

### □ BRAZIL AND THE UNITED STATES: OVERCOMING OBSTACLES TO AN FTAA

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*By Rubens Barbosa, Ambassador of Brazil to the United States*

*Successful completion of a Free Trade Area of the Americas (FTAA) will generate not only new trade opportunities but also substantial developmental, technological, economic, social, and political gains throughout the hemisphere, says Rubens Barbosa, Brazil's ambassador to the United States. As co-chair with the United States for the final negotiating stage of the FTAA, Brazil will share responsibility for helping to frame outstanding issues. The ambassador expresses concern that deadlocks over issues related to agricultural subsidies and trade remedies in ongoing World Trade Organization talks could jeopardize timely completion of an FTAA.*

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The negotiating process of the Free Trade Area of the Americas will enter its final stage in the next few months as 34 countries begin their detailed discussions on trade liberalization through the reduction of tariffs, including tariff peaks, and the elimination of nontariff trade barriers.

Brazil wants the FTAA to be a landmark agreement that will define new trade patterns in the hemisphere in a balanced and equitable manner.

This essentially means that it will contribute to fostering and advancing our many common values and goals, as well as a greater sense of partnership and cohesion. The FTAA should help to reduce the disparities that now exist in and among our countries, as well as throughout our region.

The ultimate goal of the process is not free trade for its own sake, but rather achieving the developmental, technological, economic, social, and political gains that we believe an FTAA can help generate.

These benefits will not emerge automatically or as an inevitable corollary of increased trade liberalization, but will require a balanced and equitable process of give and take.

Current circumstances clearly attest to the need to improve market access for all countries in Latin America, which is the best way to avoid periodic financial crises and overcome difficulties in capital market assessments.

Brazil has been an active player in the ongoing negotiating process aimed at establishing an FTAA. The Brazilian government has pursued these negotiations in earnest since the initiative was first introduced, and shares the will to conclude them successfully by 2005.

From the start of the negotiations, Brazil's main goals have been to achieve market access, reciprocity, and balanced results at the end of the FTAA process.

But to achieve a balanced, equitable, and viable agreement we must bear in mind that tariff reduction or elimination is not the only, and sometimes not even the most significant, step toward freer trade. Ending practices such as the unfair subsidization of agricultural production and the abusive application of trade remedy mechanisms is as necessary as lower tariffs to allow trade and progress to flourish around the region.

#### **A LOOK AT THE ISSUES**

Beginning this November, Brazil and the United States will be co-chairs during the final negotiating stage and thus will share the responsibility of dealing with the existing challenges, as well as those that arise during this period when complex trade-related rules will take their final shape and final market access concessions will be made.

To engage in this delicate and complex process, it is necessary that every party have a mandate to negotiate all trade-related issues that are on the table. In this sense, the recent passage by the U.S. Congress of trade promotion authority (TPA) for the president was a positive development, enabling the United States to engage fully in the process and providing momentum for

the multilateral and hemispheric negotiations to move forward.

The TPA, however, is merely a necessary precondition for negotiations to proceed; it does not, by any means, provide a formula for overcoming some of the more important hurdles in the negotiating agenda that will need to be addressed in order to successfully conclude the negotiations by January 2005. Because of the restrictive language it contains in certain key areas, the TPA, as approved, may limit the U.S. capacity to negotiate and may delay for an unreasonable period of time the liberalization of trade for a list of sensitive products.

Agreeing on methods and modalities to dismantle tariffs in the negotiations on market access and agriculture, as well as defining the future framework of the services chapter, are among the critical issues, as are trade remedies and disciplines for domestic support in agriculture, which still need to be worked out in order for us to conclude a successful hemispheric agreement by 2005.

## **SHARING THE BENEFITS**

Brazil recognizes that a number of the difficulties in the negotiating process are related to the economic asymmetries among the countries of the Americas, and that successful completion of the FTAA will require taking into account the needs of the smaller economies, both during and after the negotiations.

Nevertheless, it would be contrary to the spirit and the ultimate goal of the FTAA negotiations to adopt rules and disciplines that in the end would allow the FTAA to become a mere aggregation of bilateral understandings, rather than a comprehensive agreement built on the regional application of the most favored nation principle.

In view of our trade negotiating goals, allowing a “bilateral approach” to prevail as the general rule would result in widespread discrimination among preferential partners, which, in turn, would result in the artificial diversion of trade and investment flows within the hemisphere.

