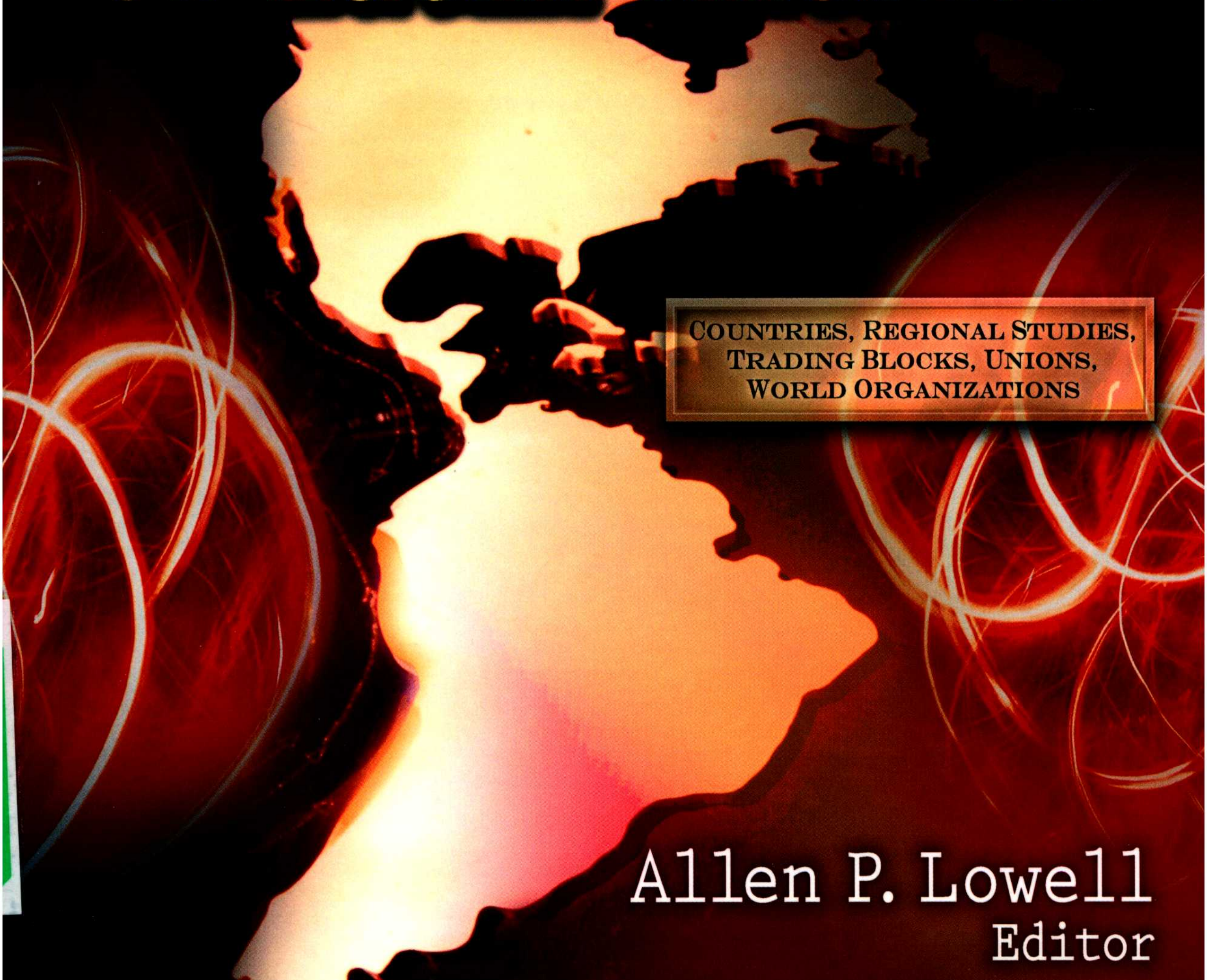
U.S. Involvement in Political, Economic and Social Conditions of Latin America



COUNTRIES, REGIONAL STUDIES, TRADING BLOCKS, UNIONS, WORLD ORGANIZATIONS

Allen P. Lowell
Editor

NOVA

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PREFACE*

This new book examines U.S. involvement in various political, economic and social issues of Latin America. Topics discussed include U.S. Free Trade Agreements with Colombia; Cuban migration to the United States; U.S. restrictions on travel and remittances in Cuba; political, economic and social conditions of El Salvador, including U.S. relations; Honduran-U.S. relations, Chile-U.S. relations and U.S.-Mexico economic relations.

