


# THINKING BRAZIL

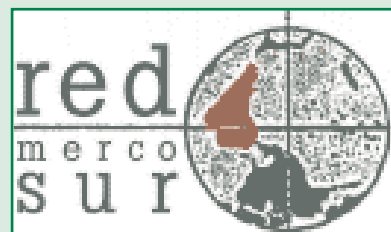
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## Trade Agreements in the Americas *Mercosur and the Creation of the FTAA*

 On February 26, 2004, the Latin American Program and the MERCOSUR Economic Research Network (RED MERCOSUR) co-sponsored a full day conference on trade issues, in conjunction with the launch of an edited book, *MERCOSUR and the Creation of the Free Trade Area of the Americas*.



Marcel Vaillant, Universidad de la República, Uruguay, discussed trade liberalization strategies, emphasizing the fundamental importance of bilateral U.S.-Brazilian relations given the two country's roles as co-chairs of the negotiations. Silvia Leans, Centro de Investigaciones Económicas, Uruguay, focused on the impact that the FTAA would have on MERCOSUR countries, specifically assessing the welfare effects associated with the complete elimination of trade barriers.

Exploring governmental perspectives, Karen Lezny, office of the U.S. Trade Representative,

underscored the complex challenge of designing a comprehensive trade agreement among countries with enormous asymmetries. She advocated a renewed focus on the development of modern services, technology, and government procurement.

Alejandro Casiró of the Argentine Embassy in Washington, D.C., emphasized the importance of MERCOSUR as a negotiating platform for the FTAA. A common southern market would represent more than improved trade for Argentina and its neighbors; it would be an extraordinary political and strategic accomplishment. Casiró also under-



Rubens Barbosa



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scored the need to analyze the FTAA process in the context of other world trade agreements. Given the regional trade structure, agriculture continues to be the main issue for both Argentina and MERCOSUR in terms of market access, export subsidies, and economic sustainability.

Brazilian Ambassador Rubens Barbosa outlined the strategic nature of MERCOSUR for Brazil, which favors a balanced and comprehensive FTAA. Barbosa observed that the United States had altered its approach by pursuing bilateral agreements instead of negotiating multilaterally with the thirty-four democratic countries of the hemisphere. He expressed an additional concern regarding the tabling by the United States of such critical issues as agricultural subsidies, on the grounds that it preferred to discuss subsidies only in the World Trade Organization (WTO). Barbosa also contrasted the strategies of former Brazilian President Fernando Henrique Cardoso - who declined to



Ambassadors Rubens Barbosa and Alejandro Casíro with Karen Lezny

block intermediary steps of the negotiation regardless of disagreement, deferring the decision to join until the agreement was finalized - with current President Luis Inácio “Lula” da Silva’s commitment to exhaustive debate regarding every step of the negotiations.

A third panel considered sectoral perspectives, addressing the industrial dimension of the goods and services sector. Andrés López, Centro de Investigaciones para la Transformación, Argentina, focused on the petrochemical industry, highlighting the major



Rubens Barbosa, Alejandro Casíro, Karen Lezny and John Sewell

increase of intra-industry and intra-regional cooperation in the sector. Julio Berlinski, Instituto Torcuato Di Tella, Argentina, stressed the importance of the relationship between goods and services, recommending further study of the effects of liberalization and deregulation on the competitiveness of traded goods. Discussing the differential patterns of openness in MERCOSUR countries, Sherry Stephenson of the Trade Unit of the Organization of American States, suggested increasing transparency in the service sector to allow more effective analysis of the progress achieved during negotiations.

Finally, Salazar Xirinachs, Director of the OAS's Trade Unit, highlighted the importance of furthering sectoral research by increasing linkages between academics and practitioners.

The political economy constraints of the negotiations were addressed by Carol Wise, University of Southern California, with an emphasis on the U.S. position. Describing the asymmetries between the United States and

MERCOSUR countries, Wise classified the relationship as one of "hegemonic obstructionism." Fernando Masi, Centro de Análisis y Difusión de

la Economía, Paraguay, described the various positions of MERCOSUR countries vis-à-vis the FTAA negotiations, presenting alternative scenarios to integration. For Masi, the success of more ambitious accords will depend on the ability of the United States and Brazil to agree on a mutually beneficial trade liberalization strategy, as well as the capacity of

Argentina and Brazil to redefine MERCOSUR's role in the larger regional integration scheme. Finally, Álvaro Ons, Universidad de la República, Uruguay, described the methodology that RED MERCOSUR had developed to identify the most problematic sectors under negotiation, using a selected set of goods to track welfare and political economy effects.



Paulo Fracalanza



**Thinking Brazil Update** is an electronic publication of **Brazil @ the Wilson Center**. This project is founded on the conviction that Brazil and the U.S.-Brazilian relationship deserve to receive better attention in Washington. Brazil's population, size, and economy, as well as its unique position as a regional leader and global player fully justify this interest. In response, and in keeping with the Center's mission to bridge scholarly research and public action, **Brazil @ the Wilson Center** sponsors activities designed to create a "presence" for Brazil in Washington that captures the attention of the policymaking community. **Brazil @ the Wilson Center** is grateful for the support of the Ministry of Culture of Brazil, ADM, Cargill, ChevronTexaco, FMC, and The GE Foundation.

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