

6. Trade, Investment and Financial Stability

→ MANDATE

Free and open economies, market access, sustained flows of investment, capital formation, financial stability, appropriate public policies, access to technology and human resources development and training are key to reducing poverty and inequalities, raising living standards and promoting sustainable development. We will work with all sectors of civil society and international organizations to ensure that economic activities contribute to the sustainable development of our societies.

—DECLARATION OF QUEBEC CITY

Leaders at the Third Summit of the Americas directed Trade Ministers to ensure that negotiations of the Free Trade Area of the Americas Agreement (FTAA)—announced at the First Summit of the Americas and officially launched at the Second Summit of the Americas in April 1998—would conclude no later than January 2005. They called for an agreement that was balanced, comprehensive, and consistent with World Trade Organization rules. An added instruction was to take into account the differences in size and levels of development in the participating countries. A Free Trade Area of the Americas, incorporating countries with the 34 democratically-elected governments in the Western Hemisphere, would represent a population of over 800 million and a combined economic output of over US\$13 trillion. It would be the largest regional free trade area in the world, and represent the cornerstone of the overall Summit process.

To achieve this goal, leaders recognized the importance of transparency and consultation with civil society, as well as the need for technical assistance and capacity-building to ensure full participation by all countries in the negotiations. An official FTAA website was established and is managed by the Organization of American States as part of the Tripartite Committee to support the ongoing negotiations. The Tripartite Committee consists of the OAS, the United Nations Economic Commission for Latin America and the Caribbean, and the Inter-American Development Bank. Through the website and periodic regional seminars, civil society representatives are encouraged to make recommendations to the FTAA negotiators. Written submissions are considered by the FTAA Committee on Civil Society and are forwarded to the appropriate negotiating group for consideration. To facilitate the informed input of civil society—and in response to a direct mandate from leaders—the draft text of the FTAA Agreement was made public in English, Spanish, French and Portuguese following the Buenos



Aires Ministerial Meeting in April 2001, following the Quito Ministerial Meeting in November 2002, and again following the Miami Ministerial Meeting in November, 2003. The draft text can be found on the official FTAA website at www.ftaa-alca.org.

FTAA Ministers Responsible for Trade met with business and civil society representatives at each of their Ministerial Meetings and received recommendations for the negotiations. Many governments have also increased consultations with their business and civil society communities at the national level.

The negotiations have been proceeding on-track with continuous meetings of trade officials attending sessions of the various FTAA Negotiating Groups and other Special Committees at the present site of the negotiations in Puebla, Mexico. In this final stage—from November 2002 to January 2005—the FTAA negotiating process is being co-chaired by Brazil and the United States.

CAPACITY-BUILDING FOR TRADE

Negotiators in the FTAA have recognized the difficulty some of the smaller economies have in fielding well-informed and fulsome negotiating teams to represent their interests at FTAA talks. They also recognized the challenges many governments will face in implementing the FTAA obligations after completion of the negotiations. To address these concerns, Ministers Responsible for Trade endorsed the FTAA Hemispheric Cooperation Program as an integral part of the FTAA process. Countries agreed to seek assistance under the program by first preparing national or regional strategies to strengthen their capacities in:

- i) preparing for negotiations,
- ii) implementing trade commitments, and
- iii) adjusting to integration.

With the approval of the FTAA Hemispheric Cooperation Program—and in accordance with new mandates emerging from the OAS General Assembly in support of this initiative—the OAS Trade Unit has expanded

STRUCTURE OF THE FTAA NEGOTIATIONS

- Ministers Responsible for Trade
- Vice Ministers Responsible for Trade (Trade Negotiating Committee)

NEGOTIATING GROUPS

- Market Access
- Agriculture
- Services
- Investment
- Government Procurement
- Competition Policy
- Intellectual Property Rights
- Subsidies, Antidumping and Countervailing Duties
- Dispute Settlement

SPECIAL COMMITTEES

- Civil Society
- Institutional Issues
- Smaller Economies

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its set of trade-related capacity building activities in the Americas. These activities include the following main lines of action:

- Support for the development of national or subregional trade capacity building strategies
- Training programs for government officials and trade policy dialogues with civil society. This includes the development of training courses within the sub-regions of the Hemisphere to provide ongoing and sustainable capacity-building in trade.
- Network promotion among members of academic communities through the Net-Americas network (at www.netamericas.net).
- A program to support initiatives for the modernization of government procurement systems.
- Programs to support the participation of the micro, small and medium enterprises in government procurement, and access to electronic markets and online technical services.
- Publications: including the Trade Unit Series Studies and academic volumes.
- Transparency enhancement and dissemi-

nation of trade-related information, using information technologies available through the SICE, or Foreign Trade Information System website at www.sice.oas.org

