

CAPITULOS

Trade and Development

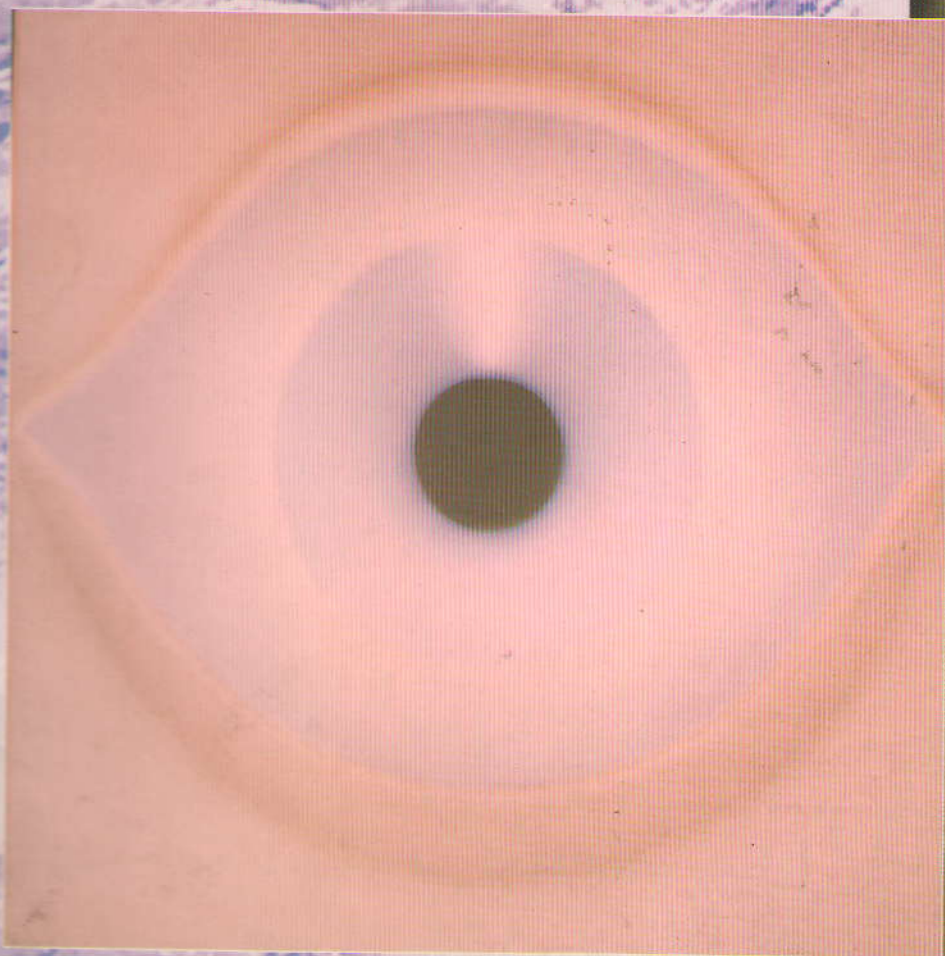


Sistema Económico
Latinoamericano

Latin American
Economic System

Sistema Económico
Latino-Americano

Système Économique
Latinoaméricain



66

SEPTEMBER
DECEMBER
2002



Sistema Económico
Latinoamericano

Latin American Economic
System

Sistema Económico
Latino-Americano

Système Economique
Latinoaméricain

CAPITULOS

Trade and Development

66

SEPTEMBER
DECEMBER
2002

Editorial Committee

Ambassador Otto Boye Soto
Permanent Secretary

Dr. Eduardo Mayobre
Economic Relations Director

Giovanni E. Reyes, PhD
Development Director

Dr. Gabriel Bidegáin
Area Coordinator

Dr. Antonio Romero
Area Coordinator

The Latin American Economic System is a regional consultation, coordination and cooperation organization created by 28 Member States of Latin American and the Caribbean, to promote economic and social issues.

Cover Artwork:
Rodolfo Abularach, 1933
Guatemala
Ojo espacial A2 (Ojo azul) (1968-1972)
Oil in canvass
127 x 127 cms.
Rodolfo Abularach, painter, engraver and sculptor from Guatemala. Between 1954 and 1957 he studied at Guatemala's Escuela Nacional de Artes Plásticas. In 1958, after working at Ciudad de Guatemala's Museum of Anthropology, he moved to New York where he settled. Following some initial work on landscapes and the nude, he adopted a more modern approach influenced by Guatemala's indigenous culture. From the end of the sixties to the first years of the eighties he explored a clever metaphor whereby the enlargement of the human eye and its infinite physical reactions represent a world in which emotions and circumstances are in permanent evolution.

CAPITULOS

Katty Salerno
Editor

Zenaida Lugo
Assistant

Diana Volpe
Translation and Editing

Capitulos is published in English and Spanish, three times a year by SELA's Permanent Secretariat. The opinions expressed in the signed articles are the sole responsibility of the authors and do not necessarily reflect the official position of this Secretariat.

CAPITULOS may be accessed through the Internet at SELA's website <http://lanic.utexas.edu/sela> or sela2.sela.org or requested from the Press and Information Office, Tel: (58-212) 955-7142
E-mail: diffusion@sela.org

Headquarters' address:
Torre Europa, piso 4,
Av. Francisco de Miranda
Campo Alegre
Caracas 1060, Venezuela
Telephone: (58 - 212) 955.7111
Fax: (58-212) 951.5292 / 951.6901
POBox 17035
Caracas 1010-A, Venezuela

Subscription

Latin America and the Caribbean	US\$	50
Other countries	US\$	60
In Venezuela:		
Three Issues	Bs.	20,000
(includes mail delivery)		

Cover design: Pereira & Asociados
Final Arts: Cecilia Zuvic
Publishing: Gráficas Franco

Depósito Legal pp-198302CS797
ISSN: 0798-202X

Presentation	5
ANALYSIS	
Giovanni E. Reyes	7
Trade and Development: Conceptual Foundations and an Approach for LAC	
UNCTAD	37
Review of Developments and Issues in the Post-Doha Work Programme of Particular Concern to Developing Countries	
María Cristina Rosas	63
Mexico's Trade Policy: Between Puebla and Cancún and the Problems of a Multi-Faceted Economic Policy	
Ximena de la Barra	75
Social Development's International Goals and Development Cooperation	
DEBATES	
Juan Carlos Bossio	91
Labor Norms and International Trade: A Recurrent Discussion	
CURRENT AFFAIRS	
SELA's Permanent Secretariat	113
The Private Sector's Participation in Latin American Integration	
Juan Mario Vacchino	135
Are Latin America's Integration Processes Democratic?	
DOCUMENTS	
Johannesburg Declaration on Sustainable Development	149
Declaration of Bávaro	155
Ministerial Declaration of Quito	169

The links between trade and development cannot be denied. In theory, and particularly from the point of view of economic principles, free trade tends to promote well-being by allowing for a better allocation of a nation's resources, leading to comparative advantages and competition between nations. Nevertheless, and due especially to the obstacles to free trade, including subsidies and non-tariff measures, imposed by many, particularly the most developed countries, trade has not produced the anticipated well-being. This is especially true in the case of Latin American countries whose participation in world trade has decreased from 12% in 1950 to 5% at the end of the nineties.

This issue of CAPITULOS examines the links between trade and development from a theoretical and practical perspective. In the first case, it presents an analysis of the basic concepts of trade and development, the economic policies adopted in recent years by Latin American and Caribbean countries and the different integration models and their impact on our region's development policies.

In the second case, it presents a paper prepared by the United Nations' Conference on Trade and development (UNCTAD) that examines the progress made in the issues of concern to developing countries derived from the work program agreed upon at the IV WTO Ministerial Conference held in Doha. It also includes an analysis of Mexico's trade policies and of the role this country can play in the next WTO and FTAA meetings that it will host during 2003. A third article examines social development's international goals and the role played by international cooperation in this field.

Three more articles approach this issue's central subject from different perspectives. The first warns that the inclusion of labor regulations in international trade norms has resurfaced once again. The second examines the private sector's participation in Latin American and Caribbean integration and the third analyzes the political framework within which our region's integration processes have developed.

Trade and Development: Conceptual Foundations and an Approach for LAC

This article presents in a concise manner a number of theoretical issues regarding international trade and development. Due to the space limitations inherent in a publication such as Capítulos, only the major aspects relating to this subject have been included, among these, regionalization and integration processes. According to the author, in view of Latin American and Caribbean economies' current situation and taking into account possible future scenarios, integration and the coordination of positions within and between countries of the region is one of the best policy recommendations that can be suggested.

Comercio y desarrollo: bases conceptuales y enfoque para ALC

El siguiente texto presenta, de manera sintética, un conjunto de elementos teóricos sobre comercio internacional y desarrollo. Dadas las limitaciones propias de una publicación de esta naturaleza se incluyeron únicamente los aspectos principales. Entre ellos, los procesos de regionalización e integración. En las actuales condiciones —dice su autor— para las economías de ALC, y considerando escenarios de futuro previsible, una de las recomendaciones de política más sobresaliente está relacionada con la integración y la coordinación de posiciones entre y dentro de los países.

Commerce et expansion: bases conceptuelles et perspective pour l' ALC

Le texte suivant présente, d'une façon synthétique, un ensemble d'éléments théoriques sur le commerce international et son développement. Étant donné les limitations propres à une publication de cette nature, seuls les aspects principaux y sont inclus. Nous citerons parmi eux, les processus de régionalisation et d'intégration. Considérant les conditions actuelles —d'après l'auteur— pour les économies de l' ALC (Amérique Latine et les Caraïbes), et considérant les théâtres d'un futur prévisible, une des recommandations qui excelle en ce qui à trait à la politique, se rattache à l'intégration et à la coordination entre et dans les pays.

Comércio e desenvolvimento: bases conceituais e focalização para ALC

O seguinte texto apresenta, de maneira resumida, um conjunto de elementos teóricos sobre comércio internacional e desenvolvimento. Dadas as limitações próprias duma publicação desta natureza somente foram incluídos os aspectos principais. Entre eles, os processos de regionalização e integração. Nas atuais condições —diz o seu autor— para as economias de ALC, e considerando cenários de futuro previsível, uma das recomendações de política mais relevantes está relacionada com a integração e a coordenação de posições entre os países e dentro deles.

Trade and Development: Conceptual Foundations and an Approach for Latin America and the Caribbean

❖ **Giovanni Reyes, Ph.D.**

Director of Development and Regional Cooperation, SELA

I. Basic Arguments

First argument: In theory and particularly from the point of view of economic principles, free trade tends to promote well-being and a better distribution of resources, besides leading to comparative and competitive advantages between nations. However, and due to a great extent to the obstacles many countries pose to free trade –particularly more developed nations through measures such as subsidies and non-tariff mechanisms– the benefits that may be derived from current world trade practices are not fully available.¹

For many developing countries one of the most important issues is to gain free access to the markets of the most advanced nations under competitive conditions. Also, as trade and financial markets are liberalized, the issues of migration and skilled and non-skilled workers must be considered. Processes aimed at insuring that trade practices become instruments for societies' sustainable development, improving the quality of life, must be developed and applied.

Second argument: It refers to integration processes within the context of trade and development. In general integration, viewed within the modalities of regionalism, is seen as having three basic dimensions. After the classical view, one refers to the systematic and sequential aspect of the different integration phases. Thus, trade preferences agreements would give way to free trade areas, customs unions and common markets and finally to economic union. The European Union is the best example of this progression.

A second dimension refers to the specific characteristics of what has been called the depth of integration processes. The Free Trade Area of the Americas (FTAA) is an example of this.

“
Due to the obstacles many countries pose to free trade, particularly more developed nations, the benefits that may be derived from current world trade practices are not fully available.
”

It aims at establishing a free trade area as a second stage in the integration sequence. Nevertheless, the depth and range of the commitments entered upon may, in many cases, severely limit governments' room for maneuver.

In some cases, public institutions may become subject to transnational or multinational enterprises' decisions, particularly regarding the issues of investment, access to market, services, intellectual property, agriculture and government purchases.

A third dimension of integration refers to whether progress is steadily made towards the signing of agreements or whether these are reversible. In the case of Europe progress was made as other levels of integration were promoted. In the case of the different Latin American and Caribbean treaties, there have been some important achievements but also some set backs. These processes appear to be more subject to reversibility. Because of its characteristics, the FTAA could very well eliminate the strides made in many sub-regional agreements. In order to deepen integration beyond the FTAA, countries should establish mechanisms aimed at strengthening regional arrangements in areas such as migrations, economic coordination and the free circulation of the factors of production.

Third argument: It refers to the increase in the already high level of external vulnerability of Latin American and Caribbean countries that would derive from the approval of the FTAA. Such vulnerability would, among other things, interfere with the decision-making capacities and activities of governments and sub-regional or regional institutions.

In terms of vulnerability, agriculture is one of the sectors most sensitive to the effects of the FTAA and free trade patterns such as those most developed countries adopt to curb free competitiveness. Developing countries' productive basis, agriculture, would tend to disappear, thus leaving these countries at the mercy of political processes related to the production and commercialization of foodstuffs by the most advanced nations. In this process, the central countries acquire more power while the less developed ones specialize in the production and export of 'desserts'— for example coffee, sugar and bananas —or in the production of low added value goods that are highly perishable and subject to demand elasticity, such as flowers and ornamental goods. Mexico and Colombia are two examples of Latin American countries engaged in this type of production.

The FTAA would tend to promote the direct economic insertion of just certain groups of people. This will lead to the further marginalization of many of Latin America and the Caribbean's

“

The depth and range of the commitments entered upon may, in many cases, severely limit governments' room for maneuver.

”

poorer and thus more vulnerable sectors. By not providing benefits in terms of expanding peoples' effective demands or consolidating favorable and sustainable patterns of accumulation of wealth, the conditions that make it possible for competitive advantages and trade insertion to contribute to countries' development may not be promoted in a consistent manner.

Fourth argument: It refers to the World Trade Organization (WTO). It holds that the current institutions and negotiating mechanisms represent an improvement for developing countries. However, we are still very far from achieving the conditions for favorable and sustainable development. Developing countries need to insure better conditions in their exports' structure, strengthen their capacity for the generation of capital in order to provide their people with better opportunities, improve the well being of all social groups and promote the sustained and rational use of their natural, especially renewable, resources.

Fifth argument: The current globalization phenomenon is not a natural law. It is the result of human beings' interests, influence and actions. The point is not to deny it but to attempt to lesser its disadvantages and take advantage of its potentials, facing the challenges ahead. In this regard, integration is indispensable, as is the acknowledgment of today's prevailing realities.

Latin America and the Caribbean's participation in international trade fell from 12% in 1950 to 5% at the end of the nineties. Today's globalization integrates the most advanced nations and those groups within developing nations that succeed in participating in the new economic dynamics. However, it leaves out many nations and social groups, particularly in the economic area. It is a segregating globalization.

As SELA's Permanent Secretariat has been advocating, the mechanisms of coordination and integration between nations must be strengthened effectively and sustainably. For this, the systematic, coherent, uninterrupted political will of governments is ever more needed. Such coordination and integration is needed if we wish to be somebody and not just something in the negotiations. As less developed countries fail to coordinate, integrate or cooperate efficiently among themselves, more advanced countries will not listen to them or wait for them, nor do they need them.

It is important to keep in mind that international trade, as one aspect of international relations, is not guided by just economic factors but is tied to a complex network of power relations between nations. Thus, when defining political guidelines an economic analysis is indispensable but not enough.

“

Given the globalization phenomenon, integration is indispensable, as is the acknowledgment of today's prevailing realities.

”

II. Development and Trade: Basic Concepts

The definition of development we use here is based on making real what is possible at the level of individuals or social conglomerates. At the level of social integration, this definition can be applied to individuals, families, groups, and regions within a country, individual countries or international regions. In this paper we shall refer to Latin America's development and trade relations.²

“

Development is a way of life that provides people with alternatives of options.

”

In more specific terms, by development we mean society's living conditions in which the authentic needs of groups or individuals are met through the rational, that is sustained, use of resources and natural systems.³ To this end, technologies that are in accordance with the culture of the groups involved shall be used. This concept includes economic, technological, conservation and ecological, as well as social and political elements.⁴ Within the social context, power is necessary as a way to organize society and achieve the legitimate, legal and functional cohesion of social groups, and as a decision making tool between individuals.

Another more widely applicable definition of development states that it is characterized by conditions in which goods and services are increasingly within the reach of society's groups. This would imply greater social and economic integration between societies and thus leading to less groups living in poverty or marginalized.⁵

On the other hand, development would insure access to social services and to society's active participation. In the first case, reference is made to educational systems and the satisfaction of survival needs in terms of food, housing, clothing, health and security. Active social participation refers to individuals' and social institutions' capacity to insure that power-groups function as intermediaries between subjects and actors in the decision-making process.⁶

In its 1990 Annual Report on Human Development⁷, the United Nations underlined the concepts that represent the foundations of development. According to these, development is basically a way of life that provides people with alternatives or options. Many are peoples' aspirations, but the report refers to basically three: (a) the quest for knowledge, (b) a long and healthy life and (c) access to resources that may insure an acceptable standard of living. Many other things derive from these three aspirations.

One of the major characteristics of the United Nation's concepts is that macroeconomic measures that focus on production and its link with the population, such as per capita

income, present limitations. For one, even though development implies a certain level of economic possession, it is not circumscribed to issues of wealth. Human development includes two complementary aspects. One is the formation of human capabilities. The other, that these capabilities may be exercised in the economic, social, cultural or political arena.⁹

On the other hand, in terms of economic growth industrialized countries' increased production and accumulation of wealth are based in part on their capacity to develop new production lines and specializations. In other words, these countries promote and strengthen comparative as well as competitive advantages.⁹ In a dynamic context, comparative advantages are the result of policies that have been previously established and adapted to specific national and global conditions. These are the foundations that promoted and strengthened developed countries by granting impetus to the manufacturing and high technology sectors. They are also key elements in the strengthening of high aggregate value production sectors in newly industrialized countries.¹⁰

The law of comparative advantages is one of the best-known fundamental postulates.¹¹ According to it, even if a country has absolute advantages in the production of, say, two goods, it does not necessarily have comparative advantages. Thus, free trade may benefit both. For example: let us assume that nation A, with a higher level of industrialization, needs 20 hours to produce one car and 1 hour to produce one shirt. On the other hand, nation B requires 200 hours to produce one car and 4 hours to produce one shirt.¹²

If nations A and B are not trading partners, nation A will need 20 shirts to reach the value of a car and the cost of each shirt will be equal to 1/20 cars. In nation B, each car will cost 50 shirts and each shirt 1/50 cars. Table 1 illustrates this.

“
Comparative advantages are the result of policies that have been previously established and adapted to specific national and global conditions.
”

Table 1
Law of Comparative Advantages: An Illustration

Country	Car Production	Shirt Production	Cost of 1 car	Cost of 1 shirt
A	20	1	20 shirts	1/20 cars
B	200	4	50 shirts	1/50 cars

Since countries A and B are not trading partners, both are failing to better use their resources. For example, country B, instead of spending 50 shirts for one car can purchase one car

for the equivalent of 20 shirts, if it buys it from country A. Similarly, country A, instead of rewarding the shirt industry with 1/20 car within its own country, can give 1/50 car for each shirt, if it buys it from country B.¹³

Thus, even though country A has absolute advantages in the production of both goods, it does not enjoy comparative advantages in both. True free trade would insure a better distribution of resources: A would benefit buying shirts from B and B would benefit buying cars from A.

Another theoretical postulate regarding trade is the Heckscher-Ohlin theorem. According to this a country exports the goods it may produce at a certain cost, lower, in monetary terms, than that of the rest of the world. The costs of production depend on the relative prices of the factors of production and these, in turn, on the relative abundance of such factors within the country. According to this theorem, a country will export goods whose production is based on the intensive use of its relatively abundant resources and will import products that require resources it lacks.

Krueger applied the Heckscher-Ohlin postulate in 1977 to countries that are integrated in terms of trade and have a higher availability of labor by capital unit than any other country in the world. According to this adaptation, the integration process will tend to increase the production of capital-intensive goods in intra-regional trade rather than the production of goods for export to third nations. Both Krueger's adaptation and the modalities referring to the promotion and strengthening of competitive advantages help us to understand the link between trade and development and the formulation of trade policies at the national level.¹⁴

The Stolper-Samuelson theorem is another conceptual contribution to trade and development. According to it, when the patterns and redistribution structures of two countries are compared the retribution coefficients, for example for capital and profits, may be equal. But when there is a change in total retribution the country that most uses the factor of production that it has benefited tends to benefit dramatically and favorably in the retribution. In other words, the coefficient is the same but the absolute retribution of the factor increases more than proportionately in relation to total redistribution.

The following example will illustrate a result derived from the Stolper-Samuelson postulate.¹⁵ At the beginning, in countries A and B the retribution in terms of revenues for their industries was the following:

$$\text{Country A: } 10rt = 3c + 2s$$

$$\text{Country B: } 10rt = 2uc + 3s$$

Where:

rt = total retribution of the productive process

uc = profits by capital

u = salaries

Based on the above conditions, in both nations the uc and s variables have the same value: 2.

Let us assume now that the conditions change and the productive processes' total retributions are no longer 10 units in both countries but 12.5 in A and 10 in B.

Country A: $12.5rt = 3uc + 2s$

Country B: $10rt = 2uc + 3s$

Under these new conditions, at a second stage, the model's variables will be $s = 1$ and $uc = 3.5$, as a result of the simultaneous equations system. Note that capital profits have increased and this might well reveal how technological changes have an impact and are reflected in terms of winners and losers following innovation processes and taking into consideration trade links. Technology has a very important characteristic and retributions would have an impact on both economic and political processes as regards the establishment of production lines and trade among countries¹⁶.

III. Economic Policy and Case Studies

Beginning in the fifties, LAC put into practice the import substitution industrialization policy (ISP). This approach, which became an axis for development policies in the region, remained in force in many countries up to the late seventies and early eighties, when macroeconomic adjustment plans began to be implemented. The latter were partly the result of the external debt problem. ISP, in the context of integration processes, particularly in Central America and the Andean countries, allowed for certain modalities of capital accumulation in which tariffs protected markets for the benefit of domestic producers and generated revenues for governments.

A more detailed analysis of ISP falls beyond the scope of this paper. Nevertheless, even if ISP allowed for a certain level of development and investments to be achieved, it is to be noted that the subsequent trade liberalization processes placed more emphasis on imports rather than on exports. This contrasts with the pattern of insertion fostered by Asian NIC's, which favored liberalization in the export sectors¹⁷.

“
As a whole,
neo-liberal
policies restricted
the internal
market's role
as an engine for
economic growth.”

”

Reference should here be made to such criticisms as the import substitution industrialization policies raised, particularly from an economic standpoint, in abstraction of other significant political analysis and external vulnerability considerations. Among these were the arguments that consumers were forced to pay higher prices, that exports were not promoted, that investment in capital-intensive lines of production was fostered and that enterprises were not geared towards achieving, in the shortest time possible, international competitiveness standards. Added to these was the criticism that ISP fostered negative results in the trade balance and thus weakened the balance of payments. Today, LAC, with the traditional exception of Venezuela, has an overall negative current account position and the reasons for this are to be found more on the side of import liberalization, notwithstanding efforts undertaken to more decisively foster export flows¹⁸.

As regards the relationship between exports and economic growth, one of the most important approaches derives from Neo-liberal ideas¹⁹. Following the central tenets of the Neo-liberal perspective, export promotion by way of a diverse set of macroeconomic policy measures—which may include a devaluation or a revaluation of the currency—and in the overall context of an outward looking policy framework, fosters higher growth and employment levels as well as more favorable results in the trade balance. Such development policy guideline, based on external markets, became prevalent, particularly in those economies that showed high and persistent external debt problems. At the same time, many governments appealed to fiscal and monetary economic policies in order to place government deficits and inflation under control.²⁰

The export promotion policies included devaluations or revaluation of the currency. This decreased demand in local markets, thus increasing the levels of poverty among many sectors of the population. The social indicators of many LAC nations worsened (Cardoso, 1992).²¹ As a whole, neo-liberal policies restricted the internal market's role as an engine for economic growth.²²

Khan, Mohsin, Villanueva and Delano have studied the link between the promotion of exports and economic growth in a sample of 23 countries. Their study, which covers the period 1975-1987, found that the per capita income growth rate was significantly higher and had a positive effect in relation to: (i) the role of exports in the national economy and (ii) the national investment rate in terms of fixed capital formation. They also concluded that monetary expansion in the macroeconomic systems had a negative impact on economic growth.²³

These results, however, are not widely accepted. In a study on economic growth and exports, Helliner examined less developed countries in Africa's sub-Saharan region during the period 1960-1980. He did not find any significant statistical link between changes in exports and an increase in production. Moreover, the links' tendencies he did detect were negative. However, in this case it is necessary to evaluate up to what extent the countries examined had adopted export promotion policies in a consistent manner. Another issue that must be taken into account is whether these countries were able to offset the significant increase in oil prices during the period 1973-1979.²⁴

Michaely points out that the positive link between economic growth and exports is greater when countries have already achieved some level of economic and social development. This link is less significant, almost non-existent, in poor countries.²⁵ More developed countries have better market conditions, including a larger production in terms of aggregate value,²⁶ greater demand in the internal market and more efficient institutions.²⁷

Due to the nature of economic models and, more specifically, to economic policies and objective conditions, developing countries face very different scenarios from those resulting from theoretical assumptions, which are more valid in the case of developed countries. According to Ricardo Ffrench-Davis the following are the major issues developing countries face in the international economic scenario:²⁸

- a) **Heterogeneous external markets.** Often it is assumed that external markets are integrated and stable, however this is usually not true. Relatively less developed countries tend to face non-integrated markets. This increases the volatility in the destination of exports and increases small economies' external vulnerability.
- b) **External instability.** Many of the goods produced by developing countries are subject to major price variations and their terms of trade tend to decrease. By affecting the balance of payments and internal liquidity, this situation affects the internal market, thus promoting the inefficient allocation of productive resources and causing mechanisms that lead to inflationary pressures. This, in turn, leads to the sub-utilization of the production capacity and strengthens the tendency to permanent or structural unemployment.²⁹
- c) **Dependency of world markets on international negotiations and other issues.** Relatively less developed countries in particular face a scenario in which their negotiating capacity and influence in international markets decreases. Thus, integration and the coordination of positions in negotiations

“

The positive link between economic growth and exports is greater when countries have already achieved some level of economic and social development.

”

may lessen the impact of market access conditions and increase interdependence. However, a number of related issues limit developing countries' negotiating capacity. Foreign debt and the conditions associated with economic adjustment plans have limited the negotiating capacity of small economies in Latin America and other regions of the developing world.

Latin America's trade agreements illustrate the repercussions of the situation described above. Because of its characteristics and its potential to be expanded to all Latin American and Caribbean countries through the FTAA, the North American Free Trade Agreement (NAFTA) poses serious risks to the region's economic stability and to its ability to retain a minimum level of protection given its already high economic vulnerability.

This is so because, among other things, it is most unlikely that the USA will effectively open its market. Moreover, the USA continues to subsidize production heavily, particularly in the agricultural and foodstuffs sector. Faced with this situation, LCA will not be able to produce foodstuffs, as is occurring in Mexico, and thus its external economic vulnerability will increase.³⁰

In fact, in a FTAA type of integration small and medium sized enterprises will be the most affected and agriculture in particular will tend to dismantle. Foodstuffs are a strategic weapon. In other words, a country's capacity to sell foodstuffs constitutes an important political factor on the international economic scenario, thus developed countries do not doubt in subsidizing their own agricultural production at the rate of over 390 thousand million dollars per year, that is, more than one thousand million per day.

Therefore, LAC countries will be left with exporting only non-strategic goods of little importance for international consumers, such as flowers and ornamental products. Even without the FTAA, this is the tendency in countries such as Colombia, Costa Rica and, to a certain extent, the Dominican Republic. In Mexico, for example, the NAFTA accelerated the process of economic integration with the USA that had begun in 1970. In the year 2000 there were more than 3,700 enterprises operating on the border between the two countries, compared with 120 in the past. During that period salaries increased from 100 to 200 dollars per week.

However, during the 2000 to 2002 period, 500 enterprises moved to China and Vietnam, where salaries are \$0.25 per hour, compared with Mexico's \$3 per hour. Close to 250,000 Mexican workers lost their jobs. There is no doubt that transportation costs are lower from Mexico to the USA than from China and Vietnam to the USA, but the vast difference in wages renders

“

It is most unlikely that the USA will effectively open its market within the framework of the FTAA.

”

even transportation from South East Asia or the Middle East profitable.

One must also keep in mind that maquilas do not actively target the internal markets of the countries in which they operate. Moreover, the greater added value industries that are established, as a result of scientific and technological progress, increase the ratio between capital intensiveness and employment and decrease wages, particularly for non-skilled workers.

If we take the NAFTA as an indicator of the FTAA's structure and repercussions, it is important to point out enterprises' insertion in national economies, in this case the Mexico's. The increase in Mexico's exporting capacity, which in the 2001 represented almost 50% of LAC's exporting capacity, does not precisely reflect the development of Mexico's industry. The tendency is for a decrease in the local content of Mexico's exports. In 1983 the national content, including maquilas, represented 85.9%. In 1996 it had decreased to 41.8%.³¹

In 1983, the national content of non-maquila exports was 91.4%, while in 1996 it fell to 37%. Moreover, in 1983 the national content, including labor, of maquila exports was 22.4% and 17% in 1996 and only 2% if we exclude labor.³²

The integration agreement's exclusion clauses, which may be legally applied within the framework of the WTO, are another issue that must be taken into account. Since Article XXI opens the possibility of non-fulfilling the agreement on the grounds of national security, integration may usher in discrimination. Other articles also legally allow for obstacles to free trade: Article XII allows them on the grounds of safeguarding the balance of payments; Article XVI refers to subsidies; Article XIX allows for measures to protect the local industry and Article XX for restrictions on the grounds of non-economic objectives such as health and security.³³

Given the prevailing tendencies and the course of the negotiations, the FTAA implies serious risks for LAC. Specifically, it would: (i) negatively affect the region's own development patterns; (ii) hamper the progress or consolidation of regional integration processes; (iii) increase the external vulnerability of the countries of the region and (iv) decrease their capacity to feed themselves. Thus, from being the apparently only alternative for LAC, the FTAA may soon become the worst alternative in terms of developing in the medium and long term a comprehensive, sustainable and all-encompassing development concept. It may significantly weaken the region's possibilities of achieving its own development model, in which an increase in production and

“

*The FTAA
implies serious
risks in Latin
America and the
Caribbean.*

”

productivity does not necessarily implies an increasing or continuing level of poverty.

IV Regional Integration

1. Foundations

In structural terms, economic integration implies five basic general advantages that are shared by all countries within different regional blocs:

A. At the external level:

- a. Greater negotiating power;
- b. Greater capacity to attract international revenues and re-investment. This is closely related with internal markets' capacity, effective demand and the stability of external financial flows throughout time.

B. At the internal level:

- a. Greater use of economies of scale in production;
- b. The expansion of internal markets as a result of relations between countries;
- c. Less economic vulnerability, especially due to external factors.

Integration processes may be viewed in three dimensions. The first refers to the classical aspects of regional integration stages. Specifically, this first dimension includes the consideration and development of several stages:

- (i) Trade preference agreements (lowering tariffs between member countries);
- (ii) Free trade areas (eliminating tariffs between nations belonging to a trade bloc)³⁴;
- (iii) Customs union (besides eliminating tariffs between member countries common external tariffs are established);
- (iv) Common market (allowing for the free circulation of the factors of production, particularly labor and capitals);
- (v) Economic Union (integration's final stage, including the coordination of macroeconomic policies, a common monetary system and a common currency).

A second dimension refers to whether or not integration is achieved at a deep level. That is, whether it consistently and significantly affects the economies' important production structures and governments' actions. The FTAA is a trade agreement of limited scope –the first dimension– as far as integration is concerned, but it does have profound implications in countries' economies and policies. The agreement's goal of establishing the conditions that may lead to the sustainable development of

the region would be achieved at the expense of significantly restricting public institutions' room for maneuver.

Integration's third dimension refers to whether the agreements are reversible or not, that is, up to what point countries commit to an agreement and enforce it. Up to what point they build integration through sequential stages. For example, both Europe and Latin America established common tariffs, the first stage towards a customs union. But while Europe has enforced and strengthened such agreements, Latin America has not. Thus, both regions made strides yet Latin America has tended to reverse them.

All in all, LAC has a vast experience in this area. The first integration discussions began in the fifties. Already in the sixties they led to the creation of the Central American Common Market and the Andean Pact. The Caribbean Community (CARICOM) was created in the seventies. During the eighties integration experienced a set back due to the economic adjustment policies implemented by the countries of the region and the net transfer of resources outside the region.

During the nineties MERCOSUR was established, introducing a more open modality in an integration bloc that includes the two largest economies in the region (Brazil represents 35% and Argentina 14% of the region's total annual production). In 1975 the Latin American Economic System (SELA) was created as a Latin American and Caribbean consultation, cooperation, coordination and economic and social promotion organization. Today SELA comprises 28 Member States.

The first half of the nineties was a promising period as far as integration was concerned. However, during the second half of the decade integration stalled due to the prevailing economic crisis: from the effects of Mexico's devaluation, in December 1994, to the volatility of oil prices, the financial crisis that began in the summer of 1997 in South East Asia and the repercussions of Argentina's crisis of December 2001.

2. Types of Regionalism within Integration

In this paper by types of regionalism we mean the variations of the classical, first stage, integration process. These basic different trade integration modalities or types of regionalism began in the fifties. Integration's 'centripetal' forces (those that tend to insure trade liberalization but within the group, preserving therewith a specific space, including protective measures) and the 'centrifugal' forces of integration processes (those that promote mostly the outward opening up of trade both by countries

“

While Europe has enforced and strengthened agreements, Latin America has not.

”

and groups) were decisive factors in the development of such modalities.³⁵

The types of regionalism as incomplete version of the most developed integration process or as different modalities of trade agreements within small countries or between these and larger economies, aim finally at fully exploiting integration's advantages. Their aims are to: (a) effectively unify markets in order to expand demand,³⁶ (b) establish economies of scale; (c) take advantage of complementarities in production and (d) increase the negotiating power vis-à-vis other nations outside the agreement. The latest point is related mostly to political and institutional infrastructure variables.

The first attempts at regionalism began in Europe with the Treaty of Rome and the creation of BENELUX, the integration agreement between The Netherlands, Belgium and Luxemburg, from the initial stages in 1948 up to its signing in 1957. In LAC the Central American Common Market (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua), which entered into force in 1961, was the first type of regionalism.

The basic objective of this type of arrangement is to lower tariffs within the group until their elimination. Later, the establishment of a common external tariff and the free circulation of goods between member countries are sought with a view of establishing a customs union.

Most of the agreements that led to the creation of the Andean Group (Bolivia, Colombia, Ecuador, Peru and Venezuela) followed also along the lines of this type of regionalism. They established a system aimed at protecting internal enterprises, particularly in the industrial field. The expansion of the demand was sought through the unification of the different integrated areas within countries' internal markets, rather than through the direct expansion of countries' markets.

The adoption of measures to protect industries, many of which lasted much longer than had been anticipated, led to trade deviation, in some areas, rather than to its promotion. This type of regionalism, more common among developing countries, eventually led to more open or 'outward bound' regionalisms that began in the eighties.³⁷

As Pérez (2001) has pointed out, the Maastrich Agreement of December 1991 is an example of the second type of regionalism. In this trade agreement the participating economies promote the greater circulation of goods among themselves, while lowering tariffs on products from outside the region. This type of integration supports competition between industries and stimulates trade.³⁸

“

The adoption of measures to protect industries, led to trade deviation in some areas, rather than to its promotion.

”

However, we must keep in mind that in this case we are dealing with more developed economies. Thus, many of the internal and external tariffs apply to higher added value products. Moreover, many sectors that are considered of strategic or key value continue to be protected and subsidized. Agriculture is an example.

Generally, the supply of high aggregate value products tends to have little elasticity, as opposed to the supply of primary or extraction goods, including agriculture. These are the products of less developed countries. Moreover, higher aggregate value goods are neither perishable nor subject to a non - elastic demand, as is the case with most of the goods produced by developing countries.

It is important to note that Europe's integration process has followed the 'full trajectory'. The political will consistently displayed by the governments of that region is in sharp contrast to the lack of consistent support Latin American countries have demonstrated for integration agreements.³⁹

The third type of regionalism contemplates also a fair level of outward liberalization and it is based on the existence of competitive goods and services in world trade. Asian countries have implemented this type of regionalism. Different characteristics differentiate them from other countries, particularly the fact that their trade opening - which did not begin with the establishment of this type of regional integration - has allowed them from the beginning to enter international markets by competing effectively. Rather than liberate imports, as was the case in LAC, these countries liberated exports (French-Davis, 1999).

That participation in the world's market is linked to the great centers of demand such as Japan and Europe. This type of regionalism is consistent with open industrialization policies.

The third type of regionalism encompasses: (i) trade preference agreements; (ii) stabilization policies and (iii) the promotion of investment through legal guarantees. The issue of legal guarantees for investments has caused concerns that agreements such as the FTAA may limit governments' capacity for action in order to safeguard the interests of transnational enterprises and financial corporations. Specifically, many of the concerns related with the inclusion of an investment regime refer to the establishment of clauses related to the Multilateral Investment Treaty.⁴⁰

The fourth type of regionalism stems basically from trade agreements between advanced developed countries and less developed economies. With the exception of the NAFTA, this type of regionalism has not been put into practice yet. One of the

reasons for this is that many integration arrangements follow a complementarity pattern regarding sub-regional divisions of production or are cooperation arrangements between more advanced and smaller economies.⁴¹

The possibility that this type of regionalism will promote an international division of production and that this may be reflected in the FTAA through the generalization of the production of light industry or maquila goods in several countries is a cause of concern. This pattern would make it difficult for LAC to achieve comprehensive and sustained economic development levels within a short time.

If Mexico's maquilas were to proliferate in other LAC countries, this country would have to face competition from other poor workers, particularly in Central America and the Caribbean. These countries too produce low aggregate value goods, have often highly polluting production systems and do not strictly enforce labor norms.⁴²

While it is true that, in the final analysis, maquila industries may contribute to alleviate urban and rural unemployment in LAC, it is also true that this type of investment tends to be volatile. For example, usually these types of industries do not require large fixed assets, thus they may relocate from one region to another with relative ease. Moreover, since often these type of industries benefit from tax incentives, as a way of attracting them, they produce less revenues for governments.⁴³

3. The Effects of Economic Integration: A Summary⁴⁴

Three basic aspects will be considered here: (i) trade creation and diversion,

(ii) the terms of trade relation and (iii) external vulnerability. They derive from the application of economic integration's sequential stages under normal economic conditions. Several examples will be provided to illustrate their positive or negative effects on the economies of the different countries or integration blocs.

One of the first effects that should be carefully considered during negotiations and the implementation of agreements is trade creation or deviation. In general, when goods produced within the trade bloc are protected by tariffs a deviation of trade will occur. That is, similar or substitute goods from outside the integration bloc will be subject to tariffs. As a consequence, consumers in the nations parties to the integration agreement will pay higher prices.⁴⁵

On the other hand, as protection measures are eliminated and

efforts are made to competitively insert the integration agreement into external trade flows, trade will increase. Many of the characteristics of type one and type two regionalisms were based on protectionist regimes. This facilitated political support for the integration process as important economic sectors within countries benefited from such protection.

Because trade deviation may prevail over trade creation the integration bloc may become an economic bloc. This slows down its insertion, under competitive terms, into international trade circles. The 'closest' original structures of the Central American Common Market illustrate this tendency.

Because of this possible deviation of trade, agreement on the FTAA may be seen as an economic policy step as far as areas of influence are concerned. Such deviation may lead to a re-designing or substitution of trade links, particularly with Western Europe. This, in turn, may result in greater dependency for LAC and less dependency or a diversification of dependency regarding Europe. At the beginning of the XXI century the Southern Cone and, to a certain extent, the Andean countries were less dependent on the USA.⁴⁶

Another effect related to the terms of trade is linked to the changes in trade patterns caused by the elimination of tariffs and production specialization that may result from integration agreements. The terms of trade effect will occur not just within the countries that are integrating but also in their relations with third markets. The specific effect is felt on the prices of imports and exports causing a redistribution of real income between associated countries and third countries.

The effects on the terms of trade are influenced by the distribution of investment, the resulting division of labor and the repercussions deriving from trade deviation and creation, besides the parties' negotiating power. Since trade deviation implies changes in the respective demand of the associated countries and their external assets, it will tend to improve the terms of trade of those nations that produce higher value added goods.⁴⁷

In the specific case of underdeveloped countries, which depend mostly on advanced countries outside the region, an integration agreement would affect their external vulnerability, in exchange for obtaining capital goods. A key aspect here is the possible decrease in the dependency on trade with the external world. This can occur in the area of consumer and other goods that may be produced in underdeveloped areas with relative ease.

Due to the expansion of the regional market it is possible to

import larger volumes of these goods within the integrated group. Naturally, in the case of integration between less advanced and highly developed nations these effects may be felt more or less, depending on the strict content of the agreement.

The effects in the terms of trade and vulnerability are closely related to the degree of foreign trade concentration. It is obvious that the USA is the Great Caribbean region's natural market. US demand has a lesser impact on Andean Group countries and even less on Southern Cone countries, as can be measured by trade concentration coefficients.

