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Fifth Column / Commerce  
Published in *AméricaEconomía*  
August 19, 2005

## **Ambivalence**

Until recently, the conventional wisdom was that free trade in the Americas did not have much of a future. It was not hard to understand why. The January 2005 deadline for the signing of the Free Trade Area of the Americas had come and gone, in part because Brazil's vision of what should an agreement should look like differed from that of the United States. Subregional trade agreements fared no better. Prospects for a free trade agreement between the United States and several Andean countries had also dimmed when Ecuadorian president Lucio Gutierrez, who had favored such an agreement, was forced from office. Mass demonstrations in Bolivia seemed to auger a wider hemispheric movement against globalization and free trade. The proposed DR/CAFTA Agreement, which was to unite five Central American countries and the Dominican Republic with the United States in a free trade area, lacked support from two Central American countries. And although the U.S. Senate had approved the agreement, it remained unclear whether the House of Representatives would follow suit.

It now looks as if the conventional wisdom regarding free trade was wrong. Both Colombia and Peru recently indicated that if the Andean countries cannot reach agreement as a bloc, they each would be willing to sign a bilateral trade agreement with Washington. In addition Bolivia recently announced that it wanted to be part of the free trade agreement with Colombia, Ecuador and Peru. Caricom, the association of Caribbean countries that had shown little interest in signing a free trade agreement with Washington, just stated that it will explore the possibility of signing such an agreement, using DR/CAFTA as a potential model.

What explains the apparent about-face by so many Latin American and Caribbean countries? The main answer involves changes in the external environment that are raising the costs of rejecting free trade agreements with the United States.

One such change is a number of deadlines that threaten to remove the duty-free access to the U.S. market that many Latin American and Caribbean countries have enjoyed. The Andean Trade Promotion and Drug Eradication Act, which gives exports of the Andean countries preferential treatment in the U.S. market, is set to expire in December 2006. In addition, the Caribbean Basin Initiative, which has permitted Caribbean and Central American nations to export dozens of products to the United States duty free, is also set to expire in 2008. There is no guarantee that the U.S. Congress will decide to extend these trade benefits, especially if the Democratic Party, which has opposed DR/CAFTA, wins more seats in the 2006 congressional elections.

Perhaps an even more important deadline is the impending expiration of fast-track authority in July 2007. This legislation allows U.S. presidents to ask for a yes or no vote, without amendments, on free trade agreements. Since approval of free trade agreements would be more difficult, if not impossible, without a renewal of fast-track authority (which is not guaranteed), there is a limited window of opportunity for countries desiring such agreements begin negotiations.

In addition to these impending deadlines, there is the issue of competition from China. Several recent surveys of global competitiveness show that the region's ability to compete in the global economy has been declining. In order to reverse this trend, Latin America and the Caribbean need more investment, trade and new technology. This is particularly true of those countries that are not major exporters of commodities,

which currently are fetching high prices on the international market. In addition, the smaller countries of the region need to become part of a larger market in order to attract foreign capital. Entering into free trade agreements with the United States is a good way to increase their global competitiveness.

Free trade in the Americas is therefore far from dead. But its healthy future is also far from assured. Until now the anti-free trade voices have been far louder than the voices of those who support free trade. It is time for those in the Americas who understand the importance of free trade agreements with the United States, the largest market in the hemisphere, to become more active in explaining to their compatriots why such agreements are important building blocks to a more prosperous future.