

agencies from Canada and Mexico continue to carry out reconciliation exercises to identify and quantify the causes of the differences in merchandise trade statistics reporting.

Free Trade Area of the Americas (FTAA)

Canada is one of the 34 democratic countries of the hemisphere engaged in negotiating the Free Trade Area of the Americas. The FTAA negotiations, which were launched in April 1998, hold the potential to create the world's largest free trade area, with 800 million people and a combined gross domestic product of nearly \$17 trillion. The FTAA will build on Canada's free trade ties with the United States, Mexico, Chile and Costa Rica, and its expanding links elsewhere in the hemisphere, allowing Canada to take full advantage of emerging hemispheric markets. The FTAA will co-exist with pre-existing agreements such as the NAFTA. This means that Canada's trade with the United States and Mexico will continue to be governed by the NAFTA. The FTAA would substitute for the NAFTA in these relations only if all three parties agreed. Even excluding Canada's NAFTA partners, the region is already a \$3.7-billion export market for Canada, and it is the destination for \$44 billion in Canadian direct investment (representing 14.6% of Canada's total direct investment abroad). The negotiations are to conclude by 2005.

The origins of the FTAA initiative date back to the first Summit of the Americas, held in Miami in December 1994. The Summit process was established to strengthen cooperation among the community of nations in the Americas, with the objective of promoting prosperity, democracy and development throughout the hemisphere. Detailed plans of action were endorsed by leaders at the Miami, Santiago and Quebec City Summits, addressing education, democracy and human rights, economic integration and free trade, poverty and discrimination, and the environment. At the Quebec City Summit, it was also agreed that the draft negotiating texts of the FTAA would be made public. The FTAA is the most visible element of the Summit process, but its principal objectives — growth and development through enhanced economic integration — are ultimately intended to reinforce

the Summit's broader objectives. Canada continues to play a significant role in the broader Summit process, having hosted the third Summit of the Americas in Quebec City, from April 20 to 22, 2001.

Canada's leadership role as first chair of the FTAA negotiations was seen as a key opportunity to demonstrate our commitment to strengthening ties within the hemisphere, as well as to further the trade liberalization agenda. By the conclusion of Canada's chairmanship of the negotiations at the November 1999 Ministerial Conference in Toronto, concrete progress had been realized and the groundwork laid for the next phase of the negotiations. The second phase of the negotiations, chaired by Argentina, concluded with the Ministerial held in Buenos Aires in April 2001. Chairmanship of the FTAA process was transferred to Ecuador on May 1, 2001, and will be held jointly by the United States and Brazil from the next Ministerial in October 2002 to the end of the negotiations. Canada is working closely with Ecuador to advance the negotiations and currently chairs the Joint Government-Private Sector Committee of Experts on Electronic Commerce. Logistical support for the negotiations is provided by an Administrative Secretariat, located as of March 1, 2001, in Panama City.

FTAA Results in 2001

- Production (by negotiators, carrying out ministers' instructions) of a draft, square-bracketed text of the various issue areas of the FTAA Agreement for ministerial review in Buenos Aires in April 2001.
- Commitment by ministers to conclude negotiations by January 2005 and implement the Agreement by no later than December 2005.
- Agreement to make public the draft negotiating texts of the FTAA.
- Precise negotiating instructions and time lines for the negotiating groups for the next phase of negotiations.
- Development of a more effective mandate for the FTAA Committee of Government Representatives on the Participation of Civil Society.

Canada's Objectives in 2002

- Advance agreement on an integrated draft text of the FTAA Agreement and begin sectoral market access negotiations by May 2002.