



Robert Schuman

The FTAA, the United States and Europe

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These monographic papers address issues relevant to the ongoing European Convention which will conclude in the Spring of 2003. The purpose of this Convention is to submit proposals for a new framework and process of restructuring the European Union. While the European Union has been successful in many areas of integration for over fifty years, the European Union must take more modern challenges and concerns into consideration in an effort to continue to meet its objectives at home and abroad. The main issues of this Convention are Europe's role in the international community, the concerns of the European citizens, and the impending enlargement process. In order for efficiency and progress to prevail, the institutions and decision-making processes must be revamped without jeopardizing the founding principles of this organization. During the Convention proceedings, the Jean Monnet/Robert Schuman Papers will attempt to provide not only concrete information on current Convention issues but also analyze various aspects of and actors involved in this unprecedented event.

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7. Similarities and differences between the European Convention and the Philadelphia Convention of 1787.
8. The role of a politically and economically integrated in Europe in the governance of the world.
9. How important is European integration to the United States today?
10. The failure of a necessary partnership? Do the United States and the European Union necessarily have to understand each other? Under what conditions?
11. Is it possible to conceive a strategic partnership between the United States, the European Union and Russia?
12. Russia: a member of the European Union? Who would be interested in this association?

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The FTAA, the United States and Europe

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THE FTAA, THE UNITED STATES AND EUROPE

The wrongly named Third Summit of the Americas held in Quebec from April 21-22, 2001, with the attendance of President George W. Bush and the leaders of 33 Latin American and Caribbean countries has served to reaffirm the project of a Free Trade Area of the Americas (FTAA), launched by Presidents Johnson in 1967, and continued by George Herbert Walker Bush (father of the current president) in 1989. However, project negotiations only began during the Clinton administration, starting with the so called first Summit of the Americas, held in Miami in December 1994.

Unlike previous projects, the FTAA stems from the U.S. offer to the democratic countries of the western hemisphere (Cuba is not included) to attain greater access to the North American market in exchange for accepting the regulations and political and technical conditions that are already currently in force in the context of the North American Free Trade Agreement (NAFTA: the USA, Canada and Mexico). The FTAA can be considered a second generation integration scheme, not limited to the mere elimination of customs tariffs, but extended to questions regarding democracy and good government, liberalization of economic reforms, competition, the opening of foreign sectors, and adoption of common technical regulations.

In a certain sense it can be said that the FTAA is more like the common market driven by the Single European Act (obviously without any design of a Common External Tariff) than the initial schemes of the European Economic Community of the 1957 Treaty of Rome or of the European Free Trade Association resulting from the 1960 Stockholm Treaty. They have spent forty years, not in vain, to know today, that the non-tariff obstacles, more than the tariffs themselves, are the ones that prevent trade.

The New Zealander, Mike Moore, General Director of the World Trade Organization (WTO), analyzed the results of the Quebec Summit of the Americas noting that the FTAA and the future enlargement of the European Union (EU) renew the threat of dividing the world into commercial blocks regardless of the dialogue relating to open regionalism and its compatibility with the rules of the WTO.¹ The former President of Portugal, Mario Soares, stressed that the FTAA can move Europe farther away from the developing Americas.²

The FTAA worries Europe not only because trade between the 800 million people of the western hemisphere may be conducted without tariffs when the so-called customs disarmament takes place which is proposed to be begin by 2005, but also because of the impact this might have on technical and health regulations and the ways in which commercial and financial procedures are implemented based on United States rules and regulations, which will complicate the activities of European companies in the Latin American and Caribbean markets. In the future, this could change the terms of what until

¹ Mike Moore, "WTO Warning on Trade Blocs," *Financial Times*, 24 April 2001.

² Mario Soares, "Latinoamérica y la pasiva Europa," *La Vanguardia*, 4 April 2001.

now had been the concurrence between Europe and America on obtaining new economic trump cards in the countries of the South, affecting the Europeans that have more relations with Latin America and the Caribbean.

