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Clinton's Choices at the Second Summit of the Americas

John Sweeney

The second Summit of the Americas will take place in Santiago, Chile, on April 18 and 19. This may be President Clinton's last opportunity to rescue his foundering Latin America policy. The choice: He can accept a diminished U.S. role in creating a Free Trade Area of the Americas (FTAA), or restore the leading role of the United States in the process, win back Latin America's waning trust, and put U.S. trade policy firmly back on track.

President Clinton has been making the wrong choices in Latin American policy since 1994. As a result, he will attend the summit without fast-track negotiating authority—which will undermine the formal launch of FTAA negotiations at the summit—and without fulfilling a four-year-old pledge to include Chile in the North American Free Trade Agreement (NAFTA). To make the right choice and regain a leadership role, the President must make a commitment to promote an expansion of free trade and investment in Latin America, both in rhetoric and in deed.

U.S. Interests in Latin America

Latin America and the Caribbean are vital to U.S. economic interests. Latin American economies are among the fastest growing in the world, and the United States has been a principal beneficiary of this growth. Between 1988 and 1997, U.S. goods exported to the region tripled, rising from over $46 billion in 1988 to over $134 billion in 1997. Total NAFTA-related trade rose from $293 billion in 1993 to over $475 billion in 1997—an increase of 62 percent. In 1997, U.S. exports to Canada totaled $151.4 billion, and U.S. exports to Mexico were $71.3 billion.

The Wrong Approach

Despite such success, President Clinton has not made a serious effort to expand NAFTA to include Chile and other countries. In 1995 and 1997, his halfhearted efforts to obtain fast-track authority from Congress failed. U.S. Trade Representative Charlene Barshefsky has confirmed there is no timetable for submitting new fast-track legislation to Congress. And Latin America is not on the U.S. Department of State's list of top foreign policy priorities for 1998. Many Latin Americans now believe the Clinton Administration does not care about their region, and they quickly are losing trust.

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The Wise Approach

Bold rhetoric at the summit will not suffice. To regain a leadership role, President Clinton must demonstrate that the United States is committed to expanding trade and investment in Latin America. To make the right choice, the President should:

- **Pledge to secure fast-track negotiating authority in 1998.** He should submit a fast-track bill to Congress before April 30. In an April article in *International Trade Reporter,* the chairman of the House Ways and Means Trade Subcommittee, Philip Crane, says passing fast track is "doable" if the President makes a sincere effort to obtain it.
- **Invite Chile to launch formal trade negotiations immediately.** At the summit, President Clinton should obtain a public commitment from Chile's President, Eduardo Frei, to start formal talks to join NAFTA the day after the U.S. President obtains fast-track authority, with the goal of signing an agreement before the end of 1998. Chile's inclusion in NAFTA would not have a great impact on the economies of the United States or Chile, considering the huge disparity in their gross national products (GNP). (U.S. GNP was $7.19 trillion in 1997; Chile's was $80 billion.) The political and symbolic importance of including Chile in NAFTA in 1998 is huge, however: It would demonstrate the U.S. commitment to trade liberalization in the Western Hemisphere.
- **Reaffirm the U.S. commitment to creating an FTAA that goes beyond the trade liberalization disciplines in NAFTA and the World Trade Organization (WTO).** U.S. policymakers conceived NAFTA as the benchmark agreement for creating an FTAA by 2005. This was accepted by the 33 heads of state who participated in the first Summit of the Americas in Miami, Florida, in December 1994. Because President Clinton has been without fast-track authority, however, the FTAA process has changed. The United States advocates an accelerated rate of liberalization in Latin America, but the Brazil-led South American Common Market (Mercosur) favors a much slower rate.
- **Call for an airtight commitment by all Latin American governments not to increase the level of trade protection.** If an FTAA is not established until 2005, President Clinton must obtain a pledge by all countries at the summit that they will not raise tariff and non-tariff barriers above current levels so long as FTAA negotiations progress over the next seven or eight years. This is vital to the economic interests of the United States in the region.
- **Urge the Santiago summit to endorse "early harvest" business facilitation measures in the Western Hemisphere.** Business leaders in the United States have identified administrative and procedural liberalizations that would speed up the flow of goods and services throughout the region and lower transaction costs. These reforms can be carried out by common consent between countries and do not require legislative approval in any country.
- **Declare U.S. support for a new Millennium Round of WTO negotiations to commence January 1, 2000.** Although trade liberalization is a vital component of U.S. foreign policy in Latin America, the Clinton Administration must not lose sight of the world trade picture. According to the WTO, the volume of world merchandise exports grew by 9.5 percent in 1997, exceeding $6.5 trillion. According to the Office of the U.S. Trade Representative, the value of U.S. trade (receipts and payments on the current account, excluding unilateral transfers) was over $2.3 trillion, or 32 percent of U.S. gross domestic product in 1997, which was up from 25 percent in 1992 and 13 percent in 1970. The United States leads the world in worker productivity and the high-technology manufacturing and service industries. To remain at the forefront, it must continue to push other countries within the WTO to support broader, faster trade liberalization.

President Clinton has the opportunity to rescue his Latin America policy at the Santiago summit, but he must make a commitment to back up his rhetoric with decisive action. The Clinton Administration's failure to expand NAFTA is, fundamentally, a reflection of failed presidential leadership. And this failure has cost the United States dearly in terms of lost credibility and influence in Latin America. If the President chooses only to "go with the flow" at the summit, his legacy in Latin America will be a decade of wasted opportunities to build a new hemispheric partnership. The ball clearly is in President Clinton's court.

—John Sweeney is a Policy Analyst at The Heritage Foundation.