

**Statement of
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Deputy U.S. Trade Representative
before the
International Relations Committee,
Western Hemisphere Subcommittee
of the
U.S. House of Representatives
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Chairman Ballenger, Representative Menendez, and Members of the Committee:

Let me start by thanking you for allowing me the opportunity to speak before the Western Hemisphere Subcommittee. I am particularly pleased to be here to discuss the Free Trade Area of the Americas and its benefits to the United States both in terms of our foreign interests and our domestic priorities.

Free Trade in the Western Hemisphere

As foreign affairs have become more closely linked to global economic trends, the importance of international trade as a vital component of U.S. foreign policy has become increasingly evident. President Bush has stated, free trade is about freedom: “Economic freedom carries habits of liberty. And habits of liberty create expectations of democracy.” The Free Trade Area of the Americas provides a framework for the Administration’s hemispheric strategy of promoting democratic values and expanded commercial opportunities for all.

The Free Trade Area of the Americas, once completed, will be the largest free market in

-2-

the world, comprising 800 million people across 34 countries. Open and expanded trade benefits all people— Americans and non-Americans alike. It leads to better jobs, with bigger paychecks, in more competitive businesses – as well as to more choices of goods and inputs, with lower prices, for hard-working families and hard-driving entrepreneurs. US exports accounted for over one-quarter of US economic growth over the last decade, and they support an estimated 12 million American jobs.

In fact, U.S. trade with the Americas has propelled American export growth for the last decade. Our neighbors in the Western Hemisphere now buy almost half of all goods exported by the U.S. While Canada and Mexico are our top export destinations, Latin America is an increasingly important U.S. customer. As these markets have adopted economic reforms over the last decade, U.S. exports to Latin America and the Caribbean have grown 38 percent faster than to countries outside the hemisphere, reaching \$59 billion in 2000. U.S. services exports to Latin America have also risen in recent years, to \$26 billion in 1999. Our services trade surplus with Latin America stands at \$16 billion, counting for 20 percent of the global U.S. trade surplus in services.

The FTAA will expand this trade and its benefits for all citizens. We have seen numerous examples in the Hemisphere of reduced barriers to trade increasing the volume of goods and services that are exchanged between countries. The United States currently buys 31 percent of what Latin

America exports (excluding Mexico). Thus, the U.S. market represents a significant portion of commercial activity for many of our neighbors, providing an economic basis for other countries of the hemisphere to raise living standards and enact beneficial social reforms for their people.

We are pleased to be able to contribute to strengthening the economies of our neighbors through vigorous trading relationships, as we are now doing, but we must also recognize that our markets are much more open to foreign goods than are the markets of our trading partners in the hemisphere. The average applied US tariff is about 3%, while the average post-Uruguay Round applied rates for major Latin markets are in the range of 10% and 15%. The FTAA will eliminate such discrepancies, creating a level playing field for all countries of the Hemisphere to reap the benefits of the fair and open exchange of goods and services between neighbors.

The Free Trade Area of the Americas

The FTAA is more than an economic integration tool, however. It is also an opportunity for the nations of the Western Hemisphere to commit to enshrining values such as openness and freedom. In fact, at the Summit of the Americas in Quebec City this past April, the commitment to free trade was made in tandem with an unambiguous pledge to support democracy. Summit leaders agreed that any unconstitutional alteration or interruption of the democratic order in any state in the hemisphere would disqualify that government from further participation in the Summit of the Americas process. For a

region that was home to the strict Calvo doctrine on non-interference by others in states' internal affairs, this democracy clause is a striking sign of a new political outlook for the hemisphere.

In addition, the negotiation of the FTAA will help to "lock in" economic reforms that many countries have taken in recent years, including the dismantling of state monopolies in sectors such as telecommunications and transportation; introduction of transparency and competition in government procurement; strengthened protection for intellectual property rights; and unilateral reduction of import barriers.

We have made real progress in turning the idea of an FTAA into a reality. At the Quebec Summit, all 34 heads of state signed a declaration pledging to conclude negotiations on the FTAA no later than January 2005. The United States is committed to working with others to meet, or beat, that deadline. Meeting in Buenos Aires at their 6th Ministerial earlier this year, Western Hemisphere trade ministers set out firm benchmarks for the next important stage of FTAA negotiations between now and the next Ministerial in Quito, Ecuador, to be held by October 2002.

One of the most important decisions the hemisphere's trade ministers made in Buenos Aires

was to release to the public the preliminary draft consolidated texts of the nine chapters of the FTAA which have been negotiated to date. I am pleased to say that these complete texts are now available on the FTAA website in the four official languages of the FTAA: English, Spanish, French, and Portuguese. We are interested in hearing your views, and we also are

welcoming the comments of your constituents on these texts. USTR has issued a Federal Register Notice seeking such comments, and we look forward to engaging with you and members of the public now that the texts have been released.

While governments are still free to modify or add to these texts, these draft chapters will form the basis of our work as we move forward. Ministers have instructed negotiators from all FTAA governments to undertake work to revise the draft chapters of the FTAA text, eliminating brackets in the texts to the maximum extent possible before the Quito Ministerial. Our negotiators and their foreign counterparts are now undertaking this intense work. Negotiators are also now beginning the work of planning for the critical market access phase of the negotiations which are mandated to start no later than May 15 of next year. A new group, the Technical Committee on Institutional Issues, was also recently created within the FTAA process to create the overall architecture of the Agreement, including drafting the general provisions and making recommendations on any institutions required to implement the FTAA.

Other Hemispheric Initiatives

While pursuing free trade through the FTAA, and in keeping with our policy of pursuing agreements globally, regionally, and bilaterally, the Bush Administration is also negotiating a free trade agreement with Chile. We are committed to concluding the agreement by the end of this year, and we will hold the sixth round of talks in Santiago at the end of July. We expect to conclude a state-of-the-art agreement with Chile, which will demonstrate to the hemisphere our

ability to move rapidly with trading partners who have demonstrated their readiness with trade liberalizing policies.

Looking to other trade policy initiatives in the hemisphere, the Administration also strongly favors renewal of the Andean Trade Preferences Act program in order to promote export diversification and broad-based economic development as a sustainable economic alternative to drug-crop production. The ATPA is due to expire on December 4 of this year. The Administration favors a "robust" ATPA, with more products eligible for preferences than under the original program. A renewed and robust ATPA program will strengthen the legitimate economies in the Andean countries and create viable alternatives to the drug trade.

The Administration also remains committed to a vigorous and trade-expanding implementation of the Caribbean Basin Trade Partnership Act. Most elements of implementation are complete, and 14

Caribbean Basin countries are now enjoying the enhanced benefits of the CBTPA. The process of finalizing technical implementing rules is underway, and the Administration is working toward rules which reflect both the letter and the trade-expanding spirit of the law.

The Global Trade Agenda

Leaders from many nations, both within the Western Hemisphere and without, have told us that they want to pursue free trade agreements with the United States. The President has made

clear that pursuing bilateral, regional, and global trade agreements simultaneously can create a healthy dynamic which encourages countries to agree to the most ambitious, and most advantageous trade agreements for the United States. As such, we will consider each of these expressions of interest in free trade agreements seriously at the same time that we are aggressively pursuing the launch of a new round of global trade negotiations in the WTO this fall. We will do all of this while maintaining our focus on the FTAA as our first priority in the Western Hemisphere.

The Legislative Agenda

The Bush Administration's top legislative trade priority is for the Congress to enact U.S. Trade Promotion Authority by the end of the year. Under this authority, the executive branch would be bound by law to consult regularly and in detail with members of Congress as trade agreements are being

negotiated. But once that long and exhaustive process of consultations is completed, and the painstaking negotiations have ended in an agreement, it is critical that our trading partners know that Congress will vote on the agreement without amendments. Indeed, in the absence of Trade Promotion Authority, which expired in 1994, other countries have been reluctant to close out complex and politically sensitive trade agreements with the United States. As it is, there are currently 130 FTAs in existence throughout the world, and only two involve the United States. In less than 18 weeks, ministers from around the globe will gather in Doha to endeavor to launch a new multilateral trade liberalization round. U.S. leadership is vital to its success. We need a united American front on trade. In my daily interaction with foreign trade

officials I am constantly reminded of the importance of TPA, and I hope that we will be able to work closely with this committee and others to pass this important legislation this year.

Conclusion

The Bush Administration has an ambitious trade agenda, reflecting the importance President Bush assigns to trade in general and to the Western Hemisphere in particular. Through the FTAA and our other Western Hemisphere trade initiatives, we hope to generate increased opportunities for all Americans and our hemispheric neighbors through free and fair trading arrangements. We should seize the opportunity before us to reassert America's leadership in setting trade policy to help build a post-Cold War world on the cornerstones of freedom, security, democracy, open trade, and free markets.

-9-

By doing so, we can set a course for peace and prosperity for the Americas and the global system, not just for a year or two, but for decades to come.

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