

# North/South America Trade Relations

## Western Hemisphere Interconnectedness Vital to Regional Post-Pandemic Recovery

- On year later, USMCA continues to support nearly 14 million U.S. jobs.
- Goods exports to countries in the Americas represent more than 40% of U.S. exports, with Canada and Mexico alone making up more than one-third of exports.
- U.S. engagement in the Americas, with a focus on supply chain solutions for the very interconnected North America, is imperative to strengthen U.S. and regional recovery post-COVID.

### U.S.-HOSTED WESTERN HEMISPHERE SUMMIT POSTPONED AGAIN TO 2022

The United States was scheduled to host the Ninth Summit of the Americas in the fall of 2021, but due to COVID, it was postponed again to the summer of 2022. This will be the first time the United States will host the meeting since the inaugural summit held in Miami in 1994. The meeting, 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. Up to 50 heads of state are expected to attend.

At the summit, as many as 10,000 participants discuss common policy issues, affirm shared values, and commit to concerted actions at the national and regional levels to address continuing and new challenges faced in the Americas. The last summit took place in Lima, Peru in 2018 and had the theme of “Democratic Governance Against Corruption.”

### AMERICA CRECE

In December 2019, the U.S. government launched the whole-of-government “Growth in the Americas” or “America Crece” initiative. This initiative is a new approach to support economic growth in the Americas by encouraging public-private

### U.S. FREE TRADE AGREEMENTS



Source: Council on Foreign Relations/U.S. Trade Representative and U.S. Department of Commerce

engagement, private sector investment in energy and infrastructure, sharing best practices, and creating opportunities to expand economic ties between the United States and Latin America.

### UNITED STATES-MEXICO-CANADA AGREEMENT

The one-year anniversary of the U.S.-Mexico Canada Agreement (USMCA) entering into force was July 1, 2021. The agreement was celebrated as being a truly bipartisan effort to level the playing field for the American worker. The USMCA is now in effect after more than three years of negotiations starting from President Donald J. Trump’s initial announcement of his intent to renegotiate the North American Free Trade Agreement (NAFTA) in May 2017.

The U.S. International Trade Commission released a report in April 2019 on how the new agreement will affect jobs and

# Agenda for California Recovery

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the economy. The report estimated that the USMCA would increase U.S. gross domestic product (GDP) by 0.35% or \$68.2 billion and raise employment by 176,000 new jobs. The trade commission report also estimated that the agreement would have a positive impact on all broad industry sectors within the U.S. economy and that manufacturing and services would receive large gains.

The United States, Canada and Mexico comprise more than 490 million people (6.5% of the world's population), a \$26 trillion GDP (18.3% of world GDP), and \$6 trillion in trade (nearly 16% of global trade). Under NAFTA, the three USMCA countries' bilateral goods trade totaled \$1.06 trillion in 2020. California's exports to the USMCA countries totaled \$40.06 billion the same year.

In February 2021, the Biden administration laid out a "Roadmap for a Renewed U.S.-Canada Partnership." The roadmap set goals to accelerate economic recovery for U.S. and Canadian small and medium-sized enterprises and strengthen U.S.-Canada supply chains, along with recognizing the importance of economic and energy security.

In September 2021, the Biden administration relaunched the annual U.S.-Mexico High Level Economic Dialogue at which the two countries expressed their intent to create a Bilateral Supply Chain Working Group to build resiliency in the supply chain, among other goals to promote sustainable economic development and train workers for the 21st century economy.

In November 2021, the leaders of the three countries met for the North American Leaders' Summit. The three heads of state reiterated their strong ties and integration as well as their willingness to chart a new path of partnership. They also discussed fostering competitiveness in order to propel the future growth of the region, as well as coordinating on migration and development in order to secure North America.

#### 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 21st largest export partner of the United States with exports totaling \$12.76 billion in 2020. In 2019, Chile was the third fastest growing source of foreign direct investment (FDI) into the United States, with FDI totaling \$3.43 billion. California exports to Chile totaled \$987 million in 2020.

- 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 \$48.89 billion in total (two-way) trade in goods. U.S. goods exports to Central America totaled \$24.76 billion in 2020. The United States is the main supplier of goods and services to Central American economies. More than 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 \$1.87 billion in 2020.

In December 2021, Vice President Kamala Harris announced a call to action for private business to invest in Central America in order 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 \$22.83 billion. In 2020, California exports to Colombia exceeded \$389.5 million.

- 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 new deal covers trade facilitation, goods regulatory practices and anti-corruption, and features a chapter on small and medium-sized enterprises. The United States exported \$4.2 billion worth of goods to Ecuador in 2020 and imported \$5.9 billion the same year. California is one of the top five exporting states to Ecuador, exporting \$343 million of goods in 2020.

- The **U.S.-Panama Trade Promotion Agreement** went into effect in October 2012. The agreement significantly increased the ability of American 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 2020, the United States exported \$5.76 billion to Panama, making it the 36th largest

U.S. export partner. California exported \$239.6 million worth of goods to Panama in 2020.

- 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 \$7.68 billion in 2020. California exports to Peru more than doubled during the same period, totaling \$419 million in 2020.

#### **FLEETING POSSIBILITY OF A U.S.-BRAZIL TRADE AGREEMENT**

In October 2020, an agreement was reached to update the 2011 Agreement on Trade and Economic Cooperation (ATEC) with three new annexes that included state-of-the-art provisions on customs administration and trade facilitation, good regulatory practices, and anticorruption. The United States and Brazil plan to continue discussions on how to increase trade and further investment between the two countries.

President Trump and Brazilian President Jair Bolsonaro in March 2020 had instructed their trade officials to deepen discussions of a bilateral trade agreement; however, the Biden administration has not continued such talks. Stakeholders in both countries hope to continue fostering investments and diversifying bilateral trade.

Brazil is the ninth largest export destination of U.S. goods, with exports totaling \$35.04 billion in 2020. The United States imported \$23.31 billion of Brazilian goods the same year. Brazil is California's 29th largest export destination; California exported

more than \$1 million to Brazil in 2020. The United States was the first country to recognize Brazil's independence in 1822, representing a long, well-established diplomatic relationship between the two countries. A U.S.-Brazil CEO forum, originally established in 2007, was reinvigorated in November 2019 and now meets regularly.

#### **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 success of the USMCA may serve as a foundation for future trade agreements.

#### **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 and applying the agreements and resolving disputes, and to further regional and multilateral cooperation.



Staff Contact

**Susanne T. Stirling**

Vice President, International Affairs

[susanne.stirling@calchamber.com](mailto:susanne.stirling@calchamber.com)

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