Chapter 1 - The 111th Congress in coming months might take up free trade agreements (FTAs) signed by the Bush Administration with Colombia, Panama, and South Korea under trade promotion authority, or fast-track rules, designed to expedite congressional consideration of these agreements. Liberalizing trade in agricultural products, particularly the pace of expanding market access for the more sensitive agricultural commodities, was one of the more difficult areas that trade negotiators faced in concluding each of these FTAs. In each instance, issues dealing with food safety and animal/plant health matters (technically not part of the FTA negotiating agenda) were not resolved until later.

While U.S. negotiators sought to eliminate high tariffs and restrictive quotas to U.S. agricultural exports to these three country markets, they also faced pressures to protect U.S. producers of import-sensitive commodities (beef, dairy products, and sugar, among others). FTA partner country negotiators faced similar pressures. One Bush Administration policy objective was for FTAs to be comprehensive (i.e., cover all products). For the more import-sensitive agricultural commodities, negotiators agreed on long transition periods, temporary additional protection in the case of import surges, or indefinite protection of a few commodities. To illustrate the latter, because of political sensitivities for the United States or its partners, negotiators agreed to retain in perpetuity quantitative import limits and prohibitively high tariffs on some of the most import- sensitive commodities. In one exception, though, the United States agreed to Korea's insistence that rice be completely excluded from their FTA.

Of these three, the FTA with South Korea would be the most commercially significant one for U.S. agriculture since the North American Free Trade Agreement (NAFTA) took effect with Mexico in 1994. Because Colombia is a large market that imposes a high level of border protection on agricultural imports, the Colombia FTA has the potential to significantly

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increase U.S. agricultural exports. Though Panama represents a relatively small market, U.S. exporters would have numerous opportunities for additional sales.

Conversely, each pending FTA partner would have additional access to the U.S. market for those agricultural commodities that are now protected by restrictive U.S. import quotas. Of these, the U.S. sugar sector would face competition from increased imports of sugar from Colombia and Panama. The small increase in additional imports from South Korea would likely be primarily ethnic foods. Also, because these three countries consume most of the beef and dairy products that they produce, any additional sales would likely be accommodated by the large U.S. market with little effect.

The Obama Administration has signaled its intent to address outstanding issues of concern to some Members of Congress in order to submit the Panama FTA to Congress for consideration, possibly later this year. With respect to the Colombia and South Korea FTAs, officials have stated their intent to work with Members of Congress to develop "benchmarks" to use to determine when these agreements might be sent to Capitol Hill for debate.

Chapter 2 - Cuba, which remains a hard-line communist state with a poor record on human rights, commemorated the 50th anniversary of its revolution on January 1, 2009. Cuba's political succession from the long-ruling Fidel Castro to his brother Raúl in 2006 was characterized by a remarkable degree of stability. Fidel stepped down from power temporarily in July 2006 because of health reasons, and Raúl assumed provisional control of the government until February 2008, when he officially became President. After Raúl Castro officially assumed the presidency, his government announced a series of economic changes that included lifting restrictions on the sale of some electronic consumer products and cell phones. A major reform effort has focused on the agriculture sector in an effort to boost food production. While additional economic changes are likely, there has been disappointment that further reforms have not been forthcoming. The economy was hard hit by storms in 2008 that resulted in $10 billion in damages, and the current global financial crisis is causing further strains. Few observers expect the government to ease its tight control over the political system, which is backed up by a strong security apparatus.

Since the early 1960s, U.S. policy toward Cuba has consisted largely of isolating the communist nation through economic sanctions. The Bush Administration tightened sanctions significantly in 2004 through increased restrictions on travel to Cuba, especially family travel. A second U.S. policy component over the years has consisted of support measures for the Cuban people, including private humanitarian donations, U.S.-sponsored radio and television broadcasting to Cuba (Radio and TV Marti), and support for human rights and democracy on the island. The Bush Administration significantly increased support for Cuba democracy funding in recent years.

