GLOBAL EXCHANGE

Frequently Asked Questions About the Free Trade Area of the Americas (FTAA)

What is "FTAA"?

The Free Trade Area of the Americas (FTAA) is the formal name given to an expansion of the North American Free Trade Agreement (NAFTA) to every country in Central America, South America and the Caribbean, except Cuba. Negotiations began right after the completion of NAFTA in 1994 and are to be completed by 2005. The U.S. is pushing for an earlier completion deadline of 2003.

What are the similarities between FTAA and NAFTA?

The FTAA's San Jose Ministerial Declaration relies on NAFTA rules for guidance in the FTAA negotiations. FTAA will impose the failed NAFTA model of free trade, privatization and deregulation throughout the hemisphere. The nine working groups set up to negotiate the FTAA correspond closely to the chapters of NAFTA and cover the following topics: agriculture, competition policy, dispute settlement, government procurement, intellectual property rights, investment, market access, services, subsidies and anti-dumping. The FTAA would compound the negative effects of NAFTA experienced in Canada, Mexico and the U.S. over the past seven years and extend NAFTA's damaging influence to additional 34 countries. NAFTA rules would empower corporations to constrain governments ability to set standards for public health and safety, to safeguard the rights of their workers, and to ensure that corporations do not pollute the communities in which they operate. Effectively, these rules would handcuff governments' public interest policymaking and enhance corporate control at the expense of citizens throughout the Americas.

How has NAFTA affected working people in the US and Mexico?

When NAFTA was being debated, the agreement's backers promised big job gains along both sides of the border. This hasn't occurred. In the US, an estimated half a million jobs have been lost since NAFTA's enactment as companies relocated to Mexico to take advantage of weaker labor standards and lower wages. US workers' new jobs provide on average only 77 percent the wage of their earlier employment. People of color in particular are working more for less. Also, unionization efforts are frequently undermined by threats to transfer production unless employees end their organizing efforts (see http://www.ustdrc.gov/research/bronfenbrenner.pdf for more information).

The combined effects of devaluing the peso in 1994 and opening up the borders to increased imports from the U.S. under NAFTA devastated the Mexican economy, pushing 8 million families out of the middle class and into poverty. Over one million more Mexicans work for less than the minimum wage of $3.40 per day today than before NAFTA. Approximately 28,000 small businesses in Mexico have shut down due to the entrance of foreign companies. The FTAA would accelerate NAFTA's "race to the bottom" in labor standards and spread these negative effects throughout the hemisphere. Under FTAA, companies seeking tariff free access into the U.S. will likely pit exploited workers in Mexico against even more desperate workers in Haiti, Guatemala or Brazil, ratcheting labor standards down even lower.

How has NAFTA affected public health and the environment in Mexico and the U.S.?

Mexico, along with most of Latin America, lacks, or fails to enforce, effective environmental laws. The increase in manufacturing along the border region has exacerbated environmental and public health threats in the area. Every day, 44 tons of hazardous waste from the border region is improperly discarded. Due to lack of sewage treatment and safe drinking water diseases, including hepatitis, have increased to two or three times the national average. Since NAFTA, birth defects have increased dramatically. Last December, an employee at a maquiladora in Matamoros that spent five years gluing leather covers to steering wheels until he was fired in 1998,testified at a NAFTA hearing that his son was born with Spina Bifida, a spinal tumor, an enlarged heart, and no kneecaps.

The unsustainable, export-driven development model is also destroying ecosystems throughout Mexico. Since NAFTA was implemented in 1994, fifteen US wood product companies have set up operations in Mexico, and logging has increased dramatically. In the state of Guerrero, massive clear cutting led to soil erosion and habitat destruction. Similar destruction has occurred throughout Mexico, the U.S. and Canada.

Who is involved in the FTAA negotiations, and how did it get started?

High on their NAFTA victory, U.S. officials organized a Summit of the Americas in Miami in December 1994. Trade ministers from every country in the Western Hemisphere (except for Cuba) agreed to launch negotiations to establish a hemispheric free trade deal. After the "Miami Summit," however, little else was done on developing the FTAA until April 1998 when the "Santiago Summit" in Chile was held. At this second summit, the 34 nations set up a Trade Negotiations Committee (TNC), headed by Dr. Adalberto Rodriguez Giavarini of Argentina and consisting a vice mister of trade from every country. Since late 1999, the FTAA working groups have been meeting every few months to lay out their countries' positions on these issues. Non-governmental organizations (NGOs) demanded working groups on democratic governance, labor and human rights, consumer safety and the environment. These were rejected, and instead a Committee of Government Representatives on Civil Society was established to represent the views of civil society to the TNC. Yet this committee is little more than a prop for good governance. It has no real mechanism incorporating true civil society concerns into the actual negotiations.

