimination of unilateral measures), while it is not necessary for the negotiating goals of the United States, i.e., for introducing the changes they aimed at in the domestic policies of their hemispheric partners.

### III. The FTAA as Seen From Latin America.

Since the first Summit of the Americas, the FTAA was seen as a part of a larger scheme, targeting the achievement of a new basis for the relations between the United States and Latin American and Caribbean countries. For them, to redesign the hemispheric relationship implies answering many questions. For example, to what extent will the establishment of a free trade area contribute to this transformation? What should be the content and the modalities of the cooperation to be developed in that new hemispheric context? How can an articulation among the negotiating groups of the FTAA as well as with all other fields of the hemispheric relations be reached? How to introduce in this new design politically sensitive issues like drug trafficking or migrations? How to materialize the link between social development needs of Latin America and the FTAA, i.e., how to demonstrate to public opinion that the FTAA is an instrument that contributes to a comprehensive development of the hemisphere?

Up to now, the FTAA project seems to have raised significant expectations in the political and entrepreneurial lobbies of the region. But it is quite difficult to identify the Latin American and Caribbean goals in this process—even more difficult if one takes into account that each block of countries has its own different interests and places the FTAA in different positions in the order of external priorities.

Another difficulty comes from the current intra-regional activity—never in the economic history of Latin America and the Caribbean have so many negotiating processes been launched at the same time. The opening of markets and economies at the end of the 1980s stimulated the pre-existing integration schemes that were paralyzed by the economic recession of the previous years. In fact, any Latin American expert on the region's economic development will confirm that the 1980s was not only a "lost decade" in terms of growth, but also lost in terms of the integration plans.

At this point it is important to highlight that the concept of "regional integration" prevailing in schemes such as the MERCOSUR and the Andean Community is strongly inspired by the European model. In that sense, integration is conceived as a long-term project, with political as well as economic goals, and as a basic instrument in the development strategy of each country. It is a gradual process starting with the "easy" stages of trade liberalization and economic cooperation, already largely achieved in the region. Then it goes into a stage of further intensity of interdependence through the establishment of an external tariff and a common trade policy—something that both the MERCOSUR and the Andean Community have presently in place. Moving ahead, the integration process reaches the sensitive fields of political coordination on foreign affairs and on macroeconomic issues (both schemes are accelerating their plans on those fields). Supranational institutions—implying the delegation of national sovereignty—prepare the ground for introducing, for instance, common parliamentary bodies (the European Parliament) and even a common currency like the Euro. It is obvious that the FTAA is not an "integration" project of this kind. It is only a free trade plan similar to the NAFTA.

However, some general goals of the FTAA can be identified as common to all Latin American and Caribbean countries. For example, the formation of an economic block that would be comparable, in the world scenario, to the European Union. Also, to achieve a better market access in the United States and to attract more foreign investments thanks to the credibility which would result from the FTAA. Finally, to consolidate the stability of the opening policies they initiated unilaterally a decade ago.

Expectations such as those mentioned should be assessed at the light of four basic parameters, all of them highly important from the Latin American perspective. First, an analysis of political, social, and economic benefits stemmed by the FTAA for each country involved. Second, a similar analysis applied to each one of the existing integration agreements, including the degree of trade liberalization already in place among their members and future viability of that integration scheme in the context of the FTAA (in that sense, it is worth asking if different tariff levels will be enough to ensure the identity and the soundness of existing integration agreements). Third, an assessment of potential benefits generated by the FTAA in comparison with current commitments in the WTO and the extent of the "Millennium Round" to be initiated in the year 2000. Finally, a prospective assessment of the impact of the current systemic crisis from the point of view of the trade and investment flows and of the world and regional economic recession.

#### IV. The United States' Negotiating Technique.

It is important to point out that the foreign economic policy of the United States is determined first by objectives defined in terms of economic topics and, second, in terms of partners or economic fora. The questions this policy asks include; what are our businessmen's interests regarding the treatment of foreign investment in all external markets? Or, what are their needs in terms of fair competition and transparency in the foreign markets where they operate? And, then, where can we negotiate bilateral or multilateral instruments that allow us to obtain our objectives in the area of foreign investment? On the other hand, Latin American countries tend to generally proceed in the opposite direction. First, they define their position in regard to the forum or to their counterpart and, then, they eventually, on an ad hoc basis, determine their objectives regarding the issues to be negotiated.

