Free Trade Agreements in the Americas
and their impacts on the transportation sectors

Transports and the FTAA Integration Process

Regional Conference

Document II

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Introduction

The integration process discussed in FTAA, Free Trade Area of the Americas, raises a huge expectation for the member countries.

The Latin American countries ask if their products will manage to reach the large markets represented by the United States and Canada. At the same time, they ask if they will be able to resist the trade pressure represented by those countries. In the developed countries in the North, the workers ask if their jobs will resist the competition with the poorly paid jobs and work in the South.

These questions are hard to answer. It may be said that there will be gains and losses in this regional integration between such unlikely partners and that these gains and losses will vary from country to country according to their productive structure and foreign trade structure.

But the risks for the southern countries do not involve only the capacity of trade competition with the two richest countries but also the future of the sub-regional trade. The various countries in South America, in the sphere of their sub-regional blocs and ALADI have already established a system of trade preferences, which would be gradually absorbed by FTAA. To a lesser extent, this is also valid for the countries in Central America and the Caribbean and their sub-regional blocs and, inversely (competition in the North American markets), it is also valid for Mexico with a strong position in NAFTA.

All these questions are the same in the discussion on the different types and characteristics of transport services.

Transport is a key element, both for international trade and regional integration. It is a fundamental element in the development of countries and gains in increasing importance in the regional integration processes.

The integration process will affect the transport sector not only by diminishing or increasing the foreign but also domestic trade flows, or even in their redirection or in the change of their type of transport. The integration process will also affect them in the discussion on liberalisation of these services, a particularly important question in the debates on integration. And this process will also affect the sector on the central matters of labour conditions and value of this workforce, that is, in wages and benefits.

First an attempt will be made to imagine the consequences of the hemispheric integration process in the trade flows. These questions are considered as problems mainly for the southern countries, especially those in the regional Mercosur and Andean Community blocs. The regional trade flows and increasing integration are threatened, as is local production, achieved in the past under the model of import substitutes.

For the United States and Canada and also, to some extent, for all countries in the region, especially for those which already have a productive sector, the threats from the FTAA integration model are of another kind: they affect their jobs, wages and benefits that will face competition with lower-paid workers in poorer working conditions. This second question will be addressed later herein.

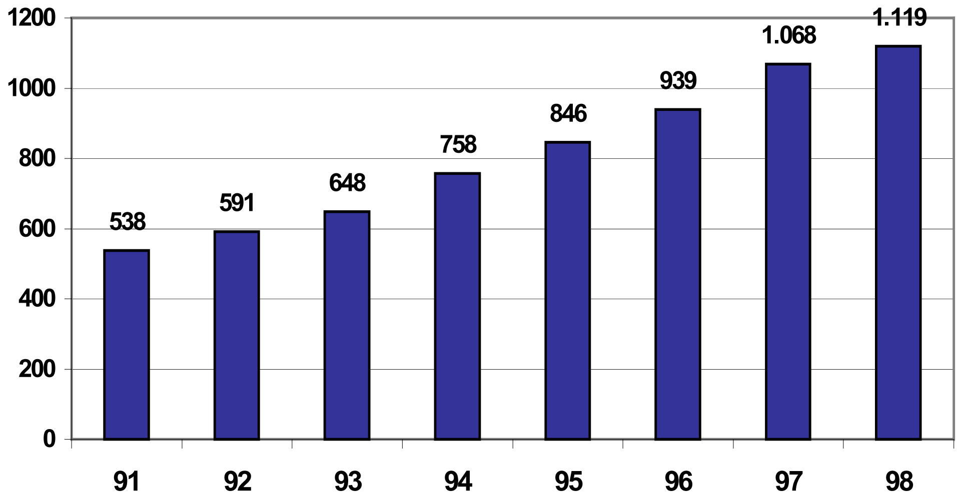
First, an overview will be given of the hemispheric economies, especially those of North America and South America, and the transport systems attending them.

1. Hemispheric Foreign Trade

Taken as a whole, hemispheric foreign trade has soared. Taking 1990 as base, exports increased from 644,147,000 million dollars that year to 1,186,820,000 million dollars in 1998, an 84% rise. This rise was even greater when analysing only the intra-hemispheric exports, which in the same period, rose from 300,765,000 million dollars to 692,358,000 million dollars in 1998, a rise of 130%. The following graph shows the performance of exports of NAFTA countries during the same period of time, a rise of 121% between 1990 and 1998.

Graph 1: Export performance of NAFTA countries

(in US$ '000 million)

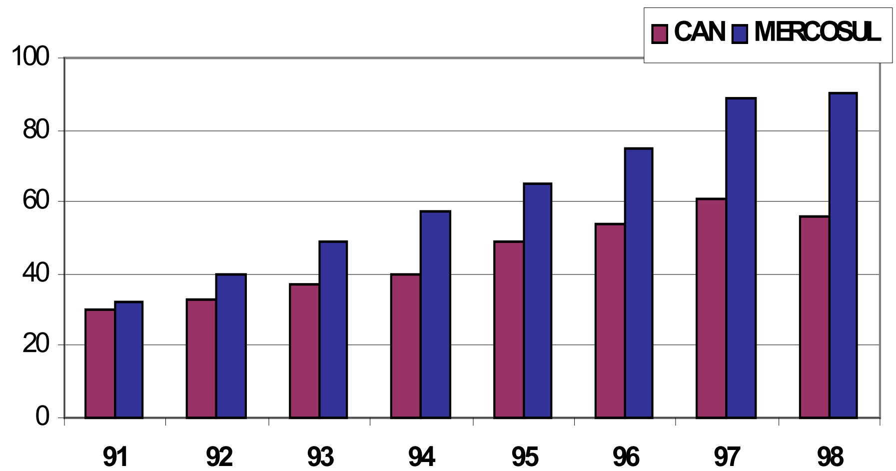


Source: ITF calculations, data (Ports, 2001)

If we compare these data with the increased exports in the two largest blocs in South America, Mercosur and Andean Community (ACN), even if the same upward trend continues, it will be seen that in 1998 Mercosur exports would not have been 100,000 million dollars, that is, less than one tenth of NAFTA exports.

Graph 2: Foreign trade performance of countries in ACN and Mercosur

(*in US$ '000 million)*

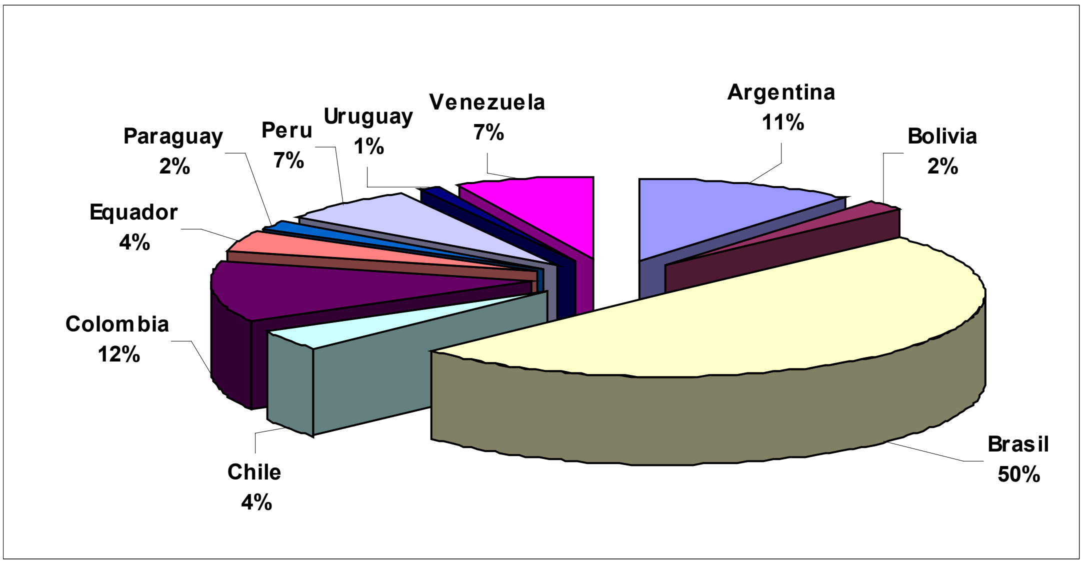


Source: ITF calculations, data (Ports, 2001)

1.1. South America

South America covers an area of almost 10.5 million square miles (17.3 million square kilometres) with a population of 335.6 million people. This gives the population density of the region as one of the lowest in the world (19.4 inhabitants per km²). Of this population, 60% is concentrated in rural centres and towns with less than 200,000 inhabitants and 27% is concentrated in cities with over one million inhabitants.

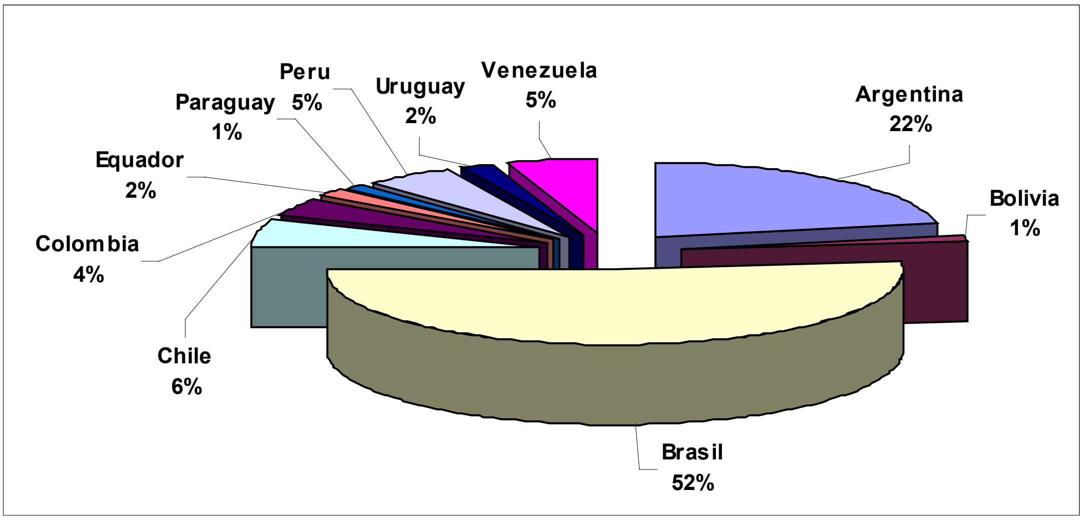
Graph 3 South America, Population Distribution, 1998



Source: ALADI, 2000 – with data from CEPAL

In the same way as the hemisphere is very asymmetric in terms of concentration of wealth in the two large countries in the North, the United States and Canada, the wealth in the sub-continent is concentrated in Argentina and Brazil: both countries have 73% of the Gross Domestic Product (GDP) of the region. This wealth is concentrated mainly in the southern part of the continent, in the Buenos Aires-Rio de Janeiro axis. The next four countries on the Pacific coast concentrate another 24% of the wealth.

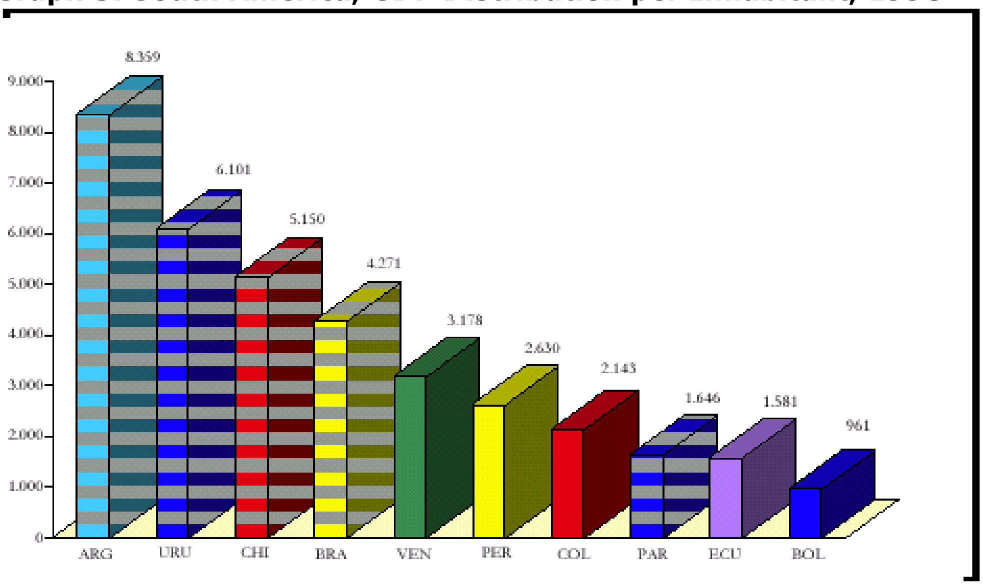
Graph 4: South America, Regional GDP Distribution



Source: ALADI, 2000 – with data from CEPAL

The distribution of wealth of the region is also asymmetric, ranging from an annual income per inhabitant of US$ 8,359 in Argentina, to US$ 961 in Bolivia (CEPAL, 1998). The graph below illustrates the disparity of income per inhabitant between the countries, which in each show even wider difference.

