

## **U.S. Ready to End Tariffs on Textiles in Hemisphere**

February 11, 2003  
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WASHINGTON, Feb. 10 - As the first stage in negotiations to expand free trade throughout the Western Hemisphere, the Bush administration is offering to lift all tariffs on textiles and apparel within five years.

The proposal will be presented on Tuesday by Robert B. Zoellick, the United States trade representative, who prepared the offer to cover duties on everything from beef to lamps while making special concessions for the poorest nations, a senior trade official said. The goal, Mr. Zoellick said, is the eventual elimination of duties on goods and services from throughout North and South America.

But the administration will refuse to discuss reducing America's multibillion-dollar agricultural subsidies in the negotiations because they are not tariffs, the senior official said.

"I think the countries should be very, very pleased with the offer," the official said. "It is comprehensive and excludes no products."

The United States and nearly every other country in the Western Hemisphere agreed in November on a blueprint for a Free Trade Area of the Americas with the goal of essentially expanding the existing North American Free Trade Agreement to all countries in the hemisphere, with the exception of Cuba, by January 2005. The administration proposal represents the first American offer on how to achieve that.

Besides a staggered lifting of tariffs on consumer, agricultural and industrial products, the offer would open up the services and investment markets as well as government procurement, a sector that accounts for tens of billions of dollars of business in the United States every year.

Smaller Central American nations would benefit the most from the lifting of tariffs on textiles and apparel. In two years, all textile quotas worldwide will be eliminated and China will be free to flood the market with its goods. If a Western Hemisphere trade agreement is reached, Latin American countries would have a better chance of selling their apparel and cloth in the United States if current tariffs - ranging from 12 percent to 17 percent - were dropped.

"That really is a dramatic gesture," said Eric P. Farnsworth, vice president of the Council of the Americas, a business group. "It will have a serious impact on the domestic market and be controversial."

The countries of what could become the Free Trade Area of the Americas exported \$20.7 billion in textiles and apparel to the United States last year.

But Brazil, the largest Latin American economy and a leading agricultural exporter, is the co-chairman of those talks with the United States and is expected to demand a reduction in farm subsidies.

"Agriculture subsidies are the critical issue here," said Riordan Roett, director of Western Hemisphere studies at the Johns Hopkins University School of Advanced International Studies. "This offer is not going to fly unless there is some give on subsidies."

Last year, the United States approved an 80 percent increase in farm subsidies, promising to pay the nation's biggest producers nearly \$180 billion over 10 years to grow wheat, corn, soybeans, rice and cotton. One-third of those crops are exported, amounting to a huge unfair trade barrier, according to many agricultural and trade experts.

The administration says that it will not abandon the farm subsidies until Europe does the same through negotiations at the World Trade Organization.

"Otherwise, we would be disarming unilaterally," the senior trade official said.

For the United States, expanding the free trade area would open South America's lucrative financial and services markets, including engineering, legal, banking and accounting services.

To that end, the United States offer includes opening government procurement for the first time. That would not only allow Latin American companies to bid for federal contracts but would give United States corporations a chance to bid openly for Latin government contracts.

Lifting tariffs throughout the hemisphere would help the sale of United States goods in South America, where average tariffs are much higher than in this country.

The Bush administration argues that its offer would lower the amount of import taxes paid by American consumers and that this trade liberalization could lead to a gain of \$814 a year for a family of four in the United States.

The poorest nations would be given what amounts to a special grace period. They would have access to the United States market sooner than other Latin nations and be allowed to open their own markets more slowly.

For example, duties on 91 percent of the consumer and industrial goods exported to the United States from the English-speaking nations of the Caribbean would be dropped immediately while the wealthier nations would find tariffs dropped on only

58 percent of those imports.

"We all agreed we have to give special attention to the least-developed nations," the senior trade official said.

Although the American services market is already fairly open, the administration said that making access permanent for Latin American nations would bolster the expansion of Internet services throughout the hemisphere.

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