

**THE IMPORTANCE OF THE FREE TRADE AREA
OF THE AMERICAS (FTAA) TO UNITED STATES
FOREIGN POLICY**

HEARING
BEFORE THE
SUBCOMMITTEE ON
THE WESTERN HEMISPHERE
OF THE
COMMITTEE ON
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THE IMPORTANCE OF THE FREE TRADE AREA OF THE AMERICAS (FTAA) TO UNITED STATES FOREIGN POLICY

THURSDAY, JULY 12, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:03 a.m. in Room 2172, Rayburn House Office Building, Hon. Cass Ballenger [Chairman of the Subcommittee] presiding.

Mr. BALLENGER. The Subcommittee will come to order.

This morning we will explore the importance of the Free Trade Area of the Americas to U.S. foreign policy.

The effort to unite the economies of the Western Hemisphere through a single free trade area began at the Summit of the Americas in December, 1994 in Miami. The heads of state and governments of 34 democracies in the region agreed to construct a Free Trade Area of the Americas, or FTAA, in which barriers to trade and investment will be progressively eliminated, and to complete negotiations for the agreement by 2005.

The Free Trade Area of the Americas has enjoyed strong bipartisan support since it was launched in 1994 by former President William Clinton and 33 other leaders at the Summit of the Americas in Miami. At the subsequent summit meeting in Santiago, Chile, President Clinton told the assembled heads of state, "I assure you that our commitment to the Free Trade Area of the Americas, or FTAA, will be in the fast lane of our concerns." During our recent presidential campaign, then-Governor George Bush and then-Vice President Al Gore both supported the creation of the Free Trade Area of the Americas.

Most recently, in April in Quebec City, Canada, President George W. Bush and the leaders of the Western Hemisphere agreed to conclude the FTAA no later than January of 2005 and to seek its entry into force as soon as possible thereafter, but in any case, no later than December of 2005 in order to, and I quote, "promote regional prosperity, thus enabling the raising of the standard of living and the improvement of working conditions of people in the Americas and better protection of the environment."

During the working sessions of the Summit, President Bush spoke eloquently in support of free and fair trade, saying:

"The history of our times is clear. Progress is found in pluralism. Modernization is found in the markets. Free enterprise

requires liberty and enlarges liberty. Our commitment to open trade must be matched by a strong commitment to protecting our environment and improving labor standards.”

I know that my colleagues on this Subcommittee and I share an abiding interest in fostering a free and prosperous hemisphere. Personally, I believe that it is our destiny to forge a true partnership among the nations of the Americas. An intrinsic part of that partnership must be an iron-clad commitment to democracy, and that is why the approval of the democracy clause of the Organization of American States is so important.

If representative democracy is to thrive, however, people must have hope for a better life. I know of no other way to empower people with hope than to give them access to economic freedom.

The leaders of the Western Hemisphere have put forth the Free Trade Area of the Americas as a bold initiative to release the creative genius of our peoples. It is a bold initiative that can and will lift honest people out of their poverty and secure blessings of liberty to them and their children.

We must not lose this opportunity to act thoughtfully and with courage to make the FTAA a reality. Our first challenge along this path in Congress will be to grant the President the trade promotion authority that he seeks.

Now, does my friend from New Jersey have an opening statement?

Mr. MENENDEZ. Yes, Mr. Chairman. Thank you very much. Let me commend you for calling this hearing.

Let me begin with a few observations about the legislative process. We have 6 legislative weeks left in this session. And I am quite eager to hear about the Administration’s specific intentions on trade policy not only for the January 2005 deadline for the FTAA, but for this year. And I don’t mean the calendar year, but October when we are destined to adjourn.

As the Ranking Member of this Subcommittee, I can tell you that I have not heard a single utterance from this Administration on trade. Staff attended just one briefing with regard to the Chile FTA. Last week we heard about extensive consultations on the Andean Initiative, but for the record, as with the Andean Initiative, on trade issues that had not occurred in this Member’s office or from speaking to my colleagues on the Democratic side of the aisle on any of theirs.

So let’s cut right to the chase. There is not much of a chance that any TPA bill that excludes labor and environmental provisions will pass in this Congress. Indeed, I believe it is necessary to incorporate labor and environmental provisions in a meaningful way into any free trade agreement, whether bilateral, regional, or multilateral. And perhaps Ambassador Allgeier can tell us whether the Administration plans to craft something acceptable to a bipartisan majority in this Congress.

The ball is in the Administration’s court. For the moment, it appears to be lying motionless on the floor.

Mr. Chairman, the process of economic integration that has occurred over the last 20 years in Latin America has been dramatic. From the 1980s to today, these nations have both doubled trade and lowered tariffs among themselves from over 40 percent to 12

percent. Two-way merchandise trade between the United States and the 33 other democratic nations in the Americas reached \$778 billion in 2000. So this involves real consequences for our economy.

In formulating hemisphere-wide trade policy, we must acknowledge that trade occurs in a context much broader than one government agencies' efforts at opening foreign markets or reducing trade barriers. It occurs in the context of a trading-partners interconnected web of economic, political and social conditions. In Latin America and the Caribbean, this means varying levels of development and democracy. It means widespread and extreme poverty in some nations and relative prosperity in others.

It also means consequences here at home. Free trade has brought us benefits; there is no question about that. But if you know people, as I do, who have been displaced by the loss of their manufacturing job because their plant moved to Mexico or some other location, and have broken bread with them and their families, you come to understand those consequences. Families are affected. People do get hurt.

And let me emphasize to the Trade Representative that these concerns must be addressed and not with ineffective trade adjustment programs. We went through that with the NAFTA and that did not work. And I was critical of the last Administration, and I will be critical of this one if all we tell people who are displaced by trade, there are winners and losers—hopefully more winners than losers. But you cannot tell the loser simply that they are casualties of economic war and leave them at the roadside. You must do something to transition them to the new opportunities that are developed.

In my view, when pursuing open trade arrangements, the United States should also gauge the state of a bilateral relationship. A nation that is democratic, observes the rule of law, has a vibrant civil society, has a judiciary that is independent and accessible to all citizens, that does a decent job of addressing the education, health and social welfare of its people, that provides workers with the basic rights of collective bargaining and the right to organize, that protects its environment, that treats foreign investors equitably, that is not corrupt: Any country committed to such standards clearly deserves the consideration of entering into a free trade relationship with the United States.

When President Clinton announced his intention last year to enter into free trade negotiations with Chile, these were the criteria that I reviewed in consideration of whether to support those efforts. Without reference to any of our other hemispheric friends, let me suggest that I believe that Chile meets virtually all of those criteria. In my view, Chile and the United States are prepared to become partners in free trade, and this relationship may serve as a model for the FTAA that is due in 2005. And I hope that we will have an opportunity to vote on a Chile FTA before this session ends.

So let me close by saying, open trade and economic relations among nations may bring benefits, and they do; but they also incur some social costs that are painful in some cases and generate difficulties at home and abroad. The United States can and should do their part to help. And that is why Chairman Ballenger and I are

discussing ways to address the pressing social issues in the hemisphere, such as poverty and helping our hemispheric neighbors to build a middle class in order that we may more closely integrate with our friends and neighbors in the Americas.

Thank you, Mr. Chairman, for the opportunity. I look forward to hearing the testimony of our witness.

Mr. BALLENGER. Mr. Delahunt.

Mr. DELAHUNT. I am not going to make a statement. I just want to indicate my agreement with both what the Chair and the Ranking Member have said. I think it was Mr. Menendez that talked about trade bringing benefits. And I think, in the latter part of his prepared remarks, he referenced standards that I dare say many countries in Central and Latin America would have difficulty complying with.

But I think even more fundamental, at least for me, is while I concur that trade does bring benefits, I am profoundly concerned about how those benefits are allocated throughout the societies that are represented by governments that don't quite comply with the standards that were enumerated by Mr. Menendez. In other words, his comments brought to mind a situation in Guatemala, a country that I think has made considerable progress and should be commended for that progress toward democracy and toward improving the conditions of its people. Yet, at the same time, in Guatemala currently there is a great debate that is raging regarding taxation, regarding the minimum wage, regarding a number of proposals that I believe would result in a more equitable and fair distribution of the benefits of trade throughout that particular society.

I really have difficulty embracing a proposal that would limit, if you will, the incremental benefits of trade to the economic elites that still have a disproportionate influence in many of the countries in Central and South America. And that is the kind of reassurance that I will need as we proceed with consideration of trade with our neighbors in this hemisphere.

Mr. BALLENGER. Thank you.

Our witness this morning is Dr. Peter F. Allgeier, the Associate U.S. Trade Representative for the Western Hemisphere. As Associate U.S. Trade Representative for the Western Hemisphere, Dr. Allgeier supervises U.S. trade negotiators dealing with Canada, Mexico, Latin America and the Caribbean. He is also responsible for coordinating all U.S. Government interagency decision-making on trade issues involving the Western Hemisphere, including NAFTA.

Dr. Allgeier is a seasoned professional, having served in the Office of U.S. Trade Representative since 1989. I am pleased to note that he earned his Ph.D. from the University of North Carolina at Chapel Hill, for those that didn't know that, and has served as a visiting instructor of Economics at Duke. Mixed loyalties obviously there.

And, Dr. Allgeier, you may proceed.

**STATEMENT OF AMBASSADOR PETER F. ALLGEIER, ASSO-
CIATE U.S. TRADE REPRESENTATIVE FOR THE WESTERN
HEMISPHERE**

Mr. ALLGEIER. Thank you, Mr. Chairman, but first let me clarify there are no mixed loyalties. Carolina is where the loyalty lies.

First of all, Mr. Chairman, Congressman Menendez and Congressman Delahunt, thank you very much for scheduling this hearing and providing the opportunity to discuss our policy toward Latin America and especially the Free Trade Area of the Americas. With your permission, I would like to summarize my remarks and submit my prepared testimony for the record. Thank you.

