

FTAs and United States Trade Policy: Past, Present, and Future Prospects

Jeffrey J. Schott
Senior Fellow,
Institute for International Economics

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Introduction: Origins of Regionalism and “Three Dimensional” Trade Strategy

- Originated after failure of 1982 GATT Ministerial, led to Israel and Canada FTAs.
- FTAs considered complements to GATT/WTO.
- “Three dimensional” strategy involves bilateral, regional, and multilateral initiatives.

US FTAs: Current Status

Partners	2003 GDP (\$ billion)	2003 GDP per capita (\$)	US Merchandise Trade: 2003			Total 2-Way Trade (\$ billion)
			Exports to (\$ billion)	Imports from (\$ billion)	TBAL (\$ billion)	
Current FTA Partners						
Canada	867	27,408	169.5	224.2	-54.7	393.6
Mexico	626	6,121	97.5	138.1	-40.6	235.5
Chile	72	4,568	2.7	3.7	-1.0	6.4
Singapore	91	21,492	16.6	15.2	1.4	31.7
Jordan	10	1,858	0.5	0.7	-0.2	1.2
Israel	109	16,228	13.1	12.8	0.3	25.9
Australia	508	25,553	6.9	6.4	0.5	13.3
Morocco	45	1,481	0.5	0.4	0.1	0.9
	Subtotal		307.2	401.3	-94.2	708.5
FTAs Subject to Ratification						
Bahrain	9	13,028	0.5	0.4	0.1	0.9
CAFTA-5	60	1,690	10.9	12.4	-1.5	23.3
Dominican Republic	16	1,827	4.2	4.5	-0.2	8.7
	Subtotal		15.6	17.2	-1.7	32.8
FTAs Under Negotiation						
Colombia	81	1,835	3.8	6.4	-2.6	10.1
Ecuador	27	2,082	1.4	2.7	-1.3	4.2
Peru	61	2,233	1.7	2.4	-0.7	4.1
Panama	13	4,339	1.8	0.3	1.5	2.1
Thailand	143	2,309	5.8	15.2	-9.3	21.0
SACU-5	177	3,412	2.9	5.3	-2.4	8.2
	Subtotal		17.5	32.3	-14.8	49.8
Other FTAA*	776	2,835	23.0	44.8	-21.8	67.8
USA	10,985	37,745	723.7	1,259.4	-535.7	1,983.1

US FTA Selection Criteria

1. Will the FTA help broaden domestic support for trade initiatives?
2. Will the FTA promote US economic interest?
3. Is the FTA partner “ready”?
4. Will the FTA promote US foreign policy?

Coverage of “Gold Standard” FTAs

- Trade Barriers and Distortions
- Trade in Services
- Foreign Investment
- Intellectual Property
- Transparency
- Anti-Corruption
- Improvement of WTO and Multilateral Agreements
- Regulatory Practices
- Reciprocal Trade in Agriculture
- Electronic Commerce
- Labor and Environment
- Dispute Settlement and Enforcement
- Textile Negotiations
- Worst Forms of Child Labor
- Border Taxes

Main US Trading Partners, 2004

(billion dollars)

Partner	Exports	Imports	Trade Balance	FDI in US (2003)	US FDI abroad (2003)
NAFTA	298	412	-114	112	254
EU-15	169	273	-104	856	845
China	35	197	-162	n.a.	12
Japan	54	130	-76	159	73
Subtotal	556	1,012	-456	1,127	1,184
World Total	817	1,470	-653	1,378	1,789

US FTAs with Developing Countries

- Most FTA partners are developing countries. Why?
 - Best prospects for export growth in Brazil, China, Egypt, India, Indonesia, and Malaysia, among others.
 - In the WTO, interests of developing countries must be addressed for talks to succeed.
- Latin America & Caribbean: towards FTAA
- Middle East: building blocks to broader Middle East initiative
- Asia-Pacific: FTAs with “ready” partners in ASEAN

US FTA Policy: Looking Forward

- Continuation of “three dimensional” strategy with priority on WTO.
- Different FTA priorities?
 - Congressional vote on CAFTA
 - US-Brazil cooperation on FTAA
 - Broader Middle East initiatives
 - FTA initiatives among East Asian countries

FTA Outlook by Region (I): Western Hemisphere

- Upgrading NAFTA to address new economic/security challenges.
- Colombia, likely to proceed due to link with Plan Colombia—campaign against narco-trafficking.
- FTAA, if linked more closely to Doha timetable, and if bilateral US-Brazil talks advance.

FTA Outlook by Region (II): Middle East

- Ongoing FTA talks with UAE and Oman.
- Possible new initiative with Egypt.
- Saudi Arabia deferred until WTO accession.
- Morocco as template for future Maghreb initiative .

FTA Outlook by Region (III): East Asia

- Korea: more open dialogue/study.
- FTA talks with Thailand advancing;
template for possible new initiatives with
Indonesia and Malaysia under Enterprise for
ASEAN Initiative.