

The 8th FTAA Trade Ministers' Meeting in Miami : Shrink, Sink or Swim?
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The Free Trade Area of the Americas (FTAA) is a regional trade agreement that seeks to progressively eliminate barriers to trade and investment in North and South America. The Heads of State of the 34 democracies in the region began the effort to unite the economies of the Americas into a single free trade area at the Summit of the Americas, held in Miami, Florida in December 1994. They agreed to finish the negotiations towards this agreement by the year 2005. The FTAA would be the largest regional integration ever between developed and developing countries. It has been projected that a completed FTAA would affect over 800 million people in the Americas region.

In the last Center Focus, we reported that negotiations for the Free Trade Area of the Americas (FTAA) were in trouble. Over the last few months, different proposals have been chewed on, insults have been exchanged, and the negotiations were stalled due to an impasse largely between the United States and Brazil, the largest member of the key Latin American trading bloc MERCOSUR (Uruguay, Paraguay, Argentina, and Brazil).

In November 20-21, 2003, FTAA ministers met in Miami, FL to try to move beyond the stalemate and to forge ahead with the negotiations. At the meeting, ministers actually surprised analysts by reaffirming their commitment to the FTAA for supposed completion by 2005.¹ Just days before, activists, governments and members of the private sector were skeptical about what direction the FTAA might take due to impasses over scope, definition and content of the agreement. Not only did negotiators reaffirm their commitment to the FTAA, they actually completed the negotiations a day early by signing the Ministerial Declaration on the 20th of November, 2003.

The Declaration

Although ministers have agreed to proceed with the FTAA, it should be strongly noted that the agreed upon declaration is considerably more watered down than the U.S. government would have hoped. Countries have basically agreed to what some have called a 'flexible FTAA' or an 'FTAA A La Carte.' The Ministerial Declaration includes key language on flexibility and the possibility for plurilateral negotiations which would allow countries to assume different levels of commitments within the FTAA as well as the possibility to negotiate certain topics in either multilateral or bilateral fora.² Although the FTAA's scope is still comprehensive, it has shifted from the original proposal for a single undertaking to allow countries to reduce certain obligations in negotiating areas or to postpone them until a later date. Negotiators from Brazil, Argentina, Venezuela and the Caribbean Small Island States have called the meeting a success in that countries have bought some time within the negotiations process to flesh out what the FTAA will become. Interestingly, the U.S. also claims the FTAA ministers' meeting to be a success

¹ Governments, non-governmental groups and the private sector have expressed skepticism that negotiators will be able to maintain their earlier timeline for FTAA completion. It is now widely expected that the FTAA timeline will be extended.

² *Ministerial Declaration of Miami*. 8th FTAA Ministers' Meeting: Miami, USA, November 20-21, 2003.

because, at the very least, the meeting didn't collapse like what occurred at the WTO meeting in Cancun in September, 2003; and the FTAA will move ahead in some form or fashion. One official representative from the CARICOM delegation called the outcome of the meeting to be a 'win-win situation.' The reality is that The U.S. and Brazil as the co-chairs of the FTAA negotiations were trying to save face in the midst of an impasse. They succeeded in doing so, but this does not mean that there is agreement relative to the FTAA. U.S. business groups have been quite vocal in expressing their unwillingness to accept a watered down FTAA. And, Brazil has maintained its position that the FTAA's scope will have to be reduced in some way.

There are some problem areas in the FTAA as it currently stands. First, all of the original topical areas are still included in the FTAA and countries have agreed to make a minimum level of commitments in all of them. So, it is not clear just how reduced the scope of the FTAA will actually be. Second, even though language on 'flexibility' is included in final ministers' declaration, what kinds of flexibility mechanisms will be incorporated or how they will be used is undefined. Lastly, although FTAA governments may have bought some time, they still have to deal with the substantive issues such as agriculture, intellectual property, investment, services and government procurement which have not been resolved among countries.

Recognizing how quickly the tides can change, it is unclear what kinds of deals governments might make from now until then – and under what circumstances. What happens now is that FTAA countries must prepare for the Trade Negotiations Committee (TNC) which is scheduled to take place in Puebla, Mexico in February, 2004. At that meeting, countries will flesh out some of the substantive issues that have not been resolved such as agriculture and investment. They will also work to identify the specific flexibility mechanisms that could be mutually agreed upon in the FTAA. It seems clear, however, that the negotiations will probably be delayed beyond the 2005 deadline for completion. The truth is that we still don't know what will happen to the FTAA and to trade policy in the Americas region as a whole.