First of all, of course, as foreign affairs have become more closely linked with global economic trends, the importance of international trade as a vital component of our foreign policy has become increasingly evident. I think that is particularly the case within the Western Hemisphere where the Free Trade Area of the Americas provides a framework certainly for our commercial policy toward the region, but also as a framework, or at least a focus, for the broader sorts of concerns that Congressman Menendez and Congressman Delahunt have expressed. And I would like to address that in my remarks.

First, though, on the commercial side, our trade with the Americas has propelled our trade globally over the last decade. Right now, the Western Hemisphere buys nearly 50 percent—I think it is actually 45 percent—of all our exports to the world. And over the last decade, our export expansion to Latin America and the Caribbean has grown about 40 percent faster than our export growth to the rest of the world, to the countries outside the Hemisphere.

We believe that the FTAA will bring economic benefits both for the United States and for citizens elsewhere in the hemisphere. For nearly every country, we are their largest single country export destination. And that is very important for their economic welfare and providing them with resources to address the sorts of social needs that have been highlighted here this morning.

Now, that said, we do need to recognize that the access that we have to these countries by and large is less favorable than the access that they have into our market. And one of the important goals of the Free Trade Area of the Americas is to correct that discrepancy.

There are all sorts of ways you can express that. One way to give you a sense of that is to look at tariffs. If you look at the United States tariff, our average tariff is about 3 percent. If you look at the major Latin American markets, you will see that their applied rates, the rates that our business people face today, are roughly 10 to 15 percent. But even more of concern is that the legally allowable rates that they have, the so-called “bound rates” in the WTO, are much higher. In fact, they average about 34 percent. And we have seen instances most recently in Argentina where countries do increase their tariffs from their applied rates and they can increase it legally up as high as the bound rates that I mentioned. So it is important that we eliminate those discrepancies in order for American businesses to have improved access.

But I do want to emphasize that the FTAA is more than an economic integration tool. It is an instrument for enshrining values that are important to us—openness and freedom and fairness.

At the Summit of the Americas in Quebec City, there was a very clear commitment by the leaders not just to free trade but also to support democracy. They adopted what they called a “democracy clause” in the Summit of the Americas. And what this says is that if there is any unconstitutional alteration or interruption of the democratic order in any state in the hemisphere that this would disqualify that government from further participation in the Summit of the Americas.

And the Summit of the Americas covers a whole range of activities beyond just the FTAA. In addition, the negotiation of legally binding agreements such as the Free Trade Area of the Americas helps to lock in economic reforms that a number of these countries have made in recent years, things such as dismantling state monopolies in areas such as telecommunications and transportation.

You talk about the economic elite and who benefits from economic growth. When you have a state monopoly, it is people who are cozy with the people who benefit from that. So reinforcing those sorts of reforms is very important, similarly, so is introducing transparency and competition in government procurement.

Another way in which people have a cozy relationship is if they have big government procurement contracts. So opening that up and making it transparent and nondiscriminatory is very important, strengthening protection for intellectual property rights; and in some countries, countries have unilaterally reduced tariffs. But the way to make these sorts of reforms irreversible and to keep the momentum is to lock them into international obligations such as the FTAA.

The thing that struck me most at the Quebec Summit was at the end. There was a press conference at the end with a number of the leaders, and each of those leaders made very clear and strong statements about the role that economic integration plays in their efforts to strengthen democracy in their countries and to expand the kinds of treatment, fair treatment, that we seek and that we have in the United States. And that was President Fox from Mexico—President Flores from El Salvador was particularly impressive on this—President Pastrana in Colombia, President Lagos of Chile. They all were very explicit; this was their main message at the end of the Summit.

Where are we in terms of the FTAA? I think we are in very good shape in terms of turning this vision into a reality.

Mr. Chairman, you mentioned the timetables that were agreed upon by the leaders at the Summit. Another thing that is important about the FTAA and novel in terms of international negotiations is that just the other day we 34 countries made public the draft text that we were negotiating on, nine different chapters. These are available on the Web, on the public Web site of the FTAA.

And we are also putting out a Federal Register notice asking for comments and reactions to this. We would be very happy to meet with the Members of this Committee and other Committees to talk about what is in those initial drafts.

What are we doing at this stage? There are basically three things that the leaders have said the 34 negotiating teams need to be doing basically over this year and the beginning of next year:

First, to take these nine chapters—they are very rough, there is a lot of disagreement in them that is indicated by brackets—but to start to work to narrow those down and get as much agreement as possible. These are the basic disciplines that would be in the agreement.

Second, to start work on the market access part of the negotiations. This is the traditional thing that people think of when they think of a free trade area. What is the schedule for eliminating tariffs? What is the schedule for getting rid of other barriers?

The third element is to devise the overall architecture for the agreement.

And these three tasks are to be done between now and the next trade ministers meeting in October of 2002.

Perhaps I could just very briefly mention a few of the other hemispheric initiatives we have because they are complementary to the FTAA, and at least one of them has just been mentioned. We are negotiating a free trade agreement with Chile. We are committed to concluding that by the end of this year. And we are looking to conclude a state-of-the-art agreement with Chile that will provide an example of what can be achieved through such an agreement. And I think there are a number of factors in Chile which make them an ideal negotiating partner for this kind of an agreement.

Secondly, the Andean Trade Preferences Act expires December 4th of this year. We want to work with the Congress to find the right form of an extension of that program. We do believe that that is a program that does contribute to offering alternative economic activity to drug producing and processing. And we look to expand this program in terms of the product coverage.

Third, last year, of course, Congress passed the Caribbean Basin Trade Partnership Act to provide additional opportunities for our nearest neighbors in Central America and the Caribbean. We are implementing that act; and we are trying to implement it in a way that is trade expanding and is consistent with both the letter and the spirit of the legislation passed by Congress.

Now, this is all within a global trade agenda in which we are seeking to liberalize trade worldwide through the WTO, regionally in the FTAA, and through bilateral agreement, such as the negotiations with Chile and with Singapore. Basically we are trying to create a competition for liberalization among our trading partners.

We have received a number of expressions of interest in free trade agreements. We take them all seriously. At the same time, we are pursuing the launch of a new round in the WTO and maintaining our focus of the FTAA within this hemisphere.

In terms of our legislative agenda, there are a number of—well, I mentioned, of course, ATPA, which will require legislation; but the principal one, of course, in our priorities is U.S. trade promotion authority. This, we believe, is very important in terms of asserting U.S. leadership, not just in this region, but globally on trade policy; and we want to work very closely with this Committee and obviously the other Members of this House and of the Senate to obtain such authority in the course of this year.

We do have an ambitious trade agenda. It reflects the importance that the President attaches to trade in general and to the Western Hemisphere in particular. Through the FTAA and our other initiatives in this hemisphere, we are trying to generate increased opportunities for Americans, for our neighbors, but also to assert our leadership in promoting trade policy as a cornerstone, or at least a contributing element, toward our broader values of freedom and security, democracy, and fairness throughout this hemisphere.

Working this way, we do believe that we can set a course for prosperity and democracy for the Americas in the global system not just for this year or next year, but for decades to come.

Thank you very much. And I would be happy to respond to any questions or comments that you have.

[The prepared statement of Mr. Allgeier follows:]

PREPARED STATEMENT OF AMBASSADOR PETER F. ALLGEIER, ASSOCIATE U.S. TRADE REPRESENTATIVE FOR THE WESTERN HEMISPHERE

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 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 discrep-

ancies, 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. 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.

Mr. BALLENGER. For those of you that are new to this system, every time we get these things started, the buzzer goes off and we have to go vote. It turns out that we have a very important program today, campaign finance, and I think—they tell me that not only will we have this vote, but there will be another vote following which will probably tie us up for about 20, 30 minutes, something like that.

Basically, it is all politics. The Democrats want to count their votes, we want to count our votes. The only way you can do it is to tie up the system for about a half-hour and go around checking who is going to vote which way. Then we will find out what we are going to do with the bill after that.

If you will, please forgive us for about a half an hour. If it is sooner than that, we will start again. Thank you very much.

I will go ahead and ask my questions now. We have a spy from their side over here to keep me from getting out of hand.

One thing I would like to ask, and I really talked to you about this earlier: One of the major problems that we see, especially in my area of the country and I think, generally speaking, throughout the country, is the American people to a very large extent think the job layoffs and so forth and so on that are going on in this country today are pretty much caused by foreign trade, which I happen not to believe. In fact, I come from a part of the country where, heavy textiles, we lost about 8- or 9,000 textile jobs in my area, but we picked up about 17,000 fiber-optic jobs. So, in reality, trade kind of carried my situation along.

But how—I don't know whether the Administration can come up with some ideas as to how to persuade people that the recession that we are in actually is a recession not caused by NAFTA but caused by various and sundry other things.

And, again, one more thing I would like to throw into that mix—there is the extremely great value that the dollar has right now over just about everything. In our foreign trade, we are getting killed because the dollar is so valuable. I think the ultimate in that particular area is proven by what is happening in Argentina and the fact that Argentina dollarized their currency at the same time the Brazilian trade partners, as you might say, cut the value of the real and really dumped on Argentina.

And, at the same time, Ecuador and El Salvador are dollarizing.

Recognizing all these various things I just threw at you, could you kind of give a general opinion of where you feel the Administration stands on all of this?

Mr. ALLGEIER. Yes. Thank you, Mr. Chairman.

First of all, perhaps responding to the latter part of your commentary, there is no doubt that if one looks over the last several years, when we have had this economic growth in the United States, that that has fueled our purchase of imported goods and services. And it is good that we were able to do that because that has helped to keep our price levels lower, which is very, very important for families in terms of the basic commodities that they buy and the services that they pay for.

Now, of course, we have seen that the unemployment rate has started to go back up again, although it is still at a starkly low rate. But that is a cause for concern. One of the things that is also a cause for concern is that we are—our economy is closely related to the economies of these other markets. And for major trading partners to have economic slowdowns is very detrimental to us.

