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What is the Real Interest of the United States in an FTAA?

Abstract

This paper offers an overview of the Free Trade Area of the Americas negotiation process, an agreement between 34 American countries which involves tariff elimination, sets of rules on trade in goods, services and capital, standards for investment, intellectual property rights, non-tariff barriers, and rules for dispute settlement. The paper offers examples of adversities to the negotiations such as structural differences, political opposition, and incompatibilities among major players. It identifies possible reasons that push the largest economy of the world toward a free market with Latin American countries. Showing some observations on the results attained by Mexico with North America Free Trade Agreement, it offers a source comparison for the prospective free trade partners. It finally performs considerations on policies that must be handled by Latin American countries in order to benefit from the freer trade with North America.

Trade liberalization is facing a crisis of legitimacy among people around the world, from rural farmers in Latin America to cotton producers in Africa to manufacturing workers in the United States and Europe. Governments can win back public support for new trade agreements, but they must change their current tactics. First, they must stop making empty promises that trade liberalization alone will bring new jobs or clean environments, or stem the flow of illegal migration. Second, they must enhance long-term development and avoid unnecessary setbacks by strengthening their domestic economies' capacity to respond to shocks when exposed to the global marketplace. The needs of developing countries must be taken into account in trade negotiations in meaningful ways that create real opportunities for development and growth, so that these countries' citizens can also become consumers in the global economy. That, in the long-term, is how everyone will achieve greater prosperity.

Endowment

Summary

1 INTRODUCTION

Although during and after the Uruguay Round of the General Agreement in Trade and Tariffs (GATT), regionalism has emerged as an alternative to failure in the multilateral agenda. Actually, regional arrangements have actually been a significant trading element since the 1960s.[1] The non-completed multilateral negotiations of the late 1980s and early 1990s stimulated the richest nations to seek trade areas within respective regions such as the North American Free Trade Agreement (NAFTA), the ASEAN[?] Free Trade Agreement (AFTA), the European Union (EU) and the Common Market of the South (MERCOSUR).

The vision of free trade in the Americas was put forth initially by President George Bush in June 1990. He envisaged the creation of a "free trade system that links all of the Americas: North, Central, and South ... a free trade zone stretching from the port of Anchorage to the *Tierra del Fuego.*"[2] The free trade vision vas enthusiastically received in Latin America.

At the first Summit of the Americas held in Miami in December, 34 American countries (except Cuba) agreed to negotiate their own Free Trade Area by 2005. Like NAFTA, the prospective Free Trade Area of the Americas (FTAA) and growing MERCOSUR emerged as regional trade deals which could be useful sources of leverage toward global trade liberalization, that was struggling with the birth of the World Trade Organization (WTO).

Many see the FTAA as the next important step for Latin American trade opening and an essential element of an export-led development strategy.

Since 2000, President George W. Bush has shown strong interest in regional integration matters. He has recently given several speeches on United States-Latin American relations, for instance, in the Organization of American States (OAS) and in the Inter American Development Bank (IDB), two venues that carry the symbol of multilateralism in hemispheric relations. Robert Zoelick has stated, since he was nominated the U.S. Trade Representative (USTR), that FTAA is a high priority issue of the Bush administration. The United States see three important aspects to this strategy:

[?] Association of Southeast Asian Nations

1) increased Latin America Trade with the large U.S. market; 2) increased trade within the Latin American region; and 3) increased foreign investment.

The big issue would be the model of the trade arrangements that the 34 countries would chose; a model that should reflect outstanding intra-regional differences. No commercial integration process in history has included as heterogeneous a group of countries as the agreement we will be discussing in this article. FTAA – the 800 million people trade agreement – has the remarkable feature of disparity in terms of size, wealth, economic structure and trade capacity of each participant nation. The over 9.000.000 squared kilometers of Canada contrasts with the 460 of Barbados; Mexico's 90 million people population contrasts with less than 270 thousand of Belize; the more than US$ 10 trillion of U.S. Gross Domestic Product (GDP) outweighs Ecuador, with its US$ 18 billion GDP.

In addition to providing a frank perspective on the FTAA for most of the negotiating countries, this paper will focus on clarifying the interests of the largest economy of the world in the FTAA. Why is it important to the United States of America to struggle in an agreement with so many dwarfish countries that is unlikely to lead to significant improvements in U.S. trade figures? How can this agreement be, in the U.S. agenda, such an outstanding and prominent issue? In this paper we will enumerate some plausible answers. We will also try to build an argument through the balance between pros and cons, in order to reach a conclusion that could suggest a feasible path.

The **Chapter 2 – The Process** briefly describes the context in which the negotiations are taking place. **Chapter 3 – FTAA Adversities** presents some limitations that the United States must face to drive the whole process to a deadline by January 2005. **Chapter 4 – The Answers** brings about possible reasons that justify the U.S. effort to achieve an agreement. In **Chapter 5 – Mexican Experience** we show the latest studies about the effects of NAFTA on the Mexican economy, taking into account that Latin American countries should avoid some mistakes or learn from good policies adopted to benefit from free trade. Lastly, suggestions and warnings are offered at **Chapter 6 – What should be done prior to the agreement?** Final considerations are presented ant **Chapter 7– Conclusions**.

2 THE PROCESS

The complexity of the Free Trade Area of the Americas process requires some prior information in order to define the context in which negotiations are taking place. Table 1 shows the chronology of the most important events within which the process has been built.

Table 1 – FTAA process steppingstones

Date	Place	Fact
December, 1994	Miami, USA	First Summit of the Americas, basis launch
June, 1995	Denver, USA	Preparatory Ministerial Meeting, twelve working groups established
March, 1996	Cartagena, Colombia	Preparatory Ministerial Meeting
May, 1997	Belo Horizonte, Brazil	Preparatory Ministerial Meeting
March, 1998	San Jose, Costa Rica	Structure of negotiations, general principles and objectives
April, 1998	Santiago, Chile	Second Summit of the Americas, negotiations launched
November, 1999	Toronto, Canada	Fifth Ministerial Meeting, first of formal negotiation
April, 2001	Buenos Aires, Argentina	Sixth Ministerial Meeting, first draft of the agreement presented
April, 2001	Quebec, Canada	Third Summit of the Americas, draft published and deadlines fixed
November, 2002	Quito, Ecuador	Seventh Ministerial Meeting, second draft of the agreement presented;
February, 2003	-	Deadline for initial offers to be presented
July, 2003	-	Deadline for revised offers to be presented
November, 2003	Miami, USA	Eighth Ministerial Meeting
2004	Brazil	Ninth Ministerial Meeting
January, 2005	-	End of Negotiations, signature of the FTAA agreement
December, 2005	-	FTAA comes into effect

It is important to say, by now, that the deadline established for July, 2003, which comprises the presentation of specific offers by prospective partners, was not accomplished. Argentina and Brazil, for example, never presented an offer on specific topics. As stated by Hillary Deveaux, Executive Director for the Securities Commission of the Bahamas "some countries had not presented offers because of technical or political reasons. This, coupled with the use of different modalities and the lack of comprehensiveness of the offers, made it difficult to compare offers that were submitted". He further explained that the use of different negotiating modalities may be contributing to the large number of brackets[*] in the text as countries that support one modality would support words or phrases in the text that connote the use of that modality. He advised "that text that is tabled by countries, but not agreed to by all participating countries, remains in the chapter, but is bracketed."[3]

[*] Brackets are used in the drafts to remark an issue within which there is no agreement. Congressional Research Service's study Trade in the Americas pointed out some 7,000 brackets.

The FTAA negotiations are carried out under an agreed structure, based on the rotation of process chairmanship as well as for the chairs of the various negotiations groups and committees. The countries on Table 2 were designated to serve as chairs and vice-chairs of the overall FTAA process for successive periods during the negotiations:

Table 2 – Chairmanship of the FTAA process

Date	Chair	Vice-Chair
May 1, 1998 – October 31, 1999	Canada	Argentina
November 1, 1999 - April 30, 2001	Argentina	Ecuador
May 1, 2001 – October 31, 2002	Ecuador	Chile
November 1, 2002 - conclusion of the negotiations	Brazil and United States	

The first level of decisions is exercised during the **Chief of States Summits** that happens at leas once every two years, at least. The ministers responsible for trade of each member country exercise the ultimate oversight and management of the negotiations, at the **Trade Negotiations Committee (TNC)**, following the guidelines determined during summits. The TNC guides the work of the negotiating groups (see below) and decides on the overall architecture of the agreement and institutional issues. The TNC is also responsible for ensuring the participation of all the countries in the process, ensuring transparency in the negotiations and overseeing the administrative secretariat. The TNC meets no less than twice a year, at rotating sites.

Nine FTAA Negotiating Groups, which have specific mandates from Ministers and the TNC to negotiate text in the following subject areas, meet regularly throughout the year:

Agriculture
Competition Policy
Dispute Settlement
Government procurements
Intellectual Property Rights
Investment
Market access
Services
Subsidies, Antidumping and Countervailing Duties

Three Groups are responsible for providing support on related issues, set as non-negotiating groups and committee. They are the **Consultative Group on Smaller Economies**, the **Committee of Government Representatives on the Participation of**

Civil Society, and the **Joint Government-Private Sector Committee of Experts on Electronic Commerce**[?].

In addition, a **Technical Committee of Institutional Issues** was created in February, 2002, at the Managua TNC meeting, to consider the overall architecture of an FTAA Agreement. Finally, an ad hoc group of experts was established to report to the TNC on the implementation of the customs-related business facilitation measures agreed upon at Toronto Ministerial meeting in November, 1999.

A Tripartite Committee, which consists of the Inter-American Development Bank (IDB), the Organization of American States (OAS) and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), has been established to provide assistance to the negotiations group.

The official FTAA web site (www.ftaa-alca.org) also provides some technical support needed by members. Information and orientation can be found and shared within databases, instructions, reports, studies, surveys and contacts.

[?] The activities of the Joint Committee on Electronic Commerce was temporally suspended by the Seventh Meeting of Ministers of Trade in Quito.

3 FTAA ADVERSITIES

In this section some arguments will be presented in order to draw a starting point for the discussion. Evidences will be shown that the FTAA has not been an outright accepted proposal.

3.1 A WEAK MARKET

Given the size and strength of the U.S. economy coupled with the vitality of its international trade, the rest of the hemisphere offers a weak market and argues against the establishment of a hemispheric free trade area comprising 34 American countries. The differences between the countries, with regard to the economic power, available infrastruc ture, production diversification, technology development stage, among others, would lead to a disproportional diplomatic effort in order to reach such a complex agreement.

According to the Congressional Budget Office, the NAFTA agreement had almost no effect on the U.S. economy in the case of its trade relations with Mexico. By 2001 the agreement had increased U.S. exports to Mexico only in 11.3%, or 0.12% of the U.S. GDP, and had increased U.S. imports from Mexico 7.7%, or 0.11% of U.S. GDP. The statistical model applied by the CBO has proved that the agreement had almost no effect on the U.S. trade balance with Mexico.[4] Comparatively, FTAA could not produce much different results.

