

02

BUSINESS COUNCIL

ON NATIONAL ISSUES



CONSEIL CANADIEN

DES CHEFS D'ENTREPRISE

11/23/98

November 19, 1998

Chairman of the Committee of Government
Representatives on Civil Society Participation
c/o Tripartite Committee (Ref. Civil Society)
United Nations Economic Commission for
Latin America and the Caribbean (ECLAC)
1825 K St. NW, Suite 1120
Washington, D.C. 20006

Public

FTAA.soc/w/02
14 April 1999

Dear Chair,

Please find enclosed, for submission to the Committee of Government
Representatives on the Participation of Civil Society, a copy of a speech given at
the Conference on Hemispheric Integration in Ottawa on October 2, 1998. The
title is "Hemispheric Integration After the Santiago Summit: A Canadian Business
Perspective."

The speech was given by Mr. Thomas d'Aquino, President and Chief
Executive Officer of Canada's Business Council on National Issues. It represents
a concrete response to the Committee's invitation to civil society to present their
views on FTAA trade matters.

Sincerely,

Stuart Carre
Senior Advisor
Global Trade and Investment

Attachment

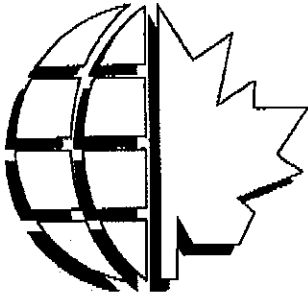
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**NOTES FOR AN ADDRESS BY
THOMAS D'AQUINO
PRESIDENT AND CHIEF EXECUTIVE
BUSINESS COUNCIL ON NATIONAL ISSUES**

***HEMISPHERIC INTEGRATION
AFTER THE SANTIAGO SUMMIT***

A CANADIAN BUSINESS PERSPECTIVE

**CONFERENCE ON HEMISPHERIC INTEGRATION
RADISSON HOTEL
OTTAWA
OCTOBER 2, 1998**



**EXECUTIVE SUMMARY: "HEMISPHERIC
INTEGRATION AFTER THE SANTIAGO
SUMMIT: A CANADIAN BUSINESS
PERSPECTIVE" — NOTES FOR AN ADDRESS
BY THOMAS d'AQUINO, PRESIDENT AND
CHIEF EXECUTIVE, BUSINESS COUNCIL ON
NATIONAL ISSUES**

- The Canadian Business Council on National Issues (BCNI) has long been an enthusiastic advocate of the benefits of free trade.
- Our enthusiasm for the FTAA process is motivated by the very same rationale that drove our support for the FTA, the NAFTA, the Canada-Chile accord, and the GATT-WTO agreements. As a country highly dependent on trade and investment, Canada has benefited from enforceable rules governing trade in goods, services, and investment.
- The Santiago Plan of Action has a far-reaching vision and comprehensive scope. The FTAA negotiations have to be seen in this light...part of an overall plan to ensure greater economic and social integration throughout the hemisphere.
- Today's financial crisis should not cloud our vision or weaken our resolve. The FTAA can help to solidify gains made over the past twenty years, and will be a bulwark against global financial instability and uncertainty. To be successful, the FTAA should meet a series of specific criteria:
 1. The FTAA must be ~~fast~~ **faster and deeper** than the WTO.
 2. The FTAA must include an "early harvest."
 3. The FTAA must link more coherently with the Americas Business Forum.
 4. The Committee on Civil Society must be made to work.

Globalization

The central forces propelling globalization – technology, communications, and the free movement of capital and ideas – have had an enormously positive impact, on economic growth, on raising the standards of living worldwide, in speeding up the transfer of technology.

But what is important to acknowledge, and to build into our thinking as we move ahead with the FTAA, is that the phenomena of globalization is not always an unmitigated good. We need to address some of the negative effects of a globalizing world economy with as much energy as we do trying to harness the enormous positive energy and benefits of a more integrated world, and a more integrated hemisphere.



