

**Public**

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Brasilia, 25 March 1999

Chair of the Committee on Government Representatives on the Participation of Civil Society of the FTAA Countries

Dear Chair:

I have been working in the area of foreign trade, with emphasis on the processes involved in establishing economic blocs (MERCOSUR, ALADI, FTAA, etc.), in the Coordination Office of Regional Policies of the Institute of Applied Economic Research (IPEA, as known by its Portuguese acronym).

Taking advantage of the opportunity being offered to express opinions on the process of establishing a free trade area of the Americas, through the public invitation to the civil societies of the member countries of the FTAA, and in view of the ministerial meeting to be held in Canada in October of this year, I would like to make a few comments on one of the factors that must be taken into consideration: regional inequalities that exist within each of the member countries of that economic bloc. In light of the Declaration of San Jose/Costa Rica, this could lead to further consideration of the question of inequalities, or differences, in the levels of development and in the size of the economies that exist among the countries involved in this process of integration.

I believe that the proposals submitted by the working groups of the FTAA Agreement do not really take that dimension ("internal regional"), into consideration (at least not explicitly), since the approaches used and the analysis made are limited to a macroeconomic (country) approach. A clear example of this is in the dual consideration (national/country) of the (different) levels of competitiveness among the different national production sectors involved in trade, including sectoral protection policies (or incentive policies), either through tariffs or exceptions for sensitive activities, or through subsidies, or others.

From an objective point of view, I believe that discussions on trade and sectoral issues must include policies or actions that take into account the impact that the creation of the free trade area of the Americas can have in the different regions (areas) within each country since sectoral conducts necessarily have specific implications on the very territorial reorganization of the production structure of each country.

In this regard, we can suggest: 1) data banks that demonstrate trade flow not only in

sectoral/national terms (products or groups of products), but also present a breakdown by region/state/province of origin and destination; and 2) mechanisms similar to those that exist in the European Union in order to restructure the regions with development patterns under a hemispheric “average,” in terms of per capita income (75% under the average), for example; the reorganization of border areas; incentives for areas seriously affected by decreased production, *inter alia*. All these actions can be carried out if community financial instruments under regional policies are used.

These are instruments known in the European Union as funds for social, agricultural, regional development, harmonization, research undertakings, *inter alia*.

Bearing in mind the critical economic inequalities that exist among the countries of the FTAA, and even within each of these countries, at times greater than those that exist in the European Union, there is not doubt that these mechanisms and instruments can help bridge the gap (in terms of income, productivity, competitiveness, etc.) that exists among the different regions of the member countries of the FTAA.

Cordially,

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