

# North / South America Trade Relations

## U.S. Reset Latin America Ties in 2022 with Los Angeles Hosting Summit of Americas, Hopes for Greater Focus on Region in 2023

- The Western Hemisphere accounts for almost 32% of global gross domestic product (GDP).
- Almost 30% of total California exports are sent to the Western Hemisphere Central totaling \$50.567 billion in 2021.
- The United States is the largest trading partner for all Latin America, but China is now South America's largest trading partner thanks to \$17 billion in investments in the region.

### LOS ANGELES HOSTED WESTERN HEMISPHERE SUMMIT OF THE AMERICAS

In June 2022, after a postponement due to the pandemic, Los Angeles hosted the Ninth Summit of the Americas for 23 Western Hemisphere leaders. Among the few leaders absent from the gathering were the presidents of Mexico, El Salvador, Honduras and Guatemala, who opted not to attend due to the White House not inviting Cuba, Nicaragua and Venezuela to participate.

The theme of the summit — “building a sustainable, resilient and equitable future” — allowed attendees to discuss common policy issues, affirm shared values and commit to concerted actions at the national and regional levels to address continuing and new challenges facing the Americas.

This was the first time the United States has hosted the meeting since the inaugural summit held in Miami in 1994. The summit, which takes place every three years, is the only one of its kind that brings together leaders from all countries in North, Central and South America and the Caribbean.

### AMERICAS PARTNERSHIP FOR ECONOMIC PROSPERITY

At the Ninth Summit of the Americas, President Joe Biden announced his “new and ambitious economic agenda” called

the Americas Partnership for Economic Prosperity.

The agenda will aim to mobilize new investment into the region, fortify supply chains, promote decarbonization and biodiversity, facilitate inclusive trade and update the “social contract” between governments and their people.

In addition to the United States, the partnership will include Barbados, Canada, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, Mexico, Panama, Peru and Uruguay.

### UNITED STATES-MEXICO-CANADA AGREEMENT

The two-year anniversary of the U.S.-Mexico Canada Agreement (USMCA) entering into force was July 1, 2022. Trade among the three countries exceeds \$2 million a minute. In 2021, the United States exported more than \$584.2 billion to USMCA countries, while California exported more than \$45.25 billion.

The USMCA has helped all three countries bounce back from COVID, averaging a 6% increase in trade across the region from 2019 to 2021. In 2022, the first disputes under the USMCA were concluded. Thus far the agreement's dispute settlement system has been successful.

The United States, Canada and Mexico comprise more than 500 million people (6.3% of the world's population), a \$26.28 trillion GDP (27.3% of world GDP), and \$6.3 trillion in trade (nearly 11% of global trade). Under the North American Free Trade Agreement (NAFTA), the three USMCA countries' bilateral goods trade totaled \$1.06 trillion in 2020.

### U.S. FREE TRADE AGREEMENTS IN THE AMERICAS

- The **U.S.-Chile Free Trade Agreement** (FTA) entered into force in 2004, eliminating tariffs and opening markets and allowing all goods originating in the United States to enter Chile duty free in 2015. Since the implementation of the FTA, U.S. goods exports to Chile have increased more than 470%. Chile is the 19th largest export partner of the United States with exports totaling \$2.7 billion in 2021. In 2021, Chile invested \$4 billion into the United States, with FDI totaling \$3.43 billion. California exports to Chile totaled \$1.5 billion in 2021.

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Major



- The **U.S.-Central American Free Trade Agreement** (U.S.-DR-CAFTA) was signed by President George W. Bush in 2005. The governments of El Salvador, Guatemala, Nicaragua, Honduras and the Dominican Republic implemented the agreement in March 2007, followed by Costa Rica in 2008.

The United States and the five Central American countries share roughly \$68.67 billion in total (two-way) trade in goods. U.S. goods exports to Central America totaled \$38.75 billion in 2021. The United States is the main supplier of goods and services to Central American economies. Approximately 40% of total goods exports to Central America come from the United States.

California is the fourth largest state exporter to the DR-CAFTA market with exports totaling \$2.45 billion in 2021.

In June 2022, Vice President Kamala Harris announced more than \$1.9 billion in new private sector commitments to invest in Central America to promote economic opportunity.

- The **U.S.-Colombia Trade Promotion Agreement** was signed by President Bush in 2006. It was approved by the Colombian Congress in 2007, but not approved by the U.S. Congress until 2011 and entered into force in May 2012.

Colombia is an emerging economy that is providing California with a quickly expanding export market and opportunity for future collaboration. Since 2006, both U.S. and California exports to Colombia have nearly doubled. In 2020, the United States exported \$12.06 billion of goods to Colombia, with total trade amounting to \$24.86 billion. In 2021, California exports to Colombia exceeded \$465 million.

A U.S.-Colombia high-level roundtable took place in September 2022 to reaffirm the importance of the bilateral relationship and continued cooperation between the two countries.

- A **U.S.-Ecuador** “mini” trade deal was signed in December 2020, bringing the two countries a step closer to achieving a free trade agreement. Ecuador is the only Latin American country along the Pacific Ocean that does not have a free trade agreement with the United States.

The United States exported \$5 billion worth of goods to Ecuador in 2021 and imported \$8.15 billion the same year. California is one of the top five exporting states to Ecuador, exporting \$293 million of goods in 2021.

- The **U.S.-Panama Trade Promotion Agreement** went

into effect in October 2012. The agreement significantly increased the ability of U.S. companies to export their products to one of Latin America’s fastest-growing economies. Half of U.S. agricultural goods became duty free at the time, with all tariffs on industrial goods to be eliminated by the 10-year anniversary and most of the remaining tariffs on agricultural goods to be eliminated by the 15-year anniversary.

In 2021, the United States exported \$8.13 billion to Panama, making it the 34th largest U.S. export partner. California exported \$332 million worth of goods to Panama in 2021.

- The **U.S.-Peru Trade Promotion Agreement** entered into force in February 2009. U.S. exports to Peru have more than tripled since then, totaling \$10.3 billion in 2021. California exports to Peru more than doubled during the same period, totaling \$484 million in 2021.

#### ANTICIPATED ACTION

It is expected the Biden administration will continue to engage with Mexico and Canada, together with the nation’s trade and investment partners in Latin America.

It is hoped that the continued success of the USMCA may serve as a foundation for future trade agreements.

As a result of the Ninth Summit of the Americas, it is hoped that 2023 might see a renewed focus on Latin America.

#### CALCHAMBER POSITION

California Chamber of Commerce support for the USMCA and other FTAs in the Americas is based on an assessment that they serve the employment, trading and environmental interests of California, the United States, and our partner FTA countries, and are beneficial to the business community and society as a whole.

The objectives of the trade agreements are to eliminate barriers to trade, promote conditions of fair competition, increase investment opportunities, provide adequate protection of intellectual property rights, establish effective procedures for implementing/applying the agreements and resolving disputes, and to further regional and multilateral cooperation.



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