

論美國自由貿易協定機制之發展

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中文摘要

美國自由貿易協定體制之發展最早可以溯源到美國與以色列的自由貿易協定。儘管如此，美國大規模涉入建立自由貿易協定體制的努力卻是在二〇〇三年世界貿易組織部長會議失利之後。當然我們可以理解是因為建立多邊體制方面出現了困境，但是就之後的發展來看似乎不足以解釋美國簽署自由貿易協定的行為。美國的動機在哪裡？

有關這部分，可以藉助於經濟整合理論。這方面的理論概括可分為三大類型：地緣政治學派；政治經濟學派；國內政治學派。地緣政治論點主張整合是參與國家為了彼此的安全考量，或是考量到集團外國家所帶來的安全問題；政治經濟學派認為整合的主要動機是廠商利益的極大化；「國內政治」學派主張國際經濟整合是為了完成國內的政治目標。根據前述的理論，來分析美國簽署自由貿易協定，以求瞭解美國的動機。

就美國簽署自由貿易協定的歷史趨勢來看，主要發展的軸線有兩條。一條是與西半球國家建立自由貿易區的努力，包括已簽署批准的北美自由貿易區及中美洲—多明尼加自由貿易協定（哥斯大黎加除外）以及正在談判中的美洲自由貿易區。另外一條軸線是中東地區的自由貿易區，包括以色列、約旦、阿曼、巴林、摩洛哥等國。在中東地區美國正在阿拉伯聯合大公國進行自由貿易協定的談判，且與更多中東國家完成談判自由貿易協定的先期作業——簽署貿易投資架構協定（如科威特、卡達、葉門等）。

分析的結果發展，在短期內華府之自由貿易協定策略是基於地緣政治的考量，特別是如何減少恐怖主義的威脅。就長程目標而言，美國的策略是支持國內政治和達成其目標，以及透過整合降低交易成本，將其獲利極大化。

On the Development of Free Trade Agreements Regime of the United States

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Key words : free trade agreements regimes of the United States,
the geo-political school, the domestic politics
school, the political economy school

I. Introduction:

U.S. President Bush emerged from the fourth Summit of the Americas with empty hand in 2005. During his attending the Summit, President Bush stressed the important of free trade agreement regime by illustrating two important things: looking forward to implementing the free trade agreement with Central America and Dominican Republic and continuing to pursue free trade agreement with Andean nations. To his disappointment, five nations (including Argentina, Brazil, Paraguay, Uruguay, and Venezuela) vehemently opposed to reach an agreement on the resumption of regional free trade agreement talks at this stage.¹ Does this setback mean something for the future U.S. policy toward free trade regime?

¹ Larry Rohter & Elisabeth Bumiller. "Hemisphere Meeting Ends Without Trade Consensus," *New York Times*, 6 November 2005.

After the collapse of Cancun ministerial meeting in September 2003, many policy-makers were very skeptical about the future operation of World Trade Organization (WTO). Since then, we have observed major nations taking swift adjustment about their trade strategy and focusing on signing regional trade agreements (RTAs) and free trade agreements (FTAs) as alternatives. For the United States, immediate after the Cancun meeting, Trade Representative (USTR) Robert Zoellick issued a statement, expressing that he would move ahead on free trade agreements with individual nations or regions.

We can understand that free trade agreement is one of the three core pillars of U.S. international trade policy and to guarantee her a sound and favorable trade environment. Furthermore, the purpose of free trade agreement is to strengthen liberal international trade regime and benefit U.S. national interests. Nevertheless, under current Bush administration, are there other factors contributing her focus on free trade agreement?

Under these circumstances, this research will focus on analyzing the prime motivations and the development of the United States free trade agreement with her trade partners.

II. Theoretical Framework:

When American Revolution broke up in 1776, Adam Smith published well-known *The Wealth of Nations* in England. However, the publication of *The Wealth of Nations* in the United States was not until in 1789. From then on, the competition between economic liberalism and economic nationalism lasted

for quite a long time and even led to civil war from 1861 to 1865. After that, economic liberalism becomes the main stream in the United States. Whatsoever, we still observe the influence of economic nationalism from time to time, such as 301 clauses, voluntary export restraints. In other words, non-economic factors occupy a critical position in economic and trade management.

With regard to motivation theory of economic integration, there are three different schools: geo-political school, political economy school, and domestic politics school.

