



## **Third Plenary Meeting**

### **Valparaiso, Chile**

### **April 1-3, 2004**

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### **Working Group II: Free Trade Area of the Americas (FTAA)**

Working Group II of the Third Plenary Meeting of the Inter-Parliamentary Forum of the Americas, under the chairmanship of the Honourable Don Boudria of Canada, discussed the Free Trade Area of the Americas (FTAA).

It devoted itself to an examination of the principal elements that are preventing the successful completion of the FTAA negotiating process, with the aim of making recommendations that, from the parliamentary standpoint, will make it possible to surmount those obstacles and reach a comprehensive and balanced agreement that will more effectively promote economic growth, poverty reduction, development and regional integration, considering the different needs and sensibilities of all the participating States.

The meeting took place at the National Congress of Chile in the City of Valparaiso, on April 1 and 2, 2004. A list of participants and the countries they represent is presented in Annex 1.

#### **1. Presentation by the Guest Speaker**

Verónica Silva of ECLAC gave a presentation entitled "FTAA: Debate and Negotiations". This presentation served as a starting point for the discussions of Working Group II and was based on the most recent draft of the FTAA agreement published after the Seventh Ministerial Meeting in Quito in November 2002.

In her presentation, the expert gave an overview of the FTAA, explaining Latin America's involvement in trade in the 90's, the different international agreements on this subject (including WTO and APEC), the FTAA and its levels of agreement and negotiations, which are intended to: (1) assure markets; (2) establish policies; (3) promote investments; and (4) settle disputes.

With regard to market access, she noted that the principal points of disagreement were the elimination of duties, antidumping rules, agricultural subsidies and compensation, given the rapid removal of tariffs on products that receive domestic subsidies.

In answer to questions the expert explained that:

1- The issue of imbalance in developing countries is relevant and complex. In fact, it has been present from the beginning in the FTAA and in the WTO. She added that adjustment periods, technical assistance and relaxation of standards have been resorted to.

She pointed out that the creation of compensation funds, such as those developed by the European Union to support States Parties in unfavourable situations, has been proposed.

2- Concerning the coexistence of the FTAA with other agreements, she indicated that this issue is a matter for debate. She pointed out that specific spaces exist for subregional agreements and added that if there are bilateral preferences and other countries join, the bilateral preferences would be lost. She concluded by stressing that the FTAA could standardize the conditions under which decisions on production are made.

3- As far as the replacement of domestic investment by foreign investment is concerned, she pointed out that domestic investment policies are more important than foreign investment policies and that complementary policies are required in the agreements.

4- The existence of three models in countries that enter the global market: countries that export natural resources; the maquila model – the case of Mexico, Central America and the Caribbean, that export cheap labour and are located near the United States; and Caribbean countries that base their economies on tourism and financial movements.

5- The difference between MERCOSUR and the G14. The G14 countries have more complex economies. Chile, Canada and Mexico are trying to find a common denominator.

6- The subject of organized civil society, so that the negotiations are socialized.

With respect to other questions, the expert pointed out that:

1- The FTAA process is part of the process of the Summit of the Americas and is related to matters of common interest.

2- The negotiations are two-way. Something is achieved. Agreements have an impact. The way to compete is linked to domestic policies.

3- There is a social impact that is not easy to resolve. The effects of trade differ from country to country. All of this influences the impact of the FTAA and the negotiations. What is gained in the region is marginal in terms of products. Gains are made in other areas. The agricultural and raw materials sectors gain and manufacturing and small industry, which provide the largest number of jobs, lose or run a greater risk, because when cheaper goods enter the country, domestic industry can fail.

There should be coherence between policies and the negotiations. Likewise, there should be better training and civil society should have access to information.

The Hemispheric Cooperation Program will address the fiscal impact, which has also been altered by changes in tariffs.

During the second session of this Working Group, the expert from ECLAC, Verónica Silva, answered new questions on the following topics:

- Concerning the compliance with the timetable for concluding the FTAA negotiations, she indicated that it is impossible to anticipate what will ultimately happen, although the year 2005 remains as the official date for completion of the negotiations.

- With respect to consistency between the FTAA and the World Trade Organization regulations, she explained that the two are consistent and that many chapters of the FTAA have the WTO agreements as their point of reference. She added that the WTO does not prevent its members from entering into agreements. However, it does require that they be flexible and comprehensive and not restrict liberalization to the sphere of a preferential regional agreement.

