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Trade Negotiations During the 108th Congress: An Overview

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Summary

During the 108th Congress, the United States will be involved in a number of trade negotiations at the multilateral, regional, and bilateral levels. This report tracks those trade negotiations, as well as trade agreements that the 108th Congress might consider for approval. It will be updated periodically. For additional information on specific trade negotiations and trade agreements, see the CRS Electronic Briefing Book on Trade at [http://www.congress.gov/brbk/html/ebtra1.shtml].

For over 50 years, U.S. trade officials have negotiated multilateral trade agreements to achieve lower trade barriers and rules to cover trade. In the past two decades, officials also negotiated four free-trade agreements with neighboring countries or strategic partners.[1] Currently, the Bush Administration is making bilateral and regional free-trade agreements more important elements of U.S. trade policy. The multilateral arena is no longer the only means, or perhaps even the principal means, by which the United States is pursuing the benefits of trade.[2]

During the 108th Congress, the United States will be involved in an unprecedented number of trade negotiations. Multilaterally, the United States and over 140 countries are participating in the Doha Development Agenda under the auspices of the World Trade Organization. Regionally, the United States is meeting with 33 other countries in the western hemisphere to create a Free Trade Area of the Americas, and is about to begin free-trade negotiations with countries in Central America and in southern Africa.

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[1] The four agreements are the U.S.-Israel Free Trade Agreement (effective 1985), the Canada-U.S. Free Trade Agreement (effective 1989), the North American Free Trade Agreement (effective 1994) and the U.S.-Jordan Free Trade Agreement (effective 2001).

[2] For further information, see CRS Report RL31356, *Free Trade Agreements: Impact on U.S. Trade and Implications for U.S. Trade Policy*, by William H. Cooper.

Bilaterally, it is seeking free-trade agreements (FTAs) with Singapore, Morocco, and Australia and just concluded negotiations with Chile. Furthermore, the President recently proposed an initiative that could lead to free-trade agreements with the countries of southeastern Asia.

The 108th Congress is likely to be involved in on-going negotiations through consultation and oversight. Trade promotion authority legislation passed in 2002 (P.L. 107-210) requires that, for expedited procedures to apply to an implementing bill, the Administration must consult with Congress and notify Congress at major stages of negotiation. For example, the Administration must notify Congress at least 90 days before beginning negotiations and at least 90 days before entering into an agreement. In addition to consultation and oversight, Congress also decides whether or not to approve any legislation implementing trade agreements entered into. Such bills concerning the FTAs with Chile and with Singapore are expected to be considered by Congress in 2003. To assist in these legislative activities, this report tracks trade negotiations underway and completed trade agreements that Congress might consider for approval.

Status of Agreements and Negotiations

Multilateral Trade Negotiations

At their meeting in Doha, Qatar from November 9-14, 2001, trade ministers from 142 member countries of the World Trade Organization agreed to launch a new round of multilateral trade negotiations called the Doha Development Agenda. WTO members account for over 95% of worldwide trade. In 2002, more than $1.7 trillion (97%) of total U.S. trade was with WTO member countries.

The United States was successful in having market access, especially in agriculture, included in the work program; however, because WTO members have such different positions, an agriculture agreement is expected to be difficult to reach. The United States was unsuccessful in keeping out language on the domestically sensitive issue of antidumping. Developing countries, who will have an important role in the negotiations, are insisting on concessions in agriculture, textiles and apparel, and pharmaceuticals.

WTO members agreed on a negotiating structure in early 2002. An important deadline is March 31, 2003, when negotiators are to agree on "modalities" for commitments on agriculture (e.g., formulas for reducing barriers). Trade ministers will take stock of progress and make further decisions at their next meeting in Cancun, Mexico in September 2003. WTO members set a deadline of January 1, 2005 for reaching final agreement in the round.

Regional Negotiations

Free Trade Area of the Americas. In April 1998, at the second Summit of the Americas in Santiago, Chile, 34 Western Hemisphere nations formally initiated negotiations to create a Free Trade Area of the Americas (FTAA).[3] The United States traded $686 billion worth of goods with the FTAA countries in 2002.

The United States has focused on reducing overall tariff rates as the primary negotiating goal in market access discussions. Latin American countries, by contrast, are focusing on other issues, specifically U.S. trade remedy laws, U.S. domestic agricultural support, and peak tariff rates. Brazil in particular, a major player in the negotiations, is interested in opening U.S. markets in agriculture, steel, and textiles.

In April 2001, negotiators met in Québec City and unveiled the first draft of the agreement. In November 2002, they met in Quito and released the second draft of the heavily bracketed text. They also decided at the Quito meeting that Brazil and the United States would co-chair the Trade Negotiating Committee through the completion of the negotiations. The Trade Negotiating Committee is scheduled to meet three times in 2003, with the next meeting set for April in Trinidad and Tobago. The next meeting of trade ministers is scheduled for November 20-21, 2003 in Miami. The deadline for final agreements is January 2005.