Graph 5: South America, GDP Distribution per Inhabitant, 1998



Source: ALADI, 2000 - with data from CEPAL

In recent years the region has been undergoing structural changes which have caused its economies to open wide to foreign trade, attracted a sharp increase in foreign investment and a weakening and even extinction of chronic inflationary processes. Aside of these changes a democratising move has swept the military dictatorships from the region.

Yet these reforms have also made formal employment more precarious and caused unemployment, privatisation and the weakening of the State and an exponential rise in the foreign debts of those countries.

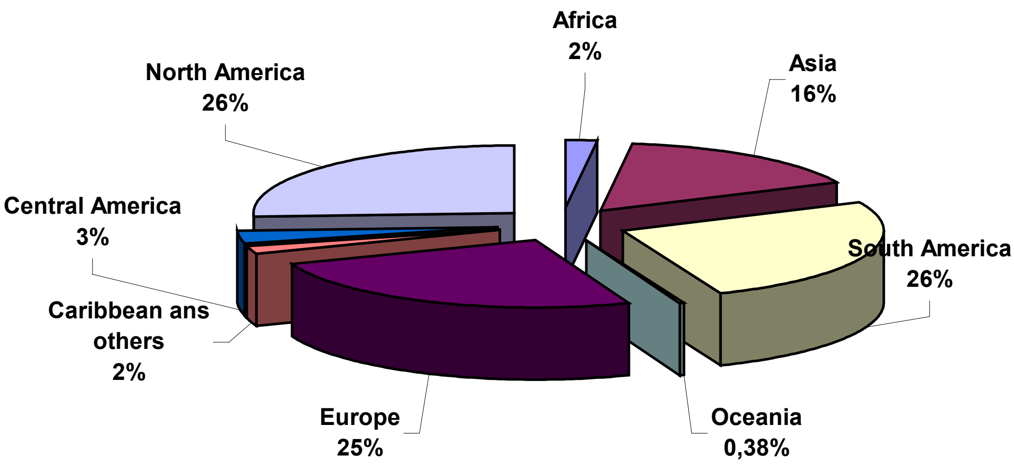
The model which is being structured heavily dependent on foreign capital has also caused growing foreign trade, especially in the regional sphere, with the creation of economic blocs. Thus, if in the 1980s total exports increased at a rate of 2.9% a year and regional exports at a rate of 12.3%, in the 1990s these same indices increased at an annual average of 8.1% for overall trade and 20.8% a year in the intra-regional trade. The increase in exports is very often supplanted by the increase in imports and consequently an even heavier dependence on foreign savings.

In this situation, in many countries foreign trade has occupied a large slice of the GDP: 70% in Chile, 65% in Paraguay and 62% in Ecuador. Similarly the participation of intra-regional foreign trade has also, alone, occupied a large part of the GDP in some countries: 34% in Paraguay, 25% in Uruguay. In the two largest countries, foreign trade has occupied a small slice of the GDP, less than 20% in Argentina and Brazil. In the latter country, regional trade barely occupies 5% of the GDP.

Overall trade in the region was US$ 296 million dollars in 1998, with a 112% rise in the last ten years. In 1998 overall trade reached the 674 million ton mark. The trade exchange alone of South America with the rest of the world was over 500 million tons.

Graph 6: South America, Exports of Region according to Destination 1994-1998

(annual average in million dollars)



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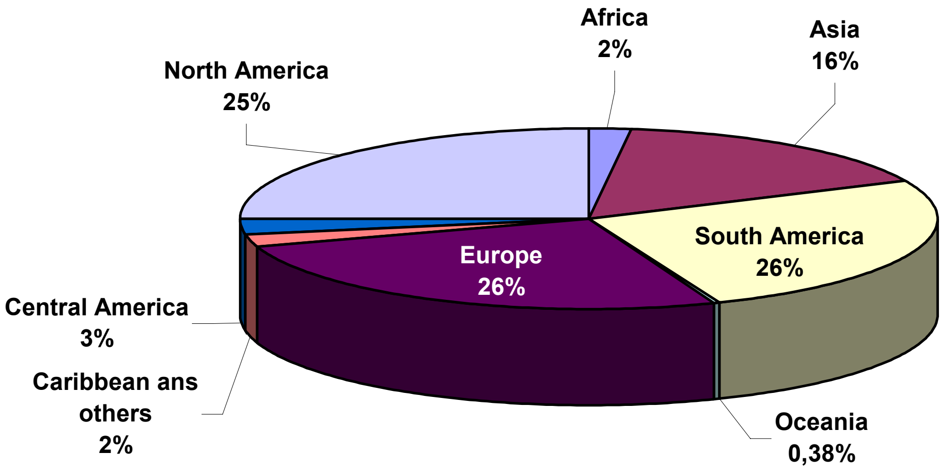
ource. ALADI 2000

Graph 7: South America, Imports of Region according to Destination 1994-1998



(annual average in million dollars)

Source. ALADI, 2000

It is worth noting that "the trade flows in the region are remarkably heterogeneous, heavily concentrated and with unbalanced unsustainable demand, creating too accentuated seasonal irregular traffic, with a noticeable imbalance between exports and imports. Depending on the type of freight to be sold, the type of transport used directly influences the final price of the merchandise and becomes a strategic element of regional trade". (ALADI 2000)

In 1996, it is found that there is a preponderance of sea transport in the volume of continental exports and road transport in the value of these exports. Considering the ALADI countries that provide information of value and volume per type, it is found that 79% of the volume exported by these countries was via sea transport, representing 33% of the marketed value, while road transport was responsible for 49% of this value and around 13% of the marketed volume.

The other types of transport occupy a small portion, with emphasis only on air transport with 6% of the exported value (despite its small volume). In the case of Mexico, rail transport stands out with 10% of the value exported by the country, and only 3% of its volume.

The following table summarises this division.

Table 1: Types of export transport, ALADI countries, 1996

(US$ million and million tons)

	Sea		River		Air		Rail		Road		Other	
	Value	**Vol.**	**Value**	**Vol.**	**Value**	**Vol.**	**Value**	**Vol.**	**Value**	**Vol.**	**Value**	**Vol.**
Mercosur	23,257	59,764	393	6,560	4,053	338	221	465	13,104	12,037	1,640	5,845
ACN *	7,037	33,545	14	43	1,969	200	96	1,105	367	638	1,164	3,760
Chile	3,492	8,505			702	99	16	28	1,264	962	93	26
Mexico	14,712	85,180			2,829	98	13,973	5,416	55,016	16,792	84	4,805
Total	48,498	186,994	407	6,603	9,553	736	14,306	7,014	69,661	30,429	3,673	14,436
%	33%	76%	0%	3%	7%	0%	10%	3%	48%	12%	3%	6%

- ***except Ecuador and Venezuela***

Source. CEPAL (Profile, 1999)

The following two tables were prepared (using ALADI data) by considering the two main blocs in Latin America, Mercosur and ACN, and examining the types of transport according to their destinations. It is found that in the exports from the two blocs there is a preponderance of sea transport - 55% to Mercosur and 66% to ACN, representing 70% and 85% of the volume exported, respectively.

Table 2: Mercosur Exports + according to type of transport

(1996 data, in US$ million and million tons)

	Sea		River		Air		Rail		Road		Other	
Destination	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.
Intrabloc	7136	21799	200	2145	1033	42	75	254	12011	10921	1150	5587
ACN	2590	3,980	34	182	408	20	143	207	890	1,010	92	164
CACM	365	390	6	27	42	1			10	12	48	53
NAFTA	12466	30866	154	4205	2546	273	4	5	101	93	336	27
Caribbean	701	2.729			25	1			2	1	14	14
Total	23258	59764	394	6.559	4054	337	222	466	13014	12037	1640	5845
%	55%	70%	1%	8%	10%	0%	1%	15	31%	14%	4%	7%

Source. CEPAL (Profile, 1999)

Table 3: Andean Community exports, according to type of transport

(1996 data, in US$ million and million tons)

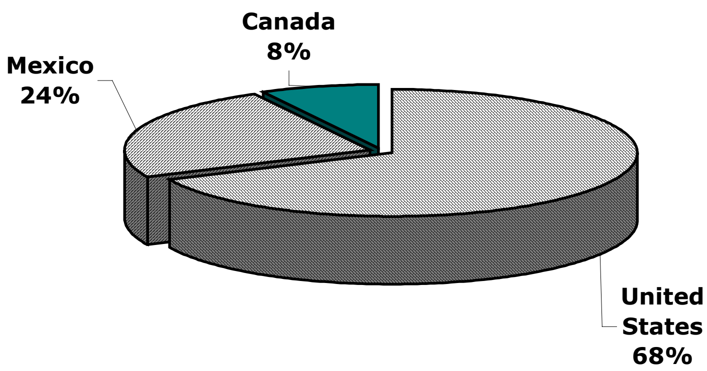
	Sea		River		Air		Rail		Road		Other	
Destination	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.	Value	Vol.
Mercosur +	648	1972	4	4	127	6	39	114	104	215	101	2754
Intrabloc	1032	3753	8	36	207	13	40	279	259	421	1038	878
CACM	314	1019			108	7	1		0		5	35
NAFTA	4652	23662	2	2	1490	171	16	696	4	2	20	93
Caribbean	392	3139			37	4	0	16				
Total	7037	33545	14	43	1969	200	96	1105	367	638	1164	3760
%	**66%**	**85%**	**0%**	**0%**	**18%**	**1%**	**1%**	**3%**	**3%**	**2%**	**11%**	**10%**

Source. CEPAL (Profile, 1999)

1.2. North America

The three countries in NAFTA – the United States, Canada and Mexico - form a heterogeneous group of countries with respect to their wealth, level of development and the role of foreign trade in their economies. Their populations grow at different rates: the average growth between 1990 and 1998 was 1.1% p.a. in the USA, 1.4% in Canada and 2.0% in Mexico. And their populations are distributed unequally in the sub-continent, as the following graph shows.

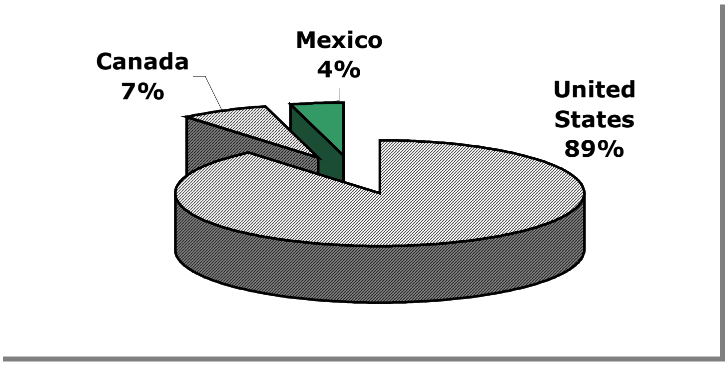
Graph 8: North America, Population Distribution, 1998



Source. World Bank

The quite unequal distribution of the GDP, which is almost 9,000 billion dollars, shows that the economies has their very defined peculiarities.

Graph 9: North America, Gross Domestic Product Distribution, 1998

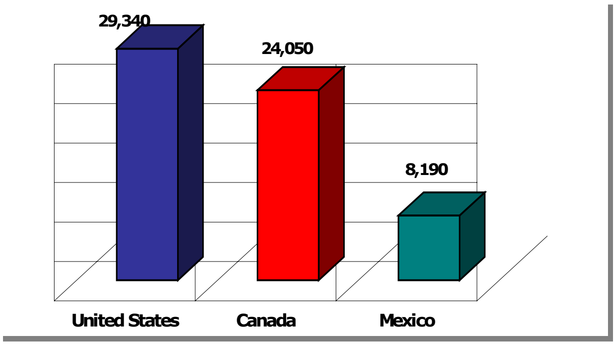


Source. World Bank

The same inequality is repeated when comparing the distribution of income per inhabitant, as shown in the graph below.

Graph 10: North America, GDP Distribution per inhabitant, 1998

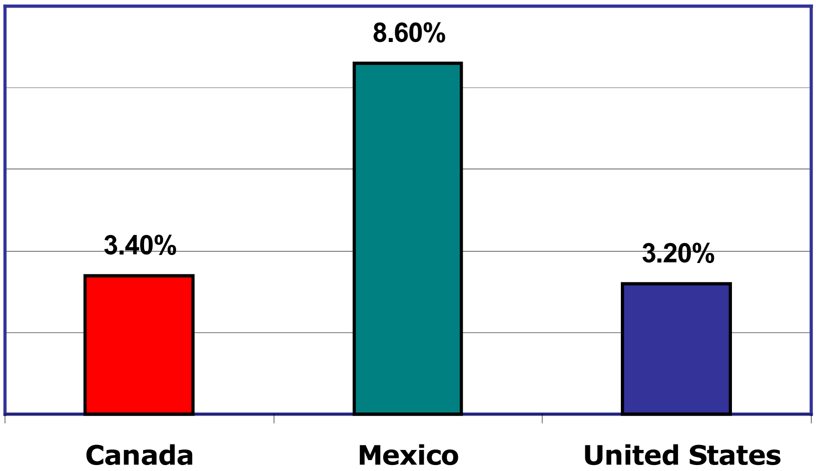
(***in dollars a year***)



Source. World Bank

Based on the data in the report "North American Transportation in Figures" / "El transporte de América del Norte en Cifras" (2000), jointly published every year by the transport departments of the NAFTA region, Transport Canada, US Department of Transportation and Secretariat of Communications and Transportation of Mexico, an overview was made to show the participation of transportation in the economy of the region in 1990 and 1996 – last years with available information for the three countries – which shows the disparity of the participation of transportation in the income of each country.

