

**COLOMBIA IN THE PROPOSED FREE TRADE AREA OF THE
AMERICAS.**

by

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COLOMBIA IN THE PROPOSED FREE TRADE AREA OF THE AMERICAS.¹

This research attempts an exploratory inquiry to view, identify, and foresee trends where the forthcoming Summit of the Americas may depart as a dynamic agent that will determine the transformation of developing economies in the Western Hemisphere. We launched this proposition based on a comparison research where we observed the dynamics of the “path dependence” course on trade expansion based on selected initial conditions. This transformation followed a long term both in the world-system and in trade specializing countries like Colombia, allowing us to compare a broad historical event with the initiating Summit of the Americas Hemispheric integration.

In some detail we examine what the Colombian strategic position would be according to dependent paths and showing negotiation scenarios like Andean Trade Preference Act-ATPA, Trade and Investment Commission-TIC and its relation with Plan Colombia and bloc to bloc negotiations.

Colombia as an emerging country has seriously committed itself to integrate its economy to the trade world system. During the 19th century historical episode where Colombia emerged as a new nation-state competed for a place in a rapidly organizing world trading-system mainly in the profitable commodities market. This deep world historical episode serves us as a mile stone to compare and explore more in detail old and new initial conditions that contributed to enlarge world-trading currents and see how emerging countries face new investment currents trends and negotiation opportunities for investment.

As the world political and economic system enlarged, complex conditions for substantiate democracy and improving people’s welfare brought new negotiation patterns. Emerging trading bloc rules now depend on the advancement of globalization. Optimistic analyst suggest that convergent growth will be the direct consequence of integration of trading partners leading to accelerating regional and local development. Trade gains will according to this assumption will be evenly distributed among people and regions as economic integration proceeds².

I. Miami and The Summit of the Americas.

The policies adopted by President Roosevelt in his “Good Neighbor” program and above all those of his successor, Harry Truman, who established the Point IV program, a promising measure to benefit the world, the continent and peace-loving nations, associated the doctrine of democracy with the concept of economic development. Thanks to these theoretical and political efforts, since them attempts have been made to propagate democracy by many diverse means, understanding that it is necessary to guarantee better levels of welfare for the population.

Kennedy’s Alliance for Progress emphasized even more the concept of democracy, which was then linked to international aid. The AID carried out programs of land distribution and strengthening of the economy with which they guaranteed a better political climate in the hemisphere.

Despite that in the Hemisphere we suffered dictatorships, caudillismo, communist regimes and foreign intervention, a flourishing democracy path has been a challenge to the heads of state. By a happy coincidence the last decade became a historical landmark inasmuch as thirty-four nations on the continent enjoy popularly elected and succeeded democratic governments. At this point the slogan seems to have changed. Democracy and trade are considered now the same word with identically global beneficial effects on the long-range political balance of the region.

Before trade agreements are formalized, structural changes have to be pursued to stabilize the economy and achieve peoples’ representation. As a consequence, the Summit of the Americas lies upon the following fundamental assumptions:

- An Action Plan to preserve and promote communities and democracy
- Promotion of prosperity through economic integration
- Eradication of poverty
- Civil society participation and human rights respect

¹ This is an edited version of chapter 6 of my Ph.D. Dissertation entitled "From Free Trade to Globalization. Initial Conditions for World Business Expansion and Perspectives for 21st Century in Colombia". University of Northern Washington. 2001.

² See the work of F.H. Hinsley. 1967. *“Power and the Pursuit of Peace”*. Cambridge University Press. Cambridge. Walters, Malcolm. 1995. *Globalization*. Routledge. London. Wallerstein, Immanuel. 1974. *The Modern World-System*. Academic Press. New York. Wallerstein, Immanuel. 1980. *El Moderno Sistema Mundial.II*. Alianza Editorial. México.

- Sustainable development

The Summit to guarantee the reign of democracy proposes macroeconomic stability requiring reforms in areas such as:

- Free trade
- Foreign exchange movements
- Free rates of interest
- Free mobilization of capital
- Labor reform
- Freer policies to attract foreign capital
- Tax reform
- Privatization of state firms

The new so to say global project inspired by the initiatives of Presidents Bush and Clinton group together twenty-three policy initiatives one of that is the FTAA, conceived of as an enormously important political plan. The agreements of Santiago provide another eleven initiatives. These statements comprise an attempt to organize an order or new “World System” to preserve democracy, deepen economic development, improve equality, eradicate poverty, provide facilities for education to a majority of citizens and encourage increases in hemispheric trade.

In the area of trade, it was agreed to form nine working groups among which the Agreement would be negotiated in equality of conditions, with thirty four countries participating in discussions on the future of the continent, exploring the topics of trade and investment within this atmosphere.

1.1. The Summit of Miami and Sustaining Democracy.

In a renewed version of 19th century world politics where the world system associated with the formation of the nation-state, we proclaim the Summit is committed to strengthening democracy as a strong initial condition to enlarging the Hemisphere. We attempt to one global political entrust ruled also by the rules of free trade.

The democratic project was the result of a long process and deep discussion where we agreed that democracy on the continent and in the world could represent the formula to guarantee human rights and safeguard cultural diversity and pluralism.

O’Donnell in his work on “*Another Institutionalization*” (1996, p.7) indicated that the way to modernization of the State, has a degree of sacrifice, because it includes the difficulty of preserving democracy. Preserving it is sometimes painful because it implies conceiving of institutional and controlling mechanisms that would allow public authorities to be elected in representation of the primary constituency.

Freedom of expression and information are the benchmarks of the creation of an active hemispheric infrastructure, in which governmental cooperation with civil society is active and complementary.

In the context of the Miami Summit we establish as a condition to preserve peace, free elections and participation. But also development, integration, and expansion of trade and impetus to foreign investment so that democracy becomes the political rule for the region, as well as the source of stability, continuous and generalized well being for all inhabitants.

Principles, such as the dissemination of international justice and moral conduct in international relations are essentials to a modern conception of democracy (Brown; 1997,p.283). Likewise, the general principle of the international distribution of justice found as an important space within new international political theory. Some of Rawls’ ideas on international relations are included in the new discussion in an attempt to satisfy the needs of the third world, such as the elimination of poverty.

In the emerging 21st century world-system, we must recognize the contradiction between sovereign states associated with attending to the elementary demands of social justice. These principles developed by Rawls (1971; p.378) require to conciliate equality in the right to self-determination and the right to self-defense.

Authors, including Held³ point out the complexity of the topic of democracy within a global context. Shows that there are notable fractures in the process when various nation-states are involved or intertwined. His thought may be summed up as:

1. In international law, individuals, governments and non-governmental organizations are subject to new regulations that go beyond the demands of the nation-state. For example, the sovereignty of the State has extended with these global models to control over natural resources and biodiversity.
2. A second fracture between the theory of the sovereign state and the global system comes from the large number of international regimes and organizations. They now manage trade, the oceans, space, etc.
3. The third fracture involves the idea of the State as a strategic military actor that develops the global system of states subject to the tutelage of a great power that limits the authority and integrity of the state itself. This is the case of NATO and the Reciprocal Assistance Treaty. We can see how Trade and Investment Commission-TIC, legitimates treaties that are practically secret.
4. Globalization and the hemispheric agreements affect national identity, which in many cases takes years and bloody battles to consolidate. This means moving on to world history without having gone through national history.
5. A fifth fracture occurs between the authority of the nation-state and the global or hemispheric system or production, distribution and exchange. We are in the midst of an empire of multinational companies that internationalize production and financial transactions according to some international rules. Information technology ensures transactions and movement between economic units, such as money, shares and futures.

The foregoing discussion is interesting and disquieting, when we take into account that to *sustain democracy* is an even more complex process than arriving at democracy.

In the midst of the Summit some requirements for sustaining the process of making the Hemisphere the realm of democracy can be expressed as follows:

1. First, there must be a consensus as to liberal style politics.
2. A balance must be struck between stability and efficiency.
3. The quality of democracy must be improved, preserving the guiding principles of freedom, justice, equality, representation and participation.
4. For elections to be credible there must be some form of accountability to increase participation, representativeness and the rule of law.
5. The latter point requires strengthening the legal system in order to guarantee the equality of citizens before the law and respect for their individual rights.
6. As we have observed, the preservation of human rights implies the elimination of tortures, avoidance of impunity, granting of minimum guarantees to the population, elimination of injustice, ending private justice, etc.

In order to put an end to the climate of violence and civil war some ambitious strategic goals must be attained in the area of politics and economics. This means to achieve socio-economic development, protect human rights henceforth, and subordinate military authority to civil authority, severely punish corruption. Sharp decline in economic growth after “apertura” in Colombia and “Narco-Guerrilla” warfare seriously jeopardize democracy and has become a threat to the Hemispheric integration process.

1.2. Ministerial Meetings and the FTAA.

In the IV Ministerial Meeting just to mention some relevant aspects of the process was held on March 19, 1998. The results taken to FTAA previous negotiation preparatory meetings were reviewed and it was pointed out that as an initial condition framed in the democracy setting, there must be progress in the liberalization of hemispheric trade, highlighting the process of sub-regional integration, bilateral trade agreements and free trade.

A new factor to be considered in this complex emerging environment, was the inclusion of the element related to the preservation of the environment that was unanimously approved. The negotiating principle of Single Undertaking

³ Held, David. *Democracy and the Global Order* Stanford University Press. Stanford. 1995.

became the general rule for accordance and the guiding principle that lends transparency to the process and guarantees application of WTO clauses and commitments, which it is believed, will lead to the formation of a “Single world-Single market”.

A crucial point in the institutional atmosphere responded to the formation of the Committee for Trade Negotiation-CTN, a body oriented to guide the work of the negotiating groups and contribute to decisions on the architecture of the agreement, as well as negotiable topics. The II Summit of the Americas proposed to continue dialogue and strengthen hemispheric cooperation, reconfirming the urgency of strengthening democracy on the continent as we said, political dialogue, economic stability, progress toward social justice and to agree on trade liberalization policies and hemispheric integration. Along these general lines it was agreed that negotiations would commence on the main concrete topics to be developed and negotiated by the nine working groups and that initial conditions would be defined, perhaps meaning the existence of a space for “Path Dependence” growth.

The so-called initial conditions proclaimed by FTAA, such as the following can be highlighted for further implications for future development. Particularly access to markets agreement, customs procedures and rules of origin, investment, standards and technical barriers to trade, sanitary and phytosanitary measures, subsidies, anti-dumping rights and compensations, small economies, purchases by the public sector, intellectual property rights, competition policy, services.

There has been progress in each one of the FTAA topics described and they can be considered to be initial stages of the model. This resulted from the meetings in Denver, Cartagena and Bello Horizonte. The following meetings of what was denominated the working groups nourished the bank of ideas and statements made on the objectives and general principles.

If we carefully study the strategic map of the continent on the new topics of trade, we will understand that negotiations definitely will be more complex and demanding. Since new power factors will be involved, such as the United States and Canada as big countries commercial interests, or other regional trading blocs.

Each of these regional blocs’ interests is committed to certain defined and particular avenues. For these reasons, the topic of hemispheric integration, analyzed from the geopolitical and international relations perspective will not only be conceptually more complex, but will involve important commitments and power sharing considerations.

This negotiation then will necessitate a high dose of responsibility temperance about the conception of the future and prior preparation by the government and the negotiating team as well as by the civil society.

The IV Ministerial Meeting in San Jose held on March 19, 1998 reviewed the results of previous ministerial arrangements leading to the so-called preparatory work for FTAA negotiations. Progress in the liberalization of hemispheric trade was noted as a result of obligations assumed by the WTO. The process of sub-regional integration, bilateral agreements and free trade was highlighted. The economic context of the process was a reduction in inflation, greater rhythm of growth and growing trade opportunities to participate in the global market.

Liberalization and integration seem to be the by-word of the hemisphere, as is the broad social and economic agenda adopted in the Miami Declaration of Principles. A goal accepted by all was preservation of the environment and support for small economies within the process. The main political point of the ministerial meeting was to recommend that presidents initiate FTAA negotiations during the II Summit held in Santiago in April, 1998. The principle of Single Undertaking was accepted to be the general rule of negotiations, a principle that would be accompanied by the transparency and respect for WTO commitments. Colombia, an enthusiastic proponent of sub-regional agreements, was pleased to find that FTAA would respect and heed this type of existing agreement, as long as they do not go beyond it in rights and obligations. A commitment to conclude negotiations by the year 2005 at the latest was finally accepted.