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As a highly trade dependent country, but a middle rather than a large power, we have benefited from enforceable rules governing the trade in those goods and services. As a country which is both a major exporter and importer of capital, Canada also benefits from enforceable rules covering investment. As a consequence of strong bilateral, regional and multilateral rules governing international trade and investment, Canadian firms have over time obtained greater legal security from politically motivated efforts to protect markets. Our economy, as a result, has been strengthened to the benefit of all Canadians.

Our enthusiasm for the FTAA process is motivated by the very same rationale that drove our support for the FTA, the NAFTA, Canada-Chile accord and GATT/WTO agreements.

What is especially innovative and exciting about the Santiago Plan of Action is its far-reaching vision and comprehensive scope. Political leaders of the hemisphere have agreed on a whole series of initiatives "intended to promote the overall development of the countries of the Hemisphere and ensure access to and improve the quality of education, promote and strengthen democracy and the respect for human rights, deepen economic integration and free trade and eradicate poverty and discrimination." The FTAA negotiations have to be seen in this light...part of an overall plan to ensure greater economic and social integration throughout the hemisphere.

Before turning to the specifics of the FTAA negotiations, then, let me look briefly at these other dimensions of the overall Santiago Plan of Action.



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First, *education*. What could be more critical to the long term economic and social development of our societies than giving our citizens, all our citizens, the lifelong gift of a quality education? In Santiago, leaders committed their governments to attaining a number of ambitious objectives: ensuring universal access to and completion of quality primary education for children throughout the hemisphere by the year 2010; providing access to secondary education for at least 75 percent of children by 2010; taking responsibility for providing their populations with opportunities for life-long education.

Second, *democracy, justice and human rights*. One of the most inspiring developments throughout the hemisphere over the past fifteen years has been the increasing commitment to democracy, justice and human rights. In Santiago, leaders committed themselves to promote democratic reforms at the regional and local level, protect the rights of migrant workers, improve the capabilities of labour and justice ministries, and encourage a strong and active civil society. They also agreed to fight corruption, terrorism, illegal drugs, and to strengthen peace and security throughout the region.

Third, the *eradication of poverty and discrimination*. Leaders also committed themselves to end the scourge of poverty and discrimination throughout the hemisphere by facilitating acquisition of legal title of private property, improving access to credit for microenterprises, and protecting basic worker rights. They committed themselves to end discrimination against



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vulnerable groups, and to ensure access to adequate health services, clean water and proper nutrition.

It is through the prism of these ambitious and wide-ranging objectives that one needs to look at the final core element of the Santiago Plan of Action, and the main focus for my remarks today: the FTAA itself.

Today's financial crisis should neither cloud our vision nor weaken our resolve. This is **still** an exciting time to be involved in hemispheric trade negotiations! In the span of less than twenty years, Latin American economies collectively have moved from closed, import substitution models to those with a high degree of market orientation. This shift is perhaps best illustrated by the example of tariffs, which have fallen from an average of 40 percent in 1980 to 11 percent today. As you will see, I remain convinced that the FTAA negotiations will help to solidify the gains made over the past twenty years, and will in fact be a helpful additional bulwark against the global financial instability and uncertainty which is now buffeting us all.

The negotiations have only just begun, and so a detailed assessment of the progress of the FTAA is impossible. What we can do though is reaffirm the broad vision. Imagine the largest free trade area in the world. It would bring together over 750 million people – many of whom are living in some of the fastest growing markets. It would bring together developed and developing countries, united in a collective desire to advance and secure their overall economic development. It would bring together economies which collectively have a high degree of



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complementarity with one another. Establishing agreed and enforceable rules on trade and investment throughout the hemisphere will provide an additional element of predictability and legal security which will help lead to more orderly and successful overall economic development.

The vision, these goals, are immensely attractive. But let us turn now to specific criteria by which we might measure the success of the FTAA.

