

**THE NAFTA AND THE EXPANSION OF FREE TRADE:
CURRENT ISSUES AND FUTURE PROSPECTS
"A VIEW FROM CAPITOL HILL"**

Congressman Jim Kolbe

I. INTRODUCTION

Thank you for inviting me to speak with you today. I am pleased to be a part of this important and timely seminar.

This is both an exciting time and pivotal moment for hemispheric trade relations. This year marks the second anniversary of the NAFTA. This summer, a NAFTA review will be issued, an occasion that will no doubt spark debate. Just yesterday the President of Chile addressed a joint session of Congress where he reiterated Chile's commitment to free and open markets. As we speak, Vice-Ministers from virtually every nation in the Western Hemisphere are meeting in Recife, Brazil to continue laying out the framework for free trade as mandated by the Summit of the Americas. And, as many of you know, President Clinton will be visiting Latin America for the first time in May of this year.

Yet, despite these encouraging signs a dark cloud of uncertainty and anxiety seems to have free trade advocates in its grip. This seems particularly true here in the United States. Our commitment to free trade and open markets is under attack as never before, and our leadership in Latin America is rightly questioned. The worst pessimists predict abandonment of the NAFTA and continued retrenchment in our foreign policy. In Washington this week, during Chilean President Frei's state visit, rumors ricocheted from one end of Pennsylvania Avenue to the other. However, this didn't just begin with this week. Over the past several years we have let the creeping hand of protectionism and isolationism grab the tiller of our trade policy. Those that support and benefit from free trade have been confused and mostly silent, while policy makers sacrifice our international trading regime on the altar of political expediency. We must not let this drift continue. We have to act, and act *now*.

II. NAFTA TODAY

Nowhere is the erosion of support for trade more evident than with the hammer blows being delivered to the NAFTA right now. But, the truth is the NAFTA is working! This year, we are seeing the growth in U.S. exports to the NAFTA countries accelerating at a rapid pace. Through the first half of 1996, U.S. exports to our NAFTA partners are up by nearly 32% over the same period in 1993—33% to Canada and 27% to Mexico. At this rate, *U.S. exports to NAFTA countries will set an all time record* for 1996, when the final figures are in. Based on the first six months data, jobs supported by U.S. exports to NAFTA countries are *estimated to be up by more than 260,000*.

III. THE FUTURE OF NAFTA AND FREE TRADE IN THE AMERICAS

While these figures are impressive, it is also important to remember that the NAFTA goes beyond the simple elimination of tariffs and other border restrictions. The NAFTA also opens government procurement markets, ensures standards regarding product certifications, improves intellectual property rights protection, and puts domestic and foreign investors on an even footing.

Perhaps most important, the NAFTA can serve as a launching pad for opening up the dynamic Latin American market. Today, even though tariff barriers in Latin America have fallen, they are still on average four times higher than the average U.S. tariff. That is why it is vitally important that we move ahead to achieve tariff reductions with all our Latin American neighbors.

IV. IMPORTANCE OF LATIN AMERICA

The Western Hemisphere accounted for 38% of all U.S. exports in 1995. Latin America and the Caribbean Basin, excluding Mexico, is the second fastest growing market for U.S. exporters. We have to move ahead in this important region—and the first move must be to give the President fast-track negotiating authority this year and ensure Chile's being folded into our current tripartite NAFTA record.

V. FAST-TRACK

Fast-track is *the* critical first step to propel us toward negotiation for the Free Trade Area of the Americas. It gives the President the authority to negotiate trade agreements on behalf of the U.S. It also enables the Congress to consult regularly with the administration during negotiations, but then to take only an up or down vote on any trade agreement that is finalized, without considering any amendments. This assures our trading partners that any agreement negotiated with the President will be considered "as is" and will not be changed in the U.S. Congress. Without such assurances, other countries in the hemisphere are unlikely to enter serious and complex negotiations with the U.S. That's why building a bipartisan consensus to pass fast-track legislation in the 105th Congress is so important.

Once fast-track is in hand the President must move forward with negotiating Chile's accession to the NAFTA. The importance of this simple trade act cannot be overstated. Over two years ago we made a promise to Chile, a promise which, up to today, we have been unable to keep. Failure to honor this commitment undermines our credibility in Latin America and threatens the promise of a hemispheric agreement down the road.