Bibliography

- Anderson, S. y Cavanagh, J. *Field Guide to the Global Economy* (New York: The New Press, 2000).
- Baptista, A. (ed.) *El Pensamiento Económico y su Relevancia en el Mundo de Hoy*. (Caracas, Venezuela: Banco Central de Venezuela, 2002).
- Cardoso, E. and Helwege, A. *Latin America's economy*. (Cambridge, USA.: The Massachusetts Institute of Technology Press, 1992).
- Echandi, R. (1996) *Área de Libre Comercio de las Américas*. (www.comex.go.cr).
- Etzioni, E. *Social Change*. (New York: Basic Books, 1991).
- Fuentes A. y Villanueva, J. *Economía Mundial e Integración de América Latina*. (Buenos Aires, Argentina: Editorial Thesis, 1989).
- Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001).
- Green, D. *Silent Revolution* (London: Cassell, 1995).
- Gwyne, R. (ed) (1999) *Latin America Transformed: Globalization and modernity*. (Nueva York: Oxford University Press).
- Helleiner, G. *International Trade and Economic Development*. (Harmondsworth, England: Penguin, 1990).
- Hoekman, B., y Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).
- Maitra, P. *The Globalization of Capitalism in Third World Countries*. (Wesport, Connecticut: Praeger, 1996).
- Nation, the. *No FTAA, No Fast Track* (New York: The Nation, Vol. 272, Issue 19, May 14, 2001).
- Pérez, E. (2001) *Los Bloques Comerciales en América Latina y el Caribe*. (México: CEPAL).

- Rittberger, V. (ed.) *Regime Theory and International Relations* (Oxford: Clarendon Press, 1993).
- Robinson J. *Collected Papers*. (Mass.: MIT press, 1986); y Pigou, A. *Essays in Applied Economics*. (New York: Frank Cass, Publs., 1987).
- Silberberg, E., y Suen, W. *The Structure of Economics: A Mathematical Analysis*. (Nueva York: McGraw-Hill, 2001).
- Skidmore, T. and Smith, P. *Modern Latin America*. (Oxford, USA.: Oxford University Press, 1992).
- Stirton, F. *Inside the Volcano: the History and Political Economy of Central America*. (Boulder, Colorado, USA: Westview Press, 1994).
- Todaro, M. *Economic Development in the Third World*. (New York: Longman, 1995).
- Torres-Rivas, E. *Interpretación del Desarrollo Social Centroamericano*. (San José, Costa Rica: EDUCA, 1993).
- Vilaseca, J. *Los Esfuerzos de Sísifo: La Integración Económica en América Latina y el Caribe* (Barcelona, España: Libros La Catarata, 1994).
- Walther, T. *The World Economy*. (New York: John Wiley & Sons, Inc., 1997).
- Yarbrough, B, and Yarbrough, R. *The World Economy: Trade and Finance*. (Chicago: Dryden Press, 1992).

Footnotes

1. *The agricultural subsidies applied by the richer countries of the world total 1,000 million per day. See statement by Nicholas Stern, Chief Economist of the World Bank, in FMI Boletín, Vol. 31 No.19, 28 October 2002. P. 1.*
2. *See Chirot, D. Social Change in a Peripheral Society: The Creation of a Balkan Colony. (New York: Academic Press, 1993); Etzioni, E. Social Change. (New York: Basic Books, 1991); Eicher, C. and Witt, L. Agriculture in Economic Development. (New York: McGraw-Hill, 1987), Gilpin, R Global Political Economy. (Princeton University Press, 2001) and Baptista, A.)ed. El Pensamiento Económico y su relevancia en el Mundo de Hoy. (Caracas, Venezuela: Banco central de Venezuela, 2002).*
3. *A further examination of the ecological situation, the sustained use of natural resources and rural development can be found*

in Dahl, G. *Green Arguments and Local Subsistence*. (Stockholm, Sweden: Stockholm Studies in Social Anthropology, SSSA, 1993), ages 3-22, 51-67; Gilpin, R. *Global Political Economy* (Princeton: Princeton University Press, 2001) and Hoekman, B. and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

4. For a wider discussion on the definitions of development and their implications in the political, social and cultural areas see: Chirot, D. *Social Change in a Peripheral Society: The creation of a Balkan colony*. (New York: Academic Press, 1993), ECLAC: *Transformacion Productiva con Equidad*. (Santiago, Chile: CEPAL, 1991), and Etzioni, E. *Social Change*. (New York: Basic Books, 1991). In terms of the respect for cultures it is understood that they do not deny, limit or repress human rights. See

also Baptista, A. (ed.) *El Pensamiento Económico y su Relevancia en el Mundo de Hoy*. (Caracas, Venezuela: Banco Central de Venezuela, 2002).

5. A discussion on the definitions and concepts of development can be found in Fagen, R. *Theories of Development: The Question of Class Struggle*. *Monthly Review* 35, 1983, 13-24; Gillis, M. *Economics of Development 2nd ed.* (New York: W.W. Norton, 1993); in Goldfrank, W. *The World-System of Capitalism: Past, and Present*. (Beverly Hills, California: SAGE, 1986), and in Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001).

6. For a comparative view on development's conceptual foundations see So, A. *Social Change and Development*. (Newbury Park, California: SAGE, 1991). For a political and social categorization of development, particularly in underdeveloped

countries see: Hirst, P. *Social Evolution and Sociological Categories*. (London: Allen Pubs. 1986), and Moore, M. *Globalization and Social Change*. (New York: Elsevier, 1993), Baptista, A. (ed.) *El Pensamiento Económico y su Relevancia en el Mundo de Hoy*. (Caracas, Venezuela: Banco Central de Venezuela, 2002), and Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

7. See United Nations Organization. *Human Development Report 1990*. (New York: UN publishing division, 1990), pp 9-11. In this document the UN establishes the central aspects of the concept of human development that will be useful to identify social and economic indicators and develop the Human Development Index based on them. This organization has been refining these concepts further and they are discussed,

in their more current version and application, particularly to the issue of governability, in its *Human Development Report 2002*. (New York: UN publishing division, 2002).

8. In the *United Nations' Human Development Report 1990*, the analysis is expanded to include such issues as economic evaluations of human development, evidence on the per capita national product of some countries and the link between economic development and human development. See *United Nations Organization. Human Development Report 1990*. op. cit. pp. 12-14.

9. Those countries that can influence the price of goods in international markets, which are usually large and developed economies, have the possibility to establish optimum tariffs, besides free trade. These "price-makers" may improve their terms of trade many times, causing negative

effects on their trading partners. These negative effects tend to be greater for small economies and therefore they are not in a position to influence prices ("price takers"). This is one more reason to strengthen and promote economic integration or, at the very least, an effective coordination during trade negotiations. See Yoffie, D., and Gómez-Cáceres, B. *International Trade and Competition: Cases and Notes in Strategy and Management*, 2nd. ed. (New York: McGraw-Hill, 1994) p. 8; Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001), and in Hoekman, B., and Kosteckí, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

10. For an application and update of these concepts see Stiglitz, J. *El Malestar con la Globalización*. (Santafé de Bogota: Colombia, Taurus, 2002),

particularly chapters 4 (*La crisis del este asiático: de cómo las políticas del FMI llevaron al mundo al borde de un colapso global*) and 7 (*Mejores caminos hacia el mercado*) pps. 121-162, and 229-244, in Hoekman, B., and Kosteckí, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001), and in Baptista, A. (ed.) *El Pensamiento Económico y su Relevancia en el Mundo de Hoy*. (Caracas, Venezuela: Banco Central de Venezuela, 2002).

11. In modern history, international trade is viewed as a public good from which all can benefit in general or as a battlefield where there will be winners and losers. While the arguments in favor of free trade are powerful, new forms of protectionism are threatening it. For further analysis see an important compilation of arguments in favor and against free trade in Irwin, D. *Against the Tide: Intellectual History*

of Free Trade. (Princeton: Princeton University Press, 1996).

12. Based on an example developed with Robert Lawrence at Harvard University in October 2002, notes and adaptation by Giovanni E. Reyes.

13. Free trade and "laissez faire" policies had a golden era between 1846 and 1870. During that last year tariffs increased significantly thus hampering the previously free flow of international trade. See Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001), p. 196, and in Hoekman, B., and Kostecky, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

14. A wider and different discussion on comparative and competitive advantages - in which the alter are associated more with high value added goods, intensive capital and the development of human and techno-

logical resources can be found in Krugman, P. *Geography and Trade*. (Cambridge: MIT Press, 1991) p. 7, and in Robert M. Solow, "Growth theory", in David Greenaway, Michael Bleaney, and Ian Stewart (eds.) *Companion to Contemporary Economic Thought*. (London: Routledge, 1991), p. 407, and especially in the pioneering work by Porter, M. *The Competitive Advantage of Nations*. (New York: Free Press, 1990). This work, which provided a comprehensive study based on empirical observations, has not influenced US academic circles as it should have done due to the lack of formal models. See also, Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001).

15. Case discussed and developed at Harvard University in October 2003, together with Robert Lawrence and Michael Walkins, notes by Giovanni E. Reyes.

16. However, it also occurs that with time and under certain circumstances trade tends to benefit capital and labor more equitably, contributing to each of the factors of production. This is known as the theorem of equalities between factors and prices. See Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001), p. 207.

17. An analysis of this situation can be found in French-Davis, R. *Macroeconomía, Comercio y Finanzas para Reformar las Reformas en América Latina*. (Santiago de Chile, Chile: McGraw-Hill-CEPAL, 1999), particularly pages 56-59.

18. Expanded in Sanderson, S. *The Politics of Trade in Latin American Development*. (Stanford, California: Stanford University Press, 1992), particularly chapters 1 and 4. The first examines the link between trade, power, and development within a

historical perspective. The second presents a more political examination of the structure of Latin American trade. See also Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001), and Baptista, A. (ed.) *El Pensamiento Económico y su Relevancia en el Mundo de Hoy*. (Caracas, Venezuela: Banco Central de Venezuela, 2002).

19. It is important to keep in mind that production growth and attention to the trade balance and current account are two of macroeconomics' four aims. The other two concern the creation of jobs and price stability through inflation control. For a wider discussion see J. Jackson. *The World Trading System*. (Cambridge, MA., MIT Press, 1994) pp. 12-19.

20. The idea is that governments promote and strengthen external trade, in which they have comparative

and competitive advantages. For an in-depth analysis see S. Husted and M. Melvin. *International Economics*. (New York, Harper Collins, 1995) p. 260, and in *World Bank, World Development Report 1993*. (Baltimore: The Johns Hopkins University Press, 1995).

21. Currency devaluations were generally an important part of macroeconomic adjustment policies. Other measures included: reduction of public and taxes, especially direct taxes, restrictive monetary policies, the effective use of public resources and trade liberalization through tariff reductions. See: Guerra-Borges, A. *Hechos, Experiencias, y Opciones de la Integración Centroamericana*. (San Jose, Costa Rica: Facultad Latinoamericana de Ciencias Sociales ¿FLACSO?, 1993), pp. 46-53, and French-Davis, R. *Macroeconomía, Comercio y Finanzas para Reformar las Reformas en América Latina*.

(Santiago de Chile, Chile: McGraw-Hill-CEPAL, 1999), especially pages 15-22, 37-64, and 167-170, in Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001), and in Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

22. In this regard, it is important to acknowledge that the depreciation or devaluation of currencies tend to improve the trade balance. However, these improvements are not felt immediately. Results follow the so-called J curve. According to it, at first the trade balance will tend to worsen and later it will improve considerably. This explanation of the J curve is based on the assumption that price elasticity would improve over time, for a period of 1.5 to 2 years. See Walther Ted, *The World Economy*. (New York: John Wiley & Sons, Inc. 1997), especially chapters 3 and 5.

23. See: Khan, B., Mohsin, T., Villanueva, J., and Delano, K. "Macroeconomic policies and long-term growth: A conceptual and empirical review," IMF Working paper, International Monetary Fund, March, 1991. These authors present the following equation as part of their conclusions:

$$g = -1.95 + 0.284 RX + 0.166 IP - 0.0042 RM2$$

$$\begin{matrix} (-0.886) & (0.073) & (0.069) & (0.002) \\ t = 2.2 & 3.9 & 2.4 & 2.2 \\ R^2 = 0.71 \end{matrix}$$

Where g = economic growth rate (GDP/ per capita); RX = exports' real growth rate; IP = private investment as percentage of GDP; and $RM2$ growth rate of M2 - as monetary indicator. See also Antesana, O. *La Magia de las Exportaciones*. (La Paz, Bolivia: Centro de Investigaciones para el Desarrollo, 1993), pp. 44-46, 75-80, 92-94.

24. See Helliner, G. *Outward orientation, import instability and African economic growth: an empirical investigation in Theory and Reality in Development*. (S. Lall and F. Stewart eds., McMillan, London, 1984), and Antesana, O. *La Magia de las Exportaciones*. (La Paz: Centro de Investigaciones para el Desarrollo, 1993), p. 78, in Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001), and in Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading*

System. (Oxford: Oxford University Press, 2001).

25. By expanding domestic markets more far-reaching international trade processes can be established. This, in turn, may result in greater levels of efficiency in local production. Such economies of scale can very well translate into lower prices, improving enterprises' capacity to compete. See Krugman, P. *Rethinking International Trade*. (Cambridge, Mass.: MIT press, 1990), pp. 45-63, and Baptista, A. (ed.) *El Pensamien-*

to Económico y su Relevancia en el Mundo de Hoy. (Caracas, Venezuela: Banco Central de Venezuela, 2002).

26. Following Krugman arguments, the term "value added" has a precise and standard meaning in national accounts: the added value of an enterprise is the monetary value of its sales, less the monetary value of its inputs it buys from other firms. It can be widened to costs in general. For a more detailed discussion see Krugman, P. *Pop Internationalism*. (Cambridge, Massachusetts: The MIT Press, 1997), and in Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

27. See Michaely, M. "Exports and growth an empirical investigation", *Journal of Development Economics*, 4: 1, 1992, pp. 149-53.

28. More information in French-Davis, R. *Macroeconomía, Comercio y Finan-*

zas para Reformar las Reformas en América Latina. (Santiago de Chile, Chile: McGraw-Hill-CEPAL, 1999) pp. 167-170, and Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001).

29. Governments have basically four policy instruments to influence industrialization processes and foreign trade. These are: (i) tariffs; (ii) quantitative restrictions to trade; (iii) several types of subsidies; and (iv) foreign exchange policies. Tariffs lead to losses due to inefficient production. The same occurs with import quotas. They may promote the over-protection of some sectors, favor oligopolies or monopolies and increase consumer prices. However, there may be political reasons to impose trade protectionism. In general, subsidies may cause similar trade protection effects, without the additional complications caused by other measures such as quotas. See

Perkins, W. et. al. *Economics of Development*. (New York: W.W. Norton Press, 2001), Silberberg, E., and Suen, W. *The Structure of Economics: A Mathematical Analysis*. (New York: McGraw-Hill, 2001), and Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

30. In order for enterprises to produce goods aimed at supplying the internal market, protectionist modalities may be established. At any rate, such protectionism must be selective and favor developing industries. Once the initial stages have been overcome, protectionism is no longer justified in terms of efficient production. Once again, subsidies have less distorting effects than other measures, especially quotas. See Gilpin, R. *The World Economy in the 21st. Century*. (Princeton: Princeton University Press, 2000).

31. For a more detailed explanation see Arroyo, A. *Resultados del Tratado de Libre Comercio de América del Norte en México: Lecciones para la Negociación del ALCA*. December 2001 in <http://www.rmalc.org>

32. See Arroyo, A., *Op. Cit.* and Reguero, L. *ALCA: Las Expectativas y Realidades Divergen, en Cuadernos de Nuestra América*, No. 29, January-June 2002. (La Habana, Cuba: Centro de Estudios sobre América, 2002), pp. 22-23, and Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

33. See Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001) pp. 146-147, and chapter 5 dedicated to trade in goods pp. 145-207.

34. A pragmatic approach is re-

quired regarding the FTAA, which only promotes the first two stages mentioned herewith. There is no evidence of a will to make progress in the process of economic integration. If there were a will, freedoms not strictly related to trade, the movement of capital and especially labor, would be established. It is obvious that Washington does not wish to consider the last issue.. See: *The Nation*. No FTAA, No Fast Track (New York: *The Nation*, Vol. 272, Issue 19, May 14, 2001); and Anderson, S. and Cavanagh, J. *Field Guide to the Global Economy* (New York: The New Press, 2000), and Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

35. These considerations are related with trade creation and deviation, protection measures within the framework of the different integration arrangements and the

establishment of trade "fortresses" (closed corporate production) or areas that simultaneously seek a fuller insertion in global trade liberalization processes. The contents of this section are based on the contributions of Esteban Pérez. See Pérez, E. (2001) *Los Bloques Comerciales en América Latina y el Caribe*. (México: CEPAL), particularly pages 13-14, 16-18, 20-21, and 23-24.

36. The expansion of demand areas refers to the increase in areas with effective demand. In this regard, it should be pointed out that this a vital problem that must be solved: in many less developed countries there is an effective demand -based on psychological and biophysical needs. The problem is that this real demand does not become effective due to a lack of purchasing power. Thus we are left with a population that lives at the margins of society and is not integrated into the market mechanisms. See: Cardoso, F. and

Falleto, E. *Dependency and Development in Latin America*. (Berkeley: University of California Press, 1993); Etzioni, E. *Social Change*. (New York: Basic Books, 1991), Fuentes A. and Villanueva, J. *Economía Mundial e Integración de América Latina*. (Buenos Aires, Argentina: Editorial Tesis, 1989); Maitra, P. *The Globalization of Capitalism in Third World Countries*. (Wesport, Connecticut: Praeger, 1996); and Todaro, M. *Economic Development in the Third World*. (New York: Longman, 1995), and Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001).

37. Due to the long duration of these measures some sectors became used to less competition and to producing less quality goods, sheltered as they were by state protectionism. This was related to practices adopted following the import substitution policies, which had been the foundation of Latin

America's industrialization process during the fifties and sixties. One of the results of this type of regionalism was the uneven distribution of investment. In Central America, Guatemala and El Salvador were the countries that derived the most benefits. Costa Rica was in an intermediate position as were Nicaragua and Honduras in the agricultural sector. See Torres-Rivas, E. *Interpretación del Desarrollo Social Centroamericano*. (San Jose, Costa Rica: EDUCA, 1993); Skidmore, T. and Smith, P. *Modern Latin America*. (Oxford, USA.: Oxford University Press, 1992); Stirtor, F. *Inside the Volcano: the History and Political Economy of Central America*. (Boulder, Colorado, USA: Westview Press, 1994).

38. At the beginning there was some concerns about the establishment of a "European fortress". To some extent this came to be, given the application of protectionist practices that hamper

competition and cause an increase in consumer prices. One example is the long-standing dispute on bananas imports, which has led to confrontations between European countries, their former colonies, Latin American producers and US enterprises. See: Yarbrough, B, and Yarbrough, R. *The World Economy: Trade and Finance*. (Chicago: Dryden Press, 1992); Walther Ted. *The World Economy*. (New York: John Wiley & Sons, Inc., 1997), especially chapters 3 and 5; Todaro, M. *Economic Development in the Third World*. (New York: Longman, 1995), and Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

39. Other examples of the second type of regionalism can be found in Latin America, such as the attempts at trade integration of the so-called Act of La Paz, which envisioned the establishment by January 1, 1991 of a

free trade area between Bolivia, Colombia and Venezuela. According to the Act of Barahona, Ecuador and Peru were to join the area on July 1, 1992. See Pérez, E. *Los Bloques Comerciales en América Latina y el Caribe*. (México: CEPAL, 2001), p. 17.

40. The idea is to insure that the agreements promoting investment in LAC do not impinge on peoples' social rights. This requirement must be linked to countries' economic stability. On this last aspect see section 7 of the document *Declaración de Ministros de Comercio del Hemisferio*, Reunión de Buenos Aires del 7 de abril del 2001.

41. The Pacific Basin production system provides, up to a certain extent, an example of complementarity and sub-regional division of trade flows. Within it, Japan is the higher added value production center, followed by the "first generation tigers"-

South Korea, Taiwan, Singapore and Honk Kong- and the "second generation tigers"- Indonesia, Malasia, the Philippines and Thailand would complete the circle. The Lomé Agreement between Europe and many of its former colonies, including Caribbean countries, is an example of cooperation agreement. See: Yarbrough, B. and Yarbrough, R. *The World Economy: Trade and Finance*. (Chicago: Dryden Press, 1992); Todaro, M. *Economic Development in the Third World*. (New York: Longman, 1995), and Baptista, A. (ed.) *El Pensamiento Económico y su Relevancia en el Mundo de Hoy*. (Caracas, Venezuela: Banco Central de Venezuela, 2002).

42. See: Echandi, R. (1996) *Area de Libre Comercio de las Américas*. (www.comex.go.cr); and Rittberger, V. (ed.) *Regime Theory and International Relations* (Oxford: Clarendon Press, 1993), and in Gilpin, R. *Global Political Economy*. (Prince-

ton: Princeton University Press, 2001).

43. For an in-depth analysis of the effects of maquilas, particularly in economically depressed areas and regarding women see: Gwyne, R. (ed) (1999) *Latin America Transformed: Globalization and modernity*. (Nueva York: Oxford University Press), pp. 262-265, and Hoekman, B., and Kostecki, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

44. Other of integration's most important effects are the increased negotiating capacity of integrated countries, the use of economies of scale, greater effective demand in internal markets, widespread competition and the omogenization of the factors of production. For more on the case of LAC see Vilaseca, J. *Los Esfuerzos de Sísifo: La Integración Económica en América Latina y el Caribe* (Barcelo-

na, España: Libros La Catarata, 1994), pp. 63-72, 101-104, 106-128.

45. This characteristic is evident even in more developed countries and the issue of internal protections opens harbingers difficult negotiations within the FTAA. The USA and several European countries continue to apply high tariff levels in sectors such as agriculture and textiles, which are precisely the sectors in which many developing countries can compete more effectively. For further analysis of this issue see:

Todaro, M. *Economic Development in the Third World*. (New York: Longman, 1995); Cardoso, E. and Helwege, A. *Latin America's economy*. (Cambridge, USA.: The Massachusetts Institute of Technology Press, 1992); and Green, D. *Silent Revolution* (London: Cassell, 1995).

46. The concepts of dependency used here within the context of international economic policies are based

on Joan Robinson's classification. In this regard, dependency occurs when one of the parties cannot influence the other significantly. Interdependency occurs when the parties can influence each other and independence when the parties act separately. During the Cold War the United States' interdependence with Western Europe and Japan was evident and this situation still prevails today. At the same time, socialist and market-oriented economies were independent of each other. The dependency situation of Latin American and Caribbean, Asian and African continues to this day. See: Robinson, J. *International Political Economy* (Mass.: MIT, Press,

1992); Robinson J. *Collected Papers*. (Mass.: MIT press, 1986); and Pigou, A. *Essays in Applied Economics*. (New York: Frank Cass Publishers., 1987), and Gilpin, R. *Global Political Economy*. (Princeton: Princeton University Press, 2001).

47. Once again, this situation calls for joint action by Latin American countries in FTAA negotiations, as to the extent that they are able to maintain consensus between themselves their negotiating power will be greater. Also, the type of production specialization that will be ushered in by the free trade area runs the risk of strengthening LAC's role as producers of low added value

goods, such as ornamental and agricultural goods, and maquila production. See: Helleiner, G. *International Trade and Economic Development*. (Harmondsworth, England: Penguin, 1990); Cardoso, E. and Helwege, A. *Latin America's economy*. (Cambridge, USA., The Massachusetts Institute of Technology Press, 1992); Silberberg, E., and Suen, W. *The Structure of Economics: A Mathematical Analysis*. (New York: McGraw-Hill, 2001), and Hoekman, B., and Kosteci, M. *The Political Economy of the World Trading System*. (Oxford: Oxford University Press, 2001).

Review of Developments and Issues in the Post-Doha Work Program of Particular Concern to Developing Countries

In accordance with the intergovernmental mandate of the Bangkok Plan of Action, this document briefly describes the current status of the Doha work program from the perspective of developing countries' interests and concerns. It focuses on major areas of negotiation, including agriculture, services, non-agricultural products, special and differential treatment and implementation-related issues. Some major developments which directly or indirectly affected the climate of the negotiations are also highlighted.

Examen de la evolución y las cuestiones del programa de trabajo posterior a Doha de particular interés para los países en desarrollo

El siguiente documento, elaborado de conformidad con el mandato intergubernamental del Plan de Acción de Bangkok, describe sucintamente la situación actual del programa de trabajo de Doha desde la perspectiva de los intereses e inquietudes de los países en desarrollo. El texto se centra en las principales esferas de negociación, como son la agricultura, los servicios, los productos no agrícolas, el trato especial y diferenciado y cuestiones relativas a la aplicación. También se destacan algunos hechos importantes que afectaron directa o indirectamente el ambiente de las negociaciones.

Analyse de l'évolution et des points du programme de travail postérieur a Doha, d'un intérêt particulier pour les pays en voie de développement

Le document qui suit, élaboré suivant le mandat intergouvernemental du Plan d'Action de Bangkok, décrit d'une manière succincte la situation actuelle du programme de travail employé à Doha, tenant compte les besoins, les intérêts et les inquietudes des pays en voie de développement. Le texte se centre sur les principales sphères de négociation, comme l'agriculture, les services, les produits non agricoles, le traitement spécial, unique ainsi que les questions relationnés à son application. Egalement, quelques faits importants qui ont affectés directe ou indirectement l'ambiance des négociations sont mis en évidence.

Exame da evolução e das questões do programa de trabalho posterior a Doha de especial interesse para os países em desenvolvimento

O seguinte documento, elaborado de conformidade com o mandato intergubernamental do Plano de Ação de Bangkok, descreve brevemente a situação atual do programa de trabalho de Doha desde a perspectiva dos interesses e preocupações dos países em desenvolvimento. O texto está focalizado nos principais âmbitos de negociação, como o são a agricultura, os serviços, os produtos não agrícolas, o tratamento especial e diferenciado e questões relativas à sua aplicação. Ressaltam-se, também, alguns fatos importantes que afetaram direta ou indiretamente o ambiente das negociações.

Review of Developments and Issues in the Post-Doha Work Programme of Particular Concern to Developing Countries

↔ **United Nations Conference on Trade and Development (UNCTAD)**

Introduction

1. In accordance with the Bangkok Plan of Action¹ UNCTAD's major objectives in the area of international trade include the following:

- (a) To help developing countries integrate themselves more fully into, and derive benefits from, the international trading system. In this context, UNCTAD's work should focus on policy analysis and consensus-building to identify more clearly the parameters of the development dimensions of the multilateral trading system.
- (b) To support capacity-building in developing countries so as to progressively enable these countries to become effective players in the multilateral trading system in terms of benefiting fully from trade liberalization, enjoying their multilateral rights and complying with their multilateral obligations.
- (c) To identify, on the basis of research and empirical evidence and with assessment of the development impact, the implications of existing and emerging multilateral trade rules for the development prospects of developing countries.

2. Therefore, international trade issues (particularly their development dimensions), which are subject to multilateral negotiations in the World Trade Organization (WTO), have been addressed in UNCTAD's intergovernmental meetings. Intergovernmental expert meetings on various trade-related issues, including agriculture, commodities, traditional knowledge, environmentally preferable products, environmental requirements and market access, construction services, energy services, competition law and policy and consumer interests, and anti-dumping, as well as analytical work by the UNCTAD secretariat on several trade-related development topics, contributed to the

elaboration of national positions on the issues involved and also contributed to a better understanding of the development dimensions of specific matters related to market access and multilateral trade rules, including those under scrutiny in the new negotiations. After the conclusion of the Doha Ministerial Conference, UNCTAD's Commission on Trade in Goods and Services, and Commodities recommended that "the Trade and Development Board review regularly developments and issues in the post-Doha Work Programme of particular concern to developing countries"². The Board endorsed this recommendation, and member States agreed that the first review as specified above would be carried out at the forty-ninth session (7–18 October 2002) of the Board.

“

The Doha Ministerial Declaration attempted to focus new multilateral trade negotiations on issues of concerns to developing countries.

”

3. This note endeavours to address major developments and issues of particular concern to developing countries which have emerged during the first year of negotiations under the Doha work programme, in order to facilitate deliberations under this agenda item³.

I. Major Areas Covered in the Doha Negotiations

4. The Doha Ministerial Declaration, in almost all of its mandates, attempted to focus new multilateral trade negotiations on issues of concern to developing countries. This included rather strong and clear provisions on strengthening special and differential treatment (SDT) in favour of developing countries to make the provisions more precise, effective and operational, as well as a strong emphasis on implementation-related issues faced by developing countries. Tight deadlines were also set in the Declaration and in the Decision on Implementation-Related Issues and Concerns so that agreements on these high-priority development-related issues could be reached at an early stage of the negotiations.

5. A broad overview of developments since the launch of the work programme at the Doha Ministerial Conference shows⁴ that the divergent positions underlying compromises reached by Ministers have in many cases resurfaced. This has often led to time-consuming deliberations over procedural issues and the scope of the negotiating mandates, particularly on SDT and implementation-related issues. More importantly, the lack of consensus resulted in a failure to meet the deadlines, particularly for improving SDT for developing countries.

On the other hand, the Doha negotiations have almost com-

pleted the necessary organizational stage and have established deadlines for the ongoing negotiations on agriculture, services, non-agricultural tariffs and other issues scheduled for 2002–2003.

6. Other major developments which directly or indirectly affected the climate of negotiations and tested mutual confidence among participants included the following:

- Granting to the President of the United States by the Congress of Trade Promotion Authority (in July 2002), giving the President greater flexibility to negotiate trade agreements under the Doha work programme and several regional free trade agreements (Free Trade Area of the Americas and bilateral agreements with Chile and Singapore), as well as extending the U.S. Generalized System of Preferences scheme;
- Signing into law of the U.S. Farm Security and Rural Investment Act 2002 (in May 2002), which provided for an increase in various agricultural subsidies to a total of US\$73.5 billion over the next 10 years;
- Plans announced by the European Union in May 2002 to undertake a further review of its Common Agricultural Policy (CAP);
- Introduction by the United States of safeguard measures on steel products (in March 2002) and opening of the WTO dispute settlement procedures associated with these measures;
- The slow pace of elimination of restrictions on textiles and clothing in accordance with the WTO Agreement on Textiles and Clothing, which leaves the bulk of trade affected by quotas, to be liberalized on 31 December 2004;
- Several WTO dispute settlement cases, in particular the decision of the Arbitrator on *United States – Tax Treatment for “Foreign Sales Corporations”* (August 2002);
- High-level conferences of developing countries such as the Third Summit of the African, Caribbean and Pacific (ACP) Heads of State and Government (July 2002) in Nadi, Fiji, and the Ministerial Conference of Least Developed Countries (August 2002) in Cotonou, Benin; and
- The outcomes of major United Nations conferences such as Financing for Development in Monterrey (March 2002) and the World Summit on Sustainable Development in Johannesburg (August–September 2002).

7. The Doha work programme established a tight timetable for the conclusion of negotiations by 1 January 2005 as a «single undertaking» (whereby all parts of the outcome of negotiations

form a single package binding on all WTO Members). It includes both negotiation and non-negotiation work, with the negotiations undertaken in special sessions in various bodies under the overall supervision of the Trade Negotiations Committee and the General Council. A «midterm review» will be undertaken by the Fifth Ministerial Conference in Cancun, Mexico, from 10 to 14 September 2003. This conference is also to decide on launching negotiations, upon explicit consensus regarding the modalities, on a multilateral framework for cross-border investment, a multilateral framework to enhance the contribution of competition policy to international trade and development, a multilateral agreement on transparency in government procurement, and negotiations on trade facilitation.

“

The mandates adopted in Doha reassert the need for SDT for developing countries to be mandatory.

”

Agriculture

8. The mandates adopted in Doha gave new impetus to the negotiations begun in March 2000, as provided by the «built-in agenda». The Doha Declaration reiterates the long-term objective of the agricultural trade reform initiated with the Uruguay Round Agreement, and it commits Members to «comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support»⁵. It is important to note that the mandates reassert the need for SDT for developing countries, as an integral part of all elements of agricultural negotiations, to be mandatory («shall be embodied in the schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated»), operationally effective and complementary to development needs.

9. After the Doha Ministerial Conference, and upon completion of the second phase of negotiations (April 2001-March 2002)⁶, the negotiations entered the phase for establishing the «modalities» –the actual mechanisms of new concessions as well as commitments, including numerical targets– for further agricultural liberalization. Two informal meetings, one on export competition policies and another on market access, were held in June and September 2002 respectively. Four more meetings are scheduled from mid-September onwards, with a view to agreeing on the comprehensive modalities by 31 March 2003.

10. The main features of the negotiations in 2002 can be summarized as follows:

- The in-depth discussions on 24 technical issues during the second phase showed more divergences than consensus –among developed countries, between developed and developing countries, and among developing countries. However, this process has been useful for enhancing the negotiating capacity of the developing countries and the least-developed countries (LDCs), including the capacity to analyze the issues and positions of their trading partners.
- In June 2002, the first negotiation on modalities was held on export competition policies. The main focus was the time frame of possible phasing out of export subsidies, a process the majority of developing countries hope to complete within the implementation period of the Doha agenda. However, one area of concern to many developing countries, particularly LDCs, was the possible negative impact of new disciplines/guidelines for export competition policies (including export subsidies, export credits, food aid and export taxes) on their countries' food security. The issue was addressed, but no specific modalities to meet such needs were proposed.
- Market access issues, which were scheduled to be discussed in early September 2002, may cause more controversy among developing countries than between developed and developing countries. Substantial most-favoured-nation tariff cuts could, while improving global trading opportunities, lead to an immediate loss of market share for some developing countries because of the erosion of trade preferences⁷. Moreover, there is disagreement among developing countries regarding the optimal level for their own tariff liberalization. Some groups of developing countries may, for food security and rural development purposes, give priority to maintaining high bound tariffs in order to protect their vulnerable farmers from international competition. Others argue that limiting tariff cuts by developing countries would minimize gains from South-South trade, which has been the largest-growing area of agricultural trade in recent years.
- With regard to domestic support commitments, the focus of the negotiations is on the extent of reductions in trade-distorting domestic support. Since most developing countries use neither such domestic support nor export subsidies, the extent and timing of tariff concessions by developing countries may depend on the degree of reduction or elimination of subsidies to farmers in developed countries.
- The scope of new SDT for developing countries, including the creation of a "development box", is being intensely discussed in the negotiations for each of the three pillars of the Agree-

“

Market access issues may cause more controversy among developing countries than between developed and developing countries.

”

ment. The common concern among developing countries is how to best address development needs, such as food security, rural development and product diversification, while achieving global agricultural liberalization. However, disparities in levels of economic development and agricultural production capacity among developing countries have made it difficult for them to reach agreement on actual elements to be included in the new SDT provisions. Countries with economies in transition, as well as those recently acceded to the WTO, are calling for special provisions that take into consideration the specific problems they face in their continuing agricultural liberalization.

- One of the main implementation concerns in the area of agriculture stems from the Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food-Importing Developing Countries, which has been reflected in the Doha Ministerial Decision on Implementation-Related Issues and Concerns. In this regard, the report of the inter-agency panel of experts established by the Committee on Agriculture, which was submitted to the General Council on 31 July 2002, recommends improving the accessibility of the existing facilities provided by the International Monetary Fund to ease the cost of importing basic foodstuffs, and further examining the feasibility of establishing an *ex ante* borrowing facility for private-sector food importers in LDCs and net-food-importing developing countries (NFIDCs).

11. As this note goes to press, there has not yet been major convergence in the positions of the various negotiating parties. However, WTO Members are, more than ever, actively engaged in bilateral consultations in order to work out a modality that would serve their varying interests. The intensity and technical nature of the negotiations on modalities are expected to increase after circulation of the Chairman's overview of proposed modalities, due in December 2002. Technical and analytical support to developing countries, particularly LDCs, in the coming months needs to be country-specific and product-specific.

Non-agricultural Products

12. In Doha, Ministers agreed to begin negotiations on market access for non-agricultural goods to reduce or eliminate tariff peaks, tariff escalation and non-tariff measures affecting all products, particularly those of interest to developing countries.

While overall applied industrial tariffs are modest, tariff peaks and escalation are particularly prevalent in areas of export affecting developing countries and may be seen as hindering their efforts to expand and diversify their production and trade. Such high tariffs and escalation are especially important in labour-intensive sectors, including textiles and clothing, footwear, leather goods, a number of basic manufactures, fish and fish products and so on.

13. Some developing countries are concerned that having to make concessions in the new negotiations on industrial products could limit the scope of their industrial development programmes. However, the Doha Ministerial Declaration provides some leeway for these countries, noting the provisions of Article XXVIII *bis* of the GATT 1994 for less than full reciprocity by developing countries. Moreover, there is frequently a substantial gap between their applied and bound rates, which also provides protection against any significant new concessions developing countries might make in the negotiations⁸.

14. One issue of concern to a number of developing countries is the erosion of tariff preferences such as those granted under the GSP, other special arrangements and regional trade agreements. The negative effects of such moves are likely to fall more heavily on beneficiaries of more substantial preferences, such as ACP countries and LDCs. Therefore, provision might usefully be made for possible negative effects resulting from the implementation of the eventual results of the new negotiations.

15. As of mid-2002, no decisions had been made in the WTO regarding the targets or modalities for negotiations on industrial products. The work will resume on the basis of negotiating modalities that are still undetermined.

16. Many developing countries and LDCs have only limited capacity to prepare adequately for these complex tariff negotiations, despite the significant implications that the tariff regime has for their industrial policies and the competitiveness of their non-agricultural products.

Services

17. In Doha, the Ministers recognized the work already undertaken in the negotiations, initiated in January 2000 under Article XIX of the General Agreement on Trade in Services

“

While overall applied industrial tariffs are modest, tariff peaks and escalation are prevalent in areas affecting developing countries.

”

(GATS), and the large number of proposals submitted by members concerning a wide range of sectors and several horizontal issues, as well as concerning the movement of natural persons. They reaffirmed the Guidelines and Procedures for the Negotiations (S/L/93) adopted by the Council for Trade in Services on 28 March 2001 as the basis for continuing the negotiations. The mandate in Paragraph 15 of the Doha Declaration provides for the negotiations on trade in services to be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries, as well as outlining key elements of the timetable for negotiations on services.

Initial requests for specific commitments were to be submitted by 30 June 2002 and initial offers by 31 March 2003.

18. The negotiations are now entering a new phase where the focus will be on market access negotiations rather than general discussion of the proposals made at the Special Session of Council for Trade in Services. Bilateral consultations on the requests for market access began in July 2002. Few developing countries have identified their specific sectoral and modal interests, the barriers to their exports or the impact of requests by developed countries on their services sectors. Of particular concern to developing countries are the evaluation of requests and the formulation of their own requests and offers, which is a particularly complex task as they need to determine clearly their national policy objectives and the competitiveness of each sector or subsector and also determine, among other things, the optimal sequencing of the steps involved in liberalization, the capacity of domestic firms to provide the services in question and whether this capacity would be positively or negatively affected by further competition in the market. Other elements of such an evaluation relate to impact on investment, impact on employment and access to high-quality, more efficient imports. The most significant shortcoming in the negotiations process is the absence of data and statistics that countries need in order to rationally assess gains and losses, benefits and costs. The domestic consultation mechanism involving all stakeholders is an important element in identification of national policy objectives. The constraints on cross-border movement of service suppliers are among the most important asymmetries and need to be addressed by specific commitments from developed countries.

19. The negotiations on key infrastructural services pose an important challenge to developing countries in the new round of negotiations. The social dimension of services and the universal provision of essential services are of particular importance in relation to sectors such as health, education, transport and cultural and telecommunications services. The need to reconcile this complex set of objectives with those of economic efficiency and international competitiveness raises a dilemma for developing countries in the negotiations.

20. The continuing analysis and growing understanding of trade in services in the developing countries are facilitating identification of anticompetitive practices affecting the multilateral liberalization process and the interests of developing countries in particular.

21. Negotiations on an emergency safeguard mechanism were supposed to be completed by March 2002. Progress was not sufficient, and the deadline has now been moved to 2004.

Developing countries have expressed disappointment at the lack of consensus in the negotiations on emergency safeguard measures, although the discussions on the issue have been more in-depth. These countries believe that without such a mechanism their ability and willingness to make concessions will be limited. Consensus regarding the definition of the domestic industry and treatment of foreign-owned enterprises is crucial to the acceptance of such a mechanism and treatment of «mode four».

22. Effective implementation of Articles IV and XIX.2 would require two operational elements, namely facilitation of exports (i.e. enhanced, non-reciprocal access to developed-country markets for developing-country exports) and flexibility and policy discretion regarding developing countries' approach to their own markets (i.e. the right to regulate and pursue developmental objectives, maintain some trade barriers and provide appropriate support to domestic services providers). Developing countries and LDCs are aware of the need to attach specific conditions to their offers in terms of new investment and technology transfer that may improve the supply capacity and competitiveness of their services. These countries require national studies and a solid negotiating capacity in order to formulate appropriate conditions that could be attached to their new schedules of commitments. It has also been suggested that the Council for Trade in Services regularly monitor the implementation of all the

actions and measures required to effectively implement Article IV and suggest remedial action as necessary.

“

Benefits from privatization and liberalization do not accrue automatically but require certain preconditions.

”

23. The discussions on assessment of trade in services which have been taking place since 1999 have not yet led to adoption by the Council of conclusions, including with respect to the contribution of GATS to increasing participation by developing countries. The Guidelines clearly indicate that the objective of assessment is to adjust the negotiations in the light of the results of the assessment with reference to the objectives of Article IV. Following are some themes that have emerged from developing countries' submissions: (a) The unique situation in each country will dictate the pace and path of liberalization most suitable to the circumstances; (b) on certain occasions, Governments will need to be flexible in redressing problems they did not anticipate when undertaking liberalization commitments; (c) lack of meaningful concessions, critical barriers to exports and supply constraints prevent developing countries from reaping benefits; (d) benefits from privatization and liberalization do not accrue automatically but require certain preconditions, including an appropriate regulatory framework, entrepreneurial and technological capacity-building and complementary policies; and (e) liberalization entails adjustment costs, and ensuring access to universal and essential services needs to be treated as a high priority.