The Committee for Commercial Negotiations-CCN’s function is to guide the work of the negotiating groups and to contribute to decisions on the architecture of the agreement, as well as the institutional topics. Nine working groups were established with a President and Vice-President each that should reflect regional balance and avoid re-elections, having chosen Miami, then Panama and lastly Mexico City as seats.

The tri-partite Committee, ECLA, OAS and IDB is offering technical support for matters related to the negotiations and contributions from other multilateral, regional and sub-regional institutions will be accepted. The participation of the public is hailed as a facilitating principle that lends transparency to the negotiation. Trade and production sectors such as academic groups that are particularly active in this field are also welcomed to befriend FTAA.

A matter that still worries analysts is that negotiations require a high degree of responsibility and prior preparation on the part of the government and civil society. For the analysis before signing of the NAFTA treaty, Mexico and Canada formed a high level negotiating team in charge of exploring alternatives before beginning formal negotiations with the United States and Canada.⁴

1.3. Trading Blocs in the American Continent.

Lester Thurow in his work "*Head to Head*" and Francis Fukuyama in "*The End of History*" offer an interesting intellectual spectacle to illustrate to us by means of a liberal view how the world of today is made up and how the emerging blocs relate to each other. The principles of the nation-state suggest that in the scope of the new "Pax Americana" a new power exerts domination in its own way. Either to exercise the practice of democracy or influence over the commercial policy of many nations through the aid of multilateral agencies. The multilateral trade view suggests that democratic principles are implicit in the World Trade Organization. So free trade of goods, services and investment as an economic driving force encourages stable governments and tends to better allocate the benefits of exchange and maximize welfare.

Free trade treaties are inspired on the theoretical principle of comparative advantage and the endowment of productive factors, where the distribution of profit is equitable and the full use of factors leads to maximization of production and welfare.

The adoption of the most favored nation clause, became the basis or institutional foundation of the treaties or agreements that gave rise to the GATT and in this decade the World Trade Organization-WTO.⁵ This fundamental principle has been respected and it is for this reason that agreements, whether they be for free trade zones, customs unions or economic unions are nothing more than particular variations of the principle of the most favored nation clause.

In theory, the trade agreements also agreed on the GATT principles propose trading blocs as a transitional stage to generate new or at least great flows of trade. However, not always is more trade created, nor is the businessman inspired to enter into the production of new competitive products on a regional scale, nor are competitive scenarios guaranteed as seen by facts. Neither is it evident that important flows of capital are incorporated into a country's productive process.

1.4. Santiago de Chile Summit and Furthering the Agenda.

The Second Summit of the Americas proposed the continuation of dialogue and strengthening of hemispheric cooperation. The urgent need to *strengthen democracy in the continent*, political dialogue, economic stability, and progress toward social justice and to establish open trade and hemispheric integration policies was reconfirmed. Interest in overcoming economic difficulties and return to the path of economic growth was restated. Likewise, emphasis was placed on the way in which globalization offers opportunities for progress and how convenient it is to support regional integration schemes. The novelty of the meeting was a commitment to stimulate education as a factor in support of political, economic, social and cultural development. Science and technology are called to play an important role in the preparation of educators. The topic of education for democracy will be further studied promoting actions that will lead governmental institutions to become participatory structures.

One starting point is respect for human rights and fundamental liberties. It is therefore proposed for this social purposes that:

- Institutionalities be strengthened.
- Equality be guaranteed.
- Contributions be made to economic development
- Policies for justice and judicial cooperation be reinforced.
- Equality for women be sought.
- Indigenous populations be integrated.
- The migrant worker and his family be supported.

⁴ Robert, Maryse. Resources and Tactics as Determinants of Negotiation Outcome: Canada's Performance in NAFTA. Ph.D. Thesis. Fletcher.

⁵ Any access granted to a country by agreement must be extended to all those nations that are members of a regional trade treaty.

- Poverty be overcome.
- Health conditions be improved.
- Peace be promoted through measures of trust and security.
- A struggle be fought against corruption, money laundering, drugs and terrorism.
- Work be done to fulfill the principles adopted in Kyoto on the environment and sustainable development.
- Work be done in the direction of energy integration.

In general the Miami and Santiago Summit commitments place democracy within the framework of priorities as a very dear supranational goal. Arguments over correspondence between democracy and growth seem to be complemented by discussions that link democracy to free trade and investment as conditions for progress conditions similar to 19th century purposes for world trade. Along these connecting arguments other general objectives for preserving democracy are:

- Achieving a consensus as to liberal policies.
- Maintaining harmony within stability and efficiency.
- Improving the quality of democracy, preserving the basic principles of liberty, justice, equality, representation and participation.
- Propitiating accountability in elections and increasing participation and representativeness.
- Guaranteeing equality of citizens before the law and respect for their individual rights.

Other topics such as guerrillas, drugs and violation of human rights have implied an extension of the agenda, to include aspects related to security, thereby avoiding Colombia's becoming another Viet-Nam. The latent danger lies in the internationalization of the conflict as a way to preserve democracy and protect trade⁶.

1.5. Free Trade Area of the Americas-FTAA.

The process of forming a hemispheric free trade zone must finish its negotiation stage before the year 2005. Following the Miami Summit, many companies, workers, political parties, academic institutions and non-governmental organizations were summoned to cooperate with the national and regional efforts being made to strengthen the links between governments and their societies. In June, 1995, after the Denver Meeting, the existence of seven working groups was approved together with their study topics and schedules in order to identify the points for negotiation.

In Belo Horizonte, in May, 1997, the third Ministerial Meeting was held, and the Ministers of Trade approved the initiation of FTAA negotiations for April, 1998 in Santiago de Chile during the Summit of Presidents. At the Preparatory Committee Meeting in October, 1997, the Vice Ministers analyzed the formation of the Working Groups and recommended that the objectives of the negotiation and its principles be discussed at the Ministerial encounter. These discussions were the basis for the beginning of the San Jose Act signed at the Fourth Meeting of Ministers of Foreign Trade in March, 1998.

The proposal to continue negotiating by blocs was accepted for the cases of Mercosur, Can, Caricom or Central America, supported on the principles of the GATT and its most favored nation clause and Article 21V on negotiating with regional preference zones. Negotiations will take place up until 2005, when the FTAA will take effect. Initially two proposals were presented for the formation of the negotiation groups:

Canada proposed three large groups:

⁶ To reach these social general goals, an ambitious and complex political action plan is needed that will be put into practice in each of the countries. This means that at the Summit, political guidelines were agreed upon to promote political and economic convergence. It was agreed that progress had to be made on other important fronts for the purpose of strengthening democracy through: Promoting human rights, Community participation, Promotion of culture and its values, Struggle against corruption, drug trafficking and laundering of money, Prevention of terrorism, Free trade and support for the World Trade Organization, Support for convergence programs, Development of capital markets, Orientation of private credit to stimulate investment in physical infrastructure, Development of telecommunications networks, Cooperation in science and technology, Access to education and health services, Fostering of micro-enterprises, Sustainable use of energy, Alliance for biodiversity and prevention of contamination.

Access to Markets and Customs Issues, Origin and Agriculture, Services with Investments and Intellectual Property. One regulatory group covering Compensatory Rights, Trade Barriers, and the group relations would cut across horizontally. The United States suggested nine negotiating groups: services, access to markets, intellectual property, conflict resolution, investment, competition, etc., including reaching some agreements and putting into action the early harvest mechanism. The group on small economies agreed that it would be included as an issue itself and specifically mentioned in each one of the negotiation groups.

1.5.1. Working Groups on the FTAA.

General Negotiation Goals.

1-Access to markets. On this topic, the work of information gathering on tariff and non-tariff barriers and preferential access conditions was very valuable. It is essential to have an inventory of the customs classifications including phyto and zoo- sanitary measures, as well as the health measures that are applied by the countries in the hemisphere. Likewise, this information is needed with respect to barriers and technical standards on trade. Although it is expected that coordination of this type of instrument will be studied in the respective technical groups, it is necessary that the information be registered according to the customs sub-classifications which how the goods will finally be registered upon entering the countries. The definitions with respect to the tax reduction program inasmuch as initial tariff and coverage of the program are concerned should be given once the treatment to be granted small economies is clear.

2- Customs Procedures and Origin Regulations. The work being done in this group in an attempt to synchronize and simplify customs procedures is vital, as is the search for a transparent scheme to establish origin and an agile administration. However, the most important thing to achieve these objectives is technical cooperation in the customs area and an analysis of the possibility that the rules on origin be simultaneously studied together with the tax reduction program. The Preparatory Committee proposed a progressive elimination of tariffs and non-tariff barriers and negotiation of all tariffs. With respect to principles, compatibility with GATT Article 21 is sought. In general the aim is to preserve the coexistence of bilateral and sub-regional agreements, as well as pursuing gradualism, equilibrium and simultaneity in partial agreements.

3- Investment. Progress recorded in this area in the hemisphere, as a result of the liberalization process and structural reform of the economies has allowed this working group to advance in a search for formulas that will favor investment. It was suggested that areas of convergence be explored to allow progress toward the synchronization of legislation and adoption of mechanisms that will lead to the adoption of conflict resolution schemes that are agile and transparent. The foreign investor finds it important to eliminate double taxation of his profits. The Preparatory Committee's objective was to find a fair and transparent legal framework to protect investment, and with respect to principles to avoid discrimination, preserving a fair and equitable treatment of countries.

4- Technical Regulations and Barriers to Trade. The mandate this group received was to attempt to propitiate progress in the compilation of national regulations. The importance of these lies principally in the degree to which such technical regulations can become barriers to trade. For businessmen it is extremely important that progress be made in the use of internationally accepted criteria and the synchronization of regulations and their application is promoted among the countries of the hemisphere. Additionally, it is necessary that the customs be technically linked to the authorities in charge of these matters from one country to another, since they are the ones to apply the rules when merchandise enters the country. The Preparatory Committee set the goal of preventing technical barriers in the hemisphere, preserving congruence with WTO provisions. With respect to principles the idea is not to create barriers.

5- Sanitary and Phytosanitary Measures. As regards sanitary and phytosanitary measures, the job of compiling regulations is fundamental to the synchronization of the various schemes provided for not only in national legislation but also in regional agreements. It would be ideal for the progress of this group to aim at achieving greater transparency and synchronization in this type of measure. Subsidies, Anti-dumping and Compensatory Rights. Advancement in the compilation of the status of national legislation and the extent of their commitments to the WTO, in addition to being useful is a condition for advancement in negotiations. In particular, it is necessary to define whether commitment will go beyond the WTO in some aspects. The topic of treatment of internal support for production is a matter of vital importance to the private sector. Analysis of subsidies must be detailed to guarantee competitive conditions that are suitable for the productive sectors. In the Preparatory Committee, the objectives were to eliminate subsidies, identify practices that distort trade, such as subsidies, apply anti-dumping legislation and allowances. Inasmuch as principles were concerned, it was recommended that negotiations be transparent and

consistent with WTO obligations and allow the coexistence of bilateral and sub-regional agreements in the hemisphere.

6- Small Economies. Although this group has advanced in the technical analysis of treatment of small economies within regional agreements already signed, it was agreed to include it in each specific aspect with the negotiation groups. The definition of treatment to be given the small economies is needed to determine the starting point for commitments on topics of such importance as access to markets and subsidies.

Additional Groups.

In Cartagena, four additional working groups were established. These groups are in charge of the fundamental areas for consolidation of the integration process.

7- Public Sector Purchasing. On this topic parameters will be set on the treatment to be given the size of economies and their correspondence with the size of the state purchases market. Very few countries in the hemisphere adhere to the WTO's purchases code, because this is one area in which at some levels of government there has not been an acceptance of foreign competition. Intellectual Property Rights. As regards intellectual property, it is important that the countries in the hemisphere do a diagnosis of the status of commitments in this area. It must be kept in mind that progress in this area is vital for the consolidation of foreign investment. In Costa Rica, the objectives propose an agreement of mutual understanding that will reduce the distortions in hemispheric trade. In relation to principles, they identified those of national treatment and the most favored nation clause, avoiding any decrease in the level of protection of the countries during the negotiations.