Table 3 shows some figures that depict the weakness of the American market (excluding the United States, Mexico, and Canada). Counted together, the remaining 31 countries economies represent a bit more than 6% of the U.S. international trade which represents, in turn, only 12% of the U.S. GDP.

Table 3 – U.S. trade in 2002

Country/Union	U.S. Exports US$ billion	U.S. Imports US$ billion	Total of U.S. Exports	Total of U.S. Imports
European Union*	143.7	226.1	22.8	19.5
Japan*	51.4	121.5	8.2	10.5
China*	22.1	125.2	3.5	10.8
Canada	142.5	210.5	22.6	18.2
Mexico	86.1	134.1	13.7	11.6
Brazil	11.2	15.6	1.8	1.4
Central America	9.4	11.8	1.5	1.0
Venezuela	4.1	14.4	0.7	1.2
Dominican Republic	4.1	4.2	0.7	0.4
Colombia	3.3	5.4	0.5	0.5
Chile	2.3	3.6	0.4	0.3
Argentina	1.5	3.2	0.2	0.3

Source: Congressional Budget Office – the effects of NAFTA on US-Mexico trade and GDP
* Data extracted from Trade and Economy: Data and Analysis (http://www.ita.doc.gov/td/industry/otea/)

The countries with which the United States is negotiating free trade areas have much smaller trade with the United States than Mexico does. Further, these countries do not share a border with the United States. Regarding geographical features the costs of transportation would be higher, and so the traded goods themselves. Once North American countries were excluded from the numbers, the near-term gains from more open trade with Central and South America would be very modest for the United States.

Given the results of NAFTA one could state that the effects of those free trade areas in discussion over the U.S. trade would be extremely small to justify strong U.S. interest in pursuing an FTAA. Table 4 shows the U.S. international trade to depict how small additional trade agreements would be with developing countries.

Table 4 - U.S. Balance of Payments

(Sept. 2002 to Aug. 2003) US$ millions	
Total Goods & Services	
Exports	993.733
Imports	1.470.894
Balance	(477.161)
Merchandise	-
Exports	694.343
Imports	1.232.150
Balance	(537.807)
Services	-
Exports	299.390
Imports	238.744
Balance	60.646

3.2 POLITICAL AND ECONOMIC INSTABILITY

Some historical events have made up a tradition of political and economic instability in Latin America. Lack of continuity in economic policies, fiscal imbalances, exchange rate instabilities, great changes in national policy direction and a high degree of uncertainty with every new presidential election – when the international community gets fearful about what will happen after results – are examples of undesirable features of the South. Between 2000 and 2002, concerns surfaced once again about the region's reliability as a diplomatic ally and economic partner, specifically as regards Argentina and Venezuela.

Brazilian President Luis Inacio Lula da Silva's election, for instance, was preceded by an undesirable global uncertainty. Every country which had any loans with

Brazil feared the great risk of default, presented by a radical bearded leftist put into power by forty-five million Brazilians, tired of the pressure of an over 65% GDP debt, which pushed the former president Fernando Henrique Cardoso to repeatedly draw primary surpluses. The risk of Brazil's default, calculated by rating agencies, was getting higher and higher as the election got close.

Within the last twenty years, how many economic plans, that resulted in great changes in the economic environment, have been issued? The Brazilian president Fernando Collor's impeachment has showed the world either how to propose a wrong public policy or how easy any policy can be broken down by the Congress. It is clear that scandals like the one played by judge Nicolau dos Santos Neto in Sao Paulo's Regional Labor Tribunal has indirectly affected Brazil's international image.

In spite of not fitting to all Latin American countries, specific bad examples make up the characteristics for the whole region.

3.3 PROCESS COMPLEXITY

The rapidity of the FTAA negotiations contrasts with the length of time with which other processes of integration have been realized. It took Europe more than 30 years to reach the consolidation of the European Community, which started with 6 countries and will soon include 25. The idea of a free trade area in America was born only in early nineties, and stayed idle until 2002, until the Bush administration got the Trade Promotion Authority.

Moreover, the enormous trade negotiation knowledge of the United States collides with the lesser capacity for negotiation of Latin America. The United States has come to every negotiating session with an army of experts from the Department of State, from the U.S. Trade Representative office, from various private sector groups such as the National Association of Manufactures, whereas the other countries have often arrived divided, with insecure positions, without internal consensus, and without knowing what they should defend or aggressively pursue.

Some developing countries like Brazil, Mexico, Chile and Argentina have some experience in dealing with international trade, because of their relative production and exports diversification, some projection into the international market and their practical experience in regional agreements. Many others are not so well prepared even to assess the impact of tariffs reduction on their economies. The lack of expertise (as well as the lack of ability to acquire this expertise) could be understood as a signal that the speed of the process is not at the desired pace.

This difference in negotiation capacity can be shown within the composition of the negotiations groups and related subjects groups and commissions, presented in the official FTAA site on Internet[?]. For each group, the member countries are supposed to appoint at least one specialist to be in the negotiators list. Among the 34 member countries, only 12 have a complete team to move forward in the negotiations. Seven countries have officially presented only one name to be in the official web site. 13 of them not even presented a single name to be in the negotiators lists.

In the seventh ministerial meeting in Quito in November 2002, the trade ministers agreed to launch a Hemispheric Cooperation Program that would provide technical assistance to developing countries to help them to more effectively participate in the FTAA negotiations. The U.S. representative announced that President Bush would seek a 37% (more US$ 140 million) increase in trade capacity-building assistance in February 2003. Nevertheless, to negotiate the FTAA requires a wide experience, much more than what can be learnt in a few months.

In Brazil, for instance, the discussion on the merits and negative aspects of the FTAA is relatively recent. Only in the last months has Brazilian society has realized that the agreement is possible and imminent. The Chamber of Deputies has recently set up a special committee to follow negotiations with the goal of deepening the knowledge about the process. As the deadline of negotiations approaches, some sensitiveness starts to show up. There is no uniform understa nding about the prospective agreement.

3.4 INCOMPATBILITIES

A great division exists in the center of FTAA negotiations between the smaller and the larger economies, where the former has been insisting on special and differential treatment. According to the pr inciples of San Jose Declaration[?*], differential treatment was agreed for a transitional period, on a product-by-product, sector-by-sector, and country-by-country approach, and as a result of the negotiation itself, but with the understanding that the result that obligations at the end of any transition period will be

[?] www.ftaa-alca.org. Annex III of the Ministerial Declaration of Toronto, Canada, has determined the publication of the negotiations team in order to fulfill agreed upon transparency standards.

[?*] In March, 1998, the structure of the FTAA negotiations beyond general principles and objectives was developed.

the same for all participants[5]. That interest stems from some basic motivations: different perceptions of the ability to attract international investment; ability to overcome technological obsolescence to become efficient competitors in the international market; concerns about the capability of the governments to find alternatives to trade tariffs as a source of fiscal income. The feasibility of the FTAA agreement rests greatly on the answers to these challenges.

The presence of a dominant trade partner places further management restrictions on the less stable economies, to the extent that being in a FTA means susceptibility to external factors. While the United States coordinates its macroeconomic policies with other members of Group of Seven, and they account for 80% of the global trade, the United States is not likely to assume similar commitments with countries in Latin America (Salazar-Xirinachs, 1999).

Besides economic and political environment, the two key FTAA countries – The United Stares and Brazil - responsible for coordinating negotiations to the end, remain far apart on key trade issues. Beyond structural imbalances within the negotiation process, there is also discord about an ambitious agenda and a lack of time to level all the disparities that exist between the 34 countries. Since the FTAA process began in 1994, discussion has evolved in an environment full of national sensitiveness in several areas that is observable on both sides.

Recently, Brazil has been proposing a new process that would substantially change the scope of the FTAA by having a number of sensitive issues addressed bilaterally or within the context of WTO. Offers related to intellectual property rights, investments, services and government procurements have not been addressed by Brazil and Argentina, as part of their negotiating strategy in order to change the scope of the FTAA.

Negotiations for the FTAA became even more complicated last September 2003, when the World Trade Organization's talks failed, after a strict position assumed by African countries, led by Botswana. In that occasion, a group of 22 developing countries, leaded by Brazil and China, assumed to face the United States and the European Union, in agricultural matters.

The FTAA process was virtually paralyzed[6] because of those sensitiveness.

One of them is the existence of systemic or global issues that could only be addressed in the World Trade Organization (WTO) forum. The U.S. administration has recognized its disability to consider such an item as agriculture subsidies in the context of the Free Trade Area of the Americas agreement. Nevertheless, WTO talks are not moving forward either.

Table 5 helps to identify the forum of preference in which Brazil and the United States want to reach compromises.

Table 5 – Forum of Preference

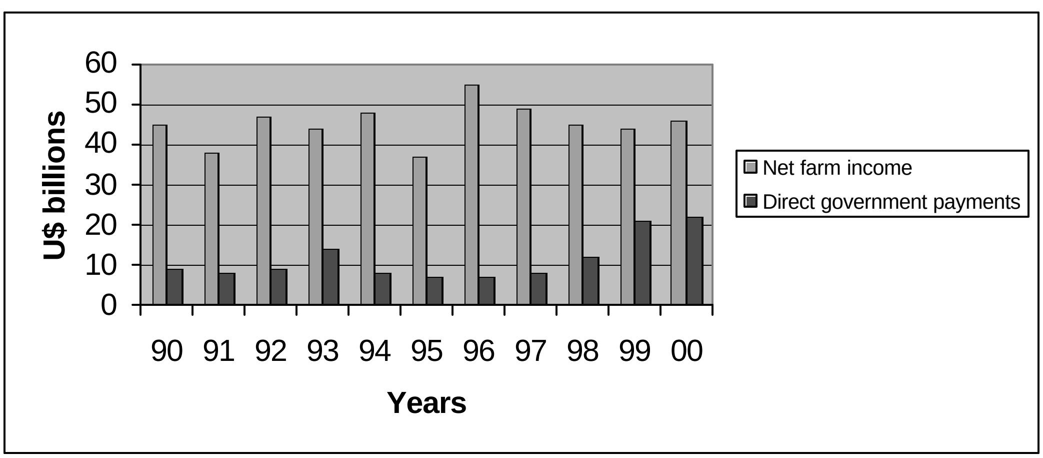
Issue/Country	Brazil	U.S
Subsidies	FTAA	WTO
Intellectual Property Rights	WTO	FTAA
Anti-dumping measures and countervailing duties	FTAA	WTO
Investment	WTO	FTAA
Services	WTO	FTAA
Government Procurements	-	FTAA

3.4.1 Subsidies

The United States, as is true of Europe, seems to be determined to protect agricultural sectors that are deemed crucial for Latin American countries. At the Cancun meting of WTO, the United States and European Union decided "definitely" not to address subsidies in multilateral negotiations[?]. Brazil has made it clear that agricultural domestic support programs and export subsidies need to be addressed in the FTAA, because it knows the deadlock at WTO on those issues.