The basic argument of geo-political school lies in that states participate into the integration for the purpose of security concerns and security threats from outside states.² There are two theories in this school, i.e., security alliance theory and neo-functionalism. Security alliance theory argues that states will integrate their economies, when they face a common security threat from one or more states making such economic integration a necessary step to increase the net security of the states that are integrating vis-à-vis the threat.³ Neo-functionalism theory holds that states may integrate to reduce the security dilemma by fostering a condition of economic interdependence between them.⁴

² Karl Kaltenthaler & Frank O. Mora, "Explaining Latin American economic integration: the case of Mercosur,," *Review of International Political Economy* 9:1 (March 2002), p. 77.

³ Ibid.

⁴ Ibid.

The political economy school stresses that the prime motivation of integration lies in profit maximization of firms and consists of two major theories: economic bloc theory and domestic-led institutionalism theory.⁵ Economic bloc theory holds that the impetus for international economic integration would come from interested economic and political actors that want to maximize their state gains from trade.⁶ Domestic-led institutionalism theory argues that states develop the need to form common institutions in order to reduce the transaction costs associated with economic interdependence.⁷

Domestic politics school argues that the purpose of international economic integration is to achieve domestic political goals.⁸ There three theories in this school, namely, strategic policy theory, regime support theory, and institutionalization of democracy theory. Strategic policy theory argues that some political elites may use international economic integration as a way to develop support in the domestic political arena, so that they can accomplish policy goals.⁹ Regime support theory holds that governments facing domestic political challenges can use international economic integration to increase their support by enhancing domestic economic performance through the integration process.¹⁰ Institutionalization of democracy thesis argues that governments may join an

⁵ Ibid., pp. 78-79.

⁶ Ibid., p. 78.

⁷ Karl Kaltenthaler & Frank O. Mora, "Explaining Latin American economic integration," pp. 78-79.

⁸ Ibid., p. 79.

⁹ Ibid.

¹⁰ Ibid.

integrating international community as a way of institutionalizing democracy at home.¹¹

In this research, seven hypothetical, based on above-mentioned theories, are formulated (see Table 1).

Table 1 Type of hypothetical motivation for integration

Theory	Basic Hypotheses
Security alliance theory	Integration to meet outside security threat.
Neo-functionalism theory	Integration to reduce security dilemma.
Economic bloc theory	Integration to maximize state's gains from trade.
Domestic-led institutionalism theory	Integration to reduce transaction costs associate with economic interdependence.
Strategic policy theory	Integration to develop support in the domestic political arena and accomplish policy goals.
Regime support theory	Integration to increase regime support by enhancing domestic economic performance through the integration.
Institutionalization of democracy theory	Integration rules make democracy a prerequisite for participation, thus reducing the likelihood of reversion to authoritarianism.

¹¹ Ibid.

Source: author's compilation

III. The Profile of International Free Trade Agreement Regime:

Needless to say that the core of International Trade Regime is World Trade Organization, which is widely recognized as most prestigious international trade organization by the international society.

In the second layer of International Trade Regime, there exist free trade agreement regime. We do observe the global trading system has seen a sharp increase in RTAs/FTAs over the past decade or so. By the end of 2003, more than 157 RTAs/FTAs has been notified to the WTO are currently in force. According to investigation in October 2003, almost all WTO members are engaged in negotiations on preferential agreements, except for Mongolia.¹²

The number of RTAs/FTAs signed between developed and developing countries has increased over the years.¹³ In East Asia, major nations have been making foremost progress in either studying, or negotiating, or signing FTA recently, including ASEAN, Taiwan, Thailand, China, Hong Kong, Macau, Japan, Singapore, and South Korea. (see Table 2), Singapore in particular. Even seven South Asian nations, Bangladesh, Bhutan, India, the Maldives, Nepal, Pakistan and

¹² World Trade Organization, *World Trade Report 2003*, (Geneva: World Trade Organization, 2003), p.46.

¹³ Ibid.

Sri Lanka, are expected to sign a free trade agreement in early 2004. It is very hard for any nations to neglect this trend and adopt a wait-and-see position.