8- Competition Policies. In the area of competition, it is important to establish the criteria on which private agents and state monopolies will acquire commitments. National legislation should be evaluated to create harmony among processes and the authorities that judge cases. In the Preparatory Committee the objectives aimed at avoiding anti-competitive practices and advancing in the legal and institutional coverage to guarantee regulations on free competition. With respect to principles, strict adherence to the Declaration of Belo Horizonte was agreed upon, as well as consideration of the differences among systems and legal traditions, varying degrees of development and application of competition policies.

9- Services. On this topic, it is essential to simultaneously negotiate both the principles countries are committed to in this area and the coverage of sectors these principles are to be applied to. The experience in cases such as GATT and TLC of the Group of Three, has shown that separate negotiation of these two topics has limited progress in the integration process. In the Preparatory Committee, the objectives were directed toward an agreement on disciplines for trade in services within a free trade area. The remainder of the private sector shared this agenda. The real environment must have evolved toward a scheme for the consolidation of this process. Governments must advance so that when the hemispheric integration process begins there is some convergence. Some of the topics on this agenda relate with the need to move ahead in a process that leans toward the coordination of macroeconomic policies. The problem of macroeconomic instability has not been overcome in Latin America. This is the case of exchange instability that becomes a deep political issue when debt service rises to high levels.

The need to work for legal security. This problem has two levels of analysis: internally there must be clarity and stability in policies and regulation affecting investment; externally, there is a need to guarantee the observance of international treaties and their mechanisms for conflict resolution. In the area of customs, legislation must contribute to facilitating trade without abandoning the work of supervision and control. In the case of land borders (Andean Group), businessmen have identified the problem of a lack of equivalency in the fees for services as an overhead cost on the import process.

In the area of transportation the main bottlenecks to increasing trade are shown. There is a need for an analysis of needs in the field of infrastructure that will allow an improvement in the opportunities of the various types of transportation. With respect to human capital, it is essential that the integration process allow the free circulation of this factor. In addition to promoting technology transfer, this is an essential factor in the regionalization process. In the field of telecommunications, it is necessary to analyze the possibilities of the region inasmuch as availability of services and costs are concerned.

The framework within which working groups have been established in services and procurement deal with other important aspects, among which we can name the following.

9-a. Intellectual Property. Intellectual property is not adequately protected in the hemisphere, and therefore, we must revise national legislation, taking into account the objectives provided for in the ADPIC on effective protection,

reduction of distortions and hindrances to international trade. Likewise, it was recommended that measures be adopted and implemented to:

- Guarantee compliance with outside legislation
- Combat pirating and falsification
- Reinforce the judicial and police systems to guarantee the application of rights in effect
- Foster the establishment in each country of an industrial property office
- Encourage member countries to adhere to the principal multilateral agreements dealing with intellectual property.
- Urge countries to ratify WIPO treaties on Copyrights and the Production and Reproduction of Sound Tracks
- Promote prompt adoption among governments of the obligations and terms established in ADPIC.

9-b. Public Sector Purchasing. Given the lack of transparency and the existence of rules and practices that favor national enterprise over trade and the productivity of economies, the establishment of a regime of equal opportunity is sought for the companies in the FTAA countries with respect to supply of goods and services for government projects.

This consensual group recommends that:

- Transparency be guaranteed in government purchasing
- Mechanisms be established for contesting and solving controversy
- Incorporation of the FTAA topic be gradual, with periods of transition and asymmetrical treatment for small economies
- Discriminatory treatment be eliminated, giving national and most favored nation treatment to all suppliers in the hemisphere
- Anti-bribery laws be adopted and applied
- A database with legislation, rules and procedures of the public sector be created, as well as a registry of goods and services generally requisitioned by the governments of the region.

Negotiation Principles.

1- Access to Markets. There is a consensus that FTAA must be established on the basis of WTO norms, promoting the expansion of existing trade blocs. Based on the foregoing the following consensual recommendations are suggested:

To recognize the importance of linking these topics with others such as non-tariff barriers, technical standards, sanitary and phytosanitary regulations, subsidies, etc. Equilibrium in the negotiations on access to markets requires consideration of aspects, such as: services, infrastructure, investment, intellectual property rights, solution of differences, competition policies and others.

A process of preparation and strengthening of micro and small enterprises should be contemplated in order to develop an adequate level of competition. It is necessary that liberalization of the agricultural and livestock sector be carefully negotiated and include the specific trade aspects of this sector, taking into account the elimination of subsidies. A special group should be set up on textiles and garments, since the reduction in taxation throughout the hemisphere in the sector must ensure hemispheric preferences. It is necessary to analyze a timetable and the manner in which to incorporate special customs regulations (free trade zones, export-processing zones, among others) in the hemispheric integration process. To free trade in the field of entertainment (films, videos, TV programs, production and distribution of entertainment business products).

Developed countries must offer better access to their markets, speeding up the elimination of protectionism customs tariffs on clothing, sugar and leather, and at the same time allow longer periods for tariff reduction in the small economies. Ensure compliance with and monitoring of agreements and obligations reached. Divergence on this topic splits on whether simultaneous and immediate global negotiation or, on the other hand the need to undertake

negotiations on a gradual basis. Likewise, a consensus has not been reached on the ways for countries to participate in the negotiating process. Some recommend an individual negotiation for each country and other emphasizes the need to proceed by means of the existing sub-regional agreements.

2- Subsidies, Anti-dumping and Compensatory Rights. It is important for the various parties to define whether they wish to expand and to what degree, the commitments acquired within the Uruguay round on certain aspects. The discussion emphasizes the mechanisms for solution of controversies within the FTAA, through the creation of its own instruments, independently of whether the WTO has provided for them. The following consensual recommendations were reached on some topics: Incorporation and compliance with WTO rules. Anti-dumping and anti-subsidy measures must be considered within the context of perfecting trade practices and developing business as tools to guarantee the transparency of business and freedom of trade.

Adoption of a timetable of tariff reductions for agricultural products, adjusted to the freeing of quotas and reduction or elimination of subsidy policies, above and beyond the commitments already assumed by the WTO. Analyze the situation of subsidies used by countries in the extra zone and assess their influence on trade with the hemisphere, defining formulae to neutralize any harmful effects. There is also some divergence with respect to the creation of a commission of legal experts to analyze the topic, involving matters such as adherence to and ratification of the Vienna Convention on Treaty Rights, the constitutional devices that affect the principle of reciprocity that must be observed by member states, procedures for establishing detailed regulations within international treaties and their respective standards, among others.

3- Rules on Origin and Customs Procedures. This work group has prepared papers on the creation of an agreement for the adoption of generalized origin rules. In the Business Forum there has been discussion on the construction of a symmetrical customs system and of unifying criteria on origin standards for goods and services. Likewise, the need to establish alternative mechanisms for the solution of controversies has been mentioned. On the other hand, opinions on the synchronization of systems and customs control tools have become generalized.

4- Investments. This group has worked on the establishment of a fair and transparent legal framework that will lead to a stable and predictable atmosphere to protect the investor, the investment and related flows in an aim to develop investment opportunities, without creating undue obstacles to investment from outside the hemisphere. This work group has highlighted the need to publish and facilitate access to treaties, agreements and existing legislation on investment in the Americas. It has been recommended to the Vice Ministers that they consider the possibility of technical assistance for the smallest economies, through existing institutions or programs, as well as inter-governmental cooperation among the countries of the hemisphere, in order to help them prepare themselves to assume their obligations in this area.

5- Policies on Competition, Subsidies, Anti-dumping and Compensatory Rights. The working group on competition policies seeks to establish a framework that will allow them to guarantee that the benefits of the FTAA liberalization process will not be undermined by anti-competitive business practices. The group recommends the preparation of a compilation of laws and compensatory rights and anti-dumping. Furthermore, a distinction has been made between subsidies on exports from the agricultural sector and dumping.

6- Services. The recommendations referring to services are almost consensual in determining that negotiations on this aspect must take in all types of services, seeking thereby to make the liberalization process transparent and previously agreed upon. The following is consensually recommended:

Negotiations on services must heed the basic principle of inclusion of all types of services in accordance with WTO provisions. The agreement on FTAA services must be GATS-PLUS that is it must promote greater liberalization to that already agreed to at the GATS of the WTO or regional agreements. With respect to the liberalization of services, restrictions must be progressively eliminated according to a previously agreed upon timetable and thereafter must avoid the approval of exceptions. As regards equal treatment in the service area, national treatment must be established, incorporating the most favored nation principle and promoting competitive opportunities. Other proposals are: to avoid the double taxation of services, create a secretariat that will support and guarantee compliance with the agreement, create mechanisms for suppliers and consumers of services to advise their governments to make relevant decisions on the topic and promote free circulation of information and personnel related to the rendering of services.

1.6. The Enlarging Agenda.

The Summit of the Americas and the FTAA negotiations develop in different but related environments. The first deals mainly with the issue of diffusing and preserving democracy in the Hemisphere. The second relates with free

trade and investment agreements among negotiating partners. Several cities in the continent have received countries' delegations where a long and complex agenda has been discussed. Conclusions have been put forward in several ministerial and presidential meetings in the Continent.

1.6.1. Fifth Ministerial Trade Meeting held in Toronto.

In a recent statement on November 4, 1999 at the Fifth Ministerial Trade Meeting held in Toronto, the parties to the meeting reaffirmed the favorable climate existing since the meeting in Miami and embraced the principles of "Single Undertaking" with which to fulfill the task of reaching an agreement for the year 2005. They supported the initiative of freeing trade more and support the idea of strengthening integration through the sub-regional groups, bilateral agreements and adoption of unilateral measures of liberalization.

The idea of combating restrictions on trade that had been adopted with unilateral criteria was applauded. Agreeing parties showed the conviction that the principles of the free market contribute to the economic recovery and growth in the world and under these principles they supported the meeting in Seattle.

Likewise, they celebrated the fact that in spite of hemispheric contrasts and their particular problems, both trade and investment continued to grow. Both the small countries and the large ones showed special consideration in the process. For the purpose of linking the entrepreneur to the process and attracting the civil society, networks of friend of the integration process have been created. This knowledge has been shared integrally and publicized by the governments of each country. One practical point and of sharp interest is the fact that the TNC-Committee for Trade Negotiations has the necessary institutional elements to orient negotiations.

Likewise, they have made progress in the nine working groups, the consultative group for small economies, and the Committee for Governmental Representatives for Participation in the Civil Society, and the Electoral Committee of Experts in Electronic Trade. Prior to the next meeting in Argentina in April of the year 2001, it was agreed that each one of the signatory parties would prepare a detailed revision of the points discussed in each one of the groups on the topic of FTAA. In Buenos Aires they took into account the opinions of each one of the participants in each of the areas, taken into account within the framework of reference the facilitation of the negotiation of the corresponding groups.

Topics such as access to goods and services markets deserved attention in the discussion on ways and means finally included in the individual reports and submitted to TNC. The work groups, vice-presidencies will continued to rotate, and other topics that deserve attention were: business facilitation, customs procedures, customs modernization to reduce transaction costs, and ways to lend transparency to markets. The ministerial meeting showed the unconditional support for the Seattle meeting beginning the millennium round.

With respect to the future multilateral negotiations on agriculture, the ministers announced they would: work toward an agreement for multilateral WTO negotiation, elimination of agricultural subsidies, compliance with commitments made at the Uruguay Round. Greater disciplines to avoid practices that distort trade were accorded.

It was confirmed or, rather, ratified that the FTAA process will be transparent to the degree that the society shows its will, interest and commitment to the topic, letting to be published in Internet the Agreement's draft.

1.6.2. Ministerial Conference of the Seattle-WTO

The lessons learned from the Millennium Round begun in Seattle in order to expand and free trade can be summarized by the reigning inequality in the world with respect to flows of foreign investment.⁷ Singapore, to cite one example, receives more capital resources than all of Africa. The world will have to house one billion additional inhabitants within the next thirty years, so a central point accorded in the midst of this disconcerting panorama, was that trade can help to mitigate the problems of underdevelopment and hunger. So services and agriculture are topics of vital importance on the international agenda and deserve much attention, in spite of the dissident voices in Seattle and other world capitals.

