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Trip of the President to Santiago Chile for the Summit of the Americas, April 15-20, 1998: Trade

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**RESULTS OF THE SAN JOSE TRADE MINISTERIAL
SAN JOSE, COSTA RICA -- MARCH 19, 1998**

Initiation of Negotiations:

- Ministers unanimously recommended that their Leaders initiate negotiation of the FTAA during the Santiago Summit and provided recommendations on the initial structure, objectives, principles, and venues of the negotiations.
 - San Jose Declaration initiating FTAA negotiations is comparable to the 1986 Punta del Este Declaration that initiated the Uruguay Round negotiations.
- Negotiations will begin simultaneously in all substantive areas.
- Negotiations will conclude by December 31, 2004, with concrete progress by the end of the century.
 - Ministers agreed that Negotiating Groups are to achieve considerable progress by the year 2000, including agreeing on measures for adoption before the end of the century.

Structure of the Negotiations:

- Chairmanship of the FTAA Negotiations has been agreed for the entire period, as follows:

May 1, 1998-Oct. 31, 1999: Canada
Nov. 1, 1999-April 30, 2001: Argentina
May 1, 2001-Oct. 31, 2002: Ecuador
Nov. 1, 2002-Dec. 31, 2004: Co-chair between the United States and Brasil

 - The Chairman of the FTAA Negotiations will head both the Ministerial and the Trade Negotiations Committee (TNC), which will provide the overall direction and management to the negotiations. The TNC's first meeting will be held no later than June 30, 1998. The TNC consists of the 34 Vice Ministers for Trade.
- Nine initial Negotiating Groups have been established, with the following chairmen (and vice chairmen) for the first 18 months of negotiations:

Market Access:	Colombia	(Bolivia)
Agriculture:	Argentina	(El Salvador)

Services:	Nicaragua	(Barbados)
Government Procurement:	United States	(Honduras)
Investment:	Costa Rica	(Dominican Republic)
Intellectual Property:	Venezuela	(Ecuador)
Subsidies/AD/CVD:	Brasil	(Chile)
Competition Policy:	Peru	(Trinidad & Tobago)
Dispute Settlement:	Chile	(Uruguay/Paraguay)

-- All Negotiating Groups are to hold their initial meeting no later than September 30, 1998.

-- The negotiating structure is flexible, and the Ministers expect to modify it over time as required to assist the negotiations.

- A Committee of all governments will be established to receive input from business, labor, environmental, academic and other non-governmental interests, to analyze the advice, and to provide recommendations to the Ministers of Trade. We expect the organizational details of this committee to be established at the first meeting of the Trade Negotiations Committee (TNC) in June.
- A Committee on Electronic Commerce was established; it will be a government-private sector committee of experts, chaired by CARICOM, to make recommendations on how to increase and broaden the benefits to be derived from the electronic marketplace.
- A Consultative Group on Smaller Economies was established to bring to the attention of the TNC the smaller economies' interests and concerns. The Consultative Group initially will be chaired by Jamaica, with Guatemala as Vice Chairman. It is not a negotiating group, and it is open to all 34 countries' participation.

Venue:

- All negotiations will be at the same site, which will rotate as follows:

Miami:	May 1, 1998-Feb. 28, 2001
Panama City:	March 1, 2001-February 28, 2003
Mexico City:	March 1, 2003-December 31, 2004

Administrative and Technical Support.

- An Administrative Secretariat will be established at the site of the negotiation to provide logistical and administrative support; to provide translation services for

documents and to maintain the official documents of the negotiations; to arrange interpretation during the negotiating sessions; and to publish and distribute documents.

- The Administrative Secretariat will be funded from local (i.e., negotiating site) resources and existing resources from the Inter-American Development Bank, the OAS, and the UN Economic Commission for Latin America and the Caribbean (ECLAC).
- Negotiating Groups may continue to request technical support from the Tripartite Committee, which is a committee composed of the three institutions above. The Tripartite Committee provided such technical support to the FTAA Working Groups during the past three years.