Table 2 Free Trade Agreements in East Asia

Date	Concluded Free Trade Agreements
November 14, 2000	The Agreement Between New Zealand and Singapore on a Closer Economic Partnership
13 January, 2002	Agreement Between Japan and The Republic of Singapore for A New-Age Economic Partnership
26 June, 2002	European Free Trade Association-Singapore Free Trade Agreement
15 February, 2003	Free Trade Agreement between the Government of the Republic of Korea and the Government of the Republic of Chile
6 May , 2003	Singapore- U.S Free Trade Agreement
21 August, 2003	Free Trade Agreement Between the Republic of China and the Republic of Panama
28 July 2003	Singapore-Australia Free Trade Agreement
29 September, 2003	China and Hong Kong Closer Economic Partnership Arrangement
17 October, 2003	China and Macau Closer Economic Partnership Arrangement
9 March 2004	Japan-Mexico Free Trade Agreement
29 April 2004	Singapore-Jordan Free Trade Agreement
5 July 2004	Thailand-Australia Free Trade Agreement

27 November 2004	Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the People's republic of China.
29 June 2005	India-Singapore Comprehensive Economic Cooperation Agreement
22 September 2005	Free Trade Agreement Between the Republic of China and the Republic of Guatemala

Source: author's compilation from newspapers.

Several factors contribute to the recent surge of RTAs/FTAs. First of all, it is widely believed that free trade agreements bring about positive economic effects under preferential treatments. According to WTO statistics, 43 percent of world merchandise trade now occurs under the umbrella of preferential trade agreements. This share will increase as more RTAs/FTAs are negotiated in the future. If all RTAs/FTAs under negotiation at present are successfully concluded within the next three years, over 50 per cent of world merchandise trade will then occur among countries linked by preferential agreements.¹⁴

Next is the strategic choice for maintaining competitiveness. Japan is the most outstanding example. For quit a long time, Japan avoided taking concrete actions on free trade agreement issue not until 2001 when Chinese Premier Zhu Rongji agreed to

¹⁴ World Trade Organization, *World Trade Report 2003*, p.48.

establish an ASEAN-China free trade area within ten years in 2001. The announcement surprised the Japanese government and rushed to sign free trade agreement with Singapore next year. Japan chose Singapore as its top target and, at last, signed its first free trade agreement in 2002, mainly because there exists no agricultural problems between them. For Japanese government, agricultural issues are very sensitive and hard to gain strong domestic support. When Japan reached out again to negotiate another FTA with Mexico, she faced vehement opposition from Japanese farmers and was forced to postpone the signature ceremony from November 2003 to 2004.¹⁵ Having observed China's better progress toward FTA with ASEAN countries, Japan finally agreed in mid-December 2003 to enter into government-level negotiations on bilateral FTAs with Thailand, Malaysia and the Philippines, which have substantial exportation of agricultural products.¹⁶ Another important development happened at Latin American. Venezuela will become the fifth member of the the Southern Common Market (Mercosur) in December 2005 and the fourth largest free trade area in the world will expanded meaningfully.

A third factor is the bandwagon effect. In other words, no nation would like to be left behind, becoming the possible loser of the game. Not only developed countries, but also developing countries have joined the campaign for free trade agreements. FTAs among developing countries account for about 30 percent to 40 per cent of all FTAs currently in force, including those not notified to the WTO.¹⁷

¹⁵ *Japan Times*, November 21, 2003

¹⁶ *Ibid.*

¹⁷ World Trade Organization, *World Trade Report 2003*, p.46.

IV. U.S. Free Trade Agreement: Strategy and Development

1. The Profile of U.S. Free Trade Agreements

The first contemporary U.S. free trade agreement was with Israel in 1985. The motivation to make bilateral FTA was the failure of Reagan administration to win support from General Agreement on Tariffs and Trade (GATT) members for negotiations to improve the Tokyo Round codes and to include other issues such as services, trade-related investments, and intellectual property.¹⁸ But, the question is the reason why U.S. chose Israel as first candidate. It is widely believed that it has something to do with domestic factors. To support Israel, American government even devised a so-called the Qualified Industrial Zones (QIZs) agreement under which certain Middle Eastern goods with Israeli input at the minimum of 11.7 percent can be exported to the United States without paying any customs duty.¹⁹ Usually, the QIZs agreement is signed by three parties, namely the U. S., Israel and certain Middle Eastern country. Jordan and Egypt made this kind of preferential trade agreement with U. S. and Israel in 1998 and 2004 respectively.

In 1988, President Reagan signed the second free trade agreement with Canadian Prime Minister Mulroney. During

¹⁸ Lovett, William A. , Alfred E. Eckes Jr., and Richard L. Brinkman, *U.S. Trade Policy: History, Theory, and the WTO*. (New York: M. E. Sharpe, 1999), pp. 94-95.

¹⁹ "Egypt, Israel, US sign historical trade agreement," *Xinhuanet*, 14 December 2004 < <http://www.chinaview.cn> > (14 December).