This meeting was strategic for Colombian future stability, as raising levels of agricultural production is as important to alleviate poverty. The topic of displaced persons, deterioration of the agricultural sector, guerrilla forces, drugs

⁷ See Mike Moore. 2000. *Back on Track for Trade and Development*. Speech give by the Director General of the WTO at the X Meeting of UNCTAD held in Bangkok on 16 February 2000.

and substitution of illicit crops figures on this poorly studied agenda that so much embodies Colombian problems. As well to raise agricultural production means to mitigate the problem of rural poverty endemic in our countryside.

Of similar importance for developing countries is the topic of services. Many countries have balanced the level of income by relying on tourism, financial services and telecommunications, as well as computer based services. To the extent that reforms can be made in these areas, more benefits will be generated in the economy, in sectors where the country can be competitive, and thus become a part of the world market.

The code or agreement on services, GATS can be broadened to the degree that financial services and telecommunications networks become integrated. Of primary interest within the sphere of business is the fact that it is necessary to adjust and finance programs of Technical Assistance and Cooperation. All of this must be accompanied by aspects related to the implementation of the codes agreed upon at the WTO and with the consultation procedures and decision-making process.

One important point of the agenda was how to ensure that trade and exchange work to the benefit of the poorest sectors as agreed upon in Copenhagen in 1995. The best example of the benefits of trade can be illustrated by the four countries affected by the Asian crisis: Korea, Philippines, Malaysia and Singapore which will report growth in their economies this year thanks to the growth of their trade by more than 9% annually.

1.6.3. OAS Assembly.

Canada, one of the countries most interested in promoting the topic of FTAA, received one of the members of the tripartite committee, which is the OAS in Windsor, Ontario in June 2001. The Ministers of Foreign Relations discussed the topics related to human security. All the leaders of America had their eyes on Colombia with respect to hemispheric security and the preservation of democracy. The armed conflict and the soaring business of drugs were said endanger Colombia and its neighbors as well, due to the domino effect.

The Minister of Foreign Relations of Canada, the Honorable Lloyd Axworthy, reminded the assistants how the topic of drugs "is feeding corruption, distorting value systems, benefiting money launderers and sustaining illegal arms traffic and supporting the guerrillas and para-military forces".⁸ This problem is extending to the unprotected members of society, children being the most touching example of these injustices. In response to progress made by the Inter-American Drug Abuse Control Commission and the diplomatic intermediation of Canada, as figures in the adherence to the Protocol on recruitment of soldiers, the Colombian Army withdrew all minors from their reserve troops. But still the topic of hemispheric security is a matter of concern and is in response to the treatment agreed upon at the Summit of Santiago.

Due to Colombia's economic very poor economic and social results and delay in the peace process, our conflict has become very much internationalized. This to the point that the topic of displaced persons has become an issue for the OAS while, at the mean time, the foreign investment currents have declined in our country.

The country has not been able to include all citizens within the benefits of democracy. While all citizens, deserve the guarantee to actively participate in political, economic and social life of their respective country, as a vital aspect of civil security. Canada, like all of the countries of the hemisphere, has excluded the remains of their indigenous population from the benefits of progress claiming for the right to reparation.

The Summit of Santiago adhered to this mandate and for these reason events such as the Declaration of the Rights of Indigenous Peoples has taken effect and gained acknowledgment. It is a matter of including the indigenous peoples in the process. In order to fulfill this moral obligation, the Interamerican Indigenous Institute was created. The topic of woman was also discussed in Santiago and this aspect will then be included on the agenda of the OAS. The crises experienced in Seattle and Davos were deeply rooted in the exclusion of the society as a whole from the process.

The Summit and the OAS Agenda have been very careful and attentive to this aspect and have therefore, anticipated the events, by including this social structure in the negotiation process. It has been foreseen that agents from non-governmental organizations express their points of view, contribute their experiences and resources to this process. This is one vivid way to guarantee a better functioning of the institutions and bring them closer to the needs of their citizens. Governmental organizations are called to participate in the integration process.

⁸ See speech by his Excellency the Honorable Lloyd Axworthy, Canadian Minister of Foreign Affairs. Permanent Council of the Organization of American States- OAS. Washington, D.C., 11 February 2000.

The topic of democracy, which is a very sensitive one for Colombians, was discussed at a specialized forum on the same date of the Assembly. The Canadian International Center for the Development of Human Rights and Democracy will sponsor a conference on “Hemispheric Integration and Democracy in the Americas”.

1.6.4. The Quebec Plan of Action.

The third presidential meeting recognized the role of governments in the implementation of the Action Plan. The Plan comprises nearly three goals, many with deep repercussion in the Colombian political life. The fight against corruption must be intensified to defend political institutions and the activity of the private sector. Activities must be encouraged with relevant multilateral organizations in the area of good governance and the fight against corruption. Local governments need to facilitate citizen participation in politics. Recognition was made on the universal protection and promotion of human rights principles that so much affect Colombians due to the incursion of guerrillas and drug traffickers. Impunity must be combated and eliminated. The universalization of the human rights should facilitate the access of persons to protection mechanism. Justice and security of the individual needs increased interest in collaborating in the development of judicial and law enforcement reforms.

Combating the drug problem in the region and in particular in Colombia, renewed their commitment to fight all its manifestations in accordance with the principle of shared responsibility. The Multilateral Evaluation Mechanism will be a central pillar of assistance toward cooperation of the global drug problem. Violence endemic to civil life in Colombia obtained recognition as a crime that is a serious obstacle to democracy and economic development. Using information and communication technologies with a focus on human rights must prevent acts of violence. The spread of organized crime and guerrillas actions militates against hemispheric security. So conflict prevention and peaceful resolution of disputes is a target for security and defense.

Issues like the important role of participation by civil society in the consolidation of democracy constitutes an element of success of development policies. The FTAA negotiation seeks its entry into force no later than December 2005 in conformity with the objectives established in the San Jose Declaration. The recognition of the protection of the environment and the sustained use of natural resources are essential to prosperity and to the sustainability of many economies in particular Colombia a rich and diverse in environmental conditions. Our country that experiences severe deterioration in the countryside conditions, due to guerrilla and drugs traffickers, recognized the fundamental importance of agriculture as a way of life for millions of rural families. Sustainable improvement in agriculture and rural life must come to terms with excessive agriculture imported goods.

II. Bilateral Trade and Investment Commission-TIC.

1.7. Colombia and The United States.

Colombia's bilateral agenda with the United States has experienced unprecedented growth since the Andean Trade Preference Act was negotiated in Washington, granting unilateral generalized concessions on a broad selection of export products that can enter the North American market tariff free. Some of the agenda issue topics correspond to point advances made on FTAA negotiations or associate with WTO topics to be discussed in an emerging round talks. This agenda has been evolving through years, but for the purpose of this paper we simply sum up some items discussed in this reserved agenda.

The President of the United States annually informs Congress on the progress of this control mechanism and depending on results, and Colombia may according to circumstances might be certified or decertified. In the annual review of this agenda innumerable points have arisen, among which the following are of particular importance:

- CBI parity
- Services
- Foreign investment
- Intellectual property rights
- Review of Decision 344 of the Andean Pact
- Information Technology Agreement
- Primary Products
- Sugar Quota
- Flowers
- Bananas
- Seafood

- Shrimp
- Tuna and Dolphin
- Tennessee Whiskey and Bourbon
- Technical Exchange of Phytosanitary Methodologies
- International Perishables Center
- Customs Appraisal, Smuggling and Money Laundering
- June 1988 Bilateral Discussion

At the in June 1998 where we obtained reliable information, about fifty different topics were reviewed. Some of the most important that merit extended study are:

- AFTA
- Andean Community- USA
- Intellectual Property Rights
- Parallel Imports
- Exclusion from Patentability
- Colombia and the TRIPS
- Efforts at compliance
- Foreign investment
- Negotiation of a Bilateral Investment Treaty
- Automobile Regulations
- Textiles
- Liquor
- Sugar
- Tuna embargo

The following table shows some of the points deal in the bilateral agenda.

VII Bilateral Commission on Colombia-U.S. Trade and Investment

VII COLOMBIA-UNITED STATES BILATERAL TRADE AND INVESTMENT COMMISSION.	
FTAA	<p>The Negotiations Committee hopes to achieve agreement on mandates of negotiation groups.</p> <p>The CAN will participate in FTAA negotiations as a single voice.</p> <p>The Representatives committee will receive contributions on labor and environment topics.</p> <p>The National Integration Council will channel the concerns of the various sectors.</p> <p>The practice of not imposing customs rights on electronic communications will be maintained.</p>
Andean Community	<p>The Community eliminated trade barriers.</p> <p>A free trade zone was created in 1993 and a customs union in 1995.</p> <p>Colombia showed its leadership by exercising the presidency of the Community as of June, 1998.</p> <p>The Guayaquil Declaration indicates the steps toward intensifying integration.</p> <p>It proposes to free services, seeking to coordinate macroeconomic policies and protect investment.</p> <p>It has created the Andean Entrepreneurial Forum.</p> <p>It has signed a Free Trade Agreement with Panama.</p> <p>It has developed the CAN-MERCOSUR Agreement.</p> <p>There is a framework agreement to create a free trade zone. Preferences are respected on the Basis of Historical Legacies until September, 1998.</p> <p>It may include new products.</p> <p>The blocs will negotiate a Free Trade Treaty beginning in 2002.</p> <p>Partial Agreements will be extended.</p> <p>A US-Andean Council is created.</p>
Andean Community- USA.	<p>The U.S. is the principal partner of the Andean Community and vice-versa.</p> <p>There is awareness as to the importance of broadening and diversifying trade.</p> <p>The Can wishes to increase investment opportunities.</p> <p>In 1998, guidelines were issued to bring CAN closer to the U.S.A.</p> <p>A Bilateral Council was created and expansion of the FTAA was proposed.</p> <p>In Costa Rica on 18 March the following points were analyzed:</p> <p>The need to extend the FTAA to incorporate Venezuela.</p> <p>Agreement was made to study the memorandum to establish an Andean-U.S. Council on trade and investment.</p> <p>An agreement was made to work jointly on topics such as intellectual property and investments.</p> <p>As President of the CAN, Colombia will promote dialogue with the U.S. on trade and cooperation.</p>
4. Intellectual Property Rights	<p>On May 1, 1998, it was announced that Colombia is on the "watch list" for an annual review of special article 301.</p> <p>Colombia must accelerate adoption Decisions 344,345 and 351 on TRIPS before 2000.</p> <p>There have been losses in pharmaceuticals due to lack of protection for patents.</p> <p>The government should open licenses for subscription TV.</p> <p>Partial observance of copyrights was recognized.</p> <p>More severity is needed in controlling income from pirated CDs.</p> <p>The U.S. is interested in the topic due to its competitiveness in information, Telecommunications, biotechnology and other sectors.</p>
5. U.S.	<p>With respect to intellectual property, the spirit of Foreign Trade Council document</p>

