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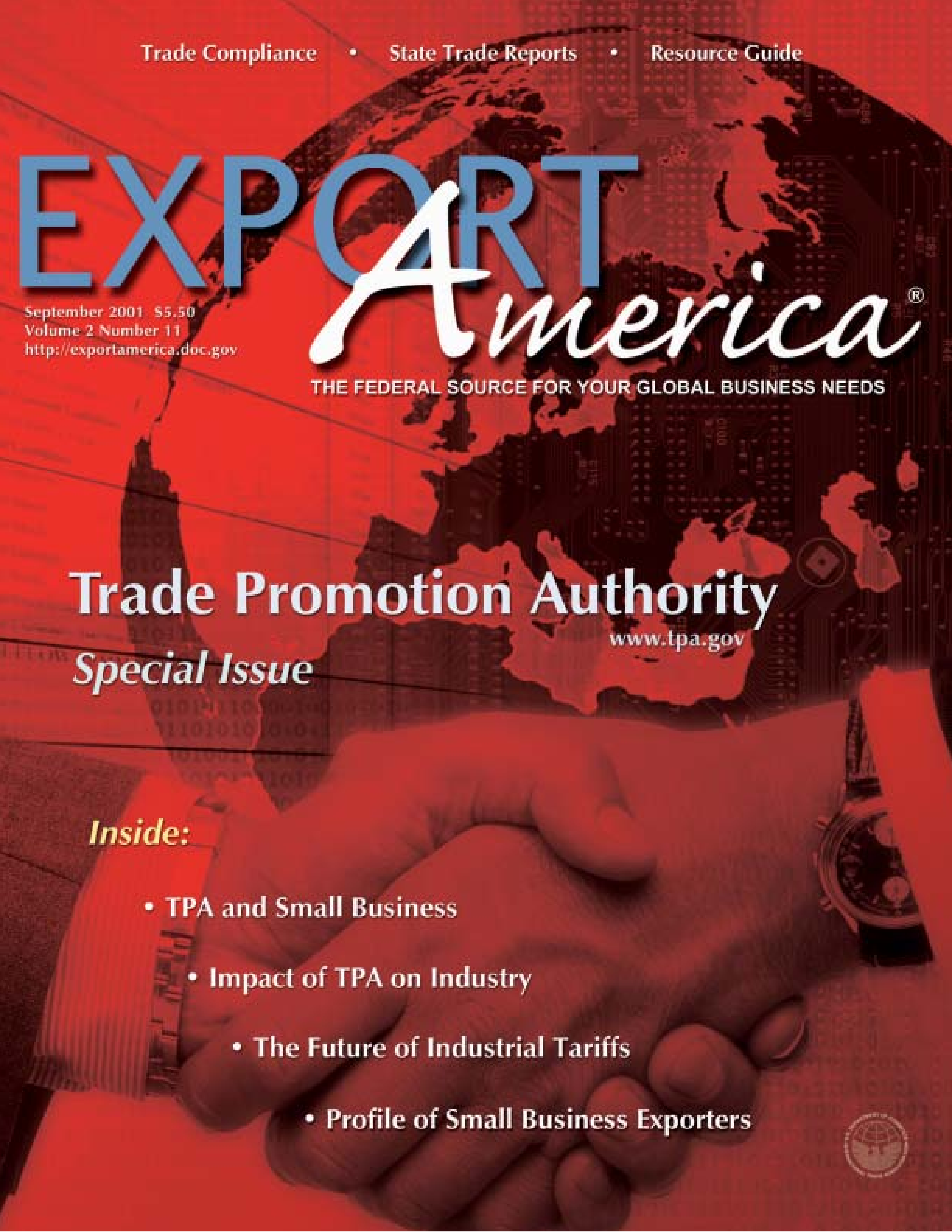
- Impact of TPA on Industry
- The Future of Industrial Tariffs
- Profile of Small Business Exporters



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"Open trade is not just an economic opportunity. It is a moral imperative."

