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## □ THE FTAA: MAPPING THE ROAD TO ECONOMIC GROWTH AND DEVELOPMENT

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By Grant D. Aldonas, Under Secretary for International Trade, U.S. Department of Commerce

*Implementing a Free Trade Area of the Americas (FTAA) "is critical at this juncture in the history and development of the Western Hemisphere," says Commerce Under Secretary for International Trade Grant Aldonas. In addition to increasing economic prosperity throughout the hemisphere, the FTAA would open the door to long-term social and political initiatives that will strengthen democracy and regional stability.*

*Aldonas warns, however, that realizing the full potential of the FTAA will require negotiators to work on areas that have often been inadequately addressed, including the need for strong rule of law, democratic institutions, independent judiciaries, reliable regulatory agencies, dependable law enforcement, and efficient banking and social services. It is "a tall order," he says, "but one that we think can be achieved."*

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Over 150 years ago, José Artigas, the founder of Uruguay, said: "The countries of South America are inextricably linked through their proximity and mutual interests." President George W. Bush, during the Summit of the Americas in April 2001, expanded this vision to encompass the entire hemisphere when he said: "We have a great vision before us: a fully democratic hemisphere, bound together by goodwill and free trade. That is a tall order. It is also the chance of a lifetime. And it is the responsibility we share."

President Bush is deeply committed to ensuring that all nations realize the benefits of free trade. This is particularly true for the countries of Latin America. The administration is aggressively pursuing regional initiatives that will expand trade and economic growth, including the U.S.-Chile Free Trade Agreement, the Andean Trade Promotion and Drug Eradication Act (ATPDEA), and the U.S.-Mexico Partnership for Prosperity, as well as discussions toward a U.S.-Central American Free Trade Agreement. However, the cornerstone of President Bush's Latin American trade policy agenda is securing the creation of a Free Trade Area of the Americas (FTAA).

### THE FTAA: ECONOMIC AND SOCIAL BENEFITS

Trade has the capacity to lift nations and people. Freer trade leads to expanded choices. Consumers benefit from lower prices and access to a greater variety of products, better and more affordable health care, and increased opportunities. Workers benefit from new and often higher-paying jobs. And farmers gain access to new markets.

The FTAA will be the largest free market in the world, stretching from Canada to Chile, representing more than 800 million people and a combined gross domestic product (GDP) of more than \$13 trillion. Not only will the FTAA promote economic development and democratic governance among our trading partners, it will also strengthen our economy at home — benefiting American farmers, businesses, workers, and consumers.

The countries of the hemisphere are working hard to complete FTAA negotiations by January 2005 and to fully implement the agreement by the end of that year. Once enacted, the FTAA will serve as an impetus to investment, innovation, efficiency, and growth in all of Latin America. It will open markets, promote free commerce, and level the playing field for all signatories. It will also help cushion the shocks arising from individual country economic cycles and political changes. Nations will form closer ties as their economies become more integrated and interdependent, potentially resulting in eased political tensions and uniform democratic values across borders.

Furthermore, according to the United Nations' *Human Development Report 2002*, countries that are more integrated with the global economy have been the most successful in fighting poverty. By the time the FTAA negotiations are completed in January 2005, the Americas will be a \$13 trillion market. Even a 1 percent increase in growth would produce a tremendous amount of new income, roughly \$130 billion.

## **CHALLENGES STILL TO OVERCOME IN LATIN AMERICA**

In many ways, the 1990s were beneficial for Latin America: previously closed economies were opened, liberalized trade agreements proliferated, and military governments gave way to burgeoning democracies. Government leaders throughout Latin America recognized that market, political, and social reforms would facilitate economic growth. Officials lowered tariff and nontariff barriers, privatized state industries, and pursued fiscal disciplines. The results were extremely positive. According to the United Nations Economic Commission on Latin America, inflation dropped, real GDP grew (compared to the decline of the 1980s), exports increased, foreign direct investment exploded, public social spending increased, and poverty declined.