<p>Interests</p>	<p>CSCE S.18, D001/94 may be cited:</p> <p>On Pipeline, it is known that protection has been granted for products with patent applications under evaluation by national authorities.</p> <p>Likewise, for products under development, or still not for sale.</p> <p>The United States requested a pipeline be granted, or an exclusive marketing and sales license, while the original patent is lacking.</p> <p>Granting of such a license violates Decision 344 of the C.A. which records the novelty as a principle for patentability.</p> <p>Pharmaceuticals not included in the list of WHO essentials, would acquire patentability.</p>
<p>6. Parallel Importation</p>	<p>A prohibition on parallel importation means that as long as there is a titleholder the importation, marketing or sale in the other member country of merchandise from third countries is prohibited.</p> <p>The TRIPS agreement allows parallel importation, as a consequence of the principle of exhaustion, as well as the principle of free circulation of goods.</p> <p>The impact on Colombia could generate abuses of a dominant position, affecting the flow of commerce.</p>
<p>7. Exclusion of patentability</p>	<p>The United States requests that patents be granted for the processes of diagnosis for plants, human genetic material and pharmaceutical products on the WTO list.</p> <p>The TLC allowed the patentability of biotechnological inventions and diagnostic methods to be excluded.</p> <p>The TRIPS adopted the same position.</p> <p>National and Andean rules do not grant patents for diagnostic processes or the biological processes used to obtain them.</p> <p>The United States requested expansion of patentability to all technological fields.</p> <p>The exceptions Colombia makes will end with the Trips Agreement.</p>
<p>8. Colombia and the TRIPS</p>	<p>Colombia, as a developing country has until this year, 2000, to implement the TRIPS.</p> <p>Decision 344 is under review and being updated, at the meetings held at the Secretariat of the CAN.</p> <p>It includes obligations signed by CAN members, especially those established by TRIPS.</p> <p>Article 65 provides for a special term for developing countries until the year 2000 to adapt their rules on industrial property.</p> <p>This also benefits local and foreign companies operating in the broader market.</p> <p>It facilitates the protection of industrial property rights.</p>
<p>9. Efforts at enforcement</p>	<p>An inter-institutional work group was created to analyze the enforcement of rules in this area.</p> <p>Mindesarollo, Mincomex, Superindustria and the Director of copyrights make up part of this effort..</p> <p>They are attempting to coordinate rules according to international requirements for the protection intellectual property.</p> <p>An anti-pirating program was established to combat violations in works and records, complementing it with training programs on copyrighting.</p> <p>There should be effective procedures and actions in the application of TRIPS obligations.</p> <p>The Intellectual Property Group reported activity in the areas of confiscation, arrests and searches,</p>

	for films, records, books and software.
10. Foreign Investment	<p>With the exception of Article 58 of the Constitution on property protection, our legislation is rather advanced.</p> <p>International credits have been classified as foreign investment.</p> <p>Colombia has requested the exclusion of these from the concept of investment in order to avoid Speculation and to maintain debt margins.</p> <p>Signing of the BIT attempts to coordinate equal treatment for investors, similar to that given to citizens.</p> <p>Colombia does not grant domestic treatment during the pre-establishment stage, since it would be applicable to situations that are broader than that of bilateral investments.</p> <p>The government reserves the right to determine which sectors of the economy can enter into foreign investment treaties.</p> <p>In the fiscal area, Colombia has sustained that commitments to domestic treatment should not be made with respect to taxes.</p> <p>To provide flexibility for the entrance of capital it has entered the MIGA-Multilateral Investment Guarantee Agency and the CIADI- International Center for Settlement of Investment Disputes</p>
11. Negotiation of a Bilateral Investment Treaty	<p>At the Washington Meeting, the American government presented a BIT project, based on previous experiences.</p> <p>It was suggested that there are still barriers with respect to local content in the Automobile sector. CAN required 33% content in 1998, a mechanism that should be abolished in the year 2000 if it is to coincide with WTO mandates.</p> <p>Foreign capital is requested in the area of television programming.</p> <p>With the arrival of George Muñoz, OPIC manager abroad, Colombia will have a chance to undertake 20 projects for a value of US\$ 800 million.</p>
12. Automobilemen Regulations	<p>Automobile policies are framed within the Andean Community Regulations, Resolution 355 of the JUNAC.</p> <p>It includes minimum percentages for integration in the addendum. Modification of the agreement according to commitments acquired with the WTO is pending.</p> <p>Modification of the Complementation Agreement with respect to performance will be kept until 2000.</p> <p>By changing the CKD sub-regional absorption quota system sub-regional for tariffs, the assembly industry in the sub-region is endangered.</p> <p>Some countries have raised questions with WTO Secretariat, about the possibility of modifying the dismantling of it with WTO countries.</p> <p>U.S. companies in Colombia and the sub-region have benefited from the Possibility of exporting without tariffs, and have actively participated and benefited from the Automobile Agreement.</p>
13. Textiles	<p>Exports of some textile products are included in the Multifiber Agreement through Application of quotas and the Agreement on Textiles and Garments.</p> <p>Colombia occupies the 32nd place among suppliers of this market, but in the category of <i>Men's and boy's woolen suits</i> the quota assigned is insufficient. About 80%</p>

	<p>of the inputs come from the U.S.</p> <p>Tariffs on acrylic fiber used by Monsanto derives from the common external tariff, the modification of which is up to the secretariat of the C.A.</p> <p>The Sunset textile review, is programmed for December,1998. This review will be carried out according to the Suspension Agreement on Garments and Textiles.</p>
14.Liquors	<p>Law 223 of 1995, modified Article 473 of the Tax Law, establishing tariff levels of 35% and 20% for liquors. Premium imported whisky of more than 12 years aging is subject to a 20% tax, but not other whiskeys, for which the tax is 35%.</p> <p>At the bilateral meeting it was agreed that a proposal to level off the added value tax on imports would be put before the Congress, including Bourbon.</p>
15. Sugar	<p>In 1982 the government of the United States assigned a sugar quota to Colombia. It was based on the share each country had in total imports from 1975 to 1981. It punished Colombia for not including the years of greatest production, and for not being a member of the World Sugar Organization. Taking into account the changes in production and exports of these countries participating in the contingency, the U.S. government was requested to apply a system for determining quotas that would reflect current production, modifying the base and taking into account current production.</p>
15. The tuna embargo	<p>Since Colombian legislation was not coordinated with that of the U.S., there was a Primary embargo on exports of yellow fin tuna and its products.</p> <p>It required throws to be made on schools of spotted dolphin on high seas if they had been seen before throwing the net.</p> <p>This prohibition regulated fishing in the exclusive economic zone and in Colombian territorial waters.</p> <p>In the 1992 La Joya Agreement, Colombia and other countries signed an agreement to reduce The mortality of dolphin involved in yellow-fin tuna fishing in the Pacific Ocean.</p> <p>The <i>Interamerican Tropical Tuna Commission</i>-CIAT, has reported a drop in the rate of dolphin mortality, thanks to the introduction of reasonable ecological methods for the capture of yellow-finned tuna.</p> <p>Based on application of the Panama Declaration, Colombia will again export tuna.</p> <p>One of the proposals is that countries sign an agreement with the United States obliging them to comply with requirements of the Panama Declaration, now incorporated into U.S. legislation.</p> <p>Another is to carry out a study to verify application of the Panama Declaration measures.</p> <p>For the embargo on Colombia to be lifted, Congress must ratify and adhere to the CIAT and sign an agreement with the U.S. Once signed by Ambassador Esguerra, it will go to Congress for ratification.</p>

1.7.1. Andean Preferential Agreement-ATPA

In December 1998, President Clinton presented to Congress a document on the ATPA and its applicability, concretely on the degree to which the countries fulfill the selection criteria for the program. Colombia showed that it complied with these criteria, point by point. The Andean countries that are beneficiaries of the program consider that it was a good opportunity to act jointly.

Grant from the ATPA The Foreign Aid Law of 1961 and the Trade Law of 1974 for the so-called decertified countries has at times been applied to Colombia as a recipient of Exim-Bank loans for suppliers, when the struggle against drugs has not shown the results expected by the U.S. Government. Fortunately, restrictions have not been applied to credit requests to multilateral banking, which do not in all cases require the support or approval of the U.S. and other member countries for the financing and development of projects.

By applying decertification and withholding the support that Colombia receives from the United States in the event that the ATPA were to be suspended would mean the withdrawal of ATPA preferences that would affect the value of 13% of total exports to the U.S. With regards to number of products the effect would be devastating given the great number of tariff categories benefited by this incentive. The greatest cost would be assumed by the flower sector, whose participation is 13% of the 65%. Flowers account for 8.5% of exports to the U.S. The sector the new tariff is aimed at would receive an average level of 7.5%, incurring costs around US\$23 million. Some other products like textiles and apparel would enormously benefit from tariff exemptions. ATPA preferences end December 2001 and the Colombian government has actively been suggesting the government in Washington to extend this unilateral preference to the Andean countries actively engaged in the fight against drugs at least until year 2005 when FTAA Agreement starts.

1.7.2. Mechanisms to Promote Trade-The Fast Track.

The Fast Track⁹ is a mechanism that allows the President of the United States to enter into agreements on trade, which later are submitted to Congress for their ratification, without being able to introduce later modifications once approved. In November 1997 important debates were held in the Congress of the United States and by decision of President Clinton, the project was withdrawn because it did not receive the majority of votes needed for its approval. President Clinton has strongly promoted hemispheric integration and it is clear that a "fast track" would facilitate negotiations, and for this reason the fact that the administration has not received support from Congress may be interpreted as a negative sign. However, world tendencies toward integration are irreversible and the President Bush seems to be contemplating the possibility of presenting a new and revised Fast Track project, accompanied by a massive information campaign on the public and private levels.

Although Fast Track is an agile mechanism that would aid FTAA negotiations, as well as other U.S. trade agreements with other American hemisphere countries, this does not mean that without this mechanism, integration processes cannot advance. It should be clear that topics such as labor, environment and corruption among others would be the basic elements on any negotiation agenda.

1.7.3. Mechanisms to Promote Trade- Bilateral Investment Treaties-BIT's.

Since 1996, the sector has been totally freed, except in cases of national security and some prior authorizations required for the financial sector. Some reforms in this area were made dealing with tax stability contracts, protecting the investor against eventual increases in tax rates. There is a constitutional reform bill that early in 1999 the Congress approved eliminating paragraph 5 of article 58 of the Constitution. The BITS could then be signed. Colombia is interested in advancing this BITS issue, even though it is acknowledged that there have never been expropriations and that historically American and foreign investment has always increased. Colombia is a member of Miga and CIADI, matter that merits especial attention as our Congress made in 1999 a Constitutional Amendment to withdraw and reform article 58.

The U.S. continues interested in investing in Colombia, but there is a new orientation to its investment policy that means that upon signing a BIT they attempt to get the partner to commit to implementing TRIP's at an accelerated

⁹ In order to understand the historical roots of the debate on U.S. customs policies see Bailey, Michael et al. *The Institutional Roots of American Trade Policy*. World Politics. April. 1997. Pp. 309-38. The Reciprocity Trade Act stopped Congress from acting unilaterally on tariffs and granted such agreements the status of Treaties without having to resort to the 2/3 majority rule.

rate as of the signing of the agreement, which previously was accomplished by simultaneously signing a BIT and an intellectual property protection agreement.

Intellectual property in Colombia is regulated by Decisions 344 (Industrial Property), 345 (Vegetable Variety Matter Rights), 351 (Copyrights and related rights), and 391 (Access to Genetic Resources) of the Cartagena Agreement Commission. The regulations on industrial property contained in Decision 344 compiles the provisions established in the TRIPs. Nonetheless, there are many aspects that necessarily must be modified, in order to make them compatible with the TRIPs Agreement that will take effect in full force in Colombia in 2000.

The Superintendency of Industry and Commerce is convinced of the need to increase levels of protection granted by Colombian legislation, and has sought to pass from existing regulations to the full observance of protection of intellectual property. Towards the end of the last decade, the United States proposed to Colombia the signing of a bilateral treaty on protection of intellectual property, very similar to Chapter XVII of NAFTA.

Still some serious differences between the two countries remain in this in this matter. They are fundamentally the following points: pipeline, parallel imports, patents, obligatory licenses, period of protection for copyrights, moral rights, legal nature of sound recordings and the treatment accorded satellite broadcasts.

The U.S. government annually prepares the National Trade Estimate Report on Foreign Trade Barriers. Here the countries are identified that the government feels deny efficient and sufficient protection for intellectual property rights corresponding to U.S. citizens. Those countries judged to be responsible for serious acts or practices detrimental to such rights are included in the priority watch list, which can lead to trade sanctions.

Colombia and, in general, the Cartagena Agreement countries have been included on the Watch List since the beginning of this decade. In order to prepare the NTE for 1997, the Colombian government, through the Trade Office in Washington presented arguments before the USTR showing the country's progress in the protection of U.S. interests, particularly in pharmaceutical patents.

The U.S. has been supporting the review and adjustment process for Andean standards on intellectual property, in order to make it consistent with the TRIPs agreement. Revision of Decision 344 does not correspond to defects found in it, but to the interest in keeping it up to date. On the topic of the Information Technology Agreement, the importance of completely freeing the trade of computer chips, computers and semi-conductors within a time period of three years was discussed. To adhere to this agreement implies a reduction of tariffs that must be coordinated with the Andean Pact's external tariff level, the reason for which this is a matter for study in the Andean Community.