We saw this right after the NAFTA went into place, when Mexico had its peso crisis. Now, the thing that happened there that was so distinct from previous, similar crises is that both we and the Mexicans were locked into a schedule of keeping our markets open and even opening them further. And I think that, frankly, both sides deserve credit that we kept to those schedules. And that enabled Mexico to bounce back much more rapidly than they had in the past, and therefore, that was helpful to us, because then the Mexicans started to buy more.

And so much of our international trade is trade within a given company, where a company is importing—well, let's look at Brazil, for example. I was looking at the figures the other day. Among the top exports from the U.S. to Brazil are aerospace products. Among

the top—I think it is actually the top export from Brazil back to the U.S. is aerospace products.

So what you see there is a relationship where they have this manufacturer of regional jets, Embraer, and a very high percentage of the inputs, the sophisticated avionics, from Embraer come from the U.S. So we are selling down to Embraer, and they are selling these jets back to the airlines here who are using these smaller regional jets.

And a lot of the relationships are that sort of thing, even within a given company itself. And this—you know, it generates jobs on both sides. And that is not something where jobs are really being lost because of trade. Jobs are being generated because trade is enabling manufacturers worldwide to set more rational ways—patterns of manufacture. If you look at our trade between the U.S. and Europe, the cross-investment, there are European firms here who are employing thousands of Americans. So that is really the broad context.

Your point about then what happens to the individual is a much more difficult issue to deal with. And it is not easy or, in some cases, even possible for someone to move from a textile job to a fiber-optics job. In some cases, they can. And that is what we need to work on together in terms of providing ways in which people can adjust and obtain new skills and have the appropriate benefits transferable as they move from one job to another.

Mr. BALLENGER. Being from textile country, North Carolina, one of the major things that we have run into there—and I think everybody knows it is going on, and it doesn't have anything to do with you, but it has to do with customs—is the fact that we know that the Chinese have a limited amount of textile goods that they can ship into our country. It is regulated. But they have found out that we have an unlimited amount of trade with Mexico. So they are shipping container loads of textile goods into Los Angeles and San Francisco and shipping those down into Mexico, changing the labels and so forth, and then coming back out of Mexico as a trade produced in Mexico.

I don't know what you can do about that. It is in a trade agreement. But it is a situation that is very difficult for us at home.

Mr. ALLGEIER. A very important aspect of such a trade agreement, any free trade agreement, is the whole area of the rules of origin. Those rules are designed to ensure that the country that is benefiting from the free trade agreement is the one you are negotiating with and not some third country. So, for example, in NAFTA there are very detailed rules of origin that in order for the good to get the duty free treatment in the U.S., there has to be substantial value or transformation of that good in Mexico. They can't literally just sew in a label. And this is something that is very important in our negotiations in the FTAA.

This was something that was very much in mind in the CBI and we recognize that the Caribbean and the Central American apparel assemblers use much more in the way of American inputs than Asian suppliers. We want to foster that, so that we can maintain jobs in textiles in the United States.

Mr. BALLENGER. I know my yarn people were always very happy with NAFTA and CBI and the fact that their product, which is cot-

ton yarn or just thread, was very well contained. But now, strangely enough, they say the competition from Bangladesh on cotton yarn that gets here one way or another is causing them trouble.

Let me shift gears there a little bit and say, is the TPA, trade preference authority, absolutely necessary to obtain a bilateral trade agreement with Chile?

Mr. ALLGEIER. Well, ultimately that will be a question for the Chileans. But I don't think that there is any doubt, whether it is the Chileans or other trading partners, that they feel that it is essential that as they close an agreement. They have confidence that this agreement will go through Congress in a way that does not involve renegotiating through amendments, with all due respect, all the Members of Congress.

Mr. BALLENGER. Right. Here comes our compatriot.

Regarding free trade within the Americas—probably NAFTA can tell the story of wages in Mexico because of our trade back and forth. Have the Mexican people—I am sure Mr. Delahunt, if he were here, would really care about this—have the Mexican workers received an increase in their pay scale because of trade with the United States?

Mr. ALLGEIER. We believe that the evidence does show that the NAFTA agreement has contributed to increasing wage and income levels in Mexico. The Mexican Embassy has a NAFTA office which provides a lot of material on this, and they have, over the years, provided a lot of material about the tightening of the labor market in different parts of Mexico as there has been investment aimed at serving the NAFTA trade.

So—it is always difficult to isolate one factor as to why there are rising wages, but I think the evidence is quite clear that the NAFTA has contributed to that in Mexico.

Mr. MENENDEZ. Thank you. Well, thank you, Mr. Chairman.

Mr. Ambassador, let me ask you—I read your statement while you were orally summarizing it, and nowhere in it does it have three words—labor, environment and enforcement mechanisms. So since you obviously had to figure out how much time you had and what you had to put in, let me give you the opportunity through my questions to address those issues. I know they may be some of the most contentious issues, but they need to be addressed.

Can you tell me where these negotiations, whether in terms of an FTAA or a bilateral with Chile, stand on labor, the environment, and enforcement mechanisms?

Mr. ALLGEIER. Yes. I would be happy to.

First of all, let me take enforcement. Enforcement is absolutely critical to any trade agreement that we enter into. My own personal feeling is that once you have completed a negotiation you have done less than half the work, that more than half is the enforcement afterwards. In both the Chile negotiation and the FTAA, we have separate negotiating groups on dispute settlement, which is where one goes to obtain enforcement; and so we are paying very close attention to the enforcement mechanisms that would be part of these agreements.

Labor and the environment—

Mr. MENENDEZ. Before you move on to that, if I may, what exactly are we talking about? Because, you know, I have heard from

some of our friends in the hemisphere that sanctions for them is not an acceptable proposition. Others talk about fines, as in the Chilean context.

An agreement that is unenforceable is ultimately not an agreement. It is maybe a desire to work together, but there is no series of rights under an agreement that is of any value if it does not have a legitimate enforcement mechanism to ensure that those rights and obligations are guaranteed under the agreement, between the parties.

So what are we talking about in terms of enforcement mechanisms? Are we talking about sanctions? Are we talking about fines? Are we talking about replicating trade panels with what powers? What are we talking about? What is the universe of enforcement mechanisms we are talking about?

Mr. ALLGEIER. Well, I think that you have identified a number of the elements that can be part of a dispute settlement and an enforcement mechanism in a trade agreement. And we are exploring that full range within both of these negotiations.

We have certain traditional models, for example, within the WTO and within the NAFTA, although even within the NAFTA there are a variety of ways of enforcement. So as the debate has developed over the years in other areas, such as labor and the environment, this has become a more complicated issue. What is the most effective way to have enforcement of whatever given rights or obligations there are in an agreement? And, you know, to some extent, the nature of the obligations one has in an agreement has some effect on the kind of dispute settlement and enforcement that you want to have.

So we are looking closely at that. And as I said, we have these negotiating groups that are directed at dispute settling.

Mr. MENENDEZ. Are we leading, in terms of this issue, in a certain way of these options? Does the Administration have a position that it prefers, that it has put forth on the table as its mechanism, that it chooses to try to succeed in the negotiations?

Mr. ALLGEIER. What we have been doing, I think it is a little bit different in the Chile negotiation than in the Free Trade Area of the Americas. In the Free Trade Area of the Americas we have been looking at a variety of mechanisms, and of course, every country is free to put on the table what mechanism they would see as the appropriate one. And what we discovered in the FTAA negotiations is that you can really only go so far in trying to narrow down the dispute settlement until you see what the nature of the obligations are.

So I think those would be the among the final things that will be determined, that we see the nature of the obligations and then we determine what is the appropriate enforcement mechanism or mechanisms. There may be alternative ones. The labor or environment, I am not going to kid you or try to kid you, those have been extremely controversial issues with the Latin American countries. They are very fearful—first let me say I don't—no Latin American country that I know wants to promote poor labor standards or poor environmental protection as a way to have a competitive advantage. They want to improve the standing of their workers, and they want to improve their environment. They are fearful, however, that

with limited resources, that if they are judged by what they see as a developed country standard and they are found wanting, that somehow that will come back and prevent them from having access to our market or trading with us in ways that would generate resources that they can use to improve their situations. This is their fear.

Now, we have tried to convey to them that we want trade agreements to be supportive of improved standards for workers and improved protection of the environment, and we want to do that in a way that is not going to create an opportunity for protectionism. I don't think that all of the countries are convinced of that yet. They are watching very closely how we grapple with that here in the United States and in the WTO.

So I think there is a better dialogue on this than there was, let's say, in 1995, 1996 when we first started. To a certain extent they are looking a little more closely at ideas we have put forward and looking at the substance of it.

Let me give you an example. One of the things we have talked about in the FTAA is something we have in the NAFTA, and that is that a country should seek to avoid derogating from its own standards in order to attract an investment. So that is something that countries who are looking at ways to have a more flexible labor market ask, does that mean we can make no adjustments in our labor code? So I take that as an instance or an example that they are taking the issue seriously. They have concerns given their different level of development, but there still is an awful lot of anxiety among our trading partners in the hemisphere about these issues.

Mr. MENENDEZ. Let me make two comments so my colleagues can get to their questions. Often in my discussions with several Latin American countries, including Chile, they like to recite how they have signed more international labor agreements than the United States has. And signing agreements is great; enforcing them is another question. Congress can pass all the laws in the world, and if they sit in the books and don't get enforced, it means nothing.

Hence, my first question to you is about enforcement mechanisms. So let me reiterate two points. One is that if we do not deal with labor and the environment in a meaningful way, the Administration will have an incredibly rocky road, which, I will venture to say, will end up in failure. Secondly, enforcement mechanisms must be significant because if you have a mechanism that is focused on fines that are in quantities insufficient for it to be of real consequence, it can be considered the cost of doing business. So whether it is an environment or labor or any other provision of the act, as I told my friends from Chile, we have got to see what you are talking about in terms of fines because a fine that is the cost of doing business is not a meaningful enforcement mechanism.