Principles and Objectives of the Negotiations:

The San Jose Declaration contains General Principles for the Negotiations, as well as General and Specific Objectives.

Among the most important principles from the standpoint of the United States are:

- The FTAA should improve upon WTO rules and disciplines wherever possible and appropriate.
- Negotiations will be conducted in a transparent manner.
- The outcome of the negotiations will be a "single undertaking", in the sense that signatories to the final FTAA agreement will have to accept all parts of it--cannot pick and choose among the obligations.

Among the most important objectives from the standpoint of the United States are:

- To progressively eliminate tariffs, non-tariff barriers, as well as other measures with equivalent effects, which restrict trade.
 - To bring under greater discipline trade-distorting practices for agricultural products, including those that have effects equivalent to agricultural export subsidies.
- To promote customs mechanisms and measures that ensure operations are conducted with transparency, efficiency, integrity, and accountability.
- To develop an efficient and transparent system of rules of origin, including

nomenclature and certificates of origin.

- To eliminate and prevent unnecessary technical barriers to trade.
- To liberalize trade in services to achieve hemispheric free trade under conditions of certainty and transparency.
- To ensure adequate and effective protection of intellectual property rights, taking into account changes in technology.
- To guarantee that the benefits of FTAA liberalization process are not undermined by anti-competitive business practices.
- To establish a fair and transparent legal framework for investment and related flows.
- To make our trade liberalization and environmental policies mutually supportive.
- To further secure the observance and promotion of worker rights, renewing FTAA countries' commitments to the observance of internationally recognized core labor standards.

LEVEL 1 - 1 OF 1 STORY

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March 20, 1998, Friday

SECTION: WORLD TRADE; Pg. 3A

LENGTH: 561 words

HEADLINE: After fast track's failure, US stresses social issues;
Second-generation reforms to be theme at April meet

BYLINE: BY KEVIN G. HALL

DATELINE: SAN JOSE, Costa Rica

BODY:

Following President Clinton's failure to win special trade negotiating authority for next month's launch of hemispheric trade negotiations, his special adviser on Latin America told business executives here there should be a new focus on quality of life issues that affect trade.

The Clinton administration finds itself in the embarrassing position of having created the drive for a hemispherewide free-trade zone in December 1994, and now lacking the authority needed to negotiate in earnest.

Going to next month's summit in Santiago, Chile, the administration is without fast-track authority, which would allow trade treaties to be submitted to Congress for a yes or no vote only; amendments are not allowed. Without such authority, U.S. negotiators cannot assure their counterparts that Congress won't modify a trade agreement with controversial amendments.

Consequently, Mr. Clinton is in dire need of a spin to avoid headlines about U.S. disengagement. In annual business forums over the past three years, special adviser Thomas "Mack" McLarty has focused on how a Free Trade Area of the Americas would occur and on growing trade ties.

But in the Wednesday speech and later meetings with reporters, Mr. McLarty touched on social justice issues like land titling, peasant rights, press freedoms and reform of the judiciary. "My point is open markets support open contemporary democracies," he said.

The Clinton adviser also raised the issue of drug trafficking - one that has generally been left out of trade discussions because of its political nature. Every year, the U.S. president must certify to Congress that certain Latin American and Caribbean countries are adequate partners in the war on drugs - a process that irks many business executives and negotiators.

"Narcotics and narcotics trafficking continues to be the No. 1 threat of our hemisphere," he told the fourth annual Business Forum of the Americas.

The speech was significant because it showed that the administration will use



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the call for a second generation of reforms in the hemisphere as its theme for next month's Santiago summit. The first generation of reforms were market liberalization and privatization.

Some analysts think Mr. McLarty's speech may signal a move away from strictly looking at trade pacts as business negotiations and instead looking increasingly at social implications of integration - much in the fashion of the European Union's internal effort.