III. The Prolegomena of Plan Colombia.

The political agenda between Colombia and the United States during the last two decades has had an important influence on the control of drug production, traffic and consumption. This struggle has been reflected within the Cooperation agreements. Actions have been based on the supposition that a topic of universal dimensions requires progress in the adoption of unilateral criteria to attack it, progressively involving more agents, institutions and countries. The criteria used for bilateral management of production, consumption and traffic are insufficient, a reason to seek out a union of democracies in this objective in order to avoid the trafficking of drugs with joint cooperation programs and lending impetus to action plans for eradication and control among all the nations.

The U.S. demand has grown due to the addictive effects of drugs and the situations of social unrest. For this reason actions have been taken that lend themselves to encouraging control of consumption and passing stricter laws, as well as improving the justice system to strongly penalize consumption and distribution. Strategies have been identified to reduce the size of the multilateral and regional markets with support from bilateral efforts. Actions have been programmed between countries, such as the Andean air bridge, extension of novel, but strict legal frameworks to penalize actions identified with the laundering of money by tracking the origins of funds and enacting laws and ordinances against corruption that include rulings on extinction of possession and the impounding of property. Accomplishments on this new agenda are identified or associated with the struggle and persecution of heads of the cartels, destruction of physical and financial infrastructure, the constant attacks on drug production and traffic, which is also being complemented by the development of programs for crop substitution, such as Plante, and on a multilateral scale with processes designed to further inform countries as to the importance of forming a common front in the fight against drugs. Repressive actions in the Andean countries have been combined with the extension of ATPA support, an agreement unilaterally granted by the United States. A similar situation was achieved with Europe through the S.G.P.

Cooperation has acquired greater depth. In February, 1997, the United States, through the Congress increased penalties for drug trafficking and money laundering. The set of anti-narcotics regulations has been extended according to the conventions set down by the United Nations, and complemented by the Agreement on Chemical Inputs with the European Union, signed in 1995, which was based on a Memorandum of Understanding already existing on the repatriation of impounded goods and the intention of progressing toward a Bilateral Extradition Treaty signed originally in 1979 and still in force as per international law. On August 1, 1997, there was an agreement on Military Equipment subject to much controversy due to the unsuitable quality of the equipment. This bilateral cooperation agreement includes programs with the DEA, FBI and AID. In the area of training, it is designed for the training of thirty-three pilots, a number of aircraft, aerotrush and technical consultancy. The general program includes checks on progress in the area of narcotics flows and improvements in the judicial system. The ATPA, as mentioned, is related to the de-certification and the latter based on the achievements of the country in drug control. With respect to access conditions, it is important to point out that the United States is a market for us that represents an exchange of goods in excess of US\$4.500 million, while ATPA covers about 77% of the exports from Colombia, that is 4,290 tariff classifications, although in terms of share of volume the participation of products benefited is less. Only a few products such as watches, clothing and footwear are excluded. This treaty will be in effect until 2004. The condition required with respect to origin is determined by the fact that the benefited goods must be produced in the country with a substantial degree of transformation, such that there is a jump in tariff, that a direct operations cost of minimum 35% is achieved. If raw materials from the U.S. are used they will receive a discount of 15% of the added value requirement. Flowers represent about 40% of the total exports to the United States.

Houston Project.

From the perspective of the ATPA, the commercial agenda is interesting for trade and production. The bilateral agenda is complex when it involves political actors, such as the guerrilla forces and drug traffickers, even though the two are interdependent. The stability of the nation-state system seems the question posed at the Houston meeting in February, 1998, where the topic of guerrilla-narcotraffic conflict in Colombia was analyzed as a factor in national security as well as hemispheric security. Political scientists, economists, congressmen, retired military and experts in negotiation and conciliation processes attended from countries such as Spain, Guatemala, El Salvador and Nicaragua. Seen in this light, it is suggested that the country can become a factor of imbalance for neighboring countries. This Seminar took shape as the beginning of a process by which the United States proposes helping Colombia, leading it to commit to a search for solutions to its national problems that also affect hemispheric security. The United States attempts to act as a facilitator in the process, thinking that in this way Colombia can find its peace. However the topic becomes complicated in that difficulties have occurred along the borders that can contribute to a political destabilization of these countries.

Border episodes become a dangerous interruption in the sub-regional and regional integration process. The presence of guerrillas, para-military troops and drug traffickers along the borders endangers the peace and tranquility of neighboring countries. U.S. intervention could lead to a militarization of the struggle against narcotrafficking and thus the conflict. It is for this reason that the United States has offered to serve as a facilitator, proposing that as a first step that its presence be in the form of military intelligence consultation, preserving and respecting human rights. Over the last few years, the American Congress has shown concern over the excessive militarization of the guerrilla forces, and the government of President Clinton finds the way the XX Brigade administers the topic of intelligence. The theme of human rights within this atmosphere tends to be generalized and becomes an inseparable item on the agenda. The topic is a priority for both sides and in strategic aspects such as when a request for intensified military consultancy is made, particularly after attacks on communication equipment in Patascoy. These factors draw attention, since they help explain the interest of the United States in persuading Colombia to delve deeper into the peace process with the current administration. And that the United States attempt to become a facilitating agent so that the country can find its own stage for peace, avoiding as far as possible any direct intervention by that country, even though it may be the only country that could head a peace process. The danger is that the conflict in Colombia could cause the process to turn into something like a new Viet-Nam, generating a series of regional threats. In Houston, it was insinuated that national military forces have on several occasions shown themselves to be incompetent in the face of armed subversion, the reason for which analysts do not hesitate to qualify as a reason that danger of an intervention in the country is increasing. That style of intervention and the way the scenario would unfold remain to be seen. Whether it would be a Vietnam style military presence, something the U.S. government is reluctant to repeat for fear that the peasant population would turn against them. Or something along the lines of Bosnia, characterized by the strong leadership of the U.S. but with the active participation and even military actions of neighboring countries to the conflict.

A search for a negotiated political solution with the subversives.

It has been argued that the struggle with drug trafficking will lead us to militarize to the degree that the problem increases the desire of certain sectors in the Congress to intervene in the conflict, which involves many different factors. The idea is to propose to the guerrillas that they cooperate in reaching a political solution in which peace is negotiated, thereby preventing the problem from becoming a front page issue which would give the hard-liners a chance to pressure for intervention.

Internationalization of the Conflict.

Given the globalization of topics and agendas, a high degree of participation in these conflicts by a considerable portion of the world is foreseeable, making it dangerous not to find a solution to the topic of narco-guerrillas. The world seems not to be interested in tolerating much longer the production, consumption and traffic of drugs, as observed at the G-9 Meeting in Birmingham or in the Joint Positions proposed by the countries in the European Union at the commemoration of the fifty years of the Gatt-WTO in May, 1998. The concern over costs imposed by this illegal trade was evident among various societies of the world, due also to the threat its poses for the environment and the dissolvent effect it has on democratic institutions and the international order. McCaffrey's statements show the fear the United States feels with respect to this illicit market, in that it involves a large mass of consumers in that market. This explains its action oriented at working on five large fronts, aimed at diminishing the presence of drugs in primary schools and in attacking and preventing internal consumption, recognizing the problem of demand and increasing the penalties for distribution and consumption. The chemical precursors will also be strongly attacked when their production and distribution are identified with drug activity. On an international scale, there has been insistence on the multilateral and bilateral efforts, aiming precise actions at production and distribution of psychotropic substances. Another group of efforts are oriented at preventing the laundering of assets and money from criminal sources, including drugs, kidnapping and extortion among others and deserve special attention from international agents involved in the conflict. It was, of course, recognized that advances had been made in the area of cooperation, especially cooperation against the Andean air bridge.

Principal Achievements.

In order to have reached these proposals with respect to Colombia, many steps had to be taken. In its long struggle against drugs, it had to go through the persecution of drug traffickers, killing them and imprisoning them, destroying their financial structure and attacking the production and traffic. Through the Plante program a large number of crops have been eradicated. In the political realm a significant number of agreements have been reached. The Law of Extinction of Possession was approved by the Congress of the Republic, leading to the confiscation of a number of properties. The government approved the Anti-corruption Statute. The repressive forces of the State, the National Police and the Military Forces have confronted drug trafficking. With respect to international agreements, the signing in December of 1995 of the Memorandum of Understanding by the United States was important for the division of confiscated goods. In February, 1997, the governments of Colombia and the United States reached an agreement on maritime cooperation. The bilateral treaty of extradition between the United States and Colombia was signed in 1979 and is still in effect according to international law, that is for the U.S., but due to problems with internal legislation, it has not been possible to apply it. Agreements were signed with the United States in order to restructure the program of Reforms to the Judicial System. On August 1, 1997, the United States and Colombia agreed to the use of U.S. military equipment by Colombian Air Force Unites for anti-narcotics operations that will at the same time ensure that the human rights of Colombian citizens are respected.

- Other important political initiatives that have been the result of bilateral agreements with the United States aimed at strengthening democratic institutions are:
- The establishment of training programs for the jurisdictional branch by means of support from U.S. governmental agencies, including the DEA, FBI and AID.
- In 1996, the letters of agreement between the government of the U.S., the Anti-narcotics Police-DANTI and DNE received aid of US\$13 million and US\$1 million each.

It is hoped that with help from the United States the ability and efficiency of the judicial sector and the attack on narcotraffic organizations will be effective. The internationalization of the conflict leads to tight supervision so that control over money laundering and greater air and coast enforcement and development of infrastructure can be carried out. The airborne eradication program should take on a more central role to the extent that the American government provides more and better technical assistance and greater numbers of planes, as well as to the extent that granular herbicides are applied.

New Elements.

It has been recognized that there are non-tariff measures, such as rules and technical regulations that hinder and restrict trade. Therefore, governments must guarantee that standards and these rules and regulations do not become unjustifiable obstacles to trade. Consequently, these topics must become priority in the liberalization of trade and commitments acquired through the respective WTO agreements must be implemented. Furthermore, it is recommended that in consensual manner that non-tariff barriers be totally eliminated from free trade zones, and a timetable established for the elimination, taking into consideration a transition period for the coordination of rules and technical regulations. Governments must negotiate an agreement on such rules and technical regulations that is consistent with the provisions contained in the agreements on technical barriers to trade (TBT) and on sanitary and phytosanitary measures (SPS) by the WTO, that should become part of the final FTAA agreement. An inventory must be made of the rules and technical regulations, including the sanitary and phytosanitary specifications that exist in each country that will allow trade barriers to be identified. Technical regulations must be limited to the spheres of security, health and the environment, avoiding the transformation of voluntary regulations into technical regulations.

We consider that the path dependence view where the consequence of small events and new circumstances can determine outcomes leading to a particular path. In the following sections we consider that the Summit may launch the Hemisphere into the formation of a one world-market-system following a path growth. We observe some conditions that initially launched the world market into a system. Secondly, we draw some lines about the new conditions under the rules of globalization that might launch countries into stable democracy and a growth path. This changes may depend on the behavior of selected initial conditions where the major Summit effects will be seen, in particular institutional factors that determine the advance of trading blocs, or the political conditioning factors leading to multilateral and regional agreements. Under selected conditions growth will be convergent either regionally or locally, and appropriate policy mix will make of multinational firms a source of reinforcing capitalization of the hemispheric economies.

IV. History Matters and New Paths to Enter into Global Markets.

“Path Dependence” view explained as a theory by David (1997), suggests that there is a lagging effect on changes in investment and technological improvements, particularly when a kind of measurement attempts to relate growth as a dependent variable. As well this may occur with institutional changes shaping the long-run path of economies.¹⁰ The effects of the first occurrences tend to be higher than previous events when lags are taken into consideration within the production function, an event that is conceptually evident, but requires to proof however statistical exercises.

1.8. A Path Development of the XIXth Century.

The development path of the 19th century trading system coincided with initial conditions associated with the strengthening of mayor nation-states in Europe living other emerging countries in the road to an eventual modernization process. The world-system that advanced during the 19th century after initial conditions became a political aim and institutional improvement followed by major Western European countries. As the notion of the State strengthened a somewhat globally centralized institutional decision framework allowed for a governed world political and economic environment. A complex set of events that ruled the world system was the consequence of the innovation in the nation-state framework that replaced feudalism and established the rule of a new legal system that encouraged market rule.