CHALLENGES

The FTAA negotiations encompass nations as large as Brazil and the United States, and as small as St. Kitts and Nevis and St. Lucia. It includes economies as sophisticated and diversified as that of Canada, together with countries such as Bolivia and Paraguay which are dependent on very few export commodities. The diversity of the participants underlines the very ambitious nature of this undertaking. The negotiations are reaching their final stage at a time of slow economic growth worldwide, increased demands on fragile democratic governments in the region, and with a new and heightened emphasis on security issues. Vulnerable and non-competitive sectors in all economies are under increasing economic pressure. As demonstrated by the suspended meeting of

the World Trade Organization in Cancun, Mexico, in September 2003, trade talks world-wide are struggling to find a middle ground of agreement in the areas of development, agriculture, protection of national markets, integration of international agreements into domestic policies, and production and export subsidies.

The Eighth FTAA Ministerial in November 2003 in Miami ended with the agreement of all 34 participants to continue the negotiations and proceed under the agreed deadline of January 2005. The coming year will be decisive in demonstrating whether countries can reach common ground and succeed in their ambitious goal of reaching agreement on a Free Trade Area of the Americas which should contribute, as stated by the hemispheric leaders at the Third Summit of the Americas, to "reduce poverty and inequities, raise living standards and promote sustainable development."

Economic and Financial Stability

Leaders recognized the importance of financial and economic stability, as well as strong and sustainable growth, as fundamental preconditions for accelerated development and poverty reduction, and to ensuring that the benefits of globalization are broadly and equitably distributed. They called on the Finance Ministers to pursue policies that would protect the most vulnerable people and prevent crisis while recognizing the unique challenges faced by small states.

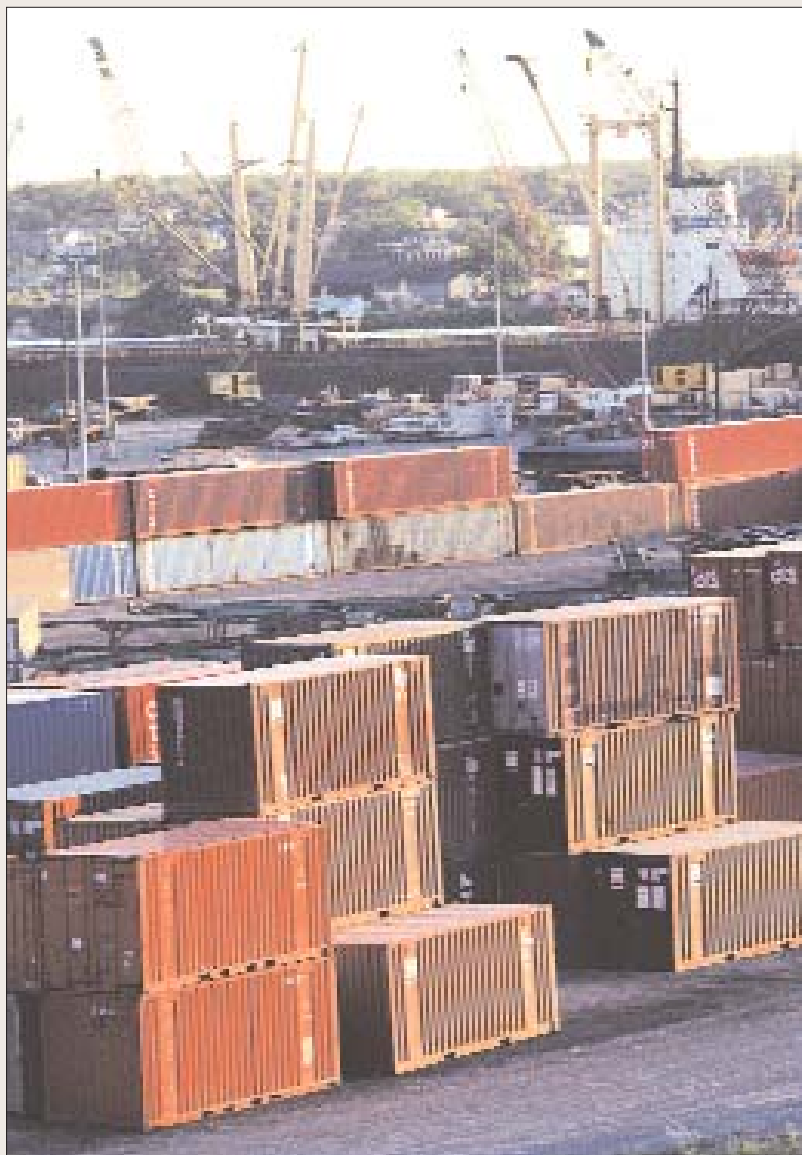
To implement this commitment, Finance Ministers were instructed to explore ways to ensure that international financial institutions and regional development banks take into account Summit initiatives in their lending policies and technical assistance programs for the Hemisphere.