What we do know is that the U.S. is working on a variety of levels to achieve its goal of 'competitive liberalization.' For this reason, the collapse of the trade negotiations at the WTO back in September has important ramifications for the Americas region.

U.S. Trade Policy – An Octopus in the Midst

U.S. Trade Representative Robert Zoellick summed up U.S. disappointment of the collapse of the WTO negotiations in Cancun by stating that "the key division at Cancun was between the can-do and the won't-do. For over two years, the US has pushed to open markets globally, in our hemisphere, and with sub-regions or individual countries. As WTO members ponder the future, the US will not wait: we will move towards free trade with can-do countries."³ As such, the U.S. has pushed for the completion of the Free Trade Area of the Americas by the year 2005, a Central American Free Trade Agreement in December, 2003, and bilateral agreements with the 'can-do countries.' U.S. Deputy

³ "America will not wait for the won't do countries." Financial Times, September 22, 2003, Monday London Edition 1 Pg. 23.

Commerce Secretary Peter Allgeier indicated in a trip to Brazil prior to the Miami meeting that although the U.S. would like to reach an agreement with all 34 countries of the FTAA, it will seek liberalization with those who are prepared if one decides not to participate.⁴

As part of its multi-pronged approach, the U.S. has picked up the pace in different sets of trade agreements it is initiating or in the process of completing. For example, the final CAFTA negotiating round is scheduled for early December and the full agreement is expected to be completed by the end of the year. The U.S. has announced to Congress its intent to negotiate a free trade agreement with the Andean countries (Peru, Colombia, Ecuador and Bolivia). Along these lines, at the FTAA ministers' meeting in Miami, November 18, 2003, the U.S. announced on November 18th two new bilaterals with Peru and Panama. A conversation for a bilateral with Colombia is in the works. And, directly following the ministers' meeting on November 21st, USTR announced another bilateral with Uruguay in the area of investment with the possibility for bilateral opportunities in other sectors. This latter announcement is quite important in that the U.S. has been aggressively targeting the MERCOSUR countries (Uruguay, Paraguay, Argentina and Brazil) to shift their position for a 'flexible FTAA' in support of a more comprehensive one. The U.S. has been diligently working to isolate Brazil as the main 'cog in the wheel.' Prior to Miami, Uruguay and Paraguay had begun to show signs of shifting from their initial solidarity with Brazil in favor of a more comprehensive FTAA, however until Miami they made no real move to stray from MERCOSUR. The two larger countries, Brazil and Argentina have maintained their strong alliance, but Uruguay's negotiating a bilateral agreement with the U.S. could negatively impact the future of MERCOSUR as a unified trading bloc within the FTAA.

Trade in Agriculture Remains a Tough Nut to Crack

The U.S. has repeatedly stated that it will make no concessions in domestic support in agriculture and anti-dumping in the FTAA that would go further than those it has made in the WTO. This is particularly true as U.S. citizens begin preparations for the national presidential election over the next year. Florida citrus and sugar producers have been strong lobbies against any concessions that USTR might think to make in the FTAA negotiations. This remains the most contentious issue between the U.S. and the other FTAA countries such as Brazil and Argentina who have accused the U.S. as protectionist and hypocritical in its agricultural trade policy because of its export subsidies and domestic support mechanisms.⁵

The collapse of the WTO negotiations in Cancun, Mexico in September is important to the FTAA because in the area of agriculture, over one half of the G21+ was from the Americas region.⁶ Since Cancun, the U.S. has pressured Latin American countries within

⁴ "Brazil's Chief FTAA Negotiator Accuses U.S. Officials of 'Systematic Arrogance.' Ed Taylor. International Trade No. 208. October 28, 2003, p. A-9.

⁵ "South America Up in Arms of U.S. Farm Bill," Raul Pierrri. IPS. Montevideo, May 10, 2003/"U.S. Farm Bill Prompts Regional Re-Think.' Dionne Jackson Miller. IPS, Montego Bay, May 15, 2002.

