



The Free Trade Area of the Americas: Laying the Cornerstone for a Community of the Americas

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By Ambassador Abelardo L. Valdez

The recent Congressional vote granting President Bush's request for Trade Promotion Authority (TPA) to negotiate the Free Trade Area of the Americas (FTAA) and other trade agreements will have historic implications and consequences. It will not only determine the future of trade relations in the Western Hemisphere, but whether a future "Pan-American Community" can be built on the cornerstone of the FTAA. This has been my quest for many years. (1)

The dream of a "Pan-American Community" is an old one. In 1826, Simon Bolivar, the Liberator of South America, convened a hemispheric conference to begin the process of building a sense of community among the newly independent nations of the Americas. (The United States was invited to the conference, but its delegation failed to arrive in time to participate in this historic meeting, primarily because Congress delayed approval of the President's request to send a delegation to Panama.) Secretary of State James Blaine kept the Pan-American dream alive when he convened the first Inter-American Conference in 1888 to consider a hemispheric customs union. For the most part, however, relations between the United States and Latin America were destined to be plagued by misunderstanding and, at times, conflict.

Franklin D. Roosevelt's "Good Neighbor Policy" and John F. Kennedy's "Alliance for Progress" were the first positive initiatives to reestablish the cooperation that Bolivar had envisioned for the Americas. However, it was not until the establishment of the North American Free Trade Agreement (NAFTA) that the leaders of the hemisphere were convinced that significant mutual benefit and a genuine spirit of community could be achieved through expansion of trade relations.

The creation of NAFTA has done much to reverse the trend of protectionism, renew the call for hemispheric unity, and inspire the FTAA initiative. As United States Trade Representative Robert Zoellick stated, "NAFTA has helped to create a North American Community of prosperity, democracy, and hope." Since NAFTA went into effect in January 1994, when, U.S. trade with Mexico increased from \$81 billion to \$247 billion in 2000. U.S. exports to Mexico and Canada,

combined, increased 104 percent during that same period, even as American trade with the rest of the world increased by only half of that amount. During that same period, employment in Mexico grew 22 percent and generated two million jobs.

Simultaneously, Canada's employment grew by 10 percent and generated 1.3 million jobs. In the United States, employment grew more than 7 percent and generated about 13 million jobs.

NAFTA was instrumental in helping Mexico recover from the financial crisis it suffered as a result of the peso's devaluation during 1994-95. Unlike the previous crisis in 1982, it took only seven months for Mexico to restore its credit worthiness in international financial markets. Mexico's rapid recovery also helped U.S. exporters to avoid a long-term decline. In only seventeen months, U.S. exports to Mexico were at the same level as prior to the peso crisis. NAFTA also greatly contributed to increasing Mexico's GDP by 8.3 percent between 1993 and 1999.

NAFTA is also credited with making political transformation and genuine democracy a reality in Mexico. In 2000, Mexico elected its first president from the opposition in more than seventy years. Moreover, the climate of openness created by NAFTA has led to a more independent news media. At the same time, the debate during the NAFTA approval process about protecting the environment has inspired Mexico to enact legislation to improve environmental conditions that have been neglected for many decades.

NAFTA's spectacular success has given new impetus to the creation of a Western Hemisphere free trade area. Following the negotiation and approval of NAFTA by the United States, Mexico and Canada, most of the other Latin American countries indicated their desire to be part of a hemispheric-wide initiative to expand free trade. Many of them, including Chile, which had expected to become the next member of NAFTA, were disappointed that Congress refused to grant an extension of President Clinton's fast-track authority thereby delaying any American negotiation of other bilateral and multilateral free trade agreements beyond the end of his term of office.

The brief return of bipartisanship in Congress following the tragic events of September 11 gave new life to President Bush's request for Trade Promotion Authority which was needed to complete negotiations on the FTAA. Prior to that fateful day, there was serious doubt that Congress would approve the President's TPA request. Now, despite the economic challenges confronting the Americas, the prospects are brighter that the January 2005 deadline, agreed to at the Quebec Summit for completion of the FTAA negotiations and approval by the member countries, can be met.

Based on the solid success of NAFTA, there is considerable reason to expect that

the FTAA will multiply that success in expanding trade, increasing job production, and enhancing economic and political cooperation among the American nations.

NAFTA's success is confirmed by the fact that the United States now exports more to Mexico than to Britain, France, Germany, and Italy combined; and it exports to Canada (\$179 billion) almost as much as to all of Europe (\$187 billion).

Building on NAFTA's success, the FTAA can not only enhance trade in the Americas, it can provide a concrete basis for inter-American cooperation on a host of critical issues, including economic development, improving access to health care and education, strengthening democracy and security, combating drug-trafficking and terrorism and protecting the environment. All of the nations of the Western Hemisphere have a vital stake in finding solutions to these problems, which recognize no national boundaries and require unified action to resolve.

The three "Summit of the Americas" held in Miami (1994), Santiago (1998), and Quebec (2001) devoted as much time to discussion of these social and political issues as to negotiation of the FTAA. The summits provided a forum for the hemisphere's chief executives and their cabinet officials to discuss these issues and to formulate plans and programs to address them. The FTAA is seen as a motor force for needed and social reform and a means to establish more harmonious relations among the nations of the hemisphere. Thus, the FTAA, as the cornerstone of this cooperation, has already engendered a new spirit of community and cooperation among nations of the Americas.

It should be obvious to all that creating healthy economies and enhancing interstate cooperation throughout the Americas is in our nation's best interest. This is a compelling reason for strengthening trade relations in our hemispheric neighborhood and building a strong "Community of the Americas."

Implementation of the FTAA will presage the dawn of a new era for the hemisphere, one of increased prosperity, more stable governments and mutual trust among nations.

Ambassador Valdez served as Chief of Protocol with rank of Ambassador (1979-1981) and Assistant Administrator for Latin America, U.S. Agency for International Development (1977-79). He presently practices international law in Washington, DC, and is considered one of the architects of the North American Free Trade Agreement and the proposed Free Trade Area of the Americas.

(1) In February 1981, I presented testimony before the Office of the United States Trade Representative (USTR) at public hearings in Miami, Florida. My statement was entitled, "A Proposal for a Western Hemisphere Free Trade Zone."