The Uniqueness of the FTAA from a European Perspective

Joaquín Roy and Aimee Kanner

The benefits associated with Miami becoming the permanent headquarters of the Free Trade Area of the Americas (FTAA) were emphasized at a conference recently organized by the Association of the Bi-national Chamber of Commerce in Florida. The overarching idea was that this Secretariat would transform Miami into “the Brussels of the Americas.”

In newspaper columns from around the world, the goals and characteristics of the FTAA are frequently, and incorrectly, compared to those of the European Union. The repeated comparisons between these two processes of regional integration warrant a brief analysis of the current state of the FTAA and what it would need in order to be more like the European Union.

According to the organizers of the FTAA meeting in Miami, the expected reward for treating the trade representatives of the continent well is to clinch the permanent headquarters of the Secretariat. The FTAA will integrate 800 million people and a combined GDP of $14 trillion. With the Secretariat in Miami, it is estimated that 90,000 new jobs will be created, payrolls in the state will increase by $3.2 billion, and Florida’s gross state product will increase by approximately $13.6 billion, according to Enterprise Florida.

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Miami is competing with other cities that would like to reap similar benefits including Panama City (Panama), Puebla (Mexico), Port of Spain (Trinidad and Tobago) and Atlanta (United States). Denver, Chicago, and San Juan de Puerto Rico have recently announced new candidacies. The administrative structure (400 jobs, $27 million in combined incomes, and $12.3 million in fiscal benefits) would transform the selected city into a financial, services and political center comparable to Geneva, New York, Washington and Brussels.

The reference to Brussels stems from the city being considered the “capital” of the European Union, which some have mistakenly claimed to be a model for the FTAA. In order to better understand why this in fact is not the case; a comparison of the EU’s structure, objectives, and origins with those of the FTAA is in order.

The Temporary Framework

The institutional structure of the EU is admittedly Byzantine – so much so that the former U.S. Secretary of State, Madeline Albright once exclaimed that to understand it, you either had to be French or very intelligent. In order to avoid such confusion on this side of the Atlantic, the FTAA is much simpler. However, the definitive structure still needs to be decided by 2005 in order to replace the provisional framework that has been supporting it since 1994.

Instead of the fleeting semester presidency of the EU, the leadership of the FTAA has changed every eighteen months (Canada, Argentina, Ecuador, and finally Brazil and the United States assumed a joint chairmanship in the last difficult final stretch), after every ministerial meeting. The trade ministers of the Americas supervise the negotiations that end with a meeting in the country that holds the chairmanship, while the vice-ministers are responsible for the details. A Tripartite Commission composed of the Organization of American States, the Inter-American Development Bank and the United Nations Economic Commission for Latin American and the Caribbean provides analytical and technical services.

From an EU perspective, the trade ministers’ meetings in the Americas are equivalent to the Council of Ministers of the European Union, while the European Council (composed of the heads of state or government) which meets two or three times each semester, is comparable to the Summits that have taken place over longer intervals since 1994, in Miami, Santiago de Chile, Quebec, and scheduled to take place in Mexico next year.

The broad similarities between the two organizations’ institutional structures stop here. In an effort to demonstrate to what lengths the FTAA would have to be taken to even remotely resemble the EU, the following unrealistic scenarios are provided, based on the current institutional state of the European Union. The following should be read as a vision as it is not what is likely to occur but what would be necessary in order for the FTAA to obtain a system of multilevel governance comparable to the EU.

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The ministerial meetings are institutionalized, with a permanent headquarters similar to that of the Council of the European Union. The Summits are institutionalized to take place twice a year, presided over by the host country, whose rotation will be decided by a gentleman’s agreement based on equality between the sub-regions and the large and small states. The President of the country assuming the FTAA presidency for this period will be considered the President of the Americas, similar to the President of a Republic or the Prime Minister of a parliamentary democracy.

Presidential summits are restricted by the traditional intergovernmental method (necessary consensus, subject to individual veto). However, the Council of Ministers has supranational authority over trade matters through a system of qualified majority voting, in which each country is allocated a certain number of votes based on its population while overcompensating the small states to ensure relative equality.

Thirty-four commissioners (based on agreements reached in the Treaty of Nice and possible results of the draft constitutional treaty, one commissioner for each member state) with impeccable credentials are needed. These commissioners, including one President of the Commission will be nominated by the Inter-American Council and approved by and responsible to the Inter-American Parliament. This Inter-American Commission has its permanent headquarters in the same location as the permanent Secretariat and each commissioner is responsible for one Directorate General representing the different competences of the trade area.

The Commissioners would not respond to the requests of individual national governments but would have the sole authority to propose legislation on trade matters. The Commission has its own financial resources provided through a continental tax derived from imports and exports with countries outside of the western hemisphere.

Each one of the American parliaments would select a certain number of delegates, proportional to their populations, to form the FTAA (Inter-American) Parliament (with a five-year mandate). Within a limited span of time it will be elected by universal suffrage as in the case of the European Parliament. Soon thereafter the Inter-American Parliament will gain co-decision powers, sharing the legislative decision-making process with the Council on all trade issues.

A permanent dispute tribunal replaces the ad-hoc governmental panels that currently attempt to resolve disputes in NAFTA, and supposedly will do the same in the FTAA. This American Court of Justice will uniformly interpret and apply FTAA law across all of the member states. Its decisions will be binding in all member states, and FTAA law has supremacy over national legislation. There will be one judge from each member state but the decisions will normally be made by smaller panels of judges, none of which will be from a state that is party to the dispute, in order to ensure the independence of this institution. Every five years, the justices will elect a
President of the Court of Justice from amongst its member judges.