- Concerning the situation of small economies that are facing imbalances, she indicated that progress has been made in this area during FTAA negotiations. She underlined the document issued by the Consultative Group on Smaller Economies.

- As for the social impact of the FTAA, she stated that it is difficult to make a general evaluation, given the differences that exist among the participating states. She recommended several specific studies included in the bibliography attached as an annex to this report.

- As for civil society, she pointed out that the Miami Ministerial Meeting stressed the establishment of best practices to disseminate information and direct participation through the Committee of Government Representatives on the Participation of Civil Society. She added that meetings have been held with civil society on specific issues, for example agriculture and services.

## **2. Working Group discussion**

At the start of the second session of the Working Group, the chair reported that a joint communiqué by the co-chairs of the Trade Negotiations Committee (TNC) of the FTAA, made last April 1, postponed the resumption of the committee's 17th meeting until further notice, so that additional informal consultations could be held to establish guidelines for the FTAA negotiating groups, as required by the Miami Ministerial and to develop a common and balanced set of rights and obligations to be applicable to all the countries, as well as procedures for plurilateral negotiations among FTAA countries that wish to undertake additional liberalization and disciplines in the framework of the agreement.

The main issues that were discussed by this second Working Group are outlined briefly below.

The need for the parliaments of the Americas to play an active role in the ongoing negotiating process and to formally interact with the trade ministers was mentioned. In this respect, it was stressed that the executive branch of each country is in charge of carrying out the negotiations, referring the ratification

or implementation of the agreements to parliament, in accordance with the domestic legislation of each country. Notwithstanding, parliaments should be adequately informed of progress in the negotiations and be considered in them as legitimate representatives of civil society.

It was emphasized that Parliaments that are conveniently informed about the negotiating process will be very beneficial for the FTAA, as they will be able to serve as a channel of communications between the negotiators and civil society. Parliamentarians could begin legislative processes intended to adapt their domestic legislation to the challenges and opportunities represented by the FTAA, while at the same time, they would be in a position to educate and prepare the sectors at greatest risk for the changes implicit in the impending trade liberalization.

To play this role and provide information on the status of the FTAA negotiations, it would clearly be convenient to have information available in plain language. At present, it is only possible to access limited information expressed in technical terms difficult for ordinary citizens to understand.

Likewise, it would be advisable to establish special committees in each national parliament to address and debate the FTAA negotiating process, suggesting solutions to the problems that the agreement could generate at the domestic level and enhancing its benefits. This idea had been presented as a recommendation at the Second Plenary Meeting of FIPA.

Concern was expressed over the absence at this Third Meeting of representatives of the United States Congress since the meeting examines issues such as terrorism and the FTAA, which are of special concern to that country. The paradoxical situation created by the absence of American parliamentarians, given that the United States is currently one of the co-chairs of the Trade Negotiations Committee of the FTAA, was noted.

The chair reported on the work done in Washington, D. C., by the Chair of FIPA, the Honourable Senator Céline Hervieux-Payette, to encourage members of that country's legislature to participate, but, unfortunately, they have chosen not to attend this Third Plenary Meeting of FIPA.

It was emphasized that the creation of a regional bloc spurs greater development and sustainable growth. It also improves the prospects for negotiating with powerful regional blocs, such as the European Union or the Asia-Pacific countries.

It was agreed that an increase in trade is beneficial for national economies. While recognizing that there are modern sectors in many Latin American economies that will benefit from an agreement, there are also large traditional sectors made up of low-income groups who will face difficulties. Therefore every effort should be made to protect at-risk groups.

Additionally, it was stated that the impact of the economic liberalization should not be allowed to overwhelm state revenues, cause capital flight or worsen income distribution, which is already uneven.

The imbalances among the 34 countries that are negotiating the FTAA, both as regards their level of development and the size of their economies, was emphasized.

It was pointed out that the FTAA creates expectations but also mistrust in the developing countries, since they risk considerably more than the developed ones because their economic stability could be

jeopardized by a market liberalization experience that is carried out without rectifying the existing imbalances.

The recommendation made during the Second Plenary Meeting in Panama City that the FTAA should study the creation of a special fund in its Hemispheric Cooperation Program, aimed at higher education, science, and technology, with the objective of enabling the developing countries to generate scientific and technological capacities to bridge the gap between them and the developed countries and to contribute effectively to the economic development and closer integration of the countries of the FTAA, was stressed.

It was emphasized that the developed countries should remember that the developing countries represent a market, whose purchasing power should be stimulated in order to permit all of the players in international free trade to benefit.