Consequence of that an *expanding trading process* rapidly developed particularly after mid 19th Century, circumstance that mirrors 21st century where an increasing number of industrialized countries’ extended in the world its political and commercial interests. The relating and linking elements that accounted for the conformation of this extended system is quite complex but we may resume it in five dominant conditioning determinants.

First we see that *savings and diverse factor inputs* were needed for world scale industrial expansion and for exchanging massively goods to invigorate industrial expansion and trade, elements considered as very important linking bonds for the whole system to operate. Diversity and change in tastes and new industrial requirements of industrializing countries made the world trade structure to experience dynamism letting to absorb increasing world savings.

¹⁰ Douglas C. North. 1998. *Institutions, Institutional Change and Economic Performance*. Cambridge University Press. P.95.

During the second half of that century the decline of the interest rate encouraged the export of savings in the form of financial capitals in very profitable ventures abroad. Professor Christopher Platt (1971), adding that in this way the role of Britain and other nations as producers of goods and services changed trade composition.

Political forces like colonization was the consequence of a *second* element that associated on the classical principles of free trade and free movement of resources. The dynamical circumstance that produced this change continued improvements in living standards both at home and in colonies and accounted both for the enlargement of trade streams and for a further territorial expansion.

A *third* initial condition suggested as determinant for the creation of a world system is explained by the optimistic view found in works of authors like Hodgart's.¹¹ He showed that the period comprising the 1820's to 1870's represent a carry-over from the old colonial system where economic liberalism moved towards self-government for existing territories. And in the period from 1870 to 1900 a new wave of imperialism reverted when Britain stopped formal annexations of territories promoting instead diverse trade structures and a variety of investment ventures with her colonies and other overseas territories. This action increased the accumulation of capital in the form of transference of technological improvements and larger exchange of commodities and finished goods all over the world.

In concordance with macroeconomic assumptions, free trade allowed increasing returns on land and agriculture productive activities particularly in the colonies, and at home a gain in purchasing power as the import of cheaper food products. Local saved capital diverted into industrial and trading activities where profitability was higher, thus increasing the radio of the international division of labor functions (Hodgart. 1977, pp. 16-20).

Wallerstein (1974) in his well renowned work *The Modern World-system* put into perspective a *fourth* interesting view that conform a new scenario for world business. He suggests based on a more comprehensive view that European nations made a single and cohesive commercial unit, as common interest on exchange and coincident trade practices allowed some Northern Europe Nation-states to become interdependent forming what he denominated a "world-system". This unorthodox approach or final result is indeed useful for analysis on outcome of initial conditions leading to the appearance of trading blocs' circumstance that may repeat and progressively translate trade gains and encourage profits to be invested in productive activities.

Despite being politically independent and economically sound these early capitalist nations assembled into a de-facto community of interests making of it a world-system mechanism that became interdependent allowing for rapid growth in the world. The diffusion of the economic activity strengthened commercial links being empowered among trading partners. Leading trading nations following a dynamic market interaction process of capital accumulation as exemplified by Britain and France, mayor countries that integrated all the units into a mold where nations formed a world sphere of interests that linked within emerging subsidiary territories.

The *United States* as a particular country case with world political and economic interests pursued as an example a *fifth* element that accounted for developing world-systems. A westward continental expansion instead of the overseas empire common in European States marked its first stages before building a large nation-state. Free trade between states accomplished what Douglas C. North (1964) refrain as a larger and more efficient market-oriented mechanism. Politically and geographically, this process linked the country after a national railway transport system was developed thus departing a new path growth on this initial condition. Declining transportation costs helped increase trade volumes within the country.

1.9. Departing 21st Century Path Growth Scenarios.

In this section we attempt exploratory views to see how a new institutional organization process in the world around independent organization might lead to the development of the world-market-system according to trade principles and democratic rules. Trading blocs as we suggested respond to early transformation where countries like Colombia gradually found a new path for international negotiation either with global institutions or with trading partners. We attempt five theoretical avenues to explore developments departing from economic assumptions and international relations approach.

In the *first* place, in the *trading world economy*, a process that advanced and integrated parts for an emerging scenario, was the consequence of a trend of increasing transactions, where the world evolving political structures

¹¹ Hodgart, Alan. 1997. *The Economics of European Imperialism*. Edward Arnold. London. P.5. See also Michael Barrat-Brown, 1975. *La Teoría Económica del Imperialismo*. Alianza Editorial. Madrid, and Lawrence James.1995. "The Rise and Fall of British Empire". St. Martins Griffin. New York.

accounted for the adoption and observation of new trading rules. These circumstances encouraged the spread of trade profits to distribute around the world, diversifying the economic activity and diffusing welfare gains. So the world market system functioning is supposed to help achieving “a progressive trend” in a worldly interdependent economy¹².

Secondly, in the field of *international relations*, new theories showed that the world has experienced important evolution and changes as a consequence of nation states interaction in a global world. This power developing circumstance allows us to see that after much interaction the harmony of interests gradually converged to integrate purposes to produce valid avenues to improve countries or now a days countries bloc’s relations¹³. Theoreticians in this field of knowledge like Waltz and Gilpin formulated the special case of the realist political tradition¹⁴ suggesting that the world political economy as an integer view helps to advance explicatory paths that describes trade’s trends and new countries interactions in economic matters.

Thirdly, *growth routines* developed an explicatory term that linked growth to the evolutionary view introduced by Nelson and Winter¹⁵. This theoretical approach suggests that at large trading organization structures surrendered the world of business mainly to enlarge even more trade currents, and to help distributing gains among trading participants as suggested by a diverse stream of complementary viewpoints including those of well known authors like North and Theberge¹⁶.

Fourthly, in other fields of economic thinking, new economic history approaches allowed for statistical proofs about exogenous growth causes. Finds this school that a strong correlation exists between material changes and growth. State railway and other transportation constructions that allowed for fruitful market interconnection traduced in substantial reduction of transportation cost, fact, which account for rapid accumulation and growth according to North (1971, 1998). Inputs and tradable goods easily available on a national or continental basis helped the Union of States to converge into a large and more efficient market.

The mobilization of *financial resources* also contributed to the steady advance of a provincial and worldwide economic process characterized by increasing number of infant investment ventures that favored the appearance of conditions to prolong the path dependence process that culminated in sustaining long term-growth¹⁷. Von Thünen views seem coincident with this approach as to explain localized circulation systems where exchange currents alike favored both developed and developing countries.

In the next four sections and in the concluding remark we will see that making business with a particular country or economic bloc requires well-conceived plans and strategic thinking. Lets not forget that the view from an emerging country like Colombia, about larger economic blocs and international firm’s policies is accompanied by difficult negotiation rules as suggested by authors like Giddens.¹⁸

1.9.1. Conditions for World Trade, Economic Blocs and Multinational Firms.

After the end of the Second World War the world came to terms to unify economic institutions and integrating the world market economy. The world as a system was fragmented and divided into a number of countries and groups that included the sterling area, the franc zone and economies tied to the dollar. High tariffs, quotas and trade barriers to commerce were policy measures of current use, so before the War we could not speak of an integrated world

¹² See the work of Christopher Chase-Dunn and Peter Grimes. 1995. “World-System Analysis”. *Annual Review of Social Studies*. Vol 21. Pp. 387-417.

¹³ E.H. Carr.1995. *The Twenty Years Crisis. 1919-1939*. Papermac. London. P. 9.

¹⁴ See the works of: Waltz, Kenneth N. 1987. *Teoría de la Política Internacional*. Grupo Editor Latinoamericano. Argentina. Gilpin, Robert. 1990. *La Economía Política de las Relaciones Internacionales*. Grupo Editor Latinoamericano. Argentina.

¹⁵ See the work of Richard R Nelson and Sidney G. Winter. 1982. *An Evolutionary Theory of Economic Change* Harvard University Press. Cambridge, p. 209. The evolutionary model of economic growth explain the pattern of aggregated outputs, inputs and factor prices that neoclassical theory “explains”

¹⁶ North, Douglas C. *The Economic Growth of The United States, 1790 to 1860*, Prentice Hall, Englewoods Cliff, N.J. 1961. Also in Theberge, James. *Economics of Trade and Development*. John Wiley and Sons, Inc. 1968, pp. 68-71.

¹⁷ David, Paul.1997. *Path Dependence and the Quest for Historical Economics: One More Chorus of the Ballad of QWERY*.University of Oxford. Discussion Papers in Economic and Social History. Liebowitz, S. J. Stephen E. Margolis. *Network Externalities (Effects)*. Liebowitz S. J. and Stephen E. Margolis. “Network Externality: An Uncommon Tragedy”. *Journal of Economic Perspectives*, Volume 8, Number 2, Spring 1994. S. J. Liebowitz And Stephen E. Margolis. “The Fable Of The Keys”.*Journal of Law & Economics* vol.. XXXIII . April 1990.

¹⁸ See the works of Anthony Giddens. 1999. *La Tercera Vía. La Renovación de la Social Democracia*. Tauros-Penasamiento. Madrid. Waters, Malcolm. 1995. *Globalization*. Routledge. London. Douglass C. North.1998. *Institutions, Institutional change and Economic Performance*. Cambridge University Pres. Cambridge. Also for a Latin American view the work of Osvaldo Sunkel and Gustavo Zuleta. 1990. “Neoestructuralismo versus neoliberalismo en los años noventa”. *Cuadernos de la Cepal*. No. 42. December, pp. 35-67.

economy system subject to the realm of general economic rules. Capital and currency movements were stringent and exchange rates did not respond to market forces but political interests, while multiple exchange rates distorted even more the principle of relative prices that allow for the sound exchange of international tradable goods.

The 1947 Bretton Woods Agreement's revealed how fragmented the globe was. Different style of government and segmented economies that divided the world made of existing compartments and layers that needed to rapidly transform to let trade and investment prosper. A new transformation or initial conditions heavily relied on the *financial* and *technological* revolutions tending to encourage wider economic relations within countries.

Some emerging countries including Colombia received thanks to its comparative advantage in trade an increasing volume of capital flows being widely Latin America and Asia's cases important recipients of world savings. In the emerging scenario that developed thanks to private investment and financial policies the world economy linked and evolved to restate a world system.

First of all, as the exchange control relaxed and international liquidity increased also financial funds did flow in a surmounting quantity from one country to another and encouraged the integration of the fragmented and volatile world capital markets. The expansion of capital markets activities contributed to increase the business of merging and of acquiring profitable firms in many countries leading to substantial restructuring processes and the appearance of global firms, circumstance well studied by an increasing number of analysts¹⁹.

Due to substantial increase in foreign direct investment initiatives the transforming economies allowed for multinational corporations to take advantage of emerging markets. Many national firms transforming then into subsidiaries, and this current practice led to a new structure of world market transactions that linked the world political and economic system so much reflected in increasing intrafirm managerial relationship. The global market place for firms depended basically on the size of the global market and on the mounted financial assets' they controlled.

One-second component of this new globalization trend apart of the increasing importance's of financial transactions has been the acceleration of *technological change* induced by the multinational corporation's activities and the agreed regulation around multilateral negotiations that followed. The gained speed of telecommunications has been crucial to improve the management of the global firm and has helped to internationalize production and diversify distribution channels after technological change allows for endogenous growth.

1.9.2. The Need of Political Stability as Path Dependent Condition.

Historical past allowed us to observe that a market-system development required the advancement of an organized type of government. Wider people's participation in the global market and introducing free market mechanisms will permit sustained development and convergent growth. The road to democratic type of governments within the continent has been a long process and cumbersome trial that have had many shapes, leading to a reduction in country risk.

To understand about the primeval causes of this development in the Latin American Continent let's remember the good neighbor policies adopted by President Roosevelt after the 1940's, and above all by his successor Harry Truman who encouraged the practice of democracy and promoted growth. Achieving this purpose was an awkward assignment as "caudillismo", dictatorship and foreign intervention and national security governments delayed the rule democracy as a condition for growth.

Emerging Panamericanism, its conception of participative government and the establishment in the Hemisphere of the Point Four were goals conceived to encourage long term economic development. Kennedy, the father of the Alliance for Progress, in the 1960's, delved more deeply into the concept of Democracy that he tied to International Aid as a means to mitigate poverty increase participation and accelerate development.

