

ROBERT B. ZOELLICK
U.S. TRADE REPRESENTATIVE
CHILEAN-AMERICAN CHAMBER OF COMMERCE
SANTIAGO, CHILE

APRIL 4, 2001

AS PREPARED FOR DELIVERY

[EMBARGOED UNTIL DELIVERY]

It is a pleasure to be here in Santiago to speak to the Chilean-American Chamber of Commerce. You are a valuable partner for American businesses operating in Chile, and those exploring investment here. My colleagues and I look forward to working with you.

This very month, 111 years ago, the first International American Conference concluded in Washington. The idea animating the conference was a new “Pan Americanism,” a vision reflecting liberal thought and aspirations of the late 19th century. The hope of this Hemispheric movement was to facilitate political cooperation, regional commerce, and peace.

This Pan-American dream was itself a revival of stillborn efforts earlier in the century to bind the Americas together to affirm the independence of the promising young republics. Bernardo O'Higgins wrote in the early days of Chile's independence that, "The day of liberty has arrived for the Americas from the Mississippi to Cape Horn, an area comprising almost half the world."

James Blaine, an American Secretary of State, envisioned building on O'Higgins' idea when he inaugurated the International American Conference in 1889. It was a bold proposal for the time. The United States was still trying to unite its North and South following the Civil War and Reconstruction. And the U.S. Congress was on the verge of raising tariffs to unprecedented levels.

The conference was held over a six month period, during which time the delegates agreed to expand commercial cooperation. But when they returned to their homes, they could not maintain the momentum to advance the bold hemispheric agenda. As the Cuban writer Jose Marti sadly observed in describing the failure of the Pan-American Congress, "Barriers of ideas are stronger than barricades of stone."

The Americas were not the only region to fail to fulfill the liberal expectations of a

century ago. As Federal Reserve Chairman Alan Greenspan has pointed out, trade as a percentage of the global economy has only recently returned to the level of the late 19th century. The dangerous ideas of the early 20th century – imperialism, fascism, authoritarianism, communism, corporatism, isolationism, protectionism – led to cruelties and tragedies: wars, depression, and economic decline. It took the second half of the 20th century to recover the degree of economic openness the world had lost in the first half of that century.

So today, at the dawn of a new century, we have a fresh opportunity – for the hemisphere and the world. It is up to this generation – to all of us, to each of you – to enshrine values like openness and freedom. We can set the course for the Americas and the global system, not just for a year or two, but for decades to come.

Therefore, I have chosen to start my work for hemispheric free trade – and democracy and opportunity – here in Chile.

Chile at the Forefront

Chile has been at the forefront of Latin American nations in liberalizing trade. It has

also helped lead the hemisphere, setting an example to the world of a free people reclaiming their democracy and making the transition to a mature, developed economy.

Today, President Lagos is continuing this leadership. Together, we are working to complete the U.S.-Chile free trade agreement and spurring on the Free Trade Area of the Americas. Nearly half of Chile's GDP is dependent on trade. This spirit of openness is one reason the World Economic Forum has rated the Chilean economy as the most competitive in Latin America. You have earned the respect of people around the globe. You deserve to be proud.

The United States and Chile enjoy a close partnership. Ships and planes brought \$3.2 billion worth of Chilean cargo to the United States last year, making the U.S. the single most popular destination for Chilean goods. Shipments of Chilean fruit to the United States support thousands of American jobs at ports throughout the country, ranging from longshoremen and packers to truckers and quality control inspectors. The port of Philadelphia conducts so much business with Chilean companies that the city is now home to its own Chilean-American Chamber of Commerce; indeed, tomorrow night Philadelphia's Regional Port Authority is hosting a dinner in honor of

Ariel Rosas and Herald Jaeger, who are senior executives at the port of Valparaiso.

I am confident that this economic integration will grow deeper once we turn the idea of a free trade agreement between the United States and Chile into a reality.

I also wanted to visit Santiago for a personal reason. Ten years ago, when I was an Under Secretary of State, I wanted the first Bush administration to negotiate a free trade agreement between our two nations. Life rarely offers second chances. So I hope to seize this one and complete the work I wanted to begin a decade ago.

President Bush's Vision for the Hemisphere

President Bush is the driving force behind the United States' interest in reviving the hemispheric hope for openness, progress, and prosperity. As he said last August, "Our goal will be free trade agreements with all the nations of Latin America."

Like the promoters of the Pan-American ideas of 111 years ago, President Bush recognizes that free trade is an idea that is bound to other beliefs. As he has explained, "Economic freedom creates habits of liberty. And habits of liberty create

expectations of democracy.”

President Bush is committed to deepening, broadening, and strengthening the U.S. trading relationship with Latin America. He has observed that, “America is right to welcome trade with China – but we export as much to Brazil.” As the former governor of a major border state, he has seen that the free exchange of goods and services sparks economic growth, opportunity, dynamism, fresh ideas, and democratic values.