The Europe Rivalry/The USA in View of the Countries of the South

In the globalized world of the post Cold War period and when it was only forty years ago that the colonies disappeared, an important part of North-South relations is determined by the competition between the initiatives launched from Washington and Brussels. Since Africa is an area with greater European influence, Latin America and the Pacific are both areas in which this competition and rivalry can better be appreciated even though, throughout the world, the United States and Europe are always condemned to understand each other.³

In the area of the Pacific, the first Asia-Pacific Economic Cooperation (APEC) Summit, organized by the North Americans in Seattle in 1993, put forward the North American idea that the coastal countries of the Pacific will achieve free trade by 2003. It is true that the Asian crisis after the devaluation of the Thailand's baht on July 2, 1997, the economic problems of Japan, and the problems of China to attain membership in the World Trade Organization - only resolved in November 2001- have put this goal somewhat into question. In spite of everything, however, the reiteration of these intentions during later APEC Summits demonstrates that the process continues and has indeed widened with the inclusion of Mexico and Chile in the transpacific process, cooperation spanning from the Bering Strait to the Magellan Strait.

The EU did not want to be left behind in improving its relations with the Asia-Pacific countries and launched an initiative to develop closer relations with the area with the Europe-Asia Summit in Bangkok (March 1996). In the Community case, relations with some Pacific Islands had previously been addressed on a higher level as a result of the existence of some French and British territories in the Pacific and also due to the implementation of the Lomé Convention. Since 1975, these agreements established special ties between former British, Dutch and French Territories of the area and the EU.

In the Latin America things are put forward differently because of the Monroe Doctrine of "America for the Americans." Although some Latin American countries are playing the European card to offset U.S. influence, Brussels has always played a much smaller role than that of Washington. By the end of the nineteenth century, the United States had already established the Commercial Office for Latin America, the embryo of the future Organization of American States in which all the countries of the hemisphere participate except the Cuba of Fidel Castro which was expelled in 1962.

In the western hemisphere, aside from more recent and rather rhetorical Spanish presence - now transformed into an important investment presence, the Lomé Agreements that Europe has with the countries of the Caribbean, and its special relations

³ Francesc Granell. "Conflicto y cooperación entre Europa y Estados Unidos," *Política Exterior*, No. 60, November-December 1997.

with the French, Dutch and British provinces and territories of the area, Europe had and still has less intense relations in the area than the United States. This is the case despite the meetings that have been held with the Group of San Jose since 1985, with the Rio Group since 1990, and with the Andean Group since 1996, and in spite of the support that Spain and Portugal have tried to stimulate with their Ibero-American Summits since 1991, and the support that the European Community lends to the Latin American and Caribbean processes of integration with special dedication to the now suffering MERCOSUR.

The culmination of this European wish to counter the weight of the United States on the sub-continent took the format of the first Europe-Latin America-Caribbean Summit (Rio De Janeiro, June 1999) between the leaders of the 15 members of the EU, fifteen countries of the CARIFORUM associated with the EU through the Lomé Agreements, seven Central American countries, ten South American countries, and Cuba. This process, however, is still far from the process that the North Americans have with Latin America for the simple reason that the European ambitions cannot be compared to the relation with the lands south of the Rio Grande and the waters to the south of Florida⁴.

U.S. relations with Latin America have gone through several stages – some sweet, some bitter, such as those in which the ideals of the Castro government planted the seeds for a “war” between U.S. multinationals and the Latin American progressives. The importance of trade and tourism investments, however, have been of such a magnitude that the disputes have always been solved except in the case of the attempted invasion of the Bay of Pigs in Cuba which took place over forty years ago⁵.

The North American Invitation to the FTAA

It is in this context that one must place the North American project to invite the rest of the countries of the hemisphere to participate in a free trade area from the Arctic to the Antarctic. This idea was first launched by George Bush, Sr. in 1989, and later made more concrete by Bill Clinton at the Summit of the Americas held in Miami in December 1994, to create a Free Trade Area of the Americas (FTAA) capable of extending to the rest of the continent the agreements that the United States has in force with Canada and Mexico through the NAFTA.

The FTAA process has not stemmed, then, from the Summit of the Americas held in Quebec from April 21-22, 2001, regardless of the importance the republican Bush administration has placed on continuing the process, and Congress approving the free trade authority that was previously (as fast track) denied to Clinton. The process can seem, furthermore, not very innovate since Latin America has had a series of sub-regional integration processes in place for years in the hopes of lessening the limitations that have always existed because of the smaller and more closed markets of Latin

⁴ Francesc Granell, “La primera cumbre Europa-Latinoamérica-Caribe,” *Boletín Información Comercial Española*, No. 2621, 21 June 1999.