As in past years, the main issue for U.S. policy toward Cuba in the 111th Congress is how best to support political and economic change in Cuba. In light of Fidel Castro's departure as head of government, many observers have called for a re-examination of policy. In this new context, two broad approaches have been advanced: a stay the course approach that would maintain the U.S. dual-track policy of isolating the Cuban government while providing support to the Cuban people; and an approach aimed at changing attitudes within the Cuban government and society through increased contact and engagement. President Barack Obama vowed during the electoral campaign to change policy by allowing unlimited family travel and remittances, although he also pledged to maintain the embargo as a source of leverage to bring about change in Cuba.

Over the past several years, various legislative initiatives have been introduced to ease U.S. economic sanctions on Cuba, but none of these have been enacted. In the 111th Congress, however, Congress approved three provisions in the FY2009 omnibus appropriations measure (P.L. 111-8) intended to ease sanctions on family travel, travel for the marketing of agricultural and medical goods, and payment terms for U.S. agricultural exports to Cuba. Other initiatives that would ease sanctions are H.R. 188 and H.R. 1530 (overall embargo), H.R. 874/S. 428 and H.R. 1528 (travel), H.R. 332 (educational travel), and H.R. 1531 (U.S. agricultural and medical exports and travel). Another initiative, H.R. 1103, would modify a provision of law restricting the registration or enforcement of certain Cuban trademarks.

Chapter 3 - Many of the issues surrounding Cuban migration are unique but not new. Normal immigration from Cuba has been elusive since Fidel Castro came to power. Over the past 50 years, the practice of Cubans fleeing by boat to the United States has become commonplace, and at some points reached the levels of a mass exodus. Since the last upsurge of "boat people" in the mid-1990s, the United States and Cuba worked toward establishing safe, legal immigration, which includes returning migrants interdicted by the U.S. Coast Guard. These migration policies, however, are not without critics.

The immigration of Cubans to the United States has increased since 1995, although the actual admission numbers have ebbed and flowed over this period. Cuba consistently ranks among the top 10 source countries for legal permanent residents (LPRs). Cuba ranked fifth as a top immigrant-sending country—after Mexico, China, India, and the Philippines—in FY2008. A total of 49,500 Cubans became LPRs in FY2008.

U.S. Coast Guard interdictions of Cubans have fluctuated since the mid-1990s, yet the general trend has moved upward. Cuban interdictions reached a 12-year high of 2,868 in FY2007. In FY2008, the U.S. Coast Guard reported 2,199 Cuban interdictions. Similarly, U.S. Border Patrol apprehensions of Cubans peaked at 4,295 in FY2007 and slipped to 3,351 in FY2008. Cubans who arrived at ports of entry without documents exhibited a comparable pattern, reaching a high of 13,019 in FY2007 and falling slightly to 11,278 in FY2008.

The change in leadership of both the United States and Cuba may provide openings for revisions in U.S. policy on Cuban migration. Fidel Castro's departure as head of government in July 2006 has prompted some observers to call for a reexamination of U.S. policy toward Cuba overall, and a potential opportunity to restart the migration talks that had occurred semi-annually for a decade after the 1994 U.S-Cuba Migration Accord. After serving temporarily, Raúl Castro, brother of Fidel Casto, officially assumed the Cuban presidency in February 2008. This transfer of power between the Castro brothers led some to question whether there would be much of an opening for renewed migration talks between the United States and Cuba.

During the 2008 U.S. presidential campaign, however, President Barack Obama stated he would seek to change U.S. policy by allowing unlimited family travel and remittances to Cuba, signaling to some the possibility of resuming the migration talks. In his opening speech at the Summit of the Americas on April 17, 2009, President Obama expressed the hope of "a new beginning with Cuba," specifically mentioning migration as an issue. A bipartisan group of congressional leaders are expressing support for a resumption of the migration talks with Cuba. On May 31, 2009, a U.S. State Department official reported that Cuban officials had indicated that they want to resume migration talks.

