

**Remarks of Peter F. Allgeier
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U.S.-Brazil Relations in the
Context of the FTAA Negotiations
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Introduction

- I'm pleased to be here today to discuss Brazil-U.S. relations from the perspective of the FTAA negotiations, where Brazil and the U.S. serve as co-chairs of the process.
- It was nearly ten years ago that the leaders of this hemisphere decided that by integrating this hemisphere through a free trade area, the lives of all of our people could be vastly improved; and they laid out the vision of the FTAA.
- I certainly don't need to remind a New York audience that the world is a very different place today. Our need to work together, to integrate the hemisphere is greater than it was if we are to move forward toward a more prosperous hemisphere. The United States remains convinced that the path to that goal is completion of the Free Trade Area of the Americas.

NAFTA and the benefits of trade liberalization to promote economic growth

- Why are we so committed to free trade in our hemisphere? We know from our own experience that trade is key to achieving increased economic growth, increased international competitiveness and greater prosperity for our citizens.
- We have seen tremendous economic growth and development over the last 10 years as a result of the NAFTA. This comprehensive, high ambition free trade zone among the United States, Canada and Mexico has been a powerful force for increasing the international competitiveness of all three economies, for attracting enormous flows of inward investment and for contributing to the record productivity growth that we have experienced over the past decade. Free trade is an essential variable in any country's equation of competitiveness.
 - The outcome of NAFTA for Mexico has been dramatic. In 1993 Mexico's exports to the U.S. totaled approximately \$40 billion and Mexico had a negative balance of trade with the United States.
 - In 2003, Mexico's exports to the U.S. totaled \$138 billion and Mexico now has a positive balance of trade with the United States of \$40.6 billion (more than twice Brazil's total exports to the United States).

- Total three-way trade in the NAFTA region is approximately \$1.3 million *per minute*.
- NAFTA has also created 3.5 million jobs in Mexico alone, providing wages for export-oriented workers 37% above the wages of workers in other sectors of Mexico's economy.
- One-third of today's trade between Mexico and the United States is in products that were not traded, or did not exist, prior to NAFTA.
- NAFTA's success owes as much to the economic reforms and disciplines required by the agreement as it does to the market access provided by the agreement. That's one of the most important lessons of NAFTA.
- NAFTA provided for liberalization of the services sector, protection of investment, transparency and market access in government procurement, intellectual property protection and rules against anti-competitive behavior, all of which strengthened the rule of law, its predictability and its impartial application throughout the commercial sector and is creating a welcoming environment for investment, innovation and economic diversification.
- That's the record that has convinced us that the people in the 34 nations of the FTAA can benefit from a similar free trade agreement across our hemisphere.

Hemispheric Integration and the FTAA

- The original approach to achieving such an FTAA was to negotiate a single, comprehensive, high ambition free trade area among all 34 countries, with appropriate special treatment for smaller, less developed economies.
- However, it became apparent that several countries, notably MERCOSUR, were not in a position at this time to agree to such an ambitious and comprehensive package.
- Last November in Miami, the trade ministers established two paths to trade liberalization in the FTAA, beginning with the Common Set of Rights and Obligations which would apply to all 34 countries.

The Common Set

(1) This common set of benefits and obligations, applicable to all countries, means at this point in time that all countries must accept more modest levels of ambition to take account of the different sensitivities among countries.

(2) However, the Ministers agreed that the Common Set will cover topics in the nine areas under negotiation in a balanced way. Countries cannot insist on a high ambition in their areas of interest and minimal ambition elsewhere.

- Serious and significant obligations, negotiated and applicable among all 34 countries, are essential if the FTAA is to move the hemisphere toward becoming a single integrated region of trade, as opposed to parallel bilateral corridors of preferential trade. This is a point of tension between MERCOSUR and the other countries in the FTAA who see the benefits of integration.
- In developing this framework, it is important to note that all countries agreed to lower their level of ambition in this common set and to negotiate provisions that would be substantive, but would also accommodate others' limitations and sensitivities.
- Right now Brazil and the United States as co-chairs have the responsibility to lead the other 32 countries to a consensus on the negotiating guidelines for achieving such a balance. We are not attempting to negotiate the final outcome at this point.

Plurilateral Negotiations

- Miami's second path of more far reaching plurilateral negotiations that provides the opportunity to pursue the more ambitious approach backed by the United States, Canada, Chile and many others, is that countries wishing to agree among themselves on further trade liberalization may do so, and may do so within the FTAA.
- Already, 14 countries have indicated a desire to negotiate a higher-level agreement covering services, investment, market access for government procurement, and market access for goods. These countries account for 90% of intra-hemispheric trade and two-thirds of the non-U.S. hemispheric GDP.
- Both tracks, the common set and the plurilateral track, collectively constitute the FTAA agreement.
- We believe that the Miami framework is the best way under current circumstances to further negotiations and establish the FTAA. Frankly speaking, we believe the higher ambition commitments are where the FTAA ultimately should end up.
- We are confident that over time, its dynamics and the logic of trade liberalization will lead those countries with lower ambitions to see the benefit of the more ambitious approach and of a more integrated market in the Americas.
- But the path to get there is to first create the FTAA and its institutions within the framework of Miami.

The Miami Ministerial and Moving Forward

- Since Miami, we have had a number of formal and informal discussions among 34 countries and in smaller groups to identify those elements on which there is

consensus to include in the common set. The most recent of them was in Buenos Aires in early April.

- Today, a gap remains over the link between the obligations a country undertakes and the benefits it obtains. During debates on these basic architecture issues, the negotiations stalled as fundamental differences emerged regarding agricultural subsidies, services and protection of intellectual property.
- Both Co-Chairs are working to cut this Gordian knot. U.S. Trade Representative Robert Zoellick has exchanged letters with his co-chair counterpart, Foreign Minister Celso Amorim, offering a way forward. My TNC co-chair counterpart, Ambassador Adhemar Bahadrian and I will meet later this week and next to further that discussion.
- We expect to consult with additional countries in the next weeks to see if we can find a solution that would be acceptable to all 34 countries as a basis for re-initiating negotiations in the negotiating groups on market access, on common rules, and on the institutions of the FTAA, plurilateral negotiations among those ready for higher level of obligations and benefits.

The U.S. Bilateral Trade Agenda

- Although progress on the FTAA has been measured, the United States has been actively pursuing bilateral free trade agreements (FTAs) in the hemisphere. The U.S.-Chile FTA is now in effect and proving its worth to both countries.
- We concluded talks earlier this year on a U.S.-Central American Free Trade Agreement, or CAFTA. Talks to integrate the Dominican Republic into CAFTA were wrapped up a few weeks ago.
- Talks with Panama are already underway this week and those with the Andean countries will begin in mid-May.
- These bilaterals are not just a path for bilateral trade liberalization with the United States, but are stepping-stones toward hemispheric integration.
- A great deal of commonality exists among these bilateral FTAs, as well as with similar agreements already negotiated or being negotiated by Canada, Mexico and Chile. It should not be too complex to stitch together these accords and expand bilateral undertakings into plurilateral ones, thereby enhancing the benefits and competitiveness of all the participating countries.

Conclusion

- To be sure, we face enormous challenges in completing negotiation of the FTAA and our other free trade negotiations among such a diverse group of countries. Basically, we must decide whether we want to prepare our economies for the

challenge of the global economy in the 21st century, or respond to the fear that these new challenges create by clinging to policies of the past.

- I hope that this audience agrees that the right path for both Brazil and the United States is the one that leads to freer trade – and ultimately to free trade within a truly integrated hemisphere.