FREE TRADE AREA OF THE AMERICAS (FTAA):
A REPORT ON THE PROGRESS OF THE
PREPARATIONS FOR NEGOTIATIONS
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Introduction

The wide range of issues including agriculture, textiles, intellectual property rights and services being covered by the ongoing Uruguay Round negotiations and the unilateral trade liberalisation policies of many countries around the world indicated a general movement in the direction of freer global trade. However, it was during the second half of the 1980s when the Uruguay Round of trade talks was in progress and sometimes coming to the brink of collapse, that there was a noted revival of previously dormant economic integration agreements and a proliferation of new ones. The fear that the failure of the Uruguay Round might have resulted in some countries finding themselves isolated was thought to be a primary factor behind the revival and renewed dynamism of regional economic integration agreements.

Since the successful conclusion of the Uruguay Round of trade talks, interest in the establishment or strengthening of economic integration groupings has not diminished judging by the subsequent activities related to the bilateral, regional and subregional economic agreements which have taken place since then. Most prominent among these planned economic integration agreements were the Asia Pacific Economic Cooperation Forum, which decided on the establishment of a free trade and investment area among its member States by 2010 for its more developed members and 2020 for its less developed members, and the Free Trade Area of the Americas (FTAA) whose establishment is scheduled for 2005.

The decision to establish the FTAA was taken at the Miami Summit in 1994. The Summit also decided that the FTAA would be based on principles to maximize market openness through high levels of discipline, build upon existing agreements in the hemisphere, adhere to the provisions of the World Trade Organization (WTO), commit member countries not to raise barriers to other countries and engage in a single undertaking comprising mutual rights and obligations.

The Denver First Trade Ministerial Meeting established seven working groups with specific mandates to prepare for the upcoming negotiations for the establishment of a Free Trade Area of the Americas. These working groups dealt with the following issues: market access, customs procedures and rules of origin, investment, standards and technical barriers to trade, sanitary and phytosanitary measures, subsidies, antidumping and countervailing duties and smaller economies. The objective of this paper is to outline the main mandates of these working groups and the progress they have achieved up to the second Trade Ministerial Meeting held in Cartagena in March 1996. The paper will also outline some of the decisions taken at the Cartagena Ministerial Meeting.
I. MARKET ACCESS

The Working Group on Market Access was entrusted with the task of constructing a comprehensive database on market access barriers in the hemisphere. These will include both tariffs and non-tariff barriers and will cover both industrial and agricultural products. The Group was also required to make specific recommendations for the conduct of market access negotiations.

At the request of the Working Group, most countries submitted information on their tariff structures and other barriers to trade. That response from the countries has so far allowed the achievement of substantial progress in the construction of the database. With regard to the part of its mandate related to market access negotiations, the Working Group came to the conclusion that it did not have enough information to make recommendations on the required specific market access negotiations for the FTAA. In its efforts to increase and improve the information available, the Group decided to collect more information, in particular that related to tariffs and non-tariff barriers and their phased reduction in the bilateral and subregional agreements of the hemisphere. In addition, a decision was taken to include market access information related to textiles and apparel as well as the agriculture sectors.

To facilitate the progress of its work, the Group requested the Inter-American Development Bank (IDB) to prepare a paper comparing the various approaches to the structuring and conducting of negotiations which were adopted in the subregional and bilateral agreements already negotiated in the hemisphere. The Group also requested from the Bank the provision of data on trade flows within the hemisphere and the products covered.

After receiving and analyzing the required information, the Group intends to make specific recommendations for market access negotiations on: various approaches to market access liberalisation, the initial tariff level and suggested tariff reduction programme, product coverage, initial preferences, progressive removal of non-tariff barriers and safeguard measures.

II. CUSTOMS PROCEDURES AND RULES OF ORIGIN

The Working Group on Customs Procedures and Rules of Origin was entrusted with the task of establishing a complete inventory of customs procedures. It was also asked to consider the possibility of publishing a Manual of Customs Procedures for the hemisphere and, at the same time, identify those characteristics which were essential for the establishment of an efficient and transparent system of rules of origin. The Working Group was also requested to identify areas of technical cooperation in customs administration and to make recommendations for the simplification of customs procedures and the conduct of negotiations on the rules of origin.

