

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SM 3100

SPONSOR: Senator Garcia

SUBJECT: Secretariat for Free Trade Area

DATE: April 9, 2004

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Kruse</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
2.	_____	_____	<u>RC</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Senate Memorial 3100 urges the United States Congress to support Florida's bid to become the host for the permanent secretariat of the Free Trade Area of the Americas. The memorial also urges Congress to support activities promoting safe commerce and secure trade lanes between the United States and its trading partners in the Caribbean, Central America, and South America.

Copies of the memorial will be sent to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and to each member of the Florida delegation to the United States Congress.

II. Present Situation:

Free Trade Area of the Americas

The inspiration for the Free Trade Area of the Americas (FTAA), an agreement that would encompass every country in North America, the Caribbean, and Central and South America, except for Cuba, began at the Summit of the Americas held in 1994 in Miami. The FTAA is a proposed trade agreement that would impact more than 800 million people with a gross domestic product of more than \$14 trillion annually. Since 1998, nine negotiating groups have met periodically to establish the details of the agreement. Some of the issues that must be resolved include tariffs, government subsidies, intellectual property rights, investment, agriculture, trade in services, and government procurement.¹ A dispute-resolution mechanism will also likely be created as part of an agreement. In 2001, the leaders of the 34 nations involved in the negotiations set a January 2005 deadline to conclude the FTAA agreement.

¹ Free Trade Area of the Americas-FTAA, About the FTAA, *available at* http://www.ftaa-alca.org/View_e.asp (last visited April 6, 2004).

The FTAA will require a headquarters city where each country can maintain an office. The permanent secretariat would also likely be home to any dispute-resolution mechanism created by the agreement, such as a court or arbitration panel.

The U.S. Congress passed a resolution in 2000, based at that time on competition only from foreign cities, stating that “it is the sense of the Congress that the President should direct the United States representative to the ‘Free Trade Area of the Americas’ (FTAA) negotiations to use all available means in order to secure Miami, Florida, as the permanent site of the FTAA Secretariat after February 28, 2005.”² Presently, several other U.S. and foreign cities are vying to be named the headquarters for the permanent secretariat, including: Atlanta, Georgia; Chicago, Illinois; Colorado Springs, Colorado; Houston, Texas; Cancun, Mexico, and Puebla, Mexico; Panama City, Panama; and Port-of-Spain, Trinidad and Tobago.

Trade with Western Hemisphere

Eight out of Florida’s top 10 two-way trading partners in 2001 were in the Western Hemisphere: Brazil (\$10.5 billion); Canada (\$5.7 billion); Dominican Republic (\$4.95 billion); Honduras (\$3.7 billion); Venezuela (\$3.7 billion); Costa Rica (\$3.3 billion); Colombia (\$3.2 billion); and Guatemala (\$3.2 billion). Of Florida’s total merchandise exports in 2001, 83.2 percent went to Latin American and Caribbean countries totaling \$28.7 billion.³

Cargo Containers

Ocean-going cargo containers are a critical link in the system of global trade. With the rise of the “just-in-time” delivery system, which allows companies to reduce their inventories, as well as the efficiencies of the maritime transportation system, the U.S. and world economies have become increasingly reliant on the cargo container to transport their goods. In fact, approximately 90 percent of the world’s trade moves by cargo container. Although these containers arrive from various ports throughout the world, about 49 percent of U.S.-bound containers arrive from the top 10 international ports...⁴

Security Initiatives

The September 11, 2001, terrorist attacks has led to the development of new U.S. and international security regulations on vessels, seaports, and Florida’s trading partners. The U.S. Bureau of Customs and Border Protection has created the Container Security Initiative (CSI) to extend the zone of security outward in North America, Europe, Asia, and Africa. The goal of CSI is to identify and examine high-risk maritime cargo containers for weapons of mass destruction before they are shipped to the United States. “CSI allows U.S. Customs to screen containers at CSI-designated foreign seaports. Placement of a CSI team overseas allows Customs to work with foreign customs officials to identify and examine high-risk containers prior to their

² S. Con. Res. 71, 106th Cong., (April 11, 2000).

