

Remarks by U.S. Trade Representative Susan C. Schwab

“Choosing the Right Path for the Americas”

The Association of American Chambers of Commerce in Latin America

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(as prepared for delivery)

### Acknowledgements and Introduction

- Thank you, Tom (Donohue). I am not sure how we would have succeeded in our trade efforts in recent years without your energy and passion. We need you to keep up the good work. Let me also thank Kathy (Barclay) and AACCLA for strengthening our commercial ties throughout the hemisphere.
- Ladies and gentlemen, let me acknowledge at the outset that all of you fully appreciate why it is so important for Congress to approve free trade agreements with Peru, Colombia, and Panama. You “get it.”  
I hope you will bear with me though. Trade votes are never easy. You will find skeptics to free trade everywhere, in the media, on Capitol Hill, and in the general public. Your vigorous support and advocacy is essential in converting these skeptics. Fortunately, we have a compelling case to make.

### Two Competing Visions

- When we look to Central and South America, we see a half a billion people in nearly twenty countries emerging from decades of widespread poverty and political turmoil.

- The United States has contributed to and benefited from this progress in many ways. Clearly, our enhanced trade ties have played a particularly constructive role in these positive trends. Our Free Trade Agreements with Chile, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic are already bearing fruit for the United States and its free trade partners.
- And now, we find ourselves at a pivotal moment. Today, two divergent visions are competing to shape the future of Latin America. Democracy is competing with political demagoguery. Economic cooperation and entrepreneurship are competing with economic regression and mismanagement. A promising future is competing with the ghosts of a troubled past. For some leaders in the region, the United States is an obstacle to peace and development. For others, the United States is an ally in stability and progress.
- Congress has a chance to bolster the forces for democracy, economic cooperation, and growth. Lawmakers can maintain the momentum for positive change by approving our FTAs with Peru, Colombia, and Panama.
- It is great news that Congress has begun the process of reviewing and approving the Peru Trade Promotion Agreement. I am hopeful that congressional action on the agreements with Colombia, Panama – and then Korea - will follow in short order.

- I urge any member of Congress who wants to create economic opportunities for their constituents, and simultaneously help the people of these countries, to support these agreements actively and enthusiastically. It is just that simple.

### Three Central Reasons to Support

#### *Economic Benefits*

- There are three principal reasons to support these agreements.
  - the economic benefits
  - the nature of these agreements, and...
  - their broader implications for the region
- The first -- and perhaps most compelling reason -- are the economic benefits. After all, that is why nations lower barriers with one another in the first place -- so that their people have the freedom to choose to trade with one another.
- These three agreements will give U.S. products and services duty-free access to markets with a combined population of 75 million people. Upon entry into force of the agreements, roughly 80 percent of U.S. exports of consumer and industrial goods will enter these countries duty-free immediately, with the remainder over time.
- These agreements also will provide substantial new opportunities for U.S.

farmers' and ranchers' agricultural exports. The American Farm Bureau estimates that U.S. farm exports to Peru, Colombia, and Panama will increase by nearly \$1.7 billion per year under the agreements, with gains spread among all sectors of U.S. agriculture.

- In addition, the agreements will remove barriers to U.S. service suppliers, provide a secure, predictable legal framework for investors, and protect intellectual property.
- For many years, 90 percent – 90 percent -- or more of the goods from these countries have entered the United States on a duty-free basis through existing preference programs such as the Andean Trade Preference Act (ATPA), the Caribbean Basin Initiative, and the Generalized System of Preferences. Earlier this year, I was pleased to see 365 members of Congress vote to support the most recent short-term ATPA extension of duty-free treatment for Peru and Colombia.
- Here is my question. Why would any lawmaker pass up the opportunity to give U.S. farmers, manufacturers, service providers, and workers duty-free access to these markets after having just voted to let goods *from* these countries enter the United States duty-free? Members of Congress have a chance to level the playing field. For goodness sake, take it!
- Two-way trade works. Our trade has grown markedly with every country with which we have a bilateral free trade agreement. In fact, U.S. exports to its free trade partners are growing at twice the rate as our exports to the rest of the world.

- Our free trade agreement partners benefit as well, because, in addition to increasing trade, such permanent agreements with the United States attract foreign direct investment, help upgrade commercial infrastructure, and create opportunities for local entrepreneurs. This track record explains why Peru, Colombia, Panama, and Korea have negotiated and agreed to FTAs with us.
- Of course, these are just broad concepts. But they translate into real opportunities for real companies and real workers. Just last week, an executive from Whirlpool told the Senate Finance Committee that the Peru Agreement could boost the value of their exports to that country by 400% and help retain U.S. jobs. Caterpillar estimates that Colombia and Peru combined comprise a larger export market for its products than Brazil, the United Kingdom, Japan or Germany.
- We must remember that 95 percent of the world's consumers live outside U.S. borders. Opening these markets is vital to our economic future well-being. We cannot open markets without concluding and implementing trade agreements like the free trade agreements Congress will soon take up.
- Even with patches of turbulence, our economy has continued to grow at an impressive rate – thanks to exports. Export expansion, in fact, has accounted for 40% of U.S. economic growth over the last four quarters. So I say to lawmakers concerned about the long-term health of the economy, let's continue to stoke the furnace with the fuel that burns best!

