U.S. Trade Policy: The Emergence of Regional and Bilateral Alternatives to Multilateralism

Excerpts from Existing Papers: Cobbled Together for University of Sussex Trade Conference
September 28-30, 2006

Please do not quote without getting in touch with me

CLAUDE BARFIELD
AMERICAN ENTERPRISE INSTITUTE

Historical Overview of Postwar U.S. Trade Policy

From the 1940's, when the postwar multilateral trading system was founded with around the truncated provisions of the General Agreements on Trade and Tariffs (GATT), to the mid-1980s, the United States steadfastly opposed derogations from MFN obligations and, therefore, most regional trading arrangements (Cold War exigencies account for the exception regarding the formation and growth of the European Community). Essentially, the U.S. adhered to a two-track trade policy: (1) multilateralism, embodied in its membership in the GATT and in its leadership in eight rounds trade-liberalizing GATT negotiations; and (2) unilateralism-bilateralism, dictated by the substantive reality that GATT did not cover key trading sectors and thus powerful domestic interests demanded that U.S. political leaders pursue independent bilateral negotiations—particularly with Japan and the EC—to achieve trade policy goals beyond multilateral disciplines.. Unilateralism was linked directly to bilateral negotiations as the U.S. also reserved the right to act on its own by enforcing its will should bilateral negotiations fail.

Change came during the 1980s as the U.S essentially drifted into regional alternatives through a combination of diverse forces and unlinked events. The seeds of this broadened trade policy agenda could be found in USTR William Brock's call in 1982 for a GATT-plus negotiation (conditional MFN) if efforts for a new multilateral trade round failed; but Brock's move was actually a tactical means of forcing action at the multilateral level, not the signal for a change in the fundamental priorities of U.S. trade diplomacy. Similarly, the decision to sign a bilateral FTA with Israel in 1983 was motivated entirely by political and security interests, not trade policy considerations. Finally, the first economically significant FTA initiatives—U.S.-Canada and U.S.-Canada-Mexico (NAFTA)—were proposed by Canada and Mexico respectively, and not by the United States. To a great degree, the two nations had quite similar motivations for stronger ties to the United States: fear of growing protectionism in the United States and the need for a more secure access to the world's largest market; the hope (unrealized as it turned out) that they could mitigate the impact of unfair (antidumping) trade laws on their industries; and, most acutely for Mexico and its then-president Carlos Salinas de Gotari, the desire to spur and lock in domestic reforms.

By the late 1980s, however, other forces were coming into play that would induce the United States to introduce bilateral and regional agreements into its portfolio of trade instruments. In Europe, the EC seemed finally to be moving toward significant economic union, with the successful campaign for EC 1992 and later the signing of the Maastricht Treaty. The United States, thus, for the first time in the postwar period faced a trading partner with economic power equal to its own.

Second, beginning with the Bush (I) administration, but continuing in more urgent and vocal fashion in the Clinton administration, voices for a greater priority for regional trade policies obtained greater influence within the U.S. executive. Secretary of State James Baker, who in the tradition of former USTR Robert Strauss was an inveterate deal maker, chafed at the inability to conclude the Uruguay Round and became attracted to the opportunities for smaller bilateral and regional trade deals. Even earlier as Secretary of the Treasury under President Reagan in 1988, he had stated that while the United States hoped that liberalization would occur in the Uruguay Round, "If not, we might be willing to explore a market-liberalizing club approach through minilateral arrangements or a series of bilateral arrangements " (as quoted in Aggarwal and Lin (2000), 16).

In addition, Baker, as the architect of U.S. policy regarding the 1980s Latin American debt crisis, viewed FTAs with Latin American countries as powerful complementary inducements for them to pursue more rational (bitter medicine, in some cases) macroeconomic policies. Thus, Baker was largely responsible for President Bush's espousal of the Enterprise for the Americas initiative in 1990 to extend NAFTA to all of Latin America.

And in a move that resonates within the current debate over the correct balance in U.S. Asian trade and diplomatic policy, it was Baker who challenged (behind the scenes) the first proposal for an intra-East Asian regional institution in form of an East Asian Economic Caucus, advanced by Malaysia in 1991. Baker made clear to U.S. allies in the region that the United States would oppose any plan that "drew a line down the middle of the Pacific" and placed the United States on the other side of that line. (Baker memoirs, 1995) Baker's attempt to meld trade policy with broader diplomatic and security goals also has echoes —and personal ties— with a similar effort on the part of the current Bush administration--not the least because the president's first U.S. Trade Representative, Robert Zoellick, was a Baker protégé at the State Department and brought this same broader vision (unusual for a trade official) to his job.

The Clinton Years—For much of the period of the Clinton presidency, regional policies took on a more narrow economic focus. In explanation of this narrowing, it must be remembered by 1993, when President Clinton entered office, the Cold War was over, China's startling rise as an economic and potential military power was still over the horizon, and Muslim terrorism, while evident in such incidents as the World Tower plot, was not yet perceived as a large threat to the West. Thus, the mantra of the time was that "economic security" had replaced traditional security policy as the main focus of U.S. diplomatic initiatives. This shift was underlined by the widespread perception (exploited effectively by candidate Clinton in 1992) that U.S. "competitiveness" had declined in the 1980s.

It is not surprising, then, that the trade policy of the first Clinton administration took on a strongly mercantilist flavor—and that Asia emerged as the most important priority for new trade initiatives. Given the inherited challenges from the Bush administration, NAFTA and Latin America first took center stage. Despite deep divisions within his own party (and within the White House itself), President Clinton staked a great deal of presidential authority on the passage of NAFTA in the summer of 1994. And in December 1994, he built upon this success by convening the Summit of the Americas in Miami that produced a major decision to negotiate a hemispheric free trade agreement by 2005.

Although NAFTA and the Miami Declaration (as well as successful completion of the Uruguay Round) were chalked up as major triumphs, Clinton administration officials looked to Asia as the most promising political and economic opportunity to place a Clinton stamp on U.S. trade policy. Politically, Asia and the APEC initiatives were wholly Clinton initiatives, not hand-me-downs from the Republicans. Clinton advisers correctly told the president that Asia was an area he could claim as his own. Second, and of equal importance, because of the rapidly increasing economic growth and power of the nations of East Asia, this region represented the greatest opportunity to increase U.S. exports and to regain symbolically U.S. "competitiveness."

With great fanfare, in 1994 the administration launched its "Big Emerging Markers" initiative to target nations where U.S. corporations had the greatest potential to boost exports. Of the top ten so identified, more than half were from Asia (counting Taiwan and Hong Kong as separate entities).

The Economists Weigh In: With the Clinton administration also, for the first time academic economists in high governmental positions spoke out in favor of giving priority to bilateral and regional free trade agreements. The 1994 and 1995 Economic Reports of the President presented detailed explanations of the Clinton administration goals and priorities for trade policy. They represented a distillation of the strongly held views of two of the administration's principal economic spokespersons on trade—National Economic Council Chair Laura Tyson and Under Secretary of the Treasury Lawrence Summers. While acknowledging that the "most far reaching of the administration's market opening efforts has been…the Uruguay Round of GATT," the 1995 Economic Report states that the "most distinctive legacy" of the Clinton administration in the trade policy arena will be the "foundation it has laid for the development of overlapping plurilateral trade agreements as stepping stones to global free trade." Such affirmations were not new for Summers, who already in 1991 had forcefully averred his "press on all fronts," pro-trade bloc philosophy. Specifically, he had stated in a debate: "Economists should maintain a strong, but rebuttable, presumption in favor of all lateral reductions in trade barriers, whether they be multi, uni, bi, tri, or plurilateral. Global liberalization may be best, but regional liberalization is very likely to be good." (Panagariya, 1995)."

(While beyond the scope of this study, it should be noted that the Summers/Tyson defection from the prevailing consensus among economists that FTAs would undermine the multilateral system of the GATT produced a lively (and ongoing) debathe among academics.

