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The FTAA that We Want and Need¹

*Otto Boye**

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I. Introduction

It is a great pleasure for me to be here, in this beloved country, and especially to speak at the headquarters of ALADI, which means so much to Latin America and the Caribbean due to the tremendous work that has been carried out here since 1960 to further regional integration.

I stand before you today with some trepidation, because I am no expert on the subject I shall be discussing, but I also stand here with a sense of hope, because I have now an opportunity to present some general ideas and political considerations which I feel need to be taken into account at this particular juncture, so that we can make a better attempt in our handling of a highly important matter which has arrived on our shores to stay. I refer of course to the FTAA and what it means to our region.

Let us start by saying that until recently it was virtually impossible to analyze the subject, because nobody knew the content of what was under discussion. As far as most people were concerned, it was a closely guarded secret known only to a tiny group of negotiators who were fearful of the reactions that public knowledge might produce. In the open world we live in today, this has had a negative effect on the image of the FTAA and its scope, regardless of its real substance and content. The FTAA turned into a sort of phantasmagoric intellecty that was open to all kinds of comment and speculation. And indeed, there was much comment and speculation about many things that confused an already suspicious public opinion in certain cases, and this was unfortunately often done without sufficient grounds for making any judgments whatsoever!

It is now time to put an end to this situation that is harmful to everyone, and to start a debate at all levels that corrects the flaws I have mentioned. That's what the whole region wants. I believe ALADI and CIEDLA are, through this event, making a meaningful contribution towards the start of such a process, and I offer them my sincerest congratulations.

* Otto Boye is SELA's Permanent Secretary.

¹ Following is the text of the speech made by the Permanent Secretary of SELA, Ambassador Otto Boye, at the seminar "The Challenges the FTAA Poses to Latin American Integration," organized by ALADI and CIEDLA and held in Montevideo, Uruguay, on 23 and 24 August, 2001.

II. The Historical Context

To start with, and before considering the FTAA itself, I think we need to consider the broader political situation that defines the historical context surrounding the agreement that endows it with a special significance. This political analysis which, I repeat, is a major one, should clearly identify the actors involved, and their weight in the world. This will show that we are not dealing with child's play or a matter of little importance. On the contrary, we are facing a huge challenge which will affect the life of Latin America and the Caribbean for a long time, for many decades, maybe even centuries. Why? Simply because over thirty sovereign States of Latin America and the Caribbean are fully immersed in negotiations, with what is at the moment the greatest world power, now that the bipolar cold war is over, and the multipolarity that could introduce more balance into international relations has still not yet been developed. This is the reality that no ideological or merely rhetorical contortions can hide, modify, or attenuate.

The United States, is today a nation whose trajectory arouses all kinds of reactions. I would like to point out one aspect of it that is hardly ever mentioned. The U.S. is a living example of what can be achieved through integration, and a much closer example than the European model we so admire and observe, maybe because it is a much more recent process than the U.S. one. The latter started out with the joining of 13 States in a federation. Its expansion through the incorporation of other States was not trouble free. Before celebrating its first 100 years of independence, everything the United States has achieved was nearly ruined and it was almost destroyed by a ferocious civil war. In the end, as we know, the crisis was overcome with greater unity, which paved the way for its position of greatness and predominance in the world, which in fact was already apparent at the end of the 19th century.

Today, now that the cold war is over, the United States is an undisputed political, economic, cultural and military power, and although it has some important economic problems at the moment, it is undergoing a period of great prosperity. The pride of its leaders and its citizens is legitimate, genuine, and even deserved. It's by now mythical, blind confidence is perfectly understandable and explicable.

What we have just said about the United States adds a dramatic touch to our problems. Just by contrast, although the founding fathers of our independence may have had a similar vision to that of their counterparts in the North (as is apparent in the Bolivian ideal that was pursued, and even included a concrete attempt at creating a large union in Panama in 1826), the truth is that our emerging States separated and our world split up into separate pieces. The convulsions were huge throughout the 19th century, and the situation only calmed down somewhat in the 20th century, but not completely even then.

I do not need to provide figures, which are in any case well known in such a prestigious forum as this one, in order to highlight the growing gap between the level of development achieved in our region and that enjoyed in the United States. It's simply enormous and, what is worse, it tends to increase faster and faster.

It is within this framework that the FTAA talks have been started. At first, nobody was very concerned, as it all seemed a long way off. Now when we are getting closer to the day, there's worry all around. Are we ready? Do we have a clear and full notion of what we are agreeing to? What are the real consequences of what we are agreeing to?

III. Reflections Upon the FTAA

The only responsible way to go about answering these basic questions is to study the FTAA in as much depth as we can, and to make an effort that complements the negotiators' work and contributes towards the general evaluation that every country should be making from now on, until the Treaty that actually results from the negotiations is either ratified or rejected. SELA is already engaged in this task and will be shortly releasing the first results of its study.

