



**Chamber of Commerce of  
the United States of America**

**Association of American Chambers  
of Commerce in Latin America**



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**Statement of James Fendell  
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of Commerce in Latin America (AACCLA)**

**On behalf of the  
Chamber of Commerce of the United States of America  
and the  
Association of American Chambers of  
Commerce in Latin America (AACCLA)**

**Testimony before the Subcommittee on International Trade,  
Senate Committee on Finance**

**Hearing on the Status of the Free Trade Area of the Americas:  
Negotiations and Preparations for the Miami Ministerial**

**May 13, 2003**

Mr. Chairman, thank you for inviting me to appear before this panel today. I am James Fendell, President of Aerocasillas – Aeropost, and President of the Association of American Chambers of Commerce in Latin America, known as AACCLA.

AACCLA is a leading advocate of increased trade and investment between the United States and Latin America and the Caribbean. Representing 23 American Chambers of Commerce in 21 Latin American and Caribbean nations, the association's 20,000 member companies manage over 80 percent of all U.S. investment in the region.

I am also pleased to submit this testimony on behalf of the U.S. Chamber of Commerce, which is the largest business federation in the world. Representing nearly three million companies of every size, sector, and region, the Chamber has supported the business community in the United States for nearly a century.

I appreciate this opportunity to testify on the status of the Free Trade Area of the Americas (FTAA) negotiations and preparations for the Miami FTAA Ministerial, which is scheduled for November 2003. The FTAA is our top hemispheric priority, and we are committed to working with government officials and business leaders throughout the Americas to make it a reality.

### **Commerce in the Americas**

First, it is worth noting just how far the commercial relationship between the United States, Canada, and Latin America has advanced in recent years. Despite significant economic setbacks in a number of Latin American countries, the flow of trade and investment throughout the hemisphere has never been greater. The day is not far distant when the United States will trade more with our neighbors here in the Western Hemisphere than with Asia and Europe — combined.

The numbers tell quite a story. The United States trades more with Canada than with the entire European Union. This is true even though the European Union has a population ten times that of Canada. Mexico is our second largest trading partner, and two-way trade reached nearly \$250 billion last year.

Beyond our two NAFTA partners, we see additional potential. The total stock of U.S. investment in Brazil — roughly \$36 billion — is triple the amount American companies have invested in China. The Caribbean Basin has emerged as a vital trading partner to the United States. Last year, the 24 countries in the Caribbean and Central America purchased more U.S. goods and services than China, India, and Russia — combined.

### **Rationale for the FTAA**

I believe we have seen this progress because the basic rationale for the FTAA is stronger than ever. Hemispheric free trade will boost economic growth and reduce poverty throughout the hemisphere. The FTAA will also provide an opportunity to re-energize economic reform throughout the Americas. It will confirm a shared commitment to the market-opening policies that create the conditions for growth.

The FTAA will encompass 34 nations with over 800 million citizens. Its collective GDP will exceed \$13 trillion. The FTAA will:

- Eliminate existing tariff and non-tariff barriers and bar the creation of new ones;
- Remove other restrictions on trade in goods and services as well as investment unless specifically exempted;
- Harmonize technical and government rule-making standards;
- Exceed World Trade Organization disciplines, where possible;
- Provide national treatment and investor safeguards against expropriation;
- Establish a viable dispute settlement mechanism;
- Improve intellectual property rights protection; and
- Enhance the local business environment by fostering more transparent regulatory institutions.

An additional rationale for the FTAA arises from the rapidly changing patterns of international trade. As you know, special interests in the United States spent a great deal of time in the 1990s arguing about trade. While this was going on, other nations around the world have been busy weaving a spiderweb of free trade agreements. Over 130 regional trade agreements are currently in force worldwide. The European Union, Canada, Mexico, and other countries have signed dozens of FTAs in the past decade, while the United States today enjoys free trade with just four countries (Canada, Mexico, Israel, and Jordan).

This pattern of diminished U.S. participation in trade liberalization must not continue. The spiderweb of free trade agreements that we've seen emerging around the world has already put U.S. companies at a competitive disadvantage in key markets — especially in Latin America. Basically, other nations are negotiating trade agreements that provide preferences for their firms over our own.