This is why the United States introduces *ab initio* its views on issues such as investment, services, intellectual property, subsidies, competition, environment and labor rules and, recently, electronic trade, regardless of the type of negotiation or its counterpart's degree of development. And when new issues arise (that is, new general objectives) that were not taken into account when defining its original position, the United States introduces them a posteriori, during the negotiating process or at the end of it. For example, in 1994, when the draft project for the NAFTA with Mexico and Canada was completed, two new Annexes, one on the environment and another on labor legislation, were added as a result of the United States Congress' preoccupation with these issues. These Annexes were made mandatory for the successful conclusion of the agreement. That same year, during the last days of the Uruguay Round of Multilateral Trade Negotiations in the framework of GATT, the United States (on that occasion, with the support of France) brought to the negotiating table similar environmental and labor issues. Since this was a multilateral forum that at the time encompassed approximately 120 countries, the United States did not succeed in obtaining the same type of commitment included in the NAFTA.

By defining *ab initio* its global objectives in terms of issues rather than fora, the United States derives a double advantage. On the one hand, it achieves coherence in its foreign policy (at least in the economic arena). On the other, it is able to proceed "in a spiral." In other words, Washington presents a specific position in a bilateral or multilateral forum. Once it achieves its goals at the forum, it proposes them as the "floor" for the next negotia-

tions, and so on. Thus, its position alternatively becomes the "floor" and the "ceiling" of each negotiation as the initial objectives are achieved or new issues added.

Currently, Washington's possibility to improve its negotiating objectives is greater than it was during the 1980s. This is true because the United States has begun, or is about to begin, simultaneously, economic negotiations in eleven bilateral, regional or multilateral fora, ranging from the next WTO's rounds to possible trade agreements with the European Union and the Asia-Pacific region.

In this "spiral" process, the FTAA is, for Washington, of greater priority than the global trade liberalization rules (for goods and services) agreed upon in the Uruguay Round and in the NAFTA. Furthermore, the FTAA is at the same level of importance as integration arrangements such as the Andean Community and MERCOSUR which, in Washington's opinion, constitute discriminatory barriers that affect its products' access to these markets.

In this sense, some day the FTAA will become a point of reference for negotiations with Asian countries and, later, within the WTO. Within the context of the United States' international economic policy, the future "preferential" character of the FTAA agreement tends to erode as other economic arrangements are reached with other regions. Thus, it is logical to conclude that once the FTAA encompasses existing sub-regional integration arrangements (Andean Community, MERCOSUR, Central American Common Market, and the Caribbean Community), the trade liberalization commitments obtained within it will "level off" completely. The same will happen once the World Trade Organization's multilateral norms resemble those agreed upon within the FTAA.

## V. The Context Determines the Content.

As long as the world economy grows and remains stable, the United States' foreign economic policy will progress in a spiral pattern. In fact, ever since the beginning of the 1986 Uruguay Round, the United States' ever wider initiatives have been made possible by a favorable international environment. This approach has allowed Washington to score several successes. First, the United States succeeded in the inclusion of issues such as agriculture, services and intellectual property into multilateral trade norms (this would have been unthinkable up until the beginning of the 1980s). Also, the United States concluded free trade agreements with Canada, Israel and, above all, the NAFTA, which in 1994 became a model to be followed by Washington with other partners all over the world. Furthermore, the United States introduced into the WTO's agenda the so-called "new" trade issues (first the environment, then competition, investments, government procurement and, more recently, trade facilitation and electronic trade—leaving aside, for now, the labor issue regarding which the United States did not succeed in obtaining a consensus in the Singapore Ministerial Conference of 1996). Finally, the United States presented the FTAA project, which should become the next model to be followed in economic negotiations, improving the NAFTA model as long as the international context allows it to progress towards its original goal.

Today, one could say that the FTAA negotiations began at the wrong time. The monetary and financial crisis that began in South East Asia over a year ago—and which is, undoubtedly, a large scale systemic crisis—will be the FTAA's worst enemy as far as expectations are concerned.

We are learning that the crises stemming from globalization (the first such crisis was Mexico's, in 1994-95) typically proceed along two stages. One stage is unexpected, swift and far reaching, within and without the countries directly affected, and in a few days causes the collapse of currencies and financial systems. The second stage is more extended in time and develops while the devaluation brought on during the first stage produces the expected result of increasing the competitiveness of exports from the countries that originated the crisis.