It is thus time to start the overall analysis of what the FTAA is. My observations today, situated as they are in the preliminary stage of the process, should be considered to be very general and introductory in nature. Let us then see what the FTAA represents in general terms:

First, the proposed scheme, which is now available on the Internet, represents a limited form of integration. In fact, five clearly defined stages to economic integration exist. These are:

1. *Preferential trade agreements* (which basically involve lowering tariffs among member countries).
2. A *free trade area* (in which tariffs among the nations of the ensuing trade block are eliminated).
3. A *customs union* (which establishes common external tariffs).
4. A *common market* (which introduces the free movement of production factors, especially labor and capital).
5. *Economic union* (which culminates with the organization of macroeconomic policy coordination, a common monetary system, and a common currency).

According to this scheme, we can conclude that as far as the FTAA is concerned, we are looking at a limited form of commercial integration as the FTAA, as it has been proposed and is now being negotiated, refers only, and at most, to the first two stages listed above.

In short, this is a specific, concrete and, in light of its scope, pragmatic project. If its scope had been more ambitious, it would have become necessary to bring up the discussion and negotiation of proposals to establish the unrestricted movement of goods, capital, and workers in particular, and this has not happened, and in all likelihood, will not happen either.

Despite what I have just said, I should point out that the FTAA is not a goal to be reached, but an instrument that should further the development of the societies of its member countries and improve the standard of living of the poorest and neediest sectors.

On the basis of these initial premises, which all aim to describe the global context of the current FTAA negotiations, we should now consider two key aspects for evaluating the process: the potential risks, and the possible advantages the FTAA poses for Latin America and the Caribbean.

Let us start with the potential risks. There seem to be four most relevant ones:

1. The risk of reducing the FTAA's scope, by structurally subordinating our region to only exporting handicrafts, goods without substantial added value, and light industrial or '*maquila*' goods.
2. The risk of the region's countries losing their negotiating power if they fail to coordinate their efforts, and decide to pursue their respective aspirations individually.

3. The risk of weakening ties with Europe, Japan, and other regions in the world. These ties need to be defended because they diversify the region's contact with the world and increase its opportunities.
4. The risk of the region's current integration efforts being brought to a halt, and collapsing if the countries of the region neglect them or put them on hold.

These risks exist. There is no need to hide or silence them. The negotiators should in fact bear these risks in mind, so that they can try to minimize and even eliminate them.

Let us now look at the aspects that could turn out to be favorable for the region. It would be good for the region if:

1. The United States and Canada effectively opened their markets to the most competitive products produced in the region. This is particularly important if we want to take advantage of the comparative advantages of the various countries involved. It is essential that agricultural products, textiles and manufactured goods, which currently face tariff barriers in the markets of the North be included in the scheme. If our region opens up its markets, our counterpart must do likewise.
2. The FTAA does not end up hampering economic development policies in general, and technological innovation in particular, within Latin American countries. If economic opening is necessary for countries to be able to exploit their comparative advantages, then the furthering of such policies is essential for promoting and boosting said advantages, even within free market schemes. Failure to do so would mean perpetuating the conditions under which the region's only competitive 'advantages' are its cheap labor, its less stringent observance of environmental norms, and its unsustainable use of natural resources.
3. The FTAA does not hamper the region's scientific and technological development, or efforts to expand the countries' internal markets. Just as access to international markets boosts growth, so do, or at least should, countries' internal markets. The development of internal markets is essential for the FTAA to also serve, depending on its content, as a means of reducing poverty and increasing the opportunities of the most vulnerable sectors in particular, and of improving the quality of life of the national societies involved. The expansion of internal markets, without detracting from the importance of promoting and improving the region's insertion in external markets, is one of the most significant and persistent challenges involved in the development of Latin America and the Caribbean.
4. Regional integration efforts are not brought to a halt by the FTAA. Latin America and Caribbean countries should continue to pursue their efforts aimed at achieving effective integration. In light of the North American example itself (our nearest integration model), as well as the European experience which, due to it being the most recent, wields a heavy influence, we now need to watch over our integration process more than ever, and continue to strengthen the integrationist efforts already underway, as well as those yet to be started.

Actually when drawing up this list (which is only provisional, a sort of list of subjects for further debate), what we are beginning to draw up, is in fact, an outline for the FTAA we Latin Americans need and want. It is an essential exercise, because it will increasingly serve as a useful guide for the negotiators, and as a means of assessing the final results of the negotiation process.

How do we get an FTAA that is satisfactory for Latin America and the Caribbean?

In my opinion, there is only one way: we need the consensus of the Latin American and Caribbean countries to negotiate all the essentials, we need constant coordination among the countries, and we need them most of the time to speak with one voice. We know this is not easy, and it means overcoming much of the mental slovenliness we have all displayed in our activities, but a serious and permanent effort at coordination will be essential for us to obtain a good FTAA for the region.

The other main requirement is transparency in the negotiations and the talks. The broader the debate, the more solid the outcome, as it will be vested with unquestionable democratic legitimacy.

I think that we should proceed on the basis of these premises, and take successive steps towards establishing an approach that is coherent, solid, and useful to our region at this decisive point in the history of its development and its integration. Time is running out, and we must not fail our people who are all waiting for better times with less misery and better prospects than the ones they have lived with, and suffered through, until now.