³ Florida FTAA, Inc., FTAA, *available at* <http://www.floridaftaa.org/frontend/ftaa.php> (last visited April 8, 2004).

⁴ General Accounting Office, Report GAO-03-770, “Container Security: Expansion of Key Customs Programs Will Require Greater Attention to Critical Success Factors” (July 2003), at 5, *available at* <http://www.gao.gov/new.items/d03770.pdf> (last visited April 6, 2004).

arrival at U.S. ports.”⁵ “Customs’ port status planning document projects the deployments of CSI teams in fiscal year 2004 to seven countries (Brazil, China, Greece, Sri Lanka, Thailand, Turkey and the United Arab Emirates).”⁶

International Ship and Port Facility Security Code

On July 1, 2004, an international agreement called the International Ship and Port Facility Security Code (ISPS) will take effect. The ISPS was adopted by the International Maritime Organization (IMO) during a conference held December 9-13, 2002. The IMO is the United Nations Specialized Agency with responsibility for the safety of shipping and the prevention of marine pollution by ships. To be in compliance with the ISPS, each country must develop a security assessment and implement a security plan for its ports and for ships entering its ports.⁷

If a ship visits a port that is not in compliance with ISPS, the U.S. Coast Guard may take actions such as boarding the ship and conducting a detailed inspection, require additional security guards, issue fines, or deny entry to the ship.⁸

Operation Safe Commerce

[Operation Safe Commerce] is a collaborative effort between the federal government, business interests, and the maritime industry to develop and share best practices for the safe and expeditious movement of containerized cargo. Its goal is to protect the global supply chain while facilitating the flow of commerce. ... The 18 selected projects focus on container supply chain security shortcomings (from point of origin to point of destination). They examine technologies and practices while testing innovative solutions in an operational environment. The projects scrutinize supply chain security through container tracking and tracing technology, non-intrusive detection strategies, and improved seal concepts. The projects utilize off the shelf technologies.⁹

Congress mandated the financing of projects for the development of OSC initially only for the Port Authority of New York and New Jersey, Ports of Los Angeles and Long Beach, California, and the Ports of Seattle and Tacoma, Washington.¹⁰

Caribbean Ports Council Initiative

Florida FTAA, Inc. has proposed a Caribbean Ports Council Initiative and has secured an initial investment in the initiative of \$25,000 from the Inter-American Development Bank. The

⁵ *Id.* at 2.

⁶ *Id.* at 28.

⁷ Press Release, International Maritime Organization, “IMO adopts comprehensive maritime security measures,” (December 17, 2002), available at http://www.imo.org/Newsroom/mainframe.asp?topic_id=583 (last visited April 6, 2004).

⁸ Ina Paiva Cordle, “Port security in doubt,” Miami Herald, March 19, 2004.

⁹ U.S. Department of Homeland Security, Transportation Security Administration, Current Announcements, “Operation Safe Commerce,” available at <http://www.tsa.gov/public/display?theme=29> (last visited April 6, 2004).

¹⁰ *Id.*

initiative would create a regional entity that raises funds for port security upgrades in poorer nations.¹¹

III. Effect of Proposed Changes:

The memorial states that:

- the State of Florida urges the United States Congress to continue to support Florida's bid to become the permanent location for the Secretariat for the Free Trade Area of the Americas;
- the State of Florida urges the United States Congress to support and fund the Americas Safe Commerce program between seaports in the Caribbean, Central America, South America, and the United States; and
- the Americas Operation Safe Commerce program would establish a collaborative effort between the United States government, international trading partners, the State of Florida, the maritime industry, and other business interests to develop and share best practices for the safe, secure, and expeditious movement of goods between the Caribbean, Central America, South America, and the United States.

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IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

¹¹ Press Release, Florida FTAA, Inc., "Arrizurieta: Two programs in FTAA bid will be created regardless," (March 24, 2004), available at <http://floridaftaa.org/frontend/index.php> (last visited April 7, 2004).

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
