

CONGRESSIONAL PERSPECTIVES

□ THE PROMISE OF ECONOMIC PROSPERITY AND STRENGTHENED REGIONAL PARTNERSHIPS

By Philip M. Crane, Chairman, House Ways and Means Trade Subcommittee

The countries of the Western Hemisphere have been moving steadily toward freer trade on a number of fronts, signaling their deepening commitment to the successful completion of the Free Trade Area of the Americas (FTAA) negotiations, says Philip Crane, Republican chairman of the Ways and Means Trade Subcommittee of the U.S. House of Representatives. “The momentum is there to complete the FTAA by 2005, and there is too much to gain for the participating countries not to continue the pursuit of free trade,” he says.

Crane says Congress is expecting real progress to come out of the November 1 FTAA ministers meeting in Quito, and predicts that controversy over labor and environmental issues will not derail the FTAA. “In fact,” he says, “one of the goals during this process is to use trade and investment opportunities as an incentive for FTAA countries to strengthen their capacity to protect the environment.”

Elsewhere in this journal, Congressman Sander Levin, the ranking Democrat on the House Ways and Means Trade Subcommittee, offers his perspective on the future of the FTAA talks.

During the Summit of the Americas meeting in Miami in 1994, I watched as the United States and the 34 democratic nations of North and South America reached a historic agreement to break down barriers and build the largest free trade area in the world.

The significance of completing this agreement, known as the Free Trade Area of the Americas, is astounding. If created, the FTAA would include 34 member countries with more than 800 million people, encompassing \$800 billion in trade. In comparison, this trade agreement would include more than twice the 375 million people of the 15-nation European Union, giving U.S., Canadian, and Latin American companies access to larger markets and economies of scale similar to what their European competitors gain from trading in the European Common Market.

Completing an FTAA will also offer the United States an opportunity to lead the Americas toward stable and continuing economic growth, improved living standards, and higher paying jobs in all FTAA countries. The new FTAA trade disciplines will strengthen the rule of law, solidify economic reform throughout the hemisphere, and reinforce the democratic principles that unite FTAA countries.

As outlined by FTAA trade ministers, the reforms necessary to accomplish hemispheric free trade are detailed and far-reaching. Upon completion, the FTAA would eliminate existing tariff barriers and help prevent the establishment of new tariff barriers; remove restrictions on the trade of goods, services, and investment; harmonize technical product and food safety standards; provide safeguards against expropriation; establish a dispute settlement mechanism to resolve any differences among members; and improve intellectual property rights protection.

PROGRESS THUS FAR

FTAA countries have made progress constructing the structure necessary to organize negotiations to eliminate barriers in all these areas. Trade ministers established nine negotiating groups to examine issues related to market access, agriculture, intellectual property rights, services, investment, government procurement, competition policy, dispute settlement, and subsidies. Progress was made in addressing these issues when trade ministers released a draft text of the agreement — albeit a heavily bracketed text — following their meeting in 2001.

From the start, and exemplified by the early release of the negotiating text — which is unprecedented in a trade negotiation — the FTAA negotiating process was designed to be transparent, so that businesses, the agriculture community, labor organizations, nongovernmental organizations, state and local governments, and the public would be kept informed and

would have ample opportunity to air their views. FTAA trade ministers have also set out to make sure the agreement supports and encourages successful completion of the multilateral Doha Development Round in the World Trade Organization (WTO).

As it stands, the FTAA is largely on schedule, but I am convinced momentum to conclude it has increased significantly with the passage of Trade Promotion Authority (TPA) and a renewed commitment by the U.S. Congress and President George W. Bush to the trade and foreign policy objectives embodied in the FTAA. In this legislation, Congress made it clear that all sectors of trade are on the negotiating table, while establishing added requirements for the president to communicate with Congress regarding the opportunities as well as the adjustments that will be necessary for the United States to follow through on its commitment to take a leadership role in the talks.

At the same time, Congress, in the new legislation, has pushed trade liberalization in the hemisphere forward on other fronts — in free trade agreement negotiations between the United States and Chile and the United States and Central American countries, and by enhancing trade benefits for Andean nations.