Graph 11: North America, Participation of Transportation in the GDP of each country, 1996



Source. North American Transportation in Figures, **figure 1.3a**

The graph gives a good idea of the participation of transportation in the overall economy, stressing its major role in the formation of the Mexican GDP, where it contributed with 8.6% in 1996.

Considering the participation of the different types of transport in creating the wealth of the NAFTA countries, there are evident differences in this proportion in the various countries. If in Mexico the participation of urban and inter-city passenger transport was 38.8% of the product of transport activities, in the other two members, Canada and the United States, this proportion was much less with 10.5% and 5.5% respectively. However, for rail and air transport this proportion is inverted. Air transport occupies 27.6% and 17.8% of the transport GDP in the United States and Canada respectively, and only 3.5% in that of Mexico. Rail transport, on the other hand, is more important in Canada, where it occupies 13.1% compared to 9.9% in the United States and only 1.9% in Mexico.

The following table makes a different assessment of the place transport occupies in the national economy and shows the final demand relating to transportation, determined as the sum of all expenses of private and government consumption with respect to transportation plus the value of the goods and services procured by companies as investment in transportation. This data permits an assessment of the importance of transport based on demand.

Table 4: North America, Participation of final demand relating to transportation in the GDP

	Canada			**Mexico**			**United States**		
	1990	**1995**	**1996**	**1990**	**1995**	**1996**	**1990**	**1995**	**1996**
Proportion of transportation in GDP	13.4	13.6	13.9	ND	ND	ND	10.9	11.0	11.2

Source. North American Transportation in Figures**, section 2-15**

An assessment is given below of the participation of the workforce in the transport sector in national free trade and the personnel occupied according to the professional categories in terms of their economic category.

Table 5: North America, Total workforce and in the transport sector according to its types

	Canada		Mexico		United States	
	1990	**1996**	**1990**	**1996**	**1990**	**1996**
Total workforce	**11 276**	**11 410**	**25 958**	**28 282**	**118 793**	**126 708**
Total in transport sector	**418**	**429**	**ND**	**ND**	**3 980**	**4 406**
% on workforce	**3.7%**	**3.8%**	**ND**	**ND**	**3.4%**	**3.5%**
Auto-vehicle operators	**351**	**374**	**ND**	**ND**	**3 560**	**3 978**
Rail transport	**24**	**18**	**ND**	**ND**	**118**	**116**
Water transport	**17**	**12**	**ND**	**ND**	**52**	**70**
Air transport	**21**	**20**	**ND**	**ND**	**250**	**241**
Other types	**5**	**4**	**ND**	**ND**	**ND**	**ND**

Source. North American Transportation in Figures**, section 2-23**

The table shows the workforce employed solely in the transportation sector. So the truck drivers in all sectors of the economy, including the transport activities and other industries are included in the total "auto-vehicle operators". Note that while the data for the United States and Canada refers to the number of people occupied, Mexican data refers to the number of jobs.

The two following tables - 6 and 7 – show the distribution of foreign trade (imports + exports) in North America according to type of transport. The former, according to trade volumes and the latter to volume.

Table 6: Foreign trade between North America and the rest of the world according to value (US$ million)

	Canada		Mexico		United States	
	1990	1996	1990	1996	1990	1996
Total trade	71,471	88,699	ND	33,577	655,349	1,005,328
%	**100**	**100**			**100**	**100**
Air transport	8,986	17,436	ND	5,455	190,495	358,960
%	**12.5**	**19.6**			**29.0**	**35.7**
Sea transport	43,356	54,081	ND	17,157	415,972	572,196
%	**60.6**	**61.0**			**63.4**	**56.9**
Road transport	9,316	14,832	ND	8,315	ND	ND
%	**13.0**	**16.7**				
Rail transport	2,375	1,005	ND	685	ND	ND
%	**3.3**	**1.1**				
Pipeline transport	7,438	1,344	ND	NS	ND	ND
%	**10.5**	**1.5**				
Other	N	N	ND	1,965	ND	ND
%						

N = no data ND = no data available – **Source.** North American Transportation in Figures**, section 2-23**

Table 7: Foreign trade between North America and the rest of the world according to volume (metric tons)

	Canada		Mexico		United States	
	1990 [e]	**1996 [e]**	**1990**	**1996**	**1990**	**1996**
Total trade	239.0	235.7	ND	ND	753.9	822.0
%	**100**	**100**			**100**	**100**
Air transport	0.7	1.1	ND	ND	2.9	4.6
%	**0.3**	**0.4**			**0.1**	**0.5**
Water transportation	219.7	220.2	ND	40.6	751.0	817.4
%	**91.9**	**93.4**			**99.7**	**99.4**
Road transport	5.0	4.5	ND	ND	ND	ND
%	**2.1**	**1.9**				
Rail transport	1.2	0.6	ND	0.4	ND	ND
%	**0.5**	**0.3**				
Pipeline & other transport	12.4	9.2	N	N	ND	ND
%	5.2	3.9				

Source. North American Transportation in Figures**, section 2-23**

2. Transport systems in the Americas: an overview

Using regional transport data in the studies performed by the Economic Commission for Latin America (CEPAL) to help in the so-called "Transportation Project for the Western Hemisphere" (TPWH/ITHO), some comments are given on the transport systems in the Americas to provide an overview of the sector in the hemisphere, by establishing a ratio between the transport systems and the regional trade schemes (intra-blocs) for the purpose of integration.

There are five trade blocs in question: NAFTA, Central-American Common Market (CACM/MCCA), the Caribbean, Andean Community and Mercosur + (including Chile).

Continental trade

The proportion of continental export trade varies in each bloc with regard to the regional export trade, ranging from 9% in the Caribbean to 88% in the case of NAFTA.

Table 8: Hemispheric Exports x Intra-Regional Exports

(US$ million - 1996)

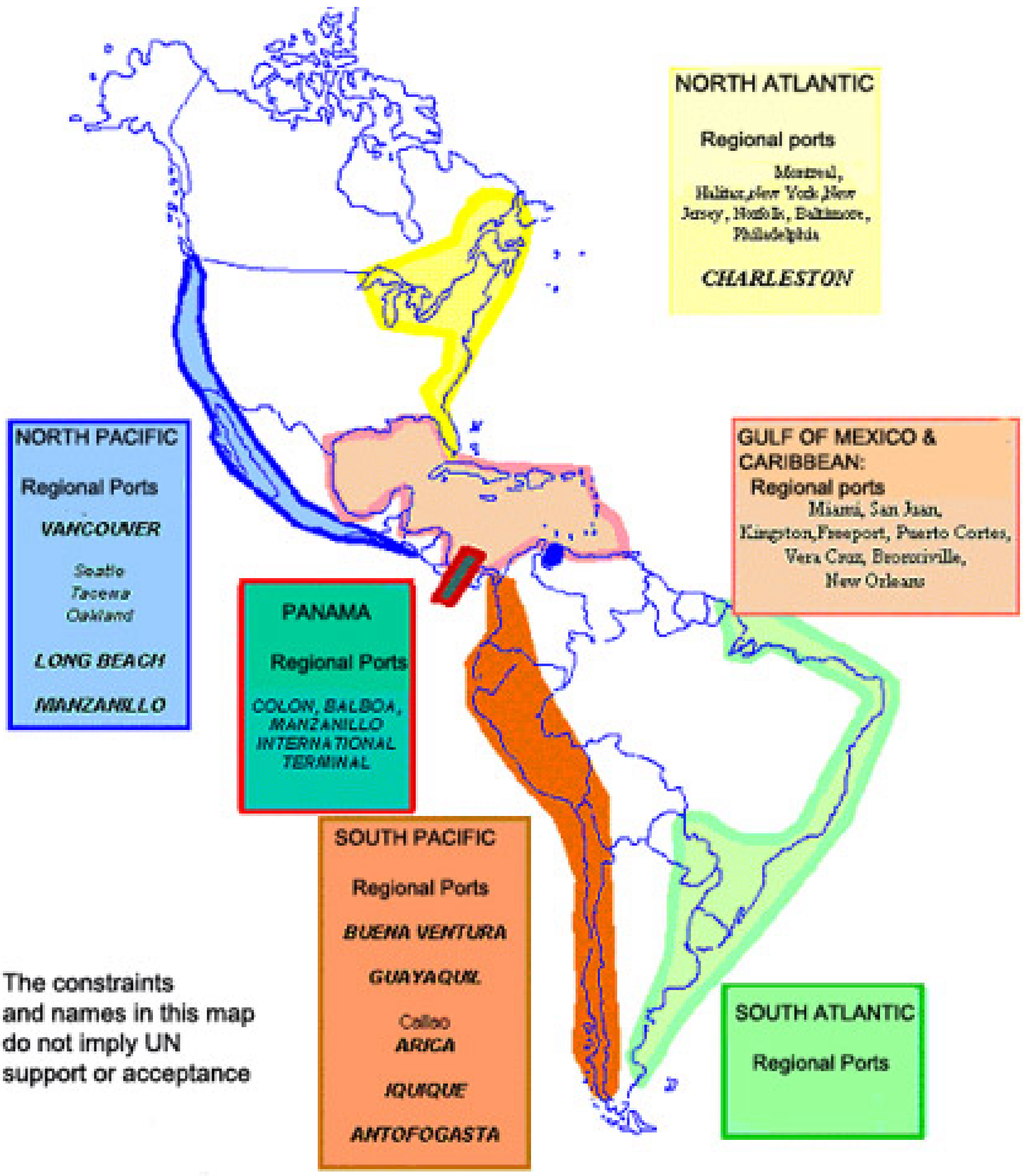
Origin	NAFTA	Caribbean	ACN	CACM	Mercosur+	Destin. Intra %
Destination						
NAFTA	428.752	6.175	21.851	3.301	15.606	**90%**
Caribbean	7.867	681	2.257	160	743	**6%**
ACN	13.820	145	4.722	147	4.155	**21%**
CACM	8.995	115	1.341	1.801	470	**14%**
Mercosur+	26.376	79	2.415	51	21.605	**43%**
Origin Intra %	**88%**	**9%**	**14%**	**33%**	**51%**	

Source. CEPAL (Profile 1999)

2.1. Sea transport in the hemisphere

The overview study undertaken by CEPAL (Profile, 1999) divides the sea transport systems in the continent in six groups according to their traffic and coastline, touching upon some common features in their description.

Map 1: Regional systems of sea transportation



Source. CEPAL (Profile, 1999)

These six groups, determined by their ports which have regional scope, are:

1. North American East Coast

A region where the ports with the largest sea traffic volume in the hemisphere are concentrated. It is characterised by its connections with traffic to Europe across the North Atlantic.

Its main ports are Halifax, Montreal, New York-New Jersey, Norfolk, Baltimore, Philadelphia and Charleston, all very well equipped for loading and unloading. It has a major regional impact through its shipments from and to South America, especially to Mercosur with its exchange with Europe and also in the internal distribution of the United States and Canada.

2. North American West Coast

The northern Pacific coast of North America concentrates its main ports: Los Angeles-Long Beach, Oakland, Tacoma, Seattle and Vancouver. They are some of the largest ports in the world for their traffic volume and infrastructure capacity. Their services continue to grow and have a strong regional impact both in sub-regional traffic and Mexican, Central and South American traffic. This is where the main continental trade with the Asian continent is concentrated. On the southern coast, the port of Manzanillo has been growing in regional terms.

3. Caribbean and Gulf of Mexico

The name sums up a wide variety of traffic zones, both in volume and infrastructure. It can be divided into Gulf of Mexico, the Caribbean islands and Central America.

In the Gulf of Mexico the ports are essentially local, and it is the Mexico-United States trade zone. The ports of Bronxville, South Louisiana and New Orleans have regional importance and they deal with shipments for Mexican exports and imports. These services face competition both from road transportation services and rail services, which as mentioned, play an important role in the Mexican economy.

On the Atlantic coast of Central America, not counting the essentially local traffic, the only ports are Puerto Cortes in Honduras and Santo Tomás de Castela in Guatemala. The imbalance between the import and export traffic is noticeable in the ports of this sub-region: exports are four or five times more than imports. Added to this feature, which is very detrimental to the freight cost structure, is the small volume of traffic to create a low investment situation.