The absence of special fast-track authority has allowed Brazil to impose its go-slow approach on hemispheric negotiations, and the Clinton administration faces a public relations battle at next month's summit. Social issues will get high-level attention.

The focus on second-generation reforms has broadened, since in recent months the term has been used more in the context of greater transparency in financial issues. This is likely to be appealing to Democrats on Capitol Hill, who have opposed giving Mr. Clinton broad negotiating authority without some accompanying social focus.

U.S. Trade Representative Charlene Barshefsky, speaking before Thursday's negotiations to create a negotiating structure for hemispheric trade talks, said the Summit of the Americas in 1994 and the second such summit of 34 heads of state next month in Chile have had a strong social agenda.

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U.S. in a weak trade position for Americas summit

By Bill Nichols
USA TODAY

WASHINGTON — Today's Latin America "is not your father's Latin America," says Thomas "Mack" McLarty, President Clinton's special envoy to the region.

And as his third trip to Latin America as president begins today in Santiago, Chile, Clinton again will be trying to build support for policies that will continue the stunning growth of free markets and democracy across the region.

The problem for Clinton, in Chile for the second Summit of the Americas and a state visit with Chilean President Eduardo Frei: It is the United States that comes into this meeting being criticized for not keeping pace with its hemispheric neighbors.

The administration's failure to get fast-track trade legislation passed last fall — to give the president authority to negotiate trade deals that Congress can accept or reject but not alter — has cast a shadow on this summit.

Administration officials insist that negotiations in Santiago will move the nations toward creation of a free-trade zone throughout the hemisphere, a goal first expressed by the leaders during the first Summit of the Americas, held in Miami in 1994.

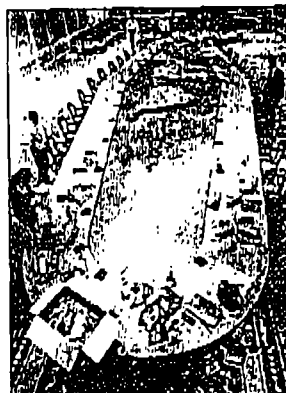
But the White House also admits that for the free-trade area to be in place by 2005, the president of the United States will need fast-track.

The reason is simple: Countries are much less likely to go through the tedious negotiations that trade pacts require if they know that a deal can be rewritten by Congress.

National security adviser Sandy Berger says that while passage of fast-track is not necessary for the free-trade negotiations to be launched, "before we get to the conclusion of these negotiations, that is something that we will need."

McLarty, a White House counselor as well as Clinton's trouble-shooter in Latin America, says Clinton is prepared to tell leaders of the 34 democratic nations in the region — Cuba is the lone nondemocratic exception, and Fidel Castro is not attending — that he still thinks fast-track can pass, perhaps even this year.

But White House aides also make clear that Clinton will emphasize oth-



By Pedro Viqueira, Agencia France-Press
Setting up: Workers prepare meeting table for summit in Santiago, Chile.

er issues at this weekend's summit.

That's meant to demonstrate that what McLarty and others call "second-generation issues" for emerging democracies — education, respect for the rule of law, press freedom, anti-drug and anti-corruption measures and the environment — should get the same media focus as trade.

Clinton, particularly in a speech to U.S. and Chilean business leaders in Santiago today, will portray a Latin America where economic opportunities are almost limitless.

Hyperinflation has been tamed, growth rates are up, and Latin America ranks as an export magnet.

"The long-lasting efforts in Latin America during the last 10 years have transformed this continent, which in the 1980s was the continent of lost growth, the ill continent of the world economy," International Monetary Fund Managing Director Michel Camdessus says.

Chile is a perfect example. The country's annual growth since 1990 has averaged 6.9% while the poverty rate has dropped from 40% in 1990 to 23% in 1997.

The case Clinton will make is that a second wave of reforms is needed to make sure economic gains aren't rolled back.

He'll urge additional spending on education, as well as establishment of a regional watchdog group to monitor press freedom.