

TRADE RULES
IN THE MAKING

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TRADE RULES
IN THE MAKING
*Challenges in Regional and
Multilateral Negotiations*

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Foreword

This volume arose out of a series of papers prepared for a joint project undertaken by the Organization of American States (OAS), Georgetown University, and the World Trade Organization (WTO). The aim of this undertaking is to support the countries in the Western Hemisphere, particularly the smaller economies, as they move toward open trade and investment relations.

The chapters presented in this volume were first discussed at a conference, held at the OAS headquarters in Washington, D.C., in May 1998. The book targets the key trade issues on the agenda at both the regional and multilateral levels and will serve as a textbook for a training course for government officials from the smaller countries of the Americas. The volume is timely for the countries of the Western Hemisphere, as they are currently negotiating a Free Trade Area of the Americas (FTAA) and preparing for a potential new round of multilateral trade negotiations.

One of the primary principles guiding the FTAA negotiations is that of WTO consistency. Although the need for consistency should be self-evident, as nearly all FTAA participants are members of the WTO, the formal recognition of this principle from the outset of the negotiations is significant—and will have an important impact on the content of the FTAA agreement. In order to comply with the GATT/WTO rules on regionalism, the FTAA will have to

encompass “substantially all” trade among its members, may not raise barriers to trade with outside sources, and must be fully operational within ten years of the signing of the agreement.

The FTAA will address traditional as well as many nontraditional trade issues. In the traditional arena of border measures, the FTAA seeks the removal of all tariffs and other barriers to trade among the participants—a goal not yet achieved in the multilateral arena. Together with issues such as tariff and nontariff barrier reductions, rules of origin, and customs procedures, the negotiators will tackle such new trade issues as competition policy, which has never been the subject of a multilateral agreement, and for which only the European countries have implemented a common regional approach. The difficulties in negotiating an investment agreement should not be underestimated, and issues such as government procurement, while covered in a plurilateral WTO agreement, will pose distinct challenges to the countries of this region. By including new issues and aiming to *eliminate* barriers to trade and investment, the FTAA is designed not only to be WTO consistent but to go beyond the WTO Agreement.

An important element of the FTAA is its recognition of the different size and levels of development of its members—and its intent to address this. The FTAA will be a unique endeavor to eliminate barriers to trade and investment among the economies of thirty-four countries that vary greatly in terms of size and territory, population, and natural resource endowments. Although reciprocal agreements between large and small countries, almost unheard of in the past, are becoming more and more common, the underlying challenges to ensure the full participation of the smaller economies in the negotiations, as well as the implementation of the agreements, remain.

To facilitate the participation of these small countries in the FTAA process, the OAS, through its Trade Unit and with the financial support of the OAS Inter-American Council for Integral Development (CIDI), has come together with Georgetown University to develop a comprehensive seminar on regional and multilateral trade issues. We hope that the discussions in this book will help clarify the issues that will be negotiated and be a useful resource for the countries as they move toward their goal of trade and investment liberalization.

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Although three names are listed on the cover of this book, a much larger number of people have contributed to the construction of this volume.

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