In the Caribbean, the ports with more volume are San Juan, Porto Rico; Kingston, Jamaica; Miami, United States and Freeport, Bahamas. The other ports are mainly local, with a small traffic volume and little operating infrastructure, and very often is the only port in the country. The imbalance in imports and exports is also here as in Central America, only that now the proportion is inverted in favour of imports. The port of Cartagena, in Colombia, is included in this group.

4. Panama

Because of its exceptional characteristics and importance both for its volume of cargo and its operating services to all regions in the hemisphere, Panama is unique in this group. Its main ports are Manzanillo, Evergreen and Balboa. Traffic is concentrated towards the two coasts of South America and the major East-West trading axis.

5. South American East Coast

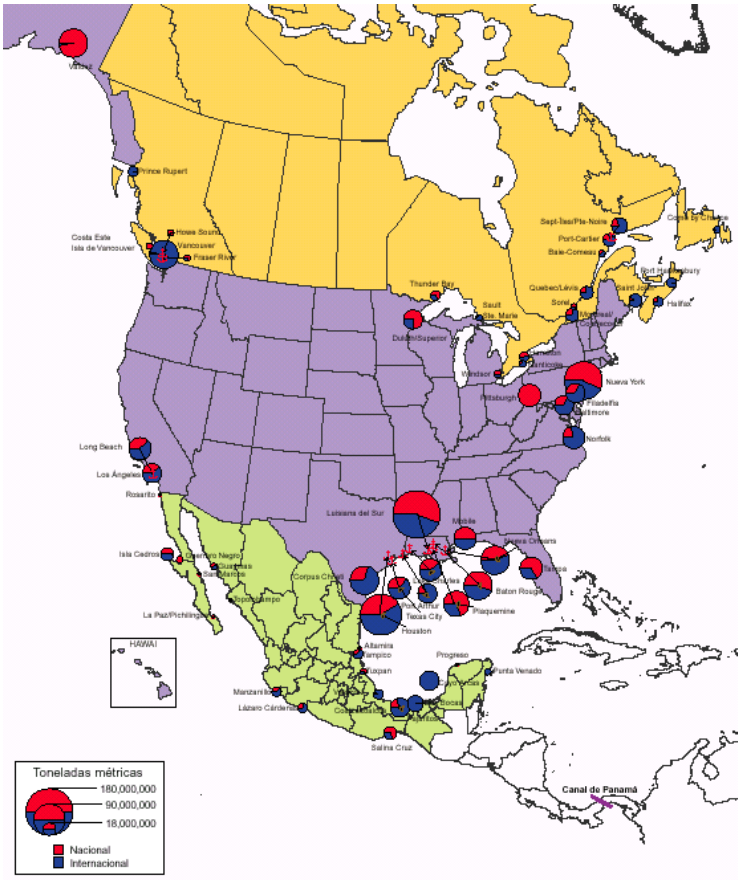
The largest ports in South America are concentrated here, with widespread regional influence. Its main ports, of Mercosur, are distributed between Vitoria in Brazil and Bahia Blanca in Argentina. This zone is where the interconnection is made between the Paraguay-Paraná waterway, a key axis with huge potential development for the Mercosur countries: Argentina, Bolivia, Brazil, Paraguay and Uruguay.

6 South American West Coast

Its long coastline and small population have caused port services on the South American Pacific coast to be very scattered. Total traffic in this region corresponds to one third of the import volume and two sixths of the export volume of its counterpart on the East coast of South America.

Its main ports are Talcahuano, San Antonio, Valparaiso, Antofagasta, Iquique and Arica, in Chile; Ilo-Matarani, El Callao, in Peru: Guayaquil, in Ecuador and Buenaventura, in Colombia. The East coast of Central America is included in this region, where the ports have a particularly local importance, with heavy bulk traffic.

Map 2: North America, 20 Main Ports by Tonnage, 1996



Source. North American Transportation in Figures**, section 2-23**

2.2 Road Transport

This form of transport, by its characteristics, adopts the regional integration schemes.

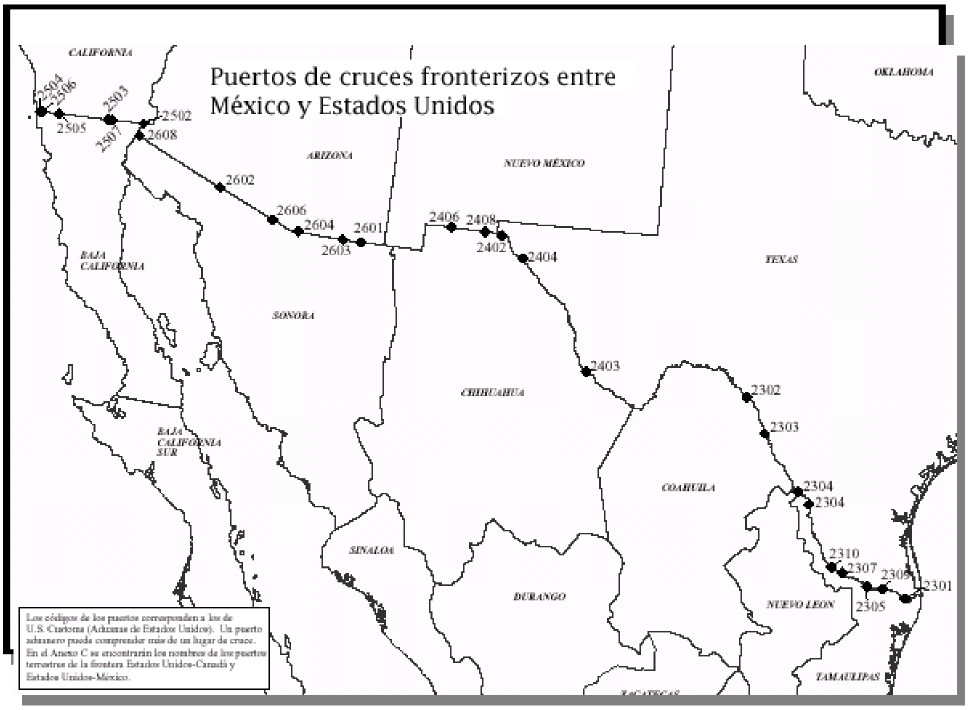
NAFTA: In North America the road transportation system is the most important in the sphere of regional foreign trade, representing around 75% of the trade from the United States with Canada and 71% with Mexico.

The three countries have different technical and safety regulations, and attempts have been made to standardise them. The partners have different regulations in everything ranging from load size and capacity, driver regulations, working conditions, safety and occupational health to traffic lights and highways.

The load capacity permitted is an example of how complex the question is: in the United States load capacity is restricted to 8,000 lbs. on all vehicles, around 36 tons. This figure in Mexico for six-axle vehicles may be over 48 tons and in Canada, depending on the province and for the same kind of vehicle, up to 53 tons. These different regulations relating to the conservation of the highways are probably due to the differences found in these countries between public and concessionaire highways.

Crossing the US border to Mexico involves long delays, due to the few existing crossings, where measures are adopted to prevent illegal immigration from Mexico (even though there is no access of Mexican trucks to US territory, the procedures adopted do delay the process anyway) and drug trafficking is added to the lack of the integrating tradition of the region.

Map 3: Border crossings between Mexico and the United States



Source. North American Transportation in Figures**, section 2-23**

CACM/MCCA – this is the most open market for transport services in the hemisphere. The problems arise due to the poor highway infrastructure and lack of upkeep, plus the lack of security and border delays. "It should be mentioned that the sea-land intermodality is fully developed in Central American with the particular aspect that it is completely controlled by shipping companies which contract the haulage contractors in the same port who own the tractors which haul the unloaded shipment to quite a number of internal loading terminals in the region, although generally used privately by each company." (CEPAL, 1999, p.14)

Andean Community – Here also, the road service market is open to all companies interested, even multinationals, provided that they are incorporated in countries in the Community. "The difference from CACM, although they cannot operate in international transport more than the companies registered and authorised in their country of origin, that is, their legal domicile and on the routes that they apply to operate." (CEPAL, 1999, p.14) The main traffic zone is between Colombia and Venezuela.

Mercosur: There is an agreement on transport services prior to the agreement to constitute Mercosur. It is the Meeting of Ministers of Transport and Public Works of the Southern Cone, with Argentina, Bolivia, Brazil, Chile, Paraguay, Peru and Uruguay, which from a short agreement in 1989 established a system of bilateral agreements where, in some of them, quotas per nationality are established. "This covenant signed by the seven countries in the Southern Cone, and successor to three other previous regional covenants, has been however a model of effectiveness and flexibility which has contributed to the harmonious development of transport in the region." (CEPAL, 1999, p.14). The driver's licence, insurance policy and customs clearance documents are standardised at a regional level.

The six main road corridors of the sub-region concentrate 43% of the volume in tons of the road traffic in the region. These corridors are as follows:

Map 4: Southern Cone. Main Road Corridors

SOUTHERN CONE INTRA-REGIONAL HIGHWAY CORRIDORS WITH MOST TRANSPORT FLOW

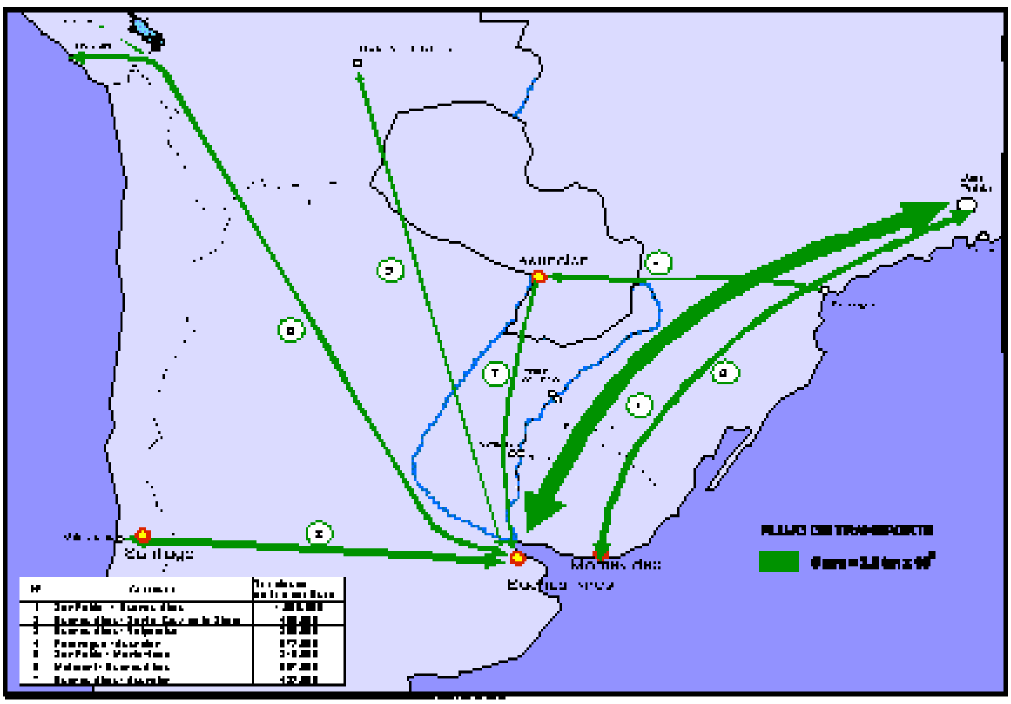


Table 9: Traffic Volume per Road Corridor and Border Delay

Corridors	Volume of Traffic (%)	Delay at border crossing
São Paulo - Buenos Aires	15.6%	5 days
Buenos Aires - Valparaiso	7.1%	2 days
São Paulo - Montevideo	6.7%	1 day
Valparaiso - Lima	4.9%	0.25
Paranaguá - Asunción	4.7%	1 day
Montevideo - Buenos Aires	4.5%	1 day

Source. ALADI, 2000

One of the major problems today is the border crossing which in the case of the main corridor (São Paulo - Buenos Aires) may entail a five-day journey.

2.3 Rail transport

As mentioned, the rail transport system is still the least important in the hemisphere and has been increasingly deregulated and privatised, with consequent deterioration of working conditions. It is however found that it is growing in importance in the regional transport systems, especially in the sphere of NAFTA and Mercosur.

NAFTA – It has an integrated rail transport system in the three countries, with the same gauge and inter-operating equipment, strengthened by working agreements between the companies in the system. It competes with advantages with the road transportation in bulk freight in the Midwest and North United States and at overland links of Los Angeles-Long Beach and Mexico City.

CACM/MCCA – Projects are underway, especially the so-called overland link parallel to the Panama Canal and rehabilitation of the recently privatised degraded Guatemala rail network.

Andean Community - In this region the only international rail traffic joins the Peruvian network with Bolivia. The Bolivian railway is widely used in the country's trade, due principally to traffic with Chile and Mercosur.

Mercosur – Rail transport still occupies a small place in intra-regional trade, but it is on the increase, principally through intermodal connections with sea and road transport. The existing networks are not inter-operable. The rail system gained in importance with the integration of the production systems linked to the Auto Pact.