24. Another important area of work relates to Article VI.4 involving disciplines on domestic regulation, particularly the right of members to regulate, and to introduce new regulations governing the supply of services within their territories in order to meet national policy objectives. Given existing asymmetries with respect to the degree of development of services regulations in different countries, the particular need of developing countries to exercise this right has been recognized in the preamble of the GATS. Moreover, the Doha Ministerial Declaration, in paragraph 7, reaffirms the right to regulate and to introduce new regulations governing the supply of services. Regulatory reform is of key importance to developing countries, and they have emphasized that a country's planned pace of liberalization needs to be adjusted so that its supervisory and regulatory capability is not compromised. Difficulties in this area stem from several factors, including the difficulty of applying the concepts of necessity and proportionality to the services sector, the reluctance of regulators to let trade negotiators determine disciplines pertaining to domestic regulations, and pressure from civil society, which is concerned with the social impact of such disciplines, particularly

on public goods and provision of universal services. There is also a need to develop clear SDT provisions in any future disciplines on domestic regulation. Of concern to developing countries are issues relating to flexibility to undertake policy/regulatory reform, pursuit of public policy objectives and universal services.

25. The negotiations provide an opportunity for developing countries to achieve commercially meaningful market access commitments in sectors and modes of interest to them, particularly labour-intensive services, and to devise effective benchmarks for the implementation of Article IV. However, for them, priority areas remain the proper sequencing of services sector reform, tackling supply constraints, identification of their national policy objectives, and capacity-building rather than market access. Actions by developed countries to grant market access and support investment and technology flows in key services sectors of developing countries will play a determining role in ensuring a pro-development outcome. A key concern for developing countries is not only whether the flow of trade is maximized but also the developmental aspects of such trade, including its contribution to building a competitive goods and services sector and maximizing the overall level of development at the national level.

“
The negotiations provide an opportunity for developing countries to achieve meaningful market access commitments.
”

WTO Rules

26. The agenda of the Negotiating Group on Rules has been structured, in accordance with the Doha Ministerial Declaration, around the following topics: Anti-Dumping; Subsidies and Countervailing Measures, including Fisheries Subsidies; and Regional Trade Agreements. Both developed and developing countries have tabled many proposals since March 2002.

27. A number of proposals, including by several developing countries, set out both specific improvements to these two agreements and, more broadly, areas where clarification or improvement could be sought. In particular, some proposals reflect work on implementation issues raised in the lead-up to the Doha Ministerial meeting in November 2001. Several developing countries raised concerns about the lack of transparency and predictability of certain provisions within the Anti-Dumping and Subsidies Agreements. Another concern relates to perceived imbalances in both Agreements between the obligations of developed and developing countries. For example, there are calls for changes in the prohibited subsidies obligations applying

to developing countries and the provisions relating to export finance and export credits.

28. Article XXIV of GATT 1994 on regional trade agreements will probably become a key issue in 2004, when some ongoing regional negotiations (e.g. concerning the Free Trade Area of the Americas and the enlargement of the European Union) will be further along, so that their compatibility with the WTO will be raised in concrete terms. The status of many arrangements between developing countries within the legal framework of the WTO will also depend on that review and on the kinds of SDT provisions that may be considered in a new Article XXIV.

Trade-Related Intellectual Property Rights (TRIPS)

29. The TRIPS Council met in March 2002 to start work on a list of issues that Ministers assigned to it in Doha. These included specific aspects of TRIPS and public health, geographical indications, the patentability of plants and animals, biodiversity, traditional knowledge, a general review of the TRIPS Agreement, and technology transfer. Among the key substantive issues discussed were (a) compulsory licensing of drug manufacturing where a country in need of certain drugs has no domestic production capabilities; and (b) the possible application of geographical indications to products other than wine and spirits. Discussions are ongoing, with recommendations to be made to the Trade Negotiations Committee before the end of 2002.

30. In June 2002, the TRIPS Council extended until 2016 the transition period during which LDCs do not have to provide patent protection for pharmaceuticals, thereby formalizing paragraph 7 of the Doha Ministerial Declaration on the TRIPS Agreement and Public Health.

Implementation-related Issues and Special and Differential Treatment (SDT)

31. Since 1999 and the preparatory process of the Seattle Ministerial Conference, a number of issues and concerns have been raised by developing countries regarding implementation of the Uruguay Round Agreements. A majority of these concerns were compiled in the «Decision on the Implementation-Related Issues and Concerns» adopted at Doha⁹. This Decision contains mandatory interpretations of some existing WTO rules as well as

negotiating mandates (and deadlines) in order to solve the pending implementation issues.

32. At this stage, it is difficult to assess the progress made regarding implementation issues because (a) the Decision encompasses 11 agreements (in addition to the work done on SDT, which is commented on below), each one including several pending «issues and concerns»; and (b) many of these issues are being treated by the relevant WTO bodies in a fragmented and still ongoing process, according to different deadlines.

33. However, partial comments may be made, for instance, on the following issues that have been examined since the Doha Conference:

- Regarding implementation of the **Agreement on Textiles and Clothing**: At the end of July 2002, several developing countries expressed their concern about the lack of progress on all the proposals contained in the Decision. These proposals aim to accelerate and intensify the liberalization of international trade in a sector where many developing countries and LDCs have a clear competitive advantage and where some industrialized countries have benefited from protection or a lengthy transition period since the GATT 1947. The Trade Promotion Authority Act recently passed in the United States contains specific provisions to ensure protection of the U.S. textile sector (particularly in case of imports benefiting from preferential U.S. regimes, whose rules of origin are made more precise). The Trade Promotion Authority Act provides for an assessment of the tariffs on textiles bound at the WTO by the United States' trading partners as compared to the U.S. bound rates before agreeing on further reductions. On the other hand, the European Union's position appears to aim at making significant progress towards liberalizing trade in textiles through the elimination of quotas by 2005, while nevertheless maintaining rigid rules of origin and invoking antidumping measures.
- Regarding the TRIPS Agreement, the Decision on the Implementation Issues includes a mandate on the formulation of a **monitoring mechanism on the transfer of technology to the LDCs**¹⁹ that is still to be agreed on. This has been one of the main implementation concerns raised by the LDCs since the Seattle Conference.
- Another implementation issue having wide practical implications for exporters in developing countries is harmonization of the non-preferential **rules of origin**, which was to be conclud-

ed by the end of 2001 according to the mandate of the Decision. This work has not been completed.

- Some implementation issues concern the provisions of the Agreements that require ***specific technical assistance for helping LDCs implement their obligations*** –for instance, in the area of technical barriers to trade. These implementation issues will probably be assessed by the General Council in December 2002 in the broader framework of an overall assessment of the mandates on technical cooperation and capacity-building contained in the Doha Declaration.
- The main implementation issue concerning agriculture refers to the Marrakesh Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least-Developed and Net-Food-Importing Developing Countries. This issue is described in paragraphs 8-11 above together with the current status of agriculture negotiations.

34. The Decision on Implementation contains several mandates on SDT (in paragraph 12 on «Cross-Cutting Issues»). The Special Sessions of the Committee on Trade and Development initiated their work in April 2002, in view of the deadline of 31 July 2002 to submit recommendations to the General Council. This deadline had to be extended to December 2002. The main technical and political complexities of the debate on the operationalization of the SDT provisions can be summarized as follows:

- Some developed countries argue that the SDT provisions have to be treated by the relevant WTO bodies, while many developing countries attach intrinsic importance to the fact that one single negotiating body (i.e. the Special Session of the Committee of Trade and Development) is in charge of this «cross-cutting» implementation issue.
- Identification of the SDT provisions that are «mandatory» and those that are «non-binding» was complicated by lack of agreement regarding the criteria for classifying them as provided by the WTO Secretariat. Therefore, no real progress was made in identifying the SDT provisions whose mandatory nature was debatable or in «operationalizing» the existing SDT provisions.
- Some developed countries introduced into the debate the notion of «graduation» among developing countries and LDCs in the implementation of these provisions.
- Some developing countries proposed a «monitoring mechanism» to assess the utilization and development impact of

these provisions, but no specific development benchmarks have been discussed to date.

- The proposal to adopt a «Framework Agreement on Special and Differential Treatment»¹¹ has thus far not been discussed.

35. Therefore, the overall work done by the end of July 2002 on the implementation issues (in particular regarding textiles) and the SDT cannot be considered satisfactory in view of the goals of the developing countries and the substantive mandates of the Doha work programme. As was mentioned above, in this area the assessment of «development value» is complicated by the parcelling out of the work on implementation among several negotiating bodies and regular WTO bodies. There is also a visible trend towards focusing on SDT rules that represent exceptions and transition periods (i.e. a «negative» approach) rather than SDT rules that target the development of supply capacity through «positive» commitments on technology and investments.

Least-developed Countries

36. The Doha Ministerial Declaration established a range of generic and specific mandates relating to halting the marginalization of LDCs and improving their participation in the multilateral trading system. To that effect, in February 2002, the WTO Sub-Committee on LDCs adopted a special work programme¹² grouped around the following systemic issues: (a) market access for LDCs; (b) trade-related technical assistance and capacity-building initiatives for LDCs; (c) provision, as appropriate, of support to agencies assisting with the diversification of LDCs' production and export base; (d) mainstreaming into the WTO's work, as appropriate and as relevant to the WTO's mandate, of the trade-related elements of the LDC-III Programme of Action; (e) the participation of LDCs in the multilateral trading system; (f) the accession of LDCs to the WTO; and (g) follow-up to the WTO Ministerial Decisions and Declarations. The discussion in the Sub-Committee has not yet produced any substantive results.

Small Economies

37. In accordance with the Doha mandate, the WTO General Council in March 2002 adopted a work programme on small economies. The work programme is being pursued in dedicated sessions on small economies under the Committee on Trade and

Development. Initial submissions on this topic focused on identifying trade-related issues relevant to small economies under various WTO agreements.

Trade and Investment

38. In Doha, the Ministers recognized the need for strengthened technical assistance in pursuit of that mandate and explicitly referred to UNCTAD in this regard. In response to this mandate, the WTO Working Group on the Relationship between Trade and Investment (WGTI) has met to discuss scope and definition, transparency, development provisions, non-discrimination, and pre-establishment commitments on a GATS-type positive list approach.

During its next meetings the WGTI is to discuss exceptions and balance-of-payments safeguards as well as procedures for consultations about and settlement of investment disputes. The Working Group is also expected to begin tackling related issues such as balancing the interests of home and host countries; the right to regulate in the public interest; the special development, trade and financial needs of developing and least-developed countries; and links to other relevant WTO provisions and existing bilateral and regional arrangements on investment. The discussions of the Working Group should form an input into a possible decision on investment scheduled for the next WTO Ministerial Meeting in 2003.

39. In response to the Doha mandate, UNCTAD has developed a new technical assistance project to help implement the Doha mandate in close collaboration with the WTO. The project involves three areas of activities stemming from the elements identified in the Doha Declaration. These areas are, in order of priority, (a) policy analysis and development, (b) human resources capacity-building and (c) institutional capacity-building. A number of national and regional training courses, seminars and symposia have been held jointly with the WTO.

Trade and Competition Policy

40. The Doha Ministerial Declaration recognized the case for a possible multilateral framework to enhance the contribution of competition policy to international trade and development. The Ministers agreed that negotiations would take place after the Fifth Ministerial Conference on the basis of a decision to be taken, by explicit consensus, regarding the modalities of the

negotiations. The need for enhanced technical assistance was recognized. To this end, Ministers decided to work in cooperation with other relevant intergovernmental organizations, including UNCTAD. It was requested that during the period leading up to the Fifth Ministerial Conference, the WTO Working Group on the Interaction between Trade and Competition Policy work to further clarify core principles, including transparency, non-discrimination and procedural fairness, and provisions regarding hard-core cartels, as well as modalities for voluntary cooperation and support for progressive reinforcement of competition institutions in developing countries through capacity-building.

It was foreseen that full account is to be taken of the needs of developing and least-developed countries and appropriate flexibility provided to address them.

41. There is thus a need to clarify the main issues and concerns of developing countries with the objective of helping them better evaluate the implications and to safeguard their interests in possible negotiations concerning a multilateral competition framework. In this regard, UNCTAD is collaborating closely with the WTO in providing technical support to the developing countries. For the fifth session of the Intergovernmental Group of Experts on Competition Law and Policy (in 2003), the UNCTAD secretariat will be preparing reports on, *inter alia*, (a) international cooperation on competition law and policy and the mechanisms used; (b) ways in which possible international agreements on competition might apply to developing countries, including through preferential or differential treatment, with a view to enabling these countries to introduce and enforce competition law and policy; and (c) the roles of possible dispute mediation mechanisms and alternative arrangements, including voluntary peer reviews, in competition law and policy. The UNCTAD secretariat also implements (in addition to its regular technical assistance and capacity-building activities) an ongoing programme of technical support in this area for developing countries, in close collaboration with the WTO secretariat.

Trade and Environment

42. The Doha work programme provides for negotiations on certain trade and environment issues, as well as the continuation of the work of the Committee on Trade and Environment (CTE), including the identification of any need to clarify relevant WTO rules.

Negotiations have started on the relationship between existing

WTO rules and specific trade obligations set out in multilateral environmental agreements and liberalization of trade in environmental goods and services.

43. The Doha work programme includes other trade and environment issues of particular concern to developing countries, in particular the effects of environmental measures on market access and the interface between TRIPS and the Convention on Biodiversity (CBD), including with respect to traditional knowledge. Discussions in the TRIPS Council concerning paragraph 19 of the Ministerial Declaration are also relevant in this context. The CTE is expected to issue a report to the Fifth Ministerial Conference (Mexico, September 2003) and "make recommendations, where appropriate, with respect to future action, including the desirability of negotiations"¹³ on these and other issues contained in paragraph 32 of the Ministerial Declaration.

44. The Doha Ministerial Declaration recognized the need for capacity-building in the area of trade and the environment in favour of developing countries, in particular the LDCs.

UNCTAD, in cooperation with the WTO and the United Nations Environment Programme (UNEP), has launched a series of new projects aimed at enhancing the capacity of developing countries for policy making and negotiations on key issues related to trade and the environment.

Trade, Debt and Finance

45. The Doha Ministerial Declaration called for the establishment of a Working Group on Trade, Debt, and Finance (paragraph 36), which, at its first meeting on 12 April 2002, decided to start its work in an educational mode. The Working Group met in July 2002 to discuss linkages between trade and finance. UNCTAD, the Asian Development Bank and the Organisation for Economic Co-operation and Development (OECD) were invited to make presentations on this theme. The Working Group was scheduled to meet on 30 September to discuss links between trade and external debt.¹⁴

Transfer of Technology

46. Pursuant to paragraph 37 of the Doha Ministerial Declaration, the Working Group on Transfer of Technology has been established under the auspices of the WTO General Council. The

Working Group is to examine the relationship between trade and transfer of technology and make recommendations for steps that might be taken to increase flows of technology to developing countries. The Working Group met twice before the end of July 2002.

47. The Ministerial Declaration emphasizes two central issues: (a) the relationship between trade and transfer of technology; and (b) possible measures that might be taken, within the mandate of the WTO, to increase flows of technology to developing countries.

Concerning the work programme of the Working Group, two proposals have been submitted so far. One, submitted by 15 developing countries, referred to as terms of reference for the

Working Group, intends to examine the issues of transfer of technology under five broad subheadings: provisions of the WTO Agreements related to transfer of technology; analytical work; identification of areas of possible technical cooperation; areas where consensus-building could be sought; and cooperation with other organizations. The other, presented by the European Union as a work programme aimed at contributing to a discussion on the approach to be adopted, involves, as a first step, preparation of an overview by the WTO secretariat of (i) related work of relevant WTO committees and working groups and (ii) existing international agreements, conventions and understandings or other relevant documentation, including relevant materials prepared by other international organizations such as UNCTAD. UNCTAD was subsequently invited to give a presentation about its work on technology transfer.

Dispute Settlement

48. The Special Session of the Dispute Settlement Body was established in order to conduct negotiations on clarifications and improvements to the DSU in accordance with the Doha Ministerial Declaration. The work of this body is proceeding on the basis of a "two-track" approach: a general discussion of the issues and objectives for the negotiation takes place under Track 1, and a parallel discussion of specific proposals by members is conducted under Track 2. (10 proposals were submitted before the summer break.) The focus of the Special Session's work is expected to gradually shift towards discussion of specific proposals under Track 2, and it is expected that a more focused discussion of issues proposed for negotiation can be undertaken in late 2002.

Government Procurement

49. In Doha, WTO Ministers recognized the case for a possible multilateral agreement on transparency in government procurement and the need for enhanced technical assistance and capacity-building in this area. Negotiations in this area may take place after the next Ministerial Conference on the basis of a decision to be taken, by explicit consensus, on modalities of negotiations. Pursuant to the Ministerial Declaration, the Working Group on Transparency in Government Procurement met in May 2002 to discuss a number of elements that might form part of a multilateral agreement, in part to inform new Members. It will meet again in October 2002 to further discuss remaining elements of the work programme.

Electronic Commerce

50. The Doha mandate continues the work programme on e-commerce established at the Second Ministerial Conference in 1998. It was also agreed to maintain the current practice of not imposing customs duties on electronic transmissions. In 2002, the Committee on Trade and Development held a seminar on the revenue implications of e-commerce, and a dedicated discussion on e-commerce was held under the auspices of the General Council, where e-commerce is a standing item. The main issue that continues to be debated relates to classification of e-commerce. A further meeting is planned for late 2002.

Trade Facilitation

51. In the Doha Ministerial Declaration, Ministers agreed to begin negotiations on trade facilitation after the 2003 Ministerial Conference on the basis of a decision to be taken at that conference, by explicit consensus, on modalities. In the meantime, the WTO Council for Trade in Goods was to review and, as appropriate, clarify and improve relevant aspects of Articles V, VIII and X of the GATT 1994 and identify the trade facilitation needs and priorities of members, in particular developing and least-developed countries. Discussion focused on a range of national submissions on country experiences as well as submissions by international organizations and the WTO secretariat. Publication and administration of trade regulations (GATT Article X) and fees and formalities (GATT Article VIII) are among the topics covered so far.

52. The Doha Ministerial Declaration provided a mandate on technical assistance and capacity-building and endorsed the New Strategy for WTO Technical Cooperation: Technical Cooperation for Capacity-Building, Growth and Integration. On the basis of this strategy, the «Coordinated WTO Secretariat Annual Technical Assistance Plan 2002» was elaborated and endorsed by Members for implementation. The Coordinated Plan clustered technical assistance activities into eight categories within which technical assistance is being delivered.

These areas are (a) mainstreaming and integrated framework, (b) implementation, (c) enhancing negotiating capacity, (d) trade policy capacity-building, (e) accessions, (f) non-residents, (g) information technology tools and (h) modernization of technical assistance tools. Financing for the Plan was secured with approval by members of the Doha Development Agenda Global Trust Fund in December 2001, followed by mobilization of the required funding at a pledging conference in March 2002.

53. WTO technical assistance is also provided through joint programmes with other international organizations, such as the International Trade Centre and UNCTAD, through the Joint Integrated Technical Assistance Programme (JITAP) and the six agencies implementing the Integrated Framework (IF)¹⁵. The Doha Ministerial Conference instructed the WTO Director-General to consult widely on ways of enhancing and rationalizing the IF and the JITAP.

II. The Work of UNCTAD

54. UNCTAD's «positive agenda» programme was developed after the First WTO Ministerial Meeting in Singapore in December 1996 to assist developing countries in trade negotiations. These efforts stepped up in the lead-up to the Third Ministerial Meeting in Seattle in November-December 1999 as well as in the preparations for Doha. These activities expanded in accordance with the mandate under the Bangkok Plan of Action. In particular, the Commercial Diplomacy Programme was launched by the Secretary-General of UNCTAD in June 1999 as a programme for all developing countries and all trade topics, supplemented by specific programmes on specific issues topics (e.g. JITAP) and for subgroups of countries (e.g. ACP). Similarly, work in other areas such as trade information and analysis; competition policy; trade, environment and development; and commodities

“
 UNCTAD's
 technical
 assistance has
 been provided to
 developing
 countries to help
 them assess the
 results of the
 Doha work
 programme.”

has been strengthened to better respond to the needs of developing countries. Since the Doha Ministerial Conference, UNCTAD's technical assistance has been provided to developing countries, in particular LDCs, to help them assess the results of the Doha work programme and develop appropriate institutional capacity and technical knowledge to enhance their trade development and economic well-being. UNCTAD also supports developing countries in trade negotiations at the regional and interregional levels, and in ensuring coherency between such negotiations and the WTO Doha work programme. These activities are supplemented by the UNCTAD secretariat's analysis of issues of particular interest to developing countries in the Doha negotiations, especially in the areas of agriculture, services and market access for non-agricultural products.

55. On 4 February 2002, the Secretary-General of UNCTAD presented to the Commission on Trade in Goods and Services, and Commodities, at its sixth session, the UNCTAD Post-Doha Technical Assistance and Capacity-Building Plan. The Plan was formulated on the basis of consultations with a number of countries and is now being implemented with extra-budgetary resources.

56. The supporting role of UNCTAD could be substantially enhanced if the organization, along with other relevant international institutions such as the IMF and the World Bank, were granted observer status in the WTO negotiating bodies.

III. Conclusions

57. Developing countries have so far managed to participate actively in the Doha negotiations. They have presented numerous proposals and other submissions to all negotiating bodies. Many of these proposals are technically sound and reflect the individual and/or collective interests and concerns of developing countries. However, following the negotiations, the tasks of analyzing positions put forth by others, developing ideas and formulating them in appropriate negotiating language, and coordinating national positions inside the countries are putting a huge strain on developing countries, despite the technical cooperation efforts of a number of agencies.

58. At this stage of the negotiations, a great deal of technical work is being undertaken. Positive but intermediate progress is visible in some areas, particularly in services and agriculture,

where negotiations began in 2000 under the «built-in» agenda agreed to at the end of the Uruguay Round. Elsewhere, progress is slow or absent – partly because of technical difficulties, including a crammed meeting agenda, and partly because of the difficulty of reconciling sometimes quite divergent positions. As always, there is also a tactical dimension in that negotiators are unwilling to reveal their positions until the cross-sector/cross-theme balance becomes clearer. Recent policy measures undertaken by some developed countries may have negatively affected the atmosphere of the negotiations, but the current weak economic environment makes a successful outcome imperative.

59. Whether or not the current WTO work programme agreed at Doha will achieve its development objectives remains to be seen. Achieving an equitable balance in the «single undertaking» will be critical. Whether this happens will depend very much on efforts to accommodate the economic and trade interests of the developing countries, particularly in relation to SDT, transition periods, technical assistance and provision of social safety nets and other support for countries and sectors that might be negatively affected by the negotiated outcomes. Much also depends on the resolution of outstanding matters related to implementation of the existing WTO agreements.

60. Dr. Supachai Panitchpakdi, the new Director-General of the WTO, identified four main areas of responsibility that he hopes to treat as priorities, in addition to moving the Doha negotiations into a substantive phase. The four areas involve changes to help members resolve trade disputes, increase technical assistance to developing countries, reform internal decision-making procedures, and increase cooperation with other international organizations, including UNCTAD.¹⁶

61. In this context, it may be also recalled that the Secretary-General of the United Nations, in the report «Roadmap towards the implementation of the United Nations Millennium Declaration» which he presented to the 56 th Session of the General Assembly, outlined a six-point strategy for the multilateral trade negotiations: «(i) ensuring that developed nations fully comply with the commitments they made under the Uruguay Round of multilateral trade negotiations to improve market access for products from developing countries; (ii) ensuring significant improvement in market access in developed countries for agricultural products from developing countries; (iii) eliminating the remaining trade barriers in manufacturing, especially on textiles

and clothing; (iv) providing for limited, time-bound protection of new industries by countries that are in the early stages of development; (v) capacity-building and technical assistance for trade negotiations and dispute settlements; and (vi) ensuring that the next round of trade negotiations is truly a development round."¹⁷

62. The UNCTAD secretariat continues to be fully committed to these goals and is prepared to implement any additional orientations that may be formulated by the Trade and Development Board in this regard.

Footnotes

1. *The General Assembly in paragraph 18 of its resolution 55/183 also invited UNCTAD to continue to provide analytical support and technical assistance, including capacity-building activities, to developing countries to enable their effective participation in the multilateral trade negotiations.*

2. *Report of the Commission on Trade in Goods and Services, and Commodities on its sixth session, TD/B/EX(28)/4, TD/B/COM.1/49.*

3. *The present note builds on the forthcoming Report of the Secretary-General of the United Nations on "International Trade and Development", which was prepared by the UNCTAD secretariat in accordance with General Assembly resolution 56/178.*

4. *For a comprehensive discussion of issues under the Doha work programme, see UNCTAD (2002), The Trade and Development Report, 2002, Chapter 2, "The Multilateral Trading System after Doha."*

United Nations publications, sales no. E.02.II.D.2, New York and Geneva.

5. *Para. 13 of the Doha Ministerial Declaration.*

6. *Encompassing 24 technical issues for in-depth discussion.*

7. *A similar problem will certainly appear in the tariff negotiations on non-agricultural products.*

8. *This gap results from cuts made in most-favoured-nation tariffs under unilateral (or autonomous) reforms by develop-*

ing countries in the last 10 to 15 years.

9. Other issues and concerns were compiled in document Job(01)/152/Rev.1, distributed by the WTO Secretariat as "Outstanding Implementation Issues", incorporated into the Doha Work Programme in accordance with para. 12 of the Doha Ministerial Declaration. The relevant WTO bodies are mandated to address these issues and report to the Trade Negotiations Committee by the end of 2002.

10. Para. 11.2 of the Decision: "Reaffirming that the provisions of Article 6.2 of the TRIPS Agreement are mandatory, it is agreed that the TRIPS Council shall put in place a

mechanism for ensuring the monitoring and full implementation of the obligations in question. To this end, developed-country Members shall submit prior to the end of 2002 detailed reports on the functioning in practice of the incentives provided to their enterprises for the transfer of technology in pursuance of their commitments under Article 66.2. These submissions shall be subject to a review in the TRIPS Council and information shall be updated by Members annually."

11. Para. 44 of the Doha Ministerial Declaration.

12. Doc. WT/COMTD/LDC/11, 13 February 2002.

13. Para. 32 of the Doha Ministerial Declaration.

14. In response to General Assembly resolution 56/184, a report by the Secretary-General entitled "The External Debt Crisis and Development" (A/57/...) has been prepared for submission to the Assembly at its 57th session.

15. The agencies are WTO, UNCTAD, the World Bank, the IMF, the ITC and UNDP.

16. See www.wto.org/english/news_e/news02_e/dgtranscript_03_sep02_e.htm.

17. Doc. A/56/326, 6 September 2001, p. 27.

Mexico's Trade Policy: Between Puebla and Cancún and the Problems of a Multi-Faceted Economic Policy

This article reviews Mexico's experience in the area of multilateral trade negotiations and the role that country may play as the host of the next 2003 FTAA and WTO negotiations. The author also underlines the importance of defining industrial policies as fundamental pillars for the implementation of an external trade policy and the role this must play within a country's foreign policy. While the author considers specifically the case of Mexico, her recommendations may be equally valid for any country of the region. «Only this way –argues the author– can trade policy truly spur development, social wellbeing and the promotion of trade interests».

La política comercial de México: entre Puebla y Cancún y los problemas de la diplomacia económica múltiple

Este artículo hace referencia a lo que ha sido la experiencia de México en el campo de las negociaciones comerciales internacionales y al papel que la nación azteca puede desempeñar como anfitrión de las próximas reuniones del ALCA y la OMC previstas para el año 2003. Igualmente, la autora analiza la importancia de la definición de una política industrial –habla concretamente del caso mexicano, pero la experiencia puede ser válida para cualquier país de la región– como pilar fundamental para la ejecución de la política comercial externa, y del lugar que esta última debe ocupar dentro de la política exterior de una nación. «Sólo de esa manera –sostiene– la política comercial externa puede convertirse en un genuino vehículo para el desarrollo, el bienestar social y la promoción de los intereses comerciales».

La politique commerciale du Mexique: entre Puebla y Cancun et les problèmes multiples de la diplomatie économique

Cet article reflète les résultats obtenus au Mexique dans les négociations commerciales internationales y le rôle que la nation aztèque peut exercer comme amphitryon pendant les prochaines réunions de la ALCA (ZLEA) ainsi que de la OMC prévues pour l'année 2003. L'auteur analyse également l'importance de la définition d'une politique industrielle –se référant concrètement sur le cas mexicain; mais l'expérience peut être valide pour n'importe quel pays de la région– comme pilier fondamental pour l'exécution de la politique commerciale externe, et le rôle que cette dernière devrait jouer dans la politique extérieure d'une nation. «Seulement de cette façon –soutient l'auteur– la politique externe peut devenir un véhicule authentique pour le développement, le bien être social et également la promotion des intérêts commerciaux.»

A política comercial do México: entre Puebla e Cancún e os problemas da diplomacia econômica múltipla

Este artigo faz referência à experiência do México na área das negociações comerciais internacionais e ao papel que a nação asteca pode desempenhar como anfitriã das próximas reuniões do ALCA e da OMC previstas para o ano de 2003. Do mesmo modo, a autora analisa a importância da definição de uma política industrial –fala especificamente do caso mexicano, porém, a experiência pode ser válida para qualquer país da região - como base fundamental para a execução da política comercial externa, e do lugar que esta última deve ocupar dentro da política exterior de uma nação. «Somente dessa maneira –afirma– a política comercial externa pode-se transformar num genuíno veículo para o desenvolvimento, o bem-estar social e a promoção dos interesses comerciais».

Mexico's Trade Policy: Between Puebla and Cancun and the Problems of a Multi-Faceted Economic Policy

⇒ **María Cristina Rosas**

Professor and researcher at Mexico's Universidad Nacional Autónoma (UNAM)

In President Vicente Fox's Administration, Mexico's economic diplomacy has been visible in the different fora and international events the country has hosted. During the year 2002 these were: the United Nations Summit on Development Financing, held in March in Monterrey, and the Summit of Leaders of the Asia-Pacific Economic Cooperation Forum (APEC) held in November in Los Cabos.

During 2003 Mexico will also host important meetings and international economic negotiations. The final stage of the negotiations on the agreements that will give birth to the Free Trade Area of the Americas (FTAA) will take place in Puebla, while the Fifth Ministerial Meeting of the World Trade Organization (WTO), during which a vast number of issues of the Doha Round will continue to be debated, will be held in November in Cancún.

At first glance, Mexico's economic diplomacy may seem successful, given the visibility gained from hosting these meetings. However, Mexico's leadership position is far from assured since besides hosting such gatherings the country could very well promote its interests within them.

There is no doubt that the promotion of specific agendas within the UN, APEC, the FTAA and/or the WTO is not an easy task. For example, in Monterrey the issue of development financing took second stage to the United States' rallying cry on the need to stop the financing of terrorism. A similar situation occurred during the APEC meeting, whose major resolution addressed the need to fight terrorism. In other words, terrorism is 'doing away' with international organizations' specific agendas. The Summit on Development Financing was to consider specifically the allocation of resources to less favored countries. On the other

“
Terrorism
is 'doing away'
with international
organizations'
specific agendas.
”

hand, at the APEC meeting the major issue was how to promote trade and investment between participating economies. Because of the fight against terrorism none of these issues held center stage, thus setting back agendas that are of interest particularly to the least developed countries. The fight against terrorism was not a specific issue of the Summit on Development Financing and the APEC meeting and while this is undoubtedly an important concern, it should not prevail over those fora's agendas, especially considering that terrorism is the manifestation of multiple contradictions within societies.

What can be expected of the negotiations to be held on Puebla and Cancún?

Even though the issue of terrorism is bound to be present in those meetings, the specific agendas they are to consider, that is, the creation of a hemispheric free trade area and the liberalization of international trade, must be examined. In this respect, Mexico, as the host of both meetings, has a great responsibility to insure that this is done. However, this begets the question: is Mexico in a position to lead in those fora, promoting its particular interests while developing core agendas that are in the interest of other nations as well? In order to answer this question we must examine Mexico's external trade policy.

The external trade policy is part of a country's foreign policy. Its task is to promote Mexico's trade interests in the world. This it does through a number of initiatives that combine, at different levels, unilateral and bilateral, regional and multilateral actions. Similarly, external trade policy deals not just with goods but also with services and, increasingly, the promotion of foreign investment. Moreover, a growing number of countries insist on relating trade and the protection of the environment, human rights—including labor rights—international cooperation, development and democracy, to mention but a few issues.

This means that given the speed of economic, political and social changes throughout the world the external trade policy must be viewed as a dynamic process. However, when formulating an external trade policy other issues besides world developments must be taken into consideration. Basically, such policy must meet the country's internal needs and complement global developments not in a reactive but a pro-active way whereby Mexico is an actor rather than a spectator.

The identification of the country's specific needs will lead to the development of a successful external trade policy. Thus, for example, the signing of free trade agreements with other countries should be part of a master plan, an industrial plan, least they

become an end in themselves. Therefore, it is necessary first to define the industrial policy and then what role Mexico's trade negotiations with the world will play.

Why is an industrial policy a necessary pre-requisite? A review of Mexico's external trade reveals a number of deficiencies that can only be solved through the implementation of a master plan. Today Mexico is the world's eight exporting economy. If, as experts argue, the ultimate end of economic activity is social wellbeing, then it is interesting to note that Mexico holds the 54th place in the 2002 index on human development, leading 'medium human development' countries and below other Latin American and Caribbean countries such as Antigua and Barbuda (Nº52), Trinidad and Tobago (no.50), Costa Rica (Nº 43), Bahamas (Nº 41), Uruguay (Nº 40), Chile (Nº 38), Argentina (Nº 34) and Barbados (Nº 31). In other words, Mexico's dynamic trade does not translate into better living conditions for its people.

Mexico's trade is notably diversified, thanks largely to the economic reforms that began in the second half of the eighties decade. These reforms, caused by the crisis that characterized the so-called lost decade and precipitated by a vast number of developments throughout the world, opened the local economy to the requirements and scrutiny of the international economy. This resulted from Mexico's trade liberalization policy - in 1986 the country entered the general Agreement on Tariffs and Trade (GATT) and in 1987 it signed with the USA a framework agreement that opened the way to the negotiations aimed at establishing a North American Free Trade Agreement (NAFTA), which entered into force in 1994 - and from privatizations and deregulation. All these changes had profound political and social effects.

Even though one of the anticipated results of these reforms was Mexico's increased presence in the world economy, not only in terms of volume of trade but also due to speed with which the country was reformed, other unwelcome effects are also beginning to surface, posing significant challenges.

The economic reforms Mexico adopted from the second half of the decade of the eighties implied the rejection of the import substitution model in favor of a liberal one in which the state's participation in the economy was reduced based on the assumption that the market can best determine its needs. Faced with budget deficits, the states had to introduce adjustments and cuts that affected dramatically the resources aimed at insuring peoples' wellbeing. Thus the state's margin of movement as guarantor of society's wellbeing decreased considerably. It was even assumed that supply and demand would eventually contrib-

“

*Mexico's
dynamic trade
does not
translate into
better living
conditions
for its
people.*

”

ute to the distribution of wealth. Nothing could be further from reality.

Thus liberalization occurred in a very rapid manner, making it impossible for a large number of small and medium enterprises (SMEs) to adapt. Let us not forget that three fourths of Mexico's employment is generated by SMEs and that liberalization caused them either to i) disappear faced with their inability to compete; ii) merge with foreign companies, in the case of 'attractive' SMEs; or iii) transform into 'distributors' or 'representatives' of foreign enterprises. In other words, liberalization led to a break in the productive chain that has affected considerably Mexico's foreign trade profile.

Naturally, this is not an isolated process. In a globalized world where economic power is one of the major instruments to attain political power, there are actors that exert great influence on the international arena due to their economic resources (see Table 1). Among such actors are transnational corporation, which seek to reduce substantially the state's traditional control mechanisms over them. Corporations also favor the signing of trade agreements between countries since a vast percentage of international trade is generated by in house trade between them. Thus, by reducing the obstacles to countries' markets free trade allows these corporations to reduce production costs, thereby saving time and material resources.

The effects of the elimination of trade barriers on tax revenues are seldom analyzed. Certainly, open economies such as Mexico, Argentina and/or Chile derive fewer resources from their imports than countries such as Brazil, in which the flow of goods and services from abroad faces important obstacles.

Thus Mexico's economy became transnational and this process affected the whole productive sector. Exports increased, but so did imports, faced with the country's inability to generate internally the inputs needed to produce export goods.

Because of the above, the participation of oil within Mexico's foreign trade decreased as manufactured exports increased. This development has been seen as positive, given that Mexico's dependency on oil exports was held responsible for the crisis the country suffered during the eighties. However, a careful analysis will reveal that even though oil and its products do not dominate Mexico's exports, they do play a major role as sources of net income. Why? With the disappearance of national production chains (in the sense that practically all productive activity within the country depends on imported goods), Mexican exports became very dependent on imports. In other words: in order to export more we must import more.

“

The effects of the elimination of trade barriers on tax revenues are seldom analyzed.

”

In practice this means that oil exports must generate a substantial percentage of Mexico's net income, since compared to manufactured goods oil is a product that requires less imports. Thus, from oil dependent exports the country moved to oil dependent income.

Table 1
The Most Prosperous Enterprises and Countries

1. USA	7 783, 1	Mitsui	109, 4	47. New Zealand	59, 5
2. Japan	4 812, 1	Itochu	108, 7	Philip Morris	57, 8
3. Germany	2 321, 0	35. Iran	108, 6	Ing Group	56, 5
4. France	1 541, 6	Mitsubishi	107, 2	Boeing	56, 1
5. Great Britain	1 231, 3	36. Singapore	101, 8	48. Check Republic	54, 0
6. Italy	1 160, 4	Exxon	100, 7	AT&T	53, 6
7. China	1 055, 4	General Electric	100, 5	Sony	53, 2
8. Brazil	784, 0	Toyota Motor	99, 7	50. Ukraine	52, 6
9. Canada	595, 0	37. Malaysia	98, 2	Metro	52, 1
10. Spain	569, 6	38. Israel	94, 4	Nissan Motor	51, 5
11. South Korea	485, 2	Royal Dutch/Shell Group	93, 7	Fiat 51, 0	
12. The Netherlands	403, 1	Marubeni	93, 6	Bank of America Corp.	50, 8
13. Russia	394, 9	Sumitomo	89, 0	Nestle	49, 5
14. Australia	382, 7	39. Philippines	88, 4	Credit Suisse	49, 1
15. India	357, 4	40. Colombia	87, 1	Honda Motor	48, 7
16. Mexico	348, 6	International Business Machines	81, 7	Assicurazioni Generali	48, 5
17. Argentina	319, 7	41. Venezuela	79, 3	Mobil	47, 7
18. Switzerland	305, 2	AXA	78, 7	Hewlett Packard	47, 1
20. Belgium	272, 4	Citigroup	76, 4	52. Hungary	45, 8
21. Sweden	231, 9	Volkswagen	76, 3	Deutsche Bank	45, 2
22. Austria	225, 4	Nippon Telegraph & Telephone	76, 1	State Farm Insurance Cos.	44, 6
23. Indonesia	221, 5	42. Egypt	72, 2	Dai-ichi Mutual Life Insurance	44, 5
24. Turkey	199, 3	43. Chile	70, 5	53. Bangladesh	44, 1
26. Thailand	165, 8	BP Amoco	68, 3	54. Algeria	43, 9
27. Hong Kong (China)	163, 8	Nissho Iwai	67, 7	Veba Group	43, 4
General Motors	161, 3	Nippon Life Insurance	66, 3	HSBC Holdings	43, 3
28. Norway	159, 0	Siemens	66, 0	Fortis	43, 2
Daimler Chrysler	154, 6	44. Ireland	65, 1	Toshiba	41, 5
Ford Motor	144, 4	Allianz	64, 8	Renault	41, 4
29. Saudi Arabia	143, 4	45. Pakistan	64, 6	56. Morocco	34, 4
Wal-Mart Stores	139, 2	46. Peru	63, 7	57. Nigeria	33, 4
30. Poland	138, 9	Hitachi	62, 4		
31. South Africa	130, 2	U.S. Postal Service	60, 1		
32. Finland	127, 4	Matsushita Electric Industrial	59, 7		
34. Portugal	109, 5				

Source: Countries' GDP, World bank: [http://www.worldbank.org/data/\(World Development Indicators\);](http://www.worldbank.org/data/(World Development Indicators);)
Recettes des entreprises, Fortune Global 500: <http://www.pathfinder.com/fortune/global500/index.html>
Figures are in thousand of millions of US dollars.

ANALYSIS

This is why devaluations are so negative for Mexico. Given the country's dependence on imports, devaluation automatically raises their cost as goods must be paid at the exchange rate of the day in which transactions are made. This, in turn, decreases exports' competitiveness and exposes the country to accusations of dumping since devaluation effectively renders Mexican exports cheaper than local goods. Moreover, one must keep in

Table 2
Mexico's Ten Most Important Exporting Firms

Position	Exporter	Total Exports (thousands of pesos)	Major Export Goods	Destination of Exports
1	PETROLÉOS MEXICANOS/México D.F.	108676689	Crude oil	US
2	VOLKSWAGEN DE MÉXICO/Puebla, Pue.	51 888 227	Auto parts	US/Canada/ Germany
3	GENERAL MOTORS DE MÉXICO/México, D. F.	48 078 236	Automobiles	US/Canada
4	CEMENTOS MEXICANOS/Monterrey, NL	25 379 117	Cement, concret	NA
5	FORD MOTOR COMPANY/México, D. F.	25 041 676	Vehicles, auto parts	US/Canada
6	TELÉFONOS DE MÉXICO/México, D. F.	15 205 416	International long distance services.	US
7	ALFA Y SUBS/Garza García, NL	9 508 944	Several Latin America	US/Canada/
8	DESC/México, D. F.	9281 357	Auto parts, chemicals, alimentos	EU/Canadá
9	HEWLETT-PACKARD DE MÉXICO/México, D. F.	8881 294	Microcomputers, computers, printers	US/Canada/ Australia
10	GRUPO BIMBO/México, D. F.	7 659 875	Planification products	US

Source: *Expansión*, August 16-30, 2000, pages 92 to 95.