Chapter 4 - Restrictions on travel to Cuba have been a key and often contentious component in U.S. efforts to isolate Cuba's communist government for much of the past 40 years. Under the Bush Administration, restrictions on travel and on private remittances to Cuba were tightened. In March 2003, the Administration eliminated travel for people-to-people educational exchanges unrelated to academic coursework. In June 2004, the Bush Administration further restricted family and educational travel, eliminated the category of fully-hosted travel, and restricted remittances so that they could only be sent to the remitter's immediate family. Initially there was mixed reaction to the Bush Administration's June 2004 tightening of Cuba travel and remittance restrictions, but opposition to the policy grew, especially within the Cuban American community regarding the restrictions on family travel and remittances.

Dating back to 2000, there have been numerous legislative efforts to ease restrictions on travel to Cuba in various ways. From 2000-2004, one or both houses of Congress approved amendments to appropriations bills that would have eased restrictions on travel, but these provisions ultimately were stripped out of final enacted measures. The Bush Administration regularly threatened to veto legislation if it contained provisions weakening Cuba sanctions. In the 110th Congress, several House and Senate committee versions of appropriations bills (H.R. 2829, S. 1859, H.R. 7323, S. 3260, and S. 3289) had provisions that would have eased restrictions on travel to Cuba in various ways, but no final action was taken before the end of the Congress.

During the 2008 electoral campaign, President Obama pledged to lift restrictions on family travel to Cuba as well as restrictions on Cuban Americans sending remittances to Cuba. Senator Hillary Clinton reiterated President Obama's pledge during her confirmation hearing for Secretary of State on January 15, 2009, but indicated that the Administration did not yet have a timeline on the change. A number of observers expect that the Administration will fulfill President Obama's campaign pledge before the upcoming fifth Summit of the Americas in Trinidad and Tobago scheduled for April 17-19, 2009.

The 111th Congress, however, already has taken action to ease some restrictions on travel to Cuba by including two provisions in the FY2009 omnibus appropriations measure (P.L. 111-8), signed into law on March 11, 2009. The first provision eases restrictions on family travel, which the Treasury Department implemented by issuing a general license for such travel as it existed prior to the Bush Administration's tightening of family travel restrictions in June 2004. Family travel is now allowed once every 12 months for an unlimited length of stay to visit a close relative who is no more than three generations removed from the traveler. The second provision eases travel restrictions related to the marketing and sale of agricultural and medical goods to Cuba, and requires the Treasury Department to issue a general license for such travel. The Treasury Department maintained that it would issue regulations in the coming weeks.

Several additional initiatives have been introduced in the 111th Congress that would ease restrictions on travel to Cuba: H.R. 188 and H.R. 1530 would lift the embargo, including travel restrictions; H.R. 1531 would facilitate the export of U.S. agricultural products to Cuba and also prohibit restrictions on travel to Cuba; H.R. 874/S. 428 and H.R. 1528 would prohibit restrictions on travel to Cuba; and H.R. 332 would ease restrictions on educational travel.

Chapter 5 - Throughout the last few decades, the United States has had a strong interest in El Salvador. During the 1 980s, El Salvador was the largest recipient of U.S. aid in Latin

America as its government struggled against the Farabundo Marti National Liberation Front (FMLN) insurgency during a 12-year civil war. A 1992 negotiated peace accord brought the war to an end and formally assimilated the FMLN into the political process as a political party. After the peace accords were signed, U.S. involvement shifted towards helping the government rebuild democracy and implement market-friendly economic reforms.

Successive National Republican Alliance (ARENA) governments, including that of the current president, Tony Saca, have maintained close ties with the United States. The Saca Administration has cooperated in counter-narcotics operations, supported the U.S. coalition forces in Iraq, and implemented the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR). However, ARENA governments—including the Saca Administration—have struggled to reduce violence and poverty in El Salvador.

FMLN candidate Mauricio Funes won a close election for El Salvador's presidency in March 2009, marking the first FMLN presidential victory and the first transfer in political power between parties since the end of El Salvador's civil war. Funes' victory followed strong showings by the FMLN in the January 2009 municipal and legislative elections, in which the party won a plurality of the seats in National Assembly and the largest share of the municipal vote. Funes will take power in June 2009 and has pledged to govern in a moderate fashion. He will likely need to confront the high levels of violence and poverty in the country as well as deal with the effects of the global financial crisis.