Led by equally distinguished international trade economists such as Jagdish Bhagwati and Anne Krueger (among a number of others), the counterattack stressed that: (1) in Bhagwati's words, it was "folly" to equate "FTAs with free trade" because "they were inherently preferential and discriminatory."; (2) rules of origin (border measures to insure that trade diversion from outside the FTA does not occur) wlll inevitably be manipulated by producers to increase protection; and (3) a world of FTAs would result in a "spaghetti bowl" (Bhagwati's phrase) of complicated rules and tariff rates that would result in enormous inefficiencies as corporations and government officials struggled to sort out multiple, ever-changing restrictions for both importers and exporters.)

The Clinton administration was quite candid in describing the underlying mercantilist thrust of U.S. trade policy. The 1994 Economic Report stated: "The administration's trade policy can be described as 'export activism.'" And the 1995 Economic Report directly tied export activism to Clinton regional initiatives: "Export and investment opportunities to emerging markets in Latin America and Asia will be a key engine of growth for the U.S. economy over the next decade."

Together, the 1994 and 1995 Economic Reports of the President also presented the case for bilateral and regional trading arrangements as building blocks toward multilateral free trade. First, the administration contended that regional trading arrangements allow some trading nations to move forward faster and achieve deeper integration than do cumbersome multilateral negotiations that then included more than 120 nations. Second, the reports predicted that a 'self-reinforcing process' would be created by which as the free trade area expands it will become ever more attractive to outsiders who will clamor to become members (This is an early, incomplete version of the "domino theory" of bilateralism/regionalism later advanced by economist Richard Baldwin: see pp. XX). Finally, the administration committed itself to "open regionalism," which meant, on its terms, that it would only negotiate FTAs that were nonexclusive and open to new members—and that adhered to the GATT Article XXIV rule, which prohibits an increase in average external barriers.

<u>APEC AND THE FTAA:</u> SEE BELOW

.

The Trade Policy of the Bush Administration

The goal of this section is twofold: first, to describe and analyze the defining characteristics of the trade policy of the Bush administration, with particular emphasis on the doctrine of "competitive liberalization," juxtaposed against the explicit linkage of trade policy with larger U.S. political, diplomatic and security goals; and second, to lay out the challenges to these policies and the prospects for success and failure during the second Bush term.

Bush Administration Trade Policies: Defining Hallmarks

As with all incoming administrations, the Bush administration inherited and carried forward important elements of international trade policy from the Clinton and earlier administrations. The most significant was a commitment to the multilateral trading system and the World Trade Organization; but it faced two large obstacles to advancing the traditional U.S. multilateral goals in January 2001: the lack of so-call Fast Track (later labeled Trade Promotion: TPA) Authority, which had lapsed in 1994 and not been renewed; and the skepticism in many capitals around the world regarding the effort to launch a new trade round, after the 1999 disaster in Seattle.

Regarding TPA, US Trade Representative Robert Zoellick stressed from the outset the necessity for the United States "regain the momentum on trade." Looking back in 2002, he told an audience of business writers: "By January of 2001, the policy and political chessboard of globalization was arrayed as follows: The public spectacle and failure in Seattle had shaken governments and businesses around the world, excited protestors, and transformed the old trade story into copy ranging from the world economic in disarray to Sixties nostalgia…Many trade ministers counseled that we should avoid an effort to launch new trade negotiations at the November meeting in Doha." (Zoellick, April 2002).

Still the administration decided that the dangers of not acting were even greater. Starting with the April 2001 Quebec Summit of the Americas, at which the president lent support to a new round, and continuing with whirlwind set of trips during the spring and early summer by Zoellick—to South America, Asia and Europe—the United States took the lead in pressing ahead with a drive to launch a new round at Doha in September. Concomitantly, the administration warned Congress of the negative consequences of a failure to reenact TPA. In June 2001, Zoellick told the Senate Finance Committee: "This is a moment we must seize together. As Pascal Lamy, the European Commissioner for Trade, has pointed out with realism: 'If Trade Promotion Authority is denied by Congress, It would be hard to the U.S. administration to establish itself as a credible trading partner.'" (Zoellick, June 2001) To jump forward, the Doha Round was successfully launched in November 2001, and as a part of the wave of national unity after 9/11 the administration also was granted TPA in June 2002.

The Hallmarks: Trade as Foreign Policy and "Competitive Liberalization."

In addition to a priority commitment to the multilateral trading system and the WTO, two other themes dominated the trade policy of the Bush administration. The first was an explicit linkage between trade policy and overall U.S. foreign and security policy—particularly after 9/11. The second was the doctrine of "competitive liberalization," a slogan that meant that the administration was committed to negotiations with individual nations, groups of nations and whole regions (as a complement to its multilateral negotiations), on the theory that through the discrete use of the huge U.S. market such negotiations would set off a competitive process toward global free trade.

Trade and Security—Even before 9/11, U.S. Trade Representative had placed U.S. trade policy in a context of larger U.S foreign policy goals (Such a connection came naturally to Zoellick, who had served in the Bush I State Department, as an acolyte to James Baker; and would go on after his stint at USTR to serve as Deputy Secretary of State under Condi Rice). In his confirmation hearings before the Senate Finance Committee, Zoellick stated: "(E)xpanded trade affects our nation's security. The crises of the first 45 years of the last century—the economic regression referred to by Alan Greenspan—were inextricably linked with hostile protectionism and national socialism. Communism could not compete with democratic capitalism, because economic and political freedom creates dynamism, competition, opportunity, and independent thinking." (Zoellick, January 2001)

Speaking just before the Doha Ministerial Meeting in November 2001, Zoellick directly tied the need for a successful launch of multilateral negotiations to the events of 9/ll:

> "The events of 9/11 have set the stage for our work…America and the world have been attacked by a network of terrorists who are masters of destruction…They fear foreign ideas, religions and cultures…They see the modern world as a threat…They leave people in poverty…

> "The international market economy—of which trade and the WTO are vital parts—offers an antidote to this violent rejectionism. Trade is about more than economic efficiency; it reflects a system of values; openness, peaceful exchange, opportunity, inclusiveness and integration through interchange; freedom of choice…
> "By promoting the WTO's agenda, especially a new negotiation to liberalism global trade, these 142 nations can counter the revulsive destructionism of terrorism."

More significantly, a year later, in September 2002, the administration formally included trade policy in its white paper, "The National Security Strategy of the United States of America." The introduction to the document stated:

> "(T)he United States will use this moment of opportunity to extend the benefits of democracy, free markets, and free trade to every corner of the world…Poverty does not make poor people into terrorists and murderers. Yet poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders….Free trade and free markets have proven their ability to lift whole societies out of poverty—so the United States will work with individual nations, entire regions and the entire global trading community to build a world that trade in freedom and therefore grow in prosperity… (We) will build on these common interests to promote global security."

In classic Bush administration rhetoric, the specific section on trade declared: "The concept of 'free trade' arose as a moral principle before it became a pillar of economics…This is real freedom, the freedom of a person—or a nation—to make a living."(U.S.Government, Executive Office of the President, 2002)

Finally, while tempered with diplomatic language, Zoellick, in speeches and press comments, made it clear that support for larger U.S. diplomatic and security goals would constitute an important factor in the choice of nations as candidates for preferential trade arrangements. Thus, he told the Institute of International Economics in 2003 that the administration did not consider an FTA "something one has a right to; it's a privilege." When it comes to a prospective trade partners, he went on, the administration would seek "cooperation—or better—on foreign policy and security…Given that the U.S. has international interests beyond trade, why not try to urge people to support our overall policies." (*Inside U.S. Trade,* May 16, 2003; and *Washington Trade Daily,* May 9, 2003)

Looking back over the past five years, certain FTAs can be explained largely in terms of important U.S. political and security goals. This would certainly be true of the cluster of Middle East and Mediterranean agreements that have been negotiated or are currently in negotiation: Jordan (concluding negotiations began under President Clinton); Morocco; and Bahrain. In addition, there are active preliminary discussions with Egypt, and in November 2004, the President notified Congress that the administration planned to pursue FTA negotiations with the United Arab Emirates and Oman All of these bilateral negotiations are taking place pursuant to a long-range U.S. plan to construct a Middle East FTA by 2013 (For details on these and other proposed FTAs, see Ferguson and Sek, 2005).