The groundwork for the preparation of a Manual of Customs Procedures has been completed with the compilation of information on customs procedures received from the countries. The Group also compiled information on the rules of origin currently applied in the hemisphere and defined some
basic principles on which the rules of origin of the FTAA ought to be based. These principles included transparency, predictability and consistency. In addition, the Group suggested the adoption of a common nomenclature which should be based on the harmonized system and its amendments.

With regard to the identification of areas of technical cooperation, the Group identified countries interested in providing technical assistance in the area of training and countries interested in receiving such assistance. The areas of training identified by the Group for priority treatment included prevention of fraud and customs infractions, customs valuations and computerisation of customs operations.

Suggestions regarding the simplification of customs procedures will be made by the Group based on the studies and analyses of advances in this area in the integration agreements of the hemisphere. Recommendations on the conduct of negotiations on the rules of origin will be made after more in-depth studies of the various aspects of this issue. In addition, the Group discussed the issue of differing levels of economic development and that of differential treatment in the formulation of the rules of origin but could not arrive at a consensus on these issues.

III. INVESTMENT

The Working Group on investment was mandated to establish an inventory of investment agreements and treaties including the protection afforded to investment in these treaties in the hemisphere. This Group’s mandate also included the compilation of investment regimes in the hemisphere and the identification of their common features and differences.

In implementing its mandate, the Group examined the following documents: “Compendium of bilateral investment treaties in the western hemisphere” prepared by the Organization of American States (OAS) and “Foreign investment regimes in the countries of the hemisphere: A comparative study” prepared by the IDB. The Group found a number of common features among the investment regimes of the hemisphere. These included various stages of economic liberalisation, in general, and openness towards foreign investment, in particular. That openness was, in some cases, characterised by the liberalisation of international capital flows, guarantees against expropriation, accession to agreements and international conventions on investment related to dispute procedures and gradual elimination of performance requirements. The Group also noted that the international agreements to which the countries of the hemisphere were party included both national treatment and most favoured nation principles.

In addition, the Group noted that both the provisions of the bilateral investment treaties and those of the subregional investment agreements contained common liberal features related to investment. Against these common features, the Group also noted that there were a number of differences in the investment regimes of the countries of the hemisphere which included the levels and nature of incentives offered to foreign investment in various countries, restrictions imposed on foreign investment in some sectors of the economies and differences in legal traditions where certain concepts related to foreign investment were not the same.
The Group intends to recommend the elements to be included in the negotiations on investment as well as the options to address each one of them. These recommendations will be based on the way in which investment was treated in the different integration agreements of the hemisphere. The following elements will be considered among others: basic definitions, national treatment, most favoured nation treatment, expropriation and compensation, capital transfers, top managerial personnel, performance requirements and dispute settlements.

IV. STANDARDS AND TECHNICAL BARRIERS TO TRADE

The Working Group on Standards and Technical Barriers to Trade was entrusted to: (a) recommend specific measures to enhance transparency especially in standards development; (b) compiling as much information as possible on the bodies or organizations in charge of standards and these bodies' accrediting organizations; (c) make recommendations on product testing and certification with a view to promoting mutual recognition agreements; (d) recommend methods to promote the understanding of the World Trade Organization Agreement on Standards and Technical Barriers to Trade.

In the implementation of its mandate, the Group received and examined the first version of an inventory of national practices on standards, technical regulations and conformity assessment in the western hemisphere prepared by the OAS and proposals were made for the dissemination of the information contained in that document. The Group also received and examined a proposal from the Southern Common Market (MERCOSUR) entitled “Proposals for action strategies for the FTAA Working Group on Standards and Technical Barriers to Trade” and acknowledged that it was a valuable basis for the future work of the Group.

The Group agreed that standards, technical regulations and conformity assessment procedures should be developed in a transparent and non-discriminatory manner. Accordingly, standards and technical regulations should be based on international requirements and, in particular, the WTO requirements. In addition, national standards systems should be organized so as to contribute significantly to regional economic integration. The Group also agreed that regional standards organizations should be further strengthened through greater participation by the countries of the hemisphere.

