

FIU Trade and Security Conference: US Security Rules Raise Costs with Effectiveness Not Proven

Increased cooperation between trade partners was hailed as a key to averting the negative effects of tighter US security measures by a panel of experts in Miami on February 26. The half-day conference, organized by Florida International University's Summit of the Americas Center and the US Army War College, addressed the trade policy implications for Latin America of new United States security strategies.

Paul Taylor, professor of strategic studies and chair of the Latin American Studies Group at the Naval War College, started the discussion with a review of economic conditions in the region. Turning the conference theme on its head, he looked first at the security implications of poor economic performance, among them disillusionment with democracy, increased flows of out-migration and a reversal of regional integration. These and other negative trends could be exacerbated by US security measures that interfere with trade or make it more costly, he noted.

Taylor, a former US ambassador to the Dominican Republic, emphasized the growing discontent with the Washington Consensus—democracy and free market policies—as Latin American per capita GDP dropped in 2001 and 2002 and stagnated in 2003. At the same time, foreign direct investment fell, unemployment increased and 40% of the population lived below the poverty line. Given these indicators, Taylor observed, the trend toward liberalization has slowed. Latin Americans are also upset with US protectionism (i.e., steel quotas) and the war in Iraq, he added.

Returning to the main conference theme, Taylor pointed out that US actions that depress trade could weaken support for the FTAA, with adverse economic impacts that could invite security problems. To reach a consensus on security concerns and the best means to address them, he suggested a policy of "shared threat assessment" with Latin American governments. The US must demonstrate that its security measures are necessary and neither discriminate between countries nor represent disguised non-tariff barriers, he continued. As part of this process, the US should invite affected governments to comment on proposed security measures, with Mexico, our main strategic partner in the region, receiving special attention. Of course, Taylor remarked, progress on issues important to Latin American governments, among them immigration, finance and trade, is essential to building constructive relationships for addressing security.

Following Taylor's address, the audience heard from speakers on different sides of the issues—on the one hand, the US government, the architect of the new security measures, and on the other the Latin American countries and private sector interests directly affected by them. Fernando Albareda, commercial attaché at the Peruvian Consulate in Miami, reviewed the extensive customs regulations introduced by the US since September 11, 2001. He emphasized the difficulties underdeveloped economies face in complying with the new schedules and technical requirements, which increase the cost of freight and can lead to long delays at ports of entry. US regulations threaten to make Latin American exports less competitive, Albareda commented, and appear to send a mixed signal: At the same time that the US asserts its commitment

to the FTAA and freer trade, it introduces cumbersome new measures that increase the cost of doing business and jeopardize competitiveness.

Francis Kinney, deputy director of the Office of International Affairs at the Department of Homeland Security, reiterated the continued security threat to the US and the consequent need for preparedness. He defended the new security measures and dismissed the notion that they could retard economic growth, arguing that Green Lane programs for trusted visitors and exporters and other partnerships to encourage cooperation in security ventures (such as the Smart Border Accord) have protected trade flows into the United States. According to Kinney, trade is more likely to be affected by terrorist scares than by increased security, especially if the public lacks confidence in existing systems. Nevertheless, he acknowledged that the US does not have mature relationships with Latin American governments to cooperate on security issues and information sharing.

The final two speakers, David Wernick and Edward Glab of Florida International University's Knight Ridder Center for Excellence in Management, spoke about the impact on South Florida of the new security measures. Given the area's close ties to Latin America, local companies have a lot at stake. Dr. Glab called for an assessment of the cost and effectiveness of the new security measures, including their impact on insurance costs and investments as well as delays and lost time from their implementation. Returning to Ambassador Taylor's comments on the importance of inviting foreign governments to comment on proposed security regulations, he called for businesses to be included in this process, too.

Mr. Wernick reviewed the results of a study conducted by the Knight Ridder Center and the Greater Miami Chamber of Commerce, which found concern among the South Florida private sector that the emphasis on security has come at the expense of business facilitation. He cited Florida's role as a transshipment point rather than a final destination for goods to argue that the region could feel the negative effects of one-size-fits-all regulations. Delays or complicated procedures could influence exporters to route their goods through ports in other countries to the detriment of the US economy. Already, he noted, the Maritime Trade Act of 2002 has increased costs as US ports demonstrate that they have taken measures to tighten security.

The February 26 discussion served as a prelude to a larger conference on hemispheric security issues to be co-hosted by Florida International University on March 17-19. Information about this event is available at 305-348-2894 or <http://lacc.fiu.edu>.