Further, the U.S. is being importuned increasingly by Taiwan to conclude an FTA, based upon that island's dire warnings regarding the military threat from the PRC. To date, the U.S. has resisted this commitment, arguing that while such an agreement may be called for in the future (depending on moves or threats by the PRC) at this point negotiations would only antagonize the PRC needlessly (Lardy and Rosen, 2004). The potential future for a U.S.-Taiwan FTA will in addition depend upon the evolution of intra-East Asian FTAs. For instance, should there be a revival of APEC and a move toward its free trade goals, then the economic payoff for a U.S.-Taiwan bilateral agreement would lessen. If, on the other hand, the ASEAN-Plus Three agreement should form the basis for an East Asian FTA—excluding Taiwan because of PRC opposition—then the United States would more likely attempt to offset the economic damage of such an agreement through trade diversion by negotiating a bilateral with Taiwan (It should be noted, however, that the U.S. would also have to act itself against the negative impact of an ASEAN Plus Three agreement because of the even greater trade diversion against its products and services: Barfield, 2004).

It is also clear that foreign policy and security considerations --viz., support on Iraq--played a significant role in moving Australia to the top of the list of FTAs in 2002-2003. Conversely, opposition to U.S. security interests meant that some nations—specifically, New Zealand—were denied the "right" to begin negotiations for an FTA (USTR Zoellick made this explicit connection in 2003, citing opposition to the war in Iraq and the refusal of NZ to allow nuclear powered ships into its harbors: *Inside US Trade,* May 23, 2003). In less dramatic fashion, the U.S. briefly held up final ratification of the U.S.-Chile FTA because of Chile's opposition to the United States on Iraq in the United Nations (Ferguson and Sek, 2004).

Competitive Liberalization—The negotiation of bilateral and even regional FTAs preceded the Bush II administration by well over a decade, and had been concluded under both Republican and Democratic presidents. But as is the case with the connection between trade and security, it was the Bush II administration that first attempted to place these agreements within the context of a national trade strategy, under the title of "competitive liberalization." As explained by USTR Zoellick in early congressional testimony, through competitive liberalization—the competition produced by leveraging the huge U.S. market to negotiate multiple bilateral and regional agreements—"the United States adds to its ability to shape the future trading system…By moving on multiple fronts, (the United States) can create a competition of liberalization that will increase U.S. leverage and promote open markets in our hemisphere and around the world."(Zoellick 2001: Senate Testimony) Thus, as he told a group of business editors and journalists in 2002: "(M)y parting insight for you is to follow the FTAs. We will launch them, negotiate them, pass them and then launch more. Our aim is to use these

FTAs—in conjunction with global and regional negotiations—to create a new ongoing momentum for trade policy. We want the march of FTAs to create a force of momentum that lasts far beyond this Administration." (Zoellick, 2002)

In time-honored fashion when dealing with Congress, the Bush administration played the mercantilist card, keying on the alleged dangers to U.S. exports from "falling behind" other nations in negotiating FTAs. Zoellick stated: "If the Congress cannot or will not act, the United States will pay a price…Consider the facts. Today the European Union has 27 free trade or special customs agreements around the world...Last year, the EU and Mexico—the second largest market for U.S. exports—negotiated a free trde agreement. Countries through East Asian are quickening the pace of special trade negotiations…We have no one to blame for falling behind but ourselves. Inaction hurts American businesses, farmers, ranchers, workers, and families as they find themselves shut out of many preferential trade and investment agreement negotiated by our trading partners." (Zoellick, June 2001, Senate Finance).

FTAs--the selection process—Early on, Members of Congress and elements of the U.S. business community raised questions about "competitive liberalization" and the introduction of non-economic factors into the selection process. For instance, Sen. Max Baucus (D.-MT), the ranking Democrat on the Senate Finance Committee, criticized the administration for not giving higher priority to Asian economies and warned against allowing foreign policy considerations to trump economics. Further, the U.S. National Association of Manufacturers launched a project to identify FTAs that would most benefit U.S. manufacturers. (Inside U.S. Trade, Oct. 29, Dec. 10, 2004)

In response to the questions and skepticism regarding the ultimate benefits for the United States, by 2003 the White House and USTR had instituted a more formal interagency process to establish priorities in the selection of candidates for future FTAs.

USTR Robert Zoellick described the evolution of this process in a speech to a Washington think tank, and subsequently in an interview with the U.S. Government Accountability Office, which had been asked by Congress to analyze the impact of the new policies on U.S. trade policy and on the USTR's ability to manage its portfolio of tasks.

In his speech to the IIE, Zoellick ticked off some thirteen factors that formed the basis for decisions regarding individual FTAs. They included economic, political and diplomatic factors, such as (among others):support within Congress, support from the business community; political sensitivities of particular imported products (viz., textiles, beef); political reforms in the candidate country; support on foreign policy goals; and status in terms of larger regional FTA negotiations (Lardy and Rosen, 2004).

For the first four potential FTA partners, USTR, in consultation with the staff of the National Security Council, led an informal process of consulting with relevant agencies and departments that resulted in a consensus recommendation to the President for negotiations with Australia, CAFTA, Morocco and SACU.

With the passage of trade promotion authority in 2002, and the potential of a large number of new FTAs thereafter, White House officials decided that a more systematic and formal process was necessary in the future. In May 2003, the NSC (actually following directions from USTR) issued guidelines for assessing future FTA partners. In addition to setting forth a consolidated list of substantive factors, the guidelines established a formal interagency decision making process, including responsibilities for four ascending (in terms of rank) interagency groups (See Figure 1).

The six criteria included the following:

- *Country Readiness*—involves an assessment of the country's political will, capability to assume trade obligations and overall rule of law system.
- *Economic/commercial benefit*—assesses the likely economic benefit to the United States, including potential for increased exports in specific sectors. This analysis also surveys potential increased import competition for particular U.S. sectors.
- *Benefits to broader trade liberalization strategy*—relates to support from prospective FTA partner for overall U.S. trade goals, including success in meeting its WTO obligations and support for U.S. positions in regional and WTO negotiations.
- *Compatibility with U.S. Interests*—FTA partners examined for compatibility with broad U.S. interests, including support for U.S. foreign policy and security interests.
- *Congressional/Private Sector support*—interagency groups review extent to which prospective FTA partner has garnered support (opposition) from Congress, business groups and civil society.
- *U.S. government resource restraints*—factor involves primarily restraints on USTR: staff availability, likely travel and negotiating time, comparable priority with other USTR negotiations and obligations. (GAO, 2004)

Administration officials have warned that these criteria are not hard and fast and that they may evolve over time. In addition, USTR Zoellick has stated that they "carry no coefficients"—that is, the administration has not and will not assign relative weight to individual factors. Other administration officials told the GAO that NSC and USTR views are central but that other agencies could and did weigh in with complementary or conflicting views.

Process—As shown in Figure 1, USTR initiates the process, sending potential prospects to the TPSC and the TRPG (The TPSC conducts most of the real staffing work for the process and is composed of officials from some 19 departments and agencies who have specialized knowledge on trade issues. The TRPG is composed of undersecretaries and assistant secretaries and other senior officials from agencies and departments who have policy input and perspective in trade policy). Discussion and decision papers are then bumped to the next level in the decision process: the Deputies Committee and the Principles Committee. The Deputies Committee is composed of the deputies from all cabinet agencies involved in trade; and the Principle Committee is composed of the secretaries from all of these departments. Again, utilizing decision papers, the deputies and principals meet to hash out issues before sending a recommendation to the president.(GAO, 2004)

While the process is still new, it has been utilized for all TPA decisions since the original four listed above. This would include the Dominican Republic, Bahrain, Thailand, Panama, and the Andean countries (Peru, Bolivia, Ecuador, and Columbia).