Although some Members of Congress have expressed reservations about working with an FMLN administration, relations between El Salvador and the United States will likely remain friendly during the Obama Administration. President-elect Funes has pledged to remain in CAFTA-DR and expressed his willingness to work with the United States on immigration and counter- narcotics issues. Following his election, the Obama Administration congratulated President-elect Funes for his victory and pledged to work with him to build on the already strong ties between the United States and El Salvador.

Chapter 6 - The Central American nation of Honduras, one of the hemisphere's poorest countries, faces significant challenges in the areas of crime, human rights, and improving overall economic and living conditions. While traditional agricultural exports of coffee and bananas are still important for the economy, nontraditional sectors, especially the maquiladora, or export-processing industry, have grown significantly over the past decade. Among the country's development challenges are a poverty rate over 60%, high infant mortality, and a significant HIV/AIDS epidemic. Despite these challenges, increased public spending on health and education have reaped significant improvements in development indicators over the past decade.

Current President Manuel Zelaya of the Liberal Party won a four-year term in the November 2005 elections. The country has enjoyed 27 years of uninterrupted elected civilian democratic rule. The economy, which grew 6.3% in 2007 and is expected to have grown 4% in 2008, has benefitted from significant debt reduction by the international financial institutions that is freeing government resources to finance poverty-reduction programs. The U.S. recession and global financial crisis, however, are expected to slow Honduran economic growth sharply in 2009.

The United States has a close relationship with Honduras, characterized by an important trade partnership, a U.S. military presence in the country, and cooperation on a range of transnational issues. In addition to being a party to the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), Honduras has cooperated extensively with the United States on counternarcotics and port security. Some 78,000 Hondurans living in the United States have been provided temporary protected status (TPS) since the country was devastated by Hurricane Mitch in 1998.

U.S. foreign aid to Honduras amounted to $44 million in FY2008 and an estimated $47 million in FY2009. Honduras is also likely to receive a portion of the $105 million in assistance dedicated to Central America in 2009 under the Mérida Initiative, which was designed to boost the region's capabilities to interdict the smuggling of drugs, arms, and people and support a regional anti-gang strategy. For FY2010, the Obama Administration requested over $68 million in assistance for Honduras as well as an additional $100 million for the continuation of the Mérida Initiative in Central America. Beyond traditional foreign assistance, the Millennium Challenge Corporation approved a five-year $215 million compact with Honduras in 2005.

Chapter 7 - Haiti shares the island of Hispaniola with the Dominican Republic. Since the fall of the Duvalier dictatorship in 1986, Haiti has struggled to overcome its centuries-long legacy of authoritarianism, extreme poverty, and underdevelopment. While some progress has been made in developing democratic institutions, they remain weak. Economic and social stability have improved considerably. But poverty remains massive and deep, and economic disparity is wide.

In May 2006, René Préval began his second five-year term as President of Haiti. During his first two years in office, Préval began to establish internal political stability by attempting to strengthen democratic institutions and creating an environment that would attract private investment and spur job creation. Haiti's fragile stability has been repeatedly shaken, however, if not by political problems, then by climatic ones. In 2008, a worsening food crisis led to violent protests and the removal of Haiti' s Prime Minister. Parliament rejected Préval' s first two choices for a new prime minister, but finally confirmed Michele Pierre-Louis, a highly-regarded educator and economist, as Prime Minister in September 2008. In the summer of 2008, four major storms caused widespread devastation in Haiti.

Haiti remains the poorest country in the western hemisphere. Over half the population of 8.2 million people live in extreme poverty. Since Haiti's developmental needs and priorities are many, and deeply intertwined, the Haitian government and the international donor community are implementing an assistance strategy to address these many needs simultaneously. The Préval administration presented a revised strategy at a donors' conference on April 14. Haiti received aid commitments of $353 million. The United States pledged $68 million in new FY2009 assistance, including $20 million in targeted budget support. The United Nations Stabilization Mission in Haiti (MINUSTAH) has been in Haiti to help restore order since the collapse of former President Jean-Bertrand Aristide's government in 2004. MINUSTAH's current strength is 9,089 troops.