President Bush’s first foreign trip was to the ranch of Mexican President Vicente Fox. The visit underscores the idea that President Bush will look south – not as an afterthought, but as a fundamental commitment of his presidency.

Just as we ended the great divide between East and West by waging and winning the long twilight struggle for freedom that defined the Cold War, we hope to overcome the North-South divide by demonstrating that we can make this hemisphere into two connected continents of freedom and prosperity.

The Free Trade Area of the Americas

Later this week, I will be in Buenos Aires for meetings with my hemispheric counterparts to discuss the Free Trade Area of the Americas. This area, once completed, will be the largest free trade market in the world, spanning 34 nations and encompassing 800 million people.

This is the opportunity for us to fulfill the lost dream of 111 years ago, or even the hopes of the newly independent American republics of almost two centuries past.

Some will argue that economic slowdowns and trials make the moment inauspicious. I say there is no better hour to affirm our common commitment to integration, market reforms, and economic growth.

For all the progress in Latin America, many elected governments throughout the region are still struggling to show results for their citizens. Too many are not meeting basic needs for health, education, and safety. Only one in three Latin American children attends secondary school. Grinding poverty still grips millions. And in some countries, fortunately not Chile, corruption erodes the civic trust.

Our drive for a free trade area linking the Americas will provide incentives and

rewards for governments pursuing difficult economic reforms. A hemispheric free trade agreement would also send a valuable signal – a signal of confidence – to potential investors that Latin American nations have agreed to abide by common rules governing trade, to create a truly hemispheric marketplace, and that this mutual effort offers not just stability, but opportunity.

It is most important to affirm the drive toward free trade during a period of economic uncertainty. In the past, governments have often resorted to protectionism in short-sighted attempts to shield their local industries from competition. But such tactics only depress investor confidence and prolong economic sluggishness. One hundred years ago, these misguided ideas led to retreat, illiberal politics, and stagnation. We must not repeat the mistakes of the past.

There are also many non-economic benefits to trade. The pursuit of openness and common interests, in a win-win fashion, creates a basis for mutual efforts to improve performance in other areas of interest, such as environmental protection and labor standards.

Trade will spur improvements in education. As people start businesses, and foreign

companies invest their capital, standards for education rise to meet the demands of the new economy. That economy demands literacy, skilled labor, and expertise in accounting, engineering, and technology. Growth, in turn, gives societies the means to help the next generation achieve even greater prosperity.

There is a security component to trade. In Colombia, President Pastrana is waging a battle to defend the rule of law against murderers who finance their terror through complicity in drug trafficking. He has said that one way to counter this threat would be for the U.S. Congress to renew the Andean Trade Preference Act, which expires in December. Renewal, he says, would stimulate job creation and diminish the appeal of the drug trade. Renewal can also broaden the emphasis of U.S.-Colombia relations from aid to trade.

The North American Free Trade Agreement highlights the economic opportunities offered by liberalized trade. When the Congress approved NAFTA in 1993, trade between the United States and Mexico totaled \$81 billion. Last year, our trade hit \$247 billion. U.S. exports to our NAFTA partners increased 104 percent between 1993 and 2000; U.S. trade with the rest of the world grew only half as fast. NAFTA helped minimize the long-term damage from Mexico's peso crisis. Mexico did not

raise tariffs on imports – a measure it resorted to under stress in 1982. Instead, Mexico rebounded through trade and growth, helping to restore investor confidence.

Simply put, trade is fundamental for developing countries as they look for ways to accelerate their economic growth rates. As former Mexican President Ernesto Zedillo observed, "In every case where a poor nation has significantly overcome its poverty, this has been achieved while engaging in production for export markets and opening itself to the influx of foreign goods, investment and technology; that is, by participating in globalization."

In order to build continued support for free trade, all of the nations of the Western Hemisphere will need to be more adroit in aligning trade with our values. That means responding to concerns that trade undermines environmental protection and labor standards – while not permitting these issues to be used for protectionist ends. By tackling these issues today, we can help shape the thinking about how to address them.

As less-developed countries have grown wealthier, their private and public sectors have become more protective of the environment, and conditions in the workplace

have improved. Economic growth is a more attractive long-term solution to these knotty problems than government regulation. Nonetheless, we will need to find ways to ensure that prosperity improves basic working conditions – to help all countries meet core labor standards, which are embodied in international agreements to which we are all signatories. We also need to help countries pursue their own interest in achieving cleaner air, water, and land. The citizens of developing nations, no less than those in developed nations, wish their children to grow up in societies where the air and water are clean.

The U.S. Interest

In the 21st century, the economic and political future of the United States will be increasingly linked to the fortunes of our hemispheric neighbors. U.S. trade and investment with the hemisphere is projected to exceed that with Europe by the end of this decade. U.S. shipments to Latin America have increased by 137 percent over the past decade, compared to a 96 percent increase for exports to the rest of the world.