⁵ Joaquín Roy, “Cinco años de ley Helms Burton,” *Cinco Días*, 13 March 2001.

America and the Caribbean, and because the Americas and the Caribbean have been and still are home to ambitious transnational projects.

The more nostalgic of these projects goes back to the memory of Simón Bolívar when Panamericanism began at the Congress of Panama (1826). One can also recall the creation of the Inter-American Bank of Development as a result of the Panama Summit (July 1956) in which Dwight D. Eisenhower along with sixteen other presidents of the western hemisphere advanced this project and established the basis on which John F. Kennedy could launch the Alliance for Progress.

Without going too far ahead, at the Punta Del Este Summit (April 1967), the U.S. President Johnson and nineteen Latin American leaders agreed upon the creation of a Latin American Common Market by 1980, a project that was soon forgotten and remains a part of the past.

The FTAA process that began in Miami in 1994 and is now underway, is much stronger than it appears considering the current ideologically anti-protectionist era. It is important to recall that the WTO - since its beginning in January 1995 - has stimulated free trade on a global level (perhaps even more than I would have guessed) and both the International Monetary Fund (IMF) and the World Bank have imposed policies on openness in the foreign sectors for the countries in need of their financial support.⁶

With respect to the way of doing things, the revolution seems clear to me. The FTAA is not yet an invitation to a negotiation in which each and every one of the parts strives to obtain what is better for it according to its current situation. The FTAA is, simply, an invitation from the United States to the rest of the countries of the hemisphere to become part of the free trade area that first began with Canada, and later with Mexico. This invitation contains a forceful philosophy: in today's globalized world the countries that want to develop must accept the opening of their borders to trade and multinationals. In other words, those who do not want to embark on the hemispheric tram launched by Washington as the dominant economy, runs the risk of being excluded from the international division of labor which must be recognized by the states that want to attract technology, trade, and international investments. Canada and Mexico understood NAFTA as such at the time and are growing as a result of this free trade agreement, even though many consider that this growth has caused clear social costs and a greater dependency on the United States.

The President of Venezuela, Hugo Chavez, in the Summit of the Americas of Quebec, did not accept 2005 as the year to begin this process. Nobody has worried too much about this position. The U.S. seems to be telling the populist Venezuelan leader: "if you do not want to join the FTAA in 2005, you will quickly begin to realize what it means to remain outside the process in which we are inviting you to participate".

⁶ Francesc Granell, "La OMC y la fallida cumbre de Seattle," *Política Exterior*, No. 70, January-February 2000.

The Summit in Quebec and the FTAA Process

Amidst the disturbances that the "globalphobes" create about whenever there is an international meeting in which the ideas of the "single thought" are promoted (Seattle, Prague, Davos, Buenos Aires, Florence, Gothenburg, Barcelona, Genoa...), the third Summit of the Americas held in the Canadian city of Quebec has not generated great progress in giving an additional push to the Free Trade Area of the Americas (FTAA) project. It does constitute another step in the process of technical and political meetings which were initiated with the idea of inaugurating the project by 2005⁷. It has also served to demonstrate that Bush intends to be more active in this area than was its predecessor now that the Congress has granted him the necessary fast track authority to negotiate the FTAA and to undertake the new multilateral Round within the WTO launched in the Doha fourth Ministerial Meeting on November 14, 2001.

After the hemispheric meeting of Quebec, there remain three important mysteries:

- a) How is the process of creating a large free trade area in the western hemisphere going to be made compatible with the regional economic groups and the bilateral agreements that already exist in the Americas?
- b) How is the large power negotiator of the Southern Cone, MERCOSUR, going to be able to maintain a common position (as Brazil wants) if Argentina has had to force a repeal of the Common Foreign Tariff because of the magnitude of its financial crisis? and;
- c) In the context of the new multilateral Round of the World Trade Organization, how will the criticized North American agricultural protectionism characterized by domestic subsidies on exports and hundreds of tariffs on agricultural products be changed in accordance with new global standards?