1) The FTAA must be faster and deeper than the WTO

I am a firm believer that regional agreements, if properly negotiated, can serve as building blocks and not stumbling blocks to more broadly based trade and investment liberalization. I have always taken it as a given that such agreements must be more trade creating than trade diverting to even be contemplated. The two key advantages which regional trading arrangements should hold over broader multilateral trade and investment agreements are the following. First, they must demonstrably be faster, i.e. there is little to be gained from negotiating regionally new rules and disciplines if the same result can be obtained multilaterally within the same or a shorter time frame. Second, they must be deeper, i.e. the rules and disciplines themselves, as well as specific market access commitments, made in these regional agreements must go well beyond the confines of existing multilateral disciplines and commitments. In the current jargon, they must be "WTO plus".



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In what specific areas does Canada's business community want to see movement? As always, we want to see improved market access for Canadian goods, including agricultural products. We think that stronger rules and access commitments in services and investment, bolstered with complementary rules on competition policy will be crucial dimensions of a successful FTAA. In today's fragile world economy, there is a growing risk of protectionist abuse of antidumping measures...we want to see an FTAA craft rules in this area which would prevent this phenomena in the future. We are also keenly interested in ensuring that any hemispheric rules dealing with electronic commerce serve to facilitate, and not to impede, the development of this exciting means of doing business.

If the FTAA process cannot demonstrate that it is both faster and deeper than multilateral talks, one should not be surprised that business will lose interest and focus its attention on more global trade and investment talks. Finally, let us not forget that even if new rules and market access commitments cannot be agreed upon, in the hemisphere or even globally, business will go on, taking advantage of opportunities, creating wealth and driving technological progress. In short, business will not wait for governments if processes of international rule-making become bogged down.

2) *The FTAA must include an "early harvest"*

I know that there have been some difficult discussions among FTAA governments in the lead-up to the launch of the negotiations over the idea of some form of "interim agreement".



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For the Canadian business community, it is important to see concrete results earlier rather than later, and we support efforts to achieve a concrete package of "business facilitation" measures in the FTAA by the turn of the century. Business representatives from around the hemisphere met this spring in Costa Rica, where they developed an extensive list of recommendations to facilitate business in the hemisphere. These recommendations dealt with a diverse range of practical problems facing businesses throughout the hemisphere, including delays and unnecessary costs associated with customs procedures, the need for more mutual recognition agreements in critical areas such as telecommunications and professional services, simplification of temporary entry procedures for business persons, and quick accession to the OAS Inter-American Convention Against Corruption. It is important, now, for FTAA governments to begin to respond in a serious way to these recommendations from the business community.

3) The FTAA must link more coherently with the Americas Business Forum.

There have been four Business Forums so far, and Canada will host the Fifth Business Forum next fall in Toronto. To date, these meetings have provided an excellent opportunity for business people from throughout the hemisphere to discuss issues together, but there has been a less than perfect fit between these discussions and the governmental process itself. Now that negotiations proper have begun, the linkage, the feedback in both directions — between governments and business — needs to be improved and enhanced. This is going to require a much greater



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effort on the part of the business community and a much greater effort on the part of governments.

Let me take this opportunity to reassure all of you here today that Canada's business community is deeply committed to a successful meeting of the Americas Business Forum in 1999. Four Canadian business groups – the Business Council on National Issues, the Canadian Council of the Americas, the Canadian Chamber of Commerce, and the Canadian Alliance of Manufacturers and Exporters – are working together to ensure the success of the Business Forum.

4) The Committee on Civil Society must be made to work.

As we all know, one of the innovations of the FTAA process has been the creation of the Committee on Civil Society, which will bring together representatives from business, academia, labour and the environmental community. We at the Business Council are convinced that for the FTAA negotiations to be ultimately successful, the benefits flowing from it need to be fully understood by all sectors of civil society. The incorporation into the overall FTAA process of the Committee on Civil Society is from our perspective a bold and innovative way to increase that understanding. Equally, it could provide different sectors of civil society a useful way to explain concerns they may have over the process and impact of trade and investment liberalization.

All of us know that meeting these criteria will not be an easy task. It is going to require a continuous dialogue among governments, governments and business, and governments, business, and



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other members of civil society. But these criteria can be met, provided there is firm leadership and a real commitment amongst all the parties and stakeholders to the negotiation.