⁶ These include: Brazil, Paraguay, Mexico, Colombia, Guatemala, Peru, Chile, Bolivia, Argentina, Ecuador, Venezuela, Cuba, El Salvador.

the G21+ to leave this group or face the consequences. As a result, Peru, Colombia, Chile and El Salvador all left the G21+ after bilateral conversations from the U.S.⁷ The weakened G21+ will weaken countries' ability to negotiate as effectively in the agricultural negotiations in the FTAA (as well as the WTO). However it should be noted that Brazil is still a leader in this group which will be problematic for the U.S. if it does not reduce its domestic subsidies.

Investment and Government Procurement in the FTAA

The text on investment in particular is highly contentious and is still heavily bracketed. This is due to countries' concern that unregulated investment in the region will overwhelmingly benefit U.S. companies and push out locally and nationally owned investment (as many would argue happened under NAFTA). Most disputed is whether investors should be allowed to sue nation states for expropriation (lost profits caused by government regulation) which is called 'investor to state' (NAFTA, chapter 11), and whether transnational companies (TNCs) should be given the same rights as nationally owned companies) through 'national treatment' provisions. In the FTAA negotiations, the U.S. supports language that includes broad definitions of investment, including portfolio investment, as well as language on investor to state, and national treatment provisions. Brazil and others have supported limiting investment to foreign direct investment (FDI) and 'state to state' provisions instead of 'investor to state.'

Actually, prior to the Miami meeting, Brazil had been calling for negotiations on investment and government procurement (as well as intellectual property rights) to be removed from the FTAA and to be negotiated through the WTO. This proposal was dropped in Miami as countries agreed to the 'flexible approach.' A stronger approach would, of course, be to halt FTAA negotiations and, at the very least, to take investment completely out of any final agreement that might move ahead. Whatever happens, the investment chapter of the FTAA will remain contentious as the U.S. seeks further liberalization for foreign investors while some of the smaller economies support investment that will promote national development.

Smaller Economies

The smaller economies are particularly struggling and need special safeguard mechanisms and the ability to exempt certain products that are vulnerable to outside competition. They have quite vocal about this within the WTO and regionally they are pushing this as well. Lisa Shoman, Belize's ambassador to the U.S. and the Organization of American States says that without special treatment mechanisms, the FTAA could "swamp some of us who are in canoes compared to yachts. We are not dealing with the same type of vessels."⁸ At the Miami ministers' meeting, the Smaller Island States as part of CARICOM submitted language to protect smaller economies. The final Ministers' Declaration includes some of this. Importantly, the language is largely undefined and it remains unclear what gains- if any- smaller economies have made in the FTAA negotiations.

⁸ "Smaller Economies Seek Consideration." Bohning, Don. Special to the Miami Herald. Sunday edition, October 26, 2003.

Security vs. Solidarity

In spite of the police presence and brutality in Miami, over 15,000 protestors from around the Americas united in the streets on November 20th, 2003 and marched peacefully for an alternative model of development for the region. Unfortunately, mainstream media has largely disregarded news about analysis and solidarity in Miami in favor of news articles about violence.

The truth is that 8.5 million dollars from the recent bill passed in the House and the Senate to support the war in Iraq was designated to support Miami to host the FTAA ministers' meeting. This money allowed Florida to spend almost nine million dollars to bring in police from 40 agencies throughout the state to protect the public from supposed violent protestors at the FTAA trade ministers' meeting in Miami from November 20-21, 2003.⁹ Civil society conducted peaceful demonstrations and yet protestors were met with physical violence from the police.¹⁰ The link between U.S. security and trade in this sense can be questioned as one of repression and violence in order to protect negotiators from people who were using their right to expression.

Groups such as the Hemispheric Social Alliance, the International Gender and Trade Network, the churches (including the Center of Concern and the International Jesuit Network for Development), environmental groups, human rights groups, international development groups and others organized workshops and discussed strategies for the next year at parallel events to the official ministers' meeting. Some of the important strategies are to get more groups involved in the struggle for an alternative to the FTAA as well as to monitor and lobby FTAA governments to not make deals behind closed doors and stray from some of the small gains that were made in Miami. Ultimately, the power is in the numbers. Now is the time for citizens to speak out and have their voices be heard.

⁹ Alex Clifton, "Iraq War Bill Includes Millions for Miami Trade Meeting." Palm Beach Post, November 4, 2003.

¹⁰ Testimony from Alexandra Spielloch during the trade ministers' meeting in Miami, November 17-21, 2003.