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Joan Claybrook, President

# Unveiling “NAFTA for the Americas” NAFTA + WTO = FTAA

## What is “FTAA” or “NAFTA for the Americas”?

The **Free Trade Area of the Americas (FTAA)** is the formal name given to an expansion of NAFTA (the North American Free Trade Agreement) that would include all of the countries in the western hemisphere. This massive NAFTA expansion is currently being negotiated in secret by trade ministers from 34 nations in North, Central and South America and the Caribbean. The goal of the FTAA is to impose the failed NAFTA model of increased privatization and deregulation hemisphere-wide. Imposition of these rules would empower corporations to constrain governments from setting standards for public health and safety, to safeguard their workers and to ensure that corporations do not pollute the communities in which they operate. Effectively, these rules would handcuff governments’ public interest policymaking and enhance corporate control at the expense of citizens throughout the Americas.

## What can we learn about FTAA from NAFTA?

FTAA would deepen the negative effects of NAFTA we’ve seen in Canada, Mexico and the U.S. over the past eight years and expand NAFTA’s damage to the other 31 countries involved. The FTAA would intensify NAFTA’s “race to the bottom”: under the FTAA exploited workers in Mexico could be leveraged against even more desperate workers in Haiti, Guatemala or Brazil by multinational corporations. A quick look at NAFTA’s legacy reveals disastrous consequences:

- It’s estimated that over a million U.S. manufacturing jobs have been lost since NAFTA as companies relocated to Mexico to take advantage of \$5 per day wages for Mexican workers. Without enforceable labor rights, Mexican workers cannot organize to increase their wages. The laid-off U.S. workers usually find jobs with less security and wages that are about 77% of what they originally had.

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- The trade surplus the U.S. enjoyed with Mexico before NAFTA has become an \$24.2 billion per year deficit as of 2000.
- Despite promises of increased economic development throughout Mexico, only the border region has seen intensified industrial activity. In border maquiladora factories, over one million more Mexicans work for less than the minimum wage of \$5 per day today than before NAFTA. Meanwhile, NAFTA's agricultural terms have devastated small farmers, with one million peasant farm families estimated to have been forced out of farming. The displaced *campesinos* are forced either into immigrating to the U.S. or into Mexico's overcrowded cities where unemployment runs rampant. During the NAFTA period, eight million Mexicans have fallen from the middle class into poverty.
- In addition, the increase of border industry has created worsening environmental and public health threats in the area. Along the border, the occurrence of some environmental diseases, including hepatitis, is two or three times the national average, due to lack of sewage treatment and safe drinking water.
- Health, safety and environmental laws in the three NAFTA countries have been attacked in NAFTA tribunals, where corporations demand financial compensation for public interest laws that cut into corporate profit.

Although it's hard to imagine that anyone would push for more of a failed model like this, what little we do know about FTAA is that is likely to look quite a bit like NAFTA. In fact, some FTAA draft text chapters appear to be literally copied from NAFTA, with additional countries added in. We know what results to expect!

## Who is involved in the FTAA negotiations, and how did it get started?

High on their NAFTA victory in Congress, U.S. officials organized a "Summit of the Americas" in Miami in December 1994. Trade ministers from every country in the Western Hemisphere (except Cuba) agreed to launch negotiations to establish a hemispheric free trade deal. After the "Miami Summit," however, little was done on FTAA until the "Santiago Summit" in Chile in April 1998. At this second summit the 34 nations set up a Trade Negotiations Committee (TNC), consisting of vice ministers of trade from every country. Negotiators also agreed on a structure of nine working groups to deal with the major areas they agreed to cover under FTAA: agriculture, services, investment, dispute settlement, intellectual property rights, subsidies and anti-dumping, competition policy, government procurement and market access. You would never know it from news reports, but since late 1999, the working groups have been meeting every few months to lay out their countries' positions on these issues and try to develop treaty language.

As with the Multilateral Agreement on Investment (MAI - a corporate rights investment agreement that was defeated by an international civil society campaign in 1998), many Members of Congress are only vaguely aware that any of this is going on. However, a variety of corporate committees do advise the U.S. negotiators; under the trade advisory committee system, over 500 corporate representatives have security clearance and access to FTAA NAFTA expansion documents. Organizations such as the Organization of American States (OAS), Inter-American Development Bank (IDB), and the UN Economic Commission for Latin America and the Caribbean (ECLAC), collectively known as the "Tripartite Committee," also provide direction. Early on, non-governmental civil society organizations (NGOs) demanded working groups on democratic governance, labor and human rights, consumer safety and the environment. These were rejected, and instead a Committee of Government Representatives on Civil Society was established to represent the views of civil society to the TNC. Yet this committee is little more than a postal in-box. It has no mechanism to incorporate civil society concerns and suggestions sent into the negotiations, so these are mainly ignored.

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The U.S. is represented by the U.S. Trade Representative's office (USTR), headed by Robert Zoellick. The lead USTR negotiator on FTAA is Peter Allgeier (see [www.ustr.gov](http://www.ustr.gov)). If you are not a U.S. citizen and would like to find out who is representing your country in these negotiations, this information is available on the official FTAA website: [www.ftaa-alca.org](http://www.ftaa-alca.org).

## What could FTAA NAFTA expansion mean for you?

Because negotiations are occurring in secret and only a partial "scrubbed" draft text was made public (see [www.ftaa-alca.org](http://www.ftaa-alca.org). This "scrubbed" text does not include vital information such as which countries support which negotiating positions) we cannot know the full details of the draft text. However, our conversations with U.S. negotiators have given us some clues about what to expect once a final agreement is unveiled – in other words, once it's too late to change it!