As with negotiations for the Multilateral Agreement on Investment (MAI), few members of the U.S. Congress are aware that these negotiations are even taking place. With the sound defeat of Fast Track negotiating authority in 1997, Congress has yet to set guidelines for U.S. participation in these talks. However, a variety of corporate committees do advise the U.S. negotiators; under the trade advisory committee system, over 500 corporate representatives have security clearance and access to FTAA documents while public access has been denied. Organizations such as the Organization of American States (OAS), Inter-American Development Bank (IDB), and the UN Economic Commission for Latin America and the Caribbean (ECLAC), collectively known as the "Tripartite Committee," also provide direction to U.S. negotiators.

What will the FTAA's practical effects be?

Essential Social Services Endangered: Modeled after the World Trade Organization's General Agreement on Trade in Services (GATS), the FTAA will include commitments to "liberalize" trade in services such as education, health care, environmental services (which can include access to water!), energy, and postal services. Possible effects of the FTAA agreement on services include:

> Removal of national licensing standards for medical, legal and other key professionals, allowing doctors licensed in one country to practice in any country, even if their level of training is different;
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> Privatization of public schools and prisons, like in the U.S. which would open the door to greater corporate control, corruption and the cutting of critical corners (such as medical care for inmates or upkeep of safe school facilities) to increase profits; and
>
> Privatization of postal services by transferring U.S. Postal Service functions to a few delivery companies like FedEx, which could then send postal rates through the roof.

Investment and a Backdoor MAI: The FTAA provides a potential "back door" for the Multilateral Agreement on Investment (MAI) through the negotiations on investments and liberalization of the financial services sector. Modeled on NAFTA's Chapter 11, the USTR says that FTAA will include "investor-to-state" suits. These allow corporations to sue governments in secret "corporate courts" for any act that may indirectly effect their profits, such as the enforcement of public health laws. In other words, the FTAA would provide a hemispheric "regulatory takings" clause that explicitly values corporate profits over human costs and environmental degradation. NAFTA cases that set a likely precedent for FTAA actions under this provision include:

> The funeral business chain, Loewen Group used NAFTA's investor protections to sue the U.S. government for $750 million in cash damages after a Mississippi court found the Canadian corporation guilty of malicious and fraudulent practices that unfairly targeted local small, mom and pop funeral homes. NAFTA permits companies to sue governments over rulings or regulations that may potentially effect their profits. Under this case, Loewen is claiming that the lawful operation of the state court system to protect smaller business from unfair business strategies violates rights given to them through NAFTA.

The U.S.-based Ethyl Corporation forced Canada to pay $13 million in damages and drop its ban on the dangerous gasoline additive MMT, a known toxin that attacks the human nervous system. Currently, in a similar case, the Canadian-based Ethyl Corporation is challenging a California ban on MTBE, a toxic gasoline additive, to the tune of $970 million.

U.S.-based Metalclad Corp. sued a Mexican state to allow a toxic waste disposal site, claiming that the environmental zoning law forbidding the dump constituted an effective seizure of the company's property — a seizure that, under the property rights extended by NAFTA (and to be perpetuated in FTAA), requires that the offending government compensate the company.

Food, Agriculture & GMOs: The U.S. is trying to force all countries to accept biotechnology and genetically modified (GM) foods in which unregulated U.S.-based corporations have taken a lead. Yet food security organizations all over the world agree that the universal use of these technologies will increase hunger in poor nations. Being forced to buy expensive patented seeds every season, rather than saving and planting their own, will force traditional subsistence farmers in the developing world into dependency on transnational corporations and push them closer to the brink of starvation. If the U.S. position wins out, FTAA will promote the interests of biotech and agribusiness giants like Archer Daniels Midland (ADM), Cargill and Monsanto over the interests of hungry people in developing nations.

Intellectual Property Rights (IPR): The U.S. is trying to expand NAFTA's corporate protectionism rules on patents to the whole hemisphere. These rules give a company with a patent in one country the monopoly marketing rights to the item throughout the region. These rules are enforced with cash fines and criminal penalties, making them even harsher than the WTO IPR rules. These rules also have been used as justification for pharmaceutical companies to quash compulsory licensing mechanisms, which allow competitor companies to manufacture a drug in exchange for a fee for "renting" the patent. This monopolistic control allows pharmaceutical corporations to keep drug prices high and block production of generic versions of life-saving drugs, which spells disaster for the ill and impoverished, especially in developing nations. These rules also allow companies to "bioprospect" and lock down patents for traditional medicines that are considered "traditional knowledge," effectively robbing indigenous people of their cultural heritage to fatten corporate wallets. If the FTAA is detrimental socially, economically and environmentally, why is every country in the Western Hemisphere negotiating it?