I want to turn to this last point on leadership. I know that the Canadian business community is committed to a successful FTAA negotiation. We see it as a win-win process where all benefit from more stable and secure trade and investment relations. I am also confident of the Canadian government's commitment to this process.

What worries me, and what I know worries many of you, is the strength and depth of commitment of two of the largest players in this negotiation, the United States and Brazil. Most of us are asking each other the same basic sets of questions. If the United States cannot obtain fast-track authority at this time, how can the rest of us negotiate with it in good faith? Is Brazil too focussed on a deepening of the Mercosur relationship, other bilateral relationships (e.g. with the EU), and today's financial crisis, to be a driving force behind the FTAA? Is the Brazilian business community prepared to open up its markets to greater competition, especially to the United States? As the natural leader in Latin America, too much procrastination and foot dragging from Brazil could easily bring a halt to the entire FTAA process. We really do need some concrete reassurance from the Brazilian and United States authorities and business leaders on these points.

Let me conclude these remarks, which have focussed on the Santiago Plan of Action as a whole and more specifically on the



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FTAA as a part of that Plan of Action, with a few thoughts about the present state of global economic uncertainty in which we live.

It has become trite to talk about the interdependence generated from the globalized nature of the world economy. Yet, events over the past year beginning in Asia, and more recently in Russia, have once again underscored that interdependence. Today, one quarter of world output is exported, compared with only seven per cent in 1950. And financial capital moves faster and in greater volumes than ever before. The impact in Latin America has been enormous and is changing daily.

As the Asian crisis spread to other countries throughout the world, one strand of argument which I have heard a great deal is the following: globalization, buttressed by strong multilateral rules, is undesirable. Some go so far as to portray it as a manifestly evil force. Globalization has directly led to the financial crisis which is facing many countries throughout the world. Globalization benefits only a small number of enormous multinational companies; it is gutting states' abilities to regulate in the public interest, and taking all control over their own destiny out of the hands of individuals.

These are very serious charges which we do need to consider as we move forward with the FTAA. I am personally convinced that the central forces propelling globalization – technology, communications and the free movement of capital and ideas – have had overall an enormously positive impact, on economic growth, on raising the standards of living worldwide, in speeding up the transfer of technology. The very openness demanded by



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firms and individuals operating in a more fully and globally interlinked world has been beneficial in helping to generate greater social progress, democratic development and human rights.

But what is important to acknowledge, and to build into our thinking as we move ahead with the FTAA, is that the phenomena of globalization is not always an unmitigated good. The Canadian businesses which I represent recognize this; I think the same can be said for most of the FTAA governments involved in these negotiations. We need to address some of the negative effects of a globalizing world economy with as much energy as we do trying to harness the enormous positive energy and benefits of a more integrated world, and a more integrated hemisphere.

I have never been of the view that globalization was somehow a totally impersonal force beyond the control of individuals and governments. History has taught us that policy choices can be made which could reverse trends towards greater global integration. History also has taught us that such choices could well be catastrophic in the negative impact they would have on economic growth, standards of living, transfer of technology, and ultimately social progress, democratic development and human rights. Finally, history has taught us that carried to extremes, such choices could become a real threat to international peace and security.

Thankfully, we have not made those policy choices, not in the approach we are pursuing in the hemisphere. We have opted for openness, and for the development of a rules-based structure



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which will benefit us all. The FTAA is a regional instrument which can help to harness the forces of globalization by arriving at strong and enforceable rules on trade and investment, to the betterment of peoples throughout the Americas. The other dimensions of the Santiago Plan of Action are equally critical elements in ensuring that economic integration throughout the hemisphere goes hand in hand with greater social integration.

The Canadian business community will do what it can to support this continuing agenda of deeper economic and social integration throughout the hemisphere. As we do, I look forward to working with many of you in this room today and our colleagues through the Americas. And if we are successful in implementing both the vision and the details of this ambitious agenda, future generations of citizens from every part of the hemisphere will be grateful for what we have done.