**Essential Social Services Endangered:** The FTAA will contain a series of commitments to "liberalize" services, which is much like the General Agreement on Trade in Services (GATS) within the WTO. "Services" is a broad category that includes education, health care, "environmental services" (which can include access to water!), energy, postal services and anything else we pay for that isn't a physical object. Possible effects of the FTAA services agreement include:

- removal of national licensing standards for medical, legal and other key professionals, allowing doctors licensed in one country to practice in any country, even if their level of training or technological sophistication is different;
- privatization of public schools and prisons in the U.S., opening the door to greater corporate control, corruption and the temptation to cut critical corners (such as medical care for inmates or upkeep of safe school facilities) in the interests of improving profit margins; and
- privatization of postal services transferring U.S. Postal Service functions to a few delivery companies like FedEx, which could then send postal rates through the roof.

**Investment and a Backdoor MAI: Corporate Rights vs. Democracy:** FTAA NAFTA expansion provides a potential "back door" for the Multilateral Agreement on Investment (MAI), though negotiations focused on investments and in the financial services sector. We didn't call the MAI "NAFTA on steroids" for nothing! FTAA is based on NAFTA and direct NAFTA expansion is just another way to impose these rules. Like in NAFTA's Chapter 11, the USTR says that FTAA will include "investor-to-state" suits. These allow corporations to sue governments directly for the removal of standards or laws designed to protect public health and safety, which may cost the corporations a little more in operating costs. In other words, the FTAA would provide a hemispheric "regulatory takings" clause that explicitly values corporate profit over human costs. NAFTA cases that set a likely precedent of FTAA actions under this provision include:

- The Canadian funeral home chain Loewen Group used NAFTA investor protections to sue the U.S. government for \$750 million in cash damages after a Mississippi court found Loewen guilty of malicious and fraudulent practices that unfairly targeted a local small business. (NAFTA permits companies to sue governments over rulings or regulations that may potentially limit their profits.) Loewen argues that the very existence of the state court system violates its NAFTA rights.
- The U.S.-based Ethyl Corporation forced Canada to pay \$13 million in damages and drop its ban on the dangerous gasoline additive MMT, a known toxin that attacks the human nervous system. Other regulations protecting public health and the environment remain open to attack under NAFTA and FTAA.

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- In a similar case, U.S.-based Metalclad Corp. sued a Mexican state to allow a toxic waste disposal site, claiming that the environmental zoning law forbidding the dump constituted an effective seizure of the company's property – a seizure that, under the property rights extended by NAFTA (and to be perpetuated in FTAA), requires that the offending government compensate the company. The NAFTA tribunal ruled in favor of Metalclad and the Mexican government was forced to pay the company \$16 million.

**Food, Agriculture & GMOs:** The U.S. is trying to force all countries to accept biotechnology and genetically modified (GM) foods in which unregulated U.S.-based corporations have taken a lead. Yet food security organizations all over the world agree that these technologies will increase hunger in poor nations. Being forced to buy expensive patented seeds every season, rather than saving and planting their own, will force traditional subsistence farmers in the developing world into dependency on transnational corporations and closer to the brink of starvation. If the U.S. position wins out, FTAA will promote the interests of biotech and agribusiness giants like Archer Daniels Midland (ADM), Cargill and Monsanto over the interests of hungry people in developing nations.

**Intellectual Property Rights (IPR) – Access to Medicines & Biopiracy:** The U.S. is trying to expand NAFTA's corporate protectionism rules on patents to the whole hemisphere. These rules give a company with a patent in one country the monopoly marketing rights to the item throughout the region. These rules are enforced with cash fines and criminal penalties, making these rules even harsher than the WTO IPR rules. These rules have been used as justification by pharmaceutical companies seeking to quash generic production of life-saving AIDS drugs, which makes the drugs cheaper and therefore more accessible to more people, as a violation of the company's patent rights. This monopoly control allows pharmaceutical corporations to keep drug prices high and block production of generic versions of life-saving drugs, which spells disaster for the ill and impoverished, especially in developing nations. These rules also allow companies to "bioprospect" and lock down patents on traditional medicines that are considered "traditional knowledge," effectively robbing indigenous people of their cultural heritage to fatten corporate wallets. (this practice is known as "biopiracy").

## What is the status of the FTAA negotiations?

All the negotiating groups held meetings at two to three month intervals throughout 2002 and will continue to do so in 2003. Negotiators have laid out the positions of their governments on the nine core issues. At the Quebec City "Summit of the Americas" in April 2001 a complete "bracketed" (draft) text was completed, which was updated and re-released during the 7<sup>th</sup> FTAA Trade Ministerial in Quito, Ecuador in November, 2002. Currently in the "market access" phase of negotiations, the negotiators hope to have a final text ready for signatures of heads of state by December, 2004, with country-by-country congressional ratification in 2005 and implementation by December of that year. The U.S. has begun a divide and conquer strategy where it seeks to lock countries into NAFTA expansion even BEFORE the end of FTAA negotiations in order to facilitate the passage of the FTAA and to set a "high" bar in terms of the corporate rights contained in the agreement. The newest piece of this free trade jigsaw puzzle is the proposed free trade agreement with Central America or CAFTA (it doesn't rhyme with NAFTA for nothing!) as well as the bilateral agreement set to be voted on in 2003 between the U.S. and Chile. The next FTAA Trade Ministerial will take place in Miami, Florida in the fall of 2003.

## WE CAN STOP NAFTA EXPANSION – BUT WE MUST ACT NOW!

*For more information: visit [www.tradewatch.org](http://www.tradewatch.org) or  
Contact us at 1-202-454-5103 or [tgeron@citizen.org](mailto:tgeron@citizen.org)*

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