Members of the Joint Summit Working Group, the World Bank, the Inter-American Development Bank, the Caribbean Development Bank, the Andean Development Corporation, and the Central American Bank for Economic Integration report regularly on their support to countries in order to fulfill Summit mandates. In fact, there is considerable overlap between the existing programs of the development banks and goals of the Third Summit of the Americas. A renewed effort in the areas of poverty alleviation and consideration of governance issues can be seen in the programs and plans of the World Bank and the regional development banks.

In addition to the oversight of the multilateral development banks, Finance Ministers are working to revise International Monetary Fund policies in order to increase predictability and crisis prevention in their programs. In fiscal year 2003 a Stand-By Arrangement for Brazil of \$31.5 billion—the largest arrangement in IMF history—dominated new IMF lending commitments to its member countries. This arrangement—plus other large arrangements for Colombia and Argentina—and the augmentation of an existing arrangement for Uruguay, kept commitments in fiscal year 2003 relatively high. (IMF 2003 Annual Report)

CHALLENGES

Rapidly evolving financial markets, and strong links between the region's economies and the world economy increase opportunities to access international capital, but also make these markets vulnerable to changes in international conditions. Many of the countries in the region are highly dependent on



commodity exports that are subject to price swings. Exchange rate policies and central bank management can also dramatically change the relative prices of exports and imports, and influence interest rates. Frequent changes in these conditions can be a disincentive to business investment. Fiscal and monetary management in the region continues to improve, and the IMF and multilateral development banks are working to contribute to increased financial stability, but the uncertainty of global markets, heavy debt burdens in some countries, and the need to meet political and economic demands remain a challenge.

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Corporate Social Responsibility

Businesses of all sizes make an important contribution to sustainable development and increased access to employment opportunities. Citizens and civil society organizations also have expectations that businesses carry out their operations in a manner consistent with their social and environmental responsibilities. To facilitate this process, leaders expressed support for the work of the Organization of American States and the Inter-American Development Bank in raising awareness of and encouraging the exchange of experiences on how businesses can develop, adopt and implement principles of good conduct that will advance corporate social and environmental responsibility.



At the Conferences on Corporate Social Responsibility, major companies, such as IBM of the United States and CEMEX of Mexico, shared their experiences in building corporate social responsibility into their basic business strategies.

SUCCESS STORIES

The Inter-American Agency for Cooperation and Development (IACD) has announced a program to promote corporate social responsibility in four Latin American countries, with the Canadian International Development Agency (CIDA) donating Can\$500,000.

An IACD initiative—developed jointly with the regional network Forum EMPRESA—will foster measures for the private sector in Chile, Brazil, El Salvador, and Peru, targeting particularly small- and medium-sized enterprises. The CIDA contribution will complement the recently approved US\$1.1 million grant from the Inter-American Development Bank's Multilateral Investment Fund. The IACD also received support from the United States Mission to the OAS for the original design of the program. The models developed in these four countries will be extended to the rest of Latin America and the Caribbean. The OAS Inter-American Agency for Cooperation and Development (IACD) co-sponsored a Corporate Social Responsibility (CSR) Conference held in Trinidad and Tobago, and organized by the Inter American Foundation (IAF). The conference provided information on CSR related areas and stimulated the

formation of alliances among the interested institutions in the Caribbean.

The Inter-American Development Bank held two well-attended conferences—in Miami and Panama—on Corporate Social Responsibility, civil society and competitiveness. These conferences increased awareness of the issue and strengthened networks to promote good business practices. Major companies, such as IBM of the United States and CEMEX of Mexico, shared their experiences in building corporate social responsibility into their basic business strategies. The IDB created a website (www.csramericas.org) to present conference materials and act as a comprehensive networking tool on the topic.

CHALLENGES

Corporate Social Responsibility is a relatively new concept for businesses in Latin American and the Caribbean. As many economies are struggling in the region, businesses interested in good business practices are compelled to examine how these practices can contribute to their profitability and good community relation, and improve the reputation of the private sector among citizens in the Americas.