INSIGHT

Americas Partnership for Economic Prosperity is Unlikely to Expand Trade

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Executive Summary

- In late January, the Biden Administration launched the Americas Partnership for Economic Prosperity (APEP), which will involve negotiations with 11 countries in the Western Hemisphere on four policy pillars.
- The APEP seeks to "foster regional economic integration," but it does not include negotiation objectives on market access to eliminate tariffs, objectives similarly neglected by the Indo-Pacific Economic Framework.
- Eight of the 11 APEP countries already have free trade agreements with the United States, but without new market access commitments – especially for the three countries without free trade agreements – such talks are unlikely to increase regional trade flows.

Introduction

On January 27, 2023, Secretary of State Antony Blinken and United States Trade Representative Katherine Tai launched the Americas Partnership for Economic Prosperity (APEP). The initiative will involve negotiations with 11 countries in the Western Hemisphere (Barbados, Canada, Chile, Columbia, Costa Rica, the Dominican Republic, Ecuador, Mexico, Panama, Peru, and Uruguay) on four policy pillars: (1) regional competitiveness; (2) resilience; (3) shared prosperity; and (4) inclusive and sustainable investment. The Biden Administration describes APEP as "a path forward to tackle economic inequality, foster regional economic integration and good jobs, and restore faith in democracy by delivering for working people across the region."[1]

[1] https://www.state.gov/americas-partnership-for-economic-prosperity/

The United States has existing trade agreements with eight of the 11 participating countries, as well as a Trade and Investment Council with Ecuador and a Trade and Investment Framework Agreement with Uruguay. Barbados is the only nation that does not have existing trade negotiations with the United States.

The Biden Administration also has a similar regional framework in Asia called the Indo-Pacific Economic Framework (IPEF). Notably, however, there are critical differences between these forums. This paper explains what the APEP seeks to accomplish, the existing trade relationships between the United States and partner countries, how the scope of APEP compares to the Indo-Pacific Economic Framework, and how the agreement will affect trade ties between the United States and other APEP countries.

APEP's Negotiation Pillars

As noted above, APEP has four negotiating pillars. It is unclear which negotiations will be led by Ambassador Tai, but pillar one is expected to include discussions regarding "customs procedures, trade facilitation, logistics, good regulatory practices, and non-tariff barriers."[2] Each of these areas is typically part of free trade agreements, and so the pillar one negotiations under APEP should be largely driven by the United States Trade Representative (USTR). The remaining pillars are less directly related to USTR's activities. Pillar two focuses on supply chains and small and medium-sized businesses. The key topics of pillar three are workforce development, labor standards, and anti-corruption. Pillar four is largely centered on financing for projects in participating countries.

Comparison to IPEF

The negotiation pillars for APEP are very similar to those in IPEF. APEP's regional competitiveness pillar most resembles IPEF's fair and resilient trade pillar, whereas APEP's resilience pillar is similar to IPEF's supply chain resilience pillar. APEP's pillar three on shared prosperity covers topics found in IPEF's tax and anti-corruption pillar, and the fourth APEP pillar on inclusive and sustainable investment is most like IPEF's negotiation area on infrastructure, clean energy, and decarbonization.

A core motivation for APEP is ostensibly to address climate change, a topic that has underpinned nearly all the Biden Administration's work on trade. Secretary Blinken claimed that APEP would "deepen our cooperation on the clean energy transition, conservation, climate resilience – helping us share technologies and best practices and boost public and private investment – all while creating good-paying jobs." A similar focus is present in IPEF which features an entire pillar devoted to climate goals.

[2] https://www.whitehouse.gov/briefing-room/statements-releases/2023/01/27/fact-sheet-biden-harris-administration-advances-americas-partnership-for-economic-prosperity/

APEP Lacks Market Access

Notably, APEP shares IPEF's lack of market access commitments that would eliminate tariffs and non-tariff barriers to increase trade flows in the region. Unlike IPEF, however, the majority of APEP participants have existing free trade agreements with the United States; Canada, Chile, Colombia, Costa Rica, the Dominican Republic, Mexico, Panama, and Peru have such agreements. Ecuador and the United States have a Trade and Investment Council. The last meeting between Ambassador Tai and her counterpart in Ecuador was in November 2022, when the two sides "agreed to establish a Fair Trade Working Group and explore potential negotiations on labor, environment, and digital trade" and to hold another meeting in early 2023.[3] Uruguay has a Trade and Investment Framework Agreement with the United States, and the last negotiation round was in August 2021, when the parties discussed "reenergizing" the bilateral relationship.[4] Barbados is the only country that does not have a trade agreement or existing bilateral forum with the United States.

Market access negotiations could be less necessary in this context given that the existing network of trade agreements have tariff barriers close to zero with most participants. Moreover, as demonstrated in Table 1, in 2020 the United States was the top trading partner (based on total trade in U.S. dollars) for seven of the 11 APEP countries. The United States is a top-three trading partner for the remaining countries.

Table 1: APEP Participants' Top-5 Trade Partners in 2020[5]

	Partner 1	**Partner 2**	**Partner 3**	**Partner 4**	**Partner 5**
Barbados	U.S.	Trinidad & Tobago	Netherlands	U.K.	Canada
Canada	U.S.	China	Mexico	U.K.	Japan
Chile	China	U.S.	Japan	Brazil	South Korea
Colombia	U.S.	China	Mexico	Brazil	Ecuador
Costa Rica	U.S.	China	Mexico	Guatemala	Netherlands
Dominican Republic	U.S.	China	Switzerland	Mexico	Haiti
Ecuador	U.S.	China	Panama	Colombia	Chile
Mexico	U.S.	China	Canada	Germany	South Korea
Panama	China	U.S.	Costa Rica	Colombia	Mexico
Peru	China	U.S.	Canada	South Korea	Brazil
Uruguay	China	Brazil	U.S.	Argentina	Algeria

[3] https://ustr.gov/sites/default/files/files/agreements/tifa/9-4-2009%20US-Ecuador%20TIC%20Agreement%20-%20English.pdf
[4] https://ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file566_15163.pdf
[5] https://wits.worldbank.org/CountryProfile/en/Country/MEX/Year/2020/TradeFlow/EXPIMP/Partner/by-country

USTR has not released the details of the pillar one negotiations, so their impact on trade flows is unknown at this time. If the negotiations are similar to the IPEF trade objectives, APEP is unlikely to substantially increase trade flows in the region. Moreover, the impact on trade flows for APEP countries versus IPEF countries will likely be even lower given the coverage of U.S. trade agreements in the Western Hemisphere. For Barbados, Ecuador, and Uruguay, the most significant barriers that would increase trade flows are in the area of market access. Without a trade agreement, the majority of U.S. exports to these three countries face the most-favored nation tariff rates. The most-favored nation average tariff rate in 2020 was 11.9 percent for Barbados, 13.9 percent for Ecuador, and 10.4 percent for Uruguay.[6] It's very costly to export products to these countries and APEP will not address these barriers to trade.

Conclusion

The Americas Partnership for Economic Prosperity is unlikely to substantially increase trade flows between the United States and the participating countries because the forum focuses very little on trade policy. Moreover, commitments to increasing market access for U.S. exports or imports from participating countries is not included in the negotiations. Unlike the Indo-Pacific Economic Framework, the United States has trade agreements or existing negotiations with all but one participant, making trade volume gains even less likely.

[6] https://data.worldbank.org/indicator/TM.TAX.MRCH.SM.FN.ZS?locations=BB-EC-UY-US