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USTR Notifies Congress of Intent to Initiate Free Trade Talks with Andean Countries

11/18/2003

November 18, 2003
The Honorable J. Dennis Hastert
Speaker
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

In accordance with section 2104(a)(1) of the Trade Act of 2002 (the Trade Act), and pursuant to authority delegated to me by the President, I am pleased to notify the Congress that the President intends to initiate negotiations on a free trade agreement (FTA) with Colombia, Peru, Ecuador, and Bolivia, the four Andean Trade Preference Act (ATPA) beneficiary countries. Given Congress' legislative expression of interest -- in 1991 and again in 2002 -- for trade and economic opportunities with these four Andean countries as a group, the President directed me to initiate free trade possibilities with the region through a similar approach. In view of the ATPA program's expiration in December of 2006, we propose to initiate negotiations in the second quarter of 2004 with the countries that have demonstrated their readiness to begin. We will incorporate the countries that need more time to prepare at a later stage. We will be consulting closely with the Congress throughout the process.

The Administration is committed to bringing back trade agreements that open markets to benefit our farmers, workers, businesses, and families. With the Congress' continued help, we can move promptly to advance America's trade and economic interests.

An FTA with Colombia, Peru, Ecuador, and Bolivia ("the Andean countries") will help foster economic growth and create higher paying jobs in the United States by reducing and eliminating barriers to trade and investment between the Andean countries and the United States. The FTA will also enable us to address impediments to trade and investment in the Andean countries, including inadequate protection of intellectual property rights, high tariffs on agricultural goods, unjustified use of sanitary and phytosanitary measures, restrictive licensing practices, discriminatory treatment related to investment, and limitations on access by service providers.

An FTA with the Andean countries will also enhance our efforts to strengthen democracy and support for fundamental values in the region, such as respect for internationally recognized worker rights and the elimination of the worst forms of child labor, greater respect for the rule of law, sustainable development, and accountable institutions of governance. Strong anticorruption and transparency requirements will help combat corruption. In addition, an FTA negotiation with the Andean countries would also lend momentum to concluding the Free Trade Area of the Americas negotiations by January 2005.

Negotiating an FTA with the Andean countries is a logical step under the Administration's promotion of competitive liberalization in the Hemisphere. The Andean countries' combined gross domestic product (on a purchasing power parity basis) is \$463 billion and their combined population numbers about 93 million people. As a destination for U.S. exports, the Andeans collectively represented a market of about \$7 billion in 2002. Excluding NAFTA, Colombia alone is the largest purchaser of U.S. agricultural exports in the Western Hemisphere. The stock of U.S. foreign direct investment (FDI) in the Andean countries was \$4.5 billion in 2002.

The combination of the size of the market and the current barriers to market access point to significant unrealized potential for U.S. exporters and investors. Market access gains are expected in a broad range of agricultural and industrial sectors. Opening of the services sector would have the greatest impact for telecommunications, banking and insurance businesses. An equally important aspect of an FTA would be its provision of enhanced business certainty and security.

There are important trade policy and foreign policy reasons for seeking to include all four Andean countries in an FTA. For over a decade, under different Administrations and Congresses, U.S. policy has recognized that a regional strategy will successfully advance our goals of helping the Andean countries to combat narcotrafficking, build democratic institutions, and promote socio-economic development. Narcotrafficking is a regional scourge that respects no borders. Experience has shown that to combat it effectively requires coordination and effective strategies among all four Andean countries.

The U.S. trade relationship with the Andean countries is currently conducted in the framework of the unilateral trade preferences of the ATPA. Congress enacted the ATPA in 1991 in recognition of the fact that regional economic development is necessary in order for each Andean country to provide economic alternatives for the illegal drug trade, promote domestic development, and thereby solidify democratic institutions. In renewing and expanding the ATPA in 2002, Congress stressed that "enhancement of legitimate trade with the United States provides an alternative means for reviving and stabilizing the economies in the Andean region." An FTA with the Andean countries would help promote economic integration among the four Andean countries. At the same time, it would provide export opportunities for U.S. agriculture, industry and service providers. It would serve as a natural complement to Plan Colombia, which Congress has backed significantly over the years.

Over the last year, the Andean countries have made progress in resolving outstanding bilateral investment issues. They have also worked with us closely to advance our common values and objectives in the World Trade Organization (WTO) and Free Trade Area of the Americas (FTAA) negotiations. In the course of negotiating an FTA, we intend to work closely with the Andean countries to support the U.S.