— President George W. Bush

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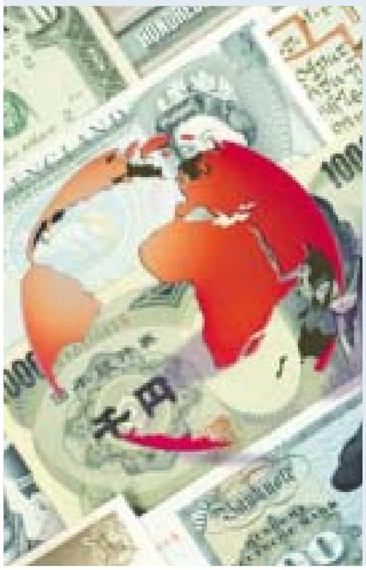

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EDITOR'S MEMO

"**Open trade fuels the engines of economic growth that create new jobs and new income. It applies the power of markets to the needs of the poor. It spurs the process of economic and legal reform. It helps dismantle protectionist bureaucracies that stifle incentive and invite corruption. And open trade reinforces the habits of liberty that sustain democracy over the long term."**

— President George W. Bush, April 17, 2001

In a letter to Congress dated May 10, President Bush outlined his 2001 legislative agenda for international trade. Topping his list was enactment of U.S. Trade Promotion Authority. The President also provided an outline of negotiating objectives to "advance U.S. priorities." These objectives include: reducing or eliminating tariffs and other barriers that impede U.S. exports; improving the transparency and management of international trade organizations and agreements; and helping developing countries realize the benefits of the international trading system.

This issue is dedicated to furthering the President's trade agenda and explains exactly what Trade Promotion Authority (TPA) means. Included are articles by Commerce Secretary Evans and other Commerce officials on topics ranging from the importance of TPA to small business to enforcement of trade agreements.

The President needs TPA in order to negotiate agreements with our trading partners, ensuring that U.S. businesses do not fall behind in global competition. For example, the European Union has 27 preferential or special customs agreements with other countries and is negotiating 15 more. Japan is negotiating a free trade agreement with Singapore and considering agreements with Mexico, Korea and Chile. In fact, there are over 130 preferential trade agreements globally and the U.S. is only party to two. Expanded trade leads to more prosperous U.S. businesses, more choices of goods and lower prices for consumers and more opportunities for American workers leading to higher wages, more jobs and economic growth.

We will return to our usual format in October and will feature articles on trade opportunities in Africa and stories on companies that have found success in African markets. Until then, good luck in your export endeavors and drop us a line with any comments, questions or suggestions for future articles (Export_America@ita.doc.gov).

Cory Churches

Cory Churches
Editor

TRADE IS ULTIMATELY ABOUT FREEDOM

by Donald L. Evans,
Secretary, U.S. Department of Commerce

The world has fundamentally changed. The end of the Cold War erased political divisions that barred the free flow of commerce. Rapid changes in transportation and telecommunications technology have opened up trading opportunities in every corner of the globe. At the same time, with American leadership, governments have reduced barriers to trade and investment. It is no coincidence, then, that the flow of goods, services and investment capital has expanded across borders and oceans.

Trade is ultimately about freedom in this changed world. Barriers to trade must be eliminated to allow America's farmers, entrepreneurs and workers to pursue their own economic destiny free from government interference. These barriers must also be eliminated to promote the social freedom and political stability that grow in the open marketplace. Progress on these fronts can best be made where the Congress and the Executive Branch work together in an atmosphere of trust and respect in pursuit of liberalized trade agreements. For that, President Bush must secure Trade Promotion Authority (TPA) from Capitol Hill. The arguments for granting this authority are many and persuasive.

Photo courtesy of the U.S. Department of Commerce.

Secretary Evans delivers remarks during the Global Internet Summit at George Mason University in March of this year.

TRADE AND ECONOMIC PROSPERITY

America has always been a trading state, and, in purely economic terms, it is in our nation's best interest to pursue free markets. During the past 40 years, trade liberalization has been a key factor leading to our longest post-war period of economic growth. Exports accounted for nearly one-quarter of the economic growth we experienced during the past decade.

Since 1995, total private sector productivity in the United States has increased three percent a year. U.S. industrial production was 48 percent higher in 2000 than in 1990. And our goods and services exports have grown even faster than the U.S. economy, increasing more than seven percent a year since 1992.

It is no coincidence that much of this growth has occurred since the inception of the North American Free Trade Agreement (NAFTA). Last year, U.S. merchandise exports to Mexico were almost two times what they were in 1993, and exports from Mexico to the United States were up more than 200 percent.