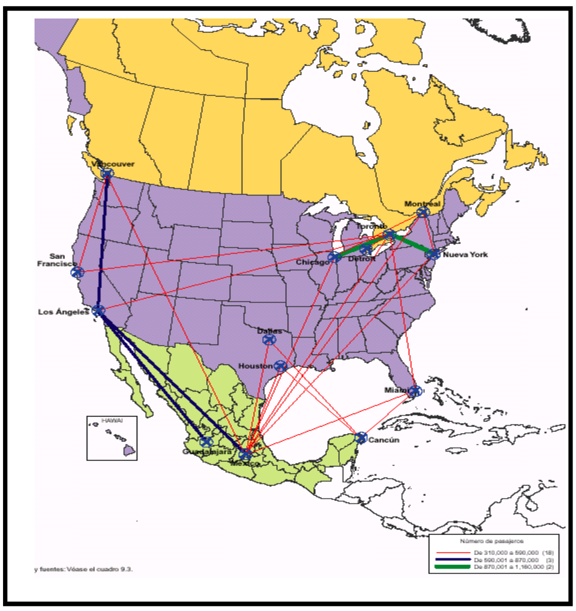
Map 5: Southern Cone, Basic Railroad Grid

2.3 Air Transport

In general, air transport is regulated based on bi-national agreements, but there are three regional air transport agreements in the hemisphere: NAFTA, Andean Community and Mercosur l.

NAFTA – this is NAAT-North American Aviation Trilateral, an agreement to harmonise rules and civil aviation systems to increase its security. Air transport plays an important role in transporting goods: in 1995 it carried US$ 355 billion or around 27% of the foreign trade of the United States (60% by US airlines).

Map 6: North America Main twin towns for air passenger traffic



Andean Community – this is the most internally open regional system in the hemisphere: the activities are run by the Andean Committee of Aviation Authorities.

Mercosur – Discussions are underway on the decisions of the bloc to liberalise air freight services. "In the framework of the conference of Ministers of Transport, Public Works and Communications of South America, a project to adopt a common policy for commercial aviation is being considered. This project emerged from a seminar organised by ALADI held in CEPAL in April 1997, became part of the agenda of the Ministerial Conference and has a working group that should submit a draft resolution at the next meeting of the Conference planned to be held in Bolivia in November 1998".

3. The impact of FTAA on the hemisphere

3.1 The impact of FTAA on trade

The last summit meeting of the Presidents of the Americas set a deadline for the implementation of FTAA and it became an urgent matter to consider its impact on the trade of each country and each regional bloc. It is evident that this question is of the utmost importance principally for the Latin American countries. An analysis, therefore, will be given on how this trade today occurs between the regional blocs and each bloc.

For simplicity's sake, the performance of the trade flows between the blocs in South America, that is, trade between the Andean Community, Mercosur and Chile[1] with the countries of NAFTA will be used.

The following table shows the weight of foreign trade in Mercosur and the Andean Community and will also show how, contrary to common belief, it has been dropping in proportion to the participation of the United States, Canadian and Mexican markets, despite its growth in absolute terms. This downward trend is even more significant for Mercosur countries, more specifically for Brazil. The drop occurs due to the greater proportional growth of the trade inside the blocs.

Table 10: NAFTA participation in the hemispheric foreign trade of the blocs
(In percentage)

	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
Mercosur	55.5	50.9	48.8	46.7	45.4	44.5	43.7	42.9
ACN	77.7	75.7	73.9	70.3	68.0	70.3	71.0	69.0

Source: (Ports, 2001) with IMF data

In the case of NAFTA, the participation in its trade in the regional markets of South America is relatively stable. As the following table shows, more than 90% is concentrated inside the regional market itself and the almost 10% remaining is divided equally between the Andean Community and Mercosur + Chile. On the other hand, the participation of intra-regional trade is fairly high, at 92.2% of all trade in 1998. This weight, however, is not recent and before NAFTA began it was over 90%.

[1] Due to a question of data availability Chile is now analysed separately from Mercosur

Table 11 Participation of blocs in NAFTA trade
(In percentage)

	1991	1992	1993	1994	1995	1996	1997	1998
IntraNafta	91.1	91.0	91.7	91.8	91.4	91.5	91.4	92.2
ACN	4.6	4.7	4.2	3.9	4.0	4.1	4.1	3.5
Mercosur	3.6	3.5	3.3	3.6	3.7	3.5	3.7	3.6
Chile	0.7	0.8	0.8	0.7	0.9	0.9	0.8	0.7

Source: (Ports, 2001) with IMF data

Canada and United States today have the biggest bilateral trade relationship in the world. Canada formed its productive sector by creating a series of barriers for trade with the United States (this was since its constitution in 1879). In the early 20th century it moved from an economy based on primary goods to an industrialised economy. With the country's industrial growth, the barriers were gradually being eliminated and at an even faster rate since GATT.

In 1965, the Canada-United States integration leaped ahead with the US Canada Auto Pact, which eliminated all tariffs in the automotive chain and permitted the major automobile corporations Ford, Chrysler and GM to streamline the whole automobile production system. Even today, automobile goods dominate US–Canadian trade. This process was accelerated with another agreement between the two countries in 1998 (CUSFTA). It is found that this programme, although it intended to reach all services in its liberalising efforts, excluded transport. Around 80% of Canadian exports go to the United States and 77% of its imports come from there.

Mexico-United States trade relations, however, have a different background. After many years of justifiable mistrust, the two countries made an "arrangement" to establish the production system based on the assembly system (*maquila*) which today is quite advanced, having freed itself from the simple cheap labour pattern to something more sophisticated. In its 'third generation' the system has plants not only on the borders but also further in the country, using more skilled labour and producing components for its assembly plants. This makes exports from Mexico have a large component of manufactured goods: they are more than the sum of all industrial exports from Latin America. Between 1995 and 1999 Mexican manufactured exports leaped at a rate of 16%, thanks basically to the assembly plants (*maquiladoras*), which focus their production on the North American market. But at the same time, imports made by the US assembly plants rose 18.5%, which explains the rise in the Mexican trade deficit between 1995 and 1999. It is true that this trade increase also increased the investments and the job offers in the *maquila* regions; however, this increase in business was not reflected in other parts of the country since the assembly plants only "assembled parts" (principally clothing, car parts and electro-electronic appliances) imported mostly from the USA and with only 1% of added national value.

The two countries, Canada and Mexico, are similar in terms of the pattern of their foreign trade with the United States. The following table shows the participation of the items grouped under 'Machinery and transport material' in their trade.

Table 12: Participation of transport machinery and equipment trade in total imports and exports, Canada and Mexico, 1993 and 1997

	Canada		**Mexico**	
United States	1993	1997	1993	1997
Exports to	54.2%	55.3%	47.5%	50.2%
Imports from	44.1%	42.9%	51.9%	55.1%

Source. Lakshmanan, 2001

In the case of Mercosur and the Andean Community the intra-bloc trade also grew more than the extra-bloc trade. Principally in the case of Mercosur + (with Chile) which saw its intra-regional trade reach 51.3% of its total hemispheric trade in 1997, due basically to the participation of Brazil and Argentina, which concentrate more than 80% of the trade transactions in the region.

Table 13: Participation of the blocs in Mercosur trade

	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**
IntraMercosur	32.3	36.5	40.1	42.0	42.8	45.3	46.7	45.9
ACN	5.8	5.6	4.8	5.0	5.0	4.2	4.1	6.2
Chile	6.4	7.0	6.3	6.3	6.8	6.0	5.5	5.0
NAFTA	55.5	50.9	48.8	46.7	45.4	44.5	43.7	42.9

Source: (Ports, 2001) with IMF data

But there were major differences in relation to the composition of the trade. In the case of Mercosur and ACN, agricultural exports represent around 15% of all exports (a little more than that for Mercosur) and just under 5% for NAFTA countries. In the segment of manufactured goods, NAFTA exports, especially from the United States and Canada but also Mexico in recent years, represent 90% of all exports in 1998. However, Mercosur is also present (due fundamentally to the Brazilian exports) while for ACN they com after mining sector which is the most important part of the exports.

Table 14: Participation of the sectors in bloc exports, 1997

(In percentage)

	Agriculture	**Mining**	**Manufactured goods**	**Total**
ACN	15.9	41.1	43.0	100
Mercosur	17.8	7.3	74.9	100
Chile	15.2	15.6	69.2	100
NAFTA	5.0	4.3	90.7	100

Source: (Ports, 2001) with UN data

- **Risks and Opportunities**

An interesting study by Prof. Marcel Vailliant, Professor of International Economy at the Universidad de la República, shows that several aspects are to be analysed on the impact of FTAA's presence on the foreign trade of ALADI countries. This study includes a set of studies carried out by ALADI, the purpose of which was to refer the negotiations underway and create a benchmark for the countries represented in the negotiation, by measuring both the negative impact on intra-regional trade and identifying goods with potential to enter the United States and Canadian markets.

Based on the global trade performance between the member countries of ALADI (including Mexico) and the United States and Canada, his work-studies imports to its member countries from those two countries to indicate which products are more endangered in the intra-regional trade. Based on exports from these countries to the two economies in the North it indicates the products with potential to increase trade in those markets. For this forecast, the study seeks to fix a trade pattern for the Americas based on cross-referencing some variables: **Trade Intensity (TI), Trade Complements (TC) and distortion or Geographic Bias (GB)**[2] (ALADI, 2001a)

The first finding in the study is the high Trade Intensity (TI) of the pattern of the ALADI exports with the United States and, as mentioned above, the enormous difference between the sub-regions and the countries. Mexico is, obviously, very much involved with the exports to the United States. The Andean Community nations are less involved in this trade and there is almost no distortion to the Mercosur countries and Chile (GB); the United States portion in exports is the same as in world trade. However, when considering the exports from the United States to ALADI countries, it is found that the geographic distortion (GB) has risen substantially in the last ten years. The United States, because of its geographic position and size of its economy, benefited most from the unilateral opening and without reciprocity made by the economies of the region. It is no accident that this is the only region in the world with whom the United States has a trade surplus.

The situation of Canada is different, with a much lower trade intensity pattern (TI) with the region. "On the contrary, the structural pattern of the Canadian exports with the countries of the region is very different, which makes it clear when recording TI levels well below one in every case. The changes observed in the 1990s puts Canada farther away from the region." (ALADI, 2001, p.6)

After analysing the imports of the ALADI member countries, **selected as being the most important in intra-regional trade,** an attempt was made to

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[2] "In this section the rate of trade intensity (TI) employed by Anderson and Norheim (1993) is analysed. This indicator measures the ratio between the exports of market A to market B as proportion of the imports of B in the world imports discounting the imports of A. If the indicator is equal to one it means that the importance that this market B has in the exports A is similar to the importance of B in the world trade, in the latter case there would be no bias in bilateral trade between those countries. The TI can be broken down into the effect of two factors: complementary trade between the patterns of specialisation of the economies and the geographic bias characterising the trade exchanges between them. Complementary trade (CT) accounts for the degree of association between the products that an economy exports and those which import the other. If "matching" is done between the structure of the comparative advantages of a sector of country A (in exports) with the comparative disadvantages of country B (in imports) and they were then summarised in an index weighing by the importance in the world trade in each sector. In simple terms, it may be said that the CT indicator answers the question of whether a market buys what the other sells. The "sesgo geograph (SG)" or geographic bias is a residue that recognises the effect on the structure of the trade of geography and discriminatory trade policies."

measure the effect of FTAA on them: where there would be more threats of displacement of the regional trade by imports/FTAA from the United States.

"The procedure consists of a sequence of two filters on the potential list of sectors. Each of the two filters has a specific purpose, which accounts for criteria which have been considered pertinent for inclusion in each selection stage. The primary criterion is that the complementary sectorial exports of the United States (or of Canada) with one other country from the rest of ALADI is more than one. The second criterion establishes a filter of an agreement to a certain minimum size of the trade current in question and its overlapping with another regional exportable offer."(ALADI, 2001a p.8)

The study points out that, for Mercosur, Brazil would be threatened in its manufacturing production, while Argentina, in addition to the threat against its manufacturing production, as with Uruguay, would also have its food production threatened. Paraguay's farming sector would be threatened and in Chile its mining sector. The automobile sector of Mercosur would be, overall, would be threatened in its intra-regional trade with imports.

For the Andean Community, the threats against Bolivia would be concentrated in the farming sector and for Peru in the mining sector. "Colombia would have a scattered pattern in many sectors and with a low intensity of the variable threats each." (ALADI, 2001 p.8) Venezuela and Ecuador would be threatened in their crude oil production.