Not everyone loses in "free" trade agreements. The corporations and wealthy business owners from all participating countries that are helping to write these agreements stand to gain financially from a system that puts their interests above all others. Politicians in the U.S. and abroad, often are invested in, or receive campaign contributions from these corporate beneficiaries and therefore have personal interests at stake.

How will the FTAA effect development?

Our hemisphere is characterized by enormous inequalities between and within countries. The United States has a GDP equal to 75% of the total goods and services produced in the hemisphere. Its capacity to mobilize technological and capital resources is far greater than that of countries in the southern part of the Americas. Therefore, trade agreements must include a balanced and sustainable strategy for social integration, and the problem of foreign debt needs to be addressed as part of this strategy. Foreign debt still has a harmful effect on the economies of most FTAA countries because it greatly reduces governments' capacity to invest in key areas of development such as housing, health, education and the environment. Governments are forced to divert scarce financial resources to pay off the combined costs of the debt and the interest payments from the debt. The FTAA will effectively locks in place, and create legal structures to enforce, the structural adjustment programs implemented in the region over the past two decades.

If NAFTA and Mercosur are any indication of what countries in the Global South have in store for them, the FTAA will only hamper real, sustainable and equitable development. Both NAFTA and Mercosur include measures to deregulate foreign investment, making it difficult to tailor foreign investment according to local needs. Rules that promote foreign investment are often in direct conflict with local economic development policies. A common provision of international investment agreements — "national treatment" — requires foreign investors to be treated no differently than local investors. Policies that limit grazing land or fisheries to local citizens or forbid foreign investors from owning domestic utilities, for example, violate national treatment. If countries cannot regulate foreign investment then they will be unable to implement a coordinated development strategy. They will thus be forced to continue to lower wages, working conditions, and environmental regulations in increasingly desperate moves to attract mobile international capital.

What is the current status of the FTAA negotiations?

All the negotiating groups have held meetings at two to three month intervals throughout 2000. Negotiators have laid out the positions of their governments on the nine core issues. As of fall 2000, they were in the process of consolidating a proposed text. Vice ministerial level meetings on the FTAA will begin in early 2001. The next ministerial-level Summit of the Americas is planned for Quebec City, Canada on April 18-22, 2001, at which negotiators will begin constructing a final text. The agreement is to be complete and implemented by 2005.

What are the alternatives?

Policy makers and pundits often try to make it seem that corporate globalization is a naturally occurring phenomenon. Nothing could be farther from the truth. In fact, the current economic processes known as “globalization” have been defined and driven by a very small number of corporations. Citizens around the world are creating an alternative: grassroots globalization—a people’s globalization—that puts economic, social and political justice at the center of trade and investment. Citizens groups from across the Western Hemisphere have written an “Alternative Agreement for the Americas” that offers guidelines for building this socially responsible and environmentally sustainable commerce. To learn more about this important document, click here www.globalexchange.org/economy/alternatives/americas/.

As detailed in this proposal, governments should retain the right to impose performance requirements on investors, as well as maintain protections for small and medium-scale producers and key sectors in their respective national development plans. Countries’ have the right, and the responsibility, to maintain food and nutritional security (such as excluding basic grains from liberalization measures). Any hemisphere wide economic pact should reinforce, not undermine, internationally recognized accords such as International Labor Organization Conventions, the United Nations Convention to Eliminate All Forms of Discrimination Against Women, and the Inter-American Convention on Human Rights. The process for developing economic policy must be democratized by opening up the negotiations to all the hemisphere’s peoples, not just a relatively small, elite and well-connected group of investors. The future stability of the region depends on it.

What can I do to help?

Just as people worked together stop the MAI, Fast Track and the WTO in Seattle, so too can we halt this new corporate power grab agreement. Policymakers should heed the call for a new, open and democratic process for developing economic policies. Currently, people in every country in the Americas are demanding that governments release their negotiating positions and make the draft text available to the public. Coalitions are planning demonstrations for a hemisphere-wide day of action on April 21, the day that heads of state are meeting in Quebec City to advance the FTAA. To learn more about how you can contribute to the growing Fair Trade movement, visit our web site: www.globalexchange.org/ftaa/

This fact sheet was modified from information provided by Public Citizens’s Global Trade Watch, www.tradewatch.org.