TOWARD STRONGER TRADE RELATIONS

One of the key areas outside of the formal FTAA negotiating process is the cementing of free trade relations between the United States and Chile, which are considered a model for other Latin American countries seeking to trade with the United States. While the U.S.-Chile talks started in 1995, they were stalled because the U.S. Congress had routinely failed for several years to renew a key presidential trade-negotiating tool known as Trade Promotion Authority (TPA). Without TPA, Chile was reluctant to move forward on the agreement for trade relations between the two countries.

As chairman of the Trade Subcommittee in the House of Representatives, I worked this year with the Bush administration to see that this critical negotiating tool was finally renewed. In fact, I introduced the original bill to renew TPA and served as a key conferee during negotiations with the Senate on the final version of the bill. Once the TPA was signed into law by President Bush in August 2002, the pace of negotiations with Chile increased significantly. A completed bilateral agreement with Chile is only a few months away.

There has also been progress on U.S. trade relations with other FTAA countries, including those in the Caribbean and Central America.

Following the implementation of the North American Free Trade Agreement (NAFTA), Caribbean countries expressed concern that Mexico's new partnership with the United States would diminish their own positions in the U.S. market over time. To address these concerns, Congress approved the Caribbean Basin Trade Partnership Act, which offers duty-free benefits to most Caribbean exports to the United States, including many sensitive apparel products that had formerly been excluded from all U.S. preferential trade programs. I am pleased that I introduced this legislation and helped shepherd it through the process until it was signed into law in 2002. In the Trade Act of 2002, this program, having demonstrated its success, was expanded further.

I was also proud to be a sponsor of the Andean Trade Preferences Act, which renewed and expanded duty-free tariff treatment to our Andean trading partners — Bolivia, Colombia, Ecuador, and Peru. President Bush has described the Andean Trade Preferences Act as helping Andean entrepreneurs find practical alternatives to cultivating crops for the production of illicit drugs.

Beyond expanded trade relations with the United States, some Latin American countries have also opened their markets to their neighbors at both the bilateral and sub-regional levels. This increase in trade has helped spur economic growth in these countries and has helped some of them move forward in trade talks with the United States.

A COMMITMENT TO PROGRESS

Some critics of the FTAA negotiation process have argued that only moderate progress has been made since the initial agreement in 1994. Others point to some U.S. trade policy actions that have set the negotiations back a few steps, such as the decision by the Bush administration to impose protective tariffs and quotas on imported steel. And finally, labor and environmentalist groups have been vocal in expressing their concerns that workforce protections and environmental standards are upheld through the negotiating process.

While I acknowledge that there have been some setbacks, I believe that FTAA negotiations overall are on the right

track. These negotiations must be conducted in a thorough, thoughtful manner, and they will take time.

In terms of workforce and environmental standards, FTAA negotiators are conducting a comprehensive environmental review of the agreement and have sought public comments on all aspects of the negotiations. In fact, one of the goals during this process is to use trade and investment opportunities as an incentive for FTAA countries to strengthen their capacity to protect the environment.

The progress shown during the past several years only signals the deepening commitment of the FTAA countries involved in these negotiations. FTAA ministers will gather on November 1, in Quito, Ecuador, and Congress is looking forward to major progress. For example, I urge ministers at this meeting to adopt a standstill commitment not to raise duties during the last two years of the FTAA negotiations. Final agreement should be reached on the proposal that tariffs will be phased out from applied rates rather than the much higher tariff rates that are bound under the WTO. Manufacturing industries in the United States and agricultural groups are

urging ministers to identify a package of sectors for immediate duty elimination upon the FTAA's entry into force. The United States is asking FTAA nations to join the Information Technology Agreement and the WTO's Basic Telecommunications Agreement, which would contribute to competitiveness and gains for consumers in the hemisphere. The momentum is there to complete the FTAA by 2005, and there is too much to gain for the participating countries not to continue the pursuit of free trade in the entire Western Hemisphere.

In the coming years, I look forward to working with my colleagues in Congress and the Bush Administration to do everything we can to strengthen our economic ties with our neighbors in South America and to reinforce their progress toward economic, political, and social reform. The United States has turned a corner in finally arming President Bush with the tools and flexibility he needs to participate effectively; the stage is set for great accomplishments. □

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