The most developed and powerful countries of the continent were called upon to take the lead and share their experiences, tools, and knowledge through technological and economic support that would make a satisfactory process of economic integration possible.

The difficult situation of agriculture in the developing countries was underlined, which would be made worse by the prospect of achieving a trade liberalization agreement in a context in which the developed countries maintain subsidies for their agricultural production and tariff and non-tariff barriers that distort the international market for agricultural goods and endanger its freedom and development.

### **3. Recommendations**

The Parliamentarians attending Working Group II agreed to present the following recommendations to the Plenary of FIPA:

#### **Regarding FIPA's participation in the FTAA process**

Bearing in mind that the parliamentarians who make up FIPA recommended in the Plenary Meeting of February 2003 that the FIPA Executive Committee "Establish a mechanism for FIPA to interact formally with the Trade Ministers in the context of the FTAA process and keep track of the negotiations;"

Considering that the Executive of FIPA has presented a proposal to the two co-chairs of the FTAA negotiating process to interact formally with the negotiating process of the Free Trade Area of the Americas, which includes:

- Recognition of FIPA as the official voice of parliamentarians in the FTAA negotiating process; and
- The establishment of a mechanism that permits interaction between FIPA, representing the parliamentarians whose countries participate in the FTAA negotiations, the Trade Negotiations Committee, and the FTAA Secretariat.

Given that parliamentarians are the legitimate representatives of the citizens of the Americas;

Considering that the parliamentarians of many countries have stated that they have not received sufficient information about the FTAA from the executive branch of their government;

Considering that we are disappointed with the co-chairs of the FTAA negotiations owing to the lack of discussion between them and FIPA, principally on the issue of the implementation and future development of the Hemispheric Cooperation Program, in particular the funds for social adjustments in the agricultural and manufacturing sectors, in accordance with the recommendations by the Second Plenary Meeting of FIPA;

Considering that the United States, through its Trade Representative, Robert Zoellick, has declared that one of the roles of the FTAA is to improve socioeconomic conditions in the developing countries in the hemisphere;

Recognizing that parliamentarians have a key role to play in engaging citizens, advising officials, enacting legislation, and overseeing implementation related to the FTAA currently being negotiated;

Acknowledging the importance of engaging civil society and transparency in the FTAA negotiating process;

Reiterating our concerns surrounding issues of agricultural subsidies, differential treatment of small and developing economies and economic and social change;

Given that FTAA negotiations are scheduled to conclude in January 2005;

### ***WE, THE PARLIAMENTARIANS OF THE AMERICAS***

Recommend that the co-chairs of the FTAA negotiating process quickly establish a mechanism for FIPA to interact formally with the trade ministers in the context of the FTAA process, in terms of the above-mentioned proposal by FIPA's Executive Committee.

Recommend that the co-chairs work together with FIPA to hold information sessions to discuss the status of the negotiations and the concerns of parliamentarians of the Americas, including issues surrounding the challenges faced by small and developing economies, agricultural subsidies, and economic and social change.

Recommend further that the Trade Negotiations Committee provide parliamentarians with plain-language documents describing the status of negotiations and the issues under discussion.

Recommend that parliamentarians of the Americas actively engage their constituents in order to educate and inform them about the FTAA.

### **Regarding United States participation in FIPA**

Recognizing the importance of the United State of America in the negotiations on the Free Trade Area of the Americas and its status as co-chair of the negotiations;

Considering that the United States of America is a member of FIPA;

Noting that the Summit of the Americas process recognizes FIPA's role in attaining the goals of the Summit, which include the Free Trade Area of the Americas;

**WE RECOMMEND**

That United States legislators engage with FIPA to discuss issues surrounding the negotiation of the Free Trade Area of the Americas.

**Regarding preparation for the FTAA**

Recognizing that trade liberalization has the potential to create benefits for the economies of the Americas;

Recognizing that trade liberalization presents challenges to traditional sectors of the countries' economies;

Recognizing that the economic shocks associated with trade liberalization should not be allowed to overwhelm state revenues, cause capital flight or worsen income distribution;

Noting that implementation of an FTAA will require the adjustment of domestic policies to help those who will be negatively affected by the agreement, as well as those who stand to benefit;

Acknowledging that countries face different challenges in negotiating and implementing an FTAA;

Recognizing that several countries in the hemisphere have already experienced significant changes due to trade liberalization;

Recognizing that all countries in the Americas could benefit from sharing best practices with respect to trade liberalization;

**WE RECOMMEND**

That the countries of the Americas actively engage their citizens in discussing the FTAA;

That the countries of the Americas begin to undertake domestic reforms, to the extent possible without being detrimental to their populations, to position their economies to meet the challenges and opportunities presented by trade agreements such as the FTAA;

That the heads of FIPA delegations from countries with previous experience in negotiating and implementing trade liberalization agreements forward to FIPA's Executive Committee for publication on the FIPA website whatever information they have about their experiences, both positive and negative, with trade liberalization agreements.