Table 3
Mexico's Ten Major Importing Firms

Position	Importer	Total Imports (thousands of pesos)	Major Import Goods	Destination of Imports
1	GENERAL OTROS DE MEXICO/México, D. F.	34 080 926	Auto parts, automobiles	US
2	FORD MOTOR COMPANY/Mexico, D. F.	31 824 284	Auto parts, automóobiles	US
3	PETROLÉOS MEXICANOS/Mexico, D. F.	25 490 776	Gasolina	US
4	VOLKSWAGEN DE MÉXICO/Puebla, Pue.	24 502 605	Auto parts, automobiles	Germany/Brazil/ Spain
5	CARSO GLOBAL TELECOM/Mexico, D. F.	19 871 281		NA
6	TELÉFONOS DE MEXICO/Mexico, D. F.	19 524 042	Telephone equipments	US/Canada/ Europe
7	SAVIA/Monterrey, N. L.	14 088 240	Carton, film, cellulose fiber, seeds	US
8	GRUPO CARSO/México, D. F.	7 543 274	NA	NA
9	AEROVÍAS DE MÉXICO Y SUBS/México, D. F.	6 711 112	Parts, accesories and rehauling of planes	US
10	DESC/México, D. F.	5 956 383	Auto parts	US/Canada

Fuente: *Expansión*, August 16-30, 2000, pages 96 to 99.

mind that there are some imports Mexico cannot do without, such as foodstuffs and basic grains since the country has long lost its food self-sufficiency and, therefore, can no longer meet its peoples' demands.

Those who orchestrated Mexico's trade opening have argue that the country's dependence on imported goods is not a negative factor because it allows it to access technologies to which it would not have access otherwise. However, the major transnational corporations increasingly condition the transference of technology to the adoption by the country in which they operate of intellectual property rules. Their activities are not based primarily on a transference of technology-development equation. This is of relevance because the major Latin American corporations (see the case of Mexico in Table 4) are subsidiaries of transnational corporations that tend to strengthen their position in the markets of countries throughout the world and, thus, promote the transference of technology with a view to increasing the efficiency of production in order to better compete, and not to promote social wellbeing.

Table 4
The Ten Major Mexican Transnational Enterprises

2000	1999	Reason	National Sales (Millions of dollars)	National Assets (Number)	National Assets (Millions of dollars)	Origin	Type	Main
1	2	DaimlerChrysler de México Holding	7 316.4	11 500	2 921.9	USA/Germany	Automotive	DaimlerChrysler
2	1	General Motors de México	7 303.9	12 080	4 152.5	USA	Automotive	General Motors
3	4	Volkswagen de México	6 873.0	15 977	3 149.2	Germany	Automotive	Volkswagen
4	3	Wal-Mart de México	6 357.0	70 700	4 440.0	USA	Trade	Wal-Mart Stores
5	5	Ford Motor Company	4 610.2	7 868	2 824.8	USA	Automotive	Ford Motor Company
6	13	IBM de México	3 393	132	36.8	USA	Electronics	International Business Machines
7	10	Nissan	2 683.6	8 311	Nd	Japan	Automotive	Nissan Motor
8	30	Motorola de México	2 600	1 885	191.5	USA	Electronics	Motorola
9	6	Sabritas	2 485.0	17 000	Nd	USA	Foodstuffs	Frito Lay
10	9	SBC Communications (TELMEX)	2 468.3	17 718	4 579	USA	Telecom- munications	SBC Telecommunications

Note: The magazine *Expansión* points out that there is a list of enterprises that should be included in this table but were left out because they did not answer the questionnaire submitted by the Grupo *Expansión*. These enterprises are: Hitachi, Toshiba, Renault, Carrefour, Avatel, BMW, Texaco Mexicana, JC Penny, Intel, Johnson & Johnson, Costco, UPS, Samsung Electronics, Dell Computers, Alcatel Indetel, Canon Mexicana, Nortel, American Express, Sanyo Electric, Roche-Syntex, Jonson Controls, Smithkline Beecham, MacDonalds, Sistemas de Mexico, Danone de Mexico, Cia Hulera Goodyear.

Source: Prepared by the Department of research and Development of *Expansión*, December 17 - 27, 2002, pages 63 to 65.

Foreign investment is viewed within a similar perspective. In the past, governments were able to regulate transnational corporations' activities in their country in terms that favored the hiring of local labor and the transfer of technology. They also regulated the repatriation of but a percentage of enterprises' profits. Today, many enterprises condition their continued operation in a country to minimal government intervention, under the threat of relocating to other less regulating countries. In the past, governments were able to enforce rules of conducts for foreign enterprises. Today, the most they can hope for is that transnational enterprises honor non binding commitment such as the United Nations' Global Compact establishing the flexible notion of 'corporate responsibility'.

To Mexico's greater dependence on international trade and investment we must add the heavy weight of the USA in its foreign trade relations. The USA is Mexico's major trading partner and the NAFTA expands and strengthens that link. In spite of this, Mexico has aggressively promoted trade relations with other countries, some as far away as Israel. Currently, Mexico has signed ten new generation trade agreements, so called because they go far beyond the mere elimination of tariffs. Most of these agreements are with other Latin American countries, the European Union and Israel. The idea behind these agreements is to diversify trade relations, however, this will be hard to achieve, at least in the short term, given Mexican SMEs' lack of infrastructure and their lack of experience in dealing with non-traditional markets other than the USA, with which they would rather trade.

On the other hand, the European and other SMEs with which agreements have been signed have wide experience in exporting to diverse markets and this could translate in a trade deficit for Mexico (an increase in existing trade deficits) should those other nations and not Mexico profit, at least in the short term, from these agreements.

Moreover, by signing the Economic Association, Political Coordination and Cooperation Agreement with the European Union (TLCUE in Spanish) Mexico is ushering in a new generation of agreements that transcend the strictly economic area by including political commitments at the internal level (such as the respect for democratic institutions and human rights) and at the level of foreign policy. In the future, Mexico's other trading partners, such as the USA, may request similar commitments. For the time being, suffice to say that the FTAA negotiations already contemplate a democratic clause that conditions the granting of preferential trade treatment to the respect for human

rights, governability and democratic institutions. Thus, clauses such as the above are already a fixture in international trade negotiations.

Having said this, it is evident that there are many challenges ahead that only an industrial policy can help us face. An industrial policy would weigh internal needs and capabilities with global needs, in order to design a strategy aimed at promoting Mexico's trade interests throughout the world. It is important to understand that free trade agreements with specific partners do not constitute an industrial policy and must not be seen as an end in themselves. In other words, the ultimate end of the TLCUE was not its entering into force but rather to provide Mexico with an economic and especially political instrument that would enable it to achieve a more favorable negotiating position vis-à-vis Western Europe and other trading partners. By becoming the first country to sign such an agreement with the EU, Mexico was a pioneer, but the process does not end with the entering into force of the agreement. On the contrary, the truly important aspects of the TLCUE are only beginning to be felt, because agreements are to be put to use, they are means to access markets. Recently, Chile, a country with a much more diversified international trade than Mexico, signed a more sophisticated TLCUE than that signed by Mexico. This grants Chilean products an advantage, particularly because that country is used to trading with remote countries, as opposed to the situation within Mexico's SMEs.

Now is a good time to review the wide range of trade commitments entered upon by Mexico with the rest of the world, since, at least in Latin America, all (Latin American) countries are experiencing a certain 'trade promiscuity' that has led to agreements that overlap and counterbalance each other and are generating a chaotic situation that could cancel the trade benefits they are expected to yield. Latin America's need to carry out simultaneously bilateral (as between Chile and the USA and between Central America and the USA), regional (for example, the FTAA) and multilateral negotiations (such as the Doha Round) is of particular interest since all of these negotiations face an over saturation of issues and, eventually, some negotiations will be sacrificed for the benefit of others.

In this regard, during a visit to the republic of Honduras, the author experienced first hand this situation. When the time came to discuss with Honduras' negotiators the agenda of priorities, these pointed out that, naturally, negotiations with the USA were the most fundamental and that the FTAA and the WTO would surely be 'sacrificed'. While it is understandable that a country such as Honduras would want to grant priority to the negotiations

“

There are many challenges ahead that only an industrial policy can help us face.

”

“

By losing sight of the political dimension of any negotiation Mexico could enter into commitments that do not insure the worldwide promotion of its interests.

”

with its major trading partner, it is a pity that now that the Doha Round includes a number of issues aimed at insuring the greater development of less developed nations, there are not enough human resources to defend an Honduran and central American agenda within the most important trade organization in the world. However, it must also be acknowledged that the unfolding of so many negotiations, often within a time-table (for example, it is expected that both the FTAA and the Doha Round will enter into force by January 1, 2005), will exert enormous pressures on the negotiating teams who by negotiating on so many fronts (bilateral, regional and/or multilateral) could be worn out and compromise the interests of their nations, achieving marginal and even negative results.

Thus, Mexico should evaluate the unilateral, bilateral, regional and multilateral negotiations in which it is participating within the framework of an industrial policy, in order to determine lines of action. One evaluation could be aimed at examining the results of existing agreements in order to determine how they have been operating and whether it is necessary, in terms of the country's industrial policy, to subscribe new agreements.

It is also important to keep in mind what Mexico's external trade policy is not, since there is a tendency to equal it to foreign policy, while it is only a part of it. In fact, the non-economic aspects of Mexico's foreign policy appear to be rapidly losing ground vis-à-vis the tendency to carry out multiple trade negotiations. This implies a risk: by losing sight of the political dimension of any negotiation Mexico could enter into commitments that do not insure the worldwide promotion of its interests.

Therefore, the definition of an industrial policy viewed as a master plan in which trade policy plays a specific role, is of the utmost urgency. At the same time, it is important to define what role Mexico's external trade policy should play in its foreign policy (and not the other way around). Only this way will Mexico's external trade policy become a true instrument of development, even anticipating global challenges including the crusade against terrorism, which has overshadowed other international agendas.

Developing countries are well aware that global agendas are not usually those they suggest, since the reality of power at the international level tends to grant priority to some actors. However, as the host of regional and multilateral trade negotiations Mexico could guide the debate towards the achievement of a consensus regarding some issues it is particularly interested in, such as agricultural negotiations within the FTAA or the WTO's agenda on the promotion of development. The Doha Round has established working groups on central issues such as the

analysis of the relationship between international trade and foreign debt, an issue of great interest to Latin American countries, particularly Argentina, which is facing a virtual debt moratorium, or Brazil and Mexico, the most indebted countries in the region. In this regard, the issues of priority interest to Mexico have been incorporated, one way or another, into the FTAA and WTO agendas. Perhaps what is needed now is a further decisive stimulus to insure that they receive the attention they deserve, in spite of the anti-terrorism resolutions that may be adopted, and this is a job Mexico can certainly do.

Social Development's International Goals and Development Cooperation

One of the roads to economic and social development is greater trade flows, however this is not the only one. For example, the many international agreements signed by governments establishing goals for the achievement of better standards of living and the Official Development Assistance (ODA) which pledges developed countries to donate 0.7% of their GNP to less developed countries, are other instruments that can contribute to a country's development. This article examines up to what extent these goals have been achieved, particularly regarding the well being of children and adolescents, who are the future of any country.

Metas internacionales de desarrollo social y la cooperación al desarrollo

El incremento del comercio es un camino, pero no el único, que deben recorrer los países para lograr su desarrollo económico y social. En el ámbito internacional, por ejemplo, también existen numerosos acuerdos, suscritos por los gobiernos, mediante los cuales se han fijado metas para lograr mejores niveles de vida para sus pueblos. Otra vía ha sido la de la Ayuda Oficial para el Desarrollo (AOD), por la cual los países de mayor desarrollo se han comprometido a donar el 0.7% de su PIB a las naciones menos adelantadas, a fin de contribuir con el progreso de éstos. En el siguiente texto se presenta un balance sobre el cumplimiento de estas metas, en especial en lo relativo al bienestar de los niños y los adolescentes, quienes son el futuro de todo país.

Objectifs internationaux de développement social et son aide au développement

L'incrément du commerce est un chemin, mais non pas l'unique, auquel doivent recourir les pays afin d'obtenir leur développement économique et social. Internationalement parlant, il existe de nombreux accords, souscrits par les gouvernements, par moyen desquels ils se sont fixés des objectifs pour atteindre un meilleur niveau de vie pour leurs peuples. L'autre voie a été celle de l'Aide Officielle pour le Développement (AOD) avec laquelle les pays les plus développés se sont engagés à donner le 0.7% de leur PIB aux nations moins développées, pour ainsi contribuer à leur progrès. Dans le texte suivant on présente un bilan sur l'application de ces objectifs, spécialement en ce qui a trait au bien être des enfants et des adolescents, qui représentent le futur d'un pays.

Objetivos internacionais de desenvolvimento social e a cooperação para o desenvolvimento

O aumento do comércio é um caminho, mas não é o único, que devem percorrer os países para atingir o seu desenvolvimento econômico e social. No âmbito internacional, por exemplo, também existem inúmeros acordos, suscritos pelos governos, através dos quais têm-se estabelecido objetivos para alcançar melhores níveis de vida para os seus povos. Outro caminho tem sido o da Ajuda Oficial para o Desenvolvimento (AOD), pelo qual os países de maior desenvolvimento comprometeram-se a doar 0.7% do seu PIB às nações menos desenvolvidas, a fim de contribuir com o progresso deles. No seguinte texto apresenta-se um balanço do cumprimento destes objetivos, especialmente, no referente ao bem-estar das crianças e dos adolescentes, os quais são o futuro de todo país.

Social Development's International Goals and Development Cooperation

→ **Ximena de la Barra***

Advisor on social policies for Latin America and the Caribbean, United Nations Children's Fund (UNICEF).

"This is why we say to those in power, we ask them, we demand that they fulfill the promises they have progressively assumed. Caring for children may not be understood as one more chore, but rather as the decisive and only possibility to recover a mankind that feels itself waning".

Ernesto Sábató

Personalities Commission for Children and Adolescents of Latin America and the Caribbean.

Introduction

The organizers of the XV Meeting of Directors of International Cooperation of Latin America and the Caribbean¹ made it very clear that the author should examine within that context the issue of the link between international social development goals and development cooperation. As far as large world summits are concerned, UNICEF was a pioneer in organizing the first such meeting in 1990: the World Summit on Children, which established a number of goals to improve the well-being of children. In fact, twenty-seven goals were set, to be precise. Both the Summit and the goals were based on the Convention on the Rights of Children as a conceptual framework. The objective of the goals established was to facilitate the follow up of the developments that were expected as a result of the political commitments entered upon at the Summit. A decade has past and having carried out a constant follow up UNICEF was able to

* *The opinions included in this article are the sole responsibility of the author and do not, under any circumstances, reflect the opinions of UNICEF.*

evaluate the progress made during this decade and the challenges that are still pending.

Moreover, during the United Nations Special Session on Children, held in New York in May 2002, the results of this evaluation were made public and new guidelines were drawn to allow for further progress in the fulfillment of the rights of children and adolescents.

I. Determining Factors in the Attainment of Goals on the Wellbeing of Children and Adolescents throughout the World

First of all, it is important to acknowledge that the promulgation and ratification by almost all countries of the world, with the sole exception of the USA, of the Convention on the Rights of Children has been, without a doubt, the most important factor in the progress made on the issue of children and adolescents. This Convention, adopted by the United Nations' General Assembly on the 20th of November 1989, has been the most rapidly ratified human rights instrument of all times. The Convention grants children and adolescents rights and establishes the state's obligations to them. It contains fundamental principles such as the principle of universality, non-discrimination, the indivisibility of rights and children's right to freedom of expression. The acknowledgment of these principles implies the decision to develop just and comprehensive societies in which needs are viewed as rights and the concept of citizenship includes civil and political as well as economic and social rights.

Based on these principles, the 1990 World Children Summit by establishing goals established tasks and promoted action. Even though the Convention proclaimed the principle of universality, and in fact all goals should comply with it by striving for the full attainment of all, the Summit was being realistic when it acknowledged that the fulfillment of the goals is a process and thus these are to be achieved progressively. The goals are but a critical route to assist society in its strive towards the universality of children's rights. On the other hand, since the established goals are quantified and linked to a specific timetable, they are easily evaluated. Throughout the nineties a number of ministerial meetings were held to examine results and to spur those countries that had lagged behind in the fulfillment of the goals to speed up efforts.

The ratification of the Convention led states to a number of legislative reforms to adapt it to national legislations. Those

“

The Convention on the Rights of Children has been the most rapidly ratified human rights instrument of all times.

”

countries that truly committed themselves to the Convention abandoned their old laws in this area in order to grant children full rights as citizens.

At the same time, a campaign was launched to increase public expenditures for children and reform public policies in such a way as to allow for the fulfillment of the Convention's mandates. During the X Ibero-American Summit held in Panama in the year 2000, dedicated exclusively to the subject of children and adolescents, it was made very clear that all public policies affect the fulfillment of the rights of children and adolescents. Therefore, it is not enough to reform the social policies that are directly related with children's needs, such as health and education, but economic, tax and budget laws must also be reviewed in order to devise a social policy focused on children's interests.

II. Development Cooperation is not tied to Political Agreements

During the last two decades the prevailing tendency in the area of international cooperation has been its gradual decline. Today development cooperation represents less than one third of donor countries' Gross Domestic Product (GDP), far from the 0.7% that had been agreed upon and even farther from the vast resources that are allocated for military expenditures. Even though some countries not only meet but even exceed the amount pledged, as in the case of the Nordic countries, others, mostly those with the highest GDP, are still not fulfilling their pledge.

During the International Conference on Development Financing, held in March 2002 in Monterrey and convened precisely to address concerns regarding the lack of financing to meet the commitments entered upon in previous summits, particularly those deriving from the Millennium Declaration, developed countries were once again urged to allocate 0.7% of their GDP to official development assistance to developing countries and between 0,15% and 0,20% of their GDP to less developed countries. It remains to be seen whether these goals will be met this time around as the world situation does not appear to be very propitious. For example, the cooperation requested by the UN to rebuild Afghanistan, a country that suffered destruction as a collateral effect of international politics during the last decade and where a greater international commitment was expected, will not be forthcoming. Pledges barely reach the 10% requested and actual disbursements are only a fraction of that percentage.

What is even more worrisome is that cooperation for the poorer countries, which are the neediest, has decreased at an even

“
Cooperation for the poorer countries has decreased at an even faster rate than cooperation in general and the sharpest decline has been in Latin America and the Caribbean.
 ”

faster rate than cooperation in general. The sharpest declines have been in Latin America and the Caribbean since a false classification as transition economies 'graduates' the countries of the region, labeling them as not in need of cooperation. The recent successive financial crises in the region and the increase in the level of poverty and inequality, the sharpest example of which is Argentina, have demonstrated the fallacy of the graduation concept.

In several international conferences, beginning with the World Summit on Social Development held in Copenhagen in 1995, it was agreed that 20% of development cooperation would be aimed at basic social services, which are those that have a most positive impact on children. It was also agreed that countries would target 20% of their public budgets to the development of basic social services. These agreements represent the so-called 20/20 initiative, which was later ratified in several other conferences. Nevertheless, today development cooperation aimed at basic social services is not even half of the agreed percentage, barely reaching 10%.

Countries have also not fulfilled their commitment regarding the allocation of 20% of their budgets to basic social services. In some cases, because they have chosen not to do it and in others because they have been unable to do it as a result of the conditions tied to multilateral credits. In most cases, public budgets are too small and a 20% is insufficient to solve the needs of social expenditures. Therefore, tax reforms are urgently needed, among other measures, in order for states to fulfill their role as redistributors of resources within society to alleviate the great human catastrophe of uneven access to the benefits of development, a situation that is particularly serious in Latin America.

During the Special United Nations Session on Children Peru's President, Alejandro Toledo, announced his country would adopt a very important measure to contribute to the financing of basic social expenditures. He pledged to reduce Peru's military expenditures. Other countries could emulate such noble initiative, even though the current struggle against terrorism renders it more difficult. In fact, Peru is one of the countries allegedly harboring terrorist groups and it will have to find ways to fight them.

One of the most important basic social expenditures is elementary education. During the last decade several international conferences pointed out that education represents the key to development. The Millennium Summit and the UN Special Session on Children have reiterated this. The idea is to educate

“

One of the most important basic social expenditures is elementary education. Nevertheless, cooperation in the area of education has not increased.

”

children today in order to have developed societies tomorrow. Nevertheless, cooperation in the area of education has not increased. Similarly, several conferences—the environment, health, drinkable water decade and other conferences—had marked the year 2000 as the year in which the goal of universal access to drinkable water would be achieved. In reality, this goal has been reiterated, together with the goal of universal health in the year 2000, ever since the Conference on Primary Health held in 1978 in Alma Ata. The year 2000 deadline has been systematically extended, in spite of the well-known link between water, good health and development. In fact, the water and sanitation sector is the sector that has received the least development cooperation at the global level. The health goal is also very far from being attained.

What is even more worrisome is that the conditions that are attached to development cooperation may end up blocking its benefits. Conditions such as the application of certain economic policies, no matter how unsuccessful they may have proven to be, the imposition of adjustments in public spending, which in effect impose non-effective social policies, have become the norm for the granting of development financing, particularly from multilateral banks. Moreover, the conditions regarding the supply of inputs and technical goods that are imposed by a good number of donor countries shed doubts as to whether what is granted is cooperation or a way to insure benefits to the donors. In this case, as in others above, there are honorable exceptions between donor countries.

The need to allocate excessive percentages of the public budget to service the external debt, even at the cost of not meeting the commitments regarding the internal social debt, is one of the many factors that affect the ability to govern. A vast number of countries spend more in servicing the debt than they do in the implementation of social policies. The highly indebted countries may opt for the condoning of their debt by meeting even harsher conditions. When they do obtain it, generally the condoning of the debt replaces development cooperation. Even though usually the condoning of the debt is conditioned to an increase in basic social expenditures, this does not solve the need for additional external resources.

On the other hand, having constantly failed to meet its explicit purposes, development cooperation is constantly changing modalities in its search for new avenues of action. The modality of cooperation by project has been rightly abandoned, as it produced isolated results, limited to the receiving community, which were very inadequate compared to the magnitude of

problems at the national level. These projects did not solve the need for sustainability nor was their repeated application insured. The sectoral approach was then undertaken. This includes institutional development and creates capabilities at all levels, a fact that contributes to its sustainability, but does not take into account that due to its complexity development must be approached in an integral manner. Thus, the sectoral approach does not have the synergy of a multi-sectoral outlook. Strategies aimed at reducing poverty are another modality. Unfortunately, even though these target resources to the worst manifestations of poverty, they usually attack the symptoms rather than the causes, thus losing effectiveness and sustainability.

Finally, the issue of development cooperation should be viewed beyond its possible positive effects and analyzed together with issue such as industrialized countries' tariffs and other trade barriers and subsidies to agriculture and other exports. Developing countries are asked to liberalize their trade to the benefit of transnational corporations and consumers in the North, but the developed world reserves the privilege to protect its own production and thus its workers. Often, these trade asymmetries have a much higher cost in terms of lost opportunities for developing countries than the almost 50 thousand million dollars they receive in development cooperation. We must also keep in mind that industrialized countries' public policies, including their international policies, are often not aimed at decreasing poverty in developing countries. When we talk of global resources we should also rightly talk of global damages.

III. The Consequences of not Fulfilling Established Goals

The consequences of not fulfilling the established goals are inequality and poverty and a tendency to limit aspirations for the future. The United Nations Special Session on Children provided an example of this by revealing some worrisome tendencies. Fortunately, while some challenges are still pending, some achievements were registered. What is even more worrisome is the end of this decade was again set as deadline for the achievement of the goals, but the goals as such were less ambitious than those established during the previous decade:

- At the global level, the goal of reducing the infant mortality rate by 33% by the year 2000 was not met, since it only decreased by 14%. The goal set for the year 2002 is again 33%.
- The goal of reducing worldwide malnutrition by 50% was not

“
Trade
asymmetries
have a much
higher cost in
terms of lost
opportunities for
developing
countries than
the almost 50
thousand million
dollars they
receive in
development
cooperation.”

- met also, as this only fell by 17%. The new goal for the current decade has been lowered from 50% to 33%.
- The mortality rate of mothers, which was to be decreased by 50%, did not experience any change at all. Again, the new goal for this decade has been lowered from 50% to 33%.
 - The goal of providing universal access to drinkable water was not met. Such access increased from 79% in 1990 to barely 80% in the year 2000. The new target now is to decrease by 33% the number of people who do not have access to drinkable water.
 - The goal of insuring universal access to education also failed to be met. Access increased globally from 78% to 82% and the new target has been set at 90%.

It is possible that the international community's reticence in assuming new commitments with regard to children is due to the fact that there is a feeling that the current development model does not produce the expected results and whatever results it does produce do not reach the majority of the people. It is also possible that there is an awareness of the need for substantial international and national changes to insure better results and that the international community is not prepared to accept these changes.

The establishment of new goals introduced one positive aspect: the inclusion of goals in areas that had been previously overlooked, such as:

- The development of young children.
- Adolescents' health.
- Reproductive and sexual health at the appropriate age.
- Protection against abuse, exploitation and violence.
- The fight against AIDS.

IV. Progress is made in the Fulfillment of Goals yet Inequalities Increase

An extremely serious situation has begun to emerge at the background of the progress made globally in the fulfillment of goals regarding children and adolescents. Most of the progress made has targeted children in the higher income's two quintiles. This means that the goals that have been targeted are the easier ones, while the harder goals, which concern children in the lower revenues quintiles, have been abandoned. These latter goals are harder to meet because they require structural changes at the level of international relations and there appears to be no willingness to consider such changes. It has been proven that because of its unfairness, it is inequality more than shared poverty that causes health, development, social disintegration

“

There is a feeling that the current development model does not produce the expected results and whatever results it does produce do not reach the majority of the people.

”

problems and violence. Therefore, within the context of increasing inequalities, progress in some of the goals will not be possible if the problems that affect society as a whole are not addressed first.

Some examples of the increase in inequalities may contribute to an understanding of the seriousness of the situation:

- Regarding the mortality rate of children below five years of age, by the end of the eighties the difference between the poorer quintile and the richer quintile was greater than two in 60% of cases and greater than three in 40% of cases. At the end of the nineties this difference had increased to almost three and it continues to rise and therefore it has been estimated to be above three, even though data for the year 2000 is not yet available.
- The infant mortality rate decreased in almost all countries, except the African countries affected by AIDS. The decrease in the infant mortality rate occurred mostly in the higher income quintiles, in most cases the situation in the lower income quintile has not improved.

“
Latin America and the Caribbean is the one developing region that has fulfilled most of the goals on children and adolescents.
 ”

V. Latin America and the Caribbean, the Most Advanced Region

Within the scenario outlined above, Latin America and the Caribbean is the one developing region that has fulfilled most of the goals on children and adolescents, and there are very good reasons for this. In Latin America there is a real, stronger and sustained commitment to improving the welfare of children. This was demonstrated by the bi-yearly follow up of established goals conducted throughout the past decade, a process that culminated with the Kingston Ministerial Meeting in the year 2000. The constant follow up of progress in this area made it possible to adopt additional measures to counteract the worst situations as they were detected.

Also, the fact that the X Ibero American Summit, held in Panama in the year 2000, and all the ministerial meetings previous to it were dedicated exclusively to the issue of children and adolescents further demonstrates the region's political commitment. The Panama agreements regarding children were reviewed in a process that led to the XI Ibero-American Summit, held in Lima, and to the adoption there of an Agenda and Plan of Action for Ibero-American Children and Adolescents. Both the Panama and Lima resolutions and the Kingston Consensus proved to be a very useful negotiating tool for the Group of Rio during the negotiations on the document An Appropriate World for

Children, approved by the United Nations Special Session on Children.

Some governments hastened to draw up their own plans of action for children and adolescents and those that have not yet done so are in the process of considering them or will soon begin to. It is interesting to note that compared to other countries, Latin American and Caribbean countries establish for themselves more advanced and realistic goals basically because these are more in agreement with reality in the region. For example, the global goal regarding education is to insure universal primary and, more recently, pre-school education. Whereas the Analysis of the Situation of Ibero-American Children, prepared by request from the X Ibero-American Summit, points out that poverty in the region will not be lessened by providing merely primary education. On the contrary, it underlines the need to provide full secondary education in order to offer young people an opportunity to escape poverty and for society to effectively enter the road to development. Thus, the region has accepted this goal. Unfortunately this decision was not reflected in the global commitments entered upon at the UN Special Session.

While the Latin American and Caribbean countries' political commitment to children is noteworthy, it remains to be seen whether a region so besieged by political and financial crises will be able to fulfill its promises and dedicate enough resources to this task. The children and adolescents of the region who, together with their counterparts from the rest of the world participated actively in the Special Session, coined during the preparatory process the following sentence: «The only valid promises are those that are fulfilled.» They will undoubtedly remain vigilant.

VI. Regional Progress in the Area of Children's Welfare During the Past Decade and Pending Challenges for the Current Decade

Most of the progress made in Latin America and the Caribbean regarding children and adolescents can be summarized as follows:

- The infant mortality rate decreased from 43 to 30 deaths per one thousand births;
- the mortality rate of children below 5 years of age fell from 53 to 37 deaths per one thousand births;
- close to 80% of children have been vaccinated;
- the shortage of drinkable water was reduced from 31% to 16%;

- at the regional level malnutrition fell 32% and close to 50% in the Southern Cone countries;
- in most countries enrollment in primary education reached 90% and in some cases enrollment in pre-school and secondary education increased.

The progress made in these areas evidences that it is possible to make strides in other areas that are pending, such as adult employment at fair wages, the eradication of child labor, the reduction of mothers' mortality rate, a wider pre-school education coverage, better primary education, the increase in the number of school years and access to housing, drinkable water and sanitation. In order to achieve these goals the disparity between countries of the region must be reduced, as well as the persistent social, economic, territorial, ethnic and gender inequalities within countries. This means that governments and international agencies need to increase significantly the volume of resources aimed at social programs for children and adolescents. It has been estimated that close to US\$30 per capita in additional resources are required per year to insure universal basic social services. This represents today an 8% increase in public expenditures, that is 2.5% of GDP.

Nevertheless, resources are available. Because of the perverse workings of the foreign debt and the constant deterioration of the region's terms of trade, Latin America and the Caribbean is a net exporter of capital. Given its fundamentally speculative and volatile character, the increase in foreign investment has not resulted in an improvement of the region's conditions. Resources must be kept within the region and used well. To do this, we must establish our own political, economic and social agenda and find the strength to abandon the agenda that has been imposed upon us. We need an agenda that does not serve transnational interests but our own interests, our children's interests.

Similarly, it is necessary to strengthen public institutions instead of weakening them, as we are asked to do, to favor the private sector, the market and civil society, a path development cooperation has followed in recent years. We need public institutions that may insure our rights and adopt a systematic view of development. People's recent dissatisfaction with the present situation requires urgent transformations. However, we cannot expect civil society to take over the responsibility of governments. Civil society elects governments and ultimately adopts decisions regarding institutions. Nor can private enterprise and the market govern. The first seeks its own benefit and the second has proven its inability to redistribute wealth and

“

We need to insure that the continuous crises do not force us to grant priority to emergencies over development.

”

insure justice, especially considering the enormous inequalities prevailing.

On the other hand, we need to insure that the continuous crises do not force us to grant priority to emergencies over development. Often and again, financial crises or natural disasters that affect the most vulnerable sectors of the population force us to revert to assistance policies that ameliorate the worst effects of the crisis at hand, abandoning development aspirations. Both financial crises and natural disasters can be avoided by adopting development models suited to the region. The international community has the obligation to understand this and acknowledge its role and allow us to develop our own agendas. Should it choose not to do so, its participation in the resolutions adopted at development summits will just be a mute point.

Even though much progress has been made during the last decade regarding the welfare of children and adolescents, there is yet much to be done. In Latin America and the Caribbean poverty has the face of children. The poverty level of those below 18 years of age is staggering and disproportionate. In a region where 43% of the population is poor, more than 50% of children below 18 years of age are poor, even though they represent only 40% of the population. They are excluded from the services and opportunities to which they have a right, because public policies are not designed yet to avoid this situation.

Even though in the past there were some periods of growth, disparities have continued to grow. This is due, among other things, to the fact that the crisis is dual: i) low family revenues and ii) the decrease of government's social benefits and subsidies aimed at the most vulnerable families. The disparities that affect the lives of children and adolescents constitute a violation of rights. The countries that most guarantee the rights of children and adolescents are not necessarily those with greater wealth or higher per capita income, but just those that decided collectively to protect them.

Since education is peoples' greatest asset and since this, in turn, conditions the transmission of opportunities between generations, investment in education should continue to be the highest priority in governments agendas, emphasizing quality and equity and carrying out policies aimed at increasing secondary education and decreasing the number of children who abandon school during such cycle.

Due to economic crises, families' need for government assistance in childcare continues to increase. Yet in Latin America and the Caribbean social expenditures have been traditionally cycli-

“
*In Latin America
 and the
 Caribbean
 poverty
 has the face
 of children.*
 ”

“
During the last decade unemployment surged in LAC while poverty affected 44% of the population leading to an increase in child labor.
 ”

cal. This means that when families' need for support increases due to a contraction of the economy, public expenditures also contract and the responsibility to provide basic services is left to the market. However, poor families cannot be burdened with the dual responsibility of lack of employment and income and fulfilling their children's rights. The Convention on the Rights of Children acknowledges this by vesting upon the state the responsibility in this area and by granting it the obligation to create the conditions needed for families to do their part.

Fortunately, in spite of the cyclical nature of social expenditures, during the past decade average social expenditures in the region increased by 50% in terms of the increase in the percentage of the budget dedicated to the needs of the population. Because in several cases public budgets have decreased considerably, this does not necessarily imply an increase in the volume of basic social expenditures. The task of increasing the total volume of public budgets in order for the volume assigned to basic social services to be really significant is still pending. This will be a difficult task, following two decades dedicated to weakening the role of the state.

The other good news is that there has been a slight tendency towards more re-distributive social expenditures. The poorer 20% of the population receives 28% of public social expenditures, while the richer 20% receives only 12%. In order to stop the increase in inequalities new ways will have to be found to strengthen this tendency towards a more equitable distribution of social expenditures. The largest increases in social expenditures were in education (28%) and health (16%). However, these resources have not always been used well. Yet social expenditures are not the only way to redistribute wealth and they must be viewed within a wider scenario that includes full employment and fair salaries, which contribute significantly to a decrease in disparities.

Regarding employment, which is the one factor that determines families' expenditures, the situation is far from reassuring. During the last decade unemployment surged from 6% to 9% and periods of unemployment became longer. As a result of this, poverty affected 44% of the population. The past decade registered the record numbers of 211 million poor, 90 million extremely poor and a greater increase in poor families than in poor individuals, a fact that affects mostly children and adolescents. On the other hand, non-traditional employment continues to increase. During the past decade seven of each ten new jobs created were in the informal sector, with lesser salaries, no social benefits and greater health risks. Families' poverty, unemploy-

ment and informal employment have led (leading) to an increase in child labor, one of the social disgraces that most limits children's development potential and represents one of the worst tendencies of the decade.

Among the main tasks that are pending regarding the welfare of children and adolescents in Latin America and the Caribbean, which will not be fulfilled unless the above mentioned structural transformation are undertaken, are the following:

- International cooperation's virtual abandonment of children and adolescents;
- poverty that disproportionately affects children and adolescents;
- approximately 50% of the poor and indigents are children below 18 years of age;
- inequality: the poorer 40% receive 10% of public revenues and the wealthiest 20% enjoy 61% of them;
- infant mortality: every year approximately 500 thousand children below 5 years of age die. Most of these deaths can be prevented;
- mother's mortality rate: 25 thousand women die every year as a result of complications during pregnancy and delivery. Most of these deaths are preventable as they are the result of poverty and lack of specialized attention;
- disparities in education: two of every five rural children do not complete primary education
- disparities in access to water and sanitation: more than half of rural populations live in housings without drinkable water and more than 60% without adequate sanitation;
- birth registration: every year one million children (10% of births) are not registered. Identity and nationality are a fundamental right that opens the door to other rights;
- AIDS kills children or makes them orphans. It is estimated that there are more than 1½ million cases of people affected with the virus;
- Teenage pregnancy: every year 2 million children are born to adolescent mothers, the vast majority of them are at great risk regarding their survival and development;
- Child labor: it is estimated that the number of children working reaches 20 million. This in spite of the fact that child labor mortgages a child's future.
- Violence: 27% of deaths by homicide in the region occur among children and adolescents between 10 and 19 years of age. At least 6 million children below the age of 18 are subject to severe aggression and of these 65 thousand die due to family violence. However, young people continue to be

viewed as the cause of violence because it is easier to accuse unjustly than to solve the real causes of violence.

VII. An Approach Based on Rights

In concluding, it is possible to state that the principles of universality, interdependence and indivisibility of rights, as well as the principle of the superior interests of children, included in the Convention on the Rights of Children, forces us to consider the need to introduce serious changes by linking economic, fiscal and budget policies to social policies. By promoting equity, an approach based on rights transforms social policy into an instrument of justice, of comprehensive protection of children, of social integration and, therefore, in an instrument to build democracy.

«We are not the source of the problems, we are the resources needed to solve them. We do not represent an expenditure, we represent an investment. Not only are we young people, we are also people and citizens of this world. Until other accept the responsibility they have with us, we shall continue to fight for our rights. You call us the future, but we are also the present.»

Message of the Children's Forum, Read before the United Nations Special Session on Children.
New York, May 2002.

Footnote

1. Held on March 11- 13, 2002, in Montevideo, Uruguay, under the coordination of SELA and Uruguay's Ministry of Foreign Affairs.

Labor Norms and International Trade: A Recurrent Discussion

This article examines the possible implications of a US Congress' decision to include in its Trade Promotion Authority (TPA) a clause establishing that all US trade agreements must consider, among their general objectives, the promotion by contracting parties of «the respect of workers' rights». Such decision would not only be unilateral but also at odds with reality, given that the USA has ratified only 14 of the ILO's 184 agreements. According to the author, should labor norms be adopted, they should result from a wide consensus regarding their content, modalities and timetable for implementation. They should also include mechanisms insuring that they will not become instruments of trade protectionism.

Normas del trabajo y comercio internacional, una discusión recurrente

Este documento hace un análisis preliminar de las posibles implicaciones que tendrá la decisión del congreso de EEUU de incluir en la Ley de Promoción Comercial (TPA por sus siglas en inglés) una disposición que establece que todo tratado comercial estadounidense deberá considerar, entre sus objetivos generales, la promoción, por los países contratantes, «del respeto de los derechos de los trabajadores», disposición que, además de unilateral, luce incongruente si se toma en cuenta que Estados Unidos sólo ha ratificado 14 de los 184 convenios de la OIT. Según el autor, si se llegaran a adoptar normas laborales en el comercio internacional—lo que ha sido descartado por la OMC—éstas deberían ser el resultado de un amplio consenso entre los países acerca de sus contenidos, sus modalidades y sus plazos de implementación, e incluir mecanismos que garanticen que no serán instrumento de un proteccionismo comercial disfrazado.

Règlements du travail et du commerce internationaux, un discussion récurrente

Ce document fait un analyse préliminaire des possibles implications qu'aura la décision du congrès des EEUU d'inclure à la Loi de Promotion Commercial (TPA pour ses sigles anglaises) une disposition qui établit que tout traité commercial des Etats Unis devra contempler entre ses objectifs généraux, la promotion, pour les pays contratants, du respect «des droits des travailleurs», disposition qui, par contre, en plus d'unilatérale, paraît incongruente si on considère que les Etats Unis a seulement ratifié 14 des 184 traités de la OIT (Organisation Internationale du Travail). D'après l'auteur, si on arrivait à adopter des normes laborales dans le commerce international—ce qui a été écarté par la OMC—elles devraient être le résultat d'un ample consensus entre les pays au sujet de leurs contenus, leurs modalités et les délais d'implémentation, et devrait inclure des mécanismes qui garantissent qu'elles ne seront pas un instrument de protectionnisme commercial déguisé.

Normas do trabalho e comércio internacional, uma discussão recorrente

Este documento faz uma análise preliminar das possíveis implicações que terá a decisão do congresso dos Estados Unidos de incluir na Lei de Promoção Comercial (TPA pelas suas siglas em inglês) uma disposição que estabelece que todo tratado comercial dos estadunidense deverá considerar, entre seus objetivos gerais, a promoção, pelos países contratantes, «do respeito dos direitos dos trabalhadores», disposição que, além de unilateral, torna-se incongruente se considerarmos que os Estados Unidos somente tem ratificado 14 dos 184 convênios da OIT. Segundo o autor, se chegarem a ser adotadas normas laborales no comércio internacional—o que foi descartado pela OMC—elas deveriam ser o resultado de um amplo consenso entre os países a respeito dos seus conteúdos, suas modalidades e seus prazos de implementação, e incluir mecanismos que garantam que não serão instrumento de um proteccionismo comercial disfarçado.

Labor Norms and International Trade: A Recurrent Discussion

→ **Juan Carlos Bossio**
International Advisor.

I. Where Are We?

Discussions on the incorporation of labor norms into international trade regulations are once again on the forefront. The World Trade organization excluded this issue from international trade negotiations, but recently the US Congress revived it. The Trade Promotion Authority (TPA) of the US Trade Act of the year 2002¹ establishes that all US trade agreements must include among their general objectives the promotion, by the contracting parties, of «respect for workers' rights and the rights of children in accordance with the fundamental norms of the International Labor Organizations (ILO), as well as an understanding of the links between trade and workers' rights»². Similar norms have been considered regarding the protection of the environment. Thus, treaties must insure that contracting parties will not lessen or reduce their internal norms protecting the environment and labor in order to promote trade. These objectives shall be as important as trade liberalization and economic growth.