The Quebec Declaration and the Action Plan approved by the 34 presidents or heads of government (remember that the Queen of England continues to be the Head of State of Canada as well as numerous Caribbean countries) provides for the reaffirmation of the fight against drugs and terrorism, and the necessity for democracy and good government. This requirement permits continuing to leave the Cuba of Fidel Castro out of the continental dialogue. During the week of the Summit of the Americas of Quebec, Cuba celebrated the fortieth anniversary of the unsuccessful anti-Castro invasion of the Bay of Pigs, and received a visit from Kevin Costner, actor of the film that recreated the missile crisis between Kennedy and Khrushchev that put the world on the brink of a nuclear confrontation. In Quebec the Latin American and Caribbean countries demonstrated that they understand the game that has been offered to them by Washington with complete recognition that the U.S. market is very important to them. There is a sound skepticism

⁷ See various texts from Tripartite Committee of the Inter-American Development Bank-Organization of American States-Economic Commission on Latin America and the Caribbean, www.ftaa-alca.org.

on the part of those who know that this project is only going to partially contribute to helping solve the problems of the sub-continent that continue to reappear in the international forums in which they take part: the fight against poverty and the marginalization of indigenous populations which is now a top priority in the post-PRI Mexico of Vicente Fox. The Latin American leaders are also conscious of the fact that if they want their countries to become more modernized, it is preferable to be the tail of a lion than the head of a mouse.

Now that the Latin American countries have been developing democracies, and it is fashionable to refer to the Spanish case of the late 1970s as paradigmatic, I am sure that many Latin American countries think that present day Spain also serves as an example on the economic level. Excluded from Europe and with protectionist policies there was not much that this country could do. Riding in the European car, it is advancing. In this sense, the FTAA process is a kind of insurance to become attached to the continental locomotive in exchange for accepting the determined rules of the game from Washington with all of the agreements that it implies. The FTAA process does not only progress during continental summits (Miami 1994, Santiago 1998, Quebec 2001, and the next Summit which will be held in Argentina) but also in the technical meetings resulting from a proposal made by Clinton in January 1994. These meetings are meant to address the following five subjects: democracy, trade, integration, development and growth, and prosperity. From that point on, a tripartite committee headed by the Inter-American Bank of Development, the Organization of American States, and the Economic Commission for Latin America and the Caribbean have stimulated this process and, since 1995, an Analysis Group of the implementation of the process (established in 1995 with the USA, Canada and Chile) has been monitoring the advancement of this process.

The Trade Ministers of the FTAA countries have been meeting. Their sixth meeting, in fact, took place in April 2000, in Buenos Aires, in the middle of large "globalphobic protests", and they have been ratifying and stimulating the activities of the negotiation groups referring to the following commercial questions:

- access to markets: tariffs, regulations and technical barriers
- investments and their protection
- services
- public sector spending
- agriculture
- dispute resolution
- copyright laws
- subsidies, antidumping and compensatory rights
- competition policy

There are special groups referring to three transverse subjects:

- private companies
- smaller economies
- electronic trade

The Declaration of the Ministerial Meeting of Toronto (November 1999) established a mandate with measures to facilitate hemisphere-wide business for the following sub-groups:

- measures related to customs matters that would facilitate business
- implementation and requirements of technical assistance
- hemispheric guide of customs procedures
- hemispheric databases
- visa requirements for business trips
- rules on foreign investment and investment agreements
- arbitration and other dispute resolution procedures
- technical necessities for the small economies
- education and training related to trade

Thanks to the entire process which began with the Ministerial Meeting of Denver (June 1995), and continued in the subsequent annual ministerial meetings (Cartagena 1996, Belo Horizonte 1997, San Jose 1998, Toronto 1999, and Buenos Aires 2000) and in the meetings of experts, the FTAA process is strong, and is not only affirmed in the political will that may show itself in the Declarations and Action Programs approved in the Presidential Summits, but also in the silent work of thousands of civil servants of the 34 hemispheric countries involved in this process.⁸

The FTAA Among the WTO and the Regional Systems of the Americas

One of the questions currently on the table is the compatibility between the FTAA on a global level and the different existing integration schemes in Latin America and the Caribbean.

The Secretariat of the Latin American Association of Integration (ALADI) has put this matter forward as one that technically presents a larger problem since Latin America and the Caribbean have in force a series of integration schemes and multilateral and bilateral agreements.⁹ Furthermore, and as if the aforementioned was not sufficient, all these attempts at integration must comply with the rules on regional integration as established by the WTO. To tell the truth, the FTAA is the extension of the NAFTA to the rest of the continent using the model that began with the free trade agreement between Canada and the USA and that, since January 1, 1994, includes Mexico.