Contrary to what opponents to the NAFTA accord said would happen when it went into effect, we have not had a net job loss. More than 20 million new jobs have been created in this country since the early 1990s. Today, an estimated 12 million U.S. jobs are supported by exports. One in every five manufacturing jobs is supported by exports. These are good jobs, paying up to 18 percent more than the national average. In the high-tech industry, jobs supported by exports have average hourly wages 34 percent higher than the national average.

Trade has extended its benefits throughout our economy. Most American workers are employed by small and medium-sized enterprises. It is these businesses – which account for nearly 98 percent of the growth in exporter population – that would be among the major beneficiaries of future negotiations that further reduce foreign barriers to U.S. exports. America's farmers will also benefit greatly. One in three U.S. farm acres is planted for export, and 25 percent of gross farm income comes from exports.

Trade also enhances competitiveness. U.S. producers are provided with a wider choice of suppliers. Productivity, investment and economic growth are stimulated through greater competition and exposure to new ideas.

Furthermore, U.S. consumers have more choices at lower prices. Trade liberalization through the Uruguay Round that established the World Trade Organization (WTO) and the North American Free Trade Agreement has also resulted in higher incomes and lower prices — benefits amounting to between $1,300 and $2,000 a year for the average American family of four. This is especially welcome in the more needy families when you consider that tariffs are regressive taxes that fall hardest on the poor.

Recent studies suggest that if global trade barriers were cut by one-third, the world economy would increase by more than $600 billion a year. That is equal to twice the combined value of the rice, corn and wheat that are produced and consumed worldwide in any given year. Eliminating all barriers would add nearly $2 trillion to the global economy, the equivalent of creating a new economy the size of two Chinas.

Indeed, trade is an engine of economic growth, job creation, national competitiveness and innovation, and this results in a higher standard of living for all. Liberalizing trade opportunities reflects an understanding that the genius of the market system is its reliance on human freedom — allowing each and every man and woman to pursue their economic destiny and to let them go as far as their dreams, talents and initiative can take them.

THE MOST SIGNIFICANT IMPACT THAT TRADE CAN HAVE ON LABOR AND THE ENVIRONMENT IS RAISING STANDARDS OF LIVING, PROMOTING GREATER FREEDOM AND GREATER SOCIAL RESPONSIBILITY FOR ALL CITIZENS.

TRADE AND THE HABITS OF FREEDOM

Trade is, indeed, about improving the standard of living for Americans and for all mankind. But it is also about much more. Free trade helps create the habits of liberty that profoundly affect peoples' views of themselves and their society. With freedom comes the responsibility to account for one's own actions and the obligation to demand government policies that unleash human potential. Freedom is best served when governments promote individual success allowing people to provide for themselves and their families.

Human freedom is indivisible whether we are talking about economics or politics. That is why President Bush speaks of trade in the same terms as President Reagan did, as a "forward strategy for freedom," and why he describes trade in terms of instilling the habits of freedom that are essential to both political liberty and economic well being.

When free men are working in free and open markets, political stability begins to weave itself through the social fabric. In this environment, democracy can take hold and become legitimate and solid. South Korea, Taiwan and Mexico are just three examples of economies that have pursued political reform while reforming their economies and expanding trade.

LEADERSHIP AND TRADE PROMOTION AUTHORITY

One key element in making progress toward that goal is rebuilding a consensus in support of opening markets. The vehicle that will enable us to do that is Trade Promotion Authority. The grant of this authority by Congress to President Bush is crucial to demonstrating to our trading partners that this nation is going to lead on free trade; that we are going to lead opening up markets around the world; and lead not only in strengthening our own economy, but lead in strengthening the global economy.

If Congress cannot or does not act to grant President Bush Trade Promotion Authority, the United States will pay a price. In fact, we are already paying a price. Since the grant of authority to negotiate trade agreements expired in 1994, America has fallen behind. As the President recently observed, "Free trade agreements are being negotiated all over the world and we're not party to them." There are more than 130 free trade agreements in the world today and the United States belongs to only two.

Consider this: A tractor made in the United States and shipped to Chile is hit with $25,000 in tariffs and duties. A Brazilian-made tractor bound for Chile faces $15,000 in tariffs and duties. A Canadian-built tractor shipped to Chile faces no tariffs or duties. This places American tractor manufacturers at a distinct disadvantage in a very competitive industry.

