

OAC Economics Seminar:

The FTAA and its Effects on its Member Countries



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AGENDA:

- ❖ Introduction & General Overview of FTAA
- ❖ FTAA Areas of Coverage
- ❖ FTAA Objectives & Economic Development
- ❖ Regional Interests in the FTAA
- ❖ Class Discussion
- ❖ Interactive Game
- ❖ Q & A Period

Introduction

- the Free Trade Areas of the Americas (FTAA) is a region in an agreement to progressively eliminate barriers to trade and investments
- region includes 34 different countries located in North, Central, and South America
- heads of 34 democracies agreed to construct an agreement of free trade during the Summit of the Americas in December 1994 that took place in Miami
- this was when the FTAA was introduced: negotiations are planned to be completed by 2005

Thesis

Trading of goods and services has been functioning since the beginning of time: it has evolved from simple bartering to trading in a globalized market. As time progressed and markets expanded, trading has become more sophisticated and complex. To simplify matters, trade agreements were created. The first major trade agreement was the FTA (Free Trade Agreement) which involved Canada and the United States to become official trading partners. From the arguable success of this trade agreement, a new trading market was spawned with the creation of NAFTA (North American Free Trade Agreement), which introduced Mexico into the fold. At this moment, these countries, along with those in Central and South America, are in talks to perhaps, yet again, expand the trading borders to include most countries in North, Central and South America. This agreement is known as the FTAA (Free Trade Area of the Americas), which will fuel the economies of its member countries by facilitating trading amongst each other. The FTAA will unite and economically benefit its member countries within ten years of implementation.

FTAA Negotiations Overview

Guiding Principles Negotiations

- decisions will be taken by consensus, negotiations will be conducted in a transparent manner
- the FTAA will be consistent with WTO rules and disciplines
- the FTAA will be a single undertaking (“nothing is agreed until all is agreed”)
- special attention will be given to the needs of the smaller economies

Structure and Organization of Negotiations

- negotiations are democratic and involve the participation of all parties of the committee
- Chairmanship of the Negotiations rotates every 18 months or at the end of each Ministerial meeting

Negotiating Groups

- 9 different groups involved to cover different topics such as: market access; agriculture; services; intellectual property rights; subsidies, antidumping, and countervailing duties; government procurement; investment; competition policy; and dispute settlement

Consultative Group on Smaller Economies

- deals with negotiations and concerns regarding the interests of smaller economies and makes recommendations to the Trade Negotiations Committee
- the “technical support” of smaller economies and assists them in trade-related issues

FTAA Areas of Coverage

- the Quebec Summit of the Americas in April 2001 reconfirmed that talks would be completed by January 2005 and implemented by December 2005
- FTAA negotiations cover three broad topics:
 - market access reforms (liberalization of trade and non-trade barriers)
 - rules for trade and investment in goods and services sectors
 - trade facilitation measures
- in theory, negotiators simply negotiate how to arrive at zero trade barriers
- to accomplish this, negotiators often:
 - deal with behind-the-border measures (e.g. subsidies, health and safety standards, etc.)
 - need to control demands from domestic groups to exclude special programs or practices from free trade obligations
- San José Declaration (signed by trade ministers in March 1998) sets out comprehensive agenda of FTAA, derived from using the main ideas from NAFTA
- one of the key tasks of the FTAA is to eliminate tariffs on both industrial and agricultural products

The FTAA and Economic Development

- during Miami Summit in 1994, developing countries pressed for trade reforms despite the prospect that they will be competing against advanced industrial economies like US & Canada
- negotiations will most likely result in liberalization of Latin American and Caribbean markets in exchange for continued access to the US market and removal of some US barriers

Promotes Economic Growth

- entices competition in domestic markets, dampens inflation, and promotes investments from foreign and domestic sources
- for developing countries, economic restructure with FTAA will combat corruption as the FTAA promotes transparency of public policies

Acts as an “Insurance Policy” Against New Protectionism

- by having international obligations that virtually limit domestic economic reforms, governments will have to take a tougher stand against their lobbyists as costs to reverse economic policies will be substantial

Entices Construction of Regional Infrastructures

- as economic linkages between countries are strengthened, infrastructures need to be built

Creates a Country’s Awareness of Other Member Countries’ Economies

- problems in one country will spill over to neighbours and trading partners

Regional Interests in the FTAA

- trade profiles vary from one side of the equator to another
- North America: heavily dependent on the US market
- Central America: conducts between 1/3 and 1/2 of their trade with the US (excludes Mexico)

- Mexico: US market accounts for more than 80% of trade
- South America: variety of trading partners (main partner is the European Union)

United States and the FTAA

- believes that the FTAA can make an important contribution to a more prosperous and democratic hemisphere
- breaking down Latin American trade barriers will provide new opportunities to export
- US investors have a significant interest in the Latin American economies [United States Foreign Direct Investments tripled in Latin America to US\$223 billion (Schott, 2001, p.96)]

Mercosur and the FTAA

- Mercosur is the Southern Cone Common Market (includes countries like Brazil & Argentina)
- because opening their markets has been an important component of their economic development strategies, they cannot afford to postpone progress in hemispheric talks while their economies restructure
- e.g. of trading interests: Brazil gives priority to trade in manufactures while Argentina seeks reform of agricultural trade barriers and subsidies
- longstanding disputes over US restrictions on sugar and citrus products

Small Economies and the FTAA

- mostly located in the Caribbean Basin
- given their size, heavy reliance on the production and trade of a single commodity or service, underdeveloped physical infrastructures, and limited human and technological resources, they are very vulnerable to changes in foreign demand and supply
- must restructure their economies to diversify production and expand employment opportunities in order to benefit from the FTAA

Seminar Preparation Work!

Questions to Consider (Food for Thought)

1. As the Prime Minister of Canada, do you think that joining such an alliance would be a good idea if it benefits a country's economy and other important factors such as GDP and productivity? (Keep in mind that people may lose jobs, and as the leader of a country, your first responsibility is to your citizens and your number one objective is to get re-elected.) How would you respond to the people who voted for you or potential voters who have just lost their jobs?
2. Based on the facts stated, explain why you agree /disagree that the FTAA will be beneficial to its members?
3. What countries do you think will benefit most from this proposed new trading group?
4. What are some of the reasons why countries of North, Central and South America have waited so long to discuss the prospect of establishing the FTAA?

Article

Please read the article "More than Blah, Blah, Blah" provided on the last page before the seminar.

References Cited

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*Now sit back, relax, and enjoy the seminar presentation!
Please don't forget to do your homework essay question! ☺*

Notes