However, the new law differentiates between US trade agreements' general and specific objectives. Its specific objectives do not mention the environment or labor. In fact, since the new law does not clearly define its general objectives it is possible to consider the general objectives as subsidiary to the specific ones³. Even so, in contrast to other agreements signed by the USA, particularly the North American Free Trade Agreement (NAFTA), the new law assigns high priority to the environment and trade. NAFTA, considered today as the paradigm of neo-liberal trade agreements, grants little importance to the protection of the environment and labor, limiting such issues to complementary, limited scope agreements⁴. However, it is feared that the new law may allow for the inclusion of clauses similar to those regarding the settlement of disputes included in Chapter XI of the NAFTA, which subordinate the protection of the environment to investors' interests.⁵

“
In contrast to other agreements signed by the USA, the TPA assigns high priority to the environment and trade.
”

The adoption of the TPA or «fast track» is undoubtedly a triumph for the Republican Administration. The US Congress will not intervene in trade agreements' negotiations, limiting its role to the approval or rejection of the negotiated texts. Nevertheless, the road to the TPA has been slow and full of controversy. Democrats and Republicans in both houses of Congress differed greatly regarding such issues as the control Congress would exert over trade negotiations, the implementation of trade agreements and Congress' control over it, and protection of US workers that would eventually be affected by the resulting trade liberalization. Since the projects approved by both houses of Congress were widely dissimilar, the final text had to be negotiated by a joint commission. In July, six months after the House of Representatives approved its bill⁶ and three months after the Senate produced its own version⁷, the joint negotiations had not begun yet. The issue of labor rights in exporting countries did not generate different interpretations and both houses' bill coincided on this point⁸. However, the Bush Administration did not share their view. The text proposed by the US Trade Representative (USTR) did not include labor rights among the general objectives of the trade agreements and was, generally, more flexible.

Thus, there is cause for optimism. The Trade Act establishes the protection of labor rights as a non-negotiable issue: in principle, no US trade agreement may lessen those rights, let alone ignore them⁹. The repercussions of these decisions on international trade negotiations may be considerable. The WTO, as well as regional trade negotiations, including those on the establishment of a Free Trade Area of the Americas (FTAA), place the environment and workers at the mercy of market forces. The Congress of the super power thinks otherwise. By establishing guidelines that may contribute to the setting up of international regulations on both issues, it promotes a notable alteration of neo-liberal institutions. It is possible, however, that the subtle difference between general and specific objectives may be used to lessen the effective impact of the proposal. Also, it is feared that the above norms of the TPA may be imposed upon countries—particularly developing countries—whereas the establishment of international regulations should be the result of fair negotiations. The adoption of labor norms in international trade should derive from a wide consensus regarding their content, modalities and implementation timetable. They should include mechanisms insuring that they will not become instruments of trade protectionism and allowing for the adaptation of backward economies.

In point of fact, there is no guarantee that the WTO will allow

“
*In principle, no
 US trade
 agreement may
 lessen labor
 rights, let alone
 ignore them.*
 ”

labor norms, let alone allow them easily. Nor do such norms insure, by themselves, an improvement in the sorry employment and environment conditions prevailing in most countries, not even if they were strictly implemented, which is rather doubtful. There is no doubt that such conditions must be improved first and in the short term in developing countries, in many of which the labor situation is unbearable¹⁰. It is also true that the labor conditions of some social groups within industrializes countries is equally unbearable. The International Confederation of Free Labor Unions (ICFLU) has often pointed out that the USA does not comply with the ILO's fundamental labor norms¹¹.

II. Labor Norms

Obviously, the labor norms we refer to here are those that are acknowledged internationally. Even though other international organizations have adopted conventions on labor or workers¹², or include regulations in these areas¹³, the ILO is the organization entrusted with the responsibility to adopt, evaluate and sanction the application of labor norms. However, the ILO's Charter does not include any reference to the link that should eventually be established between labor norms and international trade, as the latter is not considered an issue within its jurisdiction. In its ministerial conferences held in Singapore and Doha, the WTO has acknowledged the ILO's obligations and responsibilities in the labor field. To date, the only measure that links directly labor norms to international trade is the European Union's Generalized System of Preferences (GSP). The NAFTA establishes a complementary and limited link between both areas through a parallel labor cooperation agreement¹⁴. Regarding this issue the USTPA sets a significant milestone.

Which norms should be considered? According to most countries and international affairs analysts, they are the international labor agreements considered in the ILO Declaration regarding labor principles and fundamental rights and their follow up. These are widely known principles: a) the freedom of association and to form unions and the effective acknowledgment of the right to collective negotiation¹⁵; b) the elimination of all forms of forced or obligatory labor¹⁶; c) the effective abolishment of child labor¹⁷; d) the elimination of job and employment discrimination¹⁸. These principles constitute the foundations of a labor paradigm, obviously necessary but difficult to implement. Even though unions are a minority within the labor force and tend to decrease in many countries while in developing countries they only encompass workers from the formal economy, it is believed that the acknowl-

“

The ILO does not include any reference to the link that should be established between labor norms and international trade.

”

edgment and effective implementation of the first of the above principles will have positive effects over the remaining three¹⁹. It is, at any rate, the only fundamental labor principle that is specifically supported by an acknowledged labor actor. Unions played a decisive role in the adoption of the ILO Declaration on labor principles and rights and their follow up.

The European Union has adopted these principles, as well as the eight corresponding ILO Conventions. On the other hand, the US TPA mentions five general principles. Three of them coincide broadly with the ILO Declaration's first two principles. The TPA also promotes the establishment of a minimum age for employment—thus partially coinciding with the third ILO principle—and acceptable labor conditions regarding wages, work hours, health and safety.

In view of the difficulties that exist regarding the ratification and, above all, effective implementation of labor norms, it would be advisable to focus, during the initial stage, on the above-mentioned fundamental principles. Nevertheless, the US TPA may expand the scope of workers' protection by, for example, relating it to other factors such as those relating to what the ILO calls 'quality employment'. This is defined as «productive jobs under conditions of freedom, equity, security and human dignity»²⁰. The norms applicable to this concept are yet to be defined. In addition to the norms regarding fundamental workers' rights, they should include, according to ILO documents, others regulating work hours, professional training, job security, maternity leaves, protection against sexual and moral harassment and social security²¹.

In reference to this concept, two important developments deriving from economic globalization should be highlighted: technical and definite unemployment and firms' insolvency. As economic liberalization transmits and expands economic cycles and other international economic developments, the flexibilization of labor makes firing easier. Work hours and employment levels vary greatly depending on the demand, whose contraction during periods of crisis leads to the closing down of firms and sizable workers' lay offs. In other cases, the introduction of new labor management methods or the relocation of production, all of which are attempts to rationalize production while subordinating it to the interests of financial capital, may produce similar results. Even though so far these developments have affected mostly workers in industrialized countries, they also affect workers from developing countries. For example, in the maquila export sector many firms close down definitively, relocate to other parts of the nation or migrate to other countries as a result of the above

“

Most developing countries do not provide unemployment insurance and those that do, provide only limited and short-term coverage.

”

changes, as is the case particularly in Central America, the Caribbean and Mexico²². However, most developing countries do not provide unemployment insurance and those that do, provide only limited and short-term coverage. Moreover, labor credits²³ may be affected in the case of firms' insolvency. Therefore, it is important to include within the concept of 'decent work' norms aimed at protecting workers against unemployment²⁴ and firms' insolvency²⁵.

Even though it is not directly related to trade and international investment, but rather to globalization in general terms, the migration of workers is a very important issue. Because often migrant workers, compared to national workers, are discriminated against, are employed in the most difficult and risky activities and are the victims of abuses, xenophobia and racism, norms must be established for their protection. It is a well-known fact that unskilled workers in industrialized countries, particularly illegal migrant workers, face a difficult situation. However, this may occur also in developing countries, thus these workers' rights must also be insured. The definition of 'decent work' may not apply only to national workers. The ratification of international norms on this subject²⁶, first and foremost by the immigrant receiving countries, is absolutely indispensable.

“
At the WTO
Ministerial
Conference held
in Singapore, the
member nations
renewed their
commitment to
respect the ILO's
fundamental
labor norms.
”

III. The WTO

The WTO's position regarding labor norms is well known. At the WTO Ministerial Conference held in Singapore, the member nations renewed their commitment to respect the ILO's fundamental labor norms, stressed the need to support their promotion and underlined that the ILO is the organization in charge of establishing such norms and dealing with them. It is interesting to note that at the time, in December 1996, the ILO had not defined labor norms yet; its declaration on this issue was adopted one and a half years later, in June 1998. Nevertheless, this does appear to be the main reason why most countries did not and do not comply with these norms. On this issue, see the box «Different Ratification and Follow up of Norms». Two paragraphs of the Declaration of Singapore shed light on the WTO's position and why countries did not comply with those norms. The first paragraph stresses the WTO's neo-liberal credo: «growth and economic development spurred by increased trade and a greater trade liberalization will contribute to the promotion of those norms». The second denounces the use of labor norms for protectionist reasons, an option that must be rejected within the framework of trade liberalization. However, by adding that «coun-

tries' comparative advantage, particularly in the case of low-wages developing countries, must not be questioned at all", it practically denies workers the possibility that international trade norms may contribute to the effective application of labor rights. At the same time, it implicitly rejects the possibility that those countries may insert themselves into the international economy on the basis of competitive advantages, an option in which quality work would play a significant role²⁷.

1. Relations with the ILO?

Today, the ILO's fundamental labor norms are widely acknowledged by international organizations and many governments. The ILO Declaration on labor norms establishes that they are binding for all member states, including those that have not ratified them. However, in the case of the latter, their follow up is not on par with that of countries that have ratified them. On the one hand, the follow up is not carried out by the ILO's control bodies²⁸ and, on the other, it is limited to requesting members to submit reports presented by a group of experts who underline the issues that deserve a more detailed analysis. It has been suggested that the WTO should adapt those norms, either granting reticent developing countries concessions in other areas or granting them as much strength as the trade norms that regulate them²⁹. However, both options are hard to implement. Industrialized countries' trade liberalization has caused many and growing doubts³⁰. The second option is particularly interesting, however, the matching of both organizations' norms will not be an easy task.

During its Doha Conference, the WTO reiterated its position adopted in Singapore regarding the ILO's fundamental labor norms and took note of that organization's work on the social dimension of globalization. It also made important concessions to developing countries, in order to win their approval for the launching of a new round of trade negotiations. The WTO's next Director General has underlined the need for a new North-South balance within the organization. It is not clear what is it that he wishes to correct, nor how does he plan to do it. However, his high opinion of duty-free areas, which, in his view, represent an example to be followed in the field of labor rights, is well known³¹.

In February of this year³² the ILO created a World Commission on the Social Dimension of Globalization. It is comprised of 21 personalities, among them the President of Finland and the President of Tanzania, as co-chairpersons. The Commission's "final objective will be to insure that globalization contributes to

Ratified and Applied Norms

Should the ILO's 184 labor norms be ratified by its 175 member countries, they would produce 33,600 ratifications. In July 2002 only 7045 ratifications had been registered, 21% of the total. However, the ratification ratio of the 8 fundamental labor norms is relatively high: 84.4%. That of the other norms is lower than the average: 18.2%. Lately, their ratification has increased considerably: 32.9% from 1998, the year in which the ILO Declaration on the fundamental labor principles and rights was approved, to the present. On the other hand, the ratification of the other norms has been much slower: only 4.7%. The ratification of the fundamental agreements varies depending on the geographical area. The ratification ratio compared to all possible norms is higher than the average in Europe (94.2%) and much lower in Asia (65.8%). A similar situation occurs with the other norms. The effective application of these norms is even lower and different according to countries. Lacking more precise estimates, reference should be made to the OECD index «International Trade and Core Labor Standards», Paris 2001, regarding compliance with Agreements 87 and 98. Developed based on the reports presented by the ILO's Committee of Experts on the Application of Agreements and Recommendations (CEACR), this index takes into account the type of violation of the ratified agreement as well as the Committee's evaluation of the situation and the solutions it suggests. The first agreement has been complied with by 57%, the second by 80%. The high compliance rate of the second is determined, partly, by the greater non-compliance with the first. The study also indicates that the index has improved very little during the past decade. The index does not include the countries that have not ratified the above-mentioned agreements, many of which are among those that least respect their principles. In July of this year 34 of ILO's member countries had not ratified Agreement 87, 23 and 97. On the other hand, the CEACR analyzes basically the compatibility of national legislations and collective agreements with the obligations assumed by the country upon ratifying an agreement. It processes very important information but does not, because of its nature, consider more specific aspects of the union situation. The report of the ILO's Committee on Labor Freedom probably presents more trust-worthy and worrisome results. Similarly, the different issues should be examined in depth and systematically.

“

Social rules on international trade imply that the violation of labor norms to promote exports must generate different types of sanctions.

”

reducing poverty and unemployment, to the benefit of economic growth and sustainable development»³³. One of its co-chairpersons has underlined that «priority shall be given to the fight against poverty»³⁴. This indicates that the Commission will focus its analysis on the labor situation of countries as a whole and not on the situation of labor in the export industries. The document detailing the activities of the Commission, which was recently examined by the ILO's Administrative Council, does not refer to labor norms³⁵, nor does it mention using the products of its work in the negotiations that organization may eventually undertake with the WTO.

2. Social Dumping?

Social rules on international trade imply that the violation of labor norms to promote exports, or 'social dumping', must generate different types of sanctions, including trade sanctions. One option is to establish similar sanctions to those applicable for 'price dumping'. According to the WTO 'price dumping' occurs when a product is exported at a lower price than that in the internal market of the exporting country³⁶. Apparently, this option is supported by many industrialize countries and unions. Recently, Mexico decided to study whether such practice has caused the emigration to China and other developing countries of enterprises that had settled in its territory. It is possible that the foreign investment boom in China and its growing presence in the international market may cause further complaints by other Third World countries. Were this to occur, 'social dumping' would cease to be an issue in North-South relations. However, WTO's dispute settlement mechanisms will have a hard time defining it and establishing the rights of affected countries.

It is very difficult to apply to 'social dumping' the same criteria of 'price dumping'. The disregard for labor norms may be due to the level and type of development rather than to an export strategy. On the one hand, a good portion of those countries' production is for export. On the other hand, perhaps an even larger percentage is aimed at captive markets. Its prices are established regardless of market trends, often based on fiscal motivations and without taking into account production costs. Generally the local branches of transnational enterprises engaged in the transformation industry apply the so-called «transference prices». This is also the case, and to a wider extent, of maquilas or sub-contractors, whose importance within international production has been growing and in many industries is greater than that of the mother firm. In both cases, exports' prices

cannot be used to determine labor rights' violations. In point of fact, it is not a paradox that the price of many raw materials or semi-industrialized goods is lower than their external price³⁷, even though this does not imply better work conditions. This specific issue requires further examination.

IV. Prospects of the Trade Act

The labor norms included in the new Trade Act are extremely important and may have significant implications in the United States' trade policy.

1. Needed Details

Regardless of their importance, the adopted norms lack precision and are insufficient. We have already pointed to the risks posed by the subtle difference that has been established between general and specific objectives. Similarly, a reference to the principles established in international texts, particularly ILO's agreements, would have provided a clearer and more precise vision of such norms. Even though the TPA's first two principles reproduce, in general terms, those included in the ILO Declaration on the Fundamental Labor Principles and Rights, on the issue of child labor they just establish a minimum work age. The TPA does not clearly state the principle regarding the effective abolition of child labor as it is stated in the ILO. This is a significant omission, considering that the USA has ratified the ILO's Agreement N^o 182 prohibiting the most abject forms of child labor³⁸. Similarly, the TPA does not include the ILO's fourth fundamental labor principle, the right to equal opportunities and treatment, which is very important for indigenous nations and all ethnic minorities to insure equity and the protection and promotion of international migrants.

On the other hand, the TPA does not state a position regarding the criteria to be used in the promotion of the above principles, nor does it mention what sanctions could be applied were such principles not to be observed. The criteria and mechanisms could well be those established by the ILO's controlling bodies, which are also not mentioned. However, should a principle be disregarded, the ILO does not envision any economic, let alone trade, sanction. Its decisions are aimed, basically, at improving the situation. Nevertheless, the ILO's control bodies' decisions are already being used by the Generalized System of Preference (GSP) of the USA and the European Union, which are unilateral

trade promotion arrangements. Developing countries will not easily accept their utilization in trade agreements.

The TPA's lack of reference to ILO's agreements and bodies could be due to the fact that the USA has ratified only a handful of that organization's agreements. Of the eight ILO agreements regarding fundamental labor rights the USA has only ratified two (Nº 105 and Nº 182). The other six are allegedly not compatible with its national legislation and practices. In this regard, reference is made to the obstacles posed by some states' legislations as well as to federal regulations concerning the right to strike and inmates' labor, which do not coincide with international norms. However, the fundamental labor norms are not, by far, the only problem. The USA has ratified only 14 of the ILO's 184 agreements. This meager record poses a wider problem. Under these circumstances, how can other countries be urged to comply with them? The US government's assurances of its respect for labor rights, an affirmation that does not always coincide with the facts, do not ease the situation. The CIOSSL has its own views regarding the above issue and there is information on precarious work conditions in various industries and the difficult situation faced by migrant workers, particularly illegal ones.

The norm on the minimum wage deserves an additional comment. In most Latin American and Caribbean countries the minimum wage only covers a small portion of the total basic workers' needs. For example, in Mexico, a country bound by the NAFTA to similar norms, the minimum wage only covered the purchase of 27.7 % of basic goods³⁹ in January 2001⁴⁰. Under these circumstances, the norm established in the Trade Act does not have any significant effect on the regulation of salaries in the export industry, nor does it guarantee a minimum subsistence level in other economic activities, particularly the informal and farm sectors, in which, by the way, often work is wage free. This issue is equally relevant for other developing regions. The other two labor norms established by the Trade Act—acceptable work conditions in terms of hours, health and security—are defined in rather vague terms. It is to be hoped that they will be further specified in the future.

2. Applying the Law

Three levels must be considered regarding the application of the Trade Act. The first refers to US bilateral or regional trade agreements, the second to the WTO and the third to US trade concessions to several developing countries⁴¹. The US negotiating capacity—or capacity to impose its will—is different in the first

“

The USA has ratified only 14 of ILO's 184 agreements. Under these circumstances, how can other countries be urged to comply with them?

”

two levels. In the case of negotiations with Central American countries it is overpowering; in the case of the FTAA negotiations, very significant but not definitive and much less definitive in the case of negotiations within the WTO. On the other hand, such negotiating capacity may change due to some environment and labor norms included in the Trade Act, which could alter, at least partially, US alliances with different countries. For example, within the FTAA most governments and business organizations will not welcome these norms⁴². However, they could be welcomed and even accepted by many environmental organizations and unions that at the moment oppose the FTAA⁴³. In the third level mentioned above, the USA sets the rules. Beneficiary countries will either respect such rules or lose their trade concessions.

Outside the USA no reaction has been voiced yet to these norms. On the other hand, the position of US trade negotiators may be influenced by the next congressional elections. Generally speaking, should Republicans win, the Trade Act may be interpreted with more flexibility. Should Democrats hold the upper hand, Congress will interpret the Act with more rigor, least it should put at risk Congress' ratification of the negotiated agreements⁴⁴. Also, it is possible that environmental organizations, unions and civil society in general will lobby to insure compliance with at least the spirit of the agreed norms and, if possible, their improvement and rigorous application. A similar scenario may occur in view of the presidential elections of the year 2004⁴⁵.

The WTO and the ILO have made no comments, as yet, on the Trade Promotion Authority's environmental and labor norms. The former Director General of the WTO, Michael Moore, has limited himself to declaring that the US Congress' approval of the Trade Act is a victory for President Bush's Trade Act and shall be very useful in the negotiations agreed upon in Doha⁴⁶. The new WTO Director General has not mentioned the TPA, possibly because he has just entered into office. The ILO's Director General has also made no reference to it. In his recent presentation at the World Summit on Sustainable Development, held in Johannesburg, he did not refer to labor norms nor to the ILO's relations with the WTO⁴⁷.

Reactions to the TPA, not only from unions but also from all interested parties, may arise within the framework of US trade negotiations with Chile, Morocco and Singapore, as well as with Central America and regarding the FTAA. These negotiations will shed light on developing countries' position regarding the TPA's environmental and labor norms. It is possible that such reaction

“

The WTO and the ILO have made no comments on the Trade Promotion Authority's environmental and labor norms.

”

may hamper and even render impossible trade negotiations. However, if countries agree to discuss these norms, the resulting texts will illustrate the position the Bush Administration will uphold in trade negotiations. Their acceptance or rejection by the US Congress will later indicate up to what point is that body willing to negotiate. These negotiations will also shed light on what will be the USA position regarding the environment and labor in other organizations, particularly the WTO and the FTAA.

3. Two Major Obstacles

One of the major obstacles to the establishment and implementation of labor norms is their ratification and application by the USA. Even though, in principle, the TPA should dissipate any reticence, since one can hardly demand that which one does not comply with, the ratification by the USA of the six ILO agreements regarding fundamental labor rights could be delayed considerably. It will not be easy to overcome objections by enterprises and states, which will be even more opposed to ILO's agreements on labor rights.

However, the Bush Administration will encounter the greatest difficulties, and may even be forced to make concessions, at the international level. Most developing countries not only oppose such norms, but also reject openly their consideration by the WTO. In order for them to accept them labor and environmental norms would have to be toned down, to the risk of voiding them of content and that the resulting text be rejected by the US Congress. A similar situation occurs with the United States' policy on terrorism; it is possible that this policy may force the administration to make political concessions in the field of labor and the environment. The two major allies of the United States in its struggle against the 'empire of evil' are India and Pakistan; both countries have been often accused of repeated and serious human rights, including labor rights, violations. China's situation is somewhat similar, even though (official) unions partially oversee compliance. China's wages are even lower than wages in India and Pakistan. The country enjoys much political and economic autonomy and has become the dynamic pole in South East Asia. An increasing number of enterprises has settled in China, attracted by its vast internal market and its export possibilities. The USA considers China an important ally in its fight against terrorism. Of the eight fundamental ILO conventions China has only ratified three: N°138 and N°182 regarding child labor and N° 100 on equal wages. The chances that it will ratify the conventions on freedom of union, collective negotiations and

forced labor are slim. Only political changes that insure unions' freedom and the development of civil society could contribute significantly to the real enforcement of labor rights in China. For the time being, it remains an illusion.

It is not known which strategy the Bush Administration will follow to negotiate within the WTO the Trade Promotion Authority's labor and environmental rules. Even though the Republican administration tends to impose its points of view unabashedly, trade is a very different area compared to the military. On the other hand, the above mentioned norms are not to its liking. Thus, it is possible that the strategy the Bush Administration adopts in this area will depend on the results of the next US congressional elections as well as on the international reactions such norms may warrant. Similarly, its strategy within the WTO may be inspired by the results of its ongoing bilateral or regional trade negotiations. The results of the negotiations would be by stages and interrelated. For example, the results obtained in the negotiations with Chile will guide US negotiations within the FTAA and whatever is obtained within the FTAA will influence negotiations within the WTO.

V. The Risks of a Unilateral Approach

Even though they have been excluded from the WTO, labor norms have began to be considered within the context of international trade due, in some cases, to national or international rules. The rules established by the Generalized System of Preferences (GSP) of the USA and the European Unions are aimed at enforcing a limited number of labor norms. On the other hand, the application of such norms by the US GSP depends, basically, on the role the US Trade Representative chooses to play in this regard^{48,49}. In other cases, labor norms have been developed thanks to private initiatives, particularly codes of conduct and labor conditions' certifications applied to the maquila and other export activities. This option may be strengthened by the norm on the Social Responsibility of Enterprises that the International Normalization Organization is currently preparing.⁵⁰

Even though both options have promoted interesting reforms to labor laws⁵¹ and some labor progress in various countries⁵², these are but new developments. Moreover, the norms that have been established are mostly unilateral, with the exception of the Complementary Agreement of the NAFTA and labor norms included in trade agreements. Such norms have been implemented either by the country or region granting trade concessions or by major firms or the 'rule makers'. On the other hand,

“

Even though they have been excluded from the WTO, labor norms have began to be considered within the context of international trade.

”

all have established the procedures to be followed and enforced them according to their whim.⁵³ This may cause very negative trade effects, leading to the application of national norms.⁵⁴ Evidently, such norms are not the result of negotiations and are applied only to the exporting country or enterprise. No consideration is given to the responsibility of the receiving party, which stands to benefit greatly from the operation.

This situation is unquestioned within the sphere of international sub-contracting with third parties or subsidiaries, which in many countries is equal or greater even than the relatively autonomous subsidiary⁵⁵. In subcontracting labor responsibilities⁵⁶ are transferred to the maquilas, which represent the least profitable link of the productive chain. When subcontracting involves a third party the firm's main offices and generally the 'rule makers' are protected from prosecution for abuses or errors incurred by their subsidiaries.⁵⁷ It should also be pointed out that private initiatives are voluntary and carried out, basically, by businessmen and their organizations, without the active participation of workers or unions or even countries' labor administration. These limitations point to the need to establish multilateral labor norms. The unilateral application of such norms causes concerns and may lead to abuses, even among enterprises. Those with less power transfer the costs to their workers. Under no circumstances does this justify bad or mediocre labor norms.

“

It is very difficult to predict the effects the possible establishment of labor norms related to international trade may have on developing countries' labor conditions.

”

VI. An Alternative View

The new US Trade Act will undoubtedly cause important discussions, pressures, decisions and a variety of conflicts within countries and at the multilateral level. However, how it will be enforced is far from certain, as are its results very difficult to predict the effects the possible establishment of labor norms related to international trade may have on developing countries' labor conditions. They could be positive if the need to trade leads to the ratification of international agreements that may later become laws aimed at protecting the workers of countries that ratify them. The enforcement of such laws could be insured by the fear of economic sanctions.⁵⁸ Governments and enterprises would pay greater attention to labor conditions and the role of those interested in making them compatible with international norms would be enhanced. Work place inspections and institutions in charge of preventing labor risks, including many enterprises and labor organizations, could be added to the list of unions and civil society groups. Governments and businessmen could devise a strategy aimed at avoiding liabilities due to labor

conditions and understand that the improvement of labor conditions is in their interest. In theory, these would be the parameters of a 'virtuous circle' of improvement of labor norms related to international trade. However, in order for it to work, all the elements of the system must strive towards such improvement. Similarly, the impact of labor norms could be negative if they paralyze investment and cause unemployment.

The adoption and promotion of an institutional approach to labor norms such as «salaries and labor conditions conducive to efficiency»⁵⁹, within a process of transformation of developing countries' productive structures, could avoid this situation or minimize its risks and increase its potentials. Good labor conditions contribute to productivity and competitiveness in the entrepreneurial sphere (workers' participation in attaining the enterprise' objectives, particularly the curbing of production losses, in the areas of health and occupational security, with a view to insuring workers' greater acceptance of innovations and their contribution to them, less labor rotations and conflicts and greater profits as a result of enterprises' greater dynamism and better image) and through the improvement of the living conditions of workers and their families.

This option is also related to the increasing rejection of sweatshops by industrialized countries' important clients who wish to consume goods produced under healthy, clean, equitable conditions according to labor rights or by organizations (unions, university organizations, civil society groups) in the North and the South that advocate appropriate labor guidelines. Good working conditions are required not only by ethics, they may also create markets and mobilize resources and protect workers against abuses. At any rate, the transformation of production in terms of information, know-how, culture and quality work is urgently needed, least evidently obsolete structures that lead to an increasing marginalization within the international market are to be perpetuated.

Three additional issues are of fundamental importance. The first refers to the application of the labor norms promoted by the US Congress. Initially, these would be applied to all countries with which the US has signed trade agreements. However, it is possible that their implementation will be limited to export activities, which employ an important part of developing countries' formal labor force, albeit often a minority of those countries' total labor force. In order for such labor norms to be more effective they should apply to all export activities, including subcontractors, labor force contractors and service outsourcing enterprises, rather than be limited to merely salaried activities.

“

The labor norms promoted by the US Congress would be applied to all countries with which the US has signed trade agreements.

”

The second issue refers to the financing of needed innovations. This is a very important issue that must be approached systematically. In some cases such needs may be relatively small, however, most often they are not so and thus this issue should be considered in international negotiations with industrialized countries and transnational enterprises or 'rule makers'. Negotiations with industrialized countries and enterprises should secure WTO's acceptance of norms aimed at facilitating the financing of export activities, innovations aimed at improving competitiveness and protecting the environment and labor rights. In this regard, existing national mechanisms have proved to be vastly insufficient. Possibly, four-sided options envisioning joint action by the state's productive apparatus, business organizations, unions and civil society need to be explored, establishing timetables for adaptation to the norms and acting at the national, local and entrepreneurial levels.

Evidently, much is to be gained from rigorous and unbiased controls aimed at transforming production and developing the needed competitive advantages. At the international level, the role the WTO will play should be considered and the efficiency and functionality of its control systems evaluated in order to determine the reforms that are needed. Economic globalization requires that they be universally acknowledged as well as a swift analysis of whatever complaints are brought to its consideration and swift decisions based of equity.

Footnotes

1. Paper submitted at the international seminar of the Political and Ethical Knowledge on Economic Activities (PEKEA) network, organized by the Universidad Academia de Humanismo Cristiano, the ECLAC, and the Rennes University, in Santiago, Chile,

from 10 to 14 September 2002.

2. The 2002 Trade Act is the result of the Trade Promotion Authority, or Fast Track, requested by the Bush Administration in order to negotiate new trade agreements and to take leadership in the new WTO round of negotiations. The

2002 Trade Act includes: a) measures to provide assistance to US workers and activities affected by trade liberalization; b) the Trade Promotion Authority, previously mentioned; c) the renewal and enlargement of the Andean Trade Preferences Act (ATPA); d) the

renewal of certain tariff preferences included in the General System of Preferences of the United States.

3. The 2002 Trade Act was signed into law without amendments by President Bush on August 6. The text followed in this Paper is that published by the US Government Printing Office.

4. This is one of the reasons why the President of the AFL-CIO expressed his dissatisfaction both with the Trade Act and with its draft versions. See, in this regard, the AFL-CIO Website: 'Fast Track Wins, Workers Loose with Senate Trade Vote' and 'Statement by the AFL-CIO President John J. Sweeney on Passage of Fast Track Trade legislation in the U.S. Senate'.

5. Notwithstanding NAFTA article 1114 provides that 'Nothing provided for in this Chapter shall be considered as an impediment for one of the Parties to adopt, maintain or initiate any measure, compatible with

this Chapter's purpose, which it may consider appropriate in order to insure that investments within its territory are carried out taking into account environmental concerns'. Such provisions have been widely criticized. The Government of Canada has been successful in insuring that some of the Treaty's clauses be better interpreted at the dispute settlement level. Nevertheless, a different language would be necessary in order to effectively protect the environment in such cases.

6. On December 6, 2001.

7. On May 22, 2002.

8. The House of Representative's text provided for a less strong protection of workers' rights and of the environment.

9. They can be interpreted with more or less flexibility, as provided for in the Act's section on Implementation.

10. The International Confederation of

Free Labor Organizations' 2001 Report on Violations to Labor Rights around the World underlines as such, at the political level, the obstinate opposition to democracy in certain States, and at the economic level, unbridled competition. Last year, 223 labor leaders were assassinated or disappeared, 14 more than during the preceding year. The record is held by Colombia, where 201 murders or disappearances were registered; 4,000 labor union members were arrested; 1,000 wounded and 10,000 were dismissed.

11. ILO Governing Body, 277th. Meeting, March 2000. Review of Annual Reports under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work, ILO, Geneva. See also the Reports of the 288th. and 289th. Meetings of the ILO Governing Body.

12. As is the case with the International

al Convention on the Rights of Migrant Workers and their Families, adopted by the United Nations in December 1990.

13. *As is the case in relation to Article 32 of the U.N. Convention on the Rights of the Child, adopted in November 1989. This article provides for an age minimum to access the labor market as well as for conditions under which work should be performed by those having reached such age.*

14. *This parallel Agreement makes no reference to ILO rules; only cooperation relations are foreseen. A year after its entry into force, the December 1994 Miami Summit of the Americas, which gave start to the FTAA negotiations, makes specific reference, at the U.S. request, to the ILO's role in labor issues. The U.S. GSP makes no explicit reference to the ILO even though it includes an evaluation of workers' rights in beneficiary countries, taking into account evaluations*

undertaken by the ILO.

15. *Regulated by Convention N° 87 on freedom of association and the protection of the right to association, 1948; and by Convention N° 98 on the right of association and collective bargaining, 1949.*

16. *Regulated by Convention N° 29 on forced labor, 1930; and by Convention No. 105 on the abolition of forced labor, 1957.*

17. *Regulated by Convention No. 138 on minimum age, 1973; and by Convention N° 182 on the worst forms of child labor, 1999.*

18. *Regulated by Convention N° 100 on equal remuneration, 1951; and by Convention N° 111 on discrimination (employment and occupation), 1958.*

19. *In as far as unions take an interest in its effective recognition and exercise. Several factors can nevertheless limit the scope of unions. In Latin America,*

two factors should be underlined: a) Forced labor and child labor take place most of all in rural or informal activities; b) even though increasingly recognized, a gender perspective is difficult to implant in a Union environment.

20. *International Labor Conference, 87 th. Meeting, Report by the Secretary General, Decent Work, Geneva, June 1999.*

21. *Such rules would be in line with the strategic goals of this organization as regards the promotion of labor, employment, social-protection and social-dialogue fundamental rights; *ibid.**

22. *See, in this regard, our paper 'Crisis and Restructuring in the Export Maquila', in publication, *Trabajadores*, Universidad Obrera de Mexico Magazine.*

23. *Salaries, severance payments, vacations, indemnities, contributions to social security and to the*

pensions system.

24. *Convention N° 168 on the promotion of employment and protection against unemployment, 1988, deals with this issue. We consider it should be revised in order to take into account changes in the labor marketplace. Only 6 from the more than 300 member countries of this organization have ratified this agreement.*

25. *Convention N° 173 on the protection of labor assets in case of insolvency by the employer, 1992. Only fifteen countries have ratified this norm.*

26. *In addition to the previously mentioned U. N. Convention, the ILO has approved Convention N° 143 on Migrant Workers (Additional Rules), 1975. The latter does not include illegal immigrants. It has been ratified by only 18 countries, among which no major immigrant-receiving developed country.*

27. *Point 4 of the*

ILO Declaration on Fundamental Principles and Rights at Work takes these points into account although it makes no reference to low salaries.

28. *Committee of Experts on the Application of Rules and Recommendations and the Committee on Freedom of Association. Neither does the Declaration make any reference to ad-hoc control mechanisms by the Organization, three of which are particularly relevant in the case of globalization: the Tripartite Declaration of Principles on Multinational Enterprises and Social Policy; direct contacts; and special studies about discrimination.*

29. *Cohen, Elie, 2001: "L'Ordre Economique Mondiale. Essai sur les autorités de régulation", Fayard, Paris.*

30. *Technical barriers to trade must be added to significant exceptions in the field of*

tariffs. The dismantling of technical barriers to trade and the subsequent normalization of trade flows frequently represent, paradoxically, new technical barriers for developing countries.

31. *Statement at the World Processing Zones Association Conference, held on June 7-9, 2001.*

32. *By November 2001, it had not yet been established.*

33. *ILO reviews the social consequences of globalization, Press Statement, ILO, Geneva, February 27, 2002.*

34. *Statement by Mr. Benjamin Mkapa, President of Tanzania, on the creation of the World Commission on the Social Dimension of Globalization, ILO, Geneva, February 27, 2002.*

35. *World Commission on the Social Dimension of Globalization, Progress Report, ILO Governing Body, 283 rd Meeting, Geneva, March 2002.*

- 36.** Evidently, the definition does not take into account differences which might be derived from tax systems. On the other hand, the Agreement on Subsidies and other Countervailing Measures tends to foster their ç uniformity.
- 37.** In order to foster local processing of commodities; which are, in general, produced under extremely bad conditions.
- 38.** The Andean Trade Preferences Act (ATPA) foresees that the beneficiary country must comply with the commitments it has entered upon and eliminate the worse forms of child labor, as defined in Section 507(6) of the 1974 Trade Act. Such a provision is very confusing. In principle, it applies to those countries which have ratified Convention N° 182, adopted in 1998.
- 39.** Indispensables basic basket, containing a total of 384 products, of which 151 are foodstuffs.
- 40.** Juárez Sánchez, Laura, 2001: "El gobierno foxista mantiene y endurece la política salarial", *Trabajadores*, N° 22, México D.F.
- 41.** General System of Preferences, Caribbean Basin Initiative (CBI), ATPA.
- 42.** It is nevertheless possible that they continue to support the negotiation. CBI and ATPA beneficiary governments have committed themselves to give their approval to the negotiations before the end of 2005. On the other hand, the crisis has weakened many countries, whose governments do not see or wish to see other options.
- 43.** The referendum recently convened in Brazil by the several social organizations, including the Catholic Church, could well show that popular opposition to the FTAA is considerable and that it must be taken into account.
- 44.** It will depend on the particular positions of the elected representatives.
- 45.** The 1992 elections results forced the negotiation of parallel agreements on environment and labor issues in 1993.
- 46.** Statement dated August 2.
- 47.** Address of August 29.
- 48.** The Trade Representative of the present administration, Robert Zoellick, in contrast to Charlene Barshefsky, USTR during the Clinton administration, does not take much interest.
- 49.** No information is available on the application of the rules established by the European Union.
- 50.** The ISO Committee on Consumption Related Policies has been entrusted with formulating a proposal. Discussions began last June in Port-of-Spain. It is not yet known whether it will include labor rules.

51. In the Dominican Republic, El Salvador (in the framework of the peace process), Costa Rica and Guatemala. On the latter two, see Bernardo Van der Laet Echeverría: "Cláusulas sociales y reformas normativas en la región", *Relacentro*, N°1 October 2001, San José.

52. The ICFLO, for example, recognizes 'some progress' in El Salvador, a country wherein violations in the maquila industry are most frequent. Both in El Salvador and in Guatemala, civil society undertakes control processes of the application of codes of conduct by 9 maquila businesses. This represents an important experience. On the other hand, several interventions by civil society and by labor organizations in favor of freedom of association have been relatively successful in

Central America, Haiti, Dominican Republic and Mexico.

53. Applied to beneficiary countries, in cases such as the GSP, CBI or ATPA; as well as to subsidiaries and subcontractors in the case of businesses.

54. Views such as those held by the 'Red de Solidaridad de la Maquila' are very important in this regard. See also Cathérine Simon: "Nike", *entre profit et bonne conscience*", *Le Monde*, July 11, 2002.

55. Relative autonomy in relation to trade matters. This is not the case for all subsidiaries, many of which do not produce to supply the market but for their own corporate headquarters, acting therefore as maquiladoras.

56. Since work conditions are, for

the most, bad or mediocre, the possibilities for conflict are manifold. Subcontractors must equally absorb the costs of layouts and closures.

57. Several American courts are presently studying the Alien Tort Claim Act's applicability to subcontractors of American transnational enterprises. Under this old law, enacted in 1795, many American transnational enterprises have been sanctioned for infractions or damages committed by their subsidiaries in developing countries.

58. Market exclusion, trade compensation, investment dissuasion and its diversion to other countries.

59. A concept linked to the 'salary of efficiency' concept formulated by Robert Solow and Joseph Stiglitz.

The Private Sector's Participation in Latin American Integration

This article summarizes a document prepared in compliance with one of the recommendations issued at the III Meeting of the Regional Forum on Industrial Policy requesting an analysis of the private sector's participation in the trade negotiations undertaken within the framework of Latin America's and Caribbean's integration processes. It is based on the results of a field study covering six countries: Argentina, Chile, Colombia, Costa Rica, Mexico and Uruguay. The information it contains was gathered mostly through interviews with representatives of the public and private sectors and from official publications by business chambers and regional integration organizations.

La participación empresarial en la integración de América Latina

El siguiente es un resumen de un estudio realizado en cumplimiento a una de las recomendaciones de la III Reunión del Foro Regional sobre Política Industrial, cual fue la de analizar la participación del sector empresarial en las negociaciones comerciales realizadas en los procesos de integración de América Latina y el Caribe. Este análisis se llevó a cabo a partir de los resultados de un trabajo de campo que abarcó seis países: Argentina, Chile, Colombia, Costa Rica, México y Uruguay. La información fue obtenida, principalmente, a través de entrevistas con representantes de los sectores público y privado, y de publicaciones oficiales de las cámaras empresariales y de organismos regionales de integración.

La participation empresarial dans l'intégration de l'Amérique Latine

A continuation les résultats d'une étude faite pour appliquer une des recommandations de la III Réunion du Forum Régional sur la Politique Industrielle, de comment analyser la participation du secteur empresarial dans les négociations commerciales réalisées dans le processus d'intégration de l'Amérique Latine y les Caraïbes. Cet analyse fut fait prenant en considération les résultats d'un travail pratique qui comprenait six pays: L'Argentine, le Chili, la Colombie, le Costa Rica, le Mexique et l' Uruguay. L'information fut obtenue, principalement, á travers les interviews réalisées par des représentants des secteurs publiques et privés, y des publications officielles des chambres patronales et des organismes régionales d'intégration.

A participação empresarial na integração da América Latina

O seguinte é um resumo de um estudo realizado em cumprimento duma das recomendações da III Reunião do Foro Regional sobre Política Industrial, que foi a de analisar a participação do setor empresarial nas negociações comerciais realizadas nos processos de integração da América Latina e o Caribe. Esta análise realizou-se a partir dos resultados de um trabalho de campo que abrangeu seis países: Argentina, Chile, Colômbia, Costa Rica, México e Uruguai. A informação foi obtida, principalmente, através de entrevistas com representantes dos setores público e privado, e de publicações oficiais das câmaras empresariais e de organismos regionais de integração.

The Private Sector's Participation in Latin American Integration

❖ SELA's Permanent Secretariat

I. Background

The 1960 Montevideo Treaty, which created the Latin American Integration Association (ALADI), highlighted the need for active private sector participation in the integration process. The Consultation Commission on Labor and Business Affairs, which was created in 1965 within the now defunct Latin American Free Trade Association (ALALC), met regularly every year until 1980. With the establishment of ALADI member countries attempted to consolidate the participation of the private sector by including in the organization's Chart Article 42, which stated that «Auxiliary consultation bodies encompassing representatives from different sectors of economic activity of each member country shall be established».