Graph 1 below, with data extracted from the U.S. Department of Agriculture, shows the history of subsidy support paid to U.S. farmers.

Graph 1 – Farm Subsidies in the United States



[?] Statement of the former president of Brazil conveyed in lecture at Eliot School, in 10/29/03.

Support programs on agriculture have had a major impact on Brazil's ability to export competitive food products into the United States and third countries. They also undercut the ability of Brazilian farmers to compete at home. This same concern is echoed in many other Latin American countries, specifically Mexico, which is experiencing severe problems with respect to its agricultural competitiveness. The United States maintains that this issue must be dealt within the WTO Doha Round, in order to overcome protectionism exercised by European Union and Japan. That position makes major sense to the extent that subsidies affect many countries the same time, not only in America. According to that argument, distortions should be extracted simultaneously.

In reaction to the American position, Brazil opposes addressing in the FTAA process items crucial to the United States, such as intellectual property rights and investment. Along with services and government procurements, those issues represent the center of U.S. interest in negotiating the FTAA.

3.4.2 Intellectual Property Rights

Intellectual Property Rights (IPR) is known to be one of the most sensitive items of negotiations for the United States. The huge amount of investment that it drives to Research & Development[?] must be protected from piracy, copyright, trademark and patent violations. The U.S also wants to assure the payments of royalties to patent owners in case of the use of their patents in the productive process in other countries.

Brazil and others developing countries advocate that the implementation of hemispheric standardized rules about IPR would be harmful to developing countries in the short run, despite the assumption that a well protected and organized IPR system is crucial for development and growth.

Potential benefits include new inventions fostered by higher levels of Research and Development (R & D) at domestic and international levels, and greater technology and foreign investment flow. On the other hand, potential costs include additional administrative and enforcement costs, increased royalty payments, price increases of "knowledge-intensive" products, and the displacement of "pirate" producers. For most developing countries, the short-run impact of strengthening IP is likely to be negative (in welfare terms) as the costs of such a reform precede its dynamic benefits[7].

[?] 2.7% of U.S. Gross Domestic Product, according to the World Bank.

As a matter of fact, Brazil coupled with its partners from MERCOSUR is using IPR to put pressure on negotiations on agriculture subsidies. This point of negotiations if too much stressed could lead to a breakdown in the whole process.

According to the Miami Declaration signed in November, 20th, the FTAA prospective members committed to develop a common and balanced set of rights and obligations applicable to all countries. This generic commitment means that only general guidelines will be ruled, on the bases of WTO's Trade-related Aspects of Intellectual Property Rights (TRIPS) agreement. Any additional commitments will need specific negotiations. FTAA countries will meet in 2004, at Dominican Republic to deal with IPR.

There have been strong arguments by developed countries regarding the lack of enforcement for IPR systems in developing countries.

3.4.3 Anti-Dumping Measures

Brazil also intends to see addressed within the FTAA agenda, one of the most controversial items related to international trade: anti-dumping measures. That is a point of uncertainty. The great players have been using this instrument of international trade to fight what they call unfair competition. Antidumping measures are used whenever a good is offered in an external market at a price under the cost of production or for less than the price in the producer's domestic market, in order to establish a monopoly. It seems like a fair way to avoid irregular practice, but the way the transactions have been classified as dumping is not clear enough, most of times. While waiting for decisions which can take several months, the trade opportunity is lost.

Developing countries have a longstanding desire to discuss criteria for the use of antidumping measures. Such an issue, despite being repeatedly quoted by Brazil and other developing countries, has been avoided by the United States in the FTAA agenda, with the argument that it is a systemic issue.

3.5 INTERNAL OPPOSITION

Not all U.S. citizens have been persuaded by the arguments of economic interests. During the 1990s opponents grew increasingly vociferous [8]. U.S society is deeply divided on trade policy, especially with regard to developing countries. Protectionists, mercantilists, social welfare advocates, and other opponents of freer trade in general and the FTAA in particular have strong influence in the U.S. Congress, which, in turn, has a powerful voice in the making of U.S. trade policy.

Diplomats and merchants have preferred to bid their trades in more powerful and prosperous parts of the world. Trade with European Union and Asian countries has reached over sixty percent of the U.S. international trade. Included in this calculation Canada and Mexico – countries with which the United States is already joined within free trade area – those numbers jump to over ninety five percent. U.S. Congress knows those figures. Aside America and Europe, the United States has a fast growing commercial relation with China. The U.S. trade deficit with China represents the most discussed issue in the foreign affairs agenda, after the war in Iraq, as can be observed on daily news.

The strongest opposition to FTAA comes, however, from the "blue-green" alliance – a coalition between organized labor and many nongovernmental organizations (NGOs) defending environmental protection, human rights, poverty alleviation, and other social concerns. The unionists are worried that FTAA would expose them to competition that they can't bear with low-wage areas (Feinberg, 2002). NGOs are strongly concerned that an American free trade area would cause damage to the environment in the South and Central Americas.

Some domestic critics believe that an FTAA will induce an outflow of American capital to take advantage of much lower wages and weak safety and environmental standards (CRS, 2003). U.S. opponents of an FTAA are concerned that hemispheric free trade would lead to the export of jobs that otherwise would be in the United States. According to these opponents, free trade with poorer countries will put pressure on the United States to lessen its workforce protections and environmental requirements.

Other critics are concerned that an FTAA will inevitably involve the United States in the instabilities, class tensions, and economic turmoil of many southern hemisphere societies.

From a different standpoint, opponents also argue that hemispheric free trade could represent setbacks in achieving a stronger and more open multilateral trading system. Regional trading is not likely to serve the interest of the United States, because the major U.S. commercial interests are in different regions (Asia and Europe). This multilateral agreement could offer far greater economic benefits than regional agreements.

Besides all those generic arguments against the regional trade integration, there are some domestic pressure that comes from specific sectors within the U.S. market through a massive representation in the Congress. To win the first test in the House of Representatives – in order to be granted with the Trade Promotion Authority (TPA) - the Bush administration had to promise temporary import relief for steel manufactures and offer guarantees to the citrus and textile industries. Bush narrowly triumphed by a 215-214 voting process. Twenty five Republicans voted against the TPA, coupled with 189 Democrats[9].

3.5.1 Agriculture

Agriculture is the most protected sector in most economies and for many Latin American countries, agricultural exporting is critical for their economic well being. Historically, it has proven to be among the most difficult areas to liberalize, yet many Latin American countries consider opposing U.S. agricultural subsidies central to any discussion on market access[10].

Agricultural interest groups in the United States have made clear, however, that they are uninterested in negotiating an agricultural subsidies agreement that does not include Europe and Japan. Such agreement seems unlikely to materialize in the near future given the collapse of the September 2003 WTO talks in Cancun, in part because of sensitivities over agricultural issues. Despite the fact that the objection makes much sense, European Union unwillingness to discuss subsidies issues could undermine the whole FTAA negotiation process, eliminating, at least, the single undertaking condition[?].

Without a European Union compromise, the White House is not likely to overcome the power of the agricultural sector, very well represented in Congress. The policy on subsidies creates a dependency which cannot be overridden by external interests (i.e., Latin American interests). In 1999, the United States provided US$ 16.9 billion of trade-distorting domestic support[11]. Other large FTAA countries such as Brazil, Canada and Mexico all spend considerably less in trade-distorting domestic

[?] According to the single undertaking condition, the FTAA agreement must be considered as a single piece, involving all the aspects in discussion.

support. Finally, with the passage of the U.S. Farm Bill of 2002[?], which covers farm spending until the end of 2007, U.S. domestic support for agriculture is projected to increase.

Concessions in this field are unlikely to happen given that George W. Bush is already in campaign for November, 2004 presidential elections.

3.5.2 Citrus

Brazil and the United States share the bulk of the world's production of orange juice. Brazil accounts for about half of the whole output, employing 400,000 people and the U.S producing nearly 35 percent, generating over 90,000 direct jobs in the State of Florida. The greatest part (70%) of Brazilian output of concentrated juice goes to the European Union and only a small amount goes to the U.S. market, due to high protection imposed on imported orange juice concentrate.

The tariff fixed by law charges importers with US$ 418 – over 40% - for each ton of orange juice imported, protecting U.S. growers from competition. That's why Florida growers are worried about the effects of the creation of the FTAA, which carries a proposal of lifting all tariffs in America. Without protection the citrus industry would shrunk, which means more unemployment and a transfer of investment to regions that can manage to produce in a lower price. Because of this market distortion, Brazilian citrus producers are buying up their competitors in Florida, leading one to question for how long the protection will last.

No concessions in fields of agricultural matters are likely to be offered by the Bush administration, at least before the presidential election scheduled for November, 2004. Not only because of unwillingness of President Bush, whose brother is the governor of biggest citrus producer state, but also due to the strong capacity of organization and mobilization of the producers. They are very well represented in Congress.

3.5.3 Steel

The American steel industry plays an aggressive role in keeping high tariffs in order to protect itself from international competition. Protectionist policies started to be

[?] The Farm Security and Rural Investment Act of 2002 (P.L. 107-171, May 13,2002).

applied by the government since the sector started do shrink in early eighties, due to diminishing costs of production in the international market place.

The steel tariff has caused considerable damage to the broader U.S. economy and the U.S. manufacturing community as a whole. According to a February, 2003 study by Joseph Francois and Laura Baughman called “The Unintended Consequences of the U.S. Steel Import Tariff”, 200,000 Americans lost their jobs due to higher steel prices during 2002. Despite the strong technical argument that protection causes unemployment, political strategy has forced administration’s hand[12].

Despite the strength of steel sector in pushing for protection, the pressure from abroad as well as from other national industry sectors managed to be unbearable for the administration. The WTO ruled as illegal the U.S. protection provided to the steel industry through safeguard tariffs the U.S. imposed on steel imports from various countries in 2002 and the European Union threatened retaliation that can result in more than US$ 4 billion in tariffs on U.S exports to the EU. The pressure from the domestic manufacturing sector in the U.S., which is an intensive consumer of steel, was also considered by the Bush administration in deciding to eliminate the safeguard tariffs on foreign steel. The decision was made in December 4th.

4 THE ANSWERS

In this section we will discuss some arguments in order to answer the question proposed in this article. Despite the obstacles listed in the preceding chapter, the reasons presented below, supported by referred bibliography, seem convincing enough to be considered as true.

The U.S. interest in forming an FTAA comes, in part, from the broad U.S. goal of fostering economic and political stability in the Western Hemisphere and from a desire to secure more open and transparent rules for U.S. trade and investment in the rapidly growing markets of Latin America. An FTAA, like all other trade arrangements, could help the countries in the region "lock in" the economic reforms they have already adopted, improving the long-term outlook for growth and stability in the hemisphere, and deepen the trade liberalization that is already taking place. It could simplify the complex system of regional and bilateral trade preferences that is emerging in the hemisphere. It would also ensure that U.S. exporters gain or retain access to regional markets on a basis comparable to other exporters[13].