The main priorities for U.S. policy regarding Haiti are to strengthen fragile democratic processes, continue to improve security, and promote economic development. Other concerns include the cost and effectiveness of U.S. aid; protecting human rights; combating narcotics, arms, and human trafficking; addressing Haitian migration; and alleviating poverty. The FY2009 aid request for Haiti was $246 million. The Omnibus Appropriations Act of 2009 (P.L. 111-8) provided for an additional $41 million in bilateral economic and international security assistance for Haiti. The FY20 10 aid request for Haiti is $293 million.

The 111th Congress may consider the balance and scope of assistance to Haiti. Members have already requested that the Obama Administration grant Temporary Protected Status

(TPS) to Haitians living in the United States. Of immediate concern to Congress may be ensuring that second round elections scheduled for June 21 for 11 Haitian Senate seats are free, fair, and—in light of recent violent protests—peaceful. Prohibited from running on technicalities, former President Aristide's Lavalas party boycotted the first round vote; turnout nationwide averaged 11%. Congress may take up debt relief for Haiti again.

Current law related to Haiti includes P.L. 111-8, P.L. 110-161, P.L. 110-246, and P.L. 109-432. Pending legislation related to Haiti includes H.Con.Res. 17, H.R. 144, H.R. 264, H.R. 331, H.R. 416, H.R. 417, H.R. 1567, S. 730, and S. 1183; for details see sections on Legislation.

Chapter 8 - Following a violent coup against democratically elected Marxist President Salvador Allende in 1973, Chile experienced 17 years of military rule under General Augusto Pinochet before reestablishing its elected civilian democracy in 1990. A center-left coalition of parties known as the Concertación has governed Chile for the nearly two decades since the end of the dictatorship. The coalition has enacted a number of constitutional changes to strengthen civilian control of the military and to undertake the prosecution of those alleged to be responsible for human rights violations during the Pinochet-era. Chile has made significant economic progress under the Concertación's free market economic policies and moderate social programs, which have produced notable economic growth and considerable reductions in poverty.

Current President Michele Bachelet has faced a number of challenges since her 2006 election. Widespread demonstrations over education, increased militancy by indigenous groups, and opposition control of the legislature have hindered President Bachelet's ability to govern. The global financial crisis is President Bachelet's latest challenge, though the government's timely decision to save recent fiscal surpluses has allowed Chile to pursue counter-cyclical policies and minimize the effects of the economic downturn. The government will likely spend much of 2009 coping with the effects of the financial crisis while political parties prepare for the December presidential and legislative elections.

Chile has enjoyed close relations with the United States since its transition back to democracy. Both countries have emphasized similar priorities in the region, designed to strengthen democracy, improve human rights, and advance free trade. Chile and the United States have also maintained strong commercial ties, which have become more extensive since the bilateral free trade agreement between them entered into force in 2004. Additionally, U.S. officials have expressed appreciation for Chile's leadership and moderating influence in a region increasingly characterized by political unrest and anti-American populism.

Chapter 9 - Mexico has a population of about 110 million people making it the most populous Spanish- speaking country in the world and the third most populous country in the Western Hemisphere. Based on a gross domestic product (GDP) of $1.0 trillion in 2008 (about 7% of U.S. GDP), Mexico has a free market economy with a strong export sector. Economic conditions in Mexico are important to the United States because of the proximity of Mexico to the United States, the close trade and investment interactions, and other social and political issues that are affected by the economic relationship between the two countries.

The United States and Mexico have strong economic ties. An important feature of the relationship is the North American Free Trade Agreement (NAFTA), which has been in effect since 1994. In terms of total trade, Mexico is the United States' third largest trading partner, while the United States ranks first among Mexico's trading partners. In U.S. imports, Mexico ranks third among U.S. trading partners, after China and Canada, while in exports Mexico ranks second, after Canada. The United States is the largest source of foreign direct investment (FDI) in Mexico. These links are critical to many U.S. industries and border communities.

