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VII. REGIONAL TRADE AGREEMENTS AND THE WTO IN THE AMERICAS: NEW ISSUES AS THE PACE OF ECONOMIC INTEGRATION QUICKENS

*Stephen J. Powell**

PANEL DISCUSSION

As the title suggests, new issues indeed have surfaced as the pace of economic integration in the Hemisphere has quickened. The Hemisphere, and Latin America in particular, certainly are no strangers to economic integration, but unlike many of the early agreements — those in the '60's — what we are witnessing today is not about building high tariff walls to protect inefficient industries. It is about market opening, about pro-competitive mechanisms that have transformed these nations of the Hemisphere into countries that are capable of competing in the global marketplace, and also are capable of maintaining democratic principles of government. This is obviously an important role of all of the nations' economic integration efforts — not just to build trade, but to sustain democratic institutions.

Many recent events make our topic today important and very timely. For example, as Governor MacKay and Secretary Harris have noted, the Free Trade Area of the Americas — the FTAA — has entered its second full year of negotiations, with a charge from the Ministers to draft a text by next spring.

As Peter Allgeier noted recently, FTAA talks are even more important now than they ever were, because of Seattle's failure to launch a new WTO round.

In addition, Mexico has signed an historic trade agreement with its European trading partners. EU Trade Commissioner Pascal Lamy has described this as one that will markedly improve the trading relationship with Mexico — a relationship that had declined in recent years. Mercosur is pursuing a similar pact with the Europeans.

At the same time, existing agreements have not been immune to change. Brazil's forty percent devaluation of the *real* in 1999 strained relations with that country's MERCOSUR partners, particularly Argentina. However, as Tom O'Keefe has recently observed, by the end of last year, the crisis that was provoked within MERCOSUR by the *real* devaluation actually may have served to solidify the Southern Cone economic integration process. This may teach us something about free trade agreements and how the whole is greater than the sum of its specific chapters.

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We may have learned something about that already, because of Mexico's quick recovery from its 1994 peso crisis, the year that the NAFTA went into effect. Would that have happened, and would Brazil have come out of its crisis as quickly, if they had not had the strength of these economic integration agreements to buttress the economic model that allowed them to recover from those crises?

We also see the new de la Rúa government in Argentina as something that is very important to whether progress in MERCOSUR will continue. Dispute settlement efforts in MERCOSUR are also very important.

As to the NAFTA, although much is happening in the way of trade, not much is happening in the way of accession by other countries, even though Chile continues to talk to the United States about the possibility of accession. Of course, Canada and Mexico have already entered into their separate agreements with Chile. The United States is the holdout.

The Andean Community, as well as the Central American Common Market, continue to develop further economic ties within their trade pacts. I think it is important to think about, in that context, the relevance that these further developments have to the Free Trade Areas of the Americas talks.

While these regional developments have been far-reaching, we also have seen a continuing importance within the hemisphere of WTO developments. Important new obligations have just come into effect this past January, particularly under the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS). The TRIPS Agreement required a number of new protections for patents and trademarks to be put into effect in developing countries this January. As recent trade stories have been reporting, the United States is considering filing WTO cases against Argentina, and perhaps Brazil and other Latin American countries for their failure to implement their new obligations.

Another impact of the inability of Ministers to start a new trade round in Seattle last fall is that it has been very difficult for the developed countries to give any concessions to the developing countries by way of these existing obligations. This has started to cause real frictions and real new dispute settlement cases. Thus, the failure of Seattle also has importance in the protection of intellectual property rights.