**The Honourable Don Boudria**, Member of Parliament of Canada  
Chair of the Working Group on the FTAA

**Isabel Damilano**  
Secretary

**Mariana George-Nascimento**  
Secretary

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## 4. Annex 1 – Participants

Senator Mario Lozada	Argentina
Senator José Zavalía	Argentina
Senator Antonio Cafiero	Argentina
Congressman Luis Molinari Romero	Argentina
Senator Sandra Husbands	Barbados
Senator Hugo Carvajal	Bolivia
Senator Enrique Urquidi Hodgkinson	Bolivia – Speaker of the Andean Parliament
Congressman Joao Paulo Gamos da Silva	Brazil
Senator Madeleine Plamondon	Canada
Roy Bailey, Member of Parliament	Canada
Philip Mayfield, Member of Parliament	Canada
Senator Sergio Romero	Chile
Senator Juan Antonio Coloma	Chile
Congressman Juan Masferrer	Chile
Senator Jorge Pizarro	Chile – Deputy Speaker of Parliament
Senator Gabriel Zapata Correa	Colombia
Congresswoman Nancy Patricia Gutiérrez	Colombia
Congressman Tubal Paez	Cuba
Congressman Freddy Ehlers	Ecuador – Andean Parliament
Congresswoman Juana Vallejo Klaere	Ecuador – Andean Parliament
Senator Chester A. Humphrey	Granada
Congressman Juan Ramón Alvarado	Guatemala
Congressman Carlos Santiago Nájera	Guatemala
Congressman Nedis Adrián Licona Reyes	Honduras
Congressman Jack Arévalo Fuentes	Honduras
Congressman Eliseo Vallecillo Reyes	Honduras
Senator Anthony Johnson	Jamaica
Congressman Armando Leyson Castro	Mexico
Congresswoman Blanca Gámez Gutierrez	Mexico
Senator Ana María Figueredo	Paraguay
Senator Ada Fátima Jolalinach	Paraguay
Congressman Simón Benítez Ortiz	Paraguay
Congressman Oscar Ismael Silvero	Paraguay
Congressman Oscar Fernando Mercado	Paraguay
Congressman Fernando Oreggini	Paraguay
Senator José Tomás Pérez	Dominican Republic
Hubert Asmamiredje, Member of Parliament	Suriname



Ruth Wydenbosch, Member of Parliament	Suriname
Congressman Alvaro Alonso	Uruguay
Congressman Ricardo Gutiérrez	Venezuela
Congressman Pedro Pablo Alcántara	Venezuela
Congressman Danilo Pérez Monagas	Venezuela
Congressman Walter Gavidia	Venezuela – Parlatino
Congresswoman Norexa Pinto	Venezuela – Parlatino
Congressman Nerio Rauseo	Venezuela – Parlatino

## 5. Annex 2 – Bibliography

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**Websites of interest:**

ALADI: : [www.aladi.org](http://www.aladi.org)

FTAA: [www.ftaa-alca.org](http://www.ftaa-alca.org)

APEC: <http://www.apecsec.org.sg/>

World Bank: <http://www.worldbank.org>

IDB-INTAL: <http://www.iadb.org/intal>

CAN: [www.comunidadandina.org](http://www.comunidadandina.org)

CARICOM: <http://www.caricom.org/>

FES-ALCA: <http://www.fes-alca.cl/>

Trade Division-ECLAC (ITID): [www.eclac.cl/comercio](http://www.eclac.cl/comercio)

LATN (Flacso Argentina): [www.latn.org.ar](http://www.latn.org.ar)

MCCA-SIECA: <http://www.sieca.org.gt/>

MERCOSUR: <http://www.mercosur.org.uy/>

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SELA: <http://sela2.sela.org/>

NAFTA: <http://www.nafta-sec-alena.org/>

UNCTAD: <http://www.unctad.org/>

European Union: <http://www.europa.eu.int/>

USTR/USA: <http://www.ustr.gov>