U.S.-Central American FTA. On January 8, 2003, negotiations formally began on an FTA between the United States and the five nations composing the Central American Common Market (CACM) – Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Both sides have expressed optimism that an agreement can be concluded by year-end. Three months earlier, on October 1, 2002, the Administration had given notice to Congress of the intent to begin the negotiations. For CACM countries, an FTA potentially would permit greater access to the U.S. market, make permanent current tariff preferences provided by the Caribbean Basin Initiative, and provide an environment more conducive to U.S. foreign investment. For the United States, proponents of the agreement see it supporting U.S. exports and providing less expensive imports, advancing the movement toward a Free Trade Area of the Americas (FTAA), and solidifying deeper regional political and economic reforms that strengthen democracy and promote stability. U.S. trade with the region totaled $21.2 billion in 2002. The United States imported $11.8 billion (primarily apparel items, bananas, coffee, and assembled electronic equipment) and exported $9.4 billion (led by apparel, textiles, electrical generating equipment, and electrical components for assembly).

U.S.-South African Customs Union FTA. On November 4, 2002, the United States Trade Representative (USTR) notified Congress that talks to negotiate an FTA with the Southern African Customs Union (SACU) would begin in 2003.[4] SACU is a customs union composed of South Africa, Botswana, Lesotho, Namibia, and Swaziland. A large degree of economic integration exists among the SACU states, with South Africa the dominant economic power. U.S. exports to SACU totaled $2.5 billion in 2002, led by aircraft, vehicles, construction and agricultural equipment, and computers. U.S. imports from SACU totaled $4.8 billion, composed of minerals such as platinum,

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[3] For further information, see CRS Report RS20864, *A Free Trade Area of the Americas: Status of Negotiations and Major Policy Issues,* by J. F. Hornbeck.

[4] For further information , see: CRS Report RS21387, *United States-Southern African Customs Union (SACU) Free Trade Agreement Negotiations: Background and Potential Issues*, by Ian F. Fergusson.

diamonds, and titanium, textiles and apparel, vehicles, and automotive parts. Potential obstacles to an FTA with SACU include competition issues related to the South African telecommunications industry and government procurement, U.S. textile tariffs and quotas, and intellectual property rights especially with regard to access to HIV/AIDS medicines. While all the SACU states are eligible for the tariff preferences under the Africa Growth and Opportunity Act, the negotiation of an FTA would "lock-in" and potentially expand such tariff advantages.

Bilateral Negotiations and Agreements

U.S.- Chile FTA. The United States and Chile commenced formal negotiations on a bilateral FTA on December 6-7, 2000 in Washington, D.C.[5] These talks began before Congress approved trade promotion authority, so early-stage notification was not required nor made. After two years of negotiations, an agreement was announced in Washington on December 11, 2002. On January 30, 2003, President Bush notified Congress of his intent to sign the agreement. Negotiations with Chile, viewed in Washington as a model open-market developing economy, have been seen as a template for the Central American Free Trade Agreement negotiations and the Free Trade Area of the Americas agreement. Total trade between the United States and Chile was approximately $5.9 billion in 2002; imports accounted for $3.6 billion, and exports totaled $2.3 billion. Leading U.S. imports from Chile are fish, grapes, wine, copper, and wood products, and significant U.S. exports to Chile are mining equipment and machinery, aircraft, computers, and telecommunications equipment.

The agreement, described by USTR Zoellick as a "win-win, state-of-the-art FTA for the modern economy",[6] features a comprehensive liberalization of service trade, protections for intellectual property rights, labor and environmental protection provisions similar to those of the Jordan FTA, and new transparent procedures for customs and investor-state disputes. It also gives Chile certain 'flexibilities' over the imposition of capital controls, while overall restricting their use. Eighty-seven percent of two-way trade will become tariff-free immediately, with the remainder phased out over four years or, mostly in the case of sensitive agricultural products, over 12 years.

U.S.- Singapore FTA. The United States and Singapore launched negotiations on a bilateral FTA in December 2000.[7] The agreement was completed on January 15, 2003 after the two parties resolved outstanding differences related to capital controls. On January 30, 2003, President Bush notified Congress of his intent to sign the agreement. Singapore and the United States are major trading partners, and the USTR has indicated an FTA with Singapore would facilitate further Pacific regional integration. The agreement phases-in tariff elimination on all goods, covers trade in services, and protects intellectual property rights. Two-way trade between the two nations totaled $28.8 billion

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[5] For further information, see CRS Report RL31144, *A U.S.-Chile Free Trade Agreement: Economic and Trade Policy Issues*, by J. F. Hornbeck.

[6] Office of the U.S. Trade Representative. "U.S. and Chile Conclude Historic Free Trade Agreement. Press Release," December 11, 2002.

[7] For further information, see CRS Report RS20755, *Singapore-U.S. Free Trade Agreement*, by Dick K. Nanto.

in 2002. U.S. exports to Singapore totaled $14.7 billion and comprised of aircraft, computers, integrated circuits telecommunications equipment and petroleum; imports of $14.1 billion included computer equipment and circuitry, radio and televisions receivers, and medical equipment.