Clinton administration, U.S. concluded North America Free Trade Agreement (NAFTA) as well as Free Trade Agreement with Jordan.

To gain authorization from the Congress is the vital and necessary step to form a free trade regime. Bush Administration began launching campaign to gain authority to negotiate trade agreements in 2001. and the Congress, in the end, passed “Trade Promotion Authority” (TPA) legislation, which covers trade agreements negotiated by July 1, 2005. After having signed TPA into law on August 6, 2002, President Bush has made every effort entering into free trade agreement with chosen nations. In 2005, the Congress granted extension of TPA for another two years. Under these circumstances, Bush Administration would have more time to reach its goal.

Although U.S. Trade Representative Office is still well short of wrapping up a big agreement with important industrialized countries, but has brought the conclusion of FTAs with ten countries or regions, including Singapore, Chile, Australia, Bahrain, Central America, Morocco, Oman, Peru, Columbia, and Dominican Republic (see Table 3)

Table 3 U.S. Free Trade Agreement (From 1985 to 2006)

Title	Current status
U.S-Israel Free Trade Agreement	Entered into force on 1 September 1985
U.S-Canada Free Trade Agreement	Signed on 2 January 1988 Entered into force on 1 January 1989

North America Free Trade Agreement (NAFTA)	Signed on 17 December 1992 Entered into force on 1 January 1994
U.S-Jordan Free Trade Agreement	Signed on 24 October 2000 Entered into force on 17 December 2001
U.S-Singapore Free Trade Agreement	Entered into force on 1 January 2004
U.S-Chile Free Trade Agreement	Entered into force on 1 January 2004
U.S-Australia Free Trade Agreement	Signed on 18 May 2004 Entered into force on 1 January 2005
U.S- Bahrain Free Trade Agreement	Signed on 14 September 2004
U.S-Morocco Free Trade Agreement	Signed on 15 June 2004 Ratified on 22 July 2004
Dominican Republic- Central America- U.S- Free Trade Agreement * (CAFTA-DR)	Ratified on 17 July 2005
U.S-Oman Free Trade Agreement	Concluded 3 October 2005
U.S-Peru Free Trade Agreement	Concluded 7 December 2005
U.S-Columbia Free Trade Agreement	Concluded 27 February 2006

Sources: Website of the Office of the U.S. Trade Representative

*Central American nations are Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica; the former four countries have already ratified this agreement.

More important, there are six more remain under negotiation, including the key one, Free Trade Area of the Americas (see Table 4). One important development was the United States' making inroad into Mercosur by signing bilateral investment treaty with Uruguay, while both countries attended the fourth Summit of the Americas.

Table 4 Pending U.S. Free Trade Agreement in 2006

Title	Current status
U.S.-United Arab Emirates Free Trade Agreement	Initiated on October 2004 Under negotiation
U.S.-Southern African Customs Union Free Trade Agreement**	Initiated on 13 July 2004 Under negotiation
U.S.-Thailand Free Trade Agreement	Initiated on July 2004 Under negotiation
U.S.-Panama Free Trade Agreement	Initiated in April 2004 Under negotiation
U.S.-Andean Free Trade Agreement*	Initiated on 19 May 2004 Under negotiation
Free Trade Area of the Americas (FTAA)	Initiated on 11 December 1994 Under negotiation

Source: Website of the Office of the U.S. Trade Representative

*only three Andean countries (Peru, Colombia, and Ecuador) participated into negotiation and Bolivia as an observer.

** Southern African Customs Union consists of Botswana, Lesotho, Namibia, South Africa, and Swaziland.

Up to the end of October 2005, the agreements U.S. have reached with individual countries involve relatively small markets and are thus unlikely to have a noticeable impact on the \$10 trillion-plus U.S. economy. Added together, U.S. exports totaled about \$70.8 billion in 2004 to all the countries that have finished or may soon start bilateral free-trade negotiation with the Bush administration (see Table 5). That's about 8.5 percent of all U.S. exports. Then we can argue that FTAs with these countries wasn't mainly motivated by pure economic reasons.

Table 5 U.S. Exports To Countries with FTA in 2004

Unit: U.S. dollar

Target	Export
World	\$ 818 billion
Countries shown in this Table	\$ 70.8 billion
Central America and Dominican Republic	\$ 17.7 billion
Chile	\$ 3.6 billion
Morocco	\$ 524 million
Jordan	\$ 552 million
Bahrain	\$ 300 million
Oman	\$ 330 million
Singapore	\$ 19.6 billion
Australia	\$ 14.2 billion
Panama	\$ 1.8 billion
Andean Countries	\$ 8.5 billion
Southern African Customs Union	\$ 3.3 billion
Thailand	\$ 6.3 billion
United Arab Emirates	\$ 4.1 billion

Source: Trade Statistics from U.S. Department of Commerce
<www.commerce.gov>, November 27, 2005.