However, the circumstances have changed over the past few years. First, the free trade impetus that Clinton was able to launch when he obtained the acceptance from Congress for the results of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1994, and when he was able to launch his APEC Summit initiative, and the FTAA, has been blurred to a certain extent by the success of the open multilateral free trade system and the initiation of the WTO on January 1, 1995.

⁸ OEA-BID-CEPAL-OPS-BM Office, "De Santiago a Quebec," Washington, DC 2001.

⁹ ALADI, "Definición de una estrategia para la preservación de las preferencias Aladi en el acuerdo que establecería el ALCA," Montevideo, 2001

Before the creation of the WTO, global integration was opposed to regional integration systems and fought to make them mutually compatible. The current stage is characterized by a generalization of the concept of open regionalism in which belonging to a regional union does not imply being closed to third countries out of the regional trade area. The Single European Market (December 1992/January 1993) aroused fears of a Fortress Europe with strong internal ties but less anxious to open to third countries.

If before internal tariffs were reduced and external tariffs remained high, nowadays both are reduced in a measured way in the context of structural reforms directed at making economies more open.¹⁰ For this reason, after the tariff reductions associated with the agreements of the Uruguay Round and, above all, as a result of the liberal policies of the foreign sectors launched by the majority of the Latin American countries, prescribed by the International Monetary Fund (IMF) and the World Bank, the interest of the FTAA is no longer concentrated on the removal of still existing tariffs, but in what it can be achieved regarding the reduction of agricultural protectionism that the Americans continue to practice and that the Latin Americans do not stop criticizing. They Latin American countries -together with other members of the Cairns Group- have submitted multiple complaints regarding the agricultural policies of Japan, the USA, and the EU. They have also taken objection to other non-tariff barriers that prevent access to markets, calling for easier capital mobilization on a regional level, and the creation of precise conditions so that the countries of the western hemisphere may be suitably linked to the globalization led, mostly, by the multinationals of the United States and, marginally, those of Europe and Japan. If the success of the WTO reduces the interest in a system of regional integration that does not go beyond pure tariff protectionism, bilateral and sub-regional agreements in the Americas have been recovering a certain pulse in these times (except for the special problems of MERCOSUR) and thus, no country seems favorable toward abandoning its respective sub-regional area of cooperation which have been negotiated over the last forty years.

Everybody is wondering how the current bilateral agreements and the sub-regional schemes are going to be integrated into the global scheme stimulated first by the United States, and then by the United States and the Organization of American States (OAS), the Inter-American Development Bank (IDB), and the Economic Commission for Latin America and the Caribbean (ECLAC), since these institutions joined the North American government as the initial promoter of the project. It is true that one of the principal sub-regional schemes, MERCOSUR, is not experiencing its best moment for many reasons which I will address further on below, but it does not become any less true that the economic diplomacy of Latin America and the Caribbean is sufficiently embedded that nobody dares to do without what they have so arduously negotiated over the last forty years.

The ALADI Secretariat has questioned the idea of becoming the FTAA-plus, taking advantage of its advanced degree of integration, achieving FTAA style integration in some sub-sectors of Latin America. This matter is far from resolved because the

¹⁰ Robert Devlin and Antoni Estevadeordal, "What's New in the New Regionalism in the Americas?" *INTAL ITD-STA*, Working Paper No. 6, May 2001.

different systems of integration in Latin America with their particular structures, needs, and goals, have little in common with the FTAA.

As is commonly known, in the fifties and sixties, a series of regional economic integration was being created on all continents. In America, history played an important role in the creation of the Central American Common Market, the Managua Treaty of December 13, 1960, and in the Caribbean Free Trade Association created by the Bridgetown Treaty of April 27, 1968, shortly after the dissolution of the Western India Federation in existence from 1958 to 1962. In the case of the South American countries and Mexico that formed the Latin American Free Trade Association (LAFTA), and after the first industrialization stage based on import substitution on the national level, the only way to overcome the stagnation caused by the small closed local markets was to expand the field for industrialization based on import substitution to the regional level.

