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THE OPPENHEIMER REPORT

Free trade passing the test with high marks

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Anti-free-trade zealots -- from Venezuela's petro-populist President Hugo Chávez to CNN's isolationist fear-monger Lou Dobbs -- can scream as loud as they want, but the cold figures show that free trade has been good for Latin America, and good for the United States.

The newly released U.S. Commerce Department trade figures for 2006 show that Latin American countries that have free-trade agreements with Washington have substantially increased their exports to the U.S. market. The United States, in turn, has increased its exports to most of its regional trade partners at a somewhat slower but respectable pace.

Consider the latest figures:

• Since the United States signed a free-trade deal with Mexico, Mexican exports to the United States have risen from $40 billion in 1993 to $198 billion in 2006, a nearly 400 percent increase. Conversely, U.S. exports to Mexico over the same period have risen from $41.5 billion to $134.1 billion, a 223 percent increase.

• Since the United States signed a free-trade deal with Chile, Chile's exports to the United States went up from $4.7 billion in 2004 to $9.5 billion in 2006, a 104 percent increase. Conversely, U.S. exports to Chile went up from $3.6 billion to $6.8 billion, an 88 percent increase.

• Since the United States signed a free-trade deal with five Central American countries and the Dominican Republic, overall exports from the so-called CAFTA-DR countries to the United States went up from $18.1 billion in 2005 to $18.6 billion in 2006, a 2.8 percent increase. Conversely, U.S. exports to CAFTA-DR countries went up from $16.9 billion to $19.6 billion, a 16.1 percent increase.

U.S. officials note that it's too soon to judge the results of the CAFTA-DR treaty, because it was only ratified by four countries -- Guatemala, El Salvador, Honduras and Nicaragua -- and has only been in effect for about six months in most member countries.

Guatemala saw its exports to the United States grow by only 1 percent last year, while its imports from the United States rose by 24 percent. This was largely because of red-tape problems that have since been corrected, U.S. officials say. In addition, the free-trade deal has already boosted foreign investments in Guatemala, they say.

"By 2007, our trade with Central America will show the same kind of impressive growth that we've witnessed with Mexico and Chile," says Walter Bastian, a senior U.S. Department of Commerce official.

How can Venezuela's Chávez claim with a straight face that free trade with Washington is hurting the region, when Mexico alone went from having a $2.5 billion deficit in its bilateral trade with the United States in 1993, to a $64 billion surplus last year?

(My guess: Chávez can afford lashing out against Latin American countries' free-trade agreements with the United States because he already has one: He sells virtually all of Venezuela's oil to the United States, duty-free.)

And how can U.S. free-trade critics seriously claim that free-trade agreements with Latin America are bloating the U.S. trade deficit?

Latin America as a whole accounts for only 13 percent of the $836 billion U.S. trade deficit, the bulk of which originates in China and Japan. If you lump together the 18 countries with which the United States has free-trade agreements -- including Australia and Israel -- together they account for only 17 percent of the total U.S. trade deficit. And most studies show that there has been no net loss of U.S. jobs to Mexico, or other Latin American countries.

My conclusion: Brazil, Argentina and other agricultural exporters have legitimate reasons to resist entering free-trade deals with Washington as long as the United States maintains its ridiculous farm subsidies. U.S. critics, too, have legitimate reasons to worry about the U.S. trade deficit. And both sides are right in stating that some industries get hurt by free trade.

But, generally, free trade is passing the test. In addition to drawing investments and reducing consumer prices, it boosts trade both ways. If Washington wants to reduce its trade deficit, it should focus on China. For national security reasons -- including the need to help its neighbors grow and reduce illegal immigration -- the United States should have more, not fewer preferential trade deals with Latin America.