FREE TRADE AREA OF THE AMERICAS

Missed Deadline Prompts Efforts to Restart Stalled Hemispheric Trade Negotiations

What GAO Found

Since our April 2003 report, FTAA negotiations reached an impasse that remains unbroken. Prior to the November 2003 FTAA Ministerial in Miami, negotiators made technical advances, but differences over the scope and depth of obligations in the FTAA slowed substantive progress. Despite adopting a new structure at Miami, negotiations have been suspended since early 2004, and the scheduled conclusion of the FTAA in January 2005 expired without agreement. This spurred recent efforts to re-start the talks.

Three factors have been impeding progress in the FTAA negotiations: (1) the United States and Brazil have made little progress in resolving basic differences on key negotiation issues, (2) member governments have shifted energy and engagement from the FTAA to bilateral and multilateral trade agreements, and (3) two mechanisms intended to facilitate progress—a new negotiating structure and the co-chairmanship by the U.S. and Brazil—have so far failed to do so.

Although in the Fall of 2004 participants and experts were pessimistic about near-term prospects, many believe that integrating the hemisphere is still worth pursuing and hope that FTAA talks can be revived in 2005. Some believe that progress on agriculture at the World Trade Organization and the upcoming 2005 Summit of the Americas could spur movement on the FTAA. However, many still see finally concluding the FTAA as linked to further WTO progress and to renewal of U.S. Trade Promotion Authority, which facilitates U.S. Congressional approval in mid-2005. Nevertheless, officials from many of the nations and regional groups we contacted indicate continued commitment to establishing a mutually beneficial FTAA.

Progress in FTAA talks, November 2002 – January 2005

Technical progress made, but substantive differences build:

- Scheduled milestones met
- U.S./Brazil coalitions disagree over scope and depth of obligations
- Two-tier structure to accommodate differences

At Miami, to move talks forward, negotiators agree to:

- Keep negotiating on all original issues
- Two-tier structure to accommodate differences

Since Miami:

- Two-tier structure fails to resolve differences
- Talks suspended
- Scheduled conclusion of FTAA passes without agreement

GAO was asked to analyze (1) progress made in FTAA negotiations since GAO’s last (April 2003) report (2) factors that have been influencing the FTAA’s progress; and (3) future prospects for the FTAA.

USTR disagreed with our report, stating it was a poorly framed portrayal of progress and problems in the negotiations, overemphasized the role of the United States and Brazil in the current impasse, and did not give sufficient weight to U.S. efforts to make progress. GAO made several changes in response, but disagreed with USTR’s assessment. The Departments of State, Commerce, and Agriculture provided technical comments, which we incorporated.