We have to get off of sidelines and back into the game. The President intends to press forward bilaterally, regionally and multilaterally to expand trade and the accompanying economic opportunities it creates for the American people. We seek to create a virtuous circle of competitive liberalization by moving forward wherever we can make progress. But we must show a united front in these efforts.

This administration welcomes the fundamental role Congress plays in setting our trade policies under the Constitution. In fact, what Trade Promotion Authority really provides is a vehicle to ensure that Congress and the President work together, cooperate and have agreed on negotiating objectives.

Our intent is to work closely with Congress, not only for the passage of TPA, but to rebuild the political consensus necessary for our negotiators to engage with their counterparts at the bargaining table. Congress is an indispensable partner in this enterprise.

To this end, securing TPA is essential to successfully implement the President's trade agenda, a bipartisan plan that will benefit all Americans. It includes, first, eliminating tariffs and other barriers that impede U.S. exports of goods, services, investment and ideas. Second, his agenda will bring a special focus to areas like agriculture that would have the most profound benefits for American exporters and for global well being. Third, it will keep electronic commerce free from trade barriers. And, very importantly, his agenda will preserve our ability to combat unfair trade practices. That means vigorously enforcing U.S. trade laws, not as an end itself, but as a means of pursuing the elimination of the unfair trade practices that limit economic opportunity. It also means ensuring that the rights of the United States under trade agreements are secure so that our farmers, workers, businesses and consumers get the benefit of the bargain that our negotiators reach at the table.

Critical considerations in any discussion of Trade Promotion Authority are labor and the environment. The most significant impact that trade can have on labor and the environment is raising standards of living, promoting greater freedom and greater social responsibility for all citizens. This will lead to improved labor and environmental standards in those nations that participate in liberalized trade agreements.

In this regard, American companies that conduct business abroad carry with them the high labor and environmental standards that we adhere to at home. According to a recent study by the Business Roundtable that looked at the activities of U.S. companies in Latin America: "They…set high environmental, health and safety standards in their Latin American operations and encourage local suppliers to adopt similar practices. Compared to employees in local companies, their employees enjoy competitive to superior compensation, benefits and training." Another study by the Institute for International Economics found that U.S. companies pay their workers in developing countries at least two times the average manufacturing wage paid in these countries.

And, while maintaining high labor and environmental standards abroad, American exporting companies continue to create jobs and a better life for our people here at home.

FREE MEN AND FREE MARKETS

From any angle at which it is viewed, trade is ultimately about freedom. It is about American farmers, workers and small-business owners having the opportunity to succeed on their own terms. It is about opening opportunities in other nations to allow their peoples to pursue better lives for their children, grandchildren and themselves. It is about spreading the values of freedom and democracy around the world. Free men and free markets are what liberalized trade is about.

Congress must be persuaded that with a grant of Trade Promotion Authority a bond of trust, respect and certainty will be established between Capitol Hill and the White House. We all want what is best for the American people and for our friends and trading partners around the world. Together, Congress and the President can pursue what is best – freedom.

Reprinted courtesy of Insight Magazine.

FREE TRADE ECONOMICS

While analysis of the numbers makes a good economic case for free trade, a look at the people and businesses behind those numbers can make an even stronger argument. Across the country, hard-working Americans are making a good living in jobs supported by exports.

In 1989, Seattle entrepreneurs William Cotter and Gregory Davenport started a specialty business, Da Vinci Gourmet, which makes syrups that flavor coffee drinks. Five people worked there then, including Cotter, Davenport and their wives. Now, 81 people earn a good living at Da Vinci Gourmet making and selling 120 flavors of syrup to markets in 50 nations. What started as a strictly local business has grown into a successful exporter, creating jobs and rewarding lives for many people.

And in Buena Park, California, there's Miguel Chavez, who was a postman when he started a cleaning business out of his garage. Today, the family-owned enterprise has grown into a multimillion dollar specialty chemical business that sells its products in Mexico and ships to Australia. Chavez's company is one of California's nearly 40,000 exporting small businesses, providing jobs and futures for many people who might not otherwise have these opportunities.