### **Benefits of the FTAA**

For a final rationale for the FTAA, the North American Free Trade Agreement (NAFTA) offers an excellent preview of the benefits a hemispheric free trade agreement might bring. Since the NAFTA came into force nearly a decade ago, trade between the United States and Mexico has tripled to nearly \$250 billion last year. Trade between the United States and Canada exceeds \$400 billion — a figure double the pre-NAFTA level. This explosion in trade has allowed companies in all three NAFTA countries to generate hundreds of thousands of new jobs. The NAFTA is one of the main reasons why some 12 million U.S. jobs rely on exports.

While enhanced competition in the marketplace has led to job losses in some industries, the new, trade-related jobs that have been created tend to provide better pay than the jobs that were lost. Studies show that export-related jobs pay 13 to 18 percent more than other jobs.

As Ambassador Zoellick has pointed out, the combined effects of the NAFTA and the Uruguay Round trade agreement that created the World Trade Organization (WTO) have increased U.S. national income by \$40 billion to \$60 billion a year. Thanks to the lower prices that these agreements have generated for such imported items as clothing, the average American family of four has gained between \$1,000 to \$1,300 from these two pacts.

The NAFTA has proven to be a foreign policy masterpiece, transforming Mexico's economic prospects and arguably paving the way for the democratic breakthrough witnessed in the 2000 elections. From a national security perspective, the possibility of reproducing these results on a hemispheric scale is enticing.

### **Status of the FTAA Negotiations**

The business community has been moving toward an integrated hemispheric market for decades, and now our governments are running to catch up. At the First Summit of the Americas in 1994, the leaders of 34 Western Hemisphere nations set the goal of free trade in the Americas. Now, as negotiations move into the final, decisive stage, it's clear that we have moved closer to this objective than we might have thought possible.

On February 15, 2003, FTAA governments submitted their initial market access offers, signaling that the 34 Western Hemisphere nations are entering the home stretch of the negotiations. The United States offered a comprehensive liberalization proposal in agricultural and nonagricultural goods, services, investment, and government procurement — placing all tariff lines on the table. In recognition of different levels of development around the hemisphere, the U.S. offer will provide immediate duty free treatment for 91% of goods from Caricom countries, 66% of goods from Central American countries, 61% of goods from Andean countries, and 58% of goods from Mercosur countries.

To summarize the current phase of the negotiations, offers for agricultural and nonagricultural products, services, investments, and government procurement will be presented in accordance with the following schedule: Initial offers were presented on February 15; submission of request for improvements to the offers will be delivered between February 16 and June 15; and presentation of revised offers should start on July 15.

### **Our Key Partner: Brazil and its neighbors in Mercosur**

In a sharp contrast to the U.S. offer, the four Mercosur member countries — Brazil, Argentina, Uruguay, and Paraguay — committed themselves to eliminate tariffs immediately on just 17% of all imports. According to this schedule, the elimination of tariffs for another 22% of the goods will happen within five years, 52% will happen within ten years, and 100% tariff elimination will happen within more than ten years. While Mercosur's offer is conservative, sources in Brazil have indicated that they may improve the offer to the same level proposed in free trade negotiations with the European Union — 91% of goods duty free within ten years.

Unsatisfied with the initial U.S. offer, Brazil and other Mercosur countries also announced they will consider making differential offers of their own, meaning that offers to the United States and Canada may be less aggressive than with other smaller trading partners.

During the Vice Ministerial meeting held last month in Puebla, Mexico, the Mercosur countries also discussed the impact of the war on Iraq on the FTAA. At first glance, the war had no apparent impact on the rhythm of the discussions. However, respected Brazilian opinion leaders have questioned whether the "unilateral" nature of the U.S.-led war in Iraq implies a weakening of the U.S. commitment to multilateral initiatives such as the FTAA.

It is against this backdrop that U.S. Trade Representative Robert Zoellick will travel to Brazil to discuss the FTAA with Minister of Foreign Relations Celso Amorim, who is currently co-chairing the FTAA negotiations with Zoellick, as well as other Brazilian government ministers. Several reports have indicated that sentiment in the Brazilian private sector may be shifting in favor of a bilateral rather than multilateral approach to trade liberalization.

