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COMMENTARY

Happily Ever AAFTA

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This year President Bush and the Democratic-led Congress should launch a new Association of American Free Trade Agreements (AAFTA). The AAFTA could shape the future of the Western Hemisphere, while offering a new foreign and economic policy design that combines trade, open societies, development and democracy. In concert with successful immigration reform, the AAFTA would signal to the Americas that, despite the trials of war and Asia's rising economic influence, U.S. global strategy must have a hemispheric foundation.

Successful and sustainable international strategies must be constructed across administrations. Ronald Reagan called for free trade throughout the Americas, opened U.S. markets to our Caribbean neighbors, and completed an FTA with Canada. George H.W. Bush completed negotiations for a North American FTA, offered trade preferences to the Andean countries, negotiated peace in Central America, and freed Panama. Bill Clinton secured the passage of Nafta, launched work on a Free Trade Area of the Americas, and backed Plan Colombia.



David Klein

George W. Bush enacted FTAs with Chile, the five states of Central America and the Dominican Republic. He also completed FTAs with Colombia, Peru and Panama. If Congress passes these agreements, the U.S. will finally have an unbroken line of free trade partners stretching from Alaska to the tip of South America. Not counting the U.S., this free trade assembly would comprise two-thirds of both the population and GDP of the Americas.

The AAFTA would draw together these 13 partners to build on the gains of free trade. It could also include the island states of the Caribbean Basin Trade Partnership Act. Starting with a small secretariat, perhaps in Miami, the AAFTA should advance hemispheric economic integration; link development and democracy with trade and aid; improve working and environmental conditions; and continue to pursue the goal of free trade throughout the hemisphere. It might even foster cooperation in the WTO's global trade negotiations. The AAFTA might be connected to an academic center, which could combine research and practice through an association among universities in the Americas.

The AAFTA could promote the business of trade by helping the private sector learn how to use FTAs, while encouraging business feedback that identifies impediments -- such as customs complications, regulatory red tape, the lack of financial, energy or other services, and infrastructure problems. It might use technology to create a virtual network of business opportunities, especially for small business.

Moreover the AAFTA should concretely demonstrate how aid and trade can be mutually supportive. U.S. Millennium Challenge Corporation grants are already enabling Central American countries to invest in physical and legal infrastructure matched to trade expansion. The U.S. Overseas Private Investment Corporation, Ex-Im Bank and Trade and Development Agency programs could be integrated, too. AID projects for labor and the environment could promote core standards, best practices, benchmarking and corporate social responsibility projects. The Inter-American Development Bank, a leader in connecting aid and trade, might help with grants and loans to strengthen small business, the economic empowerment of indigenous communities, and education -- all connected to open societies in a global economy. Finally, over time the AAFTA partners might examine how the various FTAs could be knitted together, although these steps would likely require new congressional action.

The U.S. cannot afford to lose interest in its own neighborhood. The pied pipers of populism in Latin America are taking advantage of the genuine frustrations, especially in indigenous communities, of people who have not been able to climb the ladder of opportunity. We should not let these populists dictate the debate. We already have seen that electorates in Mexico, Colombia, Peru, Central America and the Dominican Republic have recognized that trade with the U.S. offers jobs and hope. We need to build on that foundation with results that link trade, aid, good governance, property rights and better working and environmental conditions. Even where populists prevailed, substantial constituencies who view the U.S. as an economic partner have constrained backward policies.

To launch the AAFTA, the president and the congressional leadership must stand up to America's populist protectionists, too. The new chairmen of the House Ways and Means and Senate Finance Committees, Charles Rangel and Max Baucus, have signaled that trade may offer the best economic policy opportunity to work with the president. As Finance Committee Chair in 2001-02, Sen. Baucus worked closely with Sen. Grassley to authorize the negotiations for these FTAs. Rangel helped push preferential trade for Africa and the Caribbean. In response to urgings from New Democrats and Blue Dogs, the U.S. is the only country that includes mutual labor and environmental commitments in its FTAs, backed by enforcement. The administration worked with the International Labor Organization (ILO) and its developing country partners to check their laws with core ILO standards. In cooperation with Sen. Baucus, the administration developed special environmental review and comment procedures for Cafta, strengthening the role of local NGOs. The AAFTA offers more: an opportunity to design labor and environmental partnerships that would complement the rules in the FTAs. The alternative -- ignoring Latin America or defeating FTAs to court economic isolationists -- would leave the causes of workers and the environment to unlikely friends: poverty and populism.

The president and Congress are understandably absorbed by the dangers of war. But the United States cannot afford to ignore the rest of the world. The U.S. trade agenda has turned out to be our strongest lifeline to developing democracies in the Americas. It is not enough. With the passage of the FTAs with Colombia, Peru and Panama, the president and the Congress could use the free trade framework to spur an ongoing dynamic for development and democracy. Just as Alexander Hamilton created a self-reinforcing financial system that vitalized America to deal with future challenges, the AAFTA would create a working, adaptable mechanism that would strengthen the Americas in the 21st century.

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