A comprehensive trade agreement with Chile is also somewhat of a litmus test for our commitment to free trade. Chile is undoubtedly more prepared than any other Latin American country to enter into a free trade agreement with the U.S. By almost any measure, Chile is the shining success story of Latin America. It is a prime candidate for being the first new NAFTA suitor. If we cannot conclude negotiations with Chile now, how can we be expected to move forward with our vision of a Free Trade Area for *all* the Americas just eight years later?

If you doubt the importance of Chile alone in this equation, let me share this news with you. Just this week I was advised that Southwestern Bell, a major shareholder in Chile's telecommunications industry, has moved a contract for the purchase of \$200 million in telecommunications equipment from the U.S.—which still has an eleven percent tariff to leap over in Chile—to Canada, which as of June 1, 1997 faces a zero tariff in Chile, thanks to their new, bilateral free trade agreement.

Make no mistake, if we let the dream of hemispheric free trade evaporate, we risk losing in Latin America. While we waffle in indecision, other countries in this hemisphere are rapidly consolidating their own regional trade alliances. Chile recently concluded an agreement giving it associate status with MERCOSUR. MERCOSUR is currently working on a framework agreement with the EU. And, while trade within MERCOSUR grows at a rapid pace, the relative importance of the U.S. market to Latin America has declined. If the U.S. does not pursue hemispheric free trade in a timely way, we could find that by the time we do act, our ability to structure a free trade agreement on terms favorable to us will be seriously curtailed. Worse, Chile and other Latin American countries may have little desire, or need, to negotiate with the U.S. The result is certain to be more lost economic opportunities such as the one I described a moment ago.

But it will not be just economic opportunities that could be lost. Over the past several years we have seen the steady advance of democracy across Latin America. We have seen protectionist markets open, centralized governments abandoned, and dictators fall. Think about it for a minute. If twenty years ago someone told you that every nation in the Western Hemisphere, with the exception of Cuba's pathetic dictatorship, would be under democratic rule you would have dismissed it as a utopian dream. If they prophesied that these same nations would abandon their protectionist economic policies and embrace the principles of free trade—in some cases even more enthusiastically than ourselves—you would be certain they were completely daft. Yet that is the Latin America we have today—true partners in democracy and economic progress.

We can't take this for granted. We cannot assume it will always be this way. The trend towards open markets and democratic rule may not continue. If the U.S. does not regain our leadership role in promoting free trade, the economies of this hemisphere could stagnate. And, make no mistake about it—economic stagnation breeds political instability, and instability breeds mass emigration, civil unrest, military conflict, and poverty.

Or, perhaps even more painful to us, Latin America could abandon its historic partnership with its northern neighbor and seek economic progress

through other channels, with more willing partners. How tragic for us to be left on the sidelines, wondering why we can't share in Latin America's success.

That is why we must act *now*. We have a unique opportunity, this year, to lock-in the market reforms that make economic growth possible. We have the opportunity to stabilize our export markets while at the same time providing the means for millions of Latin Americans to pull themselves from the depths of poverty and into the mainstream of an expanding global economy. By seizing the opportunity now, we can ensure that the democratic tradition that is taking root in our hemisphere, continues to bloom and flourish.

VI. HELP IS NEEDED

This year—1997—brings us to a major crossroads. This can be the year of opportunity; or it can be the year of retreat. The end result is up to us. I can tell you that there is a spirit of bipartisanship on Capitol Hill that I haven't seen in a long time. I think all the necessary elements for achieving fast-track are there, but it takes leadership. Leadership in the White House, leadership in Congress, and leadership in towns and cities across America. My most fervent hope is that the President will have the vision and the courage to stand up and do what is right for America. I intend to do everything in my power in the weeks ahead to see that my colleagues, both republican and democrat, can work together to move beyond fast-track and prepare our nation for the economy of the twenty-first century.

But the real work to be done is out here, beyond the beltway and the corridors of power. Each one of you must have the courage to stand up for the international trading system in your own communities. You must make the effort to patiently, methodically, and repeatedly explain how trade benefits all of us.

Each and every one of us has this responsibility. But, the year of opportunity is now. The dream of hemispheric free trade is within our grasp. Let's reach out, seize it, and begin to prepare our nation and our children for the next millennium.

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