It should be noted that large and important trade policy initiatives and negotiations are outside of this process. For instance, WTO negotiations, while they entail internal interagency deliberations, as well as notification and discussion with Congress and the private sector, are not a part of the process. In addition, two important initiatives that have direct relevance—the APEC and FTAA negotiations—were launch some years ago and do not require ongoing vetting—though again, as with the WTO, FTAA and APEC do entail continuing debate among the agencies and departments concerned with U.S. trade policy.

Private Sector—It's noteworthy that the private sector in the United States now takes the FTA selection process quite seriously and has attempted directly to influence the outcome and priorities. For instance, the National Association of Manufacturers in 2003-2004 undertook a detailed analytic process to determine which FTAs would deliver the strongest benefits to U.S. manufacturers. In February 2005, they published their findings for the administration and Congress. In explaining their support for the administration FTA policy, the NAM stated:

> "The NAM is a strong supporter of educing trade barriers through multilateral trade negotiations…but also supports a continued effort to negotiate bilateral or regional free trade agreements….While the NAM would prefer to have trade barriers reduced all at once in the WTO, we cannot assure that will happen…(Thus) FTAs are the quickest and most practical way to eliminate the imbalance in market access between the United States and other countries."(NAM, 2005)

In reaching their specific recommendations, the NAM used a grading system that focused largely on the potential for added growth in U.S. manufacturing products in various countries, but also factored in other criteria such as rule of law, non-tariff barriers, and political stability. On this basis, the organization recommended five top-priority countries (in order): Egypt, India, Malaysia, New Zealand, and South Korea. In addition, it named five other countries as further candidates in the future: Brazil, China, the European Union, Japan and Taiwan (NAM, 2005).

The Second Bush Administration: Challenges Emerge

Starting a second term, the Bush administration could point to substantial success in fulfilling its initial trade policy goals: a new multilateral trade round had been launched and, with adroit maneuvering by USTR Zoellick (with others), been saved from a near disastrous ministerial meeting in Cancun, Mexico; and in pursuit of "competitive liberalization," the administrations had concluded bilateral negotiations with ten countries, and was moving ahead to begin and continue negotiations with twelve additional candidate countries. Still, its overall policies were facing growing challenges, and there was a strong possibility that the successes of the first four years would not be sustained in the second four years.

This section will describe and analyze the challenges to the continuing success of "competitive liberalization" goals: first, the difficult domestic political calculus on trade policy in the U.S. Congress; second, complications (linked in part to the political divisions) arising from the tendency to freight bilateral agreements with additional controversial, divisive issues; and third, the realities of negotiating bilateral versus regional agreements. A final section will also analyze a major failure of the Bush administration to date to establish and execute a strategic policy for East Asia, where there is an urgent need for economic policy to complement and bolster diplomatic and security policy.

The congressional politics of trade— From the outset, the Bush administration inherited a Congress deeply divided along partisan lines on trade—and on many other domestic and foreign policy issues. While at times compromise was possible in the Senate, in the House of Representative, after some initial attempts to forge agreements, the Bush administration and the House Republican leadership decided upon a "go-it-alone" policy. Trade policy analysts have advanced a number of theories concerning the reasons for, and consequences of, this decision. Partly, it stemmed from the overall partisan climate that suffused all House deliberations and spilled over into trade policies and politics. Then, it was also true that the chairman of the House Ways and Means Committee (the committee with direct authority over trade), Rep. William Thomas (R-CA), combined high intelligence with low patience for opposition. (Destler, 2005)

But an additional factor was the decline and virtual demise of the so-called "New Democrats," at least in regard to trade votes. In the early to mid-1990s, these Democrats in the House could usually be counted on to provide 70-odd votes (about one-third of House Democrats) in favor of trade agreements. This support steadily eroded during the late 1990s, and by the beginning of the Bush administration less than 20 Democrats could reliably be counted as bedrock supporters. (Baldwin and Magee, 1999; Edsall, Wash. Post, June 12, 2005). The reasons for this erosion were various: once again, the growing partisanship in the House increased the pressure from House Democratic leaders to fall in line; in addition, a number of moderate, suburban Democrats had gradually been replaced by Republicans; and finally, the unremitting opposition to new trade agreements from key interest groups, particularly the labor movement and many environmental organizations, made it very difficult for House Democrats to survive primaries if they did not toe the line on trade.

Thus, in 2002, the House passed new TPA authority by one vote, with only 21 Democrats voting aye (For a recent, detailed account of the politic maneuvering surround passage of TPA, see Destler, 2005) Subsequently, Democratic support for bilateral FTAs (Chile, Singapore, Australia, Bahrain, and Morocco) has varied widely, swinging from 15 to 120 ayes (See Appendix A). In the crucial and hard fought CAFTA vote, only 15 Democrats supported the agreement. (Edsall, Wash. Post, June 12, 2005; International Trade Reporter, June 16, 2005; Blustein, Washington Post, July 29, 2005). (NOTE: In subsequent versions will explain in more detail back story—combination of conviction regarding alleged labor and environmental omissions and pure opportunism by House Democratic leadership. Thus, big CAFTA struggle came from Democratic leaders hope to embarrass Bush administration and the calculation that southern textile Republicans would defect: see below, for more on CAFTA)

It should also be noted that as Republicans picked up more Democratic seats in the South, these new Republican seats included pockets of opposition to FTAs from textile, apparel, and certain agricultural districts (sugar, vegetables etc). During the Clinton presidency, some 50-60 Republicans generally would oppose trade liberalization, partly out of partisan spite and partly as a result of interest-group pressure (Obviously with a Republican president they are now more in play).

What did this portend for Bush administration "competitive liberalization" policy? First, it meant that the administration in general could count only on Republican votes for any given agreement—including Republicans with economic interests to protect. In turn, this fact of life forced the administration into horse-trading and granting other side benefits or compromising important trade liberalization elements in the agreement. For instance, with the Australian FTA, the administration insisted upon provisions that postponed real liberalization of beef and lamb products for almost two decades. In the CAFTA agreement, the administration demanded that U.S. fiber and cloth be used in the production of textiles and apparel in the CAFTA countries.

Of equal importance, the strategy of "competitive liberalization" has forced members of both parties to vote repeatedly on trade issues; and on a bipartisan basis, House members consider these votes problematic and potentially dangerous to their reelection—even with the added protection afforded by mostly gerrymandered seats.

In a recent explanation of the downside of these votes for House members, former Rep. Cal Dooley (D-CA), a pro-trade Democrat, has stated: “Most members feel that they have only a small quota of votes that can be cast against the prevailing political winds. It really doesn’t matter to them whether it’s a big trade deal or a small deal (economically). It’s all the same—a chit they’ve cashed; and so when the administration sends up agreement after agreement, resistance is bound to rise.”(Cordell Hull Institute, December 10, 2004)

Loading up with peripheral issues—The other phenomenon that is haunting and hampering the administration is the seeming ineluctable tendency—from the left and the right—to load onto FTAs pet policy prescriptions that have failed to make it onto the multilateral trade agenda. From the left, obviously, there is the insistence for ever greater expansion of provisions dealing with labor and environmental regulation. This paper is not the place to review in detail the evolution of labor and environmental provisions in the fight to renew TPA, or the subsequent struggle between the Bush Administration and congressional Democrats over interpreting the new provisions of the 2002 act. Just two points will be noted. First, there has been a steady increase in the reach and effect of proposed labor and environmental regulations (and potential sanctions)demanded by the Democrats: from side agreements in the NAFTA to sanctionable actions (fines) negotiated in FTAs since the late 1990s and now adherence to so-called core labor rights as defined by the ILO. Second, the United States (and the EU in its own bilateral FTAs with small, developing countries) has attempted with these provisions to achieve commitments that it could not—and cannot—hope to get in either multilateral or regional trade agreements. This phenomenon has been labeled the “model of the selfish hegemon” by Jagdish Bhagwati

(Bhagwati, 1998). Inevitably, the attempted expansion of FTAs to new substantive areas has brought other interest groups and NGOs into the trade arena, complicating and even high jacking the political process.