This was the great impetus for the creation of the LAFTA (Montevideo Treaty, February 18, 1960). This wave of integration had its ups and downs, and after the initial enthusiasms the schemes ran into many problems. The open negotiation project, without any closed lists, and with strict timetables, became a potential for conflicts in the LAFTA that, recognizing the impossibility of closing the stipulated Common List, entered a stage in which it was unable to meet its obligations. All of the LAFTA members decided on the transformation of this regional organization into a much more flexible ALADI (Montevideo Treaty, August 12, 1980). Five Andean countries, on their own, created a much more ambitious sub-regional system with clearly defined obligations of sub-regional integration, becoming a reality with the signing of the Cartagena Agreement on May 26, 1969. The Andean Group would later encounter a series of problems caused by the incorporation of Venezuela, and the withdrawal of Chile immediately after the change of its economic policy toward commercial opening and the attraction of foreign investments introduced by the dictatorship of General Augusto Pinochet.

After the first big wave of integration, a second was produced in the 1990s that provided for the creation of the NAFTA on August 11, 1993, and the revival of certain Latin American schemes due to new open economic policies accepted by the majority of the countries dealing with the problem of external debt, and when the reestablishment of democracy in the hemisphere permitted progress in integration that had been unthinkable in the context of the national focus dominant during the military dictatorships.

The Trujillo Protocol of March 1996 transformed the Andean integration into the Andean Community of Nations and the Andean Integration System, trying to recover wasted time and the problems that the group has been dragging along since the middle of the seventies, despite beginning in force and with clear institutional parallels to the European process of integration. The Andean Integration System has tried to overcome the problems of the Alberto Fujimori's auto-coup in Peru (April 1992) and the return to the intergovernmentalist nature by aspiring to create a free trade area by July 31, 2005. The presidential mandate establishes commitments that lead to the Andean Common Market that should come into operation, at the very latest, on December 31, 2005, with commercial implications and the free movement of production agents.

The old Central American Common Market with serious management problems in the past, especially after the war between Honduras and El Salvador in 1969, was transformed into the Central American Integration System with the pacts of 1992-1993. In 1996, the five countries of the area decided to implement a new, more open tariff policy with regulations to facilitate internal trade. In this area, however, there is a strong duality of duties between the Secretariat for the Central American Economic Integration that manages the General Central American Integration Treaty with headquarters in Guatemala, and the Central American Integration System that stems from the political process of Esquipulas in 1986.

During this last wave, Caricom has shown significant progress. Its small member states have demonstrated a new tradition of good governance and the European Union has supported their attempts at regional integration through the successive Lomé Agreements.

At the beginning of 1995, Mexico, Colombia and Venezuela started the Group of Three. This free trade process was characterized by the particular political situation in Colombia, by the progressively weakening Venezuelan economy since the beginning of the seventies - despite the rise in the price of oil, and the Mexican preoccupation with joining the NAFTA and negotiating a free trade agreement with the EU, both of which have been accomplished.

Above all the aforementioned Latin American processes of integration, the most important of the new generation is Mercosur, born from the projects of cooperation between Argentina and Brazil, shaped in the Iguazu Act of November 1985, a few months after the Argentine president, Raul Alfonsín, implemented the Austral Plan to stabilize the country's economy. The Treaty of Asunción (March 1991), the Leñas timetable (June 1992), and the decisions of the Ouro Preto Summit (December 1994) converted Mercosur into a partial customs union on January 1, 1995, and into true hope for a system capable of spreading confidence to other Latin American countries. At the same time, channels of cooperation with Europe were opened through an initial framework agreement for cooperation signed during the European Council of Madrid in December 1995.

The first tensions within Mercosur began when trying to agree upon the common external tariff in order to launch the partial customs union by January 1, 1995. However, the political attraction of Mercosur to other Latin American countries became evident with the signing of the future free trade agreement "4 + 1" between Chile and Mercosur on June 25, 2001. The technical conflicts over "sensitive" products require continuous negotiations.

The full integration of Chile into Mercosur is impossible, as was indicated by the IDB at the time because, among other reasons, of the differences between the common external tariff of Mercosur and the Chilean tariff of a single rate and much lower level. Bolivia, despite its commercial negotiation process with Mercosur, cannot hope to

become a full member since Bolivia is part of the Andean Group, a clear violation of the Treaty of Asunción.