During the last months of the current year and the first months of the coming one, the hemisphere (together with the other actors on the international stage) will witness the effects of the second stage of the crisis, i.e. the one that changes the rules of the game in the international trade. In Andean, MERCOSUR and Central American countries, governments and businessmen are already expressing their alarm over the "invasion" of imports from the Asian countries that have devalued their currencies. There is talk, once again, of adopting safeguards, restrictions, controls, antidumping measures, and all the typical tools of protection against sudden trade inflows which had been abandoned in the region since the debt crisis of the 1980s.

Furthermore, the recent Russian collapse will create the same effect, even if at a smaller scale as far as trade with Latin America is concerned, and mainly for those products Russia and its neighbors can export at a massive scale (for example, commodities such as minerals and iron ore, and steel or chemical products). Let us hope that the next crisis does not occur in China. Devaluation there would cause a surge in that country's already highly competitive exports all over the world. Latin American textile industries, as well as the firms dependent on mineral and agricultural exports, may have difficulties in keeping relevant positions in the international markets because of the potential Chinese competition—particularly in those countries facing the Pacific coast and already relatively penetrated by Asian imports (such as Chile, Peru, Mexico, Ecuador).

Likewise, the U.S. Congress is following with concern the reduction of China's traditional agricultural trade surplus with Asian countries, which adds to the growing general trade deficit with that region. The same is occurring after four years of NAFTA's implementation. For example, the trade liberalization measures and the devaluation of the peso have favored Mexican exports to the point that many U.S. enterprises view them as a potential threat. In the present political climate, many think, the ratification of NAFTA by the U.S. Congress would be unthinkable.

Because of these fears—which were already apparent even before the current financial crisis—three years ago Chile was unable to join the NAFTA. Also, these fears form the reason why the U.S. Congress does not grant the Executive the fast-track negotiating authority it needs to insure its counterparts that the agreements reached will not be modified by Congress.

Consequently, during the next months, the hemisphere's trade ministers' priority will not be to deepen the existing levels of trade liberalization in their markets, but rather to attempt to lessen the effect of the external competition coming from South East Asian countries, Japan, Russia and its neighbors, and perhaps China. Were the systemic crisis to deepen, causing a world economic recession that directly affects industrialized countries—the United States in particular—the current protectionist temptations would become harder to resist. For the FTAA project to progress, it will need to offer both Latin American and Caribbean countries and the United States and Canada very attractive and concrete benefits to compensate for the real or imaginary risks this type of economic opening could entail.

## VI. The Limits for Negotiations within the FTAA.

Which would be these possible benefits? In other words, what can Latin American countries expect from the FTAA negotiations? Once again, expectations exceed reality. Leaving aside the context of the crisis, what are the FTAA's theoretical achievements? As mentioned above, for the United States the FTAA is just a dot in its world map that would allow it to expand its access to the hemisphere's markets and eliminate or at least reduce the deviation of trade and investment caused by sub-regional integration arrangements. Furthermore, the FTAA would improve intellectual protection and investment treatment rules in the hemisphere and ensure that Latin American and Caribbean countries commit themselves to continue with, or deepen, their current economic policies. To this, as was already mentioned, we must add the important objective of setting a precedent for future negotiations with other trade partners in other regions of the world.

On the other hand, the list of benefits for Latin America and the Caribbean hardly matches the above. As far as access to the U.S. market is concerned, current tariff levels are quite low and most of the region's products already enter the United States with a duty free regime thanks to existing preferential trade mechanisms (such as the Generalized System of Preferences, the Caribbean Basin Initiative, and the Andean Trade Preferences). The only thing left to do would be to request the *sine die* consolidation of those mechanisms, which are unilaterally given by the United States, and the inclusion of sensitive Latin American and Caribbean exports currently excluded (textiles, garments, leather, many agricultural commodities). Such a request would be difficult to obtain.

Another request Latin America could make, which would be more relevant for the region's trade, refers to the U.S. trade legislation tools that allow for unilateral measures and non-trade related sanctions or barriers of wider scope than other countries' regulations regarding trade protection. Mexico obtained positive results in this regard within the NAFTA; however, it is unlikely that this treatment will be extended to all countries in the hemisphere. This would establish a dangerous precedent *vis-à-vis* other trade partners.

We are left, then, with one of the FTAA's major expectations, that is, the consolidation of economic liberalization policies to ensure internal stability and attract foreign investment. There is no doubt that a project such as the FTAA may contribute to these objectives. However, expectations in this regard are weakened by the turbulent international reality, the implications of which are of such magnitude that not even the best FTAA can stop them.