¹⁹ Some of the leading authors in this emerging field are: Axford, Barrie. 1996. *The Global System Economics, Politics and Culture*. Polity Press. Oxford. Amin, Ash y Nigel Trhifft. 1995. *Globalization, Institutions and Regional Development in Europe*. Oxford University Press. Bretherton, Charlotte and Geoffrey Ponton.. 1996. *Global Politics*. Blackwell's. Oxford. U.K. Dussel Peters, Enrique. 1997. *Pensar Globalmente y Actuar Regionalmente*. UNAM. México. Friedman, Thomas L. 1999. *The Lexus and the Olive Tree*. (Forthcoming). Holton, Robert J. 1998. *Globalization and the Nation-State*. MacMillan Press. London. Anthony and Paul G. Lewis. 1992. *Global Politics*. Polity Press. Oxford. Michie, Jonathan y John Grieve. 1995. *Managing the Global Economy*. Oxford University Press. USA. Musbach, Richard. *The Global Puzzle*. Second Edition. Houghton Mifflin Co. Boston. 1997. Parker. Geoffrey. 1998. *Geopolitics. Past, Present and Future*. Pinter. London.

Growth and social improvement was regarded as significant initial conditions element to support representative government at a time when the Cold War atmosphere that was somewhat asphyxiating. During his mandate, there was great concern over the advance of communism. So the A.I.D's Alliance for Progress carried out land distribution programs and plans to strengthen the economy, thinking that it could thereby guarantee a more favorable political climate in the Western Hemisphere to protect nations against subversion.

The decade of the 90s brought a historical landmark, particularly as a consequence of the end of the Cold War. The economic growth cycle, integration and democracy trend coincided with the new initial; condition fact where thirty-four nations on the continent had for the first time in the hemispheric history popularly elected democratic governments. The issue of economic integration becomes after opening the economy on a new determinant or initial condition of development.

To add a new element to the theoretical effort to put together democracy with development, Samuel Huntington in an interesting book and article²⁰ suggested that integration becomes a process that under favorable conditions relates to modernization. As such, modernization is a consequence of the parallel political, social and development process that follows with reduction of political and economic risk. Therefore as modernization proceeds, given initial conditions the future social and industrial base should widen and the urbanization process would raise living standards. So education, health services and equal distribution of wealth improvement would bring better social conditions for sustained growth.

Apart of referred social variables main stream economics suggested furthermore that as integration and free trade extend, democracy might consolidate leading to a modernization of the State system to deepen. Agreeing on the Summit of the Americas and signing the Free Trade of the Americas-FTAA signifies the creation of a strong mechanism that enables the hemispheric nations to encourage deepening democracy and competitively facing world trade as many economies open up conditions to compete in the global market.

New conditions that deepens US-Colombia Agenda.

The Bilateral Trade Agenda discussed within the Commission on Investment and Trade T.I.C, as prior steps to achieving more general proposals farther down the road in commercial pursues. The T.I.C. become a meaningful element in the Bilateral Agenda sustained between Colombia and the United States, in which a complete review is done annually on commercial and investment matters affecting the two countries. This Commission as initial political condition studied trade problem concerning a set of products that have specific management shortcomings related to fulfillment of the existing regulations in the area of bilateral trade or rules agreed to in multilateral rounds.

The "good neighbor policy" has evolved perhaps, developing much more around the general principles involving hemispheric security. In modern terminology the question of drugs at least for the Colombian and other neighbor cases is an important conditioning issue. In this respect a unilateral effort has been made to frame security and drugs fight with the criteria of general preferences to be extended as well to some Andean countries by the United States.

A Law on Andean Tariff Preferences, known as the A.T.P.A. can be said to be an ambitious custom exemption that has been granted to our countries in the commercial area subject to the fact that Colombia and signatory countries fight coca and other drugs plantations. A unilateral extension of this mechanism has been Plan Colombia delved by President Clinton to curtail coca production in producing areas and changing this production by cash crops.

1.9.3. Trade Agreements in the Hemisphere as Conditions to Enlarge Trade.

We consider that the Summit is an anticipated response to globalization. The foundation of a world-system has been a consequence of the development of capitalism. Trading rules have been governed by approaches like the comparative advantage thesis, competitive approach to production and distribution and many general rules oriented to organize free markets where goods and services moving freely around the world. The irruption of new technology as well as the referred set of initial conditions to trade enlargement has endowed to accelerate the process of economic globalization.

We observe four mayor elements or currents that account for this path dependent respond.

Globalization as a geopolitical phenomenon becomes a *first* element that is related to modernization and the development and long term diffusion of capitalism among trading partners. It becomes a theoretical constituent that manifests itself as a post-industrial phenomenon that contributes to modifying power relations, especially in the three

²⁰ Huntington, Samuel P. "The West : Unique, Not Universal". *Foreign Affairs*. November-December 1996. P 29 y p 43.

spheres of the social structure. In economic terms, because it has repercussions on the structure of the agreements in the field of world production, affecting trade relations, distribution and consumption of goods.

Secondly, in the geo-political aspect because globalization affects the way that power is distributed among the different agents, establishing new conditions for negotiation in the management of decisions and because it introduces unknown patterns of control and coercion within states and economic blocs. Diplomacy and public administration depend more now than before on the political view of things. So the new global order made of trade blocs and global transactions requires strategic management on matters like population movement, territory and resources efficient use.

The emerging geopolitical outlook shows that particular country's view is affected by more and more commitments that condition the management of its political and economic variables. This mirror factor means that the management of the International Diplomatic Agenda of each country is increasingly complex. Therefore, the framework for negotiation is intricate making it urgent that the government and private sectors' negotiating teams develop a strategic agenda according to their interests, possibilities and goals.

One cause that explains this complex strategic environment is the growing degree of interdependence among the countries and economic blocs. It can be said therefore that the multilateral agenda is defined by the elimination of political obstacles, emphasizing the freeing of business with which the economic and social structure is modified in many countries.

1.9.4. Economic Geography and Convergent Growth Conditions.

The emerging complexity associated with world trade and investment development requires the identification of knowledge factors different from those we applied to an understanding of the traditional growth process, and for new conditions for sustained growth. Under the new scenario, factors for convergent growth are defined as endogenous like in high technology and widespread use of ideas.

The New Economic Theory of Growth is an interesting phenomenon posed by Romer(1990), Barro (1991) and Sala-i-Martin (1990). Models attempt important approaches to focus on capital accumulation in the sense that there is a constant return to a sufficient broad concept of capital as the means to generate growth.

The endogenous approach suggests that technological progress resulting from the search of innovation undertaken by profit maximizing individuals does rise productivity and generate self-growth. The monetary version of this model combines elements of two types of endogenous growth models-capital and innovation- with the neutral technological change to generate growth. Authors like Aghion investigate the need to combine capital accumulation and innovation to generate economic sustained growth, rather than relying on innovation or technological change alone²¹.

The *convergence* theory is quite suggesting particularly for emerging poor countries in the earlier stages of growth and subject to the stimulus of an open economy. Assumes that if emerging economies adopts the economic liberalization process as a long-term strategy, will soon achieve a very rapid rise in the growth rhythm.²² That is, they raise the speed of *convergence* during the process of liberalization, subject to adopting policies to promote education and incorporate new techniques of production. As well they will have to strengthen investment in infrastructure, promote strategies where free interest rates prevail, free exchange rates market and an increased the tax base.

Despite these enthusiastic assumptions, we have to conclude stating that under these conditions probably poor countries will grow faster than developed ones. Partial empirical evidence indicates that liberalized countries grew between 1970 and 1989 at a rate of 4.9% annually, as opposed to 0.69% for those with closed economies. This new stage of rapid convergence can be explained in terms of the production process creating spillover and spreading technical knowledge to improve firms' or countries' competitiveness. Knowledge acquired and developed in one section of the economy will also raises the productivity in others, relaxing the obstacles associated with decrease in marginal productivity of capital as suggested by theory.

Some other optimistic authors, complement the above argument as they suggest that with an adequate level of human capital capable of taking advantage of the effect that modern technologies introduce on productivity, will benefit *urbi*

²¹ Charles van Marrewijk. 1999. "Capital Accumulation, Learning, and Endogenous Growth". *Oxford Economic Papers*. Vol 51. Pp. 453-475. P.453.

²² See also the result of a ten-year research collaboration on a basic model of growth. Philippe Aghion and Peter Howitt. 1998. *Endogenous Growth Theory*. The MIT Press. Cambridge.

et orbi the poorer economy from the phenomenon of convergent growth (Sachs, pp. 35-39)²³. In other words, countries that persist in the Liberalization process in the long-run tend to strengthen their tendency toward economic convergence and accelerate growth.²⁴

The so-defined sigma-convergence test relates standard deviation of per-capita income dispersion of economic region growth with time. While beta-convergence shows the speed of convergence of poor countries, or country's economic regions, contrasted with rich ones. Poorer must grow faster than richer in terms of per-capita real income. This path unfortunately in the Colombia case in a

sample of twenty four regional "Departamentos" between 1980 and 1994 did not show income per-capita convergence while regional development made for poor localities divergent growth path with a correlation of 0.899.

The U.S. market in terms of a strategic scenario is by far the best trading alternative that Colombia may choose in volume terms, dynamism degree of diversification and source of direct foreign investment. During the last decade Nafta countries trade figures grew faster than the European and Mercosur currents. Andean Community has been a very important market for Colombian minor exports, as Venezuela became an important purchaser of Colombian goods. However, the future for Colombian trade and foreign investment depends on the production and exchange of technology base products. So, high value added goods that are now traded in the global market require a substantial increase in direct investment to achieve competitiveness.

V. Concluding Remark.

The new actor in this Hemispheric process where foreign investment is an important initial condition for sustaining growth will be the multinational corporation, major actor driver of the integration process. Multinationals as source of direct foreign investment will be governed by policies, and actions leading to the development of strategies geared towards outward looking and export oriented goals. Smaller economies and emerging regional countries need upgrading resources and capabilities to improve benefits to both advanced countries and other less developed FTAA members. The economic and managerial approach should also lead to maintaining long-term competitiveness. The thesis of the convergence theory explored, also is said to apply to the firm where largest capital stock and highest level of technology and knowledge own by lead countries becomes a provider to emerging countries to improve capabilities to make productive use of flowing capital and available stock.

Active policies must be oriented to increase cross border-business, as FTAA agreements are oriented to facilitate investment and factor movements within the region. Unless investment flows within industrialized countries do not change marking an increase toward developing countries the success of the integration process may be jeopardized.

The increased inflow of direct investment to developing countries in response to privatization programs should evolve to sectors other than tertiary. A change in the type of immobile and created assets leads new policies to improve access to multinational's capital and capabilities. Country policies to attract new forms of investment must be oriented to easy access to new technologies and intangible assets. Information technologies must be encouraged as it reduce the costs of acquiring information and integrate the activity of affiliates. Foreign direct investment policies intend reducing transaction and coordinating cost leading to increasing efficiency. The means to entry that follows come as alliances, joint venture and Research and Development practices leading to recipient countries rapid growth. Efforts must be made to improve education and increase skilled human capital. Other created assets must be organized to allow countries to compete more effectively with other contracting parties for investment sources in this world-market-system.

²³ See the Brookings Paper on Economic Activity, 1: 1995 the papers of Jeffrey D. Sachs and Andrew Warner. "The Economic Reform and The Process of Global Integration". Pp. 1-65. And Paul Krugman. "Growing World Trade: Causes and Consequences".

²⁴ See Williamson, Jeffrey G. "Globalization, Convergence, and History". *The Journal of Economic History*. Vol 56. June 1996. No 2. Pp. 277-306. Navarete, Juan. *Convergencia: Un Estudio Para los Estados de la República Mexicana*. Centro de Investigación y Docencia Económica. No 42. México D.F. 1995. Sala-i-Martin, Xavier. "The Classical Approach to Convergence Analysis". *The Economic Journal*. No 106. 1996. Barro, Robert y Xavier Sala-i-Martin. "Convergence". *Journal of Political Economy*. Vol 100, No 2. 1992. Barro, Robert y Xavier Sala-i-Martin. *Economic Growth*, Mc Graw-Hill International Editions. 1995.