



5 *Opening Doors to Central and South America*

Free Trade Area of the Americas

Overview

The proposed Free Trade Area of the Americas holds the potential to create the world's largest free trade area, with over 837 million people and a combined gross domestic product of more than \$18.8 trillion. In addition to liberalizing trade in goods, the FTAA has the potential to secure improved market access commitments in the services sector and to establish stronger investment protection measures throughout the hemisphere.

The FTAA is an integral part of the larger Summit of the Americas process. It was conceived in principle in December 1994 at the inaugural Summit of the Americas in Miami. At the second Summit, in Santiago in April 1998, the leaders of the 34 democratic countries of the Americas launched the

negotiations toward a hemisphere-wide free trade area. The FTAA complements the Summit objectives of strengthening democracy, promoting human rights and finding ways to address a range of social and economic issues through hemispheric cooperation. The FTAA is perhaps the most visible element of the Summit process, but its principal objectives of growth and development through enhanced economic integration are ultimately intended to reinforce the Summit's broader objectives. Canada hosted the Third Summit of the Americas in Quebec City in April 2001, and it continues to play a significant role in the broader Summit process.

Nine FTAA negotiating groups were established in 1998, with mandates from ministers to negotiate in specific substantive areas: market access; investment; services; government procurement; dispute settlement; agriculture; intellectual property rights; subsidies, anti-dumping and countervailing duties; and competition policy. In addition, a consultative group and two committees were created to address horizontal issues related to the negotiations: smaller economies, and civil society and electronic commerce. Later, a committee was established to address general and institutional issues.

The FTAA will build on Canada's existing free trade ties with the United States, Mexico, Chile and Costa Rica, and our expanding links elsewhere in the hemisphere, enabling Canada to take full advantage of emerging hemispheric markets. The FTAA will coexist with pre-existing agreements, such as the North American Free Trade Agreement. This means that Canada's trade with the United States and Mexico will continue to be governed by NAFTA, and the FTAA will substitute in these relations only if all three parties agree.

Excluding Canada's NAFTA partners, in 2004 the FTAA countries were the destination for \$3.7 billion in Canadian merchandise exports. In addition, in 2003 the stock of Canadian direct investment in the region exceeded \$55.3 billion, or about 13.9% of Canada's total outward investment.

In accordance with ministers' instructions outlined in the November 2003 Miami Ministerial Declaration, the FTAA process will adopt a two-tier approach: work on a set of common rights and obligations in each of the existing nine subject areas (first tier),