2. Contending Trade Challenges

The most challenging hurdle for the Bush administration has been the stalemate situation of the FTAA negotiation, mainly because of disputes between the United States and Mercosur over the deal's fundamental structure and other minor problems. What has been considered unfavorable development for the United States is the aggressive economic penetration from European Union (EU) and China.

It was argued that leftist governments in Latin America and greater U.S. unilateralism both played into such kind of deviation from original plan.²⁰ Originally, Washington pushed for a comprehensive agreement that would create regional rules covering areas such as intellectual property rights and government procurement in addition to cutting tariffs on agricultural and manufactured goods. However, Brazil wanted an agreement focused more on market access. Specifically, Mercosur wants the Bush administration to terminate its substantial subsidies to American agricultural sector.²¹ The United States and Brazil brokered a compromise at a regional trade ministers meeting in Miami and established a two-tier approach for finishing the Free Trade Area of the Americas pact.²²

Furthermore, two contending groups emerged specifically between Mercosur of nations and a group of 13 nations led by the United States, Mexico, Canada, Chile and Costa Rica.²³ In addition to differences on market access, agriculture, investment and services, these two main groups were also in disagreement over procedures for plurilateral negotiations in the so-called second tier of FTAA negotiations, where members pursue

²⁰ “Watered-down trade plans could hurt LatAm economies,” *China Post*, 24 November 2003.

²¹ Larry Rohter & Elisabeth Bumiller. “Hemisphere Meeting Ends Without Trade Consensus,” *New York Times*, 6 November 2005.

²² Palmer, Doug, “US, Brazil to meet on stalled FTAA next week,” *Reuters*, 19 April 2004.

²³ Jordan, Pav, “Mexico FTAA talks hit bumps in race for Jan accord,” *Reuters*, 4 February 2004.

deeper trade commitments from one another.²⁴ The two presidents, Nestor Kirchner of Argentina and Luiz Inacio Lula da Silva of Brazil, signed the left-lean statement in December 2003 and dubbed the Buenos Aires Consensus, expressing their determination to maintain the G-22 alliance and to continue pressing for more equitable trade for farmers in developing countries.²⁵ Moreover, Mercosur gathered together with Andean Community, Guyana, and Suriname signing Ayacucho Declaration and establishing South American Community of Nations in the end of 2004.²⁶

What we need to pay more attention is the linkages between Latin America on the one hand and two other economic giants (i.e. European Union and China) on the other hand. Let's observe the relationship between Mercosur and European Union (EU). At present, the EU-Mercosur relationship is based on the 1995 EU-Mercosur Interregional Framework Co-operation Agreement, which consists of three main elements: political dialogue at the Heads of State/Government level, as well as at ministerial level, and at senior officials' level, regional and bilateral co-operation and trade issues. Consequently, EU imports from Mercosur grew by 5.6% annually in 1993-2003 period, and EU exports by 3.6%. In 2003, trade with Mercosur accounted for 2.8% of total EU imports and 1.8% of total EU

²⁴ Ibid.

²⁵ Smith, Tony, "Argentina and Brazil align to fight U.S. Trade policy," *New York Times*, 21 October 2003, p. W1.

²⁶ "Southern American States Become Community," *Youth Daily News*, 10 December 2004, p. 5.

exports. Currently, the EU ranks first in Mercosur's imports and is the largest trade partner in its exports.

In addition, we could observe that the importance of China-Latin America trade has been growing by leaps and bounds. In recent years, the growth rate of China-Latin America trade has already surpassed that of China-World trade. The growth rate of China-Latin America trade were 18.6 percent, 50.4 percent, and 49.3 percent in 2001, 2003, 2004 respectively and growth rate of China-World trade were 7.5 percent, 37.1 percent, and 35.7 percent. Moreover, the ratio of China-Latin America trade to China-World trade rose from 2.93 percent in 2001 to 3.46 percent in 2004. Up to the end of 2003, China's accumulated foreign direct investment amounted to \$33.4 billion in 139 nations and would be the fifth largest source country of foreign direct investment.²⁷ With enlarging capacity of foreign direct investment, China has increased its use of direct foreign investment in Latin America. Chinese total cumulative investment in this region reached \$4.62 billion at the end of 2003, accounting for 14 percent of China's total cumulative investment in the world; in the year of 2004, China's investment was \$1.7 billion and 46 percent of the total.²⁸ One last but not least

²⁷ Guozeng Lu, "Strengthen Economic Diplomacy for the Establishment of A Well-to-do Society," Speech at the Seminar on "Diplomacy and Economy", Ministry of Foreign Affairs of People's Republic of China, Beijing, 17 December 2004.