## VII. Some Tentative Forecasts.

In the next few months, the FTAA negotiating process will be determined by a set of political and economic factors related with the international environment as well as with the domestic situation of the countries involved. Among them, it is worth mentioning some of them that are particularly relevant and unavoidable from the point of view of the FTAA's progress and objectives:

1. There may be a serious possibility that, in a medium-term, the thirty-four participants will not be able to go further at the same pace neither in the negotiation as such, nor later in the schedules that will be established for the gradual implementation of the commitments. It is realistic to imagine a FTAA with different "speeds" and with different "intensities," depending on the participants' interests, on their external agendas and their real capacities to fulfill the agreements. A fragmented FTAA looks like easier to achieve than a FTAA whose characteristics are identical for all the thirty-four different economies. The precedent of the European Union is interesting: since 1957 there were mechanisms to compensate the disparities among the six founding members (later applied to the new members joining the integration process) and to avoid potential fractures in the scheme. Even so, the implementation of the common currency, the Euro, will start with eleven of the fifteen members. The problem raised in the FTAA by the "small" economies fits in that concern. Asymmetries in the hemisphere need to be faced and treated from a development perspective: the Caribbean countries, for instance, will carefully assess the FTAA costs and benefits, and they will pay attention to what kind of new cooperation instruments are included in the project.
2. The implications of the current economic global crisis will determine, to a large extent, how far the FTAA will match its initial goals. As recent events tend to demonstrate, Latin American countries are highly vulnerable to international economic turmoils, because of their structural weaknesses (not only as far as their financial systems are concerned). In the medium-term, the trade implications of the crisis will be far more important than the financial ones, even if they are less striking, less shocking and more diluted in terms of time. The WTO is now forecasting a slowdown of two to three percent points in the global trade volume for 1998 and 1999. The Latin American and Caribbean average GDP will grow, in the best scenario, 2.6 percent this year and a similar level in 1999 (in accordance with the ECLAC forecasts), while that figure reached 5 percent in 1996 and 1997. In addition to those figures we would need to consider the impact of recent protectionist pressures on the negotiators in the FTAA. During the negotiations, all participants will have to face the question of determining what will be the contribution of the FTAA to stabilizing and consolidating the structural development of Latin American and the Caribbean countries.
3. The "Millennium Round" of multilateral trade negotiations, to be launched in December 1999 during the Ministerial Conference of the WTO in the United States will directly affect the FTAA because both agendas—the hemispheric and the multilateral one—are similar: they include the same topics, ranging from market access and agricultural trade to services, investments, competition, dispute settlement and so on. Therefore, countries need to identify their priorities, costs, benefits and objectives, in both the multilateral scenario and the FTAA, as well as the compatibility of potential commitments with existing trade and economic agreements. Two additional external elements that will affect the FTAA process will come first, from the European Union: the free trade agreement with the MERCOSUR is almost ready (except for the chapter on agriculture); and second, from the APEC in the Asia-Pacific region, where nobody can say if and how the plan for free trade in 2010 is still viable.

4. The progress realized in the intra-Latin American negotiations will be a benchmark for the FTAA, particularly in the agricultural trade and market access groups. For instance, the Andean Community - MERCOSUR trade liberalization talks, aiming at a free trade area, started more than three years ago but are still facing some basic "sticking points" on agriculture and market access where there is still no agreement. The difficulties arise in spite of the fact that traditional trade agreements and a common economic history have linked those countries for many decades and in spite of the objective of all of them to achieve an agreement before the FTAA reaches one. The same scenario can be observed in all other intra-regional agreements: the Central American Common Market is negotiating with the Caribbean Community and with the Andean countries; Mexico, with a bilateral approach, is accelerating the conclusion of free trade agreements with all Central American countries (based on the NAFTA model). Considering that the interests involved in the FTAA are larger than those involved in these intra-regional talks, what can realistically be expected in terms of hemispheric liberalization? It will be important to consider the perception, from the Latin American perspective, that the FTAA may weaken or even dilute the traditional integration efforts. To what extent the existing intra-regional schemes will manage to differentiate themselves vis-à-vis the FTAA remains to be seen.
  5. Finally, the content of the FTAA will depend on what the U.S. Congress will establish as the objectives of the agreement, particularly if the fast-track authorization is granted to the Executive. In any case, it is already obvious that the negotiating margin will be a very narrow one, with many strings attached, particularly regarding sensitive issues such as labor and environmental rules, domestic competition, and investments. It will also aim at market access similar to the preferential treatment that exists in the existing integration schemes among their members. Let's hope that the strings will be realistic. If not, there may be no FTAA at all. And the cost of frustration may be high for future hemispheric relations.
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