Going deeper into the analysis, including the topics of trade policy, Prof. Vailliant draws up tables with a **"basket of danger-products"** ("canasta de productos-peligro"), (ALADI 2001, annex B, Tables B-23/B-33) and concludes that:

- **Argentina, Brazil and Colombia are the countries most threatened in terms of the quantity of goods in their endangered regional export agenda.**
- **Uruguay, Chile, Peru and Bolivia would be in an intermediary situation: the first two in their exports to Mercosur and the last two in their exports to the Andean Community and Mercosur.**
- **Venezuela, Ecuador and Paraguay are least threatened and concentrate on their regions.**

Based on a similar methodology a list of products with positive potential was made for the ALADI countries, that is, which could potentially increase their exports in a similar fashion to the United States and Canada (annex C, Tables C-1 /C-11 contains a preliminary list and C-12/C-22 a refined list with filters) (ALADI, 2001a).

Brazil is the country in South America with most sectors: with a considerable share in the farming sector and quite a few options in the industrial sector. Argentina has its greatest potential in the farming/food sector, accompanied by industrial sectors. Paraguay and Uruguay have their best opportunities in the farming sector and raw materials, the latter also presenting a potential in some manufactured goods. Chile concentrates its opportunities in food, raw materials and ores.

For the Andean Community nations there are fewer options. Colombia is the country with the highest manufacturing potential. Venezuela is concentrated on the oil sector and Ecuador has a similar profile, to which is added the farming sector. Peru and Bolivia have their potential divided between the farming, raw material and mining sectors.

The study goes deeper with the inclusion of the prevailing trade policies, since many of the countries already have agreements with preferential conditions with the United States and Canada; and the existing non-tariff constraints are also considered.

The conclusion is that:

- **Bolivia, Paraguay, Ecuador and Venezuela have few opportunities to increase their exports, either because they have a limited productive structure, or because they already enjoy trade preferences or constraints.**
- **Brazil, Argentina and Colombia are the countries which offer the best opportunities, the first in the manufacturing sector and the others in agricultural sector.**
- **Colombia, Peru and Chile are in an intermediary situation.**

Another study of ALADI, which endeavours to determine a strategy to preserve and improve the current systems of tariff preferences among its members, makes important comments on the correct dimensioning of the positive aspects of implementing the FTAA. (ALADI, 2001b)

The study reinforces the previous question, recalling that the United States is an major exporter of manufactured goods and agricultural products (the latter, as discussed below, with a strong export promotion scheme conducted by the US Department of Agriculture) mainly to Mexico and the ACN. But with one exception: "the primary goods are generally excluded or whose liberalisation is conditioned to the intra-ALADI trade agreement, the manufactured goods being precisely those most protected within ALADI and also the most privileged from the preference between the members of the Association. Therefore, to the extent of trade preferences to all countries on the continent may be associated the risk that import markets for agricultural produce from the ALADI countries may be occupied by the USA and that that country manages to displace, in the markets of the member countries, the exports of manufactured goods from the other member countries in the Association."(ALADI, 2001b).

And then comments "it is by no means obvious that the best access to the US market, which may arise from FTAA, permits the exports of manufactured goods and non-traditional products from the ALADI countries to spread to that market, where there are very specific conditions of competence, abundant rules and certificate requirements, etc." (ALADI, 2001b)

Finding that the FTAA may mainly favour the less privileged countries by trade preferences of the United States and with more trade barriers, that is, Mercosur and Chile, it considers that the position of those countries in the hemispheric agreement "can effectively improve their position in relation to the access of those countries to the US market, reducing the degree of discrimination created today by the existence of a vast complete network of trade preferences in that country. This incentive would certainly increase significantly if the FTAA permitted the elimination of tariff peaks and non-tariff measures affecting the ALADI exports in the USA." (ALADI, 2001)

The study mentions the existence of a series of 'sensitive' goods that are strongly protected in the US markets and shows that there may only be an increase in post-FTAA exports if those barriers were eliminated[3].

To know which are the barriers used by the United States in trade with Latin America, a CEPAL study will be used below, included in the "Panorama of the International Inclusion of Latin American and the Caribbean " (CEPAL, 2000).

In short, these barriers are:

Tariff barriers: although US customs duties are low (76% of Latin American imports in the United States enter the country without paying any tariff) these barriers exist and vary according to products and countries. Canada and Mexico pay the lowest duties on average: 0.1% for the former and 0.5% for the second; the Andean Community follows with an average duty of 0.8% in 1999 and CARICOM with an average duty of 1.1%. Mercosur paid an average duty of 2.4% and the Central American Common Market (CACM/MCCA) the highest average customs duty in 1999 of 4.5%. Note that the lower the customs duty the less the country has to gain in the negotiating process of FTAA with regard to the lower tariffs.

Antidumping measures: US legislation guarantees the economic sectors which feel prejudiced by imports from the United States to present a claim on this damage to the Department of Trade and International Trade Commission. The former investigates the existence of dumping and the second, if applicable, calculates the amount of damage. A temporary decision is already made with the imposition of compensation. Then a final decision is made. Latin American governments have complained of the decisions of those agencies, very often arbitrary, and the WTO has taken decisions condemning such measures. In 1999 25 new cases of establishing antidumping rights were concluded, affecting 13 countries, including steel exports from Mexico and Brazil, Brazilian orange juice, Chilean salmon and others. The claims against Brazilian steel were made by steel producers and two trade unions in the sector.

Voluntary constraints: under the threat of antidumping and compensatory measures, the countries have been forced to negotiate agreements where they voluntarily restrict their exports. As CEPAL states "Although in general they are considered less detrimental to the exporting countries than the legislation of trade defence, these agreements, very often negotiated under coercion, undoubtedly contradict the spirit of free trade and multilateral rules and procedures." (CEPAL, 2000). These constraints in 1999 affected Mexican tomatoes and Brazilian steel goods.

Safeguards: Customs duties are applied for a certain time based on a positive decision by the International Trade Commission. Mexico underwent embargoes on sorghum products and appealed to an Arbitration Court on the terms of the NAFTA agreement and the discriminatory measure was considered contradictory to the regulations of that agreement.

Contingency for sugar: Sugar as export quotas to the United States given to each producing country. Among the quotas, a compensation of 0.625 cents per pound of unrefined sugar is applied and whatever exceeds the quota pays an additional charge. Latin American countries, except for Brazil, are exempt of these charges.

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[3] It is worth recalling that the recent approval of the law "Trade Promotion Authorisation" (TPA) better known as the "fast track" authorisation in the US Congress considerably reinforced these protections, practically prohibiting the Executive of the United States to mitigate any of these measures in negotiations in the sphere of FTAA and the WTO without its authorisation. The law shall be voted shortly in the US Senate.

Special Section 301: Based on section 301 of the Trade Act, Argentina was made responsible for "lack of a suitable and effective protection" for medicament patents. This infringement against intellectual property was retaliated with the suspension of 50% of the benefits granted to the country by the General Preference System. Chemical, metal, metallic and other manufactured goods and agricultural produce were affected. In 1999 other Latin American countries joined Peru, Colombia, Venezuela, Costa Rica and other Central American countries in a "surveillance list" on defending the right of intellectual property: Brazil, Chile, Uruguay and Jamaica. Paraguay left this list after signing an agreement.

Rules and regulations: Agricultural exports must comply with a series of rules and regulations to be sold on the US markets. The costs of investigating the compliance of such rules by the US Department of Agriculture (USDA) are paid by the producers. Most exports of fruit and vegetables have such rules. Brazilian apples can only enter the country via the North Atlantic ports. Meat also has very strict regulations and has been the subject of a recent controversy due to the foot and mouth and mad cow diseases. Another requirement is also compliance in terms of marketing, ripeness, size, quality, etc. with other rules. There are also protections of an ecological nature, such as the Marine Mammal Protection Act and the International Act for Dolphin Conservation, which bans tuna fish exports.

It is worth noting that agricultural products, which are most of the options for the ALADI countries with potential to increase exports in the FTAA, are subject to special export promotion programmes. These programmes, run by the US Department of Agriculture, form a widespread network of subsidies for agricultural exports, with emphasis on the 'Dairy Exports Incentive Programme', 'Export Credit Guaranty Programme', 'Infrastructure Credit Guaranty Programme', 'Market Access and Development Programme', 'Emerging Market Programme' and others.

These programmes and incentives now increase the competitiveness of agricultural products of the United States, lower its quotations on the international markets and compete strongly with agricultural exports from Latin America.

3.2. The impact of FTAA on transport

If it is hard at this moment to measure the whole impact of the FTAA process on trade and the productive structure of the Americas, it is even harder to measure this impact on the transport systems.

Few sectors of economic activity have undergone so many changes as the transport services. In the middle of the globalisation process, by its characteristics, transport has been deregulated, privatised; it has been the subject of mergers and take-overs in a concentrating process; and has suffered from the technological innovations.

In such a process as FTAA, with so many asymmetries and disparities in the conditions of labour, wages, property, production organisation, etc., this process of change will be raised to the nth degree.

The following table was drawn up considering the means of transport used in the foreign trade of countries in Mercosur + and the Andean Community.

Table 15: Mercosur and Andean Community, type of transport in foreign trade, in % of value and volume

	Mercosur		Andean Community	
Types	**Value**	**Volume**	**Value**	**Volume**
Sea	55.5%	72.1%	66.1%	85.4%
Road	29.8%	13.7%	3.5%	1.6%
Rail	0.5%	0.5%	0.9%	2.8%
Air	9.8%	0.5%	18.5%	0.5%
Others	4.4%	13.3%	11.0%	9.7%
	100%	100%	100%	100%

Source. Ports, 2001

In the hypothesis that the regional trade flows diminish in favour of the North-South trade, it may be imagined that road transport has diminished in its proportion to foreign trade, mainly in the countries of Mercosur + Chile, where it is 29.8% of the value transported and 13.7% of the volume transported.

Sea transport and port operations, which are important both in Mercosur and the ACN, would also be threatened at a regional level. Should the North-South trade flow increase, this increase would be reflected in an increase in the sea transport and port operations. But if this trade flow were to be unstable, more in one direction than in another, the increase in the use of sea transport would be accompanied by the deterioration of working conditions, due to pressures from lower costs.

This type of reasoning could continue for each type of transport and hypothesis of rise or fall in trade, but there are still insufficient data for this exercise. Data collection and research must, therefore, be one of the first goals of the trade unions in the transport sectors of the Americas, in order to learn more and intervene better in the process and negotiations.

Form this point of view, it is important that the trade union movement accompany ALADI discussions, studies for "Diagnosis of International Transport and its Infrastructure in South America (DITIAS)", CEPAL studies for the "Transport Initiative in the Western Hemisphere (ITHO)" and so many others that are created to integrate the infrastructure and transport of the Americas.

4. FTAA proposals by the trade union movement

4.1. A brief analysis of the consequences that may arise from the current FTAA format

North American government documents and declarations demonstrate that, for that country, the FTAA should be more than just a free trade zone (**FTZ+)**, it should also include the liberalisation of investments. An agreement to this format will benefit the extension of the rights of transnational companies without creating any obligation or counterpart, imposing on the governments of the under-developed countries the commitment to include in their legislation contents and questions that are still in negotiation in the WTO, such as the topics on investments, service trade and intellectual property, and arbitration mechanisms permitting companies to question measures adopted by the nation states that are or may be detrimental to their profitability. Decisions that, among other implications, will set clear constraints on the possibilities of governments adopting national development policies (ARROYO, Alberto, 2001).

For a better understanding of these questions, it is important to take a quick look at some of the aspects that may arise from the proposals under discussion in the main negotiating groups.

In terms of **Services** the interest of the major capitals is to liberalise the supply of public services, opening up to a competitive market and its supply – if this aspect is added to the budgetary reductions of the nation states for the supply of essential services it could be predicted that transnationals will be in much better conditions to compete in areas such as health, culture, general transports, environmental protection services, energy, water utilities, and others.

On the topic of **investments** the proposal is that FTAA grants the multinational corporations a considerable power, permitting them to query national policies and laws, since they may contest any State that resists payment of financial compensation to the corporations that demand compensation. This is not only a clear interference in the sovereignty of each country, but also would mean a reduction in the already shaken public budget and new reductions in expenditure of essential services. The chapter also includes the topic of capital control, foreseeing a wider spectrum of the type of transfers that can and cannot be made – some of those that can be transferred are the contributions to capital, legal privileges, fees and another payment relating to intellectual property rights and benefits granted from exploiting natural resources.

In terms of **Intellectual Property Rights**, the mandate of the negotiators is mainly to lessen distortions in the hemispheric trade, promoting and ensuring proper protection for intellectual property rights not only of industrial patents but also of inventions, cultural products, seeds, plants, animals and other forms of life.

Concerning **National treatment of foreign investments,** the US proposal, inspired on NAFTA, provides that the governments give foreign investments the same treatment and rights that national investments enjoy, but opening up restricted possibilities of the countries presenting lists of sector exceptions.