The answers for the question *What are the real interests of the United States in an FTAA?* Can be summarized as 1) to get political support, from diplomatic partners, for its foreign policy; 2) to seek regional stability; 3) to foster the multilateral agenda at the WTO; 4) to set an efficient intellectual property rights system around the Americas; and 5) to expand U.S. international trade. Each of them is discussed below.

4.1 FOREIGN POLICY

On issues from counter-narcotics to counter-terrorism, environmental protection to energy cooperation, free trade is widely understood as generating positive externalities or spillover effects in diplomatic negotiations. Countries linked together in a Free Trade Area can serve as useful allies in global forums, whether in the World Trade Organization (WTO) or United Nations or elsewhere (Feinberg, 2002).

Since the Second World War, the United States, as was true of Great Britain during the latter part of nineteenth century, has been adopting foreign policy as a means of inducing other countries to accept its political leadership in the world. By strengthening an economically free world through trade and aid policies its major international political objective in the middle of 20th century was to limit the spread of Communism. Since the end of the Cold War, the United States now has to manage to keep good relations with its former adversaries from Eastern Europe and Western Asia as well as with a more cohesive Europe and with the new powerful Asian player.

Besides its own domestic concerns, the United States is seen as a global leader who has been charged to play a major role in the maintenance of peace and global economic stability, to the extent that it is today, by any measure, the undisputed economic and military power in the world.

The challenge that now faces the United States is to manage the resentment that hegemonic status sometimes generates, in this rapidly changing world. How can trade fulfill this need?

Such a powerful leader, besides providing the perception of protection, also creates a feeling of threat. Despite the beneficial effects it may try to provide, unilateral decisions sound like excess and can harm sensitive feelings of sovereignty, independence and freedom. The most recent example that shocked international diplomacy and isolated the United States, including from many traditional partners, was the invasion of Iraq in disregard of any approval from the United Nations.

By strengthening its diplomatic and economic ties with neighbors, the United States may be more sound in its decisions and positions, speaking as a leader of the biggest free trade area in the world - a community of over 800 million people and 34 sovereign nations - in a relationship that in truth involves much more than trade. By doing so, the United States can reinforce its ability to address concerns regarding its national security and international policy.

The Trade Act of 2002, which comprises the Trade Promotion Authority, brings in its body the basis that relates trade with foreign policy:

> *Trade Act of 2002*
> *Title XXI – Trade Promotion Authority*
> *Sec. 2101 – Short Title and Findings:*
> *(1) The expansion of international trade is vital to the national security of the United States. Trade is critical to the economic growth and strength of the United States and to its leadership in the world. Stable trading relationships promote security and prosperity. Trade agreements today serve the same purposes that security pacts played during the Cold War, binding nations together through a series of mutual rights and obligations. Leadership by the United States in international trade fosters open markets, democracy, and peace throughout the world.*

4.2 REGIONAL STABILITY

The agreement for a Free Trade Area of the Americas must occur within a context of democracy and political stability. The potential of corruption, crises of confidence and credibility, lack of genuine leadership, put together, can affect the trade environment. If democratic institutions are weak, dysfunctional or corrupt, countries will not act with transparency, even in the trade arena. Corruption in politics, business, and law enforcement is a corrosive element that dissolves trust between governments and citizens [14]. Diplomatic, political and economic harmony is less likely to prevail in an environment of informal markets, illegal transactions, and terror.

O'Neal, Russet and Berbaun[15] confirm with historical evidence that economically important trade does have a substantively important effect in democratic stability, and the inverse is also true. Internal and external disputes cause a reduction in trade as a consequence of either the lack of confidence among states or among trade players themselves. Joint memberships, like an agreement for a Free Trade Area, require that members must be able to trust each other, have stable governments, and be at peace. Europe, for instance, is more peaceful now than any other historic period and so is Asia, despite some permanent tensions. The reason for that lies on the fact that being a diplomatic partner requires each country to give up some sovereignty in favor of the alliance, enforcing individual compromises, reducing national power in order to strengthen the community of nations.

One of the reasons identified within this study that justify the U.S. interest in an FTAA is as a means of obtaining support for its wider foreign policy agenda, as argued in item 4.2. A desirable support should come from sovereign and stable states, where human rights prevail, where the law is enforced and where the public and private institutions express themselves in a confident and trustable way with the international community. To play a significant diplomatic role in multilateral organisms such as the Organization of American States or the United Nations or even the World Trade Organization, a nation should demonstrate an ability to manage its internal matters, providing political stability, freedom and any standard applied to nations with an international projection. According to this argument, a trade area would have the virtue of disseminating desirable conducts and heighten the international projection of member states.

Pursuing regional stability, the United States is also seeking a way to face the plague of illicit drugs dealing. Narcotic trade poses grave threats to the societies, free market economies, and democratic institutions of the Western Hemisphere. In the United States as well as in most Latin American countries, drugs dealing and consumption is the main cause of raising criminality. The plan of action approved at the Summit of the Americas that launched the FTAA in 1994, in Miami, comprises a commitment to "work collectively and individually to identify the Region's narcotics trafficking and money laundering networks, prosecute their leaders and seize assets derived from this criminal activity".

As argued in item 3.2, political and economic instability are also undesirable features of neighbors or partners. Economic crises in developing countries, although in a small extent, affect the U.S. economy, by interfering in regional trade performance and as heightening demand for dollars for international reserves. In order to consolidate economic integration for the whole region, the more stable nations like the United States and Canada seem to be willing to play the role of helping smaller economies to reach satisfactory levels of stability.

In fact, an FTAA will only make reasonable sense if it entails stability and growth for the whole region. If the markets of the South are right now very unattractive, as presented in chapter 3.1, they could be on track to a different image. According to the Economic Commission for Latin America and the Caribbean (ECLAC), in 2002 Latin America experienced an economic growth of 1.6 percent, which permits talk of a "tendency towards recovery," to the extent that the adverse external conditions are corrected or reduced. The United Nations agency is forecasting regional GDP to expand 2.1% in 2003, with Chile recuperating its leadership position with 3.5% growth, similar to that projected for Peru. Following on the list of predicted growth leaders for next year are Mexico, Costa Rica and Dominican Republic, with around 3% each, and El Salvador, Guatemala and Honduras expected to post 2.5% expansion.

GDP growth is also projected for Argentina, Bolivia, Colombia and Panama next year, at two percent, and 1.8 percent for Brazil. The only two Latin American nations expected to continue the recession trend in 2003 are Uruguay, with GDP to fall 2.5%, and Venezuela, where a predicted decrease of 0.5% would be a relief after a 7% drop in 2002.[16]

4.3 MULTILATERAL AGENDA

It is not only improved access to the South and Central American markets that is creating an incentive for the United States to seek Free Trade Area of the Americas. Another important factor is that regional negotiations can foster the multilateral agenda to the extent that it represents domestic alternatives, although less expansive. The North American Free Trade Agreement (NAFTA) was, to some extent, an instrument to push negotiations under the WTO's Uruguay round, as the negotiations for the FTAA are expected to somehow foster the WTO Doha round.

Negotiations within the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) are historically long, hard to achieve and uncertain. Since its first round was concluded in 1967, only two other comprehensive multilateral agreements have been reached – the Tokyo Round Agreement in 1979 and the Uruguay Round Agreement in 1994 (Griswold, 2003). Because the needs for consensus, only one of the 146 nations in the WTO is able to brake down one whole agreement. France, for example, could prevent completion of a Doha Round Agreement because of its long-standing objections to liberalization of agricultural trade[?].

The philosophy of the World Trade Organization, which comprises not only tariffs elimination, assures free trade areas as a way to spur multilateral trade liberalization, as a "next step" toward wider agreements. That is one of the reasons that justify the exception allowed by the WTO rules related to differential tariff treatment between countries inside and outside FTAs. Regional negotiations can level fields of further negotiations by providing understanding on complex matters like non-tariff barriers, trade and environment, anti-dumping and subsidies, investment, competition policy, trade facilitation, transparency in government procurement, intellectual property, and a range of issues raised by developing countries as difficulties they face in implementing the present WTO agreements.

Regional free trade areas provide also international competition to keep multilateral talks on track. Negotiating FTAs, or at least retaining the option to do so,

[?] We assume here that the international trade policy showed thus far by the U.S. Trade Representative is clearly pro trade liberalization.

can send a signal to other WTO players that, if they are unwilling to negotiate seriously to reduce trade barriers, one can find bilateral and regional partners who will[?].

It is easy to perceive how the negotiations for the FTAA are heating up the whole international trade environment. As the dead line approaches, the United States is hurrying to sign bilateral agreements with Central America and other South American countries. MERCOSUR is negotiating with the European Union, South Africa, China, India and maybe, shortly, with Japan. Europe, by its time, is showing a great performance on its own integration system, showing up with a very stable common currency and the adhesion of a great majority of European countries. Mexico have been seeking agreements all over the world, to accomplish its policy of open economy. Many other examples are available from Asia, Australia and Africa.

As of 2003, over 150 free trade agreements have been signed. The United States is part of only five: the North American Free Trade Agreement (NAFTA), bilateral agreements with Jordan and Israel, and the latest agreements signed with Chile and Singapore.

Since final passage of Trade Promotion Authority in the United States in 2002, the Bush administration has launched an aggressive campaign to negotiate bilateral and regional free-trade agreements. On the agenda are conversations with Australia, Morocco, Bahrain, Peru, Bolivia, the five Central American countries of Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica, and the five Southern African Customs Union nations of South Africa, Botswana, Namibia, Lesotho, and Swaziland. In May 2003, President Bush proposed “the establishment of a United States - Middle East free-trade area within a decade, to bring the Middle East into an expanding circle of opportunity, to provide hope for the people who live in that region” (Griswold, 2003). U.S. Trade Representative Robert Zoellick notified Congress on August 6, 2003 of the Administration’s intention to begin FTA negotiations with the Dominican Republic. Table 6 depicts the potential in trade growth of those agreements:

[?] In early November 2003 we have seen an example of how trade can be used to foster negotiations. The MERCOSUR is negotiating with the European Union liberalization on services. That can be a sign to the U.S. to soften negotiations in the FTAA.

