

## Allgeier Suggests New U.S. Flexibility in Pursuing Comprehensive FTAA

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Deputy U.S. Trade Representative Peter Allgeier yesterday (Sept. 25) said the U.S. remains committed to securing a comprehensive Free Trade Area of the Americas agreement covering ambitious commitments in a broad array of sectors, but he held open the possibility of new flexibility on how this goal could be reached. He suggested the comprehensive result envisioned by the Bush Administration could be achieved in a number of ways, including a different timetable for various members to implement negotiated commitments.

"I would say that our emphasis is more on how do we ultimately get to the high levels of ambition," he said after a presentation to the Chamber of Commerce. "There can be various paths as to how to get there, and some countries could get there faster than others."

That approach could constitute "a way of bridging differences among countries," he said in an apparent reference to the different visions of the FTAA laid out by Brazil and the U.S. Since earlier this year, Brazil has advocated narrowing the scope of the FTAA negotiations by identifying which issues should be negotiated there or in other forums, such as the World Trade Organization.

But Allgeier stressed the U.S. belief that it is important that there be a "comprehensive character" to the FTAA negotiations.

He said the U.S. is assessing how to proceed on the controversial area of agriculture in light of the collapsed World Trade Organization ministerial earlier this month in Cancun. That failure means multilateral negotiations intended to reduce domestic and export subsidies on commodities will not be concluded by the end of 2004, when the FTAA negotiations are scheduled to be completed, he said. As a result, FTAA countries can no longer expect U.S. agriculture subsidies to be reduced as a result of a WTO round.

Allgeier suggested the U.S. would be looking at whether the failure in Cancun means the U.S. would have to adjust its negotiating position on agriculture in the FTAA, where it has up to now said agricultural subsidies must be addressed in the WTO. "As factors change, one has to look at what that means in terms of the balance, in terms of the kinds of things that you can get or instruments that you need to incorporate into [the FTAA]," Allgeier said. He said the U.S. was still in the process of determining what kinds of changes need to be made in the FTAA agriculture negotiations in light of the Cancun collapse.

At the same time, he said the U.S. will not agree to negotiate reductions to its domestic supports on agriculture in the FTAA, because regional and sub-regional trade

negotiations do not address the imbalance between the U.S. and European Union on subsidies under current WTO rules. This is a fundamental problem for the U.S., he said. Under the WTO limits negotiated in the Uruguay Round, the EU can spend more than three times the amount the U.S. can spend on trade-distorting domestic subsidies.

Allgeier strongly defended the current deadline for concluding the FTAA of Jan. 1, 2005 and said the U.S. "certainly thinks" it remains achievable despite the collapse of the WTO talks and division between the U.S. and Brazil, the co-chairs of the FTAA negotiations, over how those talks should be structured.

He also warned FTAA trading partners that if the FTAA talks failed, they may lose out to increasing competition from China in the U.S. market. "It would be a shame to miss another opportunity," Allgeier said, in a reference to collapse of WTO talks. "Other regions do not have this opportunity to lock in a permanent preferential access to the U.S. market, which is particularly important now with the extremely strong competition coming from Asia, primarily from China."

Allgeier said the U.S. and Brazil as co-chairs need to work together and not engage in destructive rhetoric, which he identified as one of the problems that led to the failure of talks in Cancun. Allgeier then criticized the proposal by Brazil and other South American countries in the Mercosur trading group for setting up a three-track approach to the negotiations that would put a number of issues important to the U.S. including intellectual property rights protections and services into the WTO negotiations. This would not meet the goal of a comprehensive FTAA favored by the U.S., he said.

He also said the three-track proposal would not match the "modern, comprehensive" agreements the U.S. has signed with Chile and Singapore and that Mexico and Canada are negotiating with various trading partners. He said the Mercosur proposal was not popular before the Cancun collapse and that it would seem even less desirable now given the slowdown in WTO negotiations.

Allgeier's speech follows a Sept. 22 letter from the Chamber and 71 other business organizations calling for U.S. trade officials to resist attempts to water down the FTAA, particularly in light of the Cancun collapse. The letter to U.S. Trade Representative Robert Zoellick and Commerce Secretary Donald Evans said excluding issues such as investment, services, IPR and government procurement from the FTAA would endanger the U.S. ability to achieve comprehensive rules in future agreements.

The letter, sent Sept. 23, was not substantially changed from a draft circulated last week to trade associations and U.S. businesses for signing (*Inside U.S. Trade*, Sept. 19, p. 1).

Allgeier said he expected more clarification on whether countries wanted to proceed on comprehensive FTAA negotiations or on the Mercosur three-track proposal at next week's meeting of the FTAA's Trade Negotiations Committee, slated for Sept. 30-Oct. 2 in Trinidad and Tobago.

In FTAA talks to this point, the U.S. has maintained that domestic agricultural support and rules on trade remedy measures be negotiated only in the WTO, while Brazil has insisted that investment, government procurement and IPR likewise be left to the WTO under the three-track approach advocated by Mercosur.