But much remains to be done. Many of the gains failed to reach those at the lower end of society. Too many of the region's residents live at or below the poverty level, even in the more wealthy Latin American countries. Furthermore, the actual number of people living in poverty is increasing, and the gap between the rich and the poor is widening. According to the 2002 United Nations' development report, the actual number of people living in poverty in Latin America has increased by 3 million since 1990, and this number does not take into account the devastating effects of the current economic crisis in Argentina.

Many of the region's residents live and work outside of their nation's mainstream economy. Hernando de Soto and the Institute for Liberty and Democracy in Lima, Peru, have documented the inability of many low-income people to participate as meaningful economic actors in their nations' economies. One of the biggest challenges before us, and a responsibility we all share, is building broad-based support for trade-liberalizing agreements like the FTAA. Once that goal is achieved, and once the FTAA is enacted, we must work hard to ensure that its benefits reach those who are marginalized and impoverished.

As President Bush said, that is a tall order, but one that we think can be achieved. The FTAA is an opportunity to bring increased economic prosperity to the region and to support long-term economic, social, and political initiatives that will facilitate growth and democracy. But to do so, governments must do more than just eliminate duties. They must work on areas that have often been

inadequately addressed. We must ensure that nations promote the rule of law and democratic institutions such as independent judiciaries, reliable regulatory agencies, dependable law enforcement systems, and efficient banking and social services. We must encourage transparent regulatory bodies, a sound tax and pensions savings base, fiscal responsibility, privatization, competition, and improvements in education and health care. Our efforts, along with those of all of the other nations of the hemisphere, will ensure prosperity and freedom for all of the region's residents.

The Bush administration is playing an active role in building support for the FTAA. Regional trade-expanding initiatives such as the U.S.-Chile Free Trade Agreement, the ATPDEA, and discussions toward a U.S.-Central American Free Trade Agreement are building blocks that will help us reach our goal of completing the FTAA. Also, programs aimed at deepening economic development, such as the U.S.-Mexico Partnership for Prosperity, which will foster economic growth in areas of Mexico that have been left behind, and the Plan Puebla Panama, an initiative created by Mexico's President Vicente Fox and the Central American countries to work together to solve long-standing structural problems, will do much to build support for the process.

## **ONGOING AND FUTURE INITIATIVES**

Many agencies within the U.S. government are involved in supporting President Bush's vision of creating the FTAA. At the Department of Commerce, we are also doing our part to support the FTAA negotiations and to increase trade in the region, particularly for U.S. businesses. For example, Secretary of Commerce Don Evans led a trade mission to Mexico in June and recently announced that he will lead a business development delegation to Peru and Chile in early December. As Evans has noted: "The Bush administration is committed to increasing trade to these two countries and the entire Latin American region." Additionally, later this year, I will lead a trade policy and investment mission to Central America, and Bill Lash, Assistant Secretary for Market Access and Compliance, will travel to the Caribbean to promote private sector investment opportunities.

In addition, we will continue to administer programs that will forge deeper integration in the region, such as the Inter-American E-Business Fellowship Program. This program, a Summit of the Americas initiative, links U.S.

companies with fellows from Latin America and the Caribbean for a four-week period. The fellows receive hands-on training in the use of information technologies to improve efficiency and productivity and to increase their customer base when they return to their home countries. Plans are also under way to expand existing programs, such as the Department of Commerce Good Governance Program, to the Latin America region. This program will develop joint private/public sector activities that will promote transparency and fairness in government and business practices, which will, in turn, lead to increased trade and investment in the region.

The implementation of the FTAA is critical at this juncture in the history and development of the Western Hemisphere. We must balance the great benefits of trade with the overarching need of promoting democracy and equality among peoples. It is a difficult goal, but one that we are determined to reach. The United States and all of the nations of this hemisphere will bring down barriers and rise above borders in order to realize their great potential. □