Some companies might not actually export, but they provide goods or services necessary to companies that do export. These indirect exporters, firms like A-1 Production, Inc., located in Kendallville, Indiana, also benefit from free trade. A-1, a family-owned producer of machined parts and hydraulic fittings manufactures a crucial part for Case New Holland's (CNH) Magnum Tractor. This part, the transmission spacer, a circular piece of metal shaped like an "O," is no bigger than the palm of an adult's hand but the Magnum tractor can't run without it. In fact, it takes 200 companies working in 27 states, employing 70,000 workers to manufacture and export a tractor.

These success stories are testament to the hard work and abilities of the entrepreneurial spirit in America…and to today's increasingly borderless world.

It's also encouraging to know that the Cotters, Davenports, Armstrongs and the Chavez family are making it possible for scores of people to enjoy better lives both here at home and abroad. It's this kind of opportunity that is creating more product choices for us all, better prices and making it possible for many, many people to enjoy a better quality of life.

BENEFITS OF FREE TRADE

- If global trade barriers were cut by one-third, the world economy would increase by more than $600 billion a year. That's equal to twice the value of rice, corn and wheat produced and consumed worldwide each year.
- Eliminating all barriers would add $2 trillion to the global economy, which is twice the size of the Chinese economy.
- Jobs supported by international trade pay up to 13 to 18 percent more than the national average.
- Exports have accounted for almost one-quarter of U.S. economic growth during the past decade.
- U.S. companies that invest overseas employ about 19 million U.S. workers, who represent 15 percent of all private sector U.S. jobs.

WHY WE NEED TPA

- Around the world, there are more than 130 free trade agreements (FTAs). The United States is party to only two (U.S.-Israel FTA, and NAFTA with Mexico and Canada). Since 1990, the European Union has negotiated 20 free trade agreements. Mexico is party to more than 28 FTAs, most negotiated since 1990.
- About a third of total world exports are covered by European Union free trade and customs agreements, compared to only about 11 percent for U.S. free trade accords.

OPENING INTERNATIONAL OPPORTUNITIES FOR WOMEN IN TRADE

by Maria Cino

Director General, U.S. Commercial Service

We all know some dynamic entrepreneurs in our daily life and a growing number of them are women. There is no disputing the economic impact women have on the U.S. economy. According to the Office of Advocacy of the Small Business Administration, in 1997 the number of women-owned businesses increased 89 percent over the last decade to an estimated 8.5 million. Women-owned businesses generated $3.1 trillion in revenue, an increase of 209 percent between 1987 and 1997, after adjustment for inflation.

Women-owned businesses currently provide jobs for 26 percent of the workforce and they generated $2.3 trillion in sales in 1996. There will be about 4.7 million self-employed women by 2005. This is an increase of 77 percent since 1983, compared with a 6 percent increase in the number of self-employed men.

With all the compelling evidence to prove the value of women to our overall economic growth and stability, it's no wonder that there are also a significant number of women-owned businesses that are engaged in international trade. As you've heard previously, the President has asked Congress to grant him Trade Promotion Authority (TPA), or "fast-track," and I recently took a group of women entrepreneurs to a White House briefing to hear directly from President Bush, U.S. Trade Representative Robert Zoellick and Secretary of Agriculture Ann Veneman why TPA is good for the U.S.

Photo courtesy of U.S. Department of Commerce

Secretary Evans and Director General Maria Cino meet with (L to R) Margaret McEntire, Maureen Russell, Sarian Bouma, Carole Sluski and Jill Dohner.

At the briefing, the business representatives heard how U.S. businesses are losing opportunities in world markets due to lack of U.S. participation in trade agreements. For example, of the more than 30 trade agreements in the Western Hemisphere, the U.S. participates in only one. Let me cite an example of how U.S. businesses are adversely affected: A U.S. tractor-maker wanting to export to Chile must pay a $25,000 tariff; if that company moved its factory to Brazil and exported a tractor to Chile, it would have to pay a $15,000 tariff. However, a Canadian company exporting a tractor to Chile pays no tariff at all because Canada has a free trade agreement with Chile. That's why the U.S. must secure more trade agreements that will allow our companies to compete on a level playing field.

Secretary Veneman emphasized that "one of the most important tools we have in the struggle to remain competitive is Trade Promotion Authority. With TPA we can enter into agreements to eliminate trade barriers and roll back trade-distorting subsidies."