It should also be added that pressures to freight FTAs with extraneous, problematic issues has not stemmed only from the left. The Bush administration has recklessly ventured into difficult terrain with demands in two new areas: that US FTAs include proscription of the use of capital controls (except under extremely limited conditions for short periods); and that FTA partners agree to remove price controls from pharmaceuticals in their health care systems. This latter demand almost caused the failure of the US-Australian FTA negotiations—before the United States finally backed down.

CAFTA. The very close contest over passage of the CAFTA agreement resulted from a coalescing of the factors described above. Though Democrats, particularly in the House, have reacted with varied stances on previous Bush-led bilateral FTAs, they united in this instance to bitterly contest CAFTA. Sensing that they could build upon special interest opposition (sugar, textiles, apparel) to advance their own agenda relating to labor and the environment, the Democrats hoped to defeat a trade agreement for the first time in recent congressional history—or at the very least force the Bush administration to indefinitely postpone the vote, bringing to a halt momentum for new FTAs (Smith, 2005). On June 15, 2005, in a markup of the CAFTA in the House Ways and Means Committee, 15 of 17 Democratic members voted against the agreement (Wash. Trade Daily, June 15, 2005). And as noted earlier in the paper, on the final House vote only 15 Democrats supported the agreement.

In addition to strong special interest opposition, the Bush administration also faced second-term political fatigue from House and Senate Republicans on trade. As former Rep. Cooley pointed out, there are only so many politically adverse votes a member of Congress feels he or she can afford—and for many CAFTA stretched this limit. Further, in the House, there was already the beginning of apprehension that the national political climate (ethics issues, the strongly negative reaction to the Schiavo case, a lackluster legislative record) might be turning strongly against the majority party. That fear was augmented by polls showing that favorable ratings for Congress had dropped to only 30 percent. All in all, both with CAFTA and beyond, it was not a propitious time for the president to ask House and Senate Republicans to stick their necks out on trade—particularly on trade agreements that posed import challenges and whose economic payoff was negligible.

Regional vs. Bilateral Agreements--For all of its troubles in the U.S. Congress, CAFTA is in many ways an exception to the rule regarding the comparative difficulties of negotiating bilateral vs. regional trade agreements. That is to say, unlike other regional agreements under negotiation by the United States, the CAFTA negotiations were not stymied by many of the issues that plague the Doha Round negotiations, as has been the case with both the Free Trade of the Americas Agreement (FTAA) and the APEC free trade negotiations. The most important difference is that the five small nations that make up CAFTA, separately and together, were desperate to nail down in perpetuity the access they have already been given to the U.S. market under temporary agreements such as the Caribbean Basin Initiative and general special and differential treatment granted unilaterally but temporarily by the U.S. Congress. As proponents of CAFTA tirelessly point out, 80 percent of CAFTA exports to the United States enter duty free already.

Under USTR Zoellick's original vision of competitive liberalization, bilateral agreements were to be linked ultimately to regional agreements (a kind of "open" bilateralism), which in turn would coalesce into global free trade. The real challenge—and potential flaw—in Zoellick's strategy was and is that while a large economy like the United States will find it easy to entice and cajole many small countries around the world to link up with its huge market through bilateral FTAs, when it comes to negotiating sizable regional agreements (such as the 34-nation FTAA) many of the same political and economic barriers and conflicts that plague multilateral negotiations in the WTO inevitably come into play. Thus, there is the danger that at the end of the day, the result could be the worst of all possible worlds—as warned by Bhagwati and others—that is, a "spaghetti bowl" of multiple, market-distorting bilaterals. At least thus far, that seems to be what is happening with U.S. trade policy in Latin America and East Asia.

FTAA

For this paper, a brief review of the history and current state of play with regard to the FTAA will serve as an illustration. Agreed to in 1994, official negotiations for a FTAA were launched in 1998, with the original goal of completing the agreement by January 2005. After initial meetings, nine areas were targeted for the agreement. Some duplicated groups later formed in the Doha Round of WTO negotiations (market access, agriculture, services, subsidies, trade remedies) and some went beyond (TRIPS plus, competition policy, government procurement). Originally, it was agreed that all decisions would be taken by consensus and that at the end there would be a single undertaking.

In April 2001, after an initial series of meetings and negotiations, the first draft text was produced, basically containing a compilation and consolidation of proposals tabled by FTAA member states. It was counted as a solid first step, but it also demonstrated large gaps and bracketed disagreements. Meanwhile, the Doha Round was launched in 2001, and U.S. trade negotiators were given new instructions and objectives in the TPA that also passed Congress in August 2002. (GAO, 2005).

In November 2002, after it became clear that major differences continued over the scope and depth of proposed obligations, the United States and Brazil—the two main antagonists—agreed to jointly chair the negotiations. Throughout 2003, however, the differences widened and at a ministerial meeting in November at Miami, FTAA negotiators bowed to the inevitable and agreed to a scaled-down negotiating agenda. The basic problems and issues went right back to the issues central to the Doha Round. The United States maintained that negotiations on agricultural subsidies and trade remedy measures (antidumping, safeguards, CVDs) could only be handled at the multilateral level. Since these areas constituted the most important demands for Brazil and other Latin American countries, they in turn refused to advance proposals on services, TRIPs, investment and government procurement. At the Miami ministerial, the result was what has been labeled "FTAA lite": that is, an agreement to establish several tracks or "tiers" for the negotiations. There would first be a common set of obligations for all 34 nations; but in addition, there would be second set obligations based upon a voluntary plurilateral agreement. Since 2003, two things have happened: (1) continuous fighting over just which issues are part of the common set of obligations and which are voluntary; (2) both the United States and Brazil have stepped up efforts to go around the FTAA negotiations, attempting to enlist other Latin American countries through bilateral agreements or signing on to the Mercosur Agreement. (GAO, 2005).

As stated above, the lesson here for the U.S. doctrine of "competitive liberalization" is that even with best of wills and a strong commitment of resources it may not be possible to create regional "building blocks" on the path to global free trade.

East Asia

The geographic area that poses the greatest challenge—thus far unmet—to the central tenets of the Bush administration's policy of an explicit linkage of trade policy with larger diplomatic and security goals is East Asia. In retrospect, it is clear that two phenomena caught the Bush administration (and the rest of the world) by surprise. These were the speed of the rise of Asian regionalism (or, at least, the sense of an East Asian community), and both the adroitness and the speed with which China assumed a position of leadership, with the clear, if unstated, goal of replacing the United States as the dominant hegemon in the area (Barfield, 2004)

Interestingly, the first premonitions of the rise of East Asian regionalism stemmed initially from the ashes of a proposal put forward in 1991-1992 by Malaysian Prime Minister Mahathir Mohamad for an East Asian Economic Group (EAEG), consisting of the ASEAN countries plus, Japan, China and Korea—but conspicuously excluding the United States. This proposal foundered through the force of US objections, but at the same time a less hostile (to the United States) effort by Australia and Japan to create an Asia Pacific Economic Cooperation (APEC) forum gained impetus when the newly installed Clinton administration adopted and upgraded the concept as the major vehicle for its trade policy for East Asia.