In 2008, about 11% of total U.S. merchandise exports were destined for Mexico and 10% of U.S. merchandise imports came from Mexico. In the same year U.S. exports to Mexico increased almost 10%, while imports from Mexico increased about 3%. For Mexico, the United States is a much more significant trading partner. About 82% of Mexico's exports go to the United States and 50% of Mexico's imports come from the United States. FDI forms another part of the economic relationship between the United States and Mexico. The United States is the largest source of FDI in Mexico. U.S. FDI in Mexico totaled $91.7 billion in 2007. The overall effect of NAFTA on the U.S. economy has been relatively small, primarily because two-way trade with Mexico amounts to less than three percent of U.S. GDP. Major trade issues between Mexico and the United States have involved the access of Mexican trucks to the United States; the access of Mexican sugar and tuna to the U.S. market; and the access of U.S. sweeteners to the Mexican market.

Over the last decade, the economic relationship between the United States and Mexico has strengthened significantly. The two countries continue to cooperate on issues of mutual concern. On March 23, 2005, the leaders of the United States, Canada, and Mexico met to discuss issues related to North American trade, immigration and defense. After the meeting, the three leaders announced the Security and Prosperity Partnership of North America (SPP), an initiative that is intended to increase cooperation and information sharing in an effort to increase and enhance prosperity in the United States, Canada, and Mexico. In April 2008, the North American leaders held a summit to discuss how they might further advance the goals of the SPP. The three leaders decided that their respective ministers should continue to renew and focus their work in the five SPP priority areas.

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Chapter 1

AGRICULTURE IN PENDING U.S. FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA AND SOUTH KOREA

Remy Jurenas

ABSTRACT

The 111th Congress in coming months might take up free trade agreements (FTAs) signed by the Bush Administration with Colombia, Panama, and South Korea under trade promotion authority, or fast-track rules, designed to expedite congressional consideration of these agreements. Liberalizing trade in agricultural products, particularly the pace of expanding market access for the more sensitive agricultural commodities, was one of the more difficult areas that trade negotiators faced in concluding each of these FTAs. In each instance, issues dealing with food safety and animal/plant health matters (technically not part of the FTA negotiating agenda) were not resolved until later.

While U.S. negotiators sought to eliminate high tariffs and restrictive quotas to U.S. agricultural exports to these three country markets, they also faced pressures to protect U.S. producers of import-sensitive commodities (beef, dairy products, and sugar, among others). FTA partner country negotiators faced similar pressures. One Bush Administration policy objective was for FTAs to be comprehensive (i.e., cover all products). For the more import-sensitive agricultural commodities, negotiators agreed on long transition periods, temporary additional protection in the case of import surges, or indefinite protection of a few commodities. To illustrate the latter, because of political sensitivities for the United States or its partners, negotiators agreed to retain in perpetuity quantitative import limits and prohibitively high tariffs on some of the most import-sensitive commodities. In one exception, though, the United States agreed to Korea's insistence that rice be completely excluded from their FTA.

Of these three, the FTA with South Korea would be the most commercially significant one for U.S. agriculture since the North American Free Trade Agreement (NAFTA) took effect with Mexico in 1994. Because Colombia is a large market that imposes a high level of border protection on agricultural imports, the Colombia FTA has the potential to significantly increase U.S. agricultural exports. Though Panama represents a relatively small market, U.S. exporters would have numerous opportunities for additional sales.

Conversely, each pending FTA partner would have additional access to the U.S. market for those agricultural commodities that are now protected by restrictive U.S. import quotas. Of these, the U.S. sugar sector would face competition from increased imports of sugar from Colombia and Panama. The small increase in additional imports from South Korea would likely be primarily ethnic foods. Also, because these three countries consume most of the beef and dairy products that they produce, any additional sales would likely be accommodated by the large U.S. market with little effect.

The Obama Administration has signaled its intent to address outstanding issues of concern to some Members of Congress in order to submit the Panama FTA to Congress for consideration, possibly later this year. With respect to the Colombia and South Korea FTAs, officials have stated their intent to work with Members of Congress to develop "benchmarks" to use to determine when these agreements might be sent to Capitol Hill for debate.