Resolution 2 of ALALC's Council of Ministers, which is part of the 1980 Montevideo Treaty, established that trade agreements "will take into account particularly the recommendations of the business sector" (Article 6, section d). Later in several opportunities, ALADI's Council of Ministers reiterated the need to promote greater participation by the private sector in the integration process.¹

Ever since its beginnings the private sector participated actively in ALALC's activities and was very influential in the negotiations on trade preferences by sectors. This participation was made possible by sectoral business sector meetings, envisaged in Article 1 of Resolution 55, which urged the Permanent Executive Committee to promote meetings of representatives from the different sectors of production. Resolution 34, of August 1963, further structured such meetings by opening them to union or enterprise representatives.

Since these meetings were held within the framework of trade agreements negotiations, they were always restricted to countries engaged in such negotiations and thus did not stimulate the interest of the region's private sector as a whole.

Throughout this period the most active sectors were electrical machinery, photography, office machines and appliances, in which multinational enterprises were heavily engaged.

The private sector's participation continued throughout ALADI's first years, following in the footsteps established during the previous stage. More than 130 business meetings covering 24 industrial sectors were held between 1980 and the beginning of the nineties, with the participation of over six thousand businessmen. More than 80% of such participants were from six industries: chemicals, pharmaceuticals, electrical machinery, hospital equipment, photography and foodstuffs.

“
*More than 130
business
meetings
covering 24
industrial sectors
were held
between 1980
and the beginning
of the nineties,
with the
participation of
over six
thousand
businessmen.*
”

Once again, multinational enterprises dominated such sectors, do in part their greater capacity to mobilize representatives to such meetings. Other sectors such as apparel, tools, tires and graphic materials were less active, holding and participating in fewer meetings. The countries that participated the most in the private sectors meetings were Brazil (38%), Argentina (30%), Mexico (16%) and Uruguay (10%). This reveals the larger countries' greater participation in the different agreements, perhaps due to the fact that most of such meetings were held in Montevideo.

At the beginning of the nineties tariff preferences negotiations began to lose relevance due to tariffs' decreasing role as trade regulation mechanisms and the growing tendency to negotiate free trade areas with automatic tariff reduction arrangements. Also, as the GATT's Uruguay Round progressed other issues emerged as trade regulators (technical obstacles, competition, intellectual property, etc.), galvanizing the interest of the private sector. However, given ALADI's slow adaptation to this new reality, entrepreneurs began to seek other forums where to discuss these issues.

In 1994 MERCOSUR member countries agreed to put an end by December of this year to the preferences granted to other ALADI members, in order to re-negotiate them as a package. As a result, the remaining countries' private sector lost interest in the sectoral meetings.

1. The Council of Business Advisors (CASE)

This Council was created formally by Resolution 97 of December 1988 as an auxiliary consultation and advisory body encompassing government appointed representatives from national business organizations.

CASE only held four meeting, the first in August 1989 and the last in November 1992. To date, all attempts to revive it have

failed in spite of the Council of Ministers' reiterated directives to promote the most ample participation of all economic sectors in the integration effort.

Even though the business sector's and governments' expectations regarding CASE's role were not fulfilled, it should be pointed out that this was the first time an attempt was made to enlist the participation of the private sector from the region as a whole in the integration process.

CASE's difficulties were a reflection of the situation prevailing at the beginning of the nineties. At the time, major changes were occurring in international relations, international economic negotiations were fast progressing, as were WTO negotiations, sub-regional agreements were established and negotiations began on bilateral free trade agreement. The political sector was almost exclusively spearheading these initiatives.

2. The Private Sector's Participation in the Andean Group

Aver since its inception, the Andean Group was greatly concerned with enlisting the participation of the private sector. This it insured through the creation of the so-called Economic and Social Advisory Committee (CAES) established by Article 22 of the Cartagena Agreement and regulated by Decision 17 of the Commission.

This committee did not play a significant role due, in part, to its membership, which included business and union representatives with, at the times, opposing positions, and a fact that made it difficult to reach a consensus. Also, union representatives were often hard pressed to finance their participation at the meetings and thus their presence in the discussions was often not possible,

In the year 1983 the Andean Business Consultation Council was established. It too failed to provide entrepreneurs with an opportunity to participate actively in the decision making process and, therefore, lost momentum with the passing of time.

The 1988 modification of the Cartagena Agreement² acknowledged the Business Consultation Council's rank as auxiliary body and expanded the role of the Councils allowing them to express their opinion on the integration programs and activities before the corresponding bodies.

With the transformation of the Andean Group into the Andean Community and in accordance with the directives of the Andean Presidential Council, which called for greater participation by the private sector in the integration process leading to the establishment of a common market, the Andean Business Consultation

“

Aver since its inception, the Andean Group was greatly concerned with enlisting the participation of the private sector. This it insured through the creation of the so-called Economic and Social Advisory Committee (CAES).

”

Council (CCEA) was created as consultation body to the Andean System of Integration, whose activities are regulated by Decision 442 of July 1998, modified in May 1999 by Decision 464 of the Andean Community's Commission.

The Council is made up of four delegates from each of the member countries, elected amongst the higher-level directors of business organizations.

3. The Private Sector's Participation in MERCOSUR

Within this integration arrangement the private sector is represented by the Economic and Social Consultation Forum (FCES), regulated by Article 28 of the 1996 Ouro Preto Protocol. MERCOSUR's four full member countries participate in the FCES with a total of thirty six delegates from the business and labor sector, as well as the so-called 'diverse sector', four from the first two sectors and one from the third.

The FCES's decisions must be adopted by consensus and given that it is a body with 36 members with very different interests, this is often difficult to achieve. On the other hand, it is a purely consultative body and therefore the organization's political bodies may or may not take its recommendations into account.

At the beginning of the year 2000 and with a view to grant it greater dynamism through the active participation of the private sector, MERCOSUR determined through Decision N°15 that the Forum (FCES) is the only valid interlocutor to channel the private sector's proposals.

4. The Private Sector's Participation in the Central American Common Market

The Central American Common Market's legal instruments did not contain any provision to promote the participation of the private sector in the integration process. It was only at the Meeting of Central America's Ministers of the Economy and Trade, held in September 1999 in San José, that an agreement was signed to promote permanent consultations with the private sector's representatives regarding the various issues under discussion. The private sector shall participate in all meetings of directors, vice-ministers and ministers of the economy and trade; however, they shall do so under the so-called 'next door' modality.

Outside the private sector, Central America's businesses maintain very close links through the different chambers of

“
Within
MERCOSUR the
Economic and
Social Forum
(FCES) is the
only valid
interlocutor to
channel the
private sector's
proposals.
”

commerce, in an attempt to promote new agreements, simplify red tape and ease the circulation of goods.

II. The Participation of the Private Sector within Countries

In each of the countries analyzed the participation of the private sector had different characteristics depending on the integration arrangement. Also, it varied according to the changes in the economy and the type of government in charge. The situation in each of these countries can be analyzed as follows:

1. Argentina

The private sector's participation in Argentina dates back to ALALC's creation. At that time it was channeled mostly through the Unión Industrial Argentina that gathered the different business chambers and had a strong social and technical structure.

Businessmen from different countries used to meet before negotiations in order to discuss sensitive issues and reach a consensus that would then be presented as recommendations to each country's government representatives, who could adopt or modify them. In the case of Argentina, the private sector participated in the negotiations as advisor.

When ALALC was re-structured into ALADI in 1980, this pattern of sectoral meetings continued unchanged for a while, but with time business's interest began to wane as tariff reductions became automatic and other issues other than tariffs were not discussed. On the other hand, the official sector began to separate itself from the entrepreneurial one by blocking the private sector's participation in the same negotiations and limiting it to the role of 'next room' spectator. It should be mentioned, however, that business' opinion was always sought before adopting final decisions.

The private sector attributes this change in procedure to the fact that the Ministry of Foreign Affairs took over the negotiations and their contacts with it were not as fluid. Moreover, the military government that was still in power at the beginning of the eighties was not keen on allowing greater participation by the private sector in the decision making process.

When the political decision was reached to create MERCOSUR at the beginning of the nineties, the private sector was not consulted.

In 1991 Argentina's economy was opened up abruptly without any previous adaptation plan. This, too, was a purely political

“

The private sector's participation in the negotiations, which had been very intense during the times of ALALC and at the beginning of ALADI, has deteriorated gradually.

”

decision taken without any consultation with the different sectors of production. This caused the disappearance of a vast number of enterprises that faced strong and often unfair competition from foreign producers without having had any time to establish the adequate defense mechanism.

This also caused the general weakening of sectoral industrial chambers due to the budget restrictions they had to adopt as a result of a decrease in the numbers of members. Thus, many of the technical structures that had supported the negotiations were dismantled or partially re-dimensioned.

Other business associations did not experiment these traumatic changes. The Sociedad Rural Argentina saw its position strengthen as the government's political economy once again granted priority to primary products. Its major concern during the negotiations was always to obtain the elimination of non-tariff barriers and subsidies applied by other countries to agricultural and livestock products.

The Chamber of Importers' major aim was the total liberalization of trade through the accelerated elimination of tariffs and its participation in the negotiations was limited to achieving this objective. On the other hand, the Chamber of Exporters focused not only on the reduction of tariffs but also on the elimination of other obstacles to exports, including red tape, particularly at customs.

The private sector's participation in the negotiations, which had been very intense during the times of ALALC and at the beginning of ALADI, has deteriorated gradually, due mostly to the different economic policies that have been applied during the last decades and that affected both private and governmental structures.

On the other hand, Argentina does not have a formal mechanism to channel the participation of the private sector in international trade negotiations and this has been left to the initiative of the government in power.

However, businessmen point out that they have always participated through informal channels and that whenever they have presented their position they were well received. Nevertheless, they add that the systems used to inform on the progress of the negotiations were not the most adequate and that often larger firms were privileged when the time came to adopt decisions.

2. Chile

As was the case in other Latin American countries, the

participation of Chile's private sector in trade negotiations began in 1960, with the creation of ALALC.

At the beginning of the integration process this participation was very active, both during the initial stages and during the actual negotiations. The relationship between the industrial sector and the government was very close as was demonstrated by the fact that the president of the Sociedad de Fomento Fabril (SOFOFA) accompanied Chile's President in his official travels abroad.

At that time, Chile's main interest was to negotiate agreements with sectors in the chemical, petrochemical and pharmaceutical industry. These negotiations were concluded successfully since they provided the foundations for the development of some of the country's most important industries.

During the Andean Group's negotiations at the end of the sixties the private sector did not participate as actively, even though it was consulted. Industrial strategy considerations in product assignments took center stage during the discussions on the Sectoral Industrial Development Programs.

When the military government took power in 1973 the situation changed dramatically. Decisions were taken unilaterally without previous consultations with the entrepreneurial sector. The drastic reduction of import tariffs opened up the economy without restrictions. Within that framework, integration, and thus negotiations, did not play any role. Chile withdrew from the Andean Group and froze its participation within ALALC.

In 1980 a new constitution was adopted granting the president ample powers in the different fields of international relations. Thus, the responsibility to define trade policy and its links with international agreements was vested on the president and the entrepreneurial sector, which was used to presenting its points of view to the appropriate government officials, was left with little or no participation.

At the beginning of the eighties, the liberalization process was halted due to the severe economic crisis it had unleashed. At the same time, the commitments entered upon within the ALALC were re-negotiated within the framework of ALADI with the participation, during the consultations stage, of the entrepreneurial sector.

Beginning in 1990 and as a result of Chile's return to democracy and its re-insertion into the international community, the government attempted to create, together with the business sector, more formal consultation and participation mechanisms. It should be kept in mind that while continuing with the policy of liberalization the new authorities acknowledged that this in itself

did not insure access to markets and thus the initiative was taken to re-initiate bi-lateral negotiations with other Latin American countries within the framework of ALADI, with a view to establish free trade agreements and to launch negotiations with countries from other regions in an ambitious agenda that included the European Union, Canada, Costa Rica and Korea.

The government decided then to begin an extensive consultation process. This decision did not stem from any legal clause but rather from the political and technical need to enlist the support of the relevant economic sectors during the negotiations. This process was aimed at insuring coordination between the different state agencies as well as between the public and the private sectors.

To secure this objective the Inter-Ministerial Committee of International Economic Relations, in charge of providing the guidelines for international negotiations, and (In Chile) the Public and Private Participation Committee, in charge of providing information and analyzing, together with the private sector, the different aspects and issues to be faced in the negotiations, were created.

Even though this created a formal consultation and discussion mechanism both within the public sector and between this and the private sector, its work was not always homogeneous and, thus, it was not effective across the board. The framework of this consultation process was re-designed and suffered modifications throughout the years until it reached its current structure. Businessmen suggest that even though this mechanism grants them the possibility to participate in the negotiations, these are not always transparent and the mechanism could be improved with adequate and timely access to information. Small and medium size enterprises are particularly critical. They argue that for many years they were not taken into consideration since their opinions were sought only from the end of the nineties onward.

3. Colombia

Colombia's private sector did not participate in the negotiations to create ALALC that began at the end of the fifties, due to that country's lack of interest in the industrial complementation agreements.

Towards the end of the sixties negotiations began on the establishment of the Andean Group and the Colombian Institute of Foreign Trade (INCOMEX), initially dependent on the Ministry of Foreign Affairs, was created. This marked the beginning of the private sector's participation in foreign trade decisions.

“

In Chile the Public and Private Participation Committee is in charge of providing information and analyzing, together with the private sector, the different aspects and issues to be faced in the negotiations.

”

The Andean Group based its development plans on industrial planning by assigning to each member country specific products that could benefit from trade liberalization. The metallurgical and mechanical industry, which included a significant amount of capital goods whose production was considered as providing the foundations for development, was the one industry that attracted more interest.

As a consequence, that industry's associations, such as the Asociación Nacional de Industriales (ANDI) and, particularly, the Federación de Empresarios Metalmeccánicos (FEDEMETAL), whose opinions weighed considerably in government's decisions, played a significant role. The fact that such associations' presidents dedicated themselves exclusively to them and had, in general, considerable political weight, contributed to this situation.

Entrepreneurs did not participate directly in the negotiations but rather in the previous discussions, in what came to be called 'the room next door' in a reference to the fact that they would wait in a room next to the one where negotiations were carried out should their government's representatives require their advice. Thus, extremely important decision such as the assignments within the Industrial Development Sectoral programs were left, almost exclusively, into governments' hands.

At the beginning of the nineties, with ALALC's transformation into ALADI, the re-negotiation of commitments was undertaken and once again the entrepreneurial sector did not participate actively due to its lack of interest, at the time, in other Latin American markets outside the Andean Group.

On the other hand, as mentioned above, Colombia had not participated in any industrial complementation agreement, which represented an important part of what came to be known as historical heritage and the remaining agreements had not yet generated significant trade flows.

In the year 1990, at a meeting between the presidents of Colombia, Mexico and Venezuela, it was decided to establish a coordination mechanism called the Group of Three (G3). This led to the signing of an agreement based on the principles of the North American Free Trade Agreement (NAFTA) that represented a departure from the usual economic complementation agreements undertaken within the framework of ALADI. This new agreement encompassed issues such as technical barriers to trade, intellectual property, government purchases and the liberalization of services.

Businessmen did not participate actively in the discussions, even though they were kept informed of their development.

“

In Colombia, the establishment of the Entrepreneurial Advisory Council formalized, for the first time ever, the incorporation of the private and academic sectors in the definition of the country's negotiating position.

”

However, the Administrative Commission created to supervise compliance with the terms of the agreement did include the participation of the private sector.

Throughout the past decade Colombia's different governments carried out a policy clearly aimed at strengthening and improving existing agreements and negotiating new ones. Thus, the agreement signed with Chile within the framework of ALADI was expanded into a free trade agreement in whose control the private sector participated through its Administrative Commission.

In order to compensate for entrepreneurial associations' lack of knowledge of all the issues under negotiation and to increase their participation in the negotiations, the Inter Associations Foreign Trade Committee (CICEX) was created in the year 2000 encompassing the economic groups interested in participating in the discussions. Today an important number of associations belong to CICEX, including many that had kept a distance in the past. Yet, it is interesting to note that the major industrial association, ANDI, does not participate in CICEX.

On February 11, 2002 the Decree 246 created «Colombia's Team for Trade Negotiations» to define Colombia's position within the Andean Community, the Free Trade Area of the Americas (FTAA) and the World Trade Organization (WTO). It is to be expected that this «team» will also define positions in other forums, even though this was not stated expressively.

Two additional developments must be pointed out. One is the creation of the Entrepreneurial Advisory Council, comprising up to twenty representatives of the different sectors of production, appointed by the Minister of Foreign Trade, who are to provide a comprehensive view of the approach, needs and results of the negotiations in order to define a strategic position that may benefit the community as a whole.

Another is the decision to include in the negotiating team the participation of the Entrepreneurial Advisory Council, representatives from the public and private sectors who will be appointed by the associations of the productive sector and scholars and research centers who will provide technical support.

This decree formalized, for the first time ever, the incorporation of the private and academic sectors in the definition of the country's negotiating position, even if not in the negotiations as such.

4. Costa Rica

The private sector's participation in Costa Rica's trade negotiations varied throughout time. When discussions began on the

Central American Common Market negotiations were conducted through informal meetings and the exchange of notes between governments, thus leaving little room for the participation of the entrepreneurial sector. Businessmen felt that the Ministries of the Economy, Industry, Trade and Agriculture defended their interests.

When the development policy changed from one of import substitution to one of non-traditional exports promotion, with the establishment of the Ministry of Foreign Trade, the situation changed and entrepreneurs began to seek a more active role in the negotiating process. Within this context, by the mid-nineties the government decided to initiate with Mexico negotiations on a free trade agreement. This was signed in 1994. In this case, the decision was taken to consult extensively with the private sector during all the stages of the process, even allowing its representatives to sit on the negotiating table.

The Costa Rican government viewed the signing of the agreement with Mexico as a success and thus began negotiations with other countries of the area, beginning with the Dominican Republic. In this case again the entrepreneurial sector was allowed on the negotiating table and even though negotiations proved to be difficult from the start. The agreement was eventually approved, however its application has encountered obstacles. From then on the government was seized by what many businessmen call «a fever to sign agreements», launching negotiations with Chile, Canada and, later, Panama and Trinidad and Tobago. Based on the difficulties experienced during the negotiations with the Dominican Republic authorities decided to review the strategy regarding the participation of the private sector and from then on allow it under the «next door» modality.

When new negotiations begin the proposed text of the agreement is circulated and consultations are held with the different chambers and enterprises in order to define the national position. During the negotiations the proposed changes are notified and new consultations are carried out with the enterprises and associations that participated in the initial consultation sessions. The final text is not circulated before its actual signing, however its subjects are.

This causes some resentment among the entrepreneurial and agricultural sectors, which feel that the process is not transparent since they are not allowed to sit at the negotiating table and they are not provided all the information. On the other hand, authorities consider the negotiating process adequate, arguing that it is impossible to sit on the negotiating table more than forty chambers representing the sectors involved and even less the

enterprises that participated in the previous consultation process which, in the case, for example, of negotiations with Canada, were more than eighty.

Another important aspect to be taken into account is that the wide participation of all entrepreneurial sectors in negotiations on many of the non-tariff issues included in these agreements would not produce the expected results, given their very specific nature.

Another criticism voiced by the private sector refers to the selection of the countries with which to begin negotiations. Entrepreneurs feel that their opinion is not taken into account and that it is important to carry out ample consultations to determine which countries would be adequate trading partners and which are the delicate issues that could affect the sensitive sectors of the economy, which are basically very few and mostly agricultural.

Even though the Ministry of Foreign Trade appears to have acted adequately under the different circumstances, the economic sectors that were unhappy with the way negotiations were carried out promoted the enactment in December 2000 of the above-mentioned law 8.056 for Trade Negotiations and the Administration of Free Trade Treaties, Agreements and Instruments on Foreign Trade, which modified the legislation that established COMEX. This new law includes some important new aspects. Among other things, it establishes the functions and composition of the Foreign Trade Consultation Council that is to advise the Executive Power on foreign trade issues.

The participation of the entrepreneurial sector through the different sectoral chambers and those representing small and medium size producers in this Council, which had already been established by the 1996 law creating COMEX, increased considerably. Also, consumers were incorporated into the Council, thus meeting most economic and social sectors' demand for greater participation in trade negotiations.

Moreover, the Council's original functions were expanded to include not only its advisory role regarding foreign trade and investment policies but also the responsibility to insure the fulfillment of such policies and promote coordination mechanisms between the public and private sectors to carry out negotiations on these issues.

By promoting greater private sector participation in trade negotiations, by granting it a more significant role, the new Law 8.056 attempted to formally structure its participation and address its claims regarding the lack of information.

Up to what extent this will be achieved will depend on each of the actors involved. The importing sectors did not object to the

free trade agreements because they stand to benefit from them. They are more interested in the proper enforcement of such agreements' mechanisms than in the negotiation. The opposite occurs with the manufacturing sector. This is weary of facing competition and is thus interested in participating actively in all the stages previous to the negotiations, as well as in the negotiations as such and the administration of the agreements.

5. Mexico

Perhaps Mexico is the country in which the private sector has participated through the widest number of modalities. This is also the country where entrepreneurs participate the most in trade negotiations, having succeeded in establishing a solid structure to insure such participation.

Mexico has played a role in Latin America's integration since its beginnings, as a member of ALALC first and then of ALADI. Within the latter, it has signed a number of trade agreements with other Latin American countries. At the start of the 1990's, when the negotiations that led to the NAFTA were initiated with the USA and Canada, Mexico's trade policy took a decisive turn.

When negotiations got under way to create ALALC, Mexico was engaged in an industrialization process based on import substitution policies and the development of strategic sectors of the economy. Therefore, its interest lay in signing industrial complementarity agreements, which were basically trade agreements, in the following sectors: machinery for the generation and transmission of electric energy, office machines, electronics and communications, phonographic materials, chemical, petrochemical, hospital equipment and glass.

In all these areas Mexico's private sector played a very active role in the pre-negotiations rounds that produced proposals that were brought to the attention of the government which could accept or modify them according to its criteria before submitting them to consideration at the negotiations. Representatives from the government and the private sector sat at the same discussions' table, even though the latter as just an advisor. However, discussions were undertaken only on the sectors that were being negotiated and in which transnational corporations played a greater role being, also, the only enterprises with the capacity to send their representatives to the negotiations. At any rate, other enterprises played a more limited role.

According to those who participated in those negotiations, the representatives from the entrepreneurial sector exercised such pressure that often it was very difficult to reach a consensus,

“

Perhaps Mexico is the country in which the private sector has participated through the widest number of modalities.

”

especially one that took into account the interests of non-participating enterprises. Nevertheless, there is no doubt that even though limited to some sectors, the entrepreneurial sector's participation in the negotiations was very important and influential.

Also at the time re-negotiations began on the trade preferences agreed within ALALC and once again Mexico's private sector participated actively. As in the past, the government's representatives negotiated side by side with the representatives of the private sector, who participated in an advisory capacity. Because negotiations were undertaken by sector the participating members of the private sector represented enterprises rather than associations.

By the mid-eighties Mexico's economic policy experienced a profound change. Greater trade liberalization and the adoption of a development model based on export promotion were advocated. In order to progress in this direction the government, through the Trade and Industrial Development Secretariat (SECOFI), invited all the chambers representing the different industrial sectors to discuss and evaluate the situation of Mexico's industrial sector, its needs and export potential.

At the beginning, the private sector was a bit reticent to accept this invitation, but in view of the government's decision to carry out reforms anyway, it decided that it would be in its best interest to strengthen its structure. Thus, the Coordinating Council of Foreign Trade Associations (COECE) was created, gathering representatives from private organizations such as the Association of importers and Exporters (ANIERM), the Mexican Business Council for International Affairs (CEMAI) and the National Foreign Trade Council (CONACEX).

Ever since 1990 COECE became the government's major private sector interlocutor on all the issues related to trade negotiations, even though it lacks a legal structure and a formal calendar of meetings.

Towards the end of the eighties the Mexican government decided to begin negotiations with the USA and Canada on a free trade agreement, aware that such an endeavor would require the support and participation of the private sector. Therefore, it proposed to the Senate to initiate a process of public consultations regarding international trade relations. This was done during the mid-nineties, initiating a consultation mechanism that deeply changed relations between the government and the private sector.

In September 1990, based on a recommendation by the Senate, the Government created as the Advisory Council of the

Free Trade Agreement comprising representatives from the government, the different sectors of economic activity, agriculture, academia and labor. The private sector was to be represented by the directors of the major business associations and enterprises in key regions and sectors. This mechanism was active during the stages previous to the negotiations, during the negotiations, following them and during the Parliament's ratification process.

Ever since their initial stages it was apparent that the negotiations that would take place would be totally different from anything the private sector had experienced at the times of ALALC and ALADI, when tariffs and trade preferences for the different sectors were negotiated separately. Now the whole tariff schedule was to be negotiated and other issues such as trade administration, technical obstacles, intellectual property, government procurement, etc, were added to negotiations on sensitive issues such as the automotive, textile and agricultural sectors.

Faced with this new structure the private sector decided to establish an advisory committee for each of the issues of the negotiations. This advisory group would consult with each of COECE's sectoral groups to gather its opinions regarding the issue at hand and prepare a position. The problem arose then of how to carry out consultations during the negotiations. Once again, this was a new situation since in the past, during the ALALC-ALADI sectoral negotiations, entrepreneurs from each sector had accompanied the government's representatives at the negotiating table.

However, this was no longer possible, as each negotiating group would require the presence of entrepreneurs from the different sectors and this was difficult to manage. Also, even though entrepreneurs were knowledgeable of their own sector, in most cases they were not in a position to consider the general issues under discussion.

In order to solve this problem and maintain close contact with the private sector as the need arose, the idea of what came to be known as "the room next door" was proposed, a modality that later was applied to other negotiations. Before any negotiating meeting authorities would meet in a separate room with representatives from the different COECE groups to discuss the agenda and review the country's position. At the end of each meeting, they would meet again with the private sector's representatives to inform them of the discussions and receive their opinion. This modality was followed throughout the negotiations that concluded in December 1992. It allowed the private sector,

through COECE, to participate in the negotiations and play an important role in the development of the negotiating strategy.

Even though this modality of entrepreneurial participation proved to be rather effective to establish close links with the authorities during the negotiations, it has been criticized by some. It has been argued that because of its structure COECE tends to represent large enterprises, including banks, rather than medium or small enterprises. According to the authorities, this occurs because often small and medium sized enterprises do not participate in business chambers or associations and do not have the time or the resources to participate in meetings. Also, since these enterprises are among the most affected by economic liberalization, and due to their number and dispersion throughout the country, it has been difficult to organize their representation. On the other hand, their major concerns, for example access to financing, were not considered in free trade negotiations. In spite of such criticism, a good interrelation was established between the government and the entrepreneurial sector and the latter succeeded in establishing a structure that allowed it to be a valid interlocutor in the negotiations.

Given the private sector's successful participation in the negotiations and in order to strengthen it, in 1999 business decided to create the Mexican Foreign Trade Council (COMCE) which fused the Mexican Business Council on International Affairs (CEMAI) and the National Council on Foreign Trade (CANADEx). Its objective is to promote the development of foreign trade and investment, to act as a consultation body linking national and foreign entrepreneurs and as a communication channel between these and the public sector.

Mexico's authorities actively promoted the creation of this organization in order to gather into a single body the whole entrepreneurial sector. However, the National Association of Importers and Exporters (ANIERM), the oldest foreign trade association and the one with the largest number of associates, mostly small and medium sized enterprises, did not join COMCE, as it doubted that this type of organization, strongly influenced by large enterprises, would defend its interests.

COMCE has become a permanent deliberating body that promotes links with other countries' private and public sectors to explore the possibilities of establishing trade agreements. To this end, it has developed a structure based on geographical areas committees that are the links between each country's most important private sector organizations.

Even though SMEs are an exception, it is fair to say that ever since the end of the eighties the private sector has participated

fully in trade negotiations. Perhaps SMEs' limited participation is due more to this sector's characteristics than to a lack of will.

5. Uruguay

Uruguay has a long tradition in the process of negotiating trade agreements that began with the creation of ALALC, whose headquarters are in Montevideo, and continued with ALADI.

The private sector's participation in such negotiations followed a pattern similar to that of the other Latin American countries. Initially entrepreneurs granted technical support to the official negotiations. Their main role during this stage was to provide detailed information on the products included in the national list of preferences, as negotiations were by products and each party made concessions in those it did not produce.

In the later sectoral negotiations Uruguay's private sector played an active role, to a good extent due to the fact that they took place at the Association's headquarters in Montevideo, thus enabling the massive assistance of representatives from the different enterprises and business chambers. This permanent participation of Uruguay's private sector in all integration meetings has been a constant characteristic since the beginnings of ALALC. During the negotiations the private sector sat at the same table with the government's representatives. Their role, however, was as advisors while the official party was in charge of taking the final decisions.

In 1975 negotiations came to a standstill until the creation of the ALADI in 1980. During the following period of re-negotiation of the historical heritage the private sector played a lesser role. A military government was in power at the time and not much in favor of participation by the people.

The return to democracy put an end to the marginalization of the private sector. In 1987 Uruguay's businessmen participated actively in the discussions on the lists of products of the Regional Agreement for the Recuperation and Expansion of Trade (PREC), which was the last of the traditional product-by-product agreements and, unfortunately, never entered into force.

Throughout this period the participation of businessmen and industrial chambers had two objectives. On the one hand, to open up new markets, given the narrow internal market. On the other, to defend the internal market. Mid-sized enterprises were very active during these negotiations.

The industrial sectors adopted a more favorable position regarding integration and were the ones that lobbied the most to insure their participation in the negotiations to establish MERCOS-

SUR. The special timetables granted Uruguay to lower its tariffs to zero and the exceptions lists presented by the government's negotiators were positions the private sector had lobbied for. During this stage the entrepreneurial sector participated in the negotiations under the "next door" modality, but it played a less active role.

In October 1991, just following the signing of the Asunción Treaty, the government created the Sectoral Commission of MERCOSUR (COMISEC) as an advisory body encompassing representatives from the Executive Branch, delegates from business associations, workers and cooperatives. Initially, the Commission was very active but with time it lost dynamism. Today entrepreneurs consider that it plays a purely informative role. Its major achievement was the establishment of a nationwide information network for the private sector.

The private sector's participation in negotiations with parties outside the region, such as in the case of the WTO, was practically null. In this regard, we should keep in mind that entrepreneurs were not familiar with many of the issues under discussion, except the issue of agricultural subsidies.

In September 1999, on the occasion of the WTO meeting in Seattle, the government established an inter-ministerial commission in charge of defining the national position vis-à-vis the multilateral trade negotiations. The commission was to develop cooperation and communication links with interested sectors. In the private sector's opinion this was a very positive experience that continued long after the meeting. However, the following meetings to discuss negotiating strategies were convened with increasing irregularity until they stopped altogether. This experience evidenced that the private sector can play an important role in multilateral negotiations, even though many apparently insurmountable obstacles made it its continued participation difficult.

We may, thus, state that Uruguay lacks a formal system of consultations with the private sector. The attempts that have been made in this regard have been sporadic and, for one reason or another, did not progress.

III. General Comments

In summary, it can be stated that at the beginning of the integration processes and during many years the countries here analyzed had not developed formal structures to stimulate the active participation of the private sector in trade negotiations.

It was only in the mid nineties when some of those countries established such structure through different legal arrangements.

“
*Uruguay lacks
a formal system
of consultations
with the private
sector.*
”

This has been the case of the countries at the north of the continent and it would seem that their private sector's interest in developing participation modalities was triggered by their concern with the negotiations began within the framework of the FTAA.

This does not mean that the private sector has not participated actively in integration agreements. Such participation was channeled in two different ways. At the beginning of the integration processes negotiations were conducted by sector and product. This allowed for the selective participation of enterprises whose representatives, in most cases, sat at the negotiating table as advisors.

As negotiations progressed and the shift moved towards the signing of agreements covering the whole tariff universe, or free trade agreements that included other issues other than tariffs, it became more difficult for the private sector to participate as in the past and thus the so-called «next door» modality was introduced. This basically means that representatives from the business chambers participated in the negotiations as advisors to be called upon by government's negotiators whenever needed.

Today the «next room» modality is used by all the countries analyzed to channel the private sector's participation in trade negotiations. In general, it can be stated that entrepreneurs were consulted during the negotiations' preliminary stages but in many cases the decision to sign specific agreements was entirely political and the private sector began participating in such agreement only after their entering into force.

In most cases, the extent of the private sector's participation depended on the government negotiators' position regarding it. Thus, usually it tended to be greater when negotiators belonged to the ministries of trade and lesser when they belonged to the ministries of foreign affairs. This is understandable considering that traditionally entrepreneurs tend to have greater contact with trade authorities, even if just for administrative reasons.

One significant factor that must be underlined is private and medium sized enterprises' complaint regarding their lack of participation in the consultations previous to trade negotiations, perhaps due to this sector's excessive fragmentation. On the other hand, these enterprises' generalized lack the technical capabilities hampered their effective participation in the negotiations.

Businessmen are very informed regarding the problems faced by the products they manufacture and their economic sector. They know their strengths and weaknesses vis-à-vis competition from countries both within and outside the region. Therefore,

“

One significant factor that must be underlined is private and medium sized enterprises' complaint regarding their lack of participation in the consultations previous to trade negotiations.

”

their direct participation in the product-by-product negotiations was very effective. Today, many enterprises and business chambers are not qualified to participate actively in negotiations that include other issues besides tariffs.

Large, mostly transnational, enterprises are the exception to this. Their sizable staff with expertise in many different disciplines and issues enables them to participate in these new types of negotiations. This explains why the opinions of this sector are gaining weight in the negotiations, causing the distrust of other enterprises.

In order to insure greater participation by the private sector, governments should take a number of measures. First, they should institutionalize such participation through whatever legal instruments they consider appropriate. Second, they should define the characteristics of such participation. It should be kept in mind that the participation of very large groups encompassing different organizations has not yielded the expected results.

Not all entrepreneurial sectors share the same goals. Thus, importers' points of view and objectives differ from those of the industrial or exporting sector. Their joint participation in the negotiations may lead to their stagnation or at least delays. The complete failure of the Entrepreneurial Advisory Council (CASE), which was created to accelerate negotiations within ALADI, is a clear indication of this.

Furthermore, as future negotiations will further limit the tariff issue to exceptions lists and tariff reduction programs that are defined more or less politically, the issues that will be increasingly discussed are those that will manage trade in the future.

In order to insure a more effective participation by the entrepreneurial sector, its capacity to intervene in the negotiations should be improved. As mentioned before, businessmen knew how to participate in product-by-product negotiations in which they had the upper hand, even compared with government negotiators. Equally, they are very knowledgeable of the issues regarding the industrial sector, but less so of the new WTO modalities and mechanisms.

Many regional organizations have organized training seminars to improve negotiating capacities, but these have been aimed mostly at the official sector. The time has come to target training to entrepreneurs, particularly from SMEs, in order to provide them with a wider vision of the meaning of trade negotiations, their possibilities and risks, within the current international context.

Modalities should also be explored to insure a more active

“
In order to insure a more effective participation by the entrepreneurial sector, its capacity to intervene in the negotiations should be improved.
”

participation by the entrepreneurial sector as a whole in the different regional integration arrangements.

Actions taken to date with this aim have not been very successful. To the total failure of ALADI's Entrepreneurial Advisory Council we should add the skepticism that is beginning to emerge among businessmen regarding the functioning of the Entrepreneurial Consultation Council of the CAN and MERCOSUR's Economic and Social Consultation Forum.

The establishment of sectoral councils, as proposed by the Entrepreneurial Forum for the Development of the Regional Integration Process, held in 1995 in Santa Cruz de la Sierra, could be a solution.

Since this type of council would have a homogenous membership, discussions on issues of common interest would be more fluid. On the other hand, they could be created based on already existing regional entrepreneurial institutions such as, for example, the Pan-American Dairy Federation (FEPALE), the Association of Latin American Industrialists (AILA), the Latin American Association of Pharmaceutical Industries (ALIFAR), the Latin American Institute of Iron and Steel (ILAFA) or the Latin American Association of Electrical and Electronic Industries (ALAINEE).

Besides these mechanisms that would be aimed mostly at analyzing the problems of each sector, a structure should be devised within which to examine the common problems that affect all or most of the sectors. These are issues that have arisen during the last decade in the global economy: globalization, de-regulation and liberalization, the ever-increasing resort to non-tariff barriers and WTO regulations. On the other hand, effective mechanisms should be developed, at both the national and regional level, to insure the active participation of SMEs throughout the process.

The structure of a system of entrepreneurial participation through forums or councils and its links with countries' highest authorities is a complex issue that should be examined by some regional integration organization and its conclusions presented to the consideration of the governments of the region.

Footnotes

1. Resolutions 19/90; 22/90; 26/90; 30/90; 42/94 and 50/98.
2. The Cartagena Agreement, signed in 1969, is the legal instrument that created the Andean Group.

Are Latin America's Integration Processes Democratic?

In the author's opinion, our region's experience in the area of integration indicates that the integration arrangements and agreements signed between Latin American and Caribbean countries are not fully democratic. In some cases, this is due to the modality or degree of integration aimed at, given the priority granted to trade issues. The article also examines the role national parliaments play or should play to develop regional integration's political dimension and the democratization of the process.

¿Son democráticos los procesos de integración en América Latina?

La experiencia de nuestra región en materia de integración indica, en opinión del autor del siguiente artículo, que existe un déficit democrático en los esquemas y acuerdos de integración suscritos entre los países de América Latina y el Caribe. Esto obedece, en algunos casos, al estado o modalidad de integración intentado, por su marcado sesgo comercial. En el texto también se analiza el papel que juegan y deben jugar los parlamentos nacionales para lograr el desarrollo de la dimensión política y la democratización del proceso de integración regional.

Les processus d'intégration en Amérique Latine sont-ils démocratiques?

L'expérience de notre région en matière d'intégration indique, selon l'auteur de cet article, qu'il existe un déficit démocratique dans les schémas et accords d'intégration souscrits entre les pays de l'Amérique Latine et les Caraïbes. Ceci est dû, dans quelques cas, à l'intégration basée beaucoup plus sur l'intérêt commercial que sur autre chose. Dans le texte on analyse également le rôle que joue y que doivent jouer les parlements nationaux pour obtenir le développement de la dimension politique et la démocratisation du processus d'intégration régional.

¿São democráticos os processos de integração na América Latina?

A experiência da nossa região em matéria de integração indica, na opinião do autor do seguinte artigo, que existe um déficit democrático nos esquemas e acordos de integração suscritos entre os países da América Latina e o Caribe. Isto acontece, em alguns casos, devido à época ou modalidade de integração tentada, pela sua marcada inclinação comercial. No texto também é analisado o papel que jogam e devem jogar os parlamentos nacionais para atingir o desenvolvimento da área política e a democratização do processo de integração regional.

Are Latin America's Integration Processes Democratic?

➤ **Juan Mario Vacchino**

Advisor, Permanent Secretariat, SELA.

Presentation

Due to its multiple aspects, the democratic nature of Latin America's integration processes is an issue of complex analysis. Nevertheless, in spite of the difficulties such an analysis entails, we shall endeavor to answer the question of whether Latin America's integration processes are democratic.

Since regional integration has many dimensions and progress in such an endeavor requires policies and actions in the cultural, social, economic and political areas, it can be analyzed from different perspectives; hence it is important to specify the type of integration process we are referring to here. In the case of Latin America, during the last fifty years integration projects and arrangements have covered mostly economic and particularly trade issues. Because of this, the weaknesses of the different integration arrangements and agreements, and their long periods of stagnation, have been blamed on this «trade bias».

Therefore, in order to analyze the progress of integration in the region we must consider the economic issues and the political aspects of the process. This does not preclude an acknowledgment of the interactions resulting from integration's multifaceted nature and of the fact that, in the end, all such processes must progress simultaneously in all their aspects.

We shall base our analysis on a general observation, that is, on the existence of a «democratic deficit» within the region's integration arrangements and agreements. In some cases, this is caused by the type of integration attempted and in others by a certain authoritarian tendency within our societies. We shall pose a number of questions based on two central theses: first, that in order for integration processes to develop and strengthen they must be democratic and participatory. Second, that since our countries are participatory democracies, the parliament, as the institution that represents the people, plays a central role in

“
Regional integration has many dimensions and progress in such an endeavor requires policies and actions in the cultural, social, economic and political areas.
 ”

the development of policies and the democratization of the integration process.

Finally, we shall consider the links that exist between democracy and regional integration and the role of parliaments in the democratization of integration.

I. On the Links Between Democracy and Regional Integration

1. Must integration processes be democratic «in and of themselves»?

We shall not consider here «imperial» integration arrangements, in which one or more participating countries are politically subjugated and forced to belong to a certain bloc of nations, presided by a colonial power, with little or no degree of democracy and participation for and by the subjugated governments and people. We are concerned primarily with the phenomenon that developed during the second half of the XX century practically throughout the world: voluntary integration arrangements between sovereign nations.

Our subjects are sovereign nations that voluntarily subscribe international treaties for specific purposes, in this case, integration. The integration process that is launched by such agreements is of a «second tier» type. Its essential characteristics depend, on the one hand, on the reality, structure and policies prevailing in the countries wishing to integrate and, on the other, on the degree of commitment and depth that is sought. The theory of regional integration acknowledges the existence of different types of integration: economic preference areas, free trade areas, customs unions, common markets and economic unions. These may or may not be linked among themselves in a sequence of stages that envision different levels of commitments, requirements and responsibilities.

On the one hand, the integration process may not progress beyond an integration of markets, as is the case with the North American Free Trade Area (NAFTA), established between the USA, Canada and Mexico or the Free Trade Area of the Americas (FTAA). In these cases participating countries do not renounce any of their sovereignty nor is a community organization required other than a usually intergovernmental administrative commission and a disputes settlement system. In this type of arrangement the only acceptable democracy is that stemming from the functioning of the market, which acts as producer and consumer.