The Group encouraged the prompt and full implementation of the Uruguay Round Agreement on Technical Barriers to Trade by member countries and stated its intention to examine the principles, concepts and requirements of mutual recognition agreements on conformity assessment procedures in general and in specific sectors. The Group also envisaged the organization of subregional seminars on the Uruguay Round Agreement on Technical Barriers to Trade and international developments in terms of standards, technical regulations and conformity assessments. In addition, an examination of the provision for and harmonisation under the existing trading arrangements related to standards and technical barriers to trade will be undertaken.
V. SANITARY AND PHYTOSANITARY MEASURES

The Working Group on Sanitary and Phytosanitary Measures was entrusted with the task of making an inventory of all agreements on sanitary and phytosanitary measures in the hemisphere, as well as an inventory of sanitary and phytosanitary regimes in applications in the individual countries. The Working Group was also asked to make recommendations to: (a) enhance the transparency, information sharing and improvement of understanding of laws and regulations affecting trade flows in the hemisphere; and (b) enhance the mutual understanding of the scientific basis for sanitary and phytosanitary certification procedures and the compilation of methods used for risk assessment in the Hemisphere.

In the implementation of its mandate, the Group completed an inventory of all agreements on sanitary and phytosanitary measures as well as that of sanitary and phytosanitary regimes in the hemisphere and recommended that all future agreements should conform to the WTO sanitary and phytosanitary guidelines. With regard to the issue of transparency and information sharing, the Group recommended that all the countries of the hemisphere should comply with the notification mechanism developed by the WTO in the sanitary and phytosanitary area. In addition, the Group recommended that the countries which were not members of the WTO and/or of organizations mentioned in that agreement should be encouraged to join. The Group also suggested the development of training programmes and technical assistance programmes to assist the countries in the implementation and broadening of the WTO agreement on sanitary and phytosanitary measures.

In addition, the Group suggested that regional and global organizations should be entrusted with the development of standards for harmonisation and recognition of certification and verification systems among the countries of the hemisphere. The Group also suggested that a sanitary and phytosanitary system be identified, within the structural and institutional aspects of the FTAA, to assist in the implementation of the WTO agreement related to this specific area. This system ought to include a follow-up committee for the implementation of the WTO agreement throughout the hemisphere, promote common positions in international forums and coordinate with the regional reference organizations.

VI. SUBSIDIES, ANTIDUMPING AND COUNTERVAILING DUTIES

The Working Group on Subsidies, Antidumping and Countervailing Duties was given the task to identify agricultural export subsidies and other export practices in the hemisphere, and to recommend ways to address all trade distorting export practices for agricultural products. The Group was also requested to promote the implementation of WTO obligations in the area of subsidies, to review information on laws of dumping and subsidies of the individual countries of the hemisphere, and to promote the exchange of views on the application and operations of trade remedy laws regarding dumping and subsidies.
The Group examined a preliminary report prepared by the OAS entitled “Inventory of agriculture export subsidies and other measures of similar effects”. This document included information related to export subsidies and the WTO related commitments of the countries regarding the removal of these subsidies for the period 1995-2000.

With regard to recommendations on trade distorting export practices in the area of agriculture, the Group reviewed a preliminary report entitled “Uruguay Round negotiations proposals in the area of agriculture” prepared by the OAS and requested a review of regional and subregional agreements in the hemisphere with the view to compiling the provisions of these agreements in the area of agricultural export subsidies. The implementation of the Group’s mandate regarding the promotion of understanding of the WTO agreement on dumping and subsidies took the form of the organization of a seminar to increase the understanding of the agreement.

In addition, the Group reviewed the laws of a draft Compendium of Antidumping and Countervailing Duties prepared by the OAS. The compendium included information on the national authorities responsible for countervailing and antidumping actions, the methodologies used for investigations, definitions of dumping and subsidised goods, steps of the investigation, duty determination and procedures for due process, etc. CDCC member countries for which information is included in the compendium include Jamaica, the Dominican Republic, Trinidad and Tobago and Saint Lucia.

With regard to the implementation of its mandate on the application and operation of trade remedy laws, the Group reviewed a document prepared by the OAS entitled “Inventory of the application of Antidumping and Countervailing Duties in force in the western hemisphere”. Information in the document showed that only a limited number of countries regularly apply antidumping and countervailing duties and those countries were mainly the larger ones. The document also revealed that two thirds of the antidumping and countervailing duties actions were taken against countries outside the hemisphere.

