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Canada:

Views on the Free Trade Agreement of the Americas 1998

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Report Highlights:

Canadian Minister for International Trade, Sergio Marchi, describes Canada's goals for the Free Trade Agreement of the Americas (FTAA) and the challenges ahead.

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Canada's Views on the Free Trade Agreement of the Americas

This is based on a press release following Sergio Marchi, Canadian Minister for International Trade, speech at the Business in the Hemisphere meeting in Miami, Florida, December 9, 1998.

Canada is chairing the FTAA negotiations until October 1999, which will culminate in a meeting of Trade Ministers in Toronto on November 1 and 2, immediately following the Americas Business Forum on October 30 and 31, 1999.

The Minister described the progress that has been made so far, and the key challenges that lie ahead. He believes that, thus far, the FTAA process is on track. There was a good launch in Santiago, with all 34 leaders present. The Administrative Secretariat is now up and running.

In June, Canada chaired the first meeting of the Trade Negotiations Committee in Buenos Aires. That Committee established work programs for the nine negotiating groups. These nine groups met this past September and October in Miami to begin their work. The Committee established work programs for the three bodies that will deal with some of the larger issues that face all: namely, electronic commerce; the special interests of smaller economies; and the participation of civil society. These groups also held their inaugural meetings in October.

Last week in Suriname, the Trade Negotiations Committee held its second meeting. It focused on the issue of business facilitation.

Canada sees five key challenges which must be addressed and overcome: U.S. fast-track authority, business facilitation, the involvement of civil society, the unequal size of the various players and the global financial crisis.

First, U.S. fast-track authority.

Canada believes that the continuing absence of this authority is unfortunate. While it is not fatal at the moment, the lack of fast-track has clearly had an impact on the level of engagement by the United States. This, in turn, affects the engagement of others, for no country will agree to negotiate twice. More generally, the lack of fast-track authority sends an unhelpful signal about American commitment to liberalized trade. The minister noted that it would be unfortunate if the United States, which has been both an architect and beneficiary of trade liberalization over the past 25 years, were to now slacken its vigor or abdicate its leadership. He was encouraged that President Clinton, in speeches to the World Bank and IMF in recent weeks, rallied the troops for a fast-track mandate in January of next year. The world needs the United States to remain committed to trade liberalization; to engage outwardly, rather than turning inward. The FTAA is a prime test of that commitment and fast track would provide an important reassurance.

Second, progress is needed in the area of business facilitation.

According to the Minister, the ultimate goal is straightforward: it should be as easy for a firm in Miami to do business in Santiago as it does in Toronto, Canada. Business leaders will measure progress on this front, not by the statements made, but by the action on the ground; by the time saved as they move their goods and services

expeditiously across borders to reach their markets on time and on budget. The Trade Negotiations Committee has just finished a successful first discussion of proposals for reducing red tape and other costs of doing business in the hemisphere. Their focus is on simplified and harmonized customs procedures. Business facilitation will be a major theme at the FTAA Ministerial meeting next year. This is an area which can produce practical results, prior to the completion of the FTAA and, at the same time, provide momentum to the talks.

Third, the matter of involving civil society is pivotal.

There is a great divergence of opinion, across the hemisphere, as to how — or even whether — to engage civil society in the FTAA process, noted the Minister. The challenge faced is to bridge the gap between those that welcome that active engagement and others who harbor suspicions about the civil society agenda. This will not be an easy task. Canada, among others, at the meeting in Costa Rica, the Trade Ministers of the Americas, endorsed the principle of increased participation in the FTAA by representatives of civil society.

The fourth challenge is to address concerns raised by the disparity in size — and economic development — among the various FTAA participants.

He noted that smaller economies of the hemisphere are worried that their interests will not be protected. The simple reality is that there are corporations in the United States that employ more people than the population of some of the participating countries in the FTAA. And their revenues dwarf the GDP of these countries.

Canada understands these concerns. It entered into a free trade agreement with the United States — a partner 10 times its size. But this experience has been positive. Canada actually enjoys a surplus, in part because it has seen the benefits of bringing trade under rules where might does not equal right and where the outcome of a trade dispute is decided on the strength of the argument and not on the size of the participants.

Furthermore, he noted that all participants should appreciate that the FTAA poses a major governance challenge to some of the smaller nations, particularly the Caribbean and Central American countries. Entering a complex set of trade negotiations among 34 countries is a big deal, especially for smaller bureaucracies. And so, Canada intends to help in building the necessary institutional capacity of these countries, so that they may effectively prepare for, negotiate and follow up on the FTAA negotiations. The bottom line is that a successful FTAA means leaving no members behind.

The fifth and final challenge — which is also the most difficult to predict — is the impact of the global financial crisis on the FTAA process.

While Canada's view is that recent events only make the case for trade liberalization more compelling, some nations may be tempted to apply the brakes to the process, call for import restrictions or impose some other protectionist measures. The challenge is to resist these demands and demonstrate the benefits to be gained by continuing down the path of freer trade.

Canada recognizes that the potential for growth and expansion is still there.

He noted that the Canadian business community continues to be very bullish on Latin America, despite some of the challenging economic currents.

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