More than 100 women participated in the event and several of those women are clients of the U.S. Department of Commerce and are inspirations to business-owners, regardless of gender. You may have read of some of their successes in previous issues of Export America.

These women all traveled to Washington to hear President Bush explain why TPA is important to promoting trade and democracy worldwide.

These five women are all clients of the agency I lead, the U.S. Commercial Service. Part of the Commerce Department's International Trade Administration, the U.S. Commercial Service has a global network of international trade experts who help U.S. companies, particularly small and mid-sized businesses, succeed in global markets.

As President Bush, Ambassador Zoellick and Secretary Veneman explained, TPA is a tool that will enable more U.S. entrepreneurs—people like the five women with whom I met with – go global. Ambassador Zoellick emphasized that free trade is good for American consumers and businesses, "because when Americans can shop the world for the best prices and highest quality goods, American consumers and producers win. TPA is a critical part of the President's ability to negotiation good trade deals that will open markets, increase choices and lower costs for American farmers, workers, consumers and businesses.

FOUR COMPANIES, A WIDE WORLD OF OPPORTUNITIES

The five women that came to Washington represent four very different companies, but they all believe that the global marketplace holds great opportunities for smaller U.S. companies.

- Candy Bouquet International is a franchise firm that manufactures and sells decorative candy arrangements similar to floral arrangements. Margaret McEntire founded the company in 1989 in her garage. Today, the typical Candy Bouquet store is a full-scale chocolate and candy retail operation, although some operate successfully as home-based businesses. Some franchisees operate exclusively as Candy Bouquet, others run this franchise in conjunctions with a floral shop or other retail outlet. Candy Bouquet has over 510 franchises in in 48 states and 35 other countries in 2001. Ms. McEntire participated in the Commercial Service's Women in Business Matchmaker trade mission to South America and the Women's Economic Summit of the Americas in Buenos Aires.

- Sarian Bouma, the CEO of Capitol Hill Building Maintenance, is a success story of a self-made entrepreneur who built a successful business when there was nowhere to go but up. Bouma was born in Sierra Leone and came to the United States in 1974 to attend college. After a failed marriage she was forced to leave college and accept welfare in order to take care of her infant son. Today she runs Capitol Hill Building Maintenance, Inc. directing cleaning services for over 2 million square feet of space, employing almost 200 loyal staff members and generating over $1.75 million in annual sales. She participated in the Canada/USA Business Women's Trade Summit in 1999 and in a women's trade mission to Africa in October 2000, where she made a number of sales.

- R. M. Waite's Maureen Russell got into the building materials business in 1975, when she went to work for a local materials distributor. But her greatest challenge came ten years ago when she bought R.M. Waite, a small roofing and building materials distributor based in Oakland, California.

  Russell participated in a Market Entry business training program at the San Francisco U.S. Export Assistance Center, part of the Commercial Service's Global Diversity Initiative. The six-month course, which prepares women- and minority-owned firms to sell their products and services internationally, covered the basics of international trade, like distribution channels, finance, transportation, e-commerce and documentation. Now, 80 percent of R.M. Waite's exports go to Asia, generating approximately $2 million this year.

- Carole Sluski, President of Petrochem and her daughter Jill Dohner, the company's Sales and Marketing Director, traveled from Lockport, Illinois to attend the event. Petrochem, a client of the Chicago U.S. Export Assistance Center, currently sells its oven chain lubricants in the United States, England, South Africa, Spain, Argentina, Israel, Australia, New Zealand, Germany and Saudi Arabia. Like Maureen Russell, Sluski credits the U.S. Commercial Service's Global Diversity Market Entry Program for helping her take Petrochem global.

ENTREPRENEURS DON'T HAVE TO GO IT ALONE

Clients like Sarian Bouma and Maureen Russell tell us the most important resource we have is our worldwide network of trade experts. The U.S. Commercial Service has 160 international offices and 105 more across the U.S. We're there when U.S. companies need us. Also with our web site, www.usatrade.gov, we can be anywhere—day or night. No matter what stage of export readiness your company is in, our network of trade specialists can provide the export assistance you need. Our services will help you choose the best market for your company, design a strategy to help you get your businesses there and protect your interests once you've started doing business globally.

The time is right for women entrepreneurs to take their businesses global. We should know; we've been helping them get there for more than 20 years.