Thus, began what might be called an APEC phase of East Asian integration, when the United States led a region wide trade liberalization movement, anchored by the first high-level meetings of chiefs of state in Seattle in 1993 and followed by the Bogor declaration in 1994, whereby APEC countries pledged to achieve free trade in the region by 2010 for developed countries and 2020 for developing countries. Ultimately, APEC proved far too ambitious, not the least because the various leading parties had very different goals for the negotiating forum. For the East Asian members, APEC represented a means possibly of curbing U.S. unilateral trade sanctions, while keeping Asian trade a top priority for U.S. trade policy. Instead, the U.S. made it clear that its trade remedy actions were not on the negotiating table; and with the conclusion of NAFTA in 1994 and the Miami declaration the same year pledging free trade in the Americas by 2005, the United States seemed to veer back toward a hemisphere-first trade policy. The drift of U.S. policy away from APEC was hastened by the failure of its strong drive for APEC-based trade liberalization in the Early Voluntary Sectoral Liberalization (EVSL) initiative in 1997. (Barfield, 2004; Munakata, 2002).

Meanwhile, APEC also did not satisfy the desire of Asian countries for a regional forum of economic cooperation, short of drastic trade liberalization. The onset of the Asian financial crisis in 1997 changed all of the calculations of the major players, both inside and outside the region. It marked the end of the APEC phase of East Asian integration. To the dismay and anger of Asian APEC members, the United States continued to press for the EVSL even as the crisis deepened in 1997-98. In turn, disappointment with the lack of momentum for APEC liberalization caused the United States shift its focus to China's WTO accession as the top priority within the region and to place more resources in the FTAA process in the Americas.

Nineteen ninety-nine proved a momentous turning point in East Asia, as both Japan and Korea decided to break with their long-standing policy of exclusive multilateralism and launch multi-track trade policies that included bilateral, sub-regional, and even cross-regional trade arrangements. Both countries in the years following began multiple negotiations with nations within and outside of East Asia: Korea, with Singapore, Chile, Mexico, Australia, Thailand, New Zealand and Japan; Japan with Singapore, Mexico, Chile, Thailand, Canada, the Philippines and Korea. Other countries quickly followed, and the champion "hub-creator" proved to be Singapore, which quickly concluded negotiations with Hong Kong, Japan, New Zealand and Australia, and the United States, and announced plans for a number of other intra- and trans-regional FTAs. Singapore's independent moves sparked a response among its ASEAN partners, and ASEAN began exploring FTAs with Australia and New Zealand and then with China, Korea and Japan. By the end of 2005, a plethora of bilateral and plurilateral (ASEAN-based) FTAs dotted (and cluttered) the East Asian landscape (Table 1). NOTE: Table now needs updating.

China and Asian Regionalism: The PRC came late to the party, but once there, plunged in decisively. Throughout most of the 1990s, Chinese trade policy was driven almost exclusively by the goal of membership in the WTO. China had joined APEC, but according to one Chinese scholar, it viewed the APEC process almost entirely as a platform for future WTO membership. In addition, China, like many East Asian countries, was profoundly affected by the financial crisis beginning in 1997. Though its capital controls and fixed currency insulated the country from the most adverse effects of the crisis, Chinese leaders agreed with other Asian trading partners that in the future the region should take steps to avoid such financial contagion. As the prospect for actual Chinese membership in the WTO became a reality, Chinese officials were also aware that smaller East Asian countries feared that its burgeoning economy and export machine would cause large-scale disruption in their internal economies and displacement of their exports to developed country markets (Cao, 2002).

In a bold move in part to assuage those fears, in November 2000 Premier Zhu Rongji suggested a study group on the economic feasibility of an ASEAN-PRC FTA; and in November 2001, after receiving a positive report from the research group on the economic gains from such an FTA, China and the ASEAN governments agreed to conclude an FTA within ten years. Outside observers took this step by China's leaders as an important landmark and a sure sign that China intended to compete with Japan for leadership in East Asia—politically as well as economically (predictably Japan proposed an FTA with ASEAN the next year, in 2002).

Chinese scholars have advanced a number of speculative reasons behind the change in China's policy towards regional integration. First, as noted above, China, like other East Asian countries, came out of the1997 financial crisis convinced that some kind of new institutional arrangements were necessary to avoid repeating this contagion every few years. Second, China felt the need to counter other discriminatory bilateral and regional agreements that had been created, or were in process of creation in Europe and the Americas (NAFTA and the FTAA are often mentioned). Third, with the increased international stature from membership in the WTO (and as host to the 2008 Olympic Games), and with the achievement of trade and investment policies forced by the terms of WTO membership, China's leaders feel that they have a freer hand to agree to bilateral, sub-regional and regional trade agreements (In most cases, other East Asian nations have not as yet gone through this adjustment process). Several scholars speculate that after 2006, when China's overall average tariff rate will be reduced to 10 percent and many regulatory reforms will be in place, Chinese leaders will step up the pace of attempting to negotiate various bilateral and sub-regional proposals now on the table, or bruited about by academics (Long and Zhaang, 2002).

It should also be noted that in competition with Japan (or other democracies around the world) China has an advantage born out of its one-party, authoritarian government. Though pressure from elements of the Chinese bureaucracy and from certain private groups does exist, by and large China's powerful centralized decision-making structure allows it to move with dispatch once a decision is made. A clear example of this ability is seen in the "Early Harvest" agricultural trade proposal to ASEAN, whereby China committed to reduce tariffs on some 600 agricultural products without demanding immediate reciprocity from the ASEAN nations (Cao, 2002). Such a proposal would be inconceivable from either the Japanese or Korean governments.

ASEAN plus Three, APEC, and the U.S. Response—The next few years will test whether the plethora of bilateral agreements in East Asia will precipitate into some kind of formal regional arrangement. The two likely possibilities revolve around either a revived APEC or an expanded ASEAN plus Three.

<u>ASEAN plus Three</u>: The ASEAN plus Three group started in the mid-1990s as an informal ministerial meeting to coordinate the regional views in advance of meetings with the EU. A more formal arrangement came into being in December 1997. The initial meetings also provided a common front in the wake of the 1997-98 Asian financial crisis, and one of its first achievements was the 2000 Ching Mai Agreement, by which the central banks of the participating nations agreed to lend foreign exchange reserves to one another ("swap" agreements) (Lincoln, 2004)

In 1998, the decision was taken to make the dialogue an annual affair. In addition, beginning in 1999, the scope of the agreement has been expanded and there are now separate ministerial meetings for finance ministers, deputy governors of central banks, economics ministers, tourism ministers, and, of greater import, foreign ministers. For this paper, there are two facts to underscore: first, neither the United States nor Taiwan are members of this region-wide agreement (in contrast to APEC, in which both are members); and second, it is the Chinese who have quietly, but persistently, pushed for the expansion of the purview of the ASEAN plus Three discussions and collaboration into broader political and security areas. While careful not the antagonize the United States, the PRC clearly is pursuing the goal of an *intra*-Asian regional structure to replace the trans-Pacific vision of the 1990s.

NOTE: Material on December East Asian Summit Will Be Added here.

<u>APEC:</u> Meanwhile, APEC has languished as a trade liberalization vehicle since 1998, when the U.S. early harvest proposals were scuttled. Further, since 9/11, the United States has tended to give much greater priority to the security aspects of the alliance than to the trade and investment opportunities. When President Bush addressed the APEC nations just after his reelection in 2004, he never even mentioned trade liberalization, confining himself to a review of security issues in the western Pacific and around the world.

Most observers now agree also that the negotiating mode adopted by the APEC nations—“concerted unilateralism,” whereby APEC nations liberalize at their own pace toward a 2010/2020 free trade goal—has not worked. Those who still want to keep APEC as the center of trans-Pacific trade liberalization generally agree that it must be changed to a standard reciprocity-based set of negotiations (Bergsten, 2005). At the last APEC leaders meeting in

November 2004, a proposal to study the economic effects of a Free Trade Area of the Asia Pacific (FTAAP) was put forward by the APEC Business Advisory Council (ABAC). It was turned down by APEC members, with the PRC, interestingly, leading the opposition. A Chinese official stated that while ambitious goals were laudatory, "we also need to be guided by a sense of realism and pragmatism."
(International Trade Reporter, November 25, 2004).