At the end of 2000, the **Group of Negotiation on Subsidies, Antidumping and Compensatory Measures** produced a text with two contradictory positions (entirely between brackets and mutually excluding) – the first summarised the negotiations made by the negotiating group and was supported by most countries, and the second, at the North American initiative and in only one paragraph, said that the internal laws of the countries in terms of antidumping and compensatory measures would prevail over what possible provisions on this matter in any chapter of the FTAA pact. In the speeches of a number of governors – namely FH Cardoso of Brazil and Chaves of Venezuela, the approval of this proposal would make the FTAA unfeasible and would be unacceptable by the countries that wish to eliminate the non-tariff barriers, which the North American legislation provides. Finally, the Ministers approved an instruction to the Group of Negotiation on Subsidies, Antidumping and Compensatory Rights to intensify efforts to reach a mutual understanding in order to improve, when possible, the rules and procedures relating to the operation and application of antidumping laws and compensatory rights, not to create unjustifiable obstacles against free trade in the hemisphere, and to present their recommendations on the methodology to be deployed to achieve this objective by 1 April 2002, which will be assessed by CNC in its first meeting after this date.

The US proposal, which is still under negotiation in the FTAA GNs, is based on the terms in chapter 15 of NAFTA and, furthermore, proposes that the dispute settlement bodies in terms of competition can act at the transborder level and that it be possible to submit the public companies to the investment dispute settlement mechanism (that is, broadens the provisions in chapter 11 of NAFTA).

The **Trade Promotion Authority - TPA** (analysed in the first document of the report herein) approved in late 2001 by the US Congress, authorised the Executive to contract new foreign trade agreements (not only FTAA) but imposing a series of conditions: preservation of the antidumping laws and compensatory measures, of access to markets and current competition; no "forced transfer of technology" (chapter on foreign investments); defence of both export subsidies and internal support to the farmer and constraints on opening up the agricultural market; restricts the capacity of the nation States to impose requirements on foreign capital and innovates when it introduces what could be called a "**foreign exchange clause**" – a mechanism which would restrict the autonomy of the Nation States in determining their foreign exchange policy[4].

The TPA is under discussion in the Senate where it should be voted in 2002 and, if approved as it is, it will create more drawbacks in negotiations since, on restricting access to the US market (principally in the agricultural sector), it will be removing from the agreement the main attraction for the countries in Latin America and the Caribbean.

In short: FTAA in the terms of the draft will be more than a free trade agreement, it will also imply liberalisation of investments and include topics still under negotiation in the WTO (patents, trade of services, etc) and which, as they are addressed at the bloc and not multilateral level, will further restrict the negotiating conditions of the vast majority of its members countries.

There is no way out of such an unequal game and with contradictory interests, unless **differentiated negotiating conditions** are established, that is, in favour of the under-developed economies and countries. This implies **not only** establishing flexible negotiated deadlines for lower tariffs, but also access to technological development – therefore a completely different treatment for the question of intellectual property – a longer grace period; the creation of funds for financing the small and medium-sized production as well as reformulating what is intended to be a dispute settlement system, eliminating the active role of the private companies and the possibility of countries to adopt subsidies and other incentives to produce and export, to improve not only their competitive conditions but also extend their foreign trade relationship and not become hostage to a dependent trade relationship with the two largest economies of North America.

4.2. The impacts on labour and social rights

All this would be most detrimental to the workers. Both in the Latin American countries – the impact is so evident that no comment is required – and in the more developed countries – United States and Canada – since, contrary to what may be imagined at first sight, the trade benefits provided will not result in an increase in jobs and better quality of life for their workers.

[4] The mechanism approved by the American Congress determines that the Executive seek "to establish an advisory mechanism to examine the commercial consequences of unplanned foreign exchange movements and to analyse if a foreign government is engaged in a pattern of manipulating its currency to promote an artificial competitive edge in international trade".

An agreement in this format – free trade and little or no regulation on the action of capital and transnational companies – will give freedom to companies to settle and/or move part of their production to countries and/or regions where they are able to pay lower wages and the unions are less organised (or preferably non-existent). And this will not result in increased employment in some countries in detriment to a loss of jobs in others, since, with the development of new technologies and computerisation of several work processes, the companies may set up regional production and trade networks concentrating on assembling lower value-added industrial products in less costly regions and outsourcing the production of parts and components in different countries – this is, for example, the model adopted by the *maquiladoras* (assembly plants), a process which began in Mexico and today spreads throughout Central America and the Caribbean and now spreading into the northern part of South America. In this way, not only is the volume of jobs generated small but also very often of poor quality. By adopting these mechanisms the plants based in the headquarter country are in general restructured and the number of employees reduced, also causing unemployment there. Moreover, the companies use this possibility of relocating to pressure the trade unions in the countries where they were, to lower their demands and requirements in exchange for their staying there and/or installation. In both cases the workers lose out.

This happened in Mercosur – where the multinationals decided to concentrate their principal production and management of the sub-regional trade in Brazil and to do so began a new stage of intensified restructuring of their production, causing a rise in unemployment not only in Argentina which they left behind but also in Brazil where they are concentrated. A similar process can be seen in NAFTA, which will be analysed herein below.

And in the case of services, the labour consequences can be even more disastrous since, as mentioned previously herein, the service companies basically sell **information and technology**, and can settle in a country and operate on the home market of the others without having to move there and/or can use home offices or task (by piece work) without having to confront the trade unions nor pay social rights and benefits; the information highways and data transfer networks perfectly allow such operations.

Moreover, it must be pointed out that FTAA is a bloc with huge internal economic, production and social disparities. In the European Union, for instance, where the wage and social disparities are smaller and where the tax, duty and monetary policy is unified, it is no advantage for companies to move form one country to another – what has happened is the production is concentrated in less plants with the shutdown of other units by the multinational groups on the continent – this is why it has been so important for the workers and trade unionism to create European corporate committees. With the arrival of countries form the East (former socialist countries) this trend may arise but the instruments already achieved – Social Charter, community laws and corporate committees – will permit European trade unions to have better conditions to resist the pressure of the transnationals.

In FTAA it is not like that, it is an agreement which will involve extremely different situations, where the annual income per capita will range from US$26,000 in the United States to US$ 265 in Haiti, for example. These figures, plus the already known facts of world business strategies, such as those of the automobile, telecommunications, information technology and food industries, will themselves only establish increasingly close links between the labour markets and will condition the national policies of social benefits and the legal regulations for the labour market. The problems and social imbalances, therefore, cannot be ignored. And yet there is no specific area for assessing the impacts of the negotiations on the living conditions and labour of the populations involved nor any decision and/or forecast for adopting mechanisms of protection and equalisation of labour rights.

In Latin America and the Caribbean the negative and detrimental impacts to the workers arise tangentially from the formation of sub-regional blocs and basically from the way in which these countries adhered to economic globalisation and world trade, causing a unilateral opening of their markets; and from the attacks of freely circulating financial capital and privatisation. All those factors are mainly responsible for the changes occurring in the labour world since the end of the 1980s, causing a loss of millions of jobs, increasing the rate of unemployment and deregulated employment and deregulating and flexibilising labour laws.

But on examining NAFTA, an agreement with South-North components – that is, huge disparities between Mexico and the United States and Canada -, it will be seen that the constitution of the free trade area has much more perceptible and important effects. It is important, therefore, to analyse what happens in NAFTA concerning labour and labour rights, since they will certainly be repeated in FTAA at even higher levels.

Going back to the data presented in the previous chapter, it is found that during January 1994 and the end of 2000, the United States had a trade deficit with its partners, increasing from US$16.6 billion in 1993 to US$ 62.8 billion in 2000 in real terms. According to the assessment of the Economic Policy Institute – EPI, this difference caused the loss of more than 766,000 job opportunities in the USA during that same period. Moreover, competition with cheaper imports and new rules established by NAFTA significantly reduced the pressures to increase wages, principally of non-graduate workers, which represent 72.7% of the workforce. The report points out three reasons for this situation: the first is relocating jobs from industry to the service sector in which wages are 77% of the industrial wage; second, because this move from industry to the services sector increases the supply of workers and implied lower wages and the third points to the fact of employers having been free to transfer across the border (namely Mexico) as an element of pressure in collective negotiations, threatening to close the industrial plants if it did not accept their conditions.

Mexico, despite the surplus trade relationship with the USA, failed to have the same result as the other markets and had a significant drop in jobs and wages between 1991 and 1998, as well as a sharp increase in social inequality. Employment in the *maquila* [assembly plant] segment soared in twenty-five years – from 60,000 jobs in 1975, to 420,000 in 1990 and 1.3 million in 2000. But this is an unsustainable growth and the best example is to find that the jobs in the assembly plants had not been affected by the Mexican crisis in the 1990s, but are suffering the effects of the US economic recession, principally after September 2001. Moreover, the assembly plant areas act as a means to pressure the wages and US and Canadian collective negotiations, but also the Mexican wages since the companies based there pay much lower wages even in relation to the rest of Mexico, there is very little union organisation and no collective negotiations. Between 1991 and 1998 the value of the wages of the hired Mexican workers dropped 25% while the yield of the self-employed workers dropped 40%. In this period the minimum wage lost 50% and the industrial wage 21% of its purchasing power. Yet the levels of formalising the labour market also worsened – in 1991 wage-earning employment represented 74% dropping to 61% in 1998.

With regard to Canada, exports were 40% of the GDP and although in the 1990s they had shown growth, that was the worst decade for the Canadian economy since the 1930s and the increased productivity was not reflected in the wages. According to EPI, imports destroyed more jobs than those created by exports – 1997 recorded a loss of 276,000 job opportunities. And this happened despite the sharp rise in exports from an average of $9.4 billion Canadian dollars in the 1980s to the $19.7 billion Canadian dollar mark during the 1990s. A factor that was not translated in a rise in employment.

For more competitiveness in NAFTA, the Canadian government cut public expenditure – which dropped from 16% to 11% of the GDP, weakening and in detriment mainly to the health and social security services. In the 1990s the average rate of unemployment was 9.6%, that is, much higher than that of the United States - 5.8% on average for the same period. At the end of the 1990s, industrial employment was 6% below the 1980 levels and part-time or self-employment had risen 37% (in the 1980s) to 43% (1999).

But some may ask then if FTAA would not be beneficial to Latin American countries – since NAFTA increased investment transfers, could this also occur in relation to the countries with some industrial development in the region? Reality indicates the contrary since, with the elimination of tariffs, the companies are able to operate from the place where they are based and only set up a network of providers and/or outsourcees to complete their production network. For example, in the case of Brazil – of the 650 multinationals that set up in Latin America, 550 are in Brazil and responsible for only 15% of its exports, which does not give the idea that they were attracted by the large Brazilian market – why would they then go with FTAA?

What may happen is the opposite and, moreover, many companies may reduce and concentrate their production even further in a country to attend the same region and or even move to countries with lower costs and more incentives. As already mentioned, it is a fallacy to use the example of Mexico as the partner of NAFTA which benefited from the attraction of investments since they only reflected the hegemony of the North American economy and companies in the bloc. The same is true for countries such as El Salvador, Colombia, Costa Rica, Guatemala, which today are part of the productive clothing and textile chain created from the Mexican maquila (the so-called *quarterised* companies) and are affected indirectly from the US economic recession which can be calculated in more than 200,000 layoffs.

It is therefore up to trade unionism of the Americas to act directly in this process, not only in defence of the labour and union rights, wages and social benefits, but also in questions referring to the negotiation and agreement model, in the terms and conditions of trade, in the question of funding and policies to promote development.

4.3. How is trade unionism operating?

At the level of sub-regional action, this is a situation that differs throughout the hemisphere with regard to co-ordination and integrated union action. Mercosur is where union action is better structured and systematically accompanies the bloc negotiations right from its start. This participation occurs through the Southern Cone Co-ordination of Trade Unions [Coordenadora de Centrais Sindicais do Cone Sul – CCSCS], with the following trade union members: Argentina – Confederación General del Trabajo – CGT and Central de Trabajadores Argentinos- CTA; Bolivia – Central Obrerar Boliviana; Brazil – Central Única dos Trabalhadores- CUT, Confederação Geral dos Trabalhadores-CGT and Força Sindical; Chile - Central Unitária de Trabajadores- CUT; Paraguay- Central Unitária de Trabajadores- CUT and Uruguay – Plenario Inter-sindical de Trabajadores – PIT-CNT. Overall, CCSCS represents around 20 million workers with an average union membership rate varying from slightly over 30% in Brazil and Argentina, to 10% and 20% in the other countries.

CCSCS issued its first document on Mercosur in 1991, pronouncing in favour of building a common market, but warning about the dangers which trade liberalisation could bring if not accompanied by measures of support to productive reprocessing, protection of the more sensitive sectors and small production and basically if priority were not given to improving the social indicators. In its request for democratising the negotiation process, CCSCS claimed a specific space to address labour themes and aid to the other negotiating areas. The response in the first claim was the creation of the sub-group Labour Relations in 1992, when CCSCS began to participate as onlooker in other thematic sub-groups.

Between 1992 and 1998 CCSCS presented several proposals and deepened its degree of horizontal co-ordination (between the trade unions) as well as the vertical by creating sector union committees. In 1998 the first advances were made when two of its proposals were approved – the creation of the Labour Market Observatory and the adoption of the Sociolabour Declaration and creation of the Sociolabour Committee, the only three-party body in Mercosur (see more information in document I and in this CD).