²⁸ Testimony of Roger F. Noriega, Assistant Secretary of State for Western Hemisphere Affairs, before the Committee on Subcommittee on Western Hemisphere, Committee on International Relations, Unites States House of Representatives, April 6, 2005. <
<http://usinfo.org/wf/050407/epf406.htm>>

important event is the upcoming signing of free trade agreement between China and Chile.²⁹

Regarding the issue areas, the FTAA talks have already bogged down heat debate over agricultural and services sectors. The United States in Spring 2004 signaled to Brazil its intention to exclude some agricultural products from the Free Trade Area of the Americas in a move that could further derail the troubled trade pact.³⁰ Under FTAA rules, countries can opt to place their most sensitive products on a 10-year track to zero import tariffs. Now the United States wants some products taken off even that slow-track option.

For quite a long time, sugar, beef and dairy products are among the possible agricultural products that the U.S. would not open its market to any other nation. For example, U.S. maintain heavy protection against imports of Australian sugar, beef and dairy products, although the U.S.-Australia Free Trade Agreement scrapped tariffs on nearly all manufactured goods traded between them.³¹ Consequently, developing countries, which are especially eager to obtain concessions on agricultural products, would have to meet more hurdles in FTA negotiation with the United States.

²⁹ China and Chile are expected to signed free trade agreement on 17 November. Neal Kuo. "Sino-Chile Free Trade Agreement Will be Signed." China Times 30 October 2005, p. A13.

³⁰ "Brazil says FTAA differences with U.S. deepening," *Reuters*, 21 May 2004.

³¹ In beef and dairy, the allowed level of Australian imports would rise under the pact, but only slowly. Blustein, Paul. "U.S., Australia agree on free-trade pact," *Washington Post* 9 February 2004, p. A17.

Sugar industry is the most vivid illustration of agricultural lobby in the U.S., despite the fact that sugar producing areas concentrate on some small states, such as Florida, Louisiana, Minnesota, Montana, and Wyoming.³² It has been one of the most powerful trade protection lobby groups in the Capital Hill and forced executive branch made important concessions in recent years; individuals and political action committees affiliated with it donated \$20.2 million to both political parties from 1990 to 2003.³³ U.S. Trade Representative Zoellick straightforwardly expressed in WDAY radio station of Fargo, North Dakota that sugar was completely off the agenda in talks on the U.S.-Australia Free Trade Agreement.³⁴ When U. S. Senate deliberated Central American Free Trade Agreement in 2005, sugar industry wielded its great influence and the White House agreed to limit sugar imports for another two years as well as to pay surplus farm products.³⁵ The first year sugar import quota, which is allowed by free trade agreement with Dominican Republic and Central America, is to import additional 107,000tons and represents about 1.2 percent of annual U.S. sugar consumption.³⁶

³² Edmund L. Andrews. "Senate Approves Central American Free Trade Pact," *New York Times*, 1 July 2005; Jim Abrams. "Senate Panel Narrowly Endorses CAFTA," *Washington Post*, 29 June 2005.

³³ Blustein, Paul. "U.S., Australia agree on free-trade pact," *Washington Post* 9 February 2004, p. A17..

³⁴ "US takes tough line on Australia sugar in FTA talks," *Reuters*, 22 January 2004.

³⁵ Edmund L. Andrews. "Senate Approves Central American Free Trade Pact," *New York Times*, 1 July 2005.

³⁶ Daniella Markheim. "Fatally Flawed: DR-CAFTA or the Sugar Program?" Web Memo of the Heritage Foundation, 23 June 2005.

