



# Trade Facts

Office of the United States Trade Representative  
Washington, DC 20508

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## ***Free Trade Area of the Americas The Opportunity For A Hemispheric Marketplace***

***The Free Trade of the Americas (FTAA) is the cornerstone of President Bush's vision for trade in the Western Hemisphere – a plan that would foster economic growth and opportunity, promote regional integration and strengthen democracies. The FTAA would be the world's largest free market, with combined GDP of nearly \$13 trillion in 34 countries, and nearly 800 million consumers from Alaska to the tip of South America.***

### **U.S. Leadership for Free Trade in the Western Hemisphere**

- The United States is leading the Hemisphere into detailed, substantive and concrete negotiations on market access, with bold offers in five key areas of the FTAA negotiations: consumer and industrial goods, agriculture, services, investment, and government procurement.
- The U.S. proposal is comprehensive: all tariffs are on the table in the U.S. market access offer.
- The U.S. offer builds momentum in FTAA talks leading to the Miami Ministerial meeting in November. The U.S. offer extends only to those countries that make market access offers in the FTAA, and it provides a strong incentive for other countries to be equally ambitious.
- The U.S. proposal is sensitive to differences in the levels of development and size of the economies in the Hemisphere.
- The U.S. offer is an important first step in the market access negotiations. By June, the United States and other countries will identify improvements needed in other countries' offers, thus forming the basis for ongoing negotiations.

### **Highlights of the U.S. Offer:**

- About 65% of U.S. imports of consumer and industrial goods from the Hemisphere (not already covered by NAFTA) would be duty-free immediately upon entry into force of FTAA, with the U.S. proposing that all Hemispheric duties on consumer and industrial products eliminated by 2015.
- U.S. imports of textiles and apparel from FTAA countries would be duty-free in five years, provided others reciprocate.
- Immediate elimination of tariffs offered on a reciprocal basis in key sectors such as chemicals, construction and mining equipment, electrical equipment, energy products, environmental

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products, information technology, medical equipment, non-woven fabric, paper, steel, and wood products.

- About 56% of agricultural imports from the Hemisphere would be duty-free immediately when FTAA takes effect. Other agricultural tariffs would fall into staging categories of 5 years, 10 years, and longer, tailored to individual countries.
- Market access opportunities would be provided broadly across the U.S. investment and services sector, with markets open unless a specific exception is taken. This presumption for market opening—a “negative list”—is similar to U.S. free trade agreements with Chile and Singapore.
- Companies in FTAA countries would be able to compete for U.S. government procurement contracts on an equal footing with firms from current NAFTA partners. This market opportunity covers nearly all the goods and services purchased by 51 federal government agencies.

### **Complementing the U.S. Global Trade Strategy**

- The U.S. FTAA offer is designed to mesh with broad U.S. initiatives in the World Trade Organization (WTO). For example, the U.S. FTAA offer would eliminate all consumer and industrial tariffs no later than 2015, which is in line with the U.S. “Tariff-Free World” proposal in the WTO.
- The U.S. also offers the prospect of earlier market access to Hemispheric trading partners, by front-loading most FTAA tariff cuts to take place as soon as FTAA enters into force.
- The U.S. hopes its bold offer in the FTAA will spur increased cooperation in the WTO on important global issues such as the U.S. proposal to eliminate agricultural export subsidies in all WTO members, and to reduce substantially trade-distorting domestic farm supports.
- The U.S. offer also takes into account existing trade preference programs, and builds upon the success of NAFTA and the recent Chile FTA.

### **The Promise of FTAA for U.S. Businesses, Workers, Farmers and Families**

- The FTAA would expand U.S. access to Western Hemisphere markets. U.S. tariffs average 2-3%, while tariffs and other barriers in Latin America are typically much higher.
- Goods exports grew 137% to Latin America from 1990 to 2000, compared with 99% growth to the world; services exports grew 96% from 1990 to 2000, compared with 86% growth to the world.
- FTAA will increase purchasing power for working families and provide greater choice in the marketplace. It is estimated that the average family of four would see an income gain of \$814 per year from goods and services liberalization in the FTAA.