We therefore insist that all participants must share the benefits of free trade equally, that liberalization of trade should be reciprocal, and that it should lead to the attenuation — rather than the aggravation — of the existing disparities in our region.

For Brazil, as was stated by President Fernando Henrique Cardoso in his speech at the Quebec City Summit, “a Free Trade Area of the Americas is welcome if its creation is a step toward providing access to more dynamic markets; if it indeed leads to common antidumping rules; if it reduces nontariff barriers; if it prevents the protectionist distortion of sound sanitary norms; if, while protecting intellectual property, it also furthers the technological capabilities of our people; and also if it goes beyond the Uruguay Round to redress the inequalities resulting from those negotiations, particularly with regard to agriculture. Otherwise, it would be irrelevant or, worse, undesirable.”

## **THE NEED FOR COMPROMISE**

The simultaneous negotiation of a hemispheric agreement and the World Trade Organization (WTO) Doha Round will certainly represent a challenge for the co-chairs of FTAA negotiations. It is true that multilateral rules establish the framework within which regional or bilateral trade agreements are negotiated. It is also true that some of the FTAA “hot topics” are equally controversial in the multilateral arena. So these two processes will inevitably become intertwined between now and 2005.

I do not have — and I actually doubt that anyone has — an easy answer for all the “what if” scenarios. Let us hope that a spirit of compromise will prevail, so that freer and fairer trade for all can be implemented on the basis of negotiated breakthroughs. Brazil will be doing its part, together with our MERCOSUR partners in the FTAA, and the United States will certainly do its part, as became clear with its groundbreaking agricultural proposal presented last July in the WTO.

But one must acknowledge that deadlocks at the multilateral level, especially those regarding agriculture, subsidies, and trade remedies, could jeopardize completion of the hemispheric negotiations within the agreed timeframe, taking into consideration the principle of single undertaking in both negotiations.

Another crucial issue for the completion of the FTAA hinges on the simultaneous negotiation of ongoing and new trade initiatives among hemispheric partners. Although initiatives aimed at providing better market access conditions within the region should be fully supported, there is a potential risk of dissipating the negotiating efforts to complete the FTAA once our

partners have achieved their main trade goals through other negotiating fora.

## **LONG-STANDING PRIORITIES**

The FTAA constitutes only one part of Brazil's broader trade negotiating agenda in the hemisphere, the centerpiece of which has been the construction of the Southern Cone Common Market, MERCOSUR.

MERCOSUR has been affected by the current economic and financial crises in all its member countries, casting doubts about its survival.

For Brazil, nonetheless, the current crisis provides a priceless opportunity to review our economic integration agenda. Any objective assessment of the current situation would clearly indicate the vast successful interaction that already exists and the degree to which the economies in the region have effects on one another. Our geographical circumstances, as well as the commonality of our values, objectives, and even cultures, points to a need for increased cooperation and integration. However, we are aware that, in order to keep moving forward, we will have to define our trade agenda realistically within new and achievable timeframes, so as to pursue our goal of building a common market.

The specific details of Brazil's future positions on MERCOSUR and the FTAA will obviously depend on the results of the October 2002 elections. All candidates, although proposing a more assertive stance in the negotiations, have indicated their intention to proceed with the negotiating process.

But a retrospective look at our commitments and achievements in these two negotiating arenas can offer important insights into Brazil's core trade policy guidelines that in all likelihood will be maintained by the government of the next president of Brazil, regardless of who is elected. These long-standing priorities have been to increase market access for our main exports and improve our competitiveness in the international economy through economic integration.

We are fully aware that the creation of the FTAA will involve costs similar to those associated with all integration and trade liberalization processes. But if a balanced and equitable agreement is achieved, its benefits will clearly outweigh its costs. That is why our commitment to these negotiations has remained steady and strong since their inception by the heads of state during the Miami Summit of the Americas in 1994.

Brazil believes that fundamental values, such as strengthening democracy, protecting human rights, safeguarding the environment, and fighting against poverty, discrimination, and organized crime, should be placed at the core of any meaningful integration process in the hemisphere.

Brazil and the United States have roles to play in this process, which should be the basis for progress and sustained growth for all countries in the region. □

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The opinions expressed in this article do not necessarily reflect the views or policies of the U.S. government.