For more information on the U.S. Commercial Service, or to find the office nearest you, please visit www.usatrade.gov.

REAPING THE FRUITS OF TRADE

by Aaron Thompson
Office of Public Affairs

For Maria de Lourdes Sobrino, it all began in 1982, in a 700 square-foot storefront in Torrance, California, with a milk crate for a chair and her mother's recipe for Mexican-style gelatin.

From these modest beginnings, Maria, known as Lulu to her friends and customers, created a dessert company with sales of $12 million for 2000 and projected sales of $30 million for 2005. Today, this company, Lulu's Dessert, is expanding to markets around the world thanks to Sobrino's entrepreneurial spirit and the help of international trade specialists in Southern California.

In 1982, after a series of unsuccessful businesses both in her home of Mexico and in the United States, Sobrino decided to begin making snacks from her childhood, like jalapeno-flavored carrots and roasted peanuts and selling them from the storefront in Torrance. She met with little success during this period and even tried to expand her operation to Mexican sandwiches and baked goods. Finally, Sobrino found the solution to her business problem — the jiggly fruit-flavored taste treat known in Spanish as *gelatina*. With her product found, Lulu began to make 300 cups of fruity gelatin by hand every day in an attempt to sell the snack to local stores. Unfortunately, she was a pioneer in this market, with her biggest obstacle being the education of the consumer to the merits of individually packaged, pre-made gelatin. Sobrino, however, had an advantage. Unlike Jell-O, which at the time, only made gelatin in powdered form, Sobrino made gelatin that was ready-to-eat from the time that you bought it — a concept that Jell-O would not latch on to for another 11 years. Finally, Maria found a buyer — a small shop that allowed her to leave the gelatin on consignment. By the time she had returned home from her delivery route, all the *gelatina* had been sold and she was on her way to success.

FORAY INTO EXPORTING

Soon, Sobrino had a food broker, provided by Boys Markets grocery chain and with this new distribution, Lulu's Dessert began to expand, with new plants in Gardena and Huntington Beach, California. In 1990, she began to produce Fancy Fruit bars — frozen fruit bars with whole chunks of fruit in them. With this rapid growth, Maria decided to begin exploring the idea of exportation into foreign markets, especially Mexico, where fruit-flavored gelatin, which was often sold from carts on the streets of Mexico City, was well known to the consumer market. With her business education at the Universidad Nacional Autonoma de Mexico (UNAM) and previous experience in her own travel agency in

Photo courtesy of U.S. Commercial Service.

Under Secretary of Commerce, Grant Aldonas (center left), stands with Maria Sobrino (center) and the staff of the Newport Beach Export Assistance Center at the new production facility of Lulu's Dessert.

Mexico City, she was familiar with the Mexican business environment. Slowly, she began to accumulate contacts in export markets, but the process was often difficult and time-consuming.

She began exporting to Mexico in 1992 and opened offices and a distribution center, but despite her knowledge of the Mexican market, Sobrino faced great difficulty in selling her product due to her inexperience in the export process. Distribution and access to shelf space in grocery stores was often unreliable and expensive. Shipments of frozen fruit bars were often stuck in customs and because distribution in refrigerated trucks consolidated around the country was difficult, the losses to Sobrino were significant. Lulu was facing export challenges alone, selling on consignment and setting up her own distribution networks. With the nuances and pitfalls of exporting facing her, she met with hardship and frustration.

HELP FROM THE COMMERCE DEPARTMENT

One day, after reading an article about Sobrino in a local newspaper, Tony Michalski of the Newport Beach Export Assistance Center called her to see how he could help her realize her exporting goals. "I spoke with Maria and we immediately clicked," says Michalski. "I knew that Lulu's Dessert would be a good firm to work with because of their quality product, previous business experience and enthusiasm to export to foreign markets." Michalski and Sobrino began their partnership by making two crucial decisions. They first decided to target the United Kingdom and Mexico as initial export markets and secondly chose to focus more on exporting Fancy Fruit bars because of their longer shelf life.

With the help of people like Tony Michalski and other organizations such as the California Trade and Commerce Agency, Lulu's Dessert began to have greater success in foreign markets, especially in Mexico. Today, the company competes with local food manufacturers in Mexico, having contracts at grocery chains like Wal-Mart, Costco and Oxxo and an exclusive distributorