

## **WILL THE FTAA DEADLINE BE EXTENDED OR NEGOTIATIONS FRAGMENTED?**

With the US and Brazil co-chairing the last leg of the FTAA negotiations, the latent tensions of differing positions on the approach to achieving an FTAA have come to the surface. On May 27<sup>th</sup>, US Trade Representative Robert Zoellick arrived in Brazil to talk about the FTAA process and plan for the mini-ministerial in Wye Plantation, Maryland (to be held in mid-June as a preparation for the Miami ministerial meeting in November). During the initial press meeting, Zoellick tactfully made it clear that the US did not support using 4+1 talks (Mercosul + the US) as a substitute for the FTAA negotiations—a position the Brazilian press had bantered about since apparently misinterpreting remarks made by Brazilian Foreign Minister Celso Amorim after leaving a meeting with President Luis Inacio da Silva (Lula).

Zoellick emphasized that he wanted to work with the Brazilians to try and achieve a successful negotiation by the original deadline set for January 1, 2005. He also reiterated that all US agricultural and non-agricultural tariffs are on the table, as well as the elimination in five years of all tariffs on textiles and apparel. Regarding US agricultural subsidies, Zoellick pointed out that the US put a sizeable cut on the table, conditioned upon cuts by the Europeans and Japanese (EU subsidies are three times the US level).

After two days of talks, it was clear that the two sides had a useful exchange, but that no bridges had been crossed. Amorim told the press that Brazil wanted to see which issues could be addressed in the FTAA, which ones in the 4+1 context, and what would be negotiated in the WTO Doha round. Meanwhile, Zoellick chose to emphasize the need to move the FTAA process along and that cuts in agricultural subsidies would depend on progress in the Doha negotiations. Brazilian officials leaked to the press that the US agreed the FTAA process could not be finished by the end of 2004 and that they were willing to accept a reduced scope for the agreement if the deadline were met. A Canadian official reportedly stated the same. The Brazilians favored putting new services rules, intellectual property and government procurement in the Doha process, and pushed for speeded up market access negotiations with the US. The Brazilians insisted to the press that the three-track approach was only intended to speed up the FTAA process.

As it was clear that advancing the FTAA to achieve its substantive and time goals depended on significant change in agricultural policies by the developed countries, there was considerable expectation leading up to the G-8 meeting in early June. However, the declarations coming out of that meeting did not get specific about the Doha agenda or reducing agricultural subsidies. At that meeting, Brazilian President Lula da Silva criticized the widening gap in cooperation on trade and economy and found it inadmissible that the wealthiest countries continue protectionist practices against the most competitive sectors of the developing countries. He also called for abolishing agricultural subsidies. Meanwhile, after it obtained some secret documents, *The Guardian* accused the EU of trying to "divide and conquer." The documents showed that at a Dhaka meeting, the EU had pressured the 49 least developed country trade ministers to support the EU position on agricultural subsidies at this fall's WTO Cancun summit.

In recent years, the MERCOSUL has not been a particularly dynamic integration process. Though the MERCOSUL Commerce Commission (CCM) met on May 8th and 9<sup>th</sup>, time was taken up with the nuts and bolts of trade relations, like approving work programs of several technical committees (No. 1, Tariff Rates, Nomenclature and Classification; No.2, Customs Issues; and No. 5, Defense of Competition). No bold new initiatives are yet on the table. However, the election of Presidents da Silva in Brazil and Kirchner in Argentina may give new life to the agreement. Kirchner has publicly stated he intends to concentrate first on making MERCOSUL stronger before engaging in broader agreements. He will also use it as a vehicle for coordinating FTAA negotiation policy with its other members, especially Brazil. Lula espoused much of this same philosophy. Indeed, at the first meeting of CAS (Agricultural Council of MERCOSUL) in Brasilia, the Gina-Sul (Informal Group for International Agricultural Negotiations) was formed to coordinate interests for international agricultural negotiations.

### *Observations*

With the exception of criticism that it took place at all (voiced by Public Concern, a private group critical of the FTAA process and US trade policy), the mini-ministerial at Wye came and went with little press coverage. Lack of coverage seemed to result from the fact that the USTR considered the meeting its own. It is US Trade Representative Zoellick's style to keep information closely held, frequently even from his own staff. This silence leads some to conclude, reportedly incorrectly, that the meeting achieved little toward bringing the

countries together to commit to the deadline for an agreement. The US government faces political pressure to achieve something with the FTAA and realizes at the same time that some countries only want to achieve a minimum agreement so they may then go slowly on future negotiations to deepen and broaden the accord in areas not of interest to them (but of interest to the US). Some observers believe the FTAA process and its potential failure will lead to a greater emphasis on sub-regional agreements. The ANC and MERCOSUL are meeting to explore improving trade relations between the two blocks. The truth is, however, that the integration process in the ANC and MERCOSUL has not progressed well, in spite of many years of negotiation.

In the meantime, the US signed an FTA with Chile on June 3rd. The negotiations with the Central Americans (CAFTA) are moving ahead with a target date for completion of December 31, 2003. The Dominican Republic, backed by supporters in the US Congress, has asked to be included in a negotiated CAFTA agreement. Mexico, of course, is a member of NAFTA, but also has bilateral agreements with some South American and Caribbean countries. The Andean Community enjoys the benefits offered by the US through the Andean Trade Preference Act.

As the FTAA percolates along, differing interests make it increasingly problematic (though still possible) that a full agreement will be reached by January 1, 2005. The bottom line is that an "FTAA lite," with an agreement to continue the FTAA process, being negotiated by the end of next year seems to be an increasingly good bet.

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