In 1996 CCSCS was a fundamental part in the creation of the Mercosur Socio-economic Advisory Forum, an advisory agency with social representation created by the Mercosur governments in 1994, where jointly with business organisations and other social sectors, analyse the negotiations of Mercosur and draft recommendations to the GMC.

In 1997, CCSCS created the Women's Commission and in 2000 the Committee for Eradication of Child Labour. Between 1995 and 1999 CCSCS promoted a series of mobilisations (parallel to the Presidential meetings, commemoration of the First of May in border regions) and in 1999 held the First Union Summit in Montevideo gathering together more than 400 union members from 17 sectors. This was repeated in Florianópolis, Brazil, the next year with more than 700 union members present from 20 sectors and in 2001 in Buenos Aires with the same sectors and more than 500 union members present.

CCSCS has constantly discussed the trade relationship of Mercosur with the other blocs and the effects that it may have on the future of the region. It has endeavoured jointly with the Andean Labour Advisory Council for a co-ordinated action. Similarly, it has closer relations with the European Union Confederation, for a joint action in Mercosur and European Union negotiations and has increasingly prioritised its role in relation to FTAA. CCSCS integrates the Continental Social Alliance and played a leading role in the organisation of the anti-FTAA mobilisations in Belo Horizonte (1997); Chile (1999) and Argentina (2001).

In the Andean Community of Nations there is also a co-ordination and union movement through the Andean Labour Advisory Council [Consejo Consultivo Laboral Andino –CCLA], created at the request of the trade unions in July 1998 when, in Cartagena, Colombia, by the Andean Community Commission (Decisions 441). On the same date, the Commission creates the Andean Business Advisory Council (Decision 442), stating that the two Councils would be called to participate in the Government Specialist and Technician Meetings.

CCLA is an advisory institution of the Andean Integration System and pursuant to its Internal Regulations (approved at its first meeting on 3 December 1998) consists of four delegates elected from among the directors of representative labour organisations appointed by each Member Country. Its main functions are: to issue a report for the Andean Council of Ministers of Foreign Affairs, the Commission or General Secretariat and participate in the meetings of the Andean Council of Ministers of Foreign Affairs as well as in meetings of government specialists or working groups linked to the Andean integration process and may participate in them with the right to speak. CCLA is formed by the following trade unions: Bolivia - Central Obrera Boliviana (COB); Colombia - Confederación de Trabajadores de Colombia (CTC); Confederación General de Trabajadores Democráticos (CGTD), Central Unitaria de Tabajadores- CUT; Ecuador - Confederación Ecuatoriana de Organizaciones Sindicales Libres (CEOSL), Confederación de Trabajadores de Ecuador (CTE); Confederación Ecuatoriana de Organizaciones Clasistas Unitarias de Trabajadores (CEDOCUT); Peru - Confederación General de Trabajadores del Perú (CGTP); Central Autónoma de Trabajadores de Perú (CATP); Confederación Sindical Nacional (CSN); Venezuela – Confederación de Trabajadores de Venezuela (CTV), Central Unitaria de Trabajadores de Venezuela (CUTV), Confederación General de Trabajadores de Venezuela (CGT), Confederación de Sindicatos Autónomos de Venezuela (CODESA).

In May 1999, CCLA submitted a proposal in the Joint Meeting with the Andean Business Advisory Council, asking to update the Simon Rodríguez Pact of sociolabour integration, in order to transform it into a major Andean Corporate Advisory Forum, in which the Advisory Councils would play an active role**.** The changes were made in 2001 and it now is on a three-party basis (only the Ministers of Labour used to take part).

In 2000 CCLA created the **Co-ordination of Andean Female Workers** (COMUANDE 41), consisting of representatives of the Women's Secretariats, Departments of Women's Affairs or similar committees, appointed by the different trade unions that are part of the Andean Labour Advisory Council.

In 1994, the Andean Parliament approved the Andean Social Charter, a declaration that never prevailed, since it was not signed nor recognised by the presidents. In December 1998, CCLA claimed the reformulation of the Social Charter, and between January and February 1999 the five National Councils of the Labour Advisory Council met separately to discuss and submit their contributions to the 2nd Andean Social Summit held in Quito in February that year. This event, in addition to the presence of the trade unions, also was attended by social organisations and movements and members of the Andean Parliament, which jointly sponsored the meeting with the Friedrich Ebert Foundation (which has offices in five countries). The new text of the Andean Social Charter was approved by the Andean Parliament in the first half of 2000, but to date it has not been recognised as an ACN decision.

The Southern Cone Trade Union Co-ordination (CCSCS), the Conselho de Trabalhadores do Southern Cone Workers Council (CTCS) and the Andean Labour Advisory Council (CCLA) had already organised two meetings to discuss the internal situation of each bloc and their joint role in the agreement under negotiation. The first meeting was in Montevideo, in ALADI, in 1998, and approved a general declaration, a very ambitious action programme which was not fulfilled. The second meeting in Brasilia on 29 and 30 August 2000, parallel to the Presidential Summit, was able to advance further and the approved declaration reveals an advance in the relations between organisations and a more updated analysis of the economic and political negotiations between ACN and Mercosur.

In Central America and the Caribbean the degree of co-ordination and union participation is much less. In the case of the Central American Common Market (MCCA) there are three trade unions in the sub-region: CTCA - Confederacion de Trabajadores de Centroamerica and CCT -Confederacion Centroamericana de Trabajadores, both based in San José, Costa Rica, and COCENTRA - Coordinadora Centroamericana de Trabajadores, based in Tegucigalpa, Honduras. The Central American unions have received support form ORIT-CIOSL to help their organisation and in 1998 and 1999 a draft Social Charter was prepared and some Conduct Codes negotiated (Costa Rica, Dominican Republic). At the CACM level, the trade unions have room to participate in the Advisory Council, one of the bloc's institutions.

In CARICOM there is the Caribbean Congress of Labour, a regional body representing CIOSL in the region and which congregates most national trade unions. This is the organisation that seeks to develop, with enormous difficulty, an integrated union action in the region.

From the sector's viewpoint, both ACN and the two blocs in Central America and the Caribbean depend basically on the support and initiative of the professional secretariats to promote this kind of co-ordination. Only CCSCS in Mercosur had moved ahead in this field, although with difficulty.

NAFTA involves the following trade unions – United States – American Federation of Labor-Congress of Industrial Organizations - AFL-CIO; in Canada the Canadian Labor Council – CLC and another in the Quebec region – CSN -Central Sindical Nacional; in Mexico the largest and oldest is the Confederacion de Trabajadores Mejicanos – CTM, but there are also other small regional unions and recently a new union was crated, Unión Nacional de Trabajadores – UNT, by the National Telephone Workers Union and also has the participation of the Frente Autentica del Trabajo – FAT (which still has its independent personality and life) and other trade unions.

There is no permanent co-ordination between the trade unions, which meet occasionally. However, after the decision to use NAALC (NAFTA labour agreement) the unions of the three countries began to have many more contracts and began seeking the involvement of workers from the same business groups – in the case of Mexico the UNT is the group which has developed more involvement with the US unions to present claims to NAALC. Other activities undertaken have been to involve agencies and workers on the Mexican and US borders.
The main trade unions of ACN, CACM and CARICOM, as well as the unions in CCSCS and the trade unions of Canada and the United States, in addition to FAT in Mexico, belong to the Continental Social Alliance.

4.4. What to propose?

As nothing has been so far agreed and everything is under negotiation, it is therefore possible to change and reverse this situation and the union movement, as well as the representatives of various segments and social movements in the hemisphere have take action towards barring and changing this process.

"Integration cannot be sustained solely on the logic of the merchants, but they should propose an integration of a regional political reinforcement and with real social content given the problems the cause globalisation. Therefore, the workers movement has been actively participating, struggling to obtain an instrument of social development and political strengthening of our region in the world context." The Declaration of Buenos Aires, published by ORIT, by the Southern Cone Trade Union Co-ordination (CCSCS) and the Continental Social Alliance (ASC)[5], in April 2001, during the movements parallel to the meeting of the

[5] In 1994 in Miami, 1995 in Denver and 1996 in Cartagena, the ORIT organised meetings with the trade unions of the 34 countries, parallel to the official FTAA meetings, to analyse and issue opinions on the process. In 1997 the mobilising process spread and jointly with action networks for free trade and various NGOs, ORIT and the unions from the FTAA countries organised a major movement in Belo Horizonte, at the third Meeting of the Ministers of Economy, Industry and Commerce of FTAA, and created the Continental Social Alliance (CSA). In 1999 the CSA held new discussions and movements in Chile and in 2001 in Buenos Aires and Quebec.

Ministers of Economy, Industry and Commerce, makes it very clear that the single view of the union and social movement in the American hemisphere is in direct opposition to the **FTAA.**

This position is correct but is not enough to confront the dimensions of this question and guarantee the pressure from the trade union and public movement on the governments to drastically change these terms of negotiation. In each country and sector it is necessary to inform the workers about what is happening, what is the FTAA and what disadvantages may happen and principally to constantly demand that the government inform how and what it is negotiating – it is not enough to say **No to FTAA** and leave the governments free to negotiate – it is necessary to oppose the project but at the same time know what is being negotiated, assess its impacts at the sector level and draft alternative proposals to be presented in the entire agenda.

Listed below are some of the proposals which have been discussed and approved in the trade union and social forums in the American hemisphere and others that have been discussed throughout this process and which should be discussed by this Conference.

- **On social and labour rights**

I. Creation of a specific area of negotiation (following the example in ACN and Mercosur) to address labour and social topics, with the participation of society and its valorisation in the agenda between governments

II. To demand that the governments in the FTAA agree to comply with the Declaration on the Principles and Basic Rights in Labour, approved by the OIT in 1998. This document should be adopted as the basis for fundamental rights (rights of trade unions and collective negotiations, prohibition of slave and child labour, equal opportunities and non-discrimination).

III. Adoption of the Social Clause, which obliges the Member States to respect and fulfil the fundamental rules of OIT – freedom to organise unions, right to collective negotiations, prohibition of child labour, prohibition of forced labour, equal opportunities and no gender, race or creed discrimination. The social clause would state the minimum level to be respected and in order to facilitate the compliance with these rights propose the creation of a tripartite organisation (government, union and business representatives of the Americas) which would examine the claims of violation of rights stated in the Social Clause and would act with the accused State of the countries to correct them; should they continue to fail to comply, the Three-party Committee would send to the relevant bodies the recommendation for trade penalties until the problem is solved.

IV. The adoption of a document that determines a set of OIT conventions to be adopted by the countries and the agreement of the sub-regional organisations to guarantee the application of the sociolabour documents that they adopted (the Andean Social Charter, Mercosur Sociolabour Declaration, the Labour Annex of TLC)

V. Recognition of obligations established by the international treaty on the rights of migrant workers throughout the hemisphere, without discrimination of their legal status;

VI. Right to create Continental Workers Committees in Multinational Corporations present in more than three countries, with union guaranties for their members, access to information of policies and strategies of the companies and establishing supranational collective negotiations for the adoption supranational collectives. This could diminish the wage differences and equal the social benefits, as an important constraint on the corporate action and unemployment caused by the productive relocations caused by the attraction of differences in labour costs).

- **Topics on trade and investments**

I. Adoption of measures to guarantee that the countries have autonomy and the right to regulate the speculative capital flow and in this way protect their economies against the financial instability and speculative attacks of financial capital;

II. Gradual flexible negotiations for trade liberalisation, with longer deadlines for the developing and poorer economies;

III. To eliminate from the agreements any constraint and/or condition on implementing national development policies and adopting laws that permit countries to protect (temporarily or permanently) their most sensitive areas (principally in the chapters on investments, liberalisation of services, intellectual property); access to patents and intellectual property in the essential areas for implementing essential services to the population (health, energy, agriculture, etc.) and longer deadlines for restricting patents to under-developed countries;

IV. Exclusion of any instrument or rule that permits the so-called "indirect expropriations" and in no way whatsoever admit the installation of dispute settlement systems against investors (businesses) and States. On the contrary, to guarantee the Nation States the adoption of mechanisms and rules that regulate the business conduct for protecting the economic and social interests;

- **Trade of services**

I. Negotiations must be sector by sector and their starting point must be an in-depth investigation of their development and performance in each country to be able to permit the presentation of lists and realistic reserves for their protection; exclusion of state and public services from the negotiations on trade of services and not liberalise temporary trade of professional services until common labour rules are established and control mechanisms of its application;

- **Environment**

I. Creation of environmental protection mechanisms to prevent the destructive action of the major economic groups in detriment to the quality of life.

- **On FTAA negotiations**

I. Gradual development of FTAA negotiations, leaving a margin of flexibility to permit transition policies and suitable deadlines;

II. Transparency and effective dissemination of the documents and negotiations;

III. Creation of the Inter-American Trade Union Forum (with the same status as the Business Forum) with guaranties of access to negotiations and right to present proposals to the negotiating forums.

IV. Holding referenda in all countries to know the opinion of the population on the creation of FTAA, as a prior condition to the conclusion of negotiations.

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