The competences of each of these institutions will be clear and respected. All of the member states will voluntarily pool their sovereignty on trade issues (and perhaps others in the future) with these supranational institutions of a higher authority.

**Origin and Objectives**

The leaders of thirty-four participating states make a joint declaration regarding the FTAA simply being the first stage of an integration process that would lead the Americas on a path that would in fact be comparable to the EU. A free trade area is followed by a customs union with a common external tariff. The third stage is the common market. These stages, implemented efficiently guarantee cohesive development which is the goal of the process.

Naturally, to minimally accomplish the fourth stage of integration (the economic union), the FTAA adopts a common currency similar to the euro (€). Just as the hegemonic power of the Deutschemark was used as the base of the euro, the U.S. dollar will serve the same purpose until a common currency with a new name can be consolidated.

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Now, we come back to reality. Clearly utopian, a political union will not be consolidated in this system of regional integration in the Americas.

The Single European Act of 1986 included the goal of completing the single market by 1992; a single market that provides for the free movement of goods, services, capital and people; a single market that distinguishes the European Union as the most advanced and successfully system of regional integration in the world today. It is currently unimaginable that the EU would allow the free flow of goods and capital while maintaining strict regulations on the passage of people through the internal borders of the EU. While the free movement of goods becomes more probable through the FTAA, there remains a pact of silence regarding the free movement of people.

The European Union would still be in its infancy without the transfer of funds from the more developed regions to the less developed regions, not through a charitable process of conditioned financial assistance, but as a portion of the budget controlled and administered by the common institutions, as a stronger guarantee of neutrality. For the FTAA to be truly successful, free trade cannot be its end goal, but there must be an attempt to achieve an equal and just integration within individual participating countries and throughout the hemisphere. One way to address this is through the transfer of development funds from the richest countries and regions to the less developed areas in an effort to eradicate poverty and inequality. (And the vision continues).

Joaquín Roy is Jean Monnet Chair and Director of the European Union Center at the University of Miami. Aimee Kanner is Adjunct Professor of European Politics at Florida International University and Associate Director of the European Union Center at the University of Miami.
A Note on the European Regional Development Fund

Eloïsa Vladescu

The European Regional Development Fund (ERDF) was established primarily to stimulate economic growth in the least affluent regions of the European Union, particularly in those areas where the GDP is below 75 percent of the Community average. The structural funds are allocated according to two guiding objectives: Objective 1 aims at supporting development in the less prosperous regions and Objective 2 focuses on revitalizing areas facing structural difficulties. Funding from the ERDF is projected to amount to over €200 billion over a five year period, comes in the form of non-reimbursable assistance and is channeled through development programmes or packages of measures that are eligible for support. ERDF resources are mainly used to co-finance productive investment leading to the creation or maintenance of jobs, infrastructure, and local development initiatives and the business activities of small and medium-sized enterprises. The developmental aid from the ERDF is allocated independently from assistance provided to the candidate countries of the 2004 Enlargement and other EU funds, such as the Cohesion Fund. Some countries and regions which are currently eligible to receive ERDF funding include Greece, Ireland, Portugal, southern Italy, several parts of the former East Germany and Spain, and some provinces within Austria, Belgium, Great Britain and the Netherlands.

For more information, please consult the following links:


Eloïsa Vladescu is pursuing her Master of Arts in International Relations at the University of Miami. She is also a Research Assistant at the European Union Center at the University of Miami.
A Note on the Steps to Economic Integration

Roberto Domínguez

In analyzing the processes of regionalization worldwide, opinion makers commonly mislead the real meaning of concepts regarding the different ways of connecting “free market economies”. Whereas the European Union is the most advanced experience of integration, regionalization in other geographical areas does not go far beyond free trade areas or customs unions (either virtually or concretely). To that extent, economic integration must be considered as a process that, in consequence, is not developed overnight. A useful definition of economic integration is the “progressive removal and ultimate eradication of economic barriers between different states... whose rhythm is determined by economic as well as political bargaining and compromise.”¹ In that vein, considering the traditional stages of Bela Balassa,² it would be expected that integration would move forward progressively. The first phase is the free trade area, which is the simplest level of integration and allows only free movement of goods. This is the case of the European Free Trade Association and the North American Free Trade Area. The second level of integration is the customs union, which also considers the harmonization of external tariffs; despite its numerous failures, which is the case of MERCOSUR. The third level of integration is the common market, which was reached by the European Union at the beginning of the 1990s; this level allows free mobility of capital, labor and services. The fourth stage is the harmonization of economic policies and is known as the economic union; to some extent, the experience of the EURO has indirectly obliged the European Union to adopt some of these characteristics in specific sectors. The final stage is complete economic integration, in which central institutions substitute national ministries in the policy-making process. There is no regional experience that has reached this level today.

Free Trade Area of the Americas - FTAA
http://www.ftaa-alca.org/alca_e.asp
CARICOM
http://www.caricom.org/
ALADI
http://www.aladi.org/
NAFTA Secretariat
http://www.nafta-sec-alena.org/DefaultSite/home/index_e.asp
Andean Community
http://www.comunidadandina.org/index.asp
European Union
http://www.europa.eu.int/
EFTA
http://www.efta.int/

² Bela Balassa. The Theory of Economic Integration (London: Allean & Unwin, 1961)
FTAA Bibliography


Keat, Stephen K. “A Free Trade Area of the Americas: Implications of Success or Failure for the Members of the OAS.” Coral Gables, Fla.: *North South Center*. August 2002.