U.S.-Moroccan FTA. On January 21, 2003, negotiations formally began on a U.S.-Morocco FTA. Earlier, on October 1, 2002, the Bush Administration had notified Congress of its intent to negotiate the FTA. The notification letter stated that the proposed agreement would "support this Administration's commitment to promote more tolerant, open, and prosperous Muslim societies." While the proposal has a strong national security and foreign policy rationale, the FTA would also seek to support U.S. economic objectives. These include allowing U.S. agricultural products to compete more effectively against European agricultural products, which currently benefit from preferential access. From Morocco's perspective, the FTA could lead to an increase in U.S. foreign direct investment and provide preferences for textile and apparel exports to the United States. U.S.-Morocco trade totaled $970 million in 2002, composed of $560 million in U.S. exports and $410 million in imports. Leading U.S. exports are corn, wheat, soybeans, aircraft parts, and coal; leading imports include electrical equipment, apparel, calcium and chalk phosphates, mineral oil, processed fish, and processed vegetables.

U.S.-Australian FTA. On November 13, 2002, the Bush Administration notified the Congress of the intent to begin FTA negotiations with Australia. Formal talks began in Canberra on March 18, 2003. While the U.S. business community strongly supports the negotiations, the American agricultural community has expressed concern about Australian sanitary and phytosanitary standards that act as a barrier to U.S. exports. For its part, Australia has called for greater agricultural liberalization in the U.S. market and has denounced the recent U.S. farm bill and recently imposed import restrictions on lamb. A desire to cement the U.S.-Australian strategic relationship, and Australia's cooperation in the war against terrorism, may also influence these negotiations. Two way trade between the United States and Australia totaled $18.7 billion in 2002. Livestock, wine, minerals, vehicles, and vehicle parts were leading imports from Australia, which totaled 6.4 billion in 2002. U.S. exports amounted to $12.3 billion, led by computer equipment, aircraft, vehicles, heavy machinery, and medical equipment.

Enterprise for ASEAN. This initiative, announced by President Bush on October 26, 2002, provides the impetus for the negotiation of bilateral FTAs with individual countries of the Association of Southeast Asian Nations (ASEAN) countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam). The first stage of this process is expected to be the negotiation of a region-wide trade and investment framework agreement (TIFA), which is seen as the first step in the process of negotiating individual FTAs with ASEAN member states. Malaysia and Thailand are seen as likely candidates for FTAs under this program. The principal benefits to the United States of FTAs with ASEAN member states are the potential to reduce high tariffs on agricultural products and restrictive tariff-rate quotas on other U.S. exports, while the major benefit to ASEAN countries is improved access to the U.S. market. The initiative is also seen as a way of countering growing Chinese influence in the region. Two-way trade with ASEAN reached $116.4 billion in 2002, with exports of $38.8 billion and imports of $77.6 billion.

Current and Proposed U.S. Negotiations on Trade Agreements

Agreement	U.S. Total Trade* ($ bill.)	Status	Sensitive Areas
Free Trade Area of the Americas	$686.0	Formal negotiations began in 1998. The first draft of the agreement was adopted in Québec in April 2001; the second was adopted at Quito in Nov. 2002. Trade ministers will meet in Miami in late 2003. A final agreement is due by Jan. 2005.	Agriculture, antidumping, textiles and apparel, worker rights
Doha Development Agenda of the WTO	$1,738	A work program was produced at the trade ministerial meeting in Doha in Nov. 2001. Trade ministers agreed to take stock of negotiations at their next meeting (Cancun, Sept. 2003) and have set Jan. 1, 2005 as the deadline for final agreement.	Agriculture, antidumping, pharma-ceuticals
U.S.-Chile FTA	$5.9	Negotiations began in Dec. 2000. An agreement was announced on Dec. 11, 2002. On Jan. 30, 2003, the Administration gave notice of its intent to sign the agreement.	Capital flows, agriculture
U.S.-Singapore FTA	$28.8	Negotiations began in Dec. 2000 and were completed on Jan. 15, 2003. On Jan. 30, 2003, the Administration gave notice of its intent to sign the agreement.	Capital flows
U.S.-Central America FTA	$21.2	The Administration gave notice of intent to begin negotiations on Oct. 1, 2002. Talks were formally launched on Jan. 8, 2003. Officials anticipate negotiations will conclude by the end of 2003.	Textiles and apparel, rules of origin, capital flows, worker rights
U.S.-Morocco FTA	$0.97	On Oct. 1, 2002, the Administration gave Congress notice of intent to begin negotiations. Talks began formally on Jan. 21, 2003. Officials anticipate negotiations will conclude by the end of 2003.	Agriculture
U.S.-South African Customs Union FTA	$7.3	The Administration gave Congress notice of intent to begin negotiations on Nov. 4, 2002. Talks are expected to formally begin in April 2003.	Telecommuni-cations, textiles, phar-maceuticals
U.S.-Australia FTA	$18.7	On Nov. 13, 2002, the Administration gave Congress notice of intent to begin negotiations. Formal talks are expected to begin on March 17, 2003.	Agriculture, investment, telecommuni-cations

* Domestic exports (Fas value) plus imports for consumption (Customs value) with countries of the proposed agreement in 2002.