

FTAA Miami- is it over before it starts?

Peter Clark (in Miami)
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Miami is sunny and warm a sharp contrast to the cols and wind of Ottawa. The view from the hotel connected to the Convention Centre is the Miami River and Biscayne Bay- very tranquil yet spectacular. And as usual with these events the tranquility is die to be shattered by civil society demonstrators and anarchists and hooligans. This is the key venue for the protesters this year- Cancun was not. The reminders that there can no longer be negotiations without protesters stated in the airport in Toronto where on could see t-shirts from past "campaign. "Agitate the G-8 and it is interesting to listen to the white wine and wicker socialists heading South to fight against Globalization discussing the merits of their children's private schools.

Miami is getting ready for the protests. The Miami civic authorities are enforcing laws aimed at restricting carrying weapons in public .Shopkeepers will be sleeping in their stores to protect them form activists. Schools - 15 of them in the area - have been plasticizing "code red lockdowns" and severely restricting student activities. Seattle is on the local government's mind and they are determined to avoid a repeat. They want to give the Meeting a festival atmosphere. Representatives of Civil Society have their best opportunity here to make their views known. There is a structure for discussion and an opportunity to meet with Ministers to make their consensus recommendations. The police know who the troublemakers are and will be watching them closely and will move quickly to keep matters under control.

The USA and Brazil are co-hosts. The USA wants to avoid a failure or the appearance of failure. Brazil having been demonized by the USA since Cancun wants to avoid further blame casting. To succeed in these objectives the USA has had to agree to dilute ambition and have been reluctant so far to admit just how much water is in their wine. Indeed off the record discussions suggest that USTR is being deliberately vague.

Discussion with Washington based media contacts this morning indicate that in fact the USA and Brazil have pre-cooked the result, at least between themselves. This has been discussed in the press this week, attributed to Brazil - and while ideas have been floated they are for from any type of hard deal.

As the deal as it has been explained to me there will be an agreement, based on a 5 page document negotiated between USTR Zoellick and Brazilian Foreign Minister Celso Amorim envisaging that by the 2005 end date all countries will agree to a minimum (minimal?) group of core issues. What they are will be decided now and then. There is not expected to be any identification of these issues at Miami (but others have already indicated that they think differently). The text apparently suggests that if any party wants to go further this is open to them. And on the issues where consensus has not been possible there can be plurilateral (as many or a few as possible but not all) agreements. The USTR tried to push Brazil for more to meet concerns expressed by other players and to expand the deal. The basic sticking point is the US view that those who do not participate in the plurilateral agreements will not receive the same market access benefits. Minister Amorim has made it clear that penalization of non-participants is a non-starter.

There will be a series of bilateral meetings here this week USTR Zoellick will be here to engage in some. It is expected the USA will announce they are to engage if FTA negotiations with Colombia, Peru and Panama. Is Zoellick trying to undermine Brazil's desire to unite South America by letting those out side the Mercosur into the U.S. market early?

Officials are already meeting and the information filtering out about reactions to the USA-Brazil framework is that Mexico, Canada and Chile – and perhaps others are not interested in leaving the identity of the core issues in suspense. The imprecision helps to sell until later the view that there has not been a substantial dilution and defers the timing of admissions or accusations of failure of failure until later – after everyone has left Miami and Ministers are spared two failures in a single year.

Minister Amorim has been quoted in the press as having agreed to let the USA take its domestic agricultural support off the table and in return Brazil is reducing its ambition in areas unrelated to tariffs. The USA is the only country with an information sheet in the press kits which addresses myths. One such myth is "The USA refuses to discuss agriculture in FTAA". It makes the point that the USA cannot disarm unilaterally while the other subsidizers (Europe and Japan) are free to subsidize their farmers. This argues for the negotiations taking place in the WTO. But this does nothing to address concerns with what the USA claims to be exempt support which is subject to no disciplines – support which benefits products where US pricing translates in to world pricing because farmers can farm based on regular Government cheques in the mailbox instead of market returns.

There are several issues on the FTAA list which are difficult negotiate here because the real game is in the WTO Doha negotiations. And there are serious questions about how rules, say for AD/CVD can be different inside an FTA and outside (Different not eliminated). This concern underlies US positioning on agriculture and Brazilin concerns about Intellectual property disciplines. Explained in this context, reduced ambition can be made to appear to be less significant.

It will be an interesting and active week. The compromise may be the most that can be agreed but the FTAA is a major foreign policy initiative for the Bush Administration. If it stalls the bilateral option as evidenced by launching more FTA agreements with South and Latin American countries will send a message no amount of drafting can obscure. This would lead to the hub and spoke approach to regional free trade which would benefit the USA far more than its NAFTA partners. These new bilaterals would dilute Canada's preferential access to the US market with nothing in return. Canada may have to become more aggressive in its own approach to bilaterals. To be successful such initiatives should precede the USA not follow. Canada cannot afford to be an afterthought.