U.S. Response: At this point in mid-2006, the United States faces difficult decisions in regards to its role and place in East Asia. APEC, the only region-wide agreement to which it is a party, is moribund. And as noted above, ASEAN plus Three, an alternative regional agreement that excludes the United States, seems to be growing in scope and influence.

To date, the United States has been in a desultory, reactive mode in dealing with major changes in East Asian trade and investment links and potential institutional arrangements that will follow from these closer ties. Its initial tactic—clearly not strategically thought through—was to extend the "competitive liberalization" policy with bilateral agreements on the periphery: with Singapore, Australia, Thailand, and Malaysia.

(NOTE: No time to deal with it, but US/Korea FTA, if successfully negotiated, will greatly change calculations on US FTAs—could well produce Richard Baldwin's predicted "domino" effect, with Japan having to move with either Korea or US or both. Wild card then would be China.)

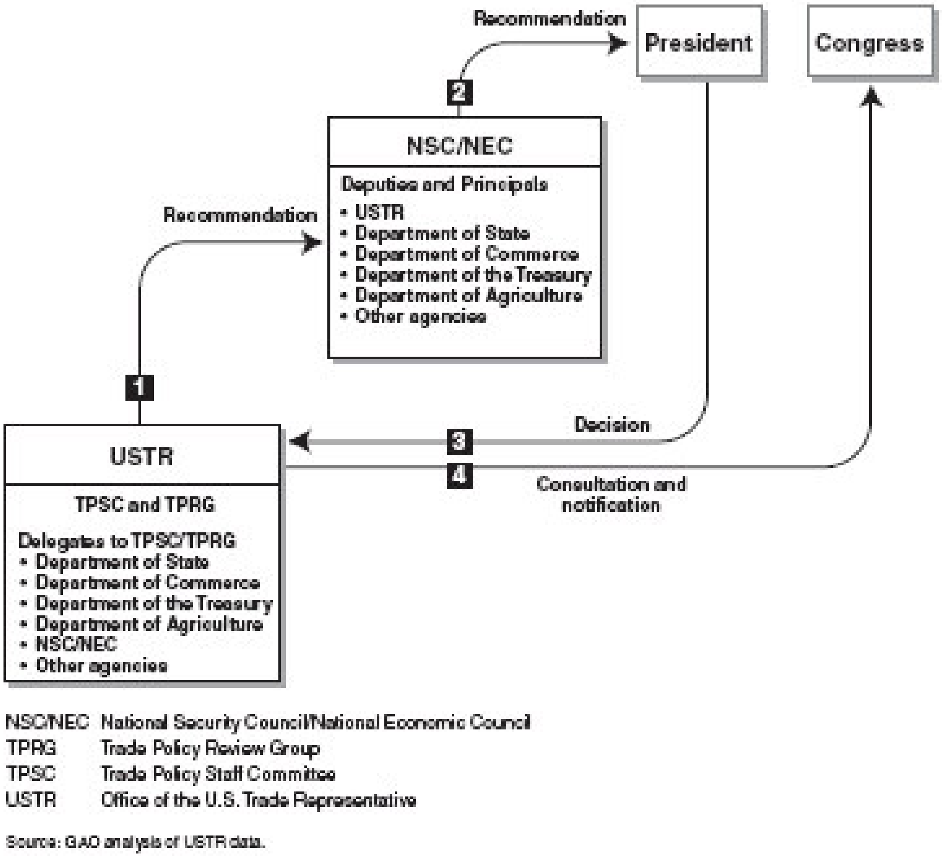
In constructing a fully regional East Asian response, however, it faces two choices: either it can attempt to lead in the revamping of APEC (as observers such as Fred Bergsten have recommended) or it can take steps to see that in the future any move toward a formal trade agreement based upon the ASEAN plus Three will include the United States. Both choices present large difficulties, both substantively and politically. For instance, an attempt to revive APEC as a reciprocity-based agreement would entail the inclusion of a number of countries that currently are not even members of the WTO—not the least Russia but also Cambodia and Myanmar. In addition, could the United States (most particularly the U.S. Congress) agree to an FTA that did not include the labor and environmental provisions mandated in the TPA—or agreements that did not include TRIPS plus, or all service sectors? On the other hand, what will be the reaction of Congress if at some point the ASEAN plus Three does take shape, providing preferential treatment to nations that together make up the largest share of the U.S. trade deficit. (Economic studies project that an ASEAN plus Three agreement would cost the United States at least $25 billion in exports. (International Trade Reporter, November 25, 2004)). Finally, would Congress under either party agree to a regional trade agreement that included the PRC (certainly it would not do so without demanding that Taiwan be included).

This paper has no answers to these questions. But it argues that, given the determination of the Bush administration that power be projected though a seamless web of economic, diplomatic and military strategies, East Asia presents the largest and most complex challenges in the coming years.

CONCLUSIONS: TO BE DISCUSSED AT CONFERENCE.

Figure 1

Interagency Process for FTA Partner Selection and Notification to the Congress



Source: Government Accountability Office, "International Trade: Intensifying Free Trade Negotiating Agenda Calls for Better Allocation of Staff and Resources."

Table 1 - Proposed and Actual Regional Trading Agreements Involving East Asian Countries

	Type of Agreement	Status	Year
Bilateral Asia Pacific			
China—Hong Kong (China)	Closer economic partnership	Signed	2003
Singapore—Australia	Free trade area	Signed	2003
Singapore—Canada	Free trade area	Under negotiation	2001
Singapore—Chile	Free trade area	Under negotiation	2000
Singapore—Japan	Free trade area	Signed	2002
Singapore—Korea, Rep of	Free trade area	Proposal	
Singapore—Mexico	Free trade area	Under negotiation	1999
Singapore—New Zealand	Free trade area	Signed	2001
Singapore—Taiwan (China)	Closer economic partnership	Proposal/study	2002
Singapore—USA	Free trade area	Signed	2003
Korea-Rep. of—Australia	Free trade area	Official discussions	2000
Korea-Rep. of—Chile	Free trade area	Signed	2002
Korea-Rep. of—China	Free trade area	Proposal/study	
Korea-Rep. of—Japan	Free trade area	Official discussions/study	1998
Korea-Rep. of—Mexico	Free trade area	Official discussions/study	2000
Korea-Rep. of—New Zealand	Free trade area	Official discussions/study	2000
Korea-Rep. of—Thailand	Free trade area	Proposal/study	2001
Korea-Rep. of—USA	Free trade area	Under negotiation	2001
Japan—Canada	Free trade area	Proposal/study	2002
Japan—Chile	Free trade area	Official discussions/study	2000
Japan—China—Rep. of Korea	Free trade area	Proposal	2002
Japan—Mexico	Free trade area	Official discussions/study	1998
Japan—Philippines	Free trade area	Proposal	2002
Japan—Taiwan (China)	Free trade area	Proposal	
Japan—Thailand	Closer economic partnership	Proposal/study	2002
Taiwan (China)—New Zealand	Free trade area	Proposal	
Taiwan (China)—Panama	Free trade area	Proposal	
Hong Kong (China)—New Zealand	Closer economic partnership	Official discussions	2001
Thailand—Australia	Free trade area	Under negotiation	2002
Thailand—Croatia	Free trade area	Proposal	2001
Thailand—Czech Republic	Free trade area	Proposal	2001
Thailand—India	Free trade area	Proposal	2002
USA—Philippines	Free trade area	Proposal	2002
USA—Taiwan (China)	Free trade area	Proposal	2002
Regional plus			
AFTA	Free trade area	Being implemented	1992
AFTA + CER	Closer economic partnership	Official discussions/study	2000
ASEAN + China	Free trade area	Official study/negotiations	2001
ASEAN + India	Regional trade and investment agreement	Proposal	2002
ASEAN + Japan	Closer economic partnership	Official discussions	2002
ASEAN + Korea, Rep. of	Free trade area	Official discussions	2002
Singapore + EFTA	Free trade area	Signed	2002
ASEAN + 3	Free trade area	Official discussions/study	2000
EU + ASEAN	Trans regional EU-ASIAN Trade Initiative	Proposal	2003

