

ECONOMICS



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A New Trans-American Partnership

MONTEVIDEO – Many foreign-policy analysts say that the United States’ relationship with Latin America is one of “benign neglect.” US officials dispute this, arguing that American companies are among the region’s largest foreign direct investors, while 11 of the US’s 20 free-trade agreements (FTAs) are with Latin American countries. And insofar as “benign neglect” might be a fair description, it is a positive one, characterized by the absence of geopolitical tension or instability in the region.

But much more could be done – especially on trade policy – to deepen US-Latin American economic relations. Since the breakdown of the Doha Round of global trade talks, the US has been involved in two major international trade negotiations.

Both proposed FTAs – the Trans-Pacific Partnership (TPP), mainly a US-Asia initiative, and the Transatlantic Trade and Investment Partnership (TTIP), a largely US-Europe project – are far-reaching agreements. They aim to restore momentum toward an open global trade regime, including progress on contentious issues like trade in services, intellectual property rights, government procurement, and the harmonization of safety, health, and technical standards. Their participants account for 60% of world GDP. However, they do not reach all places.

Though Chile, Peru, and Mexico have also signed up to the TPP – and other Latin American countries are welcome to join it – the region’s involvement is marginal. If that is to change, the region will need to rediscover the spirit of the 1994 Summit of the Americas, where US President Bill Clinton and his Latin American counterparts set out a grand vision for the hemisphere. Their idea was to create a Free Trade Area of the Americas (FTAA), which would allow goods, capital, and people to move freely anywhere between Alaska and Tierra del Fuego.

One way to revive that spirit of cooperation and common purpose would be to create a new Trans-American Partnership. The TAP would include the US, Canada, Mexico, the Pacific Alliance countries, and other Latin American states that already have FTAs with the US. It would comprise 620 million consumers, and have a combined GDP of more than \$22 trillion (larger than the EU’s, and more than double that of China).

The TAP would also embrace almost half of Latin America’s population and include around 50% of its combined GDP, giving the region the central role that it lacks in the TPP or the TTIP. The only major economy that would not initially be in the TAP would be Brazil. But this would surely change as its dynamic private sector, facing down the government’s protectionist instincts, lobbied for membership – a proposition that would become difficult to resist as the TAP’s influence spread.

The TAP could be established and promoted relatively cheaply, by building on and harmonizing current bilateral trade agreements with the US, as many of the Pacific Alliance members have been doing. Moreover, TAP membership would be voluntary, an important advantage over the FTAA.

Most important, the TAP would create a sense of a shared future for the Americas. It could become a formidable force supporting free trade, investment, prosperity, and indeed peace in a multi-polar world.

Such large trade agreements have become particularly important as a means to bridge the two competing economic and ideological models that increasingly divide the world: China and Russia’s authoritarian state capitalism and Western-style democracy and rule of law.

There are positive signs that US policy is moving in the right direction. In his November 2013 speech at the Organization of American States, US Secretary of State John Kerry said that partnership with Latin America “will require courage and a willingness to

change. But above all, it will require a higher and deeper level of cooperation between us, all of us together, as equal partners in this hemisphere.”

A new, wide-ranging free-trade agreement, with Latin America at its heart, would be an excellent way to realize these hopes.

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