**“We have a great vision  
before us: a fully  
democratic hemisphere,  
bound together by good will  
and free trade.”**

**President George W. Bush  
3<sup>rd</sup> Summit of the Americas  
April 21, 2001**

## **Free Trade Area of the Americas**

### **The Opportunity for a Hemispheric Marketplace**

#### **U.S. FTAA Offer: Consumer & Industrial Goods**

- All tariffs subject to negotiation—the United States is putting all consumer and industrial goods on the table and is ready to move forward with others willing to do the same.
- Immediate, reciprocal elimination of tariffs offered in key sectors such as chemicals, construction and mining equipment, electrical equipment, energy products, environmental products, information technology, medical equipment, non-woven fabric, and paper, steel, and wood products.
- Overall, 65% of imports from non-NAFTA countries in the Hemisphere would be duty-free immediately under FTAA. Most remaining tariffs would be phased out over 5 years, with the rest eliminated over 10 years.
- More than one tariff elimination timetable per product is offered, to reflect different sizes and levels of development of economies.

#### *U.S. Consumer & Industrial Imports Offered Immediate Duty-free Treatment Under FTAA\**

Caricom countries	91%
Central American countries	66%
Andean countries	61%
Mercosur countries	58%

#### **U.S. FTAA Offer: Textiles and Apparel**

- Textiles and apparel are important items of interest to many countries in the FTAA, particularly smaller economies. The U.S. offer would eliminate tariffs for imports of textiles and apparel from the Hemisphere by 2010, provided others reciprocate.

#### **U.S. FTAA Offer: Agricultural Products**

- All tariffs subject to negotiation—the United States is putting all agricultural goods on the table and is ready to move forward with others willing to do the same. Tariffs generally to be negotiated from current applied rates, not from higher WTO bound rates.
- Overall, about 56% of agricultural imports from non-NAFTA countries in the Hemisphere would be duty-free immediately under FTAA.
- More than one tariff elimination timetable per product is offered, to reflect different sizes and levels of development of economies.

#### *U.S. Agricultural Imports Offered Immediate Duty-free Treatment Under FTAA*

Caricom countries	85%
Central American countries	64%
Andean countries	68%
Mercosur countries	50%

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### ***U.S. FTAA Offer: Services and Investment***

- Services trade and investment liberalization are win/win and serve as a “force multiplier” increasing competitiveness across an entire economy. Liberalized services and investment would support development of critical infrastructure in FTAA economies, such as strong banking and financial systems, modern telecommunications and e-commerce networks, and more efficient distribution systems.
- The U.S. offers are comprehensive in scope and substance. Market access opportunities would be provided across the U.S. services and investment regime unless a specific reservation is taken. The U.S. offers, and will seek from others, broad market access including but not limited to such areas as:
  - Financial services
  - Telecommunications services
  - Computer and related services
  - Audiovisual services
  - Construction and engineering
  - Tourism
  - Advertising
  - Express delivery services
  - Professional services (architects, engineers, accountants, etc.)
  - Distribution services (wholesaling, retailing and franchising)
  - Certain transportation services
  - Energy services
  - The ability to invest in manufacturing enterprises, and to provide related services

### ***U.S. FTAA Offer: Government Procurement***

- The United States offers, and seeks from other FTAA parties, strong and substantive procedural commitments that ensure transparency and effective access in government procurement.
- The United States presents two offers, a basic offer and an enhanced offer for certain less developed countries.
- The basic offer, similar to treatment currently enjoyed by NAFTA partners, would give firms from FTAA countries the non-discriminatory ability to compete for contracts for nearly all the goods and services purchased by 51 U.S. federal government agencies.
- The enhanced offer, made to CARICOM nations, would offer access to the purchases of an expanded list of U.S. federal agencies, some 79 in all. These additional entities already are included in the U.S. FTA agreement with Chile.
- The offers apply to all the goods, services and construction services purchased by the entities listed in the offers, with limited reservations. Use of this so-called “negative list” is the most effective way to ensure broad market access.

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\* The U.S. offer to Caricom is made to 14 nations in the Caribbean basin. The U.S. offer to Central American countries is made to Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua; the same offer is made to the Dominican Republic and Panama. The U.S. offer to Andean countries is made to Bolivia, Colombia, Ecuador, Peru, and Venezuela. The U.S. offer to Mercosur is made to Argentina, Brazil, Paraguay, and Uruguay. Canada, Chile and Mexico are existing FTA partners of the United States.