As Latin America grows, the United States benefits. In recent years, every one percent expansion in Latin America's GDP was associated with an additional \$1.6 billion worth of U.S. exports to the region.

There is a broader strategic logic behind my belief that continued U.S. vitality is linked to the success of its hemispheric neighbors. In the 19th century, many strong countries wanted weak neighbors that they could dominate. In the 21st century, strong countries will benefit from healthy, prosperous, and confident democratic neighbors. Troubled neighbors export problems like illegal immigration, environmental damage, crime, narcotics, and violence. Healthy neighbors create stronger regions through economic integration and political cooperation.

If the Americas are strong, the United States will be better positioned to pursue its aims around the world. But if our hemisphere is troubled, we will be preoccupied at home and handicapped abroad.

My message to Chile, and to all of the other Latin American nations, is that the United States is prepared to work closely with you. But our partnership should reach beyond just trade. We should work together to address common concerns, spanning from the environment to education to criminal justice.

Our goal should be to create a Hemispheric community from the bottom up, fitting the decentralized but globalized and wired world. This new community would

emphasize the private sector, non-governmental organizations, markets, and the ability of private groups to organize and overcome problems.

Hemispheric free trade would draw Latin America closer to the United States through business integration, common commercial norms, benchmarks of behavior, and education. This economic and social association is likely to move the Americas closer to a shared outlook toward the world.

The Challenges within the United States

The United States also has work to do at home to open the way for a new era of hemispheric liberty, prosperity, and security. President Bush explained to members of the Congress recently that he needed their action on, and support for, U.S. Trade Promotion Authority, based on the fast track precedent. With a grant of Trade Promotion Authority, he could bring the Free Trade Area of the Americas to the Congress for one vote. Each of his five presidential predecessors has had this authority.

I know President Lagos recognizes the need for us to have this negotiating authority.

He told the Los Angeles Times last year that, “I can’t negotiate one agreement with the executive, then negotiate the same thing with the Congress.”

In the absence of Trade Promotion Authority, other countries have been moving forward with trade agreements while the United States has stalled. The European Union has free trade or special customs agreements with 27 countries, and 20 of these agreements have been signed since 1990. Moreover, the EU is proceeding with 15 more. Of the 130 free trade agreements in force globally, the United States is a party to only two.

I have noticed, with some envy, that while U.S. trade policy has drifted in recent years, Chile grew tired of waiting and struck a free trade agreement with Canada. We have no one to blame for this but ourselves. And there is a price to pay for our delay.

U.S. exports to Chile face an eight percent tariff. Canadian exports will eventually carry no tariff at all, thanks to Canada’s free trade agreement with Chile.

Here is an example of what this means in everyday terms: Chile is South America’s largest importer of frozen potato products from the United States. But American

potato growers are starting to lose marketshare in Chile because Canadian potatoes enjoy preferential tariff access, and American potatoes do not. Indeed, a number of Chile's fast-food restaurants, including Burger King, which purchase potatoes in bulk to make french fries, have stopped buying from the United States. Similarly, U.S. wheat farmers are now losing markets in Chile to Canadian exports.

These stories underscore the need for the United States to get back into the trading game. I want to move forward the U.S. trade agenda on multiple fronts, pursuing global, regional, and bilateral trade agreements. The message I want to send to other nations is that the United States is willing to negotiate if they are serious about eliminating barriers. But if others cannot and will not open their markets, we will move forward on free trade without them because the goal of freer trade is too important to the well being of all our citizens.

Conclusion

During Chile's war for independence, an American named Charles Wood fought in the army of General Jose de San Martin. He contributed not only courage, blood, and toil – but also ideas: When it came time to design Chile's new flag, Charles

Wood suggested the colors of his homeland and a design that pointed to dreams shared by all Americans. And when Chile convened its first National Congress, in 1811, it chose the date of July 4th, the day commemorating the U.S. Declaration of Independence.

Today, as I look at Chile's flag, I see the symbol of a proud country, but also a reminder of the commonality of purpose between our two nations: a dedication to democracy and freedom, and the liberal beliefs that motivated those who called for the first Pan-American Congress over 100 years ago.

The United States is committed to supporting the spread of these values throughout Latin America.

Some still want to look at Latin America through stereotypes, seeing only crises, cocaine, colonels, and coups. President Bush sees a hemisphere of 800 million people striving to take part in a larger American dream. We are all part of the new, inclusive Americas.

All of you – and all the leaders who will attend the Summit of the Americas in

Quebec City later this month – have an opening to launch a cooperative and common venture, reflecting the opportunities and challenges of the new era. We can build a foundation for democracy, the rule of law, open investment, networked information societies, and yes, free trade. When we do, this Hemispheric hope will create a second American Century – but this time a Century for all of the Americas.

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