## *Shaping Trade in Bipartisan Fashion*

- The second reason for supporting these FTAs has more to do with the terms of trade. These agreements finally address the reasons many members of Congress have said they opposed trade agreements with developing countries over the last 15 years – namely labor and environmental protections.
- It was in this very room last November that I announced the Administration’s openness to work with Members of Congress of both parties to break way from the partisan voting trading pattern we found ourselves enmeshed in.
- As many of you know, on May 10 we reached a bipartisan agreement with lawmakers from both the House and Senate. Our trading partners agreed to go back and modify the agreements that we had negotiated with them. The agreements now provide for enforceable obligations concerning the fundamental rights of the International Labor Organization and key multilateral environmental agreements.
- Lawmakers who have long expressed a desire to shape the terms of U.S. trade agreements have succeeded. Now it is time for them to support these agreements. Opposing these agreements will not create a single job in the United States, promote labor protection, clean up a single stream, or prevent the extinction of one endangered species in Latin America. Supporting these agreements, on the other hand, will more clearly than ever before advance efforts to protect workers and the environment.

*Encouraging those who lead by example for positive change*

- A third reason for supporting these agreements is the chance to show other countries in the hemisphere that market-oriented economic growth, political freedom, greater transparency, and respect for the rule of law mark the path to a better life for all people. We should welcome the partnership with leaders of Peru, Colombia, and Panama. Make no mistake: It is in the economic and geopolitical interests of the United States to have stable prosperous trading partners in our own neighborhood.

*Peru*

- Peru's President Garcia has stated many times that the Peru Trade Promotion Agreement and political progress in Peru are closely linked. Thanks to reforms undertaken in the last six years by him and his predecessor, the number of people living in poverty and extreme poverty has declined. During those years, a half million Peruvians moved out of poverty.
- When President Garcia was here in October and again just this past April, he said the PTPA was "vital" for his country and "fundamental" to continuing on the "path of growth and social distribution" that he and his predecessor have taken.

*Colombia*

- In Colombia, thanks to courageous political leadership in that country, violence and drug-related activity has declined dramatically. The United States has been a partner in these efforts with Plan Colombia as well as with the Andean Trade Preference Act, both of which have enjoyed strong bipartisan support in the Congress and Administrations of both parties.
- Seven years ago, Colombia was nearly a failing state. Violence was rampant, investors were fleeing the country, and economic activity was plummeting. Since then, Colombia and the United States have worked together to promote peace, justice and prosperity. Leaders at all levels of the Colombian government - and many ordinary citizens – have taken risks that are difficult for us to imagine, and Colombia has made extraordinary strides in a few short years.

### *Panama*

- In Panama, democracy has taken root. As a result, foreign investment and U.S. exports are flowing in a rapid pace. Panama occupies a unique place in international trade. The Panama Canal connects two great oceans and plays a pivotal role in the flow of goods around the world. We should welcome the chance to include Panama as one of our free trade partners.

### *Broader Hemispheric Implications*

- Past United States efforts to reach out to Latin America had mixed results. The high ideals of 20<sup>th</sup> century initiatives such as Pan-Americanism, the

Alliance for Progress and the Good Neighbor Policy often yielded to the stark realities on the ground.

- It was not too many years ago that many parts of Latin America were gripped with political repression, staggering hyperinflation, death squads, and economic despair.
- Today, Latin America is doing dramatically better by many measures. Most countries in the region are enjoying greater political freedom, economic growth, and prosperity than ever before.

#### *Positive Political Developments – Respecting Free Voters*

- Over the last year or so, there have been 13 presidential and nine congressional elections in Latin America – including in Peru and Colombia. In many of these cases, conventional wisdom about which trend would dominate Latin American politics was proven wrong. Naturally, many factors influence election outcomes. But it was encouraging to see voters in many of these countries choose leaders who seek to open their economies, promote political stability, and fortify their trade and investment ties with the United States.
- When they, in turn, ask us to be their partner in progress, we should grasp the outstretched hand they have offered. And we should respect their decisions to negotiate FTAs with us.

#### *Economic Hope, Challenges and Aspirations for all Latin America*

- On the economic front there is good news as well. According to the Inter-American Development Bank, in the three-year period ending last fall, average growth in Latin America was at close to 5% a year, inflation was in the single digits, debt burdens are shrinking, unemployment is down, and median wages are up.
- Compared to the political turmoil of the 1970's, the "lost decade" of the 1980's, and the financial crises of the late 90's and early this decade, this is a tremendous and hopeful story.
- And yet, 220 million Latin American citizens are still poor. Perhaps 100 million or more live on less than a dollar a day.
- The United States and countries in this hemisphere can do better. We must deepen and strengthen our trade and investment ties with each other and with the broader global trading community.
- Asia, where 60 percent of the world's people live, is in the midst of a dazzling transformation. With the energy of our people, our vast resources, and improving political climate, there is no reason not to look forward to a dazzling new era in the Americas, as well.
- It all depends on which path we take – which vision we support. This is a crucial moment to show the people of Latin America that the United States, is, in fact, a "good neighbor" and ready to form a modern "alliance for

progress.” There is no more important signal we can send than to approve the pending FTAs.

## Conclusion

- Today is a time of decision for U.S. economic and strategic policy in Latin America. The false rhetoric of political regression that some self-styled populists are promoting in the region can only resonate if we fail to show the viability of this alternative path.
- At this moment in history, will we reach out to nations who are strengthening democracy and the rule of law? Will we embrace nations seeking trade and economic cooperation with the United States?
- Will the United States continue to move beyond the stigma and uncertainty of one-way preference programs and into the era of two-way trade that benefits the United States and its hemispheric trading partners?
- These prospective partners have said yes to trade, yes to political reform, stability, and economic opportunity.
- It is critical for the United States to say “yes” as well.
- Thank you.