Lastly, the Europeans—and I know we have gone to their Continent more than once to try to help them out, so I am not saying there aren't things they can learn from us. But certainly there are some things we can learn from them. And one of the things that they did clearly as they established a European Union is set a standard, and they said those who can meet the standard join the

Union, and those who cannot we will work with and help to join the Union.

And I think that is something we seriously need to consider when we have countries in the hemisphere, many of them with 30 to 40 percent or more of the population below the poverty level, and we talk about dealing with those countries, we have been pushing very hard for a Latin American development fund or Latin American social investment fund, whatever you might call it. I think that the Administration should consider that as well, as it deals with its trade issues, some of these standards; what it is that we do to help those countries who may not quite fit the bill, and look at this European model in that context as some of the ways in which we might see common ground as we try to create this hemispheric integration.

Thank you for the opportunity, Mr. Chairman, and I look forward to continuing the dialogue with you, Mr. Ambassador.

Mr. BALLENGER. Congressman Delahunt.

Mr. DELAHUNT. Thank you, Mr. Chairman. Again, I want to associate myself with the observations made by Mr. Menendez, particularly in terms of the European model. It is a very interesting concept, and I don't know whether it has been considered, Mr. Ambassador. And let me put that in the form of a question: Have you considered the European model in terms of FTAA?

Mr. ALLGEIER. Well, not a precise carbon copy—

Mr. DELAHUNT. With appropriate adjustments—

Mr. ALLGEIER. Right. Certain aspects of it, in the following sense. We are at an early stage. We are still negotiating this as opposed to having a full institution in place, but this is in the context—the FTAA is being negotiated in the context of the Summit of the Americas, and the Summit of the Americas has a very full program of cooperation and assistance in a wide variety of areas—in environmental protection, in the area of labor, in the area of judicial reform and strengthening, in the area of press freedom, for example. So it is part of the overall fabric of creating a more cohesive hemisphere, it is not just the trade part, although I think it is fair to say that the FTAA negotiations attract the countries to the broader summit initiatives. So it is a very important part of that.

The other thing is we have had a lot of discussion within the FTAA itself about capacity building, institution building in these countries. Part of that is to help them really to abide by the obligations that would eventually come into place. For example, if you look at government procurement and you want to have a system that is open and nondiscriminatory and predictable, you have got to have institutions in a way of conducting procurement that you can do that, or in customs.

So I certainly wouldn't say we have as elaborate or comprehensive a vision of this as is in place in the European Union, but I think there is a very keen awareness of the differences in—

Mr. DELAHUNT. Well, again, I can tell that there is a flavor of that about in any event, given your response. You know, what I find interesting is—I think that it was you that indicated that somewhere between 45 and 50 percent of our export trade is now with Latin America, and the trade relationship has been growing

significantly between the United States and our hemispheric neighbors.

Getting back to my earlier observation, my question is, has this made any significant difference in terms of living standards in the Latin American countries that we have increased our trade with? Using such standards as median income, levels of poverty, have we seen, for example, a diminution of the level of impoverishment in the nations whom we have increased our trade relationship with, our trade with? Do we have any hard data? Does it exist? Maybe it doesn't exist. And is it in dispute?

Mr. ALLGEIER. I don't think that it is in dispute if you look, for example, at the case of Mexico. But let me give an example of Brazil. Now, we haven't concluded in negotiation with Brazil, but Brazil has gone through quite a lot of economic reform over the last several years, including opening up their economy, first in the Uruguay Round and then somewhat through MERCOSUR. And the evidence there is very clear in terms of the percentage of the population that is below their poverty level and the growth of their middle class. And I think the growth of the middle class in Mexico also supports this. I would certainly be happy to go back to our economic shop and ask them to pull together for you—

Mr. DELAHUNT. I was going to request that.

The same situation is applicable to Argentina; yet Argentina, according to reports that I receive, is an economic basket case at this point in time and the level of poverty in fact has increased since economic reforms have been introduced. Now, maybe that is in terms of the problems of implementation, privatization, without any transparency.

I am not suggesting that I know the answer but there seems—I don't have available to me convincing evidence to establish that the increased trade that we have, absent obviously a multilateral trade arrangement with nations in the hemisphere, has made a damn bit of difference to those societies. And I am warmed to hear that the Administration has embraced a clear relationship between trade and foreign policy, and trade as an instrument of foreign policy, to inculcate democratic values, as we understand them, in these other societies. I think it is very important, but I don't know if we are accomplishing that.

You referenced President Fox, other leaders, Pastrana, et cetera, and I am not even questioning their motives, but I think they have a real problem in terms of dealing with the private sector, particularly those who dominate the private sector, in terms of changing their positions as it relates to what is happening internally.

Again, earlier, I referenced the situation in Guatemala. There are four or five significant economic players in Guatemala. They use their influence to object to a form of taxation that would be fair, that would provide the revenue to create an infrastructure within Guatemala that would allow it to develop a middle class.

I mean, I think we have got to be more aggressive, and I think I saw a comment that was attributed to the President about we are not going to tell people how they can tax. Well, I don't want to tell people how they can do it, but it is time for those who have to contribute to their own society to create opportunity to build the infrastructure that is needed so that a middle class can emerge.

Mr. ALLGEIER. Perhaps I could respond with a reference to a conversation I had just the other day. It was with one of the Ministers within Latin America, and we were talking about an expression of interest on the part of a group of countries for a free trade area with the United States, and we were talking about the other countries in that grouping, and one of the countries, he said, there is a lot of opposition from exactly the sort of elements of society you are talking about, because they know that part of a free trade area would be to open up the kinds of economic activities that are going on and make it out in the light and make it harder for people to use those inside contacts to monopolize the economic assets and activities in the country. And it is very difficult, and free trade can't do it by itself, but it can make a contribution to that, and we are keenly aware of that.

Mr. DELAHUNT. Again, I think it is important and I understand, and obviously there are government-to-government discussions going on, and as I mentioned, I think there is a level of goodwill that we now observe among leaders in hemispheric countries that has not existed before. But at the same time, these governments have to deal with sectors within their own nation states to allow them to create an environment, and whatever leverage the United States can have is important.

The Chairman and I have been to Guatemala on several occasions. Twice now. And in the last conversation that we had, I suggested to him I think an appropriate CODEL is not necessarily to meet with simply government representatives of Guatemala, but with those in the economic class that have to listen to a clear message from the United States that it is time for them to stand up, understand the world is changing, and do they want to be left behind; because I think that is a key component in the answer.

I mean, they talk—if I may, Mr. Chairman, we had a meeting with a number of Parliamentarians from Guatemala, and they evidenced pride that they had reformed their labor laws. But as the Ranking Member says, enforcement is a totally different cat here. On paper that is fine, but I daresay that the enforcement of those new labor standards in Guatemala, there is a long way from the cup to the lip, if you will; and at the same time, there is a clear resistance to any form of tax reform so that the nation can meet its infrastructure needs, and this has got to all be part of it.

Mr. ALLGEIER. Yes. And for us to do that effectively, they obviously—our leadership is important, and the important part of that leadership is for us to be able to carry through on whatever we negotiate. And that gets us, I think, back to trade promotion authority and how helpful that is, how important that is for us to exercise this kind of broad leadership.

Mr. DELAHUNT. If you have the enforcement—

Mr. ALLGEIER. Understood.

Mr. BALLENGER. Congressman Smith.

Mr. SMITH. When might you bring to Congress a bilateral trade agreement with Chile?

Mr. ALLGEIER. Well, the target date we have been given by our President and President Lagos is to complete the negotiations in this calendar year. So that would mean it could not happen until next calendar year as far as bringing it to Congress.

Mr. SMITH. So is that the intention, to bring a bilateral trade agreement with Chile to Washington? I talked to the Trade Ambassador 2 years ago, and they said they were ready to go then. I am wondering if you are holding out for some kind of fast track legislation or if you are going to do it.

Mr. ALLGEIER. We are negotiating the agreement as rapidly but as carefully as we can. There is no holding back. But realistically it will be quite a challenge for us to complete a good agreement in this calendar year. That is what we are aiming to do.

Mr. SMITH. Let me ask, if we do open up more free trade with the whole Americas, has there been an analysis or evaluation of the increased complications on drug trafficking?

Mr. ALLGEIER. That is something that is—the whole question of Customs procedures is an important element in the negotiation both with Chile and then of course with the FTAA. We try to have as much integrity as possible to the Customs procedures, but we do not negotiate, specifically, enforcement of illicit materials going through—

Mr. SMITH. So, specifically, has there been some kind of an analysis or evaluation? Obviously, it is going to make it easier to move some of those drugs to mix in with normal commerce—at least it has happened in other areas—and I am just wondering if there has been some kind of a formal evaluation or analysis and how that has worked into the mix of the whole negotiations.

Mr. ALLGEIER. I have not seen any detailed analysis, if there are projections of what the impact would be on efforts to bring in illicit materials. I do know that in the context of the Customs negotiations we do, we work very closely with Customs so that they are able to maintain whatever risk assessment procedures they use in clearing goods and so forth, so that their enforcement activities are in no way compromised by anything that we would negotiate in this sort of a trade agreement.

Mr. SMITH. Mr. Chairman, I might have to apologize, maybe this has been asked earlier. But under FTAA, what specific industries and types of business would profit and benefit in the United States, and which specific industries or businesses would lose out because they might be more labor intensive or whatever?

Mr. ALLGEIER. Well, the International Trade Commission has done an overall probable economic effects, and that is much more detailed than I could get into today. However, we believe that across the economy in all sectors there are opportunities that would be created by the FTAA, whether it is the service industries or agriculture or manufacturing. Whether a particular industry or sector would on balance benefit or lose, at this point I really can't say with a lot of detail.