Another conflicting trade issue area would be textile industry. Before China was allowed to join the W.T.O. in 2001, Clinton administration officials insisted on a special provision of the so-called Chinese accession agreement that would allow the United States to impose new limits on Chinese textile and clothing imports from 2005 through 2008.³⁷ Chinese Commerce Ministry announced in mid-December 2004 that it would impose tariffs on some textile exports so as to avert a trade war with the United States and the European Union after the expiration of Multifibre Agreement on 1 January 2005.³⁸ Above-mentioned Chinese official measures reflected the importance of America's position toward textile products. After the conclusion of CAFTA, some business groups and politicians quickly responded to the pact. Cass Johnson, acting president of the American Textile Manufacturers Institute, an industry group, said "this does not look like something the textile industry will be able to support." Representative Howard Coble (North Carolina-Republican.) pointed out "While we do not have a lot of details on the specifics of the CAFTA, it appears that yet again the U.S. textile worker will pay the price for the 'free trade agenda.' " ³⁹

3. U.S. Free Trade Agreement Strategy

The U.S. overall strategy to set up free trade regime during Bush administration lies in its simultaneous pursuit of regional

³⁷ Keith Bradsher, "China Relents, and Promises Textile Tariff," *New York Times*, 13 December 2004.

³⁸ "China Ready to Take On All Competitors and Markets," *Washington Post*, 17 November 2004, p. A19.

³⁹ Sparshott, Jeffrey, " U.S. neighbors reach accord on CAFTA," *Washington Times*, 18 December 2003.

and bilateral as well as multilateral free trade negotiations. This strategy generates substantial pressure on other countries to cooperate via a process of “competitive liberalization.”⁴⁰ Accordingly, a bilateral FTA with Central America will increase the incentives for Mercosur to agree on an FTAA; in turn, the latter will encourage the EU to agree to reduce barriers globally.⁴¹ In a word, this strategy will foster dynamic to restore the forward momentum of liberalization.⁴²

Let’s take Central America as an example. Even with the trade preferences offered by Caribbean Basin Initiative, the volume of trade between the U.S. and Central America is small and insignificant in comparison to that with China or Europe. In 2004, the United States’ export to Central America reached \$ 11,390 million and import totaled at \$ 13,171 million (see Table 6). In other word, the motivation behind Central American Free Trade Agreement (CAFTA) has very little relation with economic factor. Senator Jon Kyl (Arizona-Republican) explicitly indicates the importance of geopolitical element to CAFTA, because of the provision of solid supports to delicate democracies there.⁴³ While strongly lobbying for the passage of Dominican Republic-Central America-United States Free Trade

⁴⁰ Bergsten, C. Fred, “A Renaissance for U.S. Trade Policy?” *Foreign Affairs* 81: 6 (November/December 2002), p. 94.

⁴¹ Fearing that a trade bloc in the Americas might leave European goods and companies at a disadvantage in Soerica, the European Union began courting the Mercosur countries -- especially regional powers Brazil and Argentina -- around 1999. Benson, Todd, “Europe and South America Near Trade Accord,” *New York Times* 20 April, 2004, p. W1.

⁴² Ibid.

⁴³ Jim Abrams. “Senate Panel Narrowly Endorses CAFTA,” *Washington Post*, 29 June 2005.

Agreement (CAFTA-DR) in the Congress, the executive branch reiterated the national security implications and CAFTA-DR would stabilize the democratic governments in the region by increasing U.S. trade and lessen growing anti-American sentiment in Latin America.⁴⁴

Table 6 U.S. Trade with Central American Nations in 2004

Unit: U.S. dollar

Target	Export	Import
Cost Rica	\$ 3,304 million	\$ 3,332 million
El Salvador	\$ 1,869 million	\$ 2,053 million
Guatemala	\$ 2,548 million	\$ 3,155 million
Honduras	\$ 3,077 million	\$ 3,641 million
Nicaragua	\$ 592 million	\$ 990 million

⁴⁴ Paul Blustein & Mike Allen. "Trade Pact Approved By House." *Washington Post*, 28 July 2005, p.A01; .Michael A. Fletcher. "Bush Says CAFTA Will Save Jobs." *Washington Post*, 16 July 2005, p. A04.

Total	\$ 11,390 million	\$ 13,171 million
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Source: Trade Statistics from U.S. Department of Commerce
<www.commerce.gov>, November 27, 2005.

After the United States and Peru reaching a free trade agreement on December 7 2005, USTR Rob Portman said, “An agreement with Peru is key building block in our strategy to advance free trade within our hemisphere. We hope to later bring in the other Andean countries including Colombia and Ecuador.”⁴⁵ It is possible that the Bush administration could use this deal as leverage to let Colombia and Ecuador to sign a similar FTAs, because Peru’s products will gain preferential access to the U.S. market.