On the other hand, the integration project may continue towards deeper stages, in a process that is known as 'true integration', as opposed to mere «trade integration». This process unfolds along successive stages and objectives, as in the case of the European Union that aimed first at a 'customs union and common market', then at an 'economic and monetary union' and finally at a 'political union', with a common market, a single currency and a unified defense policy, all the while expanding its field of action and incorporating new member states.

During this process a communal institutional structure is developed and nations surrender some of their faculties to the communal authority not just in the governmental and administrative areas but also in the legal and parliamentary areas, in order to insure the balance of power, the democratic formulation of laws and preserve peoples' rights within both their nation and the community.

As we shall see later on, Latin American integration processes are far from achieving this type of integration. During integration's first decades it became apparent that integration couldn't be launched or deepened when democratic and totalitarian regimes coexist in the region. Under such scenario, only the first stages of integration, requiring few commitments, could be attempted, with many failures and long periods of stagnation.

During those initial years efforts were made to hide difficulties under euphemisms such as «integration pluralism» and «ideological pluralism», aimed at underlining that where economic integration is concerned authoritarian and democratic regimes can coexist, in spite of their differences, as long as they focus on obtaining trade benefits. It should be acknowledged that given the chronic instability of the political systems of the region (often racked by coup d'états) this was the only way to continue to explore economic integration's preliminary stages, at a time when the international community advocated free trade (through the GATT) but accepted the establishment of regional blocs after the European model. Thus, the above approach represented a plausible answer vis-à-vis the challenging economic situation and complications the countries of the region faced at the international level. In this regard, ECLAC's pioneering work and the clear vision of its Executive Secretary, Raul Prebisch, played a leading role.

The efforts carried out and the obstacles faced within the ALALC and the MCCA, both established in 1960, are a case in point. The growth of both arrangements was stunted by mutual distrust among the member countries, a situation that led even to armed encounters between Honduras and El Salvador in the

“

History has demonstrated that integration cannot be launched or deepened when democratic and totalitarian regimes coexist in the region.

”

“

The essential link between democratic regimes and integration became more apparent during the eighties, when new relationships and processes began to develop in the region.

”

«football war», so called because it was sparked by a football match between both countries' teams.

In the case of South America, ALADI, which attempted to explore possible ties regardless of whether the member countries were ruled by democratic or military regimes, and the Cartagena Agreement, which sought to strengthen integration between countries with greater similarities and thus required more institutional homogeneity, sprung from similar limitations. At the time, such were the fears and the burden of heterogeneity that even in the case of the agreement that led to the Andean Pact it was not explicitly stated that democracy and the establishment of a sub-regional parliamentary body that would democratically control the process should be the foundation of integration.

To summarize, under the circumstances described above, it was totally impossible to establish integration agreements based on democracy and participation, given that such democratic system did not prevail in the countries members of the integration project.

It should be added that none of the agreements established at that time derived from a political process shared and fully endorsed by most Latin Americans; therefore it is not surprising that the political dimension of that process was left on the back burner, if it was considered at all.

2. Are minimum and common levels of democracy required in the countries wishing to integrate?

This essential link between democratic regimes and integration became more apparent during the eighties, when new relationships and processes began to develop in the region. For example, relations between Brazil and Argentina and between Argentina and Chile became closer as reciprocal trust was re-established and old hostilities were replaced by cooperation and coordination efforts. Among the many agreements Argentina and Brazil signed at the time, was one establishing cooperation in the field of nuclear research, including reciprocal inspections of both countries' nuclear research centers.

The new context made it possible for Venezuela and Colombia to strengthen relations beyond the area of trade. Strong associations were created between both countries' public and private sectors to further promote integration.

3. Can regional integration arrangements be more democratic than the countries seeking to integrate?

Since regional integration derives from and depends on

nations, it is very difficult, if not impossible, for regional or sub-regional integration arrangements to be more democratic than the nations participating in them.

Thus, it is possible to establish a direct link between the re-establishment of democracy in the region and the new push for integration. As mentioned above, following the debt crisis of the eighties and the reinstatement of democracy in the countries of the region, important regional and sub-regional arrangements were established. While democracy had a positive effect over regional conflicts more important still were the integration agreements established between, for example, Brazil and Argentina and Venezuela and Colombia. They provided the groundwork for new developments within the Southern Cone and between the Andean countries. In the case of the latter, they led eventually to the establishment of the Andean Community of Nations (CAN).

However, it would be naïve to assume that such strides were made only thanks to our own dedication and policies. In fact, the policies applied during the eighties to face the debt crisis were replaced, at the beginning of the nineties, by policies calling for indiscriminate market access, the elimination of tariffs, privatizations, the reduction of the public sector and of the role of the state that were promoted by international organizations such as the IMF. This approach was soon followed in the integration arrangements, which appeared successful during periods of economic boom but were not equipped to face the impacts of repeated financial crises that originated in other parts of the world but increasingly affected the countries of the region.

The evolution of the integration process between Argentina and Brazil, which also involved other Southern Cone countries, is a clear example of this. Such process began in the eighties as an interventionist process, then during the nineties evolved into a market oriented project and stagnated recently following the brutal crisis faced by Argentina, a crisis that casts serious doubts on the neo-liberal model of the nineties and on integration based only on trade.

4. What role has democracy played in sub-regional integration's institutional structures?

Two major integration agreements exist in South America, the focus of our attention: the Andean Community and MERCOSUR. The first began with the Cartagena Agreement, signed in May 1969, and the second with the 1991 Treaty of Asuncion, even though it is a continuation, under different aims and with different

“

Following the debt crisis and the reinstatement of democracy in the countries of the region, important regional and sub-regional arrangements were established.

”

instruments, of the process began in the eighties by Argentina and Brazil and later expanded to include Uruguay and Paraguay as member states and Bolivia and Chile as associate states.

There are important legal and institutional differences between both arrangements. The Andean Community is the culmination of a long process that led to a number of protocols amending the original agreement and even its name, from Andean Group to Andean Community of Nations (CAN).

The Andean System of Integration comprises an extensive number of bodies and institutions. These are: The Andean presidential Council, The Andean Council of Ministers of Foreign Affairs, the Andean Community's Commission and General Secretariat, The Andean Community's Justice Tribunal, the Andean Parliament, the Business Consultation Council, the Labor Consultation Council, the Andean Development Corporation, The Latin American Reserve Fund, the Simon Rodriguez Agreement, the social agreements that enter the system, the Simon Bolivar Andean University, the consultation agreements that may be established by the Commission and any other that may be created within the framework of Andean integration.

It is interesting to point out that the concepts of supra-nationality and community law are fully incorporated in the CAN, even though their development has been somewhat limited. The Presidential Council is the political branch of the process and it adopts decisions by consensus. The Andean Council of Ministers of Foreign Affairs formulates the foreign policy of member states regarding sub-regional affairs and formulates, carries out and evaluates, in coordination with the Commission, the general policy of Andean integration.

At the same time, the Commission is a plural, non-permanent body comprised of principal alternate plenipotentiaries from the member countries (usually Ministers of Foreign Affairs or Secretaries of State). It adopts decisions by absolute majority, except in those cases detailed in the Cartagena Agreement, which nevertheless require the absence of any negative vote. The Justice Tribunal is the Andean Community of Nations' legal body and has mandatory jurisdiction over any dispute that may arise within the Community. The General Secretariat, which replaced the Agreement's Board (Junta), as the CAN's functional body, provides technical support to the other bodies, insures the application of the Agreement and the carrying out of its objectives.

MERCOSUR's institutional structure evolved from the 1991 Treaty of Asuncion, the December 1994 Protocol of Ouro Preto, which substantially reformed MERCOSUR's institutions, and the

“

The concepts of supra-nationality and community law are fully incorporated in the CAN, even though their development has been somewhat limited.

”

February 2002 Protocol of Olivos, which replaces the 1991 Protocol of Brasilia in matters referring to the settlement of disputes and creates a Permanent Court of Appeals comprising five judges who may review the decisions of the Ad Hoc Court concerning controversies' legal issues and the legal interpretation of arbitrations.

MERCOSUR comprises the following bodies: the Common Market Council, the Common Market Group, the Trade Commission, the Joint Parliamentary Commission, the Social and Economic Consultation Forum and the Administrative Secretariat. The Council, the principal body, is composed of Ministers of Foreign Affairs or the Economy who provide the political guidelines of the process. According to Article 6 of the Protocol of Ouro Preto, the Common Market Council shall meet whenever it deems necessary and at least once every six months with the participation of the member countries' heads of state. The Common Market Group is MERCOSUR's executive body. Each member state has four representatives under the overall coordination of the representative from Foreign Affairs. Sector-specific or special issues are dealt through sub-groups.

The Trade Commission is a later development and was created to review and insure implementation of the common trade policy. In 1998, the Political Consultation and Coordination Forum, a subsidiary body to the Council, was established in order to widen the scope and insure consistency in matters of political cooperation among the member states. Other organs are the Joint Parliamentary Commission, to which we shall revert later on, and the Economic and Social Forum, a consultative body that brings together representatives from the economic and social sectors of the member countries. The Administrative Secretariat is limited to support and operational tasks; it is headquartered in Montevideo and, beyond providing support services to all bodies, acts as depository of all official documents.

Even though MERCOSUR has provided the framework for the establishment of important integration commitments, such as the creation of a customs union and the coordination of macroeconomic policies with a view to establishing a Common Market, it does not envision the concepts of supranationality and communal law. The norms established by MERCOSUR's bodies are not applicable to individuals and must therefore be incorporated to countries' laws, they do not override national laws nor are they immediately or directly enforceable, as is the case with community laws. Since MERCOSUR is an intergovernmental body decisions must be reached by consensus and by all member states.

“

Even though MERCOSUR has provided the framework for the establishment of important integration commitments, it does not envision the concepts of supranationality and communal law.

”

As opposed to the European Union, where a weighted system of voting prevails depending on member countries' economy, territorial extension and population, within the CAN and MERCOSUR each country has one vote, as in the United Nations and other merely deliberating international organizations.

5. Why were the main objectives not achieved?

In our region economic integration has run counter to traditional trade and investment flows, due to mutual distrust and few contacts between the countries of the region and strong relations and trade flows with center countries, albeit to different degrees depending on the regions and periods of time.

In order to overcome this situation through regional integration several fundamental conditions were and are still needed, among them: the political will to integrate, the adoption of active policies to achieve this goal and the participation of societies in its development. As the case of the European Union demonstrates, in order for the integration process to progress to deeper stages economic and social relations between participating countries must be stronger and more varied than with the rest of the world. In this regard we are still very far from reaching our goals: after half a century of integration trade and investment flows within Latin American countries are below the levels European countries had reached when they began their integration process in the fifties.

There is no doubt that when integration processes become the concern of the people and the center of daily discussions they contribute to the development of integration, with new positive and democratic aspects. However, the big question is how to reach public opinion and make it participate in a process in which its own destiny and future is at stake? This is a difficult question to answer, however the development of a network of economic, social and trade relations in which people play a leading role, together with parliaments, to foster the political nature of the process, could be a starting point.

6. What can be done to continue to strengthen integration and make it more democratic?

The only way is to have more democracy in the member countries. However, we should differentiate here between an opening up of democracy and a return to reciprocal isolation. The latter leads, inevitably, to the impoverishment of the region and to a growing dependency on external factors.

“

There is no doubt that when integration processes become the concern of the people and the center of daily discussions they contribute to the development of integration.

”

On the other hand, we should ask ourselves within which geographical frameworks should integration processes develop? Even though there is a widespread consensus on the need to integrate as a region, the question remains whether this is possible at this time, whether all the countries of Latin America and the Caribbean can integrate simultaneously or whether we should proceed through concentric circles, first by uniting the CAN and MERCOSUR, in order to establish a united south American area, as was proposed by the heads of state who participated in the First South American Summit in the year 2000. This union would provide the basis for a wider process that could later encompass Central America and the Caribbean and, wherever possible, Mexico, which together with the USA and Canada comprises the FTAA.

Naturally, an analysis of this type of strategy is outside the scope of this paper, which focuses on the relations between democracy and integration.

II. The Parliamentary Dimension of Regional Integration

As pointed out above, since our countries are representative democracies parliament, as the institution that represents the people, must play a leading role in the development of the political dimension and the growing democratization of the integration process in the region.

In this regard, a brief review of the Latin American Parliament (Parlatino), the Andean Parliament and MERCOSUR's Joint Parliamentary Commission will provide some examples of the different levels of development reached by parliamentary institutions in the region. We shall not consider here other important examples such as the Central American Parliament (PARLACEN) and the Amazonian Parliament.

A review of the chosen parliaments' actions regarding integration processes will allow us to answer two questions: Up to what point are parliaments participating in the integration process? What actions and policies should be developed in the future to spur the integration process and make it more democratic?

1. The Latin American Parliament

Parlatino was the first political body created to defend democracy and promote integration and cooperation between the people and countries of Latin America. Its Constituent Assembly began deliberations on December 7, 1964 in Lima, when 160

“

Parliament, as the institution that represents the people, must play a leading role in the development of the political dimension and the growing democratization of the integration process in the region.

”

members of parliament from fourteen countries honored an invitation by Peru's Congress to celebrate the 140 years of the Anficonic Congress of Panama, called by the Liberator Simón Bolívar.

The Treaty for the Institutionalization of the Latin American Parliament was signed in 1987, encompassing 22 parliamentary assemblies or congresses from all Latin American countries, the Netherlands Antilles, Aruba and Surinam. Parlatino, an international organization with headquarters in San Pablo, comprises an Assembly, Permanent Commissions and a General Secretariat.

Parlatino is a deliberating assembly that formulates recommendations or declarations and has no decision or control power over other bodies or institutions in the region. Since it does not have a well-defined territorial basis, given that its membership does not correspond to that of any of the regional integration arrangements, a fact that lessens its possibilities to interact with their different bodies, its activities are limited to the promotion of regional integration and the defense of democracy and human rights. This does not, however, lessen its role as political link between the people and governments of Latin America, nor its pioneering activities for the promotion of a future Latin American Community of Nations (CLAN), a goal it has been actively seeking to achieve.

2. The Andean Parliament

The Andean Parliament, which derived from the Andean legislators' will to participate in the integration process, was established by the treaty signed in La Paz of October 25, 1979. With permanent headquarters in Bogotá, the Andean Parliament was conceived as a common deliberating body representing the Andean people whose objectives are to assist in the promotion and orientation of Andean integration, insure the respect for human rights and democracy and promote peoples' participation in the integration process.

Upon becoming, at a later date, the main body of the Cartagena Agreement, the Andean Parliament's tasks and functions expanded besides those established in the Consultative Treaty. Some of its functions are: to examine the unfolding of the integration process through the reports submitted by the system's bodies and institutions; to participate in the development of norms through the formulation of suggestions to the different bodies and to promote the harmonization of member countries' legislations. The Parliament presents its recommendations to governments, national parliaments and the different sub-regional

bodies. It adopts resolutions by simple majority, except in those cases specified in its internal norms.

Currently, the Andean Parliament is comprised of five representatives from each national congress, however within five years its members will be elected by direct and universal ballot, as established by the Protocol Amending its Treaty and the Additional Protocol on Direct and Universal Elections, which specified that such elections will be the first step towards the consolidation of democracy and Andean integration. Venezuela is the first and only member country that has already put this into practice.

One of the issues that been debated within the Andean Community, as in other integration processes, is what should be the criteria in the distribution of seats, particularly whether the principle of equality among nations should prevail or whether the size of each country's population should be taken into account to determine the number of seats. The latter system is currently being applied, with some adjustments, in the European Union but it was rejected within the Andean Community, following some suggestions to consider it. The AC has chosen to preserve the principle of equal representation, regardless of population. Should the process continue to consolidate, it is possible that the issue of population size may be taken later into account, as it is within national legislations in most countries of the region.

3. MERCOSUR's Joint Parliamentary Commission

This commission was established in December 1991, based on Article 24 of the Treaty of Asuncion according to which its objective would be to facilitate the implementation of the Common Market. Its creation was later ratified by the Ouro Preto Protocol of December 1994.

The Joint Parliamentary Commission, which represents the parliaments of member states, is entrusted with incorporating into national law the norms established by MERCOSUR's bodies, in compliance with each member country's legislative process. The Commission is a consultative and deliberating body whose functions are: To follow through the integration process and keep national parliaments informed on its developments; adopt the necessary measures for the future establishment of MERCOSUR's Parliament; create sub-commissions to analyze issues related to the integration process; issue recommendations to MERCOSUR's Council and the Common Market Group regarding the direction of the integration process and the creation of the common market. The Commission may also

establish relations with private entities from the member states and with international bodies and organizations and sign cooperation agreements with international and national entities.

The Joint Parliamentary Commission comprises 64 members of parliament (16 per country), nominated by national congresses. Their work is coordinated by an Executive Board with 4 presidents (one for each member country). It meets twice a year in one of the member countries, by successive and alternate rotation and it adopts decisions by consensus. The Commission may issue, depending on the case, declarations, recommendations and rules.

The last meeting of the Executive Board was held in Buenos Aires on April 11 and 12 of this year, under the pro-tempore chairmanship of former Argentinean President and current Senator Raul Alfonsín. During the eighties, Presidents Alfonsín and Sarney spearheaded a political process that through multiple binational cooperation and integration agreements transformed Brazil and Argentina's formerly hostile and confrontational relationship into one of cooperation and complementation. These agreements were the precursors of MERCOSUR and even of the Joint Parliamentary Commission.

Several diverse and important issues were examined during that meeting and important agreements were achieved. The meeting adopted three declarations (including the so-called Buenos Aires Declaration and the situation in Colombia), five recommendations on MERCOSUR's Social Observatory, the teaching of Spanish and Portuguese, MERCOSUR's Corporation for development and growth and three rulings regarding the creation of MERCOSUR's social, environmental and science and technology network.

During the meeting participating delegations expressed their firm support to and solidarity with the people of Argentina and agreed on the need to insure a process of solidary globalization and pointed out that within MERCOSUR integration goes beyond trade. They also stressed the need to expand integration to all of South America and the need for legislatures to participate more fully in the integration process.

III. A Few Prospects

Regarding the development of the political dimension of the integration process the European Parliament provides a significant example for its leading role in the defense of representative democracy. Even before it became an institution the European Parliament restricted its membership only to democratically

elected national parliaments (the Latin American Parliament followed this example). Thanks to its tireless efforts, the European Parliament has also gained prestige and influence over the political aspects of the integration process and the European Commission, as is evidenced by its increasing participation as co-legislator in the formulation of norms and its cooperation with the Commission and the Council regarding issues such as the incorporation of new members and relations with third countries or regions, such as Latin America and the Caribbean.

The success of the European Parliament points to the need to insist on the leading role parliaments can play to develop a consistent and firm political will that may help overcome the obstacles to integration; assist in the harmonization of national legislations and in the identification of general and sectoral common policies; contribute to the exchange of information national societies, the strides and problems of the process and channel the preoccupations, needs and questions of the civil societies of participating countries.

Naturally, much is to be done yet, but experience indicates that an active regional or sub-regional parliament, viewed as a political forum for the promotion and orientation of the integration process, will exceed its formal role to exercise a growing influence over such areas as legislative participation, the political control of the process and institutions and cooperation with other countries or regions.

“
It is necessary to insist on the leading role parliaments can play to develop a political will that may help overcome the obstacles to integration.
”

Bibliography

Basic information and documents were found on the web sites of the integration processes examined:

Latin American Parliament: <http://www.parlatino.org.br>

Andean Community: <http://www.comunidadandina.org>

Andean Parliament: <http://www.parlamentoandino.org>

MERCOSUR Secretariat: <http://www.mercosur.org.uy>

MERCOSUR's Joint Parliamentary Commission, Brazilian Section:

<http://www.camara.gov.br/mercosul>

Latin American Economic System (SELA) <http://www.sela.org>

And <http://sela2.sela.org/WM2/WM10.ASP>

ECLAC-IDB: "La integración centroamericana y la constitucionalidad regional", Mexico, February 1998.

Oberto, Luis Enrique: "Bases para la construcción de órganos suprarregionales que faciliten los procesos de integración latinoameri-

cana", offprint of Nueva Economía, Academia Nacional de Ciencias Económicas, Caracas, April 2000.

Schembri Carrasquilla, Ricardo: "Teoría jurídica de la integración latinoamericana", Published by Parlamento Latinoamericano, Sao Paulo, May 2001, it includes an extensive bibliography on this issue.

SELA's Permanent Secretariat: "Latin American and Caribbean Integration: A Necessary and Possible Endeavor", Capítulos del SELA No. 60, Caracas, May-August 2001.

SELA's Permanent Secretariat: "Guía de la integración de América Latina y el Caribe", (SP/Di No. 5-01). It presents an overview and description of the evolution, problems and prospects of Latin American and Caribbean integration. Caracas, May 2001.

Bizzozero, Lincoln: "Repensando los pilares y aristas de la construcción del MERCOSUR", Capítulos del SELA, Caracas, May-August 2001.

Mellado, Noemí Beatriz: "El modelo del MERCOSUR", Integración Latinoamericana, year I, No.2, La Plata, December 1995.

Noto, Gerardo: "Integration and Institutionalism", Capítulos del SELA, No.61, Caracas, January-April 2001.

Vacchino, Juan Mario: "La dimensión parlamentaria de los procesos de integración regional" Volume I: " Los parlamentos regionales y la integración de América Latina" (and documents annexed) and Volume II: "Los parlamentos regionales en los procesos de integración de América Latina". Internacional Seminar, Brasilia, September 1989. IDB/INTAL and Editorial Desalma, Buenos Aires, 1990.

The Johannesburg Declaration on Sustainable Development

From our Origins to the Future

1. We, the representatives of the peoples of the world, assembled at the World Summit on Sustainable Development in Johannesburg, South Africa from 2-4 September 2002, reaffirm our commitment to sustainable development.

2. We commit ourselves to build a humane, equitable and caring global society cognizant of the need for human dignity for all.

3. At the beginning of this Summit, the children of the world spoke to us in a simple yet clear voice that the future belongs to them, and accordingly challenged all of us to ensure that through our actions they will inherit a world free of the indignity and indecency occasioned by poverty, environmental degradation and patterns of unsustainable development.

4. As part of our response to these children, who represent our collective future, all of us, coming from every corner of the world, informed by different life experiences, are united and moved by a deeply-felt sense that we urgently need to create a new and brighter world of hope.

5. Accordingly, we assume a collective responsibility to advance and strengthen the interdependent and mutually reinforcing pillars of sustainable development – economic development, social development and environmental protection – at local, national, regional and global levels.

6. From this Continent, the Cradle of Humanity we declare, through the Plan of Implementation and this Declaration, our responsibility to one another, to the greater community of life and to our children.

7. Recognizing that humankind is at a crossroad, we have united in a common resolve to make a determined effort to respond positively to the need to produce a practical and visible plan that should bring about poverty eradication and human development.

From Stockholm to Rio de Janeiro to Johannesburg

8. Thirty years ago, in Stockholm, we agreed on the urgent need to respond to the problem of environmental deterioration. Ten years ago, at the United Nations Conference on Environment and Development, held in Rio de Janeiro, we agreed that the protection of the environment, and social and economic development are fundamental to sustainable development, based on the Rio Principles. To achieve such development, we adopted the global programme, Agenda 21, and the Rio Declaration, to which we reaffirm our commitment. The Rio Summit was a significant milestone that set a new agenda for sustainable development.

9. Between Rio and Johannesburg the world's nations met in several major conferences under the guidance of the United Nations, including the Monterrey Conference on Finance for Development, as well as the Doha Ministerial Conference. These conferences defined for the world a comprehensive vision for the future of humanity.

10. At the Johannesburg Summit we achieved much in bringing together a rich tapestry of peoples and views in a constructive search for a common path, towards a world that respects and implements the vision of sustainable development. Johannesburg also confirmed that significant progress has been made towards achieving a global consensus and partnership amongst all the people of our planet.

The Challenges we Face

11. We recognize that poverty eradication, changing consumption and production patterns, and protecting and managing the natural resource base for economic and social development are overarching objectives of, and essential requirements for sustainable development.

12. The deep fault line that divides human society between the rich and the poor and the ever-increasing gap between the

developed and developing worlds pose a major threat to global prosperity, security and stability.

13. The global environment continues to suffer. Loss of biodiversity continues, fish stocks continue to be depleted, desertification claims more and more fertile land, the adverse effects of climate change are already evident, natural disasters are more frequent and more devastating and developing countries more vulnerable, and air, water and marine pollution continue to rob millions of a decent life.

14. Globalization has added a new dimension to these challenges. The rapid integration of markets, mobility of capital and significant increases in investment flows around the world have opened new challenges and opportunities for the pursuit of sustainable development. But the benefits and costs of globalization are unevenly distributed, with developing countries facing special difficulties in meeting this challenge.

15. We risk the entrenchment of these global disparities and unless we act in a manner that fundamentally changes their lives, the poor of the world may lose confidence in their representatives and the democratic systems to which we remain committed, seeing their representatives as nothing more than sounding brass or tinkling cymbals.

Our Commitment to Sustainable Development

16. We are determined to ensure that our rich diversity, which is our collective strength, will be used for constructive partnership for change and for the achievement of the common goal of sustainable development.

17. Recognizing the importance of building human solidarity, we urge the promotion of dialogue and cooperation among the world's civilizations and peoples, irrespective of race, disabilities, religion, language, culture and tradition.

18. We welcome the Johannesburg Summit focus on the indivisibility of human dignity and are resolved through decisions on targets, timetables and partnerships to speedily increase access to basic requirements such as clean water, sanitation, adequate shelter, energy, health care, food security and the protection of bio-diversity. At the same time, we will work together to assist one another to have access to financial

resources, benefit from the opening of markets, ensure capacity building, use modern technology to bring about development, and make sure that there is technology transfer, human resource development, education and training to banish forever underdevelopment.

19. We reaffirm our pledge to place particular focus on, and give priority attention to, the fight against the worldwide conditions that pose severe threats to the sustainable development of our people. Among these conditions are: chronic hunger; malnutrition; foreign occupation; armed conflicts; illicit drug problems; organized crime; corruption; natural disasters; illicit arms trafficking; trafficking in persons; terrorism; intolerance and incitement to racial, ethnic, religious and other hatreds; xenophobia; and endemic, communicable and chronic diseases, in particular HIV/AIDS, malaria and tuberculosis.

20. We are committed to ensure that women's empowerment and emancipation, and gender equality are integrated in all activities encompassed within Agenda 21, the Millennium Development Goals and the Johannesburg Plan of Implementation.

21. We recognize the reality that global society has the means and is endowed with the resources to address the challenges of poverty eradication and sustainable development confronting all humanity. Together we will take extra steps to ensure that these available resources are used to the benefit of humanity.

22. In this regard, to contribute to the achievement of our development goals and targets, we urge developed countries that have not done so to make concrete efforts towards the internationally agreed levels of Official Development Assistance.

23. We welcome and support the emergence of stronger regional groupings and alliances, such as the New Partnership for Africa's Development (NEPAD), to promote regional cooperation, improved international co-operation and promote sustainable development.

24. We shall continue to pay special attention to the developmental needs of Small Island Developing States and the Least Developed Countries.

25. We reaffirm the vital role of the indigenous peoples in sustainable development.

26. We recognize sustainable development requires a long-term perspective and broad-based participation in policy formulation, decision-making and implementation at all levels. As social partners we will continue to work for stable partnerships with all major groups respecting the independent, important roles of each of these.

27. We agree that in pursuit of their legitimate activities the private sector, both large and small companies, have a duty to contribute to the evolution of equitable and sustainable communities and societies.

28. We also agree to provide assistance to increase income generating employment opportunities, taking into account the International Labour Organization (ILO) Declaration of Fundamental Principles and Rights at Work.

29. We agree that there is a need for private sector corporations to enforce corporate accountability. This should take place within a transparent and stable regulatory environment.

30. We undertake to strengthen and improve governance at all levels, for the effective implementation of Agenda 21, the Millennium Development Goals and the Johannesburg Plan of Implementation.

Multilateralism is the Future

31. To achieve our goals of sustainable development, we need more effective, democratic and accountable international and multilateral institutions.

32. We reaffirm our commitment to the principles and purposes of the UN Charter and international law as well as the strengthening of multi-lateralism. We support the leadership role of the United Nations as the most universal and representative organization in the world, which is best placed to promote sustainable development.

33. We further commit ourselves to monitor progress at regular intervals towards the achievement of our sustainable development goals and objectives.

Making it Happen!

34. We are in agreement that this must be an inclusive process, involving all the major groups and governments that participated in the historic Johannesburg Summit.

35. We commit ourselves to act together, united by a common determination to save our planet, promote human development and achieve universal prosperity and peace.

36. We commit ourselves to the Johannesburg Plan of Implementation and to expedite the achievement of the time-bound, socio-economic and environmental targets contained therein.

37. From the African continent, the Cradle of Humankind, we solemnly pledge to the peoples of the world, and the generations that will surely inherit this earth, that we are determined to ensure that our collective hope for sustainable development is realized.

The Declaration of Bávaro

1. The Heads of State and Government of the twenty one Iberoamerican countries, meeting on the occasion of the XII Iberoamerican Summit, on November 15 and 16 of 2002, in the Bávaro Municipality, Dominican Republic, committed to the goals of closer links between our peoples, who share similar cultural values and a common aim to strengthen the rule of law and democracy and forge cooperation links with a view to insuring sustainable development and social equity, as well as better and more effective participation in a globalized world, have agreed on the following Declaration:

2. We reaffirm our support to the aims and principles of international law consecrated in the United Nations Charter, the respect for the sovereignty of states and equality before the law, the principle of non-intervention, the non use or threat of force in international relations, respect for territorial integrity, the pacific solution of disputes and the protection and promotion of all human rights. We reiterate our commitment to the promotion, consolidation and preservation of democracy and all peoples' right to choose their political system freely and to the acknowledgement of their cultural identity.

3. In our common aim to strengthen the democratic system, thus insuring democratic governance, we acknowledge the need to promote and continue to support actions aimed at consolidating a democratic culture and the rule of law, based on freedom, peace, tolerance, social and citizens' participation and social justice. At the same time, we underline the importance of those institutions that insure transparency and efficiency in the actions of governments, political parties, groups and other entities representing civil society, as well as a more active participation by the people in matters relating to public life.

4. We reaffirm the effectiveness and importance of multilateralism and open regionalism as the most appropriate context for

tackling the Iberoamerican dialogue and cooperation agenda on issues of common interest.

5. The Heads of State and Government of the Iberoamerican community, aware of the need to improve the summits' mechanisms in order for the Iberoamerican society to strengthen its relations and benefit from its potentials, suggest that the President of the Federal Republic of Brazil, Fernando Henrique Cardoso, preside, upon completing his mandate, a working group in charge of examining the specific measures and initiatives that may be undertaken, in accordance with the following terms of reference:

- Establish a group of collaborators of his choice who, under his coordination, shall initiate the above analysis.
- Present its conclusions to the XII Iberoamerican Summit that will be held in Bolivia in 2003.

This analysis must pursue two objectives:

1. Insure greater internal cohesion within the Iberoamerican community.
2. Insure a greater presence of the Iberoamerican community as a whole upon the international stage.

The mandated analysis could focus on the following specific aspects, among others:

- a) A greater institutionalization of the system of conferences. Consider the possibility of raising the rank of the SECIB by creating a Permanent Iberomerican Secretariat.
- b) An analysis of the mechanisms and procedures needed in order to make Iberoamerican cooperation more effective, avoiding the current system's rigid structure.
- c) A review of countries' petitions to join the Iberoamerican Summits.

6. We reiterate our strong rejection of the unilateral application of extra-territorial laws or measures, which run counter to international law, the freedom of markets and world trade. Thus, once again, we exhort the government of the United States of America to put an end to the enforcement of the Helms-Burton Law, in accordance with relevant United Nations' General Assembly's resolutions.

7. We express our satisfaction for the entering into force of the Statute of Rome that creates the International Penal Court to investigate and sanction crimes against mankind and war crimes,

which seriously affect the international community. Therefore, we congratulate the States that are parties to such statute and stress the importance of universal ratification and adherence.

8. We renew our commitment to fight, with a comprehensive outlook, against terrorism in all its forms and manifestations wherever it may manifest itself and whomever participates in it, to deny assistance or refuge to the authors, promoters or participants of terrorist activities. Similarly, we shall fight it by strengthening national legislations to prevent impunity and bolster international cooperation in all areas to prevent, fight against and sanction these type of activities that threaten life, peace, democratic stability and development, in accordance with the United Nations Charter and fully respecting international law, including human rights and the norms of humanitarian law.

9. We reaffirm our commitment to the struggle against the world drug problem and related crimes, from a comprehensive and balanced perspective and based on the principles of shared responsibility and cooperation. In this regard, we underline our will to continue with our efforts to fight against the production, trafficking, distribution of all illicit drugs, including marihuana, as well as money laundering, to prevent their use and stimulate alternative development whose sustainability depends on greater market opening for substitution goods. Similarly, we renew our will to tackle the problem of illegal synthetic drugs.

10. We reaffirm our commitment to prevent, fight and eliminate all aspects of the illicit traffic of small and light weapons by strengthening world and regional cooperation on this issue and in accordance with the recommendations of the "United Nations Action Program on the Illegal Traffic of Small and Light Weapons".

11. In view of the devastating effect on the population of anti-personnel mines and their social and political effect on mined areas, we stress the importance of the IV Conference of Member States Parties to the Ottawa Convention. We also reaffirm our expectations that solutions be found to eliminate this problem in order to alleviate the victims' situation, stimulating their full reinsertion into society and to improve the social and economic situation on mined areas. In this regard, we call on those States that possess the necessary resources and appropriate technology to offer or continue offering their assistance.

12. We commit ourselves to working together to insure the implementation of the action program of the "World Conference Against Racism, Racial Discrimination, Xenophobia and Other Related Forms of Intolerance", approved in Durban in 2001.

13. We reaffirm our commitment to transparency in public management and to the fight against corruption. Keeping in mind the decisions adopted at the "VIII International Conference Against Corruption", held in Lima in 1997, and in the Declaration of Margarita of the VII Iberoamerican Summit held in 1997, we shall strengthen the programs aimed at fighting corruption and establish evaluation mechanisms that may allow us to measure the progress made in this area. Similarly, we shall actively promote the negotiation of the draft "United Nations Convention Against Corruption", with a view to convening a political high-level conference to sign the convention.

14. We pledge to follow up on the Doha's work program, in order obtain greater market liberalization, including the application of special and differential treatment, to stimulate developing countries' integration into the world economy. To this effect, we shall call on WTO's member countries to fulfill the Doha's work program, thus contributing to an open, competitive economy free of monopolies, protectionist arrangements and trade distorting practices that may promote the full insertion of developing countries and small economies into the world trading system, within the framework of compliance with the commitments entered upon at the IV WTO Ministerial Conference.

15. Within this context, we also reaffirm our will to comply with the commitments entered upon at the "International Conference on Development Financing", held in Monterrey, which acknowledged the importance of improving access to all markets for the products of developing countries, including landlocked countries. Also, in regard to the mobilization of international and internal resources towards programs and projects aimed at reducing poverty and increasing development cooperation.

16. We advocate an effective, just and lasting solution to the external debt problem that affects many Iberoamerican economies. We underline the need to deepen international efforts so that countries with debt servicing problems may regain economic solvency in the shortest time possible and their capacity to access needed financing in international financial markets. In this regard, we reiterate the importance of multilateral negotia-

tions and initiatives aimed at alleviating this problem. At the same time, we believe that the opening up of markets, or better access to them, allows indebted economies to retain their exports as sources of income. We call upon the major financial institutions such as the International Monetary Fund, the World Bank and the Anti-American Development Bank, together with governments, to deepen their tasks aimed at preventing and solving the financial crisis that affects specific Iberoamerican economies and to evaluate, together with the affected countries, formulas to alleviate the unbearable debt burden, keeping in mind each country's realities and needs.

17. With a view to increasing people's standard of living and reducing poverty among the most vulnerable sectors, we emphasize the need to promote policies aimed at creating productive jobs that may strengthen our people's labor capacities, our economies' competitiveness and open up national and international markets.

18. We call attention to the results of the II EU-LAC Summit, held in Madrid last May, which without a doubt represented a significant push for the consolidation of the strategic association established in the first Summit held in Rio de Janeiro. Once more, we stress our resolute will to participate actively in the preparation of the III Summit that will be held in Mexico in 2004.

19. We reiterate the commitments entered upon at the Bariloche Summit, in the acknowledgement that education is a fundamental factor for development, social equality and the strengthening of a democratic society. In this regard, we understand that it is imperative that investments in education be increased, as well as cooperation programs aimed at improving the quality of education, equality of opportunities, civil education and the capacity and labor competitiveness of the Ibero American people.

20. We agree to continue our efforts to insure that by the year 2015 all of Iberoamerica will have access to free and compulsory early and primary education, with a view to increasing the standard of living of our peoples.

21. We aim for a better and more effective economic integration of our countries into the globalization process. To this end, we undertake as a priority task the reduction of the asymmetries prevailing in the global economic system. Within this context, we

underline the progress made in regional integration and we commit ourselves to carry out all necessary efforts to intensify the processes that are underway.

22. We acknowledge that continued technical and financial international cooperation is essential for intermediate income and development countries as a complement to their efforts to institutionally strengthen the democratic system and fight poverty. Therefore, we urge the international community, particularly donor countries and international financial institutions, to take into account, when defining their assistance programs, not only national macroeconomic indexes and their variations, but basically the local human and social development indexes, so that Official Development Assistance may be targeted to the eradication of poverty by receiving countries, in a transparent, effective and efficient way, as needed.

23. We acknowledge the economic and social importance of the agricultural and livestock sector to insure the feeding and well being of our people. Therefore, and without pre-judging its results, we reaffirm our commitment, entered upon in Doha, to carry out global negotiations aimed at securing significantly greater access to markets, the reduction of all types of export subsidies, with a view to insure their progressive elimination and significant decreases in the internal assistance that distorts trade.

24. We assign particular importance to the programs for the management and protection of natural resources, particularly the Iberoamerican action plan for the protection and sustainable exploitation of water resources, the hydrographic basins, the treatment of residues with the widest coverage in the region, agricultural production, re-forestation and soil and water preservation for the strengthening of sustainable and competitive agricultural, livestock and forestry activities and to insure plans for the normalization of the quality of water for different uses and the comprehensive management of residues for the whole Iberoamerican community.

25. In order to continue to improve the quality of life of people in rural areas, we shall support specific programs in basic areas of agricultural and livestock production such as: the labor market, production and roads' infrastructure, technical assistance, access to credit, water and energy, education, health and housing.

26. We deem it necessary to maintain a balance between the intensification of agricultural and livestock production and the sustainable management of natural resources and a decrease in the economic vulnerability of families that work the land. We acknowledge that the transfer of technology and technical and scientific cooperation are adequate tools to achieve this balance. To this end, we shall support research programs for the development of the agricultural and livestock sector and its articulation at the local, national, regional and global level. We urge regional and international financial organizations to target greater resources to the financing of such programs.

27. We value the results achieved by the World Summit on Sustainable Development (Johannesburg, 2002) and we reaffirm our conviction that all necessary efforts must be undertaken to adopt and implement, in a speedy and integral manner, the 'Agenda 21 Implementation Plan', as well as to make progress towards sustainable development through its interdependent pillars of economic and social development and the protection of the environment. We reiterate that poverty eradication, as well as changes in unsustainable patterns of production and consumption and the protection and management of the natural resource base of economic and social development, are essential requirements for sustainable development.

28. We equally recognize, as established by Agenda 21 and in the 'Millennium Declaration' goals, the importance of taking effective measures towards improving quality of life and the sustainable safeguard of the environment through strategic partnerships among different sectors of society. We value those efforts undertaken by Mountain Countries in order to achieve sustainable development through production processes capable of increasing economic and environmental benefits for their peoples, in particular through the promotion of sustainable tourism.

29. We value the commitment undertaken at the Johannesburg Summit to reduce by half, by 2015, the percentage of people without access to or unable to pay for fresh water, and the percentage of those without access to basic sanitation.

30. We reiterate our growing concern for the continued deterioration of the environment and the natural resource base at the global level and we appeal for a fulfillment of agreed multilateral commitments, taking into account, in particular, the principle of

common but differentiated responsibilities, and underlining the Rio Principles, Agenda 21, and the 'Johannesburg Implementation Plan'. We equally recognize the importance of the decision taken at the Johannesburg Summit to convene negotiations within the framework of the Convention on Biodiversity on an international regime to preserve, promote and safeguard in a just and equitable manner benefits derived from the use of genetic resources. We call for ratification of international treaties such as the United Nations Framework Convention on Climate Change and the Kyoto Protocol, so they might enter into force in 2003.

31. We concur on the importance of safeguarding the environment, which implies that both humanity's basic needs and the demands placed on it by economic growth and technological progress must be in harmony with nature and insure for future generations an environment appropriate for the planet's stability.

32. We recognize the need for our governments to support market networks at the national level and to promote exports of agricultural goods. We equally recognize the importance for sustainable agricultural development of land property titles and a reinforced agricultural infrastructure.

33. We acknowledge tourism as an essential resource for the economic, social and cultural development of the Iberoamerican community's economies due to its recognized contributions to employment, foreign exchange earnings, the rational use of non renewable resources; its contributions to the promotion of peace and culture at the global level; and its contributions to regional development and to enhanced mutual knowledge amongst our peoples.

34. We equally foster the eco-sustainable development of tourism, compatible with biodiversity and the stability of biological resources. We recognize that protected areas are at the base of tourism's sustainable development, in particular eco-tourism, and that it is necessary to fully respect both their territorial integrity and the principle of conservation of their biodiversity and the environmental services such biodiversity provides.

35. While fully convinced that air transportation - presently undergoing a serious crisis - represents a strategic sector for our nations' development and integration, we note with satisfaction that, following the mandate by the IX Iberoamerican Summit held in Lima, a Ministers of Transportation Forum has been estab-

lished and several technical meetings held in order to insure that through greater competitiveness the development of the sector in the region becomes sustainable. We urge the ministers and all other involved parties to continue in their endeavors to achieve efficient public policies and insure such updated legal and institutional frameworks as are needed to foster employment creation and the competitiveness needed for the development of the air transportation sector.