Table 6 – U.S. Trade Agreements and Prospective Agreements

U.S. Trade in 2002				
Agreement	U.S. Exports US$ billion	U.S. Imports US$ billion	Total of U.S. Exports	Total of U.S. Imports
4.3.1.1 Agreements Already Implemented				
U.S. Israeli FTA	5.3	12.4	0.8	1.1
North American FTA	228.6	344.6	13.7	11.6
U.S. Jordanian FTA	0.4	0.4	-	-
U.S. Chilean FTA	2.3	3.6	0.4	0.3
U.S. Singaporean FTA	14.7	14.1	2.3	1.2
4.3.1.2 Agreements Under Negotiation or Intention				
U.S. Central American FTA	9.4	11.8	1.5	1.0
FTA of the Americas*	34.1	51.4	5.4	4.5
U.S. Southern African Custom Union FTA	2.5	4.8	0.4	0.4
U.S. Australian FTA	12.3	6.4	2.0	0.6
U.S. Maroccan FTA	0.6	0.4	-	-
U.S. Bahraini FTA	0.4	0.4	-	-
4.3.1.3 All current and Proposed Free- Trade Agreements				
Total for all of the above	310.7	450.4	49.4	39.0

* Excluding Canada, Mexico, Chile and Central America

Source: Congressional Budget Office – the effects of NAFTA on US-Mexico trade and GDP

Free trade areas can level the field for U.S. exporters that have been put at a disadvantage by FTAs that do not include the United States. In Chile, for instance, before the signature of the free trade agreement, the United States used to encounter an average 6 percent tariff. Competitors from the European Union, Canada and Brazil used to sell duty-free in the same market because their governments have signed trade agreements with Chile. According to the National Association of Manufactures, the United States had lost market share in Chile since its government began to pursue free trade agreements with non-U.S. partners in 1997. The biggest negative impact was felt on U.S. exports of wheat, soybean, corn, paper products, plastics, fertilizers, heating systems and construction equipment[17].

4.4 INTELLECTUAL PROPERTY RIGHTS

The matter of intellectual property rights is becoming an urgent issue in the developing world, as many countries have eventually recognized IPR as an essential feature for development. They have been upgrading their IPR systems in order to follow the standards agreed within the WTO, through the Trade-related Aspects of Intellectual Property Rights (TRIPS) agreement. In a trend that favors the most developed countries, which already have well organized IP systems, the international system is moving in the direction of strengthening a global system to protect investment in innovation and creativity.

IPR is directly linked to development and growth. Todaro and Smith[18] enumerate three factors or components for economic growth of prime importance in any society: 1) capital accumulation, including all new investments in land, physical equipment, and human resources through improvements in health, education, and job skills; 2) growth of the population and hence eventual growth in the labor force; and 3) technological progress. The third one, and to many economists the most important, can only be significantly achieved if backed on a strong IPR system. On that score, Intellectual Property Right should be regarded as a high priority issue by developing countries, and is not because of reasons discussed in chapter 3.4.2.

For developed countries, nevertheless, IPR has been taken very seriously into account, since the Industrial Revolution, or even before. In recent years the misuse or theft of U.S. property in the form of patents and copyrights has become a major concern. Copies of books, compact discs, DVDs, computer programs, pharmaceutical formulas, and the like are made without compensation to their creators, and these pirated copies are sold internationally. Patent infringement is widespread, and governments frequently refuse to stop it.

Table 7 gives a dimension of the burden for the industrialized countries of investing in technological progress, how hard is the task of keeping the status of being a industrial high developed country, and how some developing countries disregard their duty of support innovation.

Table 7 – Research and Development

Country	Scientists and engineers Per mill. People in R&D (2002)	Expdt. for R&D (% of GDP)	Property Rights*	Black Market*
United States	4,099	2.7	2	1.5
Canada	2,984	1.8	1	1
China	545	1.0	3	3.5
India	157	1.2	3	4
Germany	3,160	2.6	1	1.5
Pakistan	69	-	4	4
Japan	5,095	3.0	3	2
High Income	3,281	2.6	-	-
Brazil	323	0.8	3	3.5
Mexico	224	0.4	3	3.5
Argentina	713	0.4	4	3.5
LA & Caribbean	286	0.5	-	-

Source: the World Bank and The Index of Economic Freedom
* The Index of Economic Freedom offers examination of the factors that contribute most directly to economic freedom and prosperity. IPR and Black Market are specific indexes related to the existence of black market activities, including smuggling, piracy of intellectual property rights, and the underground provision of labor and other services (http://cf.heritage.org/index/indexoffreedom.cfm).

For the United States, IPR protection is a crucial item of negotiations. The U.S. economy is based on a research and development intensive approach, as are the economies of Japan, Canada, and much of the European Union. According to the World Bank, see Table 7 above, there are over 4,000 scientists and engineers working in R&D per million people in the United States. This intense activity is supported by a huge 270 billion USD of investment in R&D per year. Accordingly, the United States reasonably fights for protecting its patents when thinking of international direct investment and trade.

4.5 TRADE

One of the real interests of the United States in the Free Trade Area of the Americas is pursuing a trade liberalization policy as way to increase market and business opportunities for its companies.

We have seen through the figures and arguments presented in previous chapters that trade is not likely to be the most attractive issue for the U.S. in South and Central America. Nevertheless, the comparative weakness of the market is not enough to overshadow the potential expansion of the U.S. market toward a region that encompasses 31 countries and more than 400 million potential consumers. The Trade Act of 2002, which grants the President with the Trade Promotion Authority, states that one objective for trade is:

> *Trade Act of 2002*
> *Title XXI – Trade Promotion Authority*
> *Sec. 2101 – Short Title and Findings:*
>
> *(2) The national security of the United States depends on its economic security, which in turn is founded upon a vibrant and growing industrial base. Trade expansion has been the engine of economic growth. Trade agreements maximize opportunities for the critical sectors and building blocks of the economy of the United States, such as information technology, telecommunications and other leading technologies, basic industries, capital equipment, medical equipment, services, agriculture, environmental technology, and intellectual property. Trade will create new opportunities for the United States and preserve the unparalleled strength of the United States in economic, political, and military affairs. The United States, secured by expanding trade and economic opportunities, will meet the challenges of the twenty-first century.*

The stated objective has been pursued by Ambassador Robert Zoelick, the U.S. Trade Representative, through his search for bilateral agreements in Latin America, besides the efforts of implementing an FTAA. Gaining access to the Latin American market - particularly Brazil's $650 billion economy and over 170 million potential consumers – could be an significant goal.

Table 8 shows the evolution of the U.S. trade performance in recent years. It has to be observed that recurrent and growing deficit on trade balance represents in a great extent the export of factors of production by the United States.

Table 8 – U.S. trade balance

Year	Exports*			Imports**			Trade Balance		
	Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1996	**850.9**	612.1	238.8	**953.7**	803.1	150.6	**(102.9)**	(191.0)	88.1
1997	**933.9**	678.4	255.5	**1,040.9**	876.5	164.4	**(107.0)**	(198.1)	91.1
1998	**932.6**	670.4	262.1	**1,095.7**	917.1	178.6	**(163.2)**	(246.7)	83.5
1999	**965.5**	684.0	281.5	**1,226.7**	1,030.0	196.7	**(261.2)**	(346.0)	84.8
2000	**1,070.1**	772.0	298.1	**1,445.4**	1,224.4	221.0	**(375.4)**	(452.4)	77.0
2001	**1,007.6**	718.7	288.9	**1,365.4**	1,145.9	219.5	**(357.8)**	(427.2)	69.4
2002	**974.1**	681.9	292.2	**1,392.1**	1,164.7	227.4	**(418.0)**	(482.9)	64.8

Source: United States Department of Commerce. International Trade Administration.
* 87% of the exports are from manufacture sector and 8% from agriculture (2002).
** 83% of the imports are manufactures. 3,6% of imports are agricultural commodities (2002).

The prospective expansion of NAFTA could generate improvements in these figures. Only 6% of U.S. exports currently go south of Mexico. Tables 9 and 10 on Annex depict the distribution of U.S. exports and imports on goods.

If we apply to the whole region the impact of trade of Central America with the United States, the numbers justify a positive fight for the free trade area. According to Regina Vargo, the Assistant U.S. Trade Representative for the Americas[19], U.S. exports to Central American countries are larger then the U.S. exports to Russia, Indonesia and India combined. Imports are even higher, nearly US$ 12 billion. Despite the heavy competition from cheap Chinese goods, especially textiles, Central American exports to the United States have been growing by nearly 10% annually since 1995.

It can also be added the positive projections that have been made by international institutions like ECLAC and IDB about the prospective growth for the next years in the region.

4.5.1 Services Market

One of the most interesting areas which, on its own, would justify the United States involvement in the FTAA, involves efforts to liberalize the highly competitive services sector. The United States offer in the FTAA includes a full opening in the services market such as tourism, financial services, computers and telecommunication, technology consulting, transportation, construction and engineering, express delivery, distribution and retailing, health insurance, adult education, and professional services.

In all these efforts, a stated desire to promote more efficient services markets in the worldwide international market is often hindered by a reluctance to open services markets rapidly because of protectionism in the sector and ignorance of the regulatory measures that impede trade in services. Presumably it would be easier to liberalize services at the sub-regional level, among countries at similar stages of development. Liberalizing services at the broader regional level is an ambitious goal, given the diversity of countries involved in such efforts. According to a World Bank report[20], liberalization will probably move more slowly at the regional than at the sub-regional level – perhaps even more slowly tan at the multilateral level.

The Coalition of Service Industries (CSI), the main American lobbying group for trade liberalization in the services sector, praised the signing this year of a Free Trade Area agreement with Chile: “The first trade agreement that has ever committed another country to apply the same high standards of regulatory transparency that we enjoy in the United States” (Griswold, 2003).

CSI must also be eager to see the Free Trade Area of the Americas signed as soon as possible, under conditions from which American services companies benefit the most. The service sector in the United States is already growing fast. U.S. service exports are now equivalent to about 40% of merchandise exports, and they are catching up rapidly. World trade in services are expanding at roughly 12% a year, leading some observers to believe that trade in services will exceed trade in goods within a decade or so[21]. Table 9 shows the U.S. export service industry.

Table 9 – Major groups of U.S. service exports - 2001

Group	Export US$ billions
Travel	73.1
Passenger fares and freight and port services	46.3
Banking, insurance and other financial services	26.7
Royalties and license fees	25.9
Industrial services, operational leasing and R&D	20.3
Education and training	12.0
Computer software and information services	10.9
Broadcasting, entertainment, and publishing	10.1
Accounting, consulting, legal, management and marketing services	9.3
Telecommunications	4.8
Architecture, constructions, engineering and mining services	2.6
Medical services	1.7
Total	**266.2**

Source: United States Department of Commerce.
International Trade Administration. Office of Service Industries.

Comparative advantages of the U.S. service industry can be confirmed by the recurrent surpluses observed in the trade balance on services, in contrast with deficits on goods balance, as shown in Table 8. According to the Department of Commerce the U.S. exports of commercial services in 2000 contributed with 19% for the global trade in services. National imports of services represented 13%. The surplus of US$ 77 billion shows the competitiveness of the service industry in the United States.

4.5.2 Investment

The FTAA working group on investment, seeks to create conditions that establish a fair and transparent legal framework sufficient to provide a stable, predictable, and trustworthy environment for companies and investors from countries within the Western Hemisphere.