Mr. SMITH. What agricultural commodities would countries use their scarce resources to buy, if I put that question—

Mr. ALLGEIER. Well, poultry, for example. Poultry is typically an agricultural product that has difficulty getting access to foreign markets and one in which we are very competitive; so that would be one. Really, the horticultural products, meat products—

Mr. SMITH. Horticultural?

Mr. ALLGEIER. Fruits and vegetables.

Mr. SMITH. My understanding is that a lot of those countries are already pretty aggressive in horticulture, in fruits and vegetables.

Mr. ALLGEIER. Some of them are. But, for example, apples are a product which are a very competitive export product in the United States and that face barriers in a number of these countries. So that would be the type of fruit, for example, that we could look to see expanded opportunities for.

Mr. SMITH. Is it fair to say that labor-intensive industry in the United States would be somewhat more vulnerable under FTAA?

Mr. ALLGEIER. We would have to look at what are the other competitive factors in an industry. For example, even in labor-intensive industries, our distribution network is much more efficient than the distribution networks of other countries. Our sanitary and phytosanitary standards and practices are superior to many other countries, most countries. So there are those other factors which also weigh in the attractiveness of the product or the efficiency with which we can get a product to another—

Mr. SMITH. No. I sort of moved away from agriculture—

Mr. ALLGEIER. No. Even in agriculture, I think that is the case at least in certain areas.

Mr. SMITH. Mr. Chairman, this is my last question. These economies are relatively poor, and average low income, et cetera, and free trade is going to tend to give them greater economic opportunities, which will increase their standard of living. Once that standard of living is increased, there is going to be a greater demand for the higher protein products and some of the things that we might sell them. How long will it take, in your opinion, for that evolution to a stronger economy and an ability to pay for some of the products that the United States might send that way? Does this take 2 years, 4 years, 10 years?

Mr. ALLGEIER. Well, I think we already see, in certain segments, elements of that. For example, processed foods. Of course, we are very efficient in providing processed foods and, frankly, the way we advertise and distribute processed foods. And we already see in countries, the more advanced countries such as Brazil and Mexico, but even in middle size economies such as the Andean countries, there is a growing market for these sorts of processed foods. And that reflects, in part, growing economic welfare, at least among a certain segment of the economy, and it also represents American influence, cultural and advertising, frankly. So we already see that to some extent.

Mr. SMITH. Mr. Allgeier, thank you. Thank you, Mr. Chairman.

Mr. BALLENGER. Mr. Crowley.

Mr. CROWLEY. Thank you, Mr. Chairman. Ambassador, I wasn't here when NAFTA passed, but for Members who voted against NAFTA and would perceive this as an expansion of NAFTA, what do you say to those individuals who fear, following up on the question before, loss of industry or loss of potential industry here in the United States and their constituencies?

Mr. ALLGEIER. I think the short answer is we believe that NAFTA has been a success; that it has expanded not only opportunities but actual trade between the United States and Mexico and, of course, Canada, in both directions, and that the evaluations that

have been done show that NAFTA has been a very, very substantial success in our economic performance and in Mexico.

Mr. CROWLEY. I guess the argument could be made, then, not in every district?

Mr. ALLGEIER. That is true.

Mr. CROWLEY. And that is the question I have for you. For instance, in my district when we had Swingline factory, they closed up shop and moved to the Mohave Desert, an evaporation of 400-plus jobs, and those individuals, at least to my understanding, have not fully been replaced back into the market. What do we say to them, not only myself, but to some of those districts like that?

Mr. ALLGEIER. Well, there is no doubt that there is change in the economy both due to trade and also other factors, and nobody can say there will not be a single job that will be displaced as a result of a trade agreement. The question is whether more jobs are displaced in the absence of a trade agreement. And as Representative Menendez was saying while he was here, we do need to look more closely at how we respond to individuals or communities or enterprises that find themselves unable to compete in an international marketplace. And we don't have all of the answers to that, but we do need to work with individuals to help them make transitions and have their children make transitions to jobs that will be more enduring and, we hope, provide a higher income. Exports do, on average in the manufacturing sector, garner a higher rate of income for their workers. It is roughly 13 percent higher than other manufacturing jobs.

Mr. CROWLEY. Thank you. Thank you, Mr. Chairman.

Mr. BALLENGER. Ambassador Allgeier, I think we all have our hands full in the effort that we are going to put forth. And somewhere, somehow, if some of our great economists would come out with a word saying that all of these layoffs and so forth that are taking place are not caused by NAFTA—I think in my lifetime, and I hate to admit how old I am, but I think I have been through ten recessions in my life, and I think the layoffs are much more rapid this time. I think because of the computer age, people can see their inventories go up and down rapidly, and when you see something get out of whack, you can turn it off real quick, which means you lay off people.

In the old days, we spent a great deal of time dividing the time we had with the jobs we had left. We would divide them and say, you be off next week and you sign up, and we will switch back the next week. And because of our inability to measure our customers—at the present time, my own company, I am wired into my customers so that they know what their inventory is in my plant and I know what the inventory is in their plant, and you can immediately see the need to cut down on your production.

But somehow, somewhere, it still goes back to—I think Mr. Crowley stated it. People are scared to death of these layoffs being caused by NAFTA, which to a very large extent I think NAFTA doesn't have anything to do with. But could you get somebody in the news media to come out with some great statement that NAFTA is still working in spite of the fact that people are getting laid off? And I am sure in the electronic age, the people who bid the market up so high in dot-coms and whatever else you want to

talk about, that was going to collapse anyhow no matter what kind of a trade operation we had.

I don't know how we can get the point across, but the difficulty we are going to have here in Congress is persuading some of the people—like Mr. Crowley, that have a group of folks back home that are pretty angry—I have got them in my hometown, too—before we go ahead with anything great and wonderful here in Washington. I don't know how you go about that, but it would be great and wonderful if somehow that point could be brought forward to the American people.

Mr. ALLGEIER. Yes.

Mr. BALLENGER. You don't need to answer that. I was just preaching. And I would like to say thanks, everybody, for being here. I don't know whether anybody else has a word.

Mr. DELAHUNT. Could I just ask several questions? In terms of the questions I posed earlier, I wonder if your office could provide the Committee with the level of increased trade, by country, and the median income 5 years ago, 3 years ago and today? I am trying to keep it—obviously, I am trying to keep it simple, not simply because I am simple-minded, but because I really think that—

Mr. CROWLEY. It is on the record.

Mr. DELAHUNT. It has been on the record for almost 60 years, Mr. Crowley.

But I think it is important that if there is to be serious consideration—and you have heard the concerns expressed by other Members—of where we go in terms of all of the issues of trade, that the benefits of trade and how they are dispersed takes on a new prominence, rather than simply referring to statistics that show that trade is increased. Well, that simply is not enough.

I guess that is it, as far as I am concerned, Mr. Chairman, and I am grateful, Mr. Ambassador, for your coming here and having this conversation with us this morning.

Mr. ALLGEIER. Thank you very much. I will be happy to ask our economics office—and if they have to work with other agencies to do so, to provide you with the kind of material that you have—

Mr. DELAHUNT. While things come to mind, is there a compendium, or could you also provide the tax structure in English, very simple, and the amounts of revenue that are raised in these countries? And, again, I think the collection of—Mr. Menendez was focusing on enforcement mechanisms—and the collection of taxes is important. If there is not sufficient infrastructure, it just will not be happening. It just isn't going to work in terms of the creation of genuine democratic institutions. But also the infrastructure needs, such as education, such as transportation, et cetera, that have to be in place if we are going to have a viable, dynamic middle class which eventually accrues to the benefit of these countries that traditionally have relied so much on exports to create internally a domestic market for themselves, in a market in which we can compete with our exports.

Mr. BALLENGER. Let me back him up on the first request. But on the second request, having been involved in it for 35 years, every country I go to has got some sneaky way of figuring out, well, the country itself collects all the taxes and the cities have to live on what the government gives to them, or in some areas the cities

have their own tax base. There are about 40 or 50 different ways you can do that. I don't know whether you can get the actual statistics, but it wouldn't be a bad idea to say what different ways each one collects, because that would be very simple, and there is a great variation in the ways that different governments raise their money to operate on.

And, again, let me thank you profusely for coming and wish you all the luck in the world; because if you don't have any luck, neither do we.

Mr. ALLGEIER. Thank you very much, Mr. Chairman, and the other Members.

Mr. BALLENGER. The meeting is adjourned.

[Whereupon, at 11:45 a.m., the Subcommittee was adjourned.]

A P P E N D I X

MATERIAL SUBMITTED FOR THE HEARING RECORD

PREPARED STATEMENT OF THE HONORABLE HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, COMMITTEE ON INTERNATIONAL RELATIONS

I take great pleasure in appearing this morning to lend my voice in strong support for a Free Trade Area of the Americas, FTAA. The Subcommittee Chairman, my good friend and colleague Cass Ballenger, and I had the privilege of leading a Congressional Delegation to Brazil, Argentina and Chile in April of this year.

In our meetings with numerous officials and private sector representatives, we witnessed first-hand the importance of the FTAA, not only in building closer ties among the peoples and governments of the Americas but also in creating a set of opportunities for rising living standards and for the realization of a two centuries old dream of a hemisphere united in democracy and peace.

Our economic and political aspirations in the Americas go hand in hand today as much as they did when Simon Bolivar first convened the "Congress of Panama" in 1826 to promote a vision of a united, democratic Americas.

President George W. Bush indicated in his first days in office that he foresees that this will be the "Century of the Americas." Accordingly, President Bush has placed the nations of the Western Hemisphere in the front ranks of our country's foreign policy concerns.

"The Century of the Americas" will need the economic engine of a free trade system that links all of our nations—from the Straights of Magellan to the Aurora Borealis—in a market of more than 800 million people producing more than \$11 trillion in goods and services.