36. As expressed in previous Summits, we reiterate our concern for the risks inherent to the transportation of radioactive materials and toxic waste through sea-lanes close to the coasts of member countries, due to the inherently dangerous nature of such shipments. We underline the importance of abiding by the security standards established by the International Atomic Energy Agency (IAEA), the International Maritime Organization (IMO), the International Civil Aviation Organization (ICAO) and those included in the United Nations Convention on the Law of the Sea and the Convention on Biodiversity. We call for the establishment of rules on effective and timely information on routes to be followed by such shipments, on immediate recovery, and on effective responsibilities in this field. We equally ratify our commitment to work towards a strengthened international legal framework in relation to security for this kind of transportation.

37. We recognize that since one of the main features of globalization is the development of new information and communication technologies, which foster a greater spread of knowledge, cooperation plans must be developed in order to allow our peoples to better profit from the opportunities such technologies offer and, at the same time, successfully confront the challenge posed by the tendency towards a cultural homogeneity they favor. In defense of our cultural identity, we underline the importance of access to the new information and communication technologies and to the development of specific programs geared towards reducing the technology gap among countries.

38. We welcome the convening by the United Nations of the World Summit on the Information Society, to be held in two stages: Geneva 2003 and Tunis 2005. We consider that this Summit will offer a unique opportunity for all the key actors in the world community to shape a common vision on the use of information technologies for development and to achieve a better understanding of this technological revolution and its economic, social and cultural impacts. Among the main challenges to be

addressed are the digital divide, the free flow and equitable access to information and knowledge, the greater participation by our countries in a democratic and transparent administration of the world wide web, and the need to reach a consensus on the ethical rules and principles needed to allow the development of a true information society.

39. We positively value the inputs provided by migrants to the economies and societies of origin and destination, as well as the assimilation efforts undertaken by immigration receiving countries. We reiterate the commitment by our nations to respect the rights of migrants and to offer them a just and egalitarian treatment based on national and international law, and on the full respect of their human rights. We shall foster cooperation programs between countries of origin and destination in order to establish legal and orderly migration processes, while at the same time we commit ourselves to continue to fight against the traffic of persons, in particular of boys, girls and women, as well as the trade in human persons, linked to the former and geared towards their exploitation

40. We acknowledge that it is important to eliminate all forms of discrimination against women, particularly those who live under vulnerable conditions such as our countries' poor urban and rural areas. We reiterate our commitment to eradicate all forms of violence against women, insure their rights under conditions of equality and equity and promote their greater participation in politics. We shall also intensify our efforts to increase women's opportunities for education, health, social security, employment and access to credit in order to contribute to their development for society's progress.

41. We pledge to strengthen the programs aimed at protecting youth and adolescents that promote education and the values included in the Convention on the Rights of Children. We reiterate our determination to uproot all forms of child labor.

42. We reiterate our concern with the great threat the HIV/AIDS pandemic poses to our countries' economic and social development and we urge the international community to comply with the Declaration of Commitment agreed upon at the United Nations' General Assembly 's Special Session on HIV/AIDS (June 2001) and to carry out efforts to insure the highest possible level of health for all those affected, contribute with new and additional resources and implement comprehensive research,

prevention, treatment and support programs, particularly in the affected countries. We also reiterate the need to increase international cooperation and efforts aimed at insuring the availability of drugs at reasonable price, in accordance with the Doha Declaration on intellectual property and the right to health.

43. We stress the importance of strengthening measures to prevent, mitigate and reduce natural and technological disasters through the incorporation of risk management techniques in the strategies, plans and projects aimed at nations' development, placing particular emphasis on the reduction of our communities' vulnerable conditions. Similarly, we pledge to strengthen the institutions that specialize in risk management and the prevention of and attention to emergencies and disasters and to promote the improvement of their coordination mechanisms at the Iberoamerican level.

44. We acknowledge that it is important that tourist programs in archeological areas and those with indigenous populations be carried out with the appropriate strategic planning, in accordance with the needs of each community and each country's characteristics and legislation. Also, such programs must strive to protect nature, local and indigenous cultures, their buildings and monuments as well as their traditional cultural practices, preserving and developing the valuable cultural heritage of the Iberoamerican region. Aware of their diversity and richness, we shall promote, together with indigenous communities, the private sector, civil society organizations and those interested in tourism development, the implementation of sustainable tourist projects shared with local communities that may insure the protection of their natural, social and economic resources and improve their quality of life.

45. We acknowledge the evolution of the following issues examined during the XI Iberoamerican Summit in Lima:

- The II World Assembly on Aging (Madrid, 2002) approved by unanimity a Political Declaration and an International Plan of Action aimed at including the issue of aging in development strategies and the fight against poverty. We interpret this as a decisive step forward vis-à-vis the challenges posed by the aging population, particularly in less industrialized countries.
- The World Food Summit: Five Years Later (Rome, 2002) took the initiative of launching an international alliance against hunger. This reflects the need for all countries to participate in the alleviation and elimination of hunger in the world, thus

reaffirming the objectives established at the 1996 Summit, particularly that of reducing by half the number of hungry people in the world by the year 2015.

Iberoamerican Cooperation

46. We reaffirm the role of cooperation as an instrument of solidarity and as an expression of political, economic, social and cultural bonds that reinforces the sense of identity and belonging to the Iberoamerican community. Iberoamerican cooperation fosters and assists in the development of relations amongst our peoples and represents an effective mechanism to give impulse to actions geared towards sustainable development, the protection of the environment, overcoming poverty, the promotion and respect of human rights and of democratic values.

47. The flexibility of the Iberoamerican cooperation system allows for new thematic areas, new modalities of cooperation, private and public actors, as well as for synergies with other international cooperation initiatives by way of exchanges of knowledge, experience and best practices. In this context, we take note with satisfaction of the progress achieved by the different programs and projects included in Annex 1.

48. We reiterate our appreciation for the work carried out by the Iberoamerican Cooperation Secretariat, SECIB, which formally became an international organization on May 2, 2002, and we confirm our support so that it may continue to fulfill the mandates issued by this Summit.

49. We consider it necessary to carry out an in-depth and wide-ranging study of Iberoamerican cooperation which takes into account the present international situation. We entrust such studies to the Cooperation Coordinators, with the support of the Iberoamerican Cooperation Secretariat, SECIB.

50. We acknowledge the participatory approach taken by the Fund for the Development of the Indigenous Peoples of Latin America and the Caribbean, whose Board of Directors, at its XVIII session, in agreement with the mandate by the XI Iberoamerican Summit, approved its restructuring and re-launch plan. We equally recognize those countries which have made financial or other contributions to the Fund. We reaffirm our determination to continue to support the consolidation of the Fund and we call

upon bilateral and multilateral cooperation organizations to equally continue to give it their support.

51. We value the importance of technical cooperation among developing countries (TCDC) within the overall framework of international cooperation. As a complement to Official Development Assistance (ODA), TCDC represents an effective instrument to be permanently renewed and broadened by way of trilateral agreements with third countries or international organizations.

52. We instruct the Iberoamerican Cooperation Secretariat, SECIB, to take appropriate measures in order to look for additional financial resources for Iberoamerican cooperation activities, involving civil society at large, including therein the private sector.

53. We acknowledge the important role played by the National Focal Points in all that refers to Iberoamerican cooperation and we recommend that all necessary measures be adopted so that, if need be, they be reinforced.

54. We express our satisfaction for the progress achieved by the Audiovisual Development Program in support to the development of a Latin American audiovisual space, and we reaffirm our intention to conclude, on occasion of the XIII Summit, the linkage between the Iberoamerican Cooperation Secretariat and IBERMEDIA.

55. Aware of the importance of coordinating assistance in cases of natural disasters we approve the project Web-site Application in Emergency Cases (ARCE) as a program of Iberoamerican cooperation.

56. Aware of the challenges the information society represents for our peoples and in compliance with the mandate of the XI Iberoamerican Summit to promote cooperation initiatives leading to the establishment of a virtual Iberoamerican community, we value the progress made by the CIBERAMERICA initiative and we instruct the SECIB to follow up on it, to include it as an Iberoamerican cooperation program.

We welcome the invitation of the Government of Bolivia and we agree to hold the XIII Iberoamerican Summit of Heads of State and Government in the Republic of Bolivia in the year 2003.

We are pleased to accept the invitation of the President of the Republic of Costa Rica, Dr. Abel Pacheco de la Espriella, to hold in that country the XIV Iberoamerican Summit of Heads of State and Government in the year 2004.

We express our sincere gratitude to President Hipólito Mejía and to the people of the Dominican Republic for their hospitality and kindness on the occasion of the XII Iberoamerican Summit at Bavaro.

Annex I

Program and Iberoamerican Cooperation Projects

1. Alphabetization and Basic Adult Education Program
2. Mutis Scholarship Program
3. Iberoamerican Educational Television Program (TEIB)
4. Iberoamerican Program for Science and technology for Development (CYTED)
5. Audiovisual Development Program in Support of the Building of an Iberoamerican Visual Space (IBERMEDIA)
6. Iberoamerican Program for Urban Strategic Development (CIDEU)
7. Fund for the Development of the Indigenous Peoples of Latin America and the Caribbean (Fondo Indígena)
8. Iberoamerican Inter- Institutional program for the Development of Small and Medium Sized Enterprises (IBERPyme)
9. Program of the Iberoamerican Foundation for Quality Management (FUNDIBEQ)
10. Network of Iberoamerican Diplomatic Archives (RADI)
11. Program for the Development of National Libraries in Iberoamerican Countries (ABINIA)
12. Support to the Development of Iberoamerican Archives (ADAI)
13. Iberoamerican Cooperation Program on Public Libraries (PICBIP)
14. Integrated List of Books for Sale in Iberoamerica Program (RILVI)
15. Iberoamerican School of Government and Public Policies (IBERGOP)

Ministerial Declaration of Quito

1. We, the Ministers Responsible for Trade in the Hemisphere, representing the 34 countries participating in the negotiations of the Free Trade Area of the Americas (FTAA) held our Seventh Ministerial Meeting in Quito, Ecuador, on 1 November 2002 with the intent to review progress in the FTAA negotiations so as to establish guidelines for the next phase of these negotiations, which are to conclude no later than January 2005 in accordance with the terms agreed by our Heads of State and Government at the Third Summit of the Americas, held in Quebec City in April 2001, and to seek its entry into force as soon as possible thereafter, but in any case no later than December 2005, and we commit ourselves to meeting these goals.*

2. We recognize the significant contribution that economic integration, principally through the FTAA, will make to the attainment of the objectives established in the Summit of the Americas process, including strengthening democracy, creating prosperity and realizing human potential. We reiterate that the negotiation of the FTAA will take into account the broad social and economic agenda contained in the Miami, Santiago and Quebec City Declarations and Plans of Action with a view to contributing to raising living standards, increasing employment, improving the working conditions of all people in the Americas, improving the levels of health and education and better protecting the environment.

3. We note with satisfaction that the process of building the FTAA advanced in this, the third, 18-month phase, under the chairmanship of the Republic of Ecuador despite the deterioration in current global and hemispheric economic conditions and heightened international tensions in the political and social arenas that have been evidenced in recent times. We register our concern over this situation, which is characterized by a decline in international trade and investment flows. We reiterate our commitment to avoid, to the extent possible, adopting policies or

measures that may adversely affect regional trade and investment. With the intent of contributing to the expansion of world trade, we reaffirm our commitment that the results of the FTAA shall not raise additional barriers to other countries.

4. Among the achievements of this third phase of negotiations we wish to single out the fulfillment of tasks necessary for fulfilling the terms of the Buenos Aires Ministerial Declaration, fundamentally the elaboration of a second draft of the consolidated chapters prepared by the Negotiating Groups and the preliminary work of the Technical Committee on Institutional Issues (TCI) on the general and institutional aspects of the future FTAA Agreement, the initiation of market access negotiations in agricultural and non-agricultural goods, services, investment, and government procurement on 15 May 2002; the approval of the methods and modalities for negotiation to be applied in the next phase of the process and setting of the timetable for the exchange of market access offers with initial offers beginning on 15 December 2002;¹ the definition of modalities on the notification of the base tariff, the approval of the guidelines or directives for the treatment of differences in levels of development and size of the economies; and the Hemispheric Cooperation Program (HCP) which is attached in Annex III to this Declaration.

5. We reaffirm the principles and objectives that have guided our work since the First Summit of the Americas, in particular, the basic principle of consensus in decision making within the FTAA process and the achievement of a balanced and comprehensive agreement that is also consistent with the rules and disciplines of the World Trade Organization (WTO). We reaffirm that the result of the FTAA negotiations shall constitute a comprehensive single undertaking that incorporates the rights and obligations that are mutually agreed for all member countries. We reiterate that the FTAA can coexist with bilateral and sub-regional agreements, to the extent that the rights and obligations under these agreements are not covered by or go beyond the rights and obligations of the FTAA. We confirm the importance of making continuous, balanced, and substantial progress in all subject areas under negotiation, and also reiterate the need for the negotiating process to be conducted in a transparent and flexible manner so that all FTAA countries consider the results of the negotiating process to be balanced. We also reiterate that the rights and obligations of the FTAA shall be shared by all the countries.

6. We reaffirm our commitment to take into account in designing the FTAA, the differences in levels of development and size of economies in the Hemisphere, in order to ensure that these economies participate fully in the building of, and benefits resulting from, the Agreement and to create opportunities for these countries. We therefore welcome the incorporation of this commitment in document FTAA.TNC/20/Rev.1 as one of the general principles of the methods and modalities for the negotiations in the areas of market access, agriculture, investment, services, and government procurement.

7. We reiterate that one of our general objectives is to strive to make our trade liberalization and environmental policies mutually supportive, taking into account work undertaken by the World Trade Organization and other international organizations, and to promote sustainable development in the Hemisphere.

8. We further recognize the importance of strengthening throughout the Hemisphere, national actions and cooperation in order to ensure that the benefits of trade liberalization, the protection of the environment, and human health are mutually supportive.

9. We also propose to secure, in accordance with our respective laws and regulations, the observance and promotion of internationally-recognized core labor standards, renewing our commitment to observe the International Labour Organization (ILO) 1998 Declaration on Fundamental Principles and Rights at Work and its Follow-up, acknowledging that this organization is the competent body to promote, set and deal with these core labor standards.

10. We note that the Inter-American Conference of Ministers of Labor (IACML), acting on the Declaration and the Plan of Action of the Quebec City Summit, established at its Ottawa Conference (2001) a Working Group on the Labor Dimensions of the Summit of the Americas process, to examine *inter alia* questions of globalization related to employment and labor, and we would appreciate receiving a report on the results thereof.

11. We reject the use of labor or environmental standards for protectionist purposes. Most Ministers recognized that environmental and labor issues should not be utilized as conditionalities nor subject to disciplines, the non-compliance of which can be subject to trade restrictions or sanctions.

12. We consider that the establishment of the FTAA, through increased trade flows, trade liberalization and investment in the Hemisphere, shall contribute to growth, job creation, higher standards of living, greater opportunities, and poverty reduction in the Hemisphere. For this to be possible, the establishment of the FTAA shall promote the application of policies oriented to economic development, promoting the generation of employment and the effective operation of labor markets in the Hemisphere.

13. We also recognize the importance of encouraging the promotion of financial policies that are conducive to the growth of hemispheric trade and investment, which could help address the external debt problem of some countries in the Hemisphere.

14. We also recognize the progress achieved in the implementation of the obligations assumed by our governments within the context of the Uruguay Round of multilateral trade negotiations, as well as the activities associated with the work program agreed at the Fourth Ministerial Conference of the World Trade Organization, which took place in Doha, in November, 2001. We reaffirm our commitment to complete the negotiation of the Doha Development Agenda by January 2005. Given that the FTAA will be compatible with and will build on the WTO, where possible, our negotiations must take cognizance of the ongoing developments in the WTO, which constitute part of the Doha Agenda. In this regard we attach importance to achieving the objectives of particular interest to FTAA countries.

15. We ratify the importance of agriculture for the economies of the region, the integral and non-discriminatory treatment of which in the FTAA negotiations will contribute to generating employment, reducing poverty and fostering social stability. We reaffirm the hemispheric commitment to the elimination of export subsidies affecting trade in agricultural products in the Hemisphere and to the development of disciplines to be adopted for the treatment of all the other practices that distort trade in agricultural products, including those which have an equivalent effect to agricultural export subsidies, and to make substantive progress in the market access negotiations. We recognize that, in a global market, we must have significant results in the negotiations on agriculture, both in the FTAA and in the WTO. In this context, we must also take into account the practices by third countries that distort world trade in agricultural products. We also recognize that our respective evaluation by country or group

of countries, of the results in the market access negotiations in agriculture in the FTAA will depend on the progress we can reach in other subjects that are part of the agriculture agenda. In order that the Trade Negotiations Committee (TNC) can achieve its objective of ensuring balanced progress and the timely conclusion of the negotiations, we instruct the Negotiating Group on Agriculture (NGAG) to intensify its work with the view to presenting to the TNC, before its fourteenth meeting, a report on the progress achieved in all the subjects under consideration by the NGAG.

16. Recognizing the importance of this issue, we reiterate the instruction issued to the Negotiating Group on Subsidies, Anti-dumping and Countervailing Duties (NGADCV) in Buenos Aires in 2001, to intensify efforts to reach a common understanding with a view to improving, where possible, the rules and procedures for the operation and enforcement of the trade remedy laws.

17. We welcome the guidelines and directives for the treatment of the differences in the levels of development and size of economies.² We instruct the TNC to ensure that all the negotiating groups, in particular those undertaking market access negotiations, translate these guidelines into specific measures so that they are reflected in the results of the negotiations. Furthermore, we instruct the TNC, with the support of the Consultative Group on Smaller Economies (CGSE) and the Tripartite Committee, to report to us at our next meeting on the results of the progress achieved in relation to the treatment of differences in the levels of development and size of economies in each of the Negotiating Groups.

18. In support of the FTAA, we approve the Hemispheric Cooperation Program as a priority of all our governments. The Program is intended to strengthen the capacities of those countries seeking assistance to participate in the negotiations, implement their trade commitments, and address the challenges and maximize the benefits of hemispheric integration, including productive capacity and competitiveness in the region. We note that the Program includes a mechanism to assist these countries to develop national and/or sub-regional trade capacity building strategies that define, prioritize and articulate their needs and programs pursuant to those strategies, and to identify sources of financial and non-financial support. We instruct the TNC, with the support of the CGSE, to supervise the HCP. We commit to

complete national and/or sub-regional trade capacity building strategies and the related programs in order to make expeditious progress under the HCP, and to assist in the identification of predictable and multifaceted sources of financial and non-financial support for meeting the objectives of the HCP. While these strategies are being prepared, the HCP will also respond to immediate assistance needs for the purpose of strengthening the participation of countries in the negotiations. We further instruct the TNC, with the support of the Tripartite Committee, to facilitate meetings of the CGSE, inviting appropriate development and financial officials, international financial institutions, international agencies, and interested private entities, to discuss financing and implementation of the HCP and to report to us at our next meeting.

Guidance on the Negotiations to Create the FTAA

19. We underscore the importance of the TNC having provided initial guidance on the methods and modalities for the negotiations, which have enabled the negotiations to begin on market access for agricultural and non-agricultural goods, services, investment, and government procurement and we instruct the TNC to continue to provide guidance on this issue. We also note the progress made by the different negotiating groups and committees, which will play a decisive role in completing the negotiations. All negotiations shall be conducted in a transparent manner to ensure mutual advantage and increased benefits to all FTAA participants. We note the discussion on the methods for making tariff concessions and instruct the TNC to continue its discussion on principles, including the regional most-favored-nation (MFN) principle, to guide the negotiations. We reiterate that, in the development of offers, the negotiations shall give expression to the differences in the levels of development and size of economies.

20. We instruct the TNC and other FTAA entities to work at a pace that meets the deadlines that have been set and taking into account the capacity, concerns, and interests of the participating countries including the differences in the levels of development and size of the economies. We reiterate the importance of ensuring that progress is made in all the Negotiating Groups, in conformity with the general principles agreed at our meeting in San Jose.

21. In order to meet the deadlines to secure the entry into force

of the FTAA Agreement, the Negotiating Groups should develop work programs consistent with the timetables for the exchange of initial offers established by the TNC; that is, between 15 December 2002 and 15 February 2003. We encourage the Groups to present comprehensive offers that contribute effectively to the liberalization of hemispheric trade, taking into account treatment according to the differences in levels of development and size of economies. This will facilitate the review of offers and submission of requests for improvements to offers between 16 February and 15 June 2003. We also remind countries that they should initiate the process for the presentation of revised offers and subsequent negotiations on improvements as of 15 July 2003. We instruct the TNC to supervise the process of presentation of offers on market access in the five negotiating groups dealing with this issue (NGMA, NGAG, NGSV, NGIN, and NGGP), taking into account the need to ensure confidentiality of the offers, and at the same time recognizing the multilateral nature and transparency of the process. We instruct the TNC to review the process of presentation of offers, with the objective of verifying progress in the market access negotiations and evaluating the offers as a whole. The Chairs of these Negotiating Groups shall also present to the TNC periodic reports on the progress they have made in these areas.

22. We instruct the TNC, the Negotiating Groups, and the Technical Committee on Institutional Issues to achieve consensus on the greatest possible number of issues in each of the draft chapters of the FTAA Agreement. Delegations should seek the appropriate guidance on an ongoing basis in order to resolve differences in an expeditious manner. The Negotiating Groups and TCI are instructed to submit to the TNC before its fourteenth meeting a revised version of the chapters for the TNC's consideration and guidance. They are instructed to submit a new version of the chapters to the TNC no later than eight weeks before our next meeting at the end of 2003.

23. We reaffirm the role of the TNC as the executive body of the negotiating process and direct it to intensify its efforts to guide the overall negotiating process. The overall management of the process includes, *inter alia*, guiding the work of the different FTAA entities, while striving to maintain steady progress in all negotiating areas, in accordance with their objectives and mandates; deciding on the overall architecture of the FTAA Agreement - general and institutional aspects -, and ensuring that the

agreement is internally consistent; supervising the general work of the Technical Committee on Institutional Issues; ensuring the transparency of the negotiating process; supervising the work of the Administrative Secretariat; supervising the work of the Sub-Committee on Budget and Administration; supervising requests made to the Tripartite Committee, establishing priorities, where necessary; continuing to analyze the treatment of differences in the level of development and size of the economies of the Hemisphere; ensuring the successful implementation of the Hemispheric Cooperation Program; and facilitating a meeting of appropriate development and financial institutions and agencies to discuss the financing and implementation of the HCP.

24. We instruct the TNC to undertake an evaluation of progress in the negotiations and formulate the guidance that it considers necessary for the Negotiating Groups to fulfill the general and specific objectives within their respective mandates, for the purpose of seeking to ensure progress, timely conclusion and a balanced result of the negotiations. We also instruct the TNC to present us with a report at our next meeting that includes its overview of the negotiation and the fulfillment of the mandates issued to the Negotiating Groups. In pursuance of this objective, we instruct the Co-Chairs of the TNC to include these issues as a standing item on its agenda for future meetings.

25. We reiterate our instructions to the TNC to continue to identify links between the FTAA entities, specifying the appropriate procedures for ensuring effective and timely coordination.

26. We instruct the TNC to assess, in consultation with the Negotiating Groups, on an ongoing basis, whether there is a need to create new negotiating groups or sub-groups, where appropriate, taking into account the progress achieved by existing Groups.

27. We instruct the TNC to convene at least three meetings before the next Ministerial Meeting; the meetings shall be held in the cities of Port of Spain, San Salvador, and Puebla, respectively.

Rotation of Chairs and Vice Chairs

28. We recognize the work completed by the Chairs and Vice Chairs of the different Negotiating Groups and other FTAA entities during this phase of the negotiations, whose support has been crucial to the advances made in the process. In accordance

with the terms agreed at the San Jose Meeting, we approve the new roster of Chairs and Vice Chairs for the various FTAA entities who will serve during the next phase of negotiations, which is submitted herewith as Annex II. In the case of the resignation or permanent absence of a Chair of an FTAA entity, the Vice Chair will act as Chair. Likewise, the existing Chairs may preside over the entity concerned for an additional period. In our next meeting, a new roster of Chairs and Vice Chairs will be approved.

Transparency and the Participation of Civil Society

29. We reaffirm our commitment to the principle of transparency in the FTAA process and recognize the need to enhance and sustain participation of the different sectors of civil society in the hemispheric initiative.

30. In accordance with our commitment to transparency assumed at the Santiago and Quebec City Summits, we agree to publish the second draft of the FTAA Agreement on the official FTAA website in the four official languages today.

31. We appreciate the views that various sectors of civil society have provided us in the last year and a half and especially in parallel to the Nicaragua and Dominican Republic Vice Ministerial meetings and, within the framework of this meeting. We appreciate the recommendations made by the Seventh Americas Business Forum and the Civil Society Fora, organized with a broad representation of civil society, with whom we met in Quito. We encourage the holding of similar events organized parallel to the Ministerial and Vice Ministerial meetings with a broad representation of civil society. We also recall our meeting with civil society within the framework of the Quebec City Summit of the Americas. The views expressed constitute a valuable contribution to the negotiations, and we urge civil society to continue to make contributions in a constructive manner on trade-related issues of relevance to the FTAA.

32. Likewise, we encourage the organization of regional and national seminars related to the process of establishing the FTAA. We welcome the results of the various national seminars organized by FTAA countries and the North American regional seminar held in Merida, Mexico. We also take note of the fora and seminars on FTAA negotiations that different civil society organizations have carried out in the countries of the region and

we invite them to present the conclusions of their work to the Committee of Government Representatives on the Participation of Civil Society (the Committee).

33. We reiterate the need to increase participation of the various civil society sectors in this hemispheric initiative, and likewise we instruct the Committee to foster a process of increased and sustained two-way communication with civil society to ensure that it has a clear perception of the development of the FTAA negotiation process. We also reiterate that all the FTAA entities, including the TNC, are to issue public statements at the conclusion of each of their meetings, and we instruct the TNC to provide guidance to the entities so as to ensure a substantial increase in the quality of the information provided. To this end, we instruct the Committee to continue its work to keep promoting transparency, and to identify and foster the use of best practices for outreach and consultation with civil society. We also instruct the TNC to ensure the timely improvement of the official FTAA website and the incorporation of more information on the FTAA process. We further exhort all countries in the Hemisphere to strengthen and deepen their consultation process with civil society at the national level.

34. We are grateful for the contributions received in response to the Third Open and Permanent Invitation that were provided on an ongoing basis to the Negotiating Groups and other entities and we reiterate our instruction to the Committee to continue to forward to the FTAA entities the contributions submitted by civil society that refer to their respective issue areas, and those related to the FTAA process in general.

35. We consider that the Committee is an important mechanism for fulfilling our commitment to transparency and we instruct the Committee to continue its work. We welcome the Third Report, which describes the activities of the Committee as well as the range of contributions received during this phase. We also instruct that the Third Report of the Committee be published on the official FTAA website. We further instruct this Committee to continue to forward contributions to FTAA entities as well as to submit a new report for our next meeting outlining its activities and the range of views it has received from individuals and organizations in the Hemisphere.

Electronic Commerce

36. We have received, with appreciation, the Third Report of the Joint Government-Private Sector Committee of Experts on Electronic Commerce (Joint Committee) with recommendations on how to expand and broaden the benefits of electronic commerce for the Western Hemisphere. We instruct that the Third Report of the Committee be published on the official FTAA website, and sent to the relevant Negotiating Groups for their consideration.

Tripartite Committee

37. Once again, we express our appreciation for the support provided by the Tripartite Committee (the Inter-American Development Bank, the Organization of American States, and the United Nations Economic Commission for Latin America and the Caribbean) to the FTAA negotiations in general and, to the different FTAA entities, in particular. We recognize their technical, analytical, and financial contribution to the hemispheric integration process. We encourage the Tripartite Committee to continue to support the negotiations and reiterate the need for their continued collaboration in the stage of negotiations that begins as of this day.

FTAA Administrative Secretariat

38. We appreciate the invaluable and substantial support provided by the Government of the Republic of Panama, the private sector, and community to the Administrative Secretariat for the duration of its operations in Panama City. We recognize the logistical support for negotiations provided by the Administrative Secretariat. We take note of the progress made in preparing for the transfer of the Administrative Secretariat to Puebla, Mexico, and convey our highest appreciation to the Government of Mexico and the Tripartite Committee for the steps taken to cover the costs of the transfer of the Administrative Secretariat and its future operation in the city of Puebla during the final stage of the negotiations.

Recognition

39. We thank Nicaragua, Venezuela, Panama, and the Dominican Republic for organizing the meetings of the TNC and the Republic of Ecuador for serving as Chair of the FTAA during this

third phase of negotiations and for the organization of this Seventh Ministerial Meeting.

Future Meetings

40. We shall hold in this final period, which runs from November 2002 to January 2005, two meetings of the Ministers Responsible for Trade; i.e., in the fourth quarter of 2003 in Miami, United States, and in 2004 in Brazil.

Annex I

General Instructions

1. We instruct all of the Negotiating Groups to take careful cognizance of all of the general instructions to the Negotiating Groups contained in Annex I of the Buenos Aires Ministerial Declaration and in other FTAA Ministerial Declarations and to conscientiously carry out those instructions and mandates.

2. We instruct all the Negotiating Groups to collaborate with the Consultative Group on Smaller Economies (CGSE) in the implementation of the Hemispheric Cooperation Program (HCP). We instruct all the Negotiating Groups to include in their reports to the Trade Negotiations Committee (TNC) a section on the treatment accorded to the issue of the differences in the levels of development and size of economies. We also reiterate to the Chairs of the FTAA Negotiating Groups and other entities, the need to maintain a timely and adequate flow of information with the Chair of the Consultative Group on Smaller Economies, with a view to facilitating the analysis and follow-up of the progress of the negotiations, in particular proposals on the treatment of differences in the levels of development and size of economies.

3. We instruct the Negotiating Groups on Market Access, Agriculture, Services, Investment, and Government Procurement to carry out an ongoing discussion of methods and modalities for negotiations in order to facilitate the process of presenting revised offers and that the Chairs of these Groups keep the TNC apprised of the results of their discussions.

4. We reiterate to those negotiating groups drafting special dispute settlement provisions to submit their proposals to the Negotiating Group on Dispute Settlement (NGDS) in order that this Group may consider, in coordination with these negotiating

groups, the compatibility of the provisions with the rules drafted in this area and present their conclusions to the TNC for its consideration, or to the Technical Committee on Institutional Issues (TCI), where appropriate.

5. We instruct the Chairs of the Negotiating Groups and other FTAA entities to present a work program covering the negotiating period at the first meeting of their respective groups.

6. We instruct the Chairs of the Negotiating Groups and other FTAA entities to further refine their reports to the Trade Negotiations Committee, with regard to those points on which there is no agreement within the Groups and which require a decision of the TNC. The reports shall provide a clear description of the differences in positions, indicating alternatives where possible. These reports shall be instrumental in enabling the TNC to fulfill its role as the executive body of the negotiating process, which includes, *inter alia*, guiding the work of the different FTAA entities, while striving to maintain balanced progress in all negotiating areas, in accordance with their objectives and mandates.

Negotiating Group on Market Access (NGMA)

1. We instruct the NGMA to pursue its work in such a manner as to ensure that progress is made on all the issues for which it is responsible.

2. We instruct the Chair of the NGMA to continue to collaborate with the Chair of the NGAG. The results of this collaboration shall be reported to the TNC by the Chair of NGMA at future meetings.

3. We reiterate our instruction to the NGMA to complete the Hemispheric Database and keep it updated.

Negotiating Group on Agriculture (NGAG)

1. We instruct the NGAG to pursue its work in such a manner as to ensure that progress is made on all the issues for which it is responsible.

2. We instruct the Chair of the NGAG to continue to collaborate with the Chair of the NGMA. The results of this collaboration shall be reported to the TNC by the Chair of NGAG at future meetings.

3. We instruct the NGAG to continue the process of notification and counter-notification of sanitary and phytosanitary (SPS) measures. A notification and counter-notification status report shall be submitted by the Chair of the NGAG to the TNC.

4. We instruct the NGAG to work towards drafting a text on sanitary and phytosanitary measures (SPS) in the FTAA, with a view to facilitating the full implementation of the WTO SPS Agreement in the Hemisphere, and that the Chair provide a status report to the TNC.

5. We reiterate our instruction to the NGAG to complete the Hemispheric Database and keep it updated.

Joint Government Private Sector Committee of Experts on Electronic Commerce (ECOM)

1. We have decided to suspend temporarily the activities of the Joint Government-Private Sector Committee of Experts on Electronic Commerce and authorize the TNC to reactivate it when and how the TNC deems it necessary.

Annex II

List of Chairs and Vice-Chairs for FTAA Negotiating Groups, Committees and Consultative Group

FTAA Negotiating Groups	Chair	Vice Chair
Negotiating Group on Market Access	Colombia	Dominican Rep.
Negotiating Group on Agriculture	Uruguay	Mexico
Negotiating Group on Government Procurement	Costa Rica	Paraguay
Negotiating Group on Investment	Panama	Nicaragua
Negotiating Group on Competition Policy	Peru	CARICOM
Negotiating Group on Intellectual Property Rights	Dominican Rep.	Venezuela
Negotiating Group on Services	CARICOM	Ecuador
Negotiating Group on Dispute Settlement	Canada	Chile
Negotiating Group on Subsidies, Antidumping and Countervailing Duties	Argentina	Canada

Other FTAA Entities	Chair	Vice-Chair
Consultative Group on Smaller Economies	Ecuador	CARICOM
Committee of Government Representatives on the participation of Civil Society	Bolivia	Peru
Technical Committee on Institutional Issues	Chile	Mexico

Annex III

Hemispheric Cooperation Program (HCP)

Recognizing the broad differences in the levels of development and size of the economies of the countries participating in the FTAA negotiations, the Ministers responsible for Trade, in their Buenos Aires meeting, reaffirmed their commitment to create opportunities for the full participation of the smaller economies and to increase their level of development.

At the same time, they stressed the importance of cooperation to enable the strengthening of the productive capacity and competitiveness of countries with different levels of development and size of the economies, especially the smaller economies. They also reaffirmed the need for technical assistance, as well as specific provisions for addressing these situations.

On that occasion, the Ministers considered that the Third Summit of the Americas constituted an opportunity to continue to build on the Plans of Action approved at earlier Summits, in order to strengthen the hemispheric cooperation programs, which facilitate the support of each country's effort on areas relevant to its effective participation in the negotiations and benefits of the FTAA.

On the other hand, the Ministers instructed the Trade Negotiations Committee to formulate, with the support of the Consultative Group on Smaller Economies and the Tripartite Committee, some guidelines or directives on way of applying the treatment of the differences in the levels of development and size of economies. In meeting this mandate, in the IX Meeting of the Trade Negotiations Committee (TNC), held in Managua, Nicaragua in September 2001, the TNC approved the guidelines or directives. By way of complementary supporting measures to the guidelines, the Trade Negotiations Committee instructed that the Consultative Group on Smaller Economies, with the technical support of the Tripartite Committee and based on the contributions of the Negotiating Groups, would submit to the TNC a proposal for a Hemispheric Cooperation Program.

Principles

- Be included within the context of the Summit of the Americas process, that has broader objectives linked to the strengthening of democracy, the creation of greater prosperity, social justice, and the realization of human potential. This Program shall recognize that the strengthening of the socioeconomic environment sought by the Summit process is intimately linked to the success of the FTAA.
- The Hemispheric Cooperation Program will be a central element of support for the FTAA.
- Be conceived in the context of national development objectives and strategies and be part of an agenda for economic growth and development and poverty reduction.
- Respond in an effective manner to the requirements and challenges to development arising from trade liberalization, in general, and implementation of the FTAA, in particular.
- Involve the private sector as well as other sectors of civil society in the identification of proposals and execution of programs.
- Enable countries, especially the smaller economies, to participate beneficially and equitably in the FTAA.

Objectives

Strengthen the capacity of countries to implement and participate fully in the FTAA in order to contribute to growth with equity and broad-based economic development.

- Assist countries to effectively address and overcome the challenges and maximize the benefits associated with trade liberalization in the FTAA.
- Promote greater interrelationship between the objectives and requirements of development and those of trade liberalization.
- Complement current and future multilateral, sub-regional and national programs aimed at:
 - Strengthening productive capacity and fostering the competitiveness of the economies;
 - Encouraging the development of innovation capacity and the transfer of appropriate technology;
 - Improving mechanisms for responding to economic shocks.
- Enhance institutional strengthening and capacity building for policy-making, development of negotiating strategies and implementation of the FTAA.
- Increase coordination among donors and between donors and

recipients with the objective of maximizing cooperation and technical assistance.

Characteristics

- Contain plans or subprograms, objectives and goals reflecting the priorities identified by countries for the short, medium and long term.
- Have a dynamic character which will enable it to respond to the changing needs of countries.
- Comprise activities that address concrete needs.
- Include mechanisms for monitoring and evaluation.- Could be executed through programs and actions of regional and sub-regional scope or by countries or groups of countries.
- The thematic content shall reflect the issues addressed by the FTAA agreement both during the negotiation and implementation phases.
- Should include mechanisms for coordination and communication between and among FTAA Governments, donors, and beneficiaries under the Hemispheric Cooperation Program.
- Shall promote a more efficient use of the existing Technical Assistance Database, through, among other mechanisms, its updating and dissemination.

Modalities

The Hemispheric Cooperation Program will include, *inter alia*, the following modalities:

- Establishment of a mechanism to receive, disseminate, evaluate, and consider possible financing of specific project profiles submitted by FTAA countries and groups of countries or negotiating groups.
- Establishment of a mechanism to enable countries to define, prioritize, and articulate needs related to strengthening the capacity for: i) preparing for negotiations; ii) implementing trade commitments; and iii) adjusting to integration.
- Interaction between countries seeking assistance to improve their trade-related capacities and those countries and institutions that are in a position to provide assistance, through, for example, roundtable meetings focusing on specific areas of need, including the preparation of studies related to fiscal scenarios, socio-economic impact and competitiveness analysis. Information on needs identified in the Database, project profiles, and other sources will be used as input to facilitate exchanges between donors and countries.

- Additional forms of technical assistance, to be determined.
- Financial assistance.
- Institutional cooperation that complements current and future multilateral and bilateral programming.
- Experience and knowledge transfer related to FTAA topics through workshops, internships, and other mechanisms.

Additional modalities may be developed in keeping with the evolution of the FTAA process and the Hemispheric Cooperation Program.

Guidelines for Implementation

Countries participating in the FTAA that seek assistance under the HCP shall develop national or regional strategies that define, prioritize, and articulate their needs related to strengthening the capacity for:

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

The aforementioned categories should be addressed simultaneously, taking into account the changing needs over time. In order to facilitate coordination and sharing of experiences, the strategies should follow a common format that will be developed by the Consultative Group on Smaller Economies, with the assistance of the Tripartite Committee. The Tripartite Committee and other donors will assist countries, upon request, in the timely development of national or regional strategies. While these strategies are being prepared, the HCP will also respond to immediate assistance needs for the purpose of strengthening the participation of countries in the negotiations. Without prejudice to new inclusions, the attached Appendix summarizes requests to date, many of which have application to more than one country. This document, as revised, can be used to select those projects that require immediate technical assistance and implementation for a country or a group of countries to strengthen their participation in the negotiations.

Administration

The CGSE will ensure the effective and transparent execution of the HCP and will supervise and evaluate its progress. Under this overall management, the Tripartite Committee will coordinate the activities below and present periodic progress reports to the CGSE.

With the support of the Tripartite Committee, each country or

group of countries shall provide timely reports to the CGSE on progress made.

To ensure progress in the implementation of the HCP, a transparent management process could include:

1. Sessions on lessons learned from prior experiences of countries and the Tripartite Committee in preparation for the participation in negotiations, implementation of trade commitments and adjustment to integration and related technical and financial assistance programs. Other institutions can be invited to attend.
2. Round table discussions between donors and recipients, including early identification of funding requirements.
3. Effective participation in these discussions by representatives of interested parties.

Financing

FTAA countries recognize that successful development and implementation of a Hemispheric Cooperation Program will require financial support for HCP activities to complement the resources of beneficiary countries. This issue will require coordination and consultation within FTAA governments, and between governments and multilateral and regional financial institutions. These sources of support, financial and non-financial, should be secure, predictable and multifaceted.

Sources of support, financial and non-financial, for the HCP could include, among others, the following:

- Countries participating in the FTAA and their cooperation agencies,
- Academic institutions,
- Private sector entities,
- Foundations and other organizations, and
- Regional and multilateral financial and development institutions.

Footnotes

* *Venezuela reiterates its reservation expressed in the Quebec City Declaration, with respect to the entry into force of the FTAA in 2005.*

1. *In accordance*

with derestricted document FTAA.TNC/20/Rev.1, which may be consulted on the FTAA official website at <http://www.ftaa-alca.org/tn20r1e.doc>

2. In accordance with derestricted document FTAA.TNC/18, which may be consulted on the FTAA official website at <http://www.ftaa-alca.org/tn18e.doc>

- 
- g **Giovanni E. Reyes**
Trade and Development: Conceptual Foundations and an Approach for LAC
 - g **UNCTAD**
Review of Developments and Issues in the Post-Doha Work Programme of Particular Concern to Developing Countries
 - g **María Cristina Rosas**
Mexico's Trade Policy: Between Puebla and Cancún and the Problems of a Multi-Faceted Economic Policy
 - g **Ximena de la Barra**
Social Development's International Goals and Development Cooperation
 - g **Juan Carlos Bossio**
Labor Norms and International Trade: A Recurrent Discussion
 - g **SELA's Permanent Secretariat**
The Private Sector's Participation in Latin American Integration
 - g **Juan Mario Vacchino**
Are Latin America's Integration Processes Democratic?
 - g *Johannesburg Declaration on Sustainable Development*
 - g *Declaration of Bávaro*
 - g *Ministerial Declaration of Quito*