New regional			
Japan—Korea, Rep. of China	Free trade area	Official discussions/study	2000
Pacific 5	Free trade area	Proposal	1997

Source: Kruman and Kharas "East Asia Integrates"

Appendix A

Votes by Party on Free Trade Agreements in the U.S. House of Representatives

Jordan FTA

H R 2603 31-Jul-2001

Passed by voice vote

Singapore FTA

H R 2739 RECORDED VOTE 24-Jul-2003 2:54 PM

QUESTION: On Passage

BILL TITLE: United States-Singapore Free Trade Agreement Implementation Act

	AYES	NOES	PRES	NV
REPUBLICAN	197	27		4
DEMOCRATIC	75	127		3
INDEPENDENT		1		
TOTALS	**272**	**155**		**7**

US-Chile FTA

H R 2738 RECORDED VOTE 24-Jul-2003 3:47 PM

QUESTION: On Passage

BILL TITLE: United States-Chile Free Trade Agreement Implementation Act

	AYES	NOES	PRES	NV
REPUBLICAN	195	27		6
DEMOCRATIC	75	128		2
INDEPENDENT		1		
TOTALS	**270**	**156**		**8**

Australia FTA:

H R 4759 YEA-AND-NAY 14-Jul-2004 5:19 PM

QUESTION: On Passage

BILL TITLE: United States-Australia Free Trade Agreement Implementation Act

	YEAS	NAYS	PRES	NV
REPUBLICAN	198	24	1	4
DEMOCRATIC	116	84		5
INDEPENDENT		1		
TOTALS	**314**	**109**	**1**	**9**

Morocco FTA
H R 4842 YEA-AND-NAY 22-Jul-2004 6:32 PM
QUESTION: On Passage
BILL TITLE: United States-Morocco Free Trade Agreement Implementation Act

	YEAS	NAYS	PRES	NV
REPUBLICAN	203	18		6
DEMOCRATIC	120	80		6
INDEPENDENT		1		
TOTALS	**323**	**99**		**12**

CAFTA-DR

H R 3045 RECORDED VOTE 28-Jul-2005 12:03 AM
QUESTION: On Passage
BILL TITLE: Dominican Republic-Central America-United States Free Trade Agreement Implementation Act

	AYES	NOES	PRES	NV
REPUBLICAN	202	27		2
DEMOCRATIC	15	187		
INDEPENDENT		1		
TOTALS	**217**	**215**		**2**

Bahrain FTA:
H R 4340 YEA-AND-NAY 7-Dec-2005 5:20 PM
QUESTION: On Passage
BILL TITLE: United States-Bahrain Free Trade Agreement Implementation Act

	YEAS	NAYS	PRES	NV
REPUBLICAN	212	13		4
DEMOCRATIC	115	81		6
INDEPENDENT		1		
TOTALS	**327**	**95**		**10**

Oman FTA
H R 5684 YEA-AND-NAY 20-Jul-2006 2:52 PM
QUESTION: On Passage
BILL TITLE: To implement the United States-Oman Free Trade Agreement

	YEAS	**NAYS**	**PRES**	**NV**
REPUBLICAN	199	28		4
DEMOCRATIC	22	176		3
INDEPENDENT		1		
TOTALS	**221**	**205**		**7**

Bibliography

Baldwin, Robert, and Magee, Christopher, 1999, Congressional Trade Votes: From NAFTA Approval to Fast Trace Defeat, Institute for International Economics, Washington, D.C.

Barfield, Claude, 2004, "The United States, China and the Rise of Asian Regionalism," Paper Delivered at the Western Economics Association Annual Conference, Vancouver, British Columbia, Canada.

Bergsten, C. Fred, 2005, ed., The United States and the World Economy, Institute of International Economics, Washington, D.C.

Bhagwati, Jagdish, 1998, A Stream of Windows. The MIT Press, Cambridge, Mass.

Cao, Shi Gong, 2002, "Progress of China-ASEAN FTA and China's Position," Paper Presented at the 2002 International Forum on Northeast Asia Trade Policy Cooperation, Nanjing, PRC (mimeo).

Cheong, Inkyo, 2002, East Asian Economic Integration: Recent Development of FTAs and Policy Implications, Korea Institute for International Economic Policy, Seoul, Korea.

Cordell Hull Institute, 2004, "Remarks of former Rep. Cal Dooley", Luncheon, Washington, D.C., December 10.

Crawford, Jo-Anne and Roberto V. Fiorentino, 2005, "The Changing Landscape of Regional Trade Agreements." The World Trade Organization: Geneva.

Destler, I. M, 2005, American Trade Politics (Fourth Edition), Institute for International Economics, Washington, D.C.

Edsall, Thomas, 2005, "CAFTA in Peril on Capital Hill," *Washington Post,* June 12, 2005.

Ferguson, Ian, and Sek, Lenore, 2005, "Trade Negotiations During the 109th Congress: Updated January 19, 2005," Order Code IB 10123, Congressional Research Service, Washington, D.C.

Hu, Angang, 2001, "Proposition for Setting Up Free Trade Agreements Between China, Hong Kong, Japan and Korea," Peking Center for Chinese Study of the Chinese Academcy of Science and Tsinghua University, (mimeo).

Inside U.S. Trade, various issues, 2001-2005.

"International Trade: Intensifying Free Trade Negotiating Agenda Calls for Better Allocation of Staff and Resources." *Government Accountability Office* Washington DC ,GAO-04-233, January 12, 2004.

International Trade Reporter, various issues, 2004-2005.

Krumm, Kathie, and Kharas, Homi, 2004, East Asia Integrates:A Trade Policy for shared Growth, World Bank, Washington, D.C.

Lardy, Nicholas, and Rosen, Daniel, 2005, U.S.-Taiwan FTA Prospects, Institute for International Economics, Washington, D.C.\

Lincoln, Edward, 2004, East Asian Economic Regionalism, The Brookings Institution and the Council on Foreign Relations, Washington, D.C.

Munakata, Hidehiko, 2001, "Evolution of Japan's Policy Toward Economic Integration," Center for Northeast Asian Policy Studies, Brookings Institution, Washington, D.C.

National Association of Manufacturers, 2005, "NAM's Recommended Candidates for Additional Free Trade Agreements," Washington, D.C.

Office of the President, The White House. *The United States National Security Strategy* Washington, D.C. Sept. 2002

Office of the United States Trade Representative (www. Ustr.gov), Speeches of U.S. Trade Representative, 2001-2005. Washington, D.C.

Smith, Frances, 2005, "CAFTA-DR: Can Free Trade Hold Up to Special Interest Siege," Issues Analysis: Competitive Enterprise Institute, Washington, D.C.

U.S. Government Accountability Office (GAO), 2004, International Trade: Intensifying Free Trade Negotiating Agenda Calls for Better Allocation of Staff and Resources, GAO-04-233, Washington, D.C.

U.S. Government Accountability Office (GAO), 2005, Free Trade Area of the Americas: Missed Deadlines Prompt Efforts to Restart Stalled Hemispheric Trade Negotiations, GAO-05-166, Washington, D.C.

Washington Trade Daily, various issues, 2004-2005.

World Bank, 2004, Global Economic Prospects 2005: Trade, Regionalism and Development, Washington, D.C.