To be sure, we must pursue market-based economic policies that unlock the genius of our peoples and permit them to reap the benefits of their entrepreneurship and labor. But, we must not forget that the FTAA Declaration of Principles first voiced at the 1994 Summit of the Americas in Miami, and reaffirmed in April in Quebec City, commits the member nations of our hemispheric community to nurture and uphold representative democracy.

We need to give the president the trade promotion authority he needs to enable our witness, Associate Trade Representative Peter Allgeier and other USTR officials, the opportunity to finalize this historic undertaking of creating the FTAA.

Without the Trade Promotion Authority, there will be no FTAA. It is as simple as that.

I am hopeful that this hearing will illuminate the opportunities, benefits and challenges that await as we forge the basis for the Century of the Americas.

TRADE WITH MEXICO: BEFORE AND AFTER NAFTA***Question:**

Please provide statistics for trade between the United States and Mexico before and after NAFTA was initiated, specifically for 1994, 1997, and 2000. It would be helpful to receive an overview of exports and imports between the United States and Mexico for these years, including a breakdown which highlights agricultural trade.

Answer:**Merchandise Trade**

When the Congress approved NAFTA in 1993, trade between the United States and Mexico totaled \$81 billion. Last year, our trade hit \$247 billion – nearly half a million dollars per minute. U.S. exports to Mexico soared 167 percent between 1993 and 2000; U.S. exports to countries outside NAFTA grew at roughly one-third this rate. Today we export more to Mexico than to Britain, France, Germany and Italy combined.

Canada, our other NAFTA partner, has long been the largest U.S. export market and trading partner. Since the passage of NAFTA, Mexico has become our second largest export market (since 1997) and our second largest trading partner (since 1999.) Traditionally, Mexico has been our third largest source of goods imports (since 1989) behind Canada and Japan. Today Mexico accounts for 14 percent of U.S. exports and 11 percent of U.S. imports.

U.S. Goods Trade with Mexico (in billions of U.S. dollars)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Trade Balance.....	1.7	1.3	-15.8	-17.5	-14.5	-15.9	-22.8	-24.6
U.S. Exports.....	41.6	50.8	46.3	56.8	71.4	78.8	86.9	111.3
U.S. Imports.....	39.9	49.5	62.1	74.3	85.9	94.6	109.7	135.9

Agricultural Trade

Two-way trade in agricultural products between the United States and Mexico has increased 87 percent since NAFTA, reaching \$11.6 billion in 2000. Record levels of U.S. exports to Mexico in 2000 include red meats, processed fruits and vegetables, poultry meat, snack foods, fresh fruits, feeds and fodder, and rice. This broad cross section of commodities suggests that the benefits of NAFTA are widely distributed across U.S. agriculture. Together, Mexico and Canada (with imports of \$6.5 and \$7.6 billion respectively) purchased over 25 percent of total U.S. agricultural exports in 2000, making access to NAFTA markets critical for American farmers.

** Note: NAFTA's implementation began on January 1, 1994. Consequently, comparisons of trade flows pre- and post- NAFTA typically examine the change since 1993.*

U.S. Agricultural Trade with Mexico (in billions of U.S. dollars)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Trade Balance.....	0.8	1.6	-0.3	1.7	1.1	1.5	0.8	1.4
U.S. Exports.....	3.5	4.5	3.5	5.4	5.1	6.1	5.6	6.5
U.S. Imports.....	2.7	2.9	3.8	3.7	4.0	4.6	4.8	5.1

Source: 1993-1999, U.S. Department of Commerce; 2000, U.S. Department of Agriculture

Services Trade

Trade in services with Mexico accounts for slightly more than 10 percent of the level of our merchandise trade with Mexico. U.S. services exports to Mexico reached a record \$12.5 billion in 1999, and were \$2 billion higher than 1993 levels. Other private services (business, professional and technical services) and the travel categories account for most of U.S. exports of services to Mexico.

U.S. services imports from Mexico decreased slightly in 1999 to \$9.8 billion, but were \$2.4 billion higher than 1993 levels. Travel accounts for most of U.S. imports of services from Mexico.

U.S. Services Trade with Mexico (in billions of U.S. dollars)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Trade Balance.....	3.1	3.5	0.8	0.5	1.0	1.8	2.8
U.S. Exports.....	10.5	11.3	8.7	9.4	10.8	11.7	12.5
U.S. Imports.....	7.4	7.8	7.9	8.9	9.8	9.9	9.8

NOTE: Refers to private services trade not including U.S. military sales, direct defense expenditures and other miscellaneous U.S. government services. Data available only through 1999.

Revised 8-9-01

MEDIAN INCOMES**Question:**

Please provide the median incomes (in U.S. dollars, adjusted for inflation) for the nations of the Western Hemisphere (including the United States) for 1996, 1998, and 2000 or 2001, if possible.

Answer:

While time series data on inflation-adjusted median incomes for the countries of the Western Hemisphere are not readily available within the U.S. government, we have provided a commonly used data series for inter-temporal and cross-country comparisons of real incomes and living standards: average per capita gross domestic product (GDP) at constant (1999) prices, converted to U.S. dollars at purchasing-power-parity exchange rates. The table which follows provides these data for the nations of the Western Hemisphere for each year from 1990-2000. Data for 2000 are forecasts; for preceding years the data are historical. (Data derived from the World Bank.)

Three notable features of these data are: (1) in contrast to the 1980s, there was a general rise in per capita income in Latin America during the 1990s as the region was pursuing economic reforms and trade liberalization; (2) these income gains slowed or declined toward the end of the decade in parallel with the general economic slowdown in the region; and (3) the stellar performance of Chile, arguably the most open Latin economy, which increased its per capita income by almost 50 percent over the decade.

More generally, a limited body of economic literature has looked at various aspects of free trade in the Western Hemisphere and has shown a link between the elimination of trade barriers and positive effects on income and welfare. This is not surprising since trade liberalizing agreements remove restrictions on trade, allowing each country to increase production of exportable goods and services in whose production capital and labor resources tend to be used more efficiently. The increase in average labor productivity and real income is further extended by the benefits of lower prices and greater choice for household and business consumers and the expectation that trade liberalization is likely to contribute to an enhanced rate of economic growth.

Looking on a global basis, research conducted by David Dollar and Aart Kraay at the World Bank compares developing countries that participate more in trade (accounting for 50% of developing world population) with other developing countries (the study is enclosed).¹ They found that from the 1970s to the 1990s, growth rates accelerated for the globalizing developing countries while they decelerated for non-globalizing developing countries. In the 1990s, per capita incomes grew 5.1 percent for globalizing developing countries, but declined by 1.1 percent for non-globalizing developing countries. The World Bank study also found that the successful developing nations that opened to trade had cut their average tariffs three times more (by 34 percentage points) than was the case for non-globalizing developing countries (cut by 11 percentage points) between the mid-1980s and late 1990s. The trade share of GDP doubled for the globalizers between the late-1970s and the

¹David Dollar and Aart Kraay, "Trade, Growth and Poverty," Development Research Group, World Bank, January 2001.

late-1990s, while the trade share for non-globalizers actually fell by 12 percent.

Relevant to the income distribution concern raised by the Subcommittee, the study discounted the argument that trade and growth only benefit a wealthy few; it found that the acceleration of growth rates that accompanied expanded trade in the globalizing countries generally translated into proportionate increases in the incomes of the poor. Absolute poverty in the globalizing developing countries – those nations that cut tariffs and opened to trade – dropped sharply in the last 20 years, supporting the view that globalization leads to faster growth and poverty reduction.