It is true that the access to U.S market has been the most attractive offer for other nation, developing nations in particular. The most innovative and courageous move presented by U.S. Trade Representative Robert Zoellick was to place the most politically sensitive U.S. trade policies on the negotiation table, including high tariffs on textiles, apparel, and other industrial products; high agricultural tariffs, quotas, and subsidies, whose importance is now greatly heightened due to the farm bill; and antidumping and countervailing duties, the chosen U.S. instruments of “process protection” in recent years.⁴⁶ For example, the United States yielded to pressure from developing countries in July 2004 and agreed to make a 20 percent cut in

⁴⁵ Blustein, Paul, “U.S., Peru Strike Free-Trade Agreement,” *Washington Post* 8 December, 2005, p. D6.

⁴⁶ Bergsten, C. Fred, “A Renaissance for U.S. Trade Policy?”, p. 95.

some of the \$19 billion in subsidies it pays to American farmers each year for the purpose of exchanging tariff concession on manufacturing products by developing countries.⁴⁷ Unless the willingness of Washington to put its most sensitive restraints on the table would, of course, decide whether other countries would be able to overcome their domestic political constraints and meet U.S demands for reductions in their tariffs, liberalization of their farm supports and services sector, and strengthening of the global trading rules.

Under the guidance of this strategy, Zoellick developed its way to build up the network of FTAs? It seems that we appreciate the beautiful flowers in the fog. We sound like understand his tactics, but really don't know it clearly. According to Zoellick's plain description, the buildup is based upon (1) a "Step by step, country by country, region by region" approach; (2) the United States is opening markets with a comprehensive free-trade agreements.⁴⁸

Furthermore, another aspect of Washington's strategy is to try to link its new FTAs to one another, making complex free trade network among them. With regard to this, the best example is the creation of Middle East Free Trade Area, that would span North Africa's Mahgreb to the Levant, at the crossroads of Africa and Europe and Asia, and onward to the Persian Gulf and the east.⁴⁹ It is expected that Free Trade Area would be

⁴⁷ Becker, Elizabeth, "U.S. Will Cut Farm Subsidies In Trade Deal," *New York Times*, 31 July 2004, p. B1.

⁴⁸ Benson, Todd, "Europe and South America Near Trade Accord," *New York Times* 20 April, 2004, p. W1.

⁴⁹ Michelle Wallin, "U.S.-Bahrain Accord Stirs Persian Gulf Trade Partners,"

established by 2013. The United States has tended to focus on countries that are of geopolitical importance to Washington, allies in the wars against terrorism in particular.⁵⁰ The United States has now reached Free Trade Agreements with Jordan, Morocco, Bahrain and Oman. In the meantime, seven Middle Eastern nations, namely Algeria, Tunisia, Saudi Arabia, the United Arab Emirates, Kuwait, Qatar and Yemen, reached trade and investment framework agreements with the United States.⁵¹ This means that in the near future they are going to have a closer economic relationship with the United States, which, in turn, is looking forward to form this kind relationship.⁵² For example, Zoellick already visited the United Arab Emirates in mid-October 2004 to prepare for possible additional FTA negotiations.

V. Concluding Remarks:

In short term, the strategy of Washington's free trade regime is based upon the geo-political consideration to reduce its security threats. After 911 terrorist attacks on World Trade

New York Times, 24 December 2004.

⁵⁰ The 9/11 Commission backed the President's goal with a unanimous recommendation urging the United States to expand trade with the Middle East as a way to "encourage development, more open societies, and opportunities for people to improve the lives of their families."

⁵¹ Washington's policy is the signing of trade and investment framework agreement (TIFA) first and then free trade agreement. In addition to five Arabian nations, the U.S has signed TIFA with three South Asian nations (Pakistan, Sri Lanka, and Afghanistan) and five Central Asian nations (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan).

⁵² Becker, Elizabeth, "U.S. and Bahrain Reach A Free Trade Agreement," *New York Times*, 28 May, 2004, p. W1.

Center in New York and Pentagon, the U.S. would like to foster a solid alliance in Middle East preempting another potential terrorist attack. With regard to economic security, Washington would like to form a more cohesive coalition competing with potential challenger in Western Hemisphere, Brazil, Argentina or Mercosur. On the one hand, Washington pursues a strategy to develop support in the domestic political arena and accomplish its goals; on the other, to reduce transaction cost and maximize its gains from trade through integration.

In the long run, the United States' foremost objective is to develop a powerful alliance to dominate the buildup of international free trade regime. But, she cannot neglect the challenge from within and without.