Ambassador Zoellick faces several major challenges during this trip. On the one hand, Brazilian government officials and business leaders increasingly see trade negotiations with the United States as an important part of any effort to boost Brazilian exports and economic growth. On the other hand, some argue that the FTAA has become a political hot potato in Brazil, leading some officials to consider proposing a bilateral free trade agreement with the United States. A bilateral or “Four Plus One” free trade agreement (in which the four Mercosur countries would negotiate with the United States) is also held up as simpler than the 34-nation FTAA talks.

In our view, it would be a terrible mistake to walk away from the FTAA. The negotiations have come a long way, and abandoning them now would only postpone the arrival of such obvious benefits as improved access to hemispheric markets. Moreover, the obvious complexities of the 34-nation FTAA negotiations are not delaying efforts to reach agreement. Rather, the difficulty arises from a lack of political will in hemispheric capitals, which would persist in the context of negotiations for a U.S.-Brazil or “Four Plus One” free trade agreement.

### **Preparations for the Miami Ministerial**

In anticipation of next November’s FTAA Ministerial and Americas Business Forum (ABF) in Miami, the U.S. Chamber of Commerce, AACCLA, the Council of the Americas, and several other national business organizations have held a series of meetings since February 2003 with Ambassador Charles Cobb, Armando Codina, and Ambassador Luis Lauredo — who are among the leaders of the team organizing the VIII FTAA Ministerial and ABF — to discuss ways to optimize productivity and move the FTAA negotiations forward expeditiously.

As a result, a National Advisory Board of U.S. business organizations was formed, with AACCLA, the U.S. Chamber of Commerce, and the Council of the Americas acting as co-chairs. The committee has been meeting with Ambassador Lauredo and other members of the Miami-based organizing committee regularly throughout the year to offer counsel and to help shape the agenda for the Ministerial and ABF. We are also working to coordinate the flow of information between the National Advisory Board and Ambassador Lauredo’s team.

While the Miami-based organizers of the Ministerial and ABF will be focusing on the logistics and the leadership structure of the two events, our organizations see an opportunity to reshape the interaction between the ministers and the business community with a special focus on our policy priorities.

We are still at an early stage in preparations for Miami, but we believe that the Miami-based organizers are to be congratulated for their efforts to lay a strong organizational foundation for the Ministerial and ABF and to reach out to a broad swath of the business community. Ambassador Cobb, Mr. Codina, and Ambassador Lauredo have led the charge with energy and a spirit of openness. They have sought input, and they have gotten it — which bodes well for the November meetings.

This spirit of openness is also evident at the Office of the U.S. Trade Representative, where Ambassador Zoellick and his Western Hemisphere team — including Deputy U.S. Trade Representative Peter Allgeier, Assistant U.S. Trade Representative for the Americas Regina Vargo, and others — has also done an excellent job over the past year reaching out to civil society as well as the business community to seek our input. Our dialogue with them has focused on both the ideal content of the FTAA itself as well as ways to involve non-government actors in the negotiations to help ensure their success. Assistant U.S. Trade Representative Chris Padilla, whose brief includes intergovernmental affairs and public liaison, has been particularly effective in this role, which he assumed just six months ago.

The National Advisory Board to the FTAA Ministerial and ABF has put together a series of recommendations for the Miami-based organizers, who have welcomed both the substance and intent of these ideas. In general, the aim of these recommendations is to arrange the structure and calendar of the Miami meetings to allow for more interaction between the trade negotiators and the business representatives participating in the ABF.

To give one example, one recommendation from the National Advisory Board was to provide daily briefings during the week of the Ministerial by the Office of the U.S. Trade Representative for the U.S. business community. Another suggestion was to create an additional session during the ABF in which the negotiating leads would join business delegates at the workshops corresponding to their areas of specialization for a dialogue on the negotiations. Such a meeting would help the negotiators to get a better feel for the nuances surrounding specific recommendations from the business community (as well as areas where consensus remains elusive).

## **Conclusion**

In sum, we find ourselves at a crucial juncture in the negotiations for the Free Trade Area of the Americas. Economic difficulties in a number of countries only underscore how critical it is that we proceed to bring the negotiations to a successful conclusion by the January 2005 deadline.

Trade expansion is an essential ingredient in any recipe for economic success in the 21st century. If U.S. companies, workers, and consumers are to thrive amidst rising competition, completing the FTAA must be a top priority. In the end, U.S. business is quite capable of competing and winning against anyone in the world when markets are open and the playing field is level. All we are asking for is the chance to get in the game.