The Group acknowledged the complexity of these issues and suggested the need to continue the compilation process to complete some of the subjects which will form the basis for the preparation for future negotiations. The Group will also seek to cover, in its work, the existing options for the design of specific proposals to address all trade distorting export practices for agricultural products and make recommendations for the design, operations and application of trade remedy laws for the FTAA. The Group also intends to organize seminars on dumping and subsidies as well as trade remedies. It is important to note that this Group requested the OAS to provide technical assistance to the small economies which face technical and financial difficulties, to comply with commitments to provide information and other activities emerging from the work programme of the Group.
VII. SMALLER ECONOMIES

The Working Group on Smaller Economies was entrusted with the task of making recommendations to facilitate the participation of the smaller economies in the Free Trade Area of the Americas.

The Group received and examined a number of papers dealing with aspects relevant to the participation of the smaller economies in the proposed free trade area. These papers included "Observations on smaller economies and western hemispheric economic integration and special and differential treatment in international trade" prepared by the OAS; "Small economies, trade liberalisation, trade preferences and growth" prepared by the World Bank; "Factors affecting the participation of Caribbean countries in the FTAA" and "Characteristics of the Central American countries and the Dominican Republic that could affect their participation in the FTAA" prepared by ECLAC and "An annotated bibliography of studies on smaller economies" prepared by the World Bank and the IDB. All these papers served to inform the deliberations of the Group.

The Group discussed extensively the economic and structural features of the smaller economies including the limited size of domestic market, a pronounced dependence on external trade, relatively undiversified economies, production dominated by one or two activities such as agriculture, mining and tourism, narrow tax base, restricted resource base and higher costs of infrastructure and public administration, as well as higher degree of vulnerability to external shocks and natural disasters, etc.

In addition, the Group discussed the provisions made in several regional and multilateral trade agreements to recognise the differences among countries which was aimed at facilitating the participation of these countries in these agreements. So far, the Group agreed that there was a need for further discussions of these issues as well as any other issues which might be relevant to its mandate.

The Group examined a paper entitled "Internal measures to facilitate the participation of smaller economies in the FTAA" prepared by ECLAC and a paper entitled "Profile of technical cooperation programmes for small economies: Proposals of the SELA Permanent Secretariat" prepared by SELA. The Group agreed to request the SELA Secretariat to revise its paper on technical cooperation programmes to include information on ongoing technical assistance programmes, as well as the discussions and proposals made on this issue in other FTAA Working Groups. The revised paper should also include more complete information on the sources of technical assistance, the recipients of such assistance and the identification of the technical assistance needs of the smaller economies to adequately fulfil their commitments once the FTAA comes into force.
VIII. DECISIONS OF THE SECOND TRADE MINISTERIAL MEETING

In its Joint Declaration, participants at the second Trade Ministerial Meeting held in Cartagena, Colombia, renewed their commitment to conclude negotiations not later than the year 2005 and to make concrete progress towards the attainment of that objective by the end of the century. With regard to the approaches for the construction of the Free Trade Area of the Americas, the ministers restated their commitment to building on the existing subregional and bilateral agreements to broaden and deepen hemispheric economic integration and bring them together. However, the vice-ministers were instructed to discuss the various approaches to the construction of the FTAA and make specific recommendations before the ministerial meeting scheduled for May 1997 in Belo Horizonte, Brazil. The suggested approaches should be consistent with Article XXIV of the General Agreement on Tariffs and Trade (GATT) 1994 and its Uruguay Round Understanding and Article V of the General Agreement on Trade in Services (GATS).

The ministers acknowledged the progress in the preparatory work but were of the view that more preparatory work was necessary for productive negotiations. The Working Groups were, therefore, requested to carry out their respective tasks (see Annex for tasks) with a view to presenting conclusions and recommendations to the next ministerial meeting.

The vice-ministers were instructed to make recommendations on the timing and means of launching negotiations before the 1997 Trade Ministerial Meeting. The Joint Declaration reiterated the commitment of the participating member countries to seek ways to provide opportunities to facilitate the integration of the smaller economies in the FTAA and to increase their level of development. The need for technical assistance to facilitate the participation of the smaller economies in the entire process was recognised and all the working groups were called upon to take into account the commitment to the smaller economies, as well as the specific recommendations of the Working Group on Smaller Economies.