The ascendance to Mercosur's success began to fall with the devaluation of the Brazilian real at the beginning of 1999, allowing for increased export capacity towards its three integration partners. As a result of this devaluation, Argentina has been experiencing a state of crisis, culminating in the crash of 2001, forcing the government in Buenos Aires to suspend the implementation of its common external tariff. This setback threatens the aspirations of the Brazilian president, Fernando Henrique Cardoso, of Mercosur negotiating as a single unit with the United States in the FTAA process.

As if these multilateral agreements were not enough, there are also a great number of bilateral agreements of many types throughout Latin America and the Caribbean. Cases like the Mercosur agreements with Chile and Bolivia; of the Caricom with the Dominican Republic; of Chile with Colombia, Venezuela, Mexico, Peru and Ecuador; of Mexico with Uruguay and Bolivia define future bilateral or bilateral-multilateral free trade areas, while others such as Ecuador with Uruguay and Paraguay; of Mexico with Argentina and Paraguay; of Brazil with the Andean Community; of the Andean Community with Mercosur; of Mexico with Brazil, Peru and Ecuador, and of Chile with Bolivia are representative of different levels of preferential trade agreements but not quite reaching a level of free trade.

This complex puzzle of integration systems¹¹ and agreements defines the reality of a hemisphere convinced that the autarkic way is not possible, but that also puts forward problems of adjusting the existing regional pacts to the FTAA process.

Accumulated experiences

With this backdrop the FTAA project means another step towards continental free trade, extending the internal advantages of the NAFTA and those in the U.S.-Caribbean Trade Partnership Act and the Caribbean Basin Initiative,¹² and doing everything in conjunction with the rules of the WTO. The problem is how the processes of bilateral customs disarmament already under way today will be articulated if the FTAA prevails by December 2005, and in accordance with what has been stipulated, begins a process of tariff disarmament that would last a certain number of years depending on the strength of each one of the economies included in this project.

What has been said up until this point serves to demonstrate that the FTAA needs to learn the lessons from some of the integration failures in Latin America. The FTAA process should recognize the necessity for common policies and acceptable agreements; that there is a clear articulation between national laws and the rules of integration; that the private sector must be fully associated with the process which must be clear to

¹¹ See the situation of the integration in the Americas in IDB: Integration and Trade in the Americas, Periodic Note, Washington

¹² R. Leon and J.M. Salazar Xirinachs: The New Caribbean Basin Initiative: Impact and Opportunities, INTEGRATION AND TRADE, vol. 5. Num 13, January-April 2001

everybody; to have a clear regulatory system in which approving legislation for the integration system is not allowed to remain in permanent debate since this can cause stipulated deadlines to be missed and ambitions of integration to become diluted; that the regional processes must try to stimulate democracy so that their benefits are not lost due to corrupt or disloyal practices. In addition to these lessons the FTAA model will have to incorporate other issues that have not been tackled and that could negatively impact the process to be approved in 2005.

In this sense there are many academic fields that recall that liberalization guarantees an increase in the volume of trade but not the fair distribution of the advantages of the globalization. Today it is clear that such a guarantee can only come from the existence of common institutions and the creation of corrective financial mechanisms. The FTAA model follows the line of open regionalism compatible with the rules of the WTO and the wish to establish a large Latin American area in which the obstacles to internal transactions disappear, but also follows the line of trusting that the flows of international private investment takes care of the function of financial re-equilibrium among countries, which in the sixties was relegated to official development aid.

The experience of the last few years in reducing that aid shows that this aspiration is utopian. While aid can be directed towards the fight against poverty, international investment is intended for places that can offer better prospects of profitability and, later, the circulation of development to the indirectly affected populations can be inoperative if there are no policies that make it possible.

For this reason, the ambitions of the FTAA process to make the globalization work in the Americas correspond to the wishes and needs of the country with the dominant economy and strong capacity to persuade others to accept its rules of the game, but it does not convince those who believe in democracy, good government and so many other positive elements that the FTAA stimulates, but consider that the free trade area on its own will not resolve the situation of the underdeveloped countries in Latin America and the Caribbean.

With poverty growing in some Central and South America countries, if the United States really wants to attack problems at their root, an analysis of the best instruments for achieving the planned results is totally necessary.