Western Hemisphere	14,472.9	14,338.5	14,530.7	14,695.3	15,116.0	15,238.4	15,554.5	16,063.2	16,440.0	16,750.9	16,550.8
North America	22,861.7	22,872.4	23,089.1	23,276.7	23,938.7	24,130.9	24,714.8	25,548.3	26,369.7	27,188.6	26,880.0
United States	28,014.2	27,956.4	28,270.5	28,535.5	29,495.6	30,109.2	30,895.3	31,895.4	32,975.2	34,046.6	33,746.2
Canada	23,723.3	23,051.6	22,687.6	23,069.9	23,730.6	23,984.2	23,965.8	24,064.8	23,249.0	24,121.0	23,692.9
Mexico	7,766.8	7,916.4	7,963.9	7,962.9	8,091.1	7,930.5	7,977.3	8,066.5	8,307.9	8,475.9	8,345.5
Latin America (w/Mexico)	6,210.6	6,296.0	6,328.6	6,434.3	6,653.8	6,669.5	6,750.3	6,968.2	7,018.1	6,962.6	6,937.7
Latin America (no Mexico)	5,537.0	5,911.6	5,947.4	6,097.0	6,316.8	6,413.9	6,504.3	6,706.1	6,710.5	6,562.6	6,479.3
South America	6,289.3	6,396.6	6,444.0	6,619.6	6,863.7	6,864.2	7,062.3	7,307.3	7,285.0	7,095.6	7,004.8
Central America	3,358.3	3,367.4	3,463.3	3,571.5	3,615.3	3,666.5	3,680.7	3,746.0	3,631.4	3,878.9	3,763.6
Caribbean Islands	3,622.0	3,637.1	3,510.1	3,469.8	3,453.7	3,525.5	3,645.8	3,790.4	3,666.2	4,039.6	4,003.2
Argentina	9,480.0	10,185.0	10,921.3	11,429.3	12,198.3	11,952.0	11,970.1	12,845.8	13,184.9	12,626.0	12,479.1
Bahamas	10,638.2	10,356.6	10,205.5	10,333.9	10,531.0	10,691.4	10,989.8	11,231.8	11,428.3	11,979.2	11,864.8
Barbados	12,851.7	12,096.6	11,402.3	11,470.1	11,857.7	11,844.4	12,410.0	12,766.8	13,352.2	13,676.1	13,613.0
Bolivia	2,174.7	2,229.6	2,215.5	2,249.9	2,283.1	2,326.4	2,391.2	2,446.2	2,510.6	2,477.3	2,431.5
Brazil	6,339.5	6,307.7	6,154.0	6,317.3	6,589.4	6,773.7	6,862.8	6,993.9	6,931.5	6,808.2	6,840.0
Chile	6,359.8	6,634.2	7,198.7	7,566.8	7,852.4	8,349.8	8,866.2	9,367.7	9,570.8	9,348.6	9,237.8
Colombia	6,380.8	6,386.5	6,496.6	6,697.3	6,943.3	7,199.1	7,209.1	7,287.0	7,198.5	6,770.5	6,666.3
Costa Rica	5,149.8	5,140.8	5,410.7	5,627.7	5,754.0	5,777.2	5,626.7	5,697.2	5,940.8	6,320.5	6,212.7
Cuba	2,487.0	1,971.3	1,662.9	1,520.7	1,437.0	1,465.7	1,572.5	1,604.4	1,571.8	1,624.7	1,618.2
Dominican Republic	3,756.5	3,710.3	3,928.9	3,978.1	4,086.1	4,159.6	4,367.6	4,687.3	4,933.2	5,243.3	5,157.7
Ecuador	2,993.0	3,069.4	3,104.1	3,083.6	3,154.9	3,156.1	3,141.7	3,184.9	3,131.8	2,842.3	2,784.1
El Salvador	3,696.5	3,755.3	3,866.2	4,099.3	4,267.8	4,458.2	4,449.6	4,580.0	4,619.4	4,652.0	4,565.6
Guatemala	3,132.2	3,158.0	3,219.0	3,252.4	3,291.4	3,360.6	3,366.3	3,418.5	3,502.3	3,526.0	3,436.2
Guyana	2,547.2	2,720.0	2,952.4	3,221.2	3,513.3	3,724.1	4,051.1	4,330.8	4,276.8	4,422.5	4,430.5
Haiti	2,543.2	2,495.1	2,099.5	1,962.1	1,681.7	1,735.7	1,759.4	1,759.8	1,789.7	1,808.4	1,783.7
Honduras	2,553.3	2,566.5	2,636.2	2,721.3	2,807.3	2,834.7	2,656.6	2,715.6	2,721.6	2,614.1	2,548.2
Jamaica	3,784.2	3,789.0	3,829.0	3,825.4	3,826.9	3,824.4	3,740.7	3,637.6	3,589.0	3,596.3	3,588.5
Mexico	7,786.8	7,916.4	7,933.9	7,852.9	8,061.1	7,430.5	7,677.3	8,056.5	8,307.9	8,475.9	8,345.5
Nicaragua	2,462.9	2,347.2	2,277.7	2,209.1	2,223.0	2,252.1	2,298.9	2,357.8	2,443.1	2,508.4	2,452.9
Panama	4,269.4	4,597.2	4,865.9	5,063.8	5,212.8	5,272.8	5,316.3	5,424.6	5,569.3	5,688.6	5,591.6
Paraguay	4,871.5	4,853.0	4,802.1	4,862.2	4,874.1	4,939.1	4,965.3	4,856.9	4,708.1	4,606.4	4,485.9
Peru	3,890.3	3,904.5	3,750.0	3,871.3	4,275.5	4,546.1	4,566.3	4,777.3	4,747.0	4,646.0	4,563.8
Puerto Rico	7,877.2	7,972.9	8,075.0	8,280.1	8,503.6	8,681.0	8,801.7	9,315.3	9,515.2	9,820.9	9,755.0
Suriname	3,067.2	2,951.5	3,044.6	2,924.3	2,873.5	2,961.3	3,132.3	3,280.4	3,161.8	3,457.4	3,434.2
Trinidad	7,055.4	7,245.5	7,108.2	6,980.5	7,262.8	7,526.9	7,781.6	8,064.2	8,455.2	8,851.2	8,893.9
Uruguay	7,544.3	7,708.9	8,259.0	8,410.1	8,776.8	8,507.5	8,863.2	9,249.2	9,608.5	9,222.5	9,152.3
Venezuela	6,514.0	6,976.1	7,228.2	7,095.8	6,759.4	6,773.2	6,539.7	6,742.1	6,579.8	6,005.3	5,908.3

Source: World Bank DATA

TAX STRUCTURES**Question:**

Please provide a brief, readable overview of the tax structures employed by the countries of Central and South America and Mexico.

Answer:

Attached are a series of data tables that provide an overview of the tax structures employed in the Western Hemisphere. The first table provides a snapshot of the relative tax burden (tax revenues as a percent of GDP) by country for the period 1995 to 1999 (latest available). Subsequent tables provide detailed information regarding the sources of this tax revenue: taxes on international trade; goods and services; income, profits and capital gains; social security; and other taxes. The last table provides data on non-tax sources of revenue as well.

For a fuller discussion of this material, we may wish to contact the Office of the International Tax Counsel at the US Treasury Department.

Tax revenue (% of GDP)

compiled by the Development Information Services, USAID, from the World Bank, World Development Indicators 2001

Country Name	1995	1996	1997	1998	1999
Antigua and Barbuda	..	..	..	..	..
Argentina	12.9	12.1	12.4	12.6	..
Aruba	..	..	..	..	..
Bahamas, The	17.7	16.4	16.7	16.3	17.4
Barbados	..	..	..	..	..
Belize	..	..	..	..	..
Bolivia	10.9	14.6	15.0	15.1	13.9
Brazil	..	..	19.9	..	..
Cayman Islands	..	..	..	..	..
Chile	18.4	19.8	19.4	19.2	18.4
Colombia	9.7	10.1	10.8	10.5	10.6
Costa Rica	17.5	18.1	18.4	18.5	18.4
Cuba	..	..	..	..	..
Dominica	..	..	..	..	..
Dominican Republic	14.6	13.9	15.5	15.7	..
Ecuador	..	..	..	..	..
El Salvador	..	..	..	12.1	12.6
Grenada	23.1	..	..	..	..
Guatemala	..	..	..	..	..
Guyana	..	..	..	..	..
Haiti	..	..	..	..	..
Honduras	..	..	..	..	..
Jamaica	..	..	..	..	..
Mexico	12.8	12.7	13.0	11.7	..
Netherlands Antilles	..	..	..	..	..
Nicaragua	23.9	..	..	..	..
Panama	17.2	16.4	18.4	17.2	..
Paraguay	..	..	..	..	..
Peru	14.9	15.3	15.5	15.1	13.8
Puerto Rico	..	..	..	..	..
St. Kitts and Nevis	..	..	..	..	..
St. Lucia	..	..	..	..	..
St. Vincent and the Grenadines	24.5	25.3	26.1	26.8	26.2
Suriname	..	..	..	..	..
Trinidad and Tobago	23.3	..	..	..	..
Uruguay	25.5	25.9	27.0	27.8	24.7
Venezuela, RB	13.2	13.8	17.3	11.6	12.8
Virgin Islands (U.S.)	..	..	..	..	..
United States	18.0	18.4	18.8	19.4	19.5

Taxes on international trade (% of current revenue)

compiled by the Development Information Services, USAID, from the World Bank, World Development Indicators 2001

Country Name	1995	1996	1997	1998	1999
Antigua and Barbuda	..	..	..	..	..
Argentina	5.2	6.6	7.6	6.6	..
Aruba	..	..	..	..	..
Bahamas, The	57.3	57.4	58.6	57.3	56.7
Barbados	..	..	..	..	..
Belize	..	..	..	..	..
Bolivia	6.7	5.9	6.7	6.8	6.0
Brazil	..	..	2.5	..	..
Cayman Islands	..	..	..	..	..
Chile	9.3	9.3	8.4	7.9	6.9
Colombia	9.2	7.6	8.1	9.9	7.3
Costa Rica	15.0	8.4	9.2	8.5	5.7
Cuba	..	..	..	..	..
Dominica	..	..	..	..	..
Dominican Republic	36.6	36.8	36.1	37.2	..
Ecuador	..	..	..	..	..
El Salvador	..	..	..	8.1	8.4
Grenada	18.2	..	..	..	..
Guatemala	..	..	..	..	..
Guyana	..	..	..	..	..
Haiti	..	..	..	..	..
Honduras	..	..	..	..	..
Jamaica	..	..	..	..	..
Mexico	4.0	3.9	3.9	4.3	..
Netherlands Antilles	39.2	..	..	..	..
Nicaragua	20.9	..	..	..	..
Panama	..	..	..	..	..
Paraguay	..	..	..	..	..
Peru	10.3	9.4	8.8	9.7	9.7
Puerto Rico	..	..	..	..	..
St. Kitts and Nevis	..	..	..	..	..
St. Lucia	..	..	..	..	..
St. Vincent and the Grenadines	42.2	39.5	41.2	41.1	40.7
Suriname	..	..	..	..	..
Trinidad and Tobago	5.7	..	..	..	..
Uruguay	3.5	3.5	3.6	3.7	3.6
Venezuela, RB	9.2	6.9	6.8	11.0	9.7
Virgin Islands (U.S.)	..	..	..	..	..
United States	1.4	1.2	1.1	1.1	1.0

Taxes on goods and services (% of current revenue)

compiled by the Development Information Services, USAID, from the World Bank, World Development Indicators 2001

Country Name	1995	1996	1997	1998	1999
Antigua and Barbuda	..	..	..	..	..
Argentina	36.5	39.3	40.8	41.8	..
Aruba	..	..	..	..	..
Bahamas, The	1.4	1.6	1.4	1.7	1.2
Barbados	..	..	..	..	..
Belize	..	..	..	..	..
Bolivia	39.7	49.4	52.0	49.7	44.3
Brazil	..	..	22.6	..	..
Cayman Islands	..	..	..	..	..
Chile	45.4	46.3	46.3	46.5	46.9
Colombia	40.9	44.6	42.8	42.5	39.3
Costa Rica	32.6	40.0	39.7	40.1	38.8
Cuba	..	..	..	..	..
Dominica	..	..	..	..	..
Dominican Republic	33.9	33.8	34.4	35.4	..
Ecuador	..	..	..	..	..
El Salvador	..	..	..	40.5	40.3
Grenada	45.3	..	..	..	..
Guatemala	..	..	..	..	..
Guyana	..	..	..	..	..
Haiti	..	..	..	..	..
Honduras	..	..	..	..	..
Jamaica	..	..	..	..	..
Mexico	54.3	56.9	59.6	58.8	..
Netherlands Antilles	26.1	..	..	..	..
Nicaragua	42.9	..	..	..	..
Panama	..	..	..	..	..
Paraguay	..	..	..	..	..
Peru	49.7	47.2	49.4	49.0	49.9
Puerto Rico	..	..	..	..	..
St. Kitts and Nevis	..	..	..	..	..
St. Lucia	..	..	..	..	..
St. Vincent and the Grenadines	10.0	10.3	10.3	9.6	10.5
Suriname	..	..	..	..	..
Trinidad and Tobago	26.2	..	..	..	..
Uruguay	32.2	32.9	40.3	39.5	42.5
Venezuela, RB	32.7	27.8	30.2	31.3	30.0
Virgin Islands (U.S.)	..	..	..	..	..
United States	4.0	3.5	3.4	3.1	3.6

Taxes on income, profits and capital gains (% of current revenue)

compiled by the Development Information Services, USAID, from the World Bank, World Development Indicators 2001

Country Name	1995	1996	1997	1998	1999
Antigua and Barbuda	..	..	..	..	..
Argentina	10.3	13.2	13.6	15.9	..
Aruba	..	..	..	..	..
Bahamas, The	0.0	0.0	0.0	0.0	0.0
Barbados	..	..	..	..	..
Belize	..	..	..	..	..
Bolivia	2.5	6.5	7.4	7.5	8.8
Brazil	..	..	16.6	..	..
Cayman Islands	..	..	..	..	..
Chile	17.4	18.5	17.7	18.6	17.0
Colombia	35.6	32.0	34.9	36.8	34.2
Costa Rica	11.1	10.7	10.9	12.0	14.7
Cuba	..	..	..	..	..
Dominica	..	..	..	..	..
Dominican Republic	15.7	16.5	16.5	16.6	..
Ecuador	..	..	..	..	..
El Salvador	..	..	..	19.1	22.8
Grenada	22.9	..	..	..	..
Guatemala	..	..	..	..	..
Guyana	..	..	..	..	..
Haiti	..	..	..	..	..
Honduras	..	..	..	..	..
Jamaica	..	..	..	..	..
Mexico	27.1	26.6	30.9	36.3	..
Netherlands Antilles	0.0	..	..	..	..
Nicaragua	11.1	..	..	..	..
Panama	19.6	18.3	20.8	17.1	..
Paraguay	..	..	..	..	..
Peru	17.0	20.7	20.6	20.5	20.9
Puerto Rico	..	..	..	..	..
St. Kitts and Nevis	..	..	..	..	..
St. Lucia	..	..	..	..	..
St. Vincent and the Grenadines	24.5	25.5	25.6	28.7	26.2
Suriname	..	..	..	..	..
Trinidad and Tobago	50.4	..	..	..	..
Uruguay	9.5	13.2	12.0	12.6	15.2
Venezuela, RB	37.6	38.2	38.8	17.7	21.5
Virgin Islands (U.S.)	..	..	..	..	..
United States	52.1	54.2	55.3	56.6	55.9

Social security taxes (% of current revenue)

compiled by the Development Information Services, USAID, from the World Bank, World Development Indicators

Country Name	1995	1996	1997	1998	1999
Antigua and Barbuda	..	..	..	..	..
Argentina	34.8	30.0	27.4	25.9	..
Aruba	..	..	..	..	..
Bahamas, The	0.0	0.0	0.0	0.0	0.0
Barbados	..	..	..	..	..
Belize	..	..	..	..	..
Bolivia	7.3	13.5	14.3	9.3	11.8
Brazil	..	..	36.3	..	..
Cayman Islands	..	..	..	..	..
Chile	6.1	6.1	6.1	6.4	6.8
Colombia	0.0	0.0	0.0	0.0	0.0
Costa Rica	26.0	27.2	28.7	28.1	29.5
Cuba	..	..	..	..	..
Dominica	..	..	..	..	..
Dominican Republic	3.8	4.1	3.9	4.0	..
Ecuador	..	..	..	..	..
El Salvador	..	..	..	12.2	12.3
Grenada	0.0	..	..	..	..
Guatemala	..	..	..	..	..
Guyana	..	..	..	..	..
Haiti	..	..	..	..	..
Honduras	..	..	..	..	..
Jamaica	..	..	..	..	..
Mexico	13.9	12.6	12.4	11.6	..
Netherlands Antilles	0.0	..	..	..	..
Nicaragua	13.0	..	..	..	..
Panama	16.0	13.6	19.7	18.5	..
Paraguay	..	..	..	..	..
Peru	9.1	8.4	8.3	7.7	7.7
Puerto Rico	..	..	..	..	..
St. Kitts and Nevis	..	..	..	..	..
St. Lucia	..	..	..	..	..
St. Vincent and the Grenadines	5.3	5.3	5.7	6.1	6.1
Suriname	..	..	..	..	..
Trinidad and Tobago	2.1	..	..	..	..
Uruguay	31.3	30.7	29.0	28.7	26.6
Venezuela, RB	4.2	1.6	1.6	4.1	4.5
Virgin Islands (U.S.)	..	..	..	..	..
United States	33.4	33.0	32.1	31.6	31.9

Other taxes (% of current revenue)

compiled by the Development Information Services, USAID, from the World Bank, World Development Indicators 2001

Country Name	1995	1996	1997	1998	1999
Antigua and Barbuda	..	..	..	..	..
Argentina	5.4	3.6	2.0	1.4	..
Aruba	..	..	..	..	..
Bahamas, The	32.5	31.6	30.9	32.1	33.8
Barbados	..	..	..	..	..
Belize	..	..	..	..	..
Bolivia	11.0	9.9	8.2	13.1	13.0
Brazil	..	..	5.2	..	..
Cayman Islands	..	..	..	..	..
Chile	4.6	4.4	4.9	4.2	4.2
Colombia	0.2	0.2	0.1	0.1	4.8
Costa Rica	1.2	1.7	1.0	0.4	0.3
Cuba	..	..	..	..	..
Dominica	..	..	..	..	..
Dominican Republic	0.9	0.9	0.9	1.1	..
Ecuador	..	..	..	..	..
El Salvador	..	..	..	1.2	3.5
Grenada	5.0	..	..	..	..
Guatemala	..	..	..	..	..
Guyana	..	..	..	..	..
Haiti	..	..	..	..	..
Honduras	..	..	..	..	..
Jamaica	..	..	..	..	..
Mexico	1.8	2.1	2.0	1.6	..
Netherlands Antilles	4.8	..	..	..	..
Nicaragua	6.2	..	..	..	..
Panama	3.2	4.1	4.3	4.5	..
Paraguay	..	..	..	..	..
Peru	5.5	4.9	6.0	4.4	1.9
Puerto Rico	..	..	..	..	..
St. Kitts and Nevis	..	..	..	..	..
St. Lucia	..	..	..	..	..
St. Vincent and the Grenadines	4.6	6.2	3.9	4.6	4.1
Suriname	..	..	..	..	..
Trinidad and Tobago	1.4	..	..	..	..
Uruguay	10.4	10.6	11.8	11.6	6.2
Venezuela, RB	0.2	0.1	0.1	3.0	8.0
Virgin Islands (U.S.)	..	..	..	..	..
United States	1.0	1.1	1.2	1.3	1.5

Nontax revenue (% of current revenue)

compiled by the Development Information Services, USAID, from the World Bank, World Development Indicators 2001

Country Name	1995	1996	1997	1998	1999
Antigua and Barbuda	..	..	..	..	..
Argentina	7.8	7.4	8.7	8.4	..
Aruba	..	..	..	..	..
Bahamas, The	9.4	10.2	9.5	10.4	8.6
Barbados	..	..	..	..	..
Belize	..	..	..	..	..
Bolivia	32.8	14.9	11.4	13.6	16.1
Brazil	..	..	16.9	..	..
Cayman Islands	..	..	..	..	..
Chile	17.2	15.4	16.6	16.4	18.2
Colombia	14.0	15.6	14.0	10.6	14.4
Costa Rica	14.2	12.1	10.5	10.9	11.0
Cuba	..	..	..	..	..
Dominica	..	..	..	..	..
Dominican Republic	9.2	7.9	8.2	5.8	..
Ecuador	..	..	..	..	..
El Salvador	..	..	..	19.0	12.5
Grenada	8.6	..	..	..	..
Guatemala	..	..	..	..	..
Guyana	..	..	..	..	..
Haiti	..	..	..	..	..
Honduras	..	..	..	..	..
Jamaica	..	..	..	..	..
Mexico	16.4	16.4	11.5	10.1	..
Netherlands Antilles	29.9	..	..	..	..
Nicaragua	5.9	..	..	..	..
Panama	34.1	37.6	27.6	31.0	..
Paraguay	..	..	..	..	..
Peru	11.9	12.9	12.4	14.6	16.5
Puerto Rico	..	..	..	..	..
St. Kitts and Nevis	..	..	..	..	..
St. Lucia	..	..	..	..	..
St. Vincent and the Grenadines	13.4	13.2	13.3	9.9	12.4
Suriname	..	..	..	..	..
Trinidad and Tobago	14.3	..	..	..	..
Uruguay	7.5	6.7	7.4	7.1	10.0
Venezuela, RB	19.5	29.4	26.9	32.8	26.4
Virgin Islands (U.S.)	..	..	..	..	..
United States	8.1	7.0	7.0	6.2	6.1