Background

The 111th Congress may take up free trade agreements (FTAs) with Colombia, Panama, and South Korea. The timing of when the White House submits each agreement reportedly depends on when Congress completes consideration of health care reform and other high-priority legislation, and on the resolution of outstanding issues (e.g., labor, tax, automobiles) with each country. While the terms of U.S. beef access to South Korea's market might receive attention from policymakers in the interim, the agricultural provisions in each FTA largely have been received positively by most U.S. agricultural organizations and food industry associations.

U.S. farmers and ranchers, agribusiness firms, and food manufacturers view efforts to expand commodity and food exports as vital to improving farm income and business profitability. For this reason, many U.S. policymakers since the mid-1980s have viewed negotiating trade agreements as a way of creating opportunities to increase agricultural sales overseas, primarily by seeking to lower and/or eliminate other countries' trade barriers (e.g., tariffs and quotas). To accomplish this, the United States has had to reciprocate by lowering similar forms of border protection on farm and food products imported from prospective trading partners. Because of the import sensitivity of some U.S. commodity sectors (e.g., beef, dairy, and sugar, among others) to the prospect of increased competition from foreign suppliers, the executive branch has had to take the concerns of producers of these commodities into account during negotiations, in order to secure congressional approval of concluded trade agreements.

The 1994 Uruguay Round Agreement on Agriculture negotiated under the structure of the multilateral institution that preceded the World Trade Organization (WTO) created substantial export opportunities for U.S. agriculture and agribusiness by partially lowering then-existing trade barriers worldwide. However, the U.S. FTAs that took effect with Canada in 1989 and with Mexico in 1994 (when both were combined into the North American Free Trade Agreement (NAFTA)) were more ambitious than the Uruguay Round in reducing barriers to bilateral agricultural trade. With these two trade agreements setting into motion a process that removed most forms of border protection by the end of 10- or 15-year transition periods, respectively, Canada and Mexico have become two of the fastest-growing markets for U.S. agricultural exports.

The United States has also entered into FTAs with 15 other, smaller trading partners. Most of these have only taken effect in the last five years [1] Three FTAs negotiated and signed by the Bush Administration with Colombia, Panama, and South Korea await congressional consideration. Under the trade promotion authority (TPA) that applies, President Obama has discretion on when to submit each to Congress for a vote. TPA details the process for submitting implementing legislation to Congress for these FTAs, and the expedited legislative procedures to be followed that limit debate, prohibit amendments, and require a simple up or down vote. Before an FTA can take effect, Congress must approve the implementing bill [2].

The timing of when each pending FTA might be submitted by the White House to Congress will depend on how issues of concern identified by the Obama Administration and Members of Congress are addressed in bilateral discussions to be held with each country in coming months. Accordingly, agriculture as covered in each pending trade agreement is examined in this report in the order that Congress likely will take up these agreements, based upon statements made to date by Obama Administration officials and Members of Congress.

KEY AGRICULTURAL ISSUES IN FTAS

FTAs negotiated by the United States are generally comprehensive in scope. In addition to addressing market access for agricultural and food products, they cover trade in all other goods (including textiles and apparel), improved market access commitments for services and government procurement, and protections for investment and intellectual property rights. They also include provisions on dispute settlement, labor, the environment, customs administration, among other matters.

FTAs establish a framework for liberalizing trade in agricultural commodities and food products between partners within an agreed-upon time period. The primary objective in negotiating an FTA is to achieve preferential access to each other's market, to secure a competitive edge over other countries that sell into either partner's market. Accomplishing this requires that negotiators work to reduce and eventually eliminate tariffs and quotas on most agricultural goods. Because the United States and each prospective FTA partner have some agricultural products that benefit from high levels of border protection, negotiators spend much of their time wrestling with how to reduce barriers for these import-sensitive products [3].

The United States also has sought to address other non-tariff barriers (particularly those dealing with food safety and animal/plant health—commonly referred to as sanitary and phytosanitary [SPS] measures) on a separate, but parallel, track. Although U.S. negotiators assert that resolution of outstanding bilateral SPS disputes is not on the formal FTA negotiating agenda, the negotiating process has witnessed U.S. and partner country negotiators seeking to resolve such disputes and using them as leverage to achieve other FTA negotiating objectives. Further, resolving these disputes is viewed as essential to ensure that FTA partners do not resort to using these barriers to undercut the openings created for U.S. exporters in market access talks.