The Cartagena Trade Ministerial Meeting established four additional working groups dealing with the following areas: Government Procurement, Intellectual Property Rights, Services and Competition Policy. The terms of reference of the new working groups are attached in Annex II. In addition, the ministers declared their intention to establish a Working Group on Dispute Settlement Procedures at their next meeting and to request the OAS to start compiling information on the dispute settlement mechanisms being used in bilateral and subregional trade agreements in the Hemisphere.

An important development which took place at the Cartagena meeting was the convening of a private sector meeting of the America Business Forum involving various private sector groupings of the hemisphere. The conclusions of the private sector meeting was forwarded to the ministerial meeting which reiterated the importance of the role of the private sector in the FTAA process and agreed on the importance of the governments consulting their private sector in preparation for the ministerial meeting to be held in the second quarter of 1997. A business forum meeting will be held at the same time.
The issue of the environment received some attention at the Cartagena Ministerial Meeting and the vice-ministers were to consider appropriate processes to address this issue after receiving the report of the Committee on trade and the environment to be presented to the WTO Ministerial Conference in December 1996. Consideration will be given to the creation of a study group on the environment based on the recommendations of the vice-ministers. The trade ministers also decided to keep under review the issue of labour in the FTAA process.

Conclusions

The working groups established at the Denver Ministerial Meeting of the FTAA gathered a large amount of information and examined a number of papers analyzing a wide range of issues relevant to the subjects scheduled for negotiations under the FTAA.

The Working Group on Market Access made progress towards the establishment of a comprehensive database on market access barriers to trade, while the Working Group on Customs Procedures and Rules of Origin completed the groundwork for the preparation of a Manual of Customs Procedures and agreed on the broad principles on which rules of origin should be based. The Working Group on Investment advanced quite well and highlighted many common features of the investment regimes in the hemisphere and may be in a position to suggest selected investment related issues for negotiations.

The Working Group on Standards and Technical Barriers to Trade agreed on the principles on which standards, technical regulations and conformity assessments should be based, and recommended the prompt and full implementation of the Uruguay Round Agreement on Standards and Technical Barriers to Trade supported by the organization of seminars dealing with these types of barriers. The Working Group on Sanitary and Phytosanitary Measures suggested that all future agreements on Sanitary and Phytosanitary Measures should conform to the WTO Agreement and that technical assistance and training programmes should be developed to assist countries to implement that agreement. The Working Group on Antidumping and Countervailing Duties is continuing the collection of information and plans to organize seminars on these complex and sometimes controversial issues. In addition, the Group requested the OAS to provide technical assistance to the smaller economies to help them comply with the request for information to facilitate the work of the Group.

The Working Group on Smaller Economies discussed extensively a number of papers analyzing specific issues of particular relevance to the smaller economies and their participation in the FTAA. The Group is continuing the discussion of these issues and is expected to make recommendations regarding the treatment of the smaller economies with a view to putting them in a position to better participate in the proposed free trade area.

The Second Ministerial Meeting which took place in Cartagena decided to establish four new working groups and indicated its intention to establish another during its next meeting. The
Ministerial Meeting also received a report from the America Business Forum Meeting and reports from each of the working groups established in Denver. It encouraged the participation of the private sector in the preparations for the FTAA and requested all the working groups to provide them with conclusions and recommendations on the various issues during their next meeting. More importantly, the Ministers requested the vice-ministers to make specific recommendations regarding the various approaches to the construction of the FTAA, as well as suggestions regarding the timing and the launching of the negotiations. The 1997 Ministerial Meeting which is scheduled for the second quarter of 1997 is expected to take some important decisions which might have significant effects on the advancement of the process of preparations for the negotiations of the FTAA.
# Annex I

## CHAIRPERSONS OF THE WORKING GROUPS

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Annex II

RECOMMENDATIONS FOR FUTURE WORK

Market Access
- Keep databases current; make them public, once its contents have been approved by governments.

Customs Procedures and Rules of Origin
- Develop and improve the complete inventory of customs procedures in the hemisphere and publish the Customs Procedures Manual for its use by the private sector.
- Make recommendations on promoting electronic filing of customs documentation.

Investment
- Publish a guidebook on investment regimes in the hemisphere
- Promote accession to existing arbitral conventions
- Publish the inventory of investment agreement and treaties in the region

Standards and Technical Barriers to Trade
- Develop proposals on mutual accreditation of testing facilities
- Prepare an inventory of standards and related measures

Subsidies, Antidumping and Countervailing Duties
- Release the compendium of the hemispheric trade laws and procedures being compiled by the OAS
Sanitary and Phytosanitary Measures

- Develop proposals on ways to promote the recognition of sanitary and Phytosanitary certificate among countries in the Hemisphere

Smaller Economies

- Make recommendations on measures, including technical assistance, to facilitate the integration of smaller economies into the FTAA.

PROPOSALS FOR EXPANDING TERMS OF REFERENCE

Working Group on Subsidies, Antidumping and Countervailing Duties

- We take note of the “Report and Recommendations of the Working Group on Subsidies, Antidumping, and Countervailing Duties”, and urge the Working Group to identify other practices that can be shown to have trade-distorting effects on agricultural trade in or with the hemisphere, with an aim to make specific recommendations on the subject.
Annex III

ACTION PLAN FOR NEW WORKING GROUPS:

I. The Working Group on Government Procurement will:

1. Collect, systematize and create an inventory of the legislation, regulations and procedures in the countries of the Hemisphere regarding government procurement, starting at the central government level, including, among others, State-owned enterprises. On the basis of that inventory, undertake a study of barriers to access to procurement by the public sector.

2. Create an inventory and analysis of regulations on government procurement included in integration schemes and other existing agreements to which countries in the hemisphere are signatories.

3. Compile available data on purchases of goods and services by central governments, including, among others, State-owned enterprises, in the hemisphere.

4. Identify areas of commonality and divergence among government procurement systems in countries of the hemisphere.

5. Recommend methods to promote understanding of the WTO Government Procurement Agreement.

6. Recommend methods to promote transparency in government procurement.

7. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

II. The Working Group on Intellectual Property Rights will:

1. Create an inventory of the intellectual property agreements, treaties and arrangements that exist in the hemisphere, including all international conventions to which countries are parties.

2. Compile, in the most efficient manner, an inventory of intellectual property protection laws, regulations and enforcement measures in the hemisphere and, on the basis of this information, identify areas of commonality and divergence.
3. Recommend methods to promote the understanding and effective implementation of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

4. Identify possible areas for technical assistance, which countries may request, involving both the administration and enforcement of intellectual property rights.

5. Analyze the implications of emerging technologies for intellectual property rights protection in the FTAA.

6. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

III. The Working Group on Trade in Services will:

1. Undertake conceptual background work on the nature of trade in services, including the relationship to other working groups, including investments.

2. Compile a comprehensive inventory of agreements, accords and other arrangements covering trade in services in the hemisphere and determine areas of commonality and divergence.

3. Create a comprehensive inventory of measures affecting trade in services within the hemisphere and identify steps to enhance transparency and facilitate trade.

4. Create a statistical database of trade flows in services in the hemisphere.

5. Recommend methods to promote understanding and effective implementation of the WTO GATS, including technical assistance.

6. Make specific recommendations on how to proceed in the construction of the FTAA in this area.

IV. The Working Group on Competition Policy will:

1. Promote understanding of the objectives and operation of competition policy.

2. Compile an inventory of domestic laws and regulations that exist in the hemisphere that deal with anti-competition conduct and, on the basis of that information, identify areas of commonality and divergence.

3. Create an inventory of the competition policy agreements, treaties and arrangements existing in the hemisphere.
4. Identify cooperation mechanisms among governments in the hemisphere aiming at ensuring the effective implementation of competition policy laws.

5. Recommend ways to assist members to establish or improve their domestic competition policy regimes, as they may request.

6. Exchange views on the application and operation of competition policy regimes in the countries of the hemisphere and their relationship to trade in a free trade area.

7. Make specific recommendations on how to proceed in the construction of the FTAA in this area.
1. Reports of the FTAA Working Groups to the Ministers, submitted to the Second Trade Ministerial Meeting, held in Cartagena, Colombia, March 1996.

2. Joint Declaration of the Second Ministerial Trade Meeting held in Cartagena, Colombia, March 1996.