In spite of the fact that for the United States foreign trade contributes no more than 24% of its gross domestic product (GDP)[?], and its commercial interests are directed above all toward Europe, Central Asia, and China, Latin America is of great interest for the investment of its large corporations. Of the 500 largest corporations of

[?] The percentage of trade as a share of GDP indicates how an economy is directed to the international market. Countries like Netherlands and Ireland trade more than 100% of their GDP, and for more closed economies such as Brazil and Japan this percentage goes around 18% (Dunn and Mutti, 2001) the United States, 420 operate only in Brazil. After the massive privatization of commercial corporations, infrastructure, and some services during the decade of the 1990's, the FTAA offers great new opportunities in areas like pension funds, health, education, and water.

The coming norms for investment on the FTAA agreement are of great interest for multinational corporations. The FTAA agreement will possibly modify the terms of the famous MAI (Multilateral Agreement on Investments) with still more guarantees for foreign investors, whose attempt to apply it within the framework of the World Trade Organization a few years ago resulted in a massive rejection on the part of the Europeans (Vathroder, 2003).

In the Annex, data about the U.S. foreign direct investment informs that from US$ 5.8 trillion invested abroad, only US$ 272 billion are directed to South America, while over US$ 3.4 trillion go to Europe. The total U.S. assets in Brazil account for US$ 126 billion. Perhaps the FTAA could improve these figures.

4.5.3 Agriculture

Despite the internal opposition mentioned before to dismantling domestic agricultural support payments, U.S. agriculture is still very competitive in the international market without them. Lawson (1998) cites high productivity and intense use of technology to foresee the recovery of the agricultural sector in the United States, which will drive to significant export expansion.

It is known that farming is an intrinsically conservative business. It took 25 years for hybrid seeds to catch on in the U.S. farming sector. It seems obvious, however, that as farm subsidies taper off and farming is governed more by market forces, innovative operators will embrace precision farming and use it for their own competitive advantage. [22]

According to the American Soybean Association, about 36 percent of all U.S. agricultural exports go to other countries in the Americas. In June 2001, the Chairman Tony Anderson gave testimony before the U.S. House Agriculture Committee that the Free Trade Area of the Americas (FTAA) negotiations could have a positive impact on the competitiveness of U.S. soybean farmers and the overall soy industry in Latin American markets. U.S. access to important markets in Latin America is currently restricted by the preferential tariffs and terms granted under the customs unions of MERCOSUR and the Andean Trade Pact. Another goal is to take FTAA as a vehicle to remedy the inconsistent enforcement of intellectual property rights and non-harmonized regulations applied to biotechnology products, and to eliminate Differential Export Taxes (DETs). Productivity gains in Latin American countries, as they open their markets to international competition, are expected to increase its incomes and demand for U.S. products. [23]

The well known and recurrent deficit in the U.S. balance of payments does not reach agriculture goods. According to the Department of Commerce, in 2000 U.S. agricultural exports accounted to 12% of the global trade on agriculture goods whereas the imports stayed under 11%. The surplus that year amounted US$ 14 billion, bigger than the total of Brazilian exports on agricultural goods, which accounted for US$ 12 billion.

5 MEXICAN EXPERIENCE

Given the similarities between the experience of negotiating NAFTA and the FTAA and the similarities many Latin American countries, especially Brazil, have with Mexico, the Mexican experience with NAFTA can provide some practical insights to be followed (or to be avoided) by Latin American countries in the FTAA negotiations. While not entirely similar, Mexico's economic and cultural history and rich ecosystem are more closed linked to those of its Latin American neighbors than to those of the United States and Canada.

We start with an analysis that reports negative effects on agricultural sector, which comprises a great portion of Mexican economy. Accordingly, the agricultural sector has suffered a major impact from NAFTA. There have been a huge labor displacement due to a drop in productivity and consequently in overall production. “The Americans may be cheering, but Mexicans are not”, says an article from The Economist Magazine from late 2002. The tariff reduction has occasioned a decline and a fall of the entire agriculture sector. In 2001, Mexico accumulated a deficit of more than US$ 2 billion in farm trade with the United States. Once tariffs go[*], the country will be flooded by cheap American imports[24]. These tariffs have been gradually reduced since 1994, raising the unfair competition with the North in the extent that U.S. government has dumped billions of dollars in the agriculture sector (for the next 10 years, the Congress has approved 180 billion USD in subsidies).

About 8 million people – 22% of Mexico's active labor force – work in the countryside, although they yield only 4.4% of GDP. Since gaining access to markets in America and the European Union, Mexican agricultural production has either declined, collapsed or grown only slightly. For all types of beans, for instance, production fell on average by 0.7% a year between 1980 and 2001. Wheat production has fallen by 57% since 1980, and soybean production by about one-sixth (The Economist, 2002). NAFTA

[*] According to NAFTA agreement 2003 is the deadline to outright drop in tariffs. Opposition politicians in Mexico have been calling for the tariff reductions to be postponed, and even for NAFTA to be renegotiated.

merely accelerated all this. Mexicans, and world markets, have preferred cheaper and better quality alternatives.

The toughest moment will come in 2008, when tariffs are eliminated on American corn. Because corn is so central to Mexican agriculture – using about 55% of cultivated land – it was allowed special protection under NAFTA in 1994[?] with a tariff of 206% and a 15-year phase-out to zero. There are about 3 million corn-growers in Mexico, with an average of five dependants each.

Turning to a positive approach, a different analysis is presented. A World Bank report from March, 2003 states that NAFTA has helped Mexico get closer to the levels of development of its partners. It has had positive impacts on trade, foreign direct investment (FDI), technological transfer, and growth. It can also take some credit for moderate declines in poverty, and has likely had positive impacts on the number and quality of jobs.

This same study rejects the presumption that NAFTA has devastated Mexican agricultural sector, presenting three basic arguments. First, aggregate demand grew in the second half of 1990, allowing increases in production and imports. Second, some segments of Mexican agriculture experienced increases in land productivity. And third, partly due to the agreement itself, partly due to internal reforms, the use of traditional subsidy policies has changed. Rather than maintain protectionists programs that inhibit transformation, new subsidy policies consider agricultural support schemes that provide incentive to modernization and productive transformation of the sector.

A report from the Economic Commission for Latin America and the Caribbean (ECLAC) of the United Nations, in a complete analysis of the Mexican economy, suggests that Mexico is in a state of stagnation[25], after an average annual growth of 5.4% between 1996 and 2000. In 2002 the economy grew 0.8% and the projection for 2003 is for less than 1.5%. The international trade is stalled, with a bad performance of oil sector and a significant decrease of exports by the "maquiladoras"[*?], which represent

[?] Chapter 8 of the NAFTA contains the safeguard measures a member may impose on goods coming from another member, in order to prevent serious harm or threat of injury to its domestic industry.

[?*] "Maquiladoras" are factories located in the border zone of Northern Mexico that manufacture finished goods such as home appliances and automobiles for export to the United States. They are generally

50% of total Mexican exports. The level of wages has slightly increased whereas the level of employment is decreasing continuously, which has been followed by a proportional increase of informal work.

Another study from the Carnegie Endowment for International Peace[26] presents a negative approach on Mexican experience with NAFTA. The report concludes that:

a) NAFTA has not helped the Mexican economy keep pace with growing demand for jobs. Unprecedented growth in trade, increasing productivity, and a surge in both portfolio and foreign direct investment have led to an increase of 500,000 jobs in manufacturing from 1994 to 2002. The agricultural sector, where almost a fifth of Mexicans still work, has lost 1.3 million jobs since 1994;

b) Real wages for most Mexicans today are lower than they were when NAFTA took effect. NAFTA was not sufficient to overcome the consequences of the peso crisis of 1994-1995;

c) NAFTA has not reduced the flow of poor Mexicans into the United States in search of jobs; in fact, there has been a dramatic rise in the number of migrants to the United States despite an unprecedented increase in border control measures;

d) Environmental matters has not been addressed with the required attention. Some elements of Mexico's economy are dirtier and some are cleaner. The government estimates that annual pollution damages over the past decade exceeded US$ 36 billion per year. This damage to the environment is greater than the economic gains from the growth of trade and of the economy as a whole.

e) Mexico's evolution toward a modern, export-oriented agricultural sector has also failed to deliver the anticipated environmental benefits of reduced deforestation and tillage. Rural farmers have replaced lost income caused by the collapse in commodity prices by farming more marginal land, a practice that has resulted in an average deforestation rate of more than 630,000

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owned by non-Mexican companies seeking to avoid stringent environmental laws and to exploit low-wage labor and favorable tariff regulations. Conditions in "Maquiladoras" often reflect the worst of Mexican labor standards, including excessive hours, forced pregnancy tests, and very low wages. (http://home.idealswork.com/ratings/humanrts.asp) hectares per year since 1993 in the biologically rich regions of southern Mexico.

The authors of the report say developing countries have much to learn from Mexico's mistakes in the deal, as they state that Mexico could be better of with a better NAFTA. Their conclusion indicate that the agreement was a great opportunity to be rasped by Mexico, but it did not manage to implement the needed side policies to support the open international competition. NAFTA has accelerated Mexico's transition to a liberalized economy without creating the necessary conditions for the public and private sectors to respond to the economic, social, and environmental shocks of trading with two of the biggest economies in the world.

Rather than carrying out strategic restructuring decisions, Mexico has created an intricate net of subsidies, antidumping measures and price support to appease the farming lobby. This doesn't help Mexico's farmers in anything but the shortest term, since subsidies merely entrench the manifest inefficiencies in the system. Mexican governments have failed to take advantage of the ten-year transition period, while the tariffs were being phased out. In some Mexican states, farming has become almost as efficient as in the United States, but the costs from diesel to electricity to credit are about a third higher than those North of the border. Poor transport also makes a crucial difference. Brazil must therefore take the necessary steps to improve its infrastructure, its production technology, and eliminate its efficiencies.

Lessons can be learned from Mexico's experience. Of major importance is to understand that free trade by itself is not likely to push any developing country to the industrial world. Integration must be part of a wider national development program, sufficient to provide all the conditions necessary to a fundamental and permanent transition.

6 WHAT SHOULD BE DONE PRIOR TO THE AGREEMENT?

In order to seize opportunities form a prospective FTAA, significant policy and institutional reforms are necessary in most Latin American countries. Reforms will need to focus on reducing macroeconomic instability, improving the investment climate and the institutional framework, and putting in place an innovation system capable of fostering technological advancement and productivity growth. In addition, hemispheric trade integration will have to be accompanied by unilateral, bilateral and multilateral actions on other trade fronts to maximize the gains from trade liberalization and reduce the possible costs from trade diversion that will be caused by the FTAA.

In Brazil's case, some advantages can be gained from the fact that the country has been seeking broader international trade agreements, and may have been preparing itself to the required transition. Late contacts with Africa, Asia, and Europe can lead to a favorable framework of commercial relations. The trend of opening should be fostered as well as linked to a national development policy.

As suggested by the Economic Commission for Latin America and Caribbean (ECLAC)[27], the Latin American countries should pursue 1) consistent macroeconomic strategies, which brings about economic discipline, fiscal balances and low levels of inflation, as well as provide for sustainable balance of payments, solid financial system, economic growth and employment; 2) development of systemic competitiveness, which comprises technology accumulation, support for reform and modernization of the productive process, and providing reasonable infra-structural services; 3) environmental sustainability, with provision of enforceable normative structure, means of integration of economic and environmental concerns, promotion of the use of clean technologies, and enhancing citizens' consciousness and commitment; and 4) active social policies, specially driven to education, employment and social protection.

The Carnegie Endowment for International Peace, responsible for publishing *Foreign Policy*, one of the world's leading magazines of international politics, offers the following insights, as nations consider how best to use trade agreements to foster development:

a) Developing countries should negotiate longer and more gradual tariff reduction schedules for agricultural products imported from wealthy countries, and negotiate special safeguards to protect against the dumping of subsidized crops;

b) Trade agreements should allow developing countries to adopt policies that maximize employment gains from trade by promoting the development of domestic suppliers and that do not favor imported components. Whether the suppliers are owned by domestic of foreign firms is not relevant; what is relevant is whether suppliers create jobs;
c) Developing countries should bargain meaningful support for transitional trade adjustment assistance, from trading partners and from international donor organizations. Such assistance should include training for workers and subsistence farmers in new skills and access to credit that that allows and encourages small farmers to develop economically and environmentally sound farming practices;
d) Developing countries should adopt and implement policies that distribute the gains from trade more equitably, though better tax and minimum wage policies and the expansion of freedom of association and collective bargaining rights;
e) They should commit to national action plans that build environmental infrastructure. Because these policies may be valued by their wealthier trading partners, developing countries may win additional advantage in trade agreements by making these commitments.

Latin American countries must include free trade in a wide development program, that coordinate government and private sector to provide all the conditions required to an open economy. They must also be politically able to negotiate the bests tariff reduction schedule and agreement provisions that guarantee them balanced conditions to the transition.

7 CONCLUSIONS

This study has provided conditions to a) perceive the U.S. motivations toward the Free Trade Area of the Americas; b) recognize Mexico as an experience to be observed, regarding the loss and achievements; and most important c) dimension Brazilian's possibilities on joining the most ambitious agreement it has ever faced.

The answers for the question "What is the real interest of the United States in an FTAA?" cannot reach a single reason. Motives range from political to commercial matters, from expanding free markets to building peaceful cooperation to fight hemispherical concerns. Not intending to be exhaustive, we could quote some objetives that, liked together and well coordinated, could explain why the FTAA is a priority for the largest economy of the world:

Get support for the U.S. foreign policy
Stimulate regional development
Reduce migration to the United States
Foster regional stability
Create jobs in the United States
Send political signals to multilateral negotiating countries
Expand U.S market
Level the field for U.S. direct investment overseas
Reassure the enforcement of intellectual property rights system
Enforce environmental standards
Fight drug dealing in the Hemisphere

Many of those American motivations match those of Brazil as well as those of most Latin American countries. In fact, regional integration has long been proposed by the countries from the South. What matters now is the scope of the prospective agreement, a formula that permits all countries to meet their own objectives.

The FTAA is a great opportunity for any Latin American country, especially Brazil. Easy access to the North American market, particularly the United States, can be a great advantage to any developing country. Besides market access, other advantages from an FTAA include increased capital inflows derived from new direct investment that could be attracted to abundant labor areas. Hemisphere-wide free trade could boost the region's economic growth through increased trade and inflows of foreign investment, raising employment and living standards.

Benefits for Latin American countries of an FTA with the United States and Canada go beyond the reduction of barriers to their mutual trade. A hemispheric Free Trade Area implies a firm guarantee of market access, in contrast with preferences granted unilaterally by the United States that are offered on a temporary basis and subject to unilateral revocation at any time. Furthermore, unilateral concessions typically leave the resolution of trade disputes to the discretion of U.S. authorities.

A voluntary agreement among nations implies a beneficial transfer of sovereignty from the individual states to the community of states. Once signed, a trade pact makes it difficult for even a dictatorial government to interfere in relations among trade partners, and prevents them from discriminating in favor of internal sectors, industries or companies.

To be in a free trade area is in the way to mean integration, stability and partnership. Nevertheless, that is not enough to attract capital and business. Beyond being part of a free trade area, the economy must provide other signals. Policymakers must convince that, through their acts and decisions, the country is able to accomplish its commitments and that there is no risk of default. The national accounts must provide indicators that this can be done, through means of consistent budgetary surpluses and sufficient international reserves.

Trade is what Latin America needs, besides structural reforms. Trade makes industry competitive and creates wealth. Wealth, properly taxed, provides funding for public services needed in all countries, in order to provide a wide range of educational opportunities, reliable infrastructure, effective policies to stimulate the job growth, as well as affordable health, justice and housing.

Some analysts, consulted while this article was being written, advocate that being in a free trade area does not straight forward mean an improvement in country's capital attractiveness. Nevertheless, the ability to make complex deals, such as participating in a commercial agreement involving 34 partners, shows diplomatic maturity, which can lead to a higher international status. The signal conveyed toward the international community is of a country engaged in a system involving rules and standards, mutual controls, frank competition, and modernization. These features surely represent positive signals to the international investor.

A higher degree of economic integration could contribute to the consolidation of economic and political reforms that have taken place throughout the hemisphere. Similarly, the economically stronger Latin America becomes, the more likely democratic institutions will continue to proliferate and deepen within the region.

Mexico seems to have perceived that trade can be used as a lever for its development, as it has pursued bilateral trade agreements in all over the world besides NAFTA. It has signed trade agreements with Europe, some Asian and some South American countries, which gives Mexico a comfortable condition of having access to the strongest markets in world.

Nevertheless Mexico did not have managed to support the new status achieved with those international trade agreements. Its agricultural sector is suffering from an unfair competition from abroad and the resulting unemployment has not been addressed with active public policies. Unemployed farm workers, unable to recycle their skills to get transfer to the manufacturing sector, keep crossing the U.S. border looking for job. The manufacturing sector itself is shrinking, due to the vigorous Chinese competition. The growth performed during the six first years of NAFTA has not been maintained.

Lessons must be learned from Mexico's experience. Of major importance is to understand that free trade by itself is not likely to push any developing country to the industrial world. Integration must be part of a wider national development program, sufficient to provide all the conditions necessary to a fundamental and permanent transition.

Brazil does want to be in a free trade area with countries – especially the United States – which have been more than trade partners. The countries of the Americas identify themselves through similarities that go from origin, culture, government systems to macroeconomic policy and consumption standards. Differences are due to specific institutional and economic formation.

It shall be taken into account that the strong willing does not mean that specific interest can be neglected in order to facilitate the agreement. The process should begin by adopting necessary measures needed to level the playing field. This means that partners should have sufficient political will to suppress any kind of artificial protection besides tariffs, and also be open to addressing sensitive issues.

The recent unilateralism of the United States does not offer much hope that its positions in the FTAA negotiations will be in favor of the less developed nations. While the United States repeat that free trade should be favorable to developing countries, at the same time it increases agricultural subsidies, exporting strategic agricultural products like corn, wheat and rice at below the cost of production. It has also closed its market to international competition, abusing anti-dumping measures. In case those policies change in the short run, as happened with the tariff on steel, other countries in the Americas could see the United States as a more confident partner.

Not reaching a wide hemispherical agreement would be a great diplomatic loss for both Brazil and the United States. The former would be loosing the great opportunity to be engaged in a trade liberalization action that could lead to higher levels of trade, international projection and wealth. The latter would be neglecting all the economic theories about capitalism – in which the country is the most prominent exponent - with regard to free markets, no government intervention, fair competition, high productivity and use of comparative advantages.

The meeting held in Miami, last November, has set a new path for the FTAA agreement. Having decided that the sensitive issues will be addressed pluri-laterally, the Ministers avoided a breakdown for the whole process. Despite the complexity of the new model, they have provided conditions for more balanced negotiations. Much work is left to the next months.

It is not easy to anticipate that FTAA will help South America to grow. The results will depend on the adoption of successful internal measures by each prospective partner, regarding that free trade by itself is not likely to solve any of our problems.

ANNEX

Main Brazil's Exports - 2002

Good	US$ million	% total
Steel	3.048.850	5,1%
Soy been	5,230,844	8.7%
Aircraft	2.335.461	3,9%
Automobile	2.005.172	3,3%
Transmission and reception appliances and components	1.782.339	3,0%
Petroleum	1.691.372	2,8%
Shoes	1.516.433	2,5%
Semi-Manufactured goods from steel	1.409.835	2,3%
Automobile motors	1.340.613	2,2%
Fowl	1.335.051	2,2%
Coffee	1.195.000	2,0%
Wood compound	1.160.061	1,9%
Parts for automobiles and tractors	1.158.809	1,9%
Sugar	2.093.636	3,5
Tobacco	977.670	1,6%
Others	32.080.639	53,1%
Total	**60.361.786**	**100,0%**

Source: Anuario Estatistico Brasileiro de 2002.

Main Brazil's Imports – 2002

Good	US$	% total
Petroleum	3.303.669	7,0
Engines and parts	1.686.202	3,6
Parts for automobiles and tractors	1.365.241	2,9
Pharmaceuticals	1.352.508	2,9
Electronic micro circuits	1.250.169	2,6
Fuel oil	1.084.008	2,3
Chemicals	884.407	1,9
Wheat	878.172	1,9
Transmission and reception appliances and components	873.371	1,8
Measurement appliances	844.762	1,8
Engines and turbines for planes	821.060	1,7
Automobiles	729.818	1,5
Engines for automobiles	714.784	1,5
Computers	679.281	1,4
Naphtha	659.399	1,4
Coal	632.667	1,3
Rolling and parts	613.987	1,3
Others	28.858.425	61,1
Total	**47.231.932**	**100**

Source: Anuario Estatistico Brasileiro de 2002.

Integrated Productive Chains – a study by the Ministry of the Development, Industry and Foreign Trade.

Sensitive sectors that are going to be more competitive when the agreement comes into effect and **threatened sectors** that will need a longer grace period under the FTAA[28].

Competitive chains (2001)

Sector	% Brazil Exports	Exports US$ Mill.	Imports US$ Mill.	Balance US$ Mill.	Tariffs Brazil
Coffee	2.43	1,417	10	1,407	11.5% - 17.5%
Paper and Cellulose	3.76	2,190	772	1,418	5.1% and 14.9% respc.
Citrus	1.58	920	18	902	15.5% - 11.5%
Leather and Shoes	4.28	2,492	232	2,259	11% and 21.5% respc.
Steel	12.16	7.081	1,512	5,569	12.5%
Textiles	1.67	1,306	1,233	73	4.7%

Source: Ministry of Development, Industry and Foreign Commerce of Brazil

Sectors with competitive deficiencies (2001)

Sector	% Brazil Exports	Exports US$ Mill.	Imports US$ Mill.	Balance US$ Mill.	Tariffs Brazil
Capital Goods	5.72	3,332	7,916	- 4,584	14%
Chemicals	2.45	1,429	4,634	- 3,205	6.7 to 11.7%
Plastic	0.86	504	666	- 163	16%
Naval	-	-	-	-	-

Source: Ministry of Development, Industry and Foreign Commerce of Brazil

Other analysis presented by the study have shown several sector that are not likely to be affected by the agreement, because of the actual state of openness of their specific segment.

U.S. Total Exports 1996-2002 (US$ millions)

Country/Region	1996	1997	1998	1999	2000	2001	2002	% world 2002
WORLD	625.075	689.182	682.138	695.797	781.918	729.100	693.517	100,00%
EUROPE	148.810	163.273	170.008	171.834	187.448	181.529	163.680	23,60%
ASIA	207.328	213.547	187.566	190.881	218.796	198.929	193.495	27,90%
AUSTRALIA AND OCEANIA	14.087	14.450	14.216	14.163	14.825	13.379	15.184	2,19%
AFRICA	10.615	11.390	11.167	9.880	10.966	12.119	10.658	1,54%
DEVELOPED COUNTRIES	360.209	389.722	394.437	406.345	442.917	411.573	386.773	55,77%
DEVELOPING COUNTRIES	264.237	299.120	287.301	289.081	338.694	317.265	306.480	44,19%
NAFTA	191.002	223.155	235.376	253.509	290.290	264.721	258.360	37,25%
Canada	134.210	151.767	156.603	166.600	178.941	163.424	160.830	23,19%
Mexico	56.792	71.388	78.773	86.909	111.349	101.296	97.531	14,06%
Caribbean	8.142	9.522	10.165	9.832	10.872	10.644	10.484	1,51%
Aruba	235	238	351	307	291	277	465	0,07%
Bahamas	726	810	816	842	1.069	1.026	975	0,14%
Barbados	223	281	281	305	307	287	269	0,04%
Cayman Islands	208	270	422	369	355	262	234	0,03%
Dominican Republic	3.191	3.924	3.944	4.100	4.473	4.398	4.262	0,61%
Haiti	475	499	549	614	577	550	583	0,08%
Jamaica	1.491	1.417	1.304	1.293	1.376	1.406	1.420	0,20%
Leeward & Windward Islands	356	444	701	525	563	459	464	0,07%
Netherlands Antilles	530	475	751	597	674	816	742	0,11%
Trinidad & Tobago	666	1.106	983	785	1.100	1.087	1.018	0,15%
Turks & Caicos Islands	44	59	64	95	89	77	54	0,01%
Central America	7.849	9.114	10.275	10.333	10.926	10.604	11.386	1,64%
Belize	107	115	120	136	208	173	137	0,02%
Costa Rica	1.816	2.024	2.297	2.381	2.460	2.502	3.132	0,45%
El Salvador	1.075	1.400	1.514	1.519	1.780	1.870	1.665	0,24%
Guatemala	1.566	1.730	1.938	1.812	1.901	1.870	2.042	0,29%
Honduras	1.643	2.019	2.318	2.370	2.584	2.416	2.565	0,37%
Nicaragua	262	290	337	374	380	443	438	0,06%
Panama	1.381	1.536	1.753	1.742	1.612	1.330	1.408	0,20%
South America	35.879	43.453	42.211	34.347	36.925	36.427	28.899	4,17%
Argentina	4.517	5.810	5.886	4.950	4.696	3.920	1.591	0,23%
Bolivia	270	295	417	298	253	216	192	0,03%
Brazil	12.718	15.915	15.142	13.203	15.321	15.879	12.409	1,79%
Chile	4.140	4.368	3.979	3.078	3.460	3.118	2.612	0,38%
Colombia	4.714	5.197	4.816	3.560	3.671	3.583	3.589	0,52%
Ecuador	1.259	1.526	1.683	910	1.038	1.412	1.607	0,23%
Guyana	137	143	146	145	159	141	128	0,02%
Paraguay	898	913	786	515	446	389	433	0,06%
Peru	1.774	1.953	2.063	1.697	1.660	1.564	1.557	0,22%
Suriname	223	183	187	144	134	155	125	0,02%
Uruguay	483	548	591	495	537	406	210	0,03%
Venezuela	4.749	6.602	6.516	5.354	5.550	5.642	4.447	0,64%

Source: United States Department of Commerce. International Trade Administration. NOTE: Data reflect all revisions through February 2003. Because of rounding aggregations may differ slightly from values in other published sources.

U.S. Total Imports 1996-2002 (US$ millions)

Country/Region	1996	1997	1998	1999	2000	2001	2002	% world 2002
WORLD	795.289	870.671	911.896	1.024.618	1.218.022	1.140.999	1.163.621	100,00%
EUROPE	164.588	181.441	202.874	224.790	256.765	253.767	261.181	22,45%
ASIA	326.611	354.997	367.661	408.542	484.650	437.749	456.205	39,21%
AUSTRALIA AND OCEANIA	5.601	6.465	7.373	7.381	8.831	9.034	9.127	0,78%
AFRICA	18.744	19.925	15.824	16.991	27.642	25.436	22.145	1,90%
DEVELOPED COUNTRIES	436.336	470.547	497.152	552.766	630.706	595.275	591.170	50,80%
DEVELOPING COUNTRIES	358.953	400.123	414.744	471.852	587.316	545.725	572.451	49,20%
NAFTA	230.190	253.172	267.885	308.432	366.765	347.606	345.322	29,68%
Canada	155.893	167.234	173.256	198.711	230.838	216.268	210.590	18,10%
Mexico	74.297	85.938	94.629	109.721	135.926	131.338	134.732	11,58%
Caribbean	7.402	7.907	7.512	8.016	10.275	9.314	9.033	0,78%
Aruba	558	610	470	675	1.536	1.034	771	0,07%
Bahamas	165	155	142	195	275	314	458	0,04%
Barbados	41	42	35	59	39	40	34	0,00%
Cayman Islands	17	20	18	9	7	7	9	0,00%
Dominican Republic	3.575	4.327	4.441	4.287	4.383	4.183	4.169	0,36%
Haiti	144	188	272	301	297	263	255	0,02%
Jamaica	838	738	755	678	648	461	392	0,03%
Leeward & Windward Islands	61	108	89	135	137	140	141	0,01%
Netherlands Antilles	685	580	308	384	719	485	362	0,03%
Trinidad & Tobago	1.313	1.134	977	1.287	2.229	2.380	2.437	0,21%
Turks & Caicos Islands	5	5	5	6	6	8	5	0,00%
Central America	7.188	8.866	9.630	11.492	12.158	11.473	12.247	1,05%
Belize	68	77	66	81	94	97	78	0,01%
Costa Rica	1.974	2.323	2.745	3.968	3.539	2.886	3.142	0,27%
El Salvador	975	1.346	1.438	1.605	1.933	1.880	1.982	0,17%
Guatemala	1.679	1.990	2.072	2.265	2.607	2.589	2.800	0,24%
Honduras	1.795	2.322	2.544	2.713	3.090	3.127	3.264	0,28%
Nicaragua	350	439	453	495	589	604	679	0,06%
Panama	346	367	312	365	307	291	302	0,03%
South America	34.915	36.886	33.106	38.922	50.859	46.499	48.217	4,14%
Argentina	2.279	2.228	2.231	2.598	3.100	3.013	3.185	0,27%
Bolivia	275	223	224	224	185	166	160	0,01%
Brazil	8.773	9.626	10.102	11.314	13.853	14.466	15.812	1,36%
Chile	2.262	2.293	2.453	2.953	3.269	3.495	3.781	0,32%
Colombia	4.424	4.737	4.656	6.259	6.968	5.710	5.606	0,48%
Ecuador	1.958	2.055	1.752	1.821	2.238	2.010	2.146	0,18%
Guyana	110	113	137	121	140	140	116	0,01%
Paraguay	42	41	34	48	41	33	44	0,00%
Peru	1.261	1.772	1.976	1.928	1.995	1.844	1.932	0,17%
Suriname	97	92	106	123	135	143	133	0,01%
Uruguay	261	229	256	199	313	228	193	0,02%
Venezuela	13.173	13.477	9.181	11.335	18.623	15.251	15.109	1,30%

Source: United States Department of Commerce. International Trade Administration. NOTE: Data reflect all revisions through February 2003. Because of rounding aggregations may differ slightly from values in other published sources.

U.S. Foreign Direct Investment* - US$ Millions

Country Region	Number of affiliates	Total assets	Sales	Net income	Compensation of employees	Number of employees (thousands)
All countries	**23.980**	**5.836.225**	**2.929.609**	**192.147**	**308.292**	**9.775,6**
Canada	1.988	509.564	367.216	17.401	37.751	1.156,3
Europe	11.828	3.393.748	1.459.546	103.812	169.772	4.168,5
France	1.286	190.604	134.870	3.770	22.629	578,3
Germany	1.472	320.810	240.718	9.042	32.010	652,6
Netherlands	1.284	423.488	141.185	23.810	9.307	230,1
United Kingdom	2.742	1.432.135	428.171	8.059	56.812	1.279,9
Latin America and Other WH	4.025	884.540	371.684	33.697	34.707	2.005,1
South America	**1.836**	**272.067**	**150.360**	**727**	**17.624**	**794,2**
Argentina	375	55.893	27.651	-466	3.388	108,7
Brazil	**630**	**126.088**	**73.180**	**-1.769**	**8.556**	**406,4**
Chile	209	25.072	11.408	365	1.166	68,3
Colombia	162	13.370	9.782	405	1.020	74,9
Ecuador	54	2.245	2.058	16	157	15,2
Peru	85	10.134	5.285	7	495	24,6
Venezuela	223	34.034	17.879	1.989	2.538	81,0
Central America	**1.243**	**185.702**	**149.838**	**8.211**	**15.256**	**1.139,6**
Mexico	965	128.203	132.068	6.087	13.612	1.016,7
Africa	595	67.280	42.145	3.541	3.842	241,0
Middle East	343	55.581	34.815	2.641	3.394	93,1
Asia and Pacific	5.201	925.513	654.203	31.055	58.827	2.111,7
Australia	871	111.608	69.448	2.632	10.176	316,9
China	556	38.248	36.423	2.004	2.454	314,4
Hong Kong	544	102.775	52.735	4.378	4.005	92,6
India	210	16.122	9.506	309	983	104,6
Japan	937	345.333	241.072	7.247	27.189	494,6
Singapore	494	98.937	93.893	5.752	3.747	117,4

Source: BEA – International Economics Accounts (www.bea.gov/bea/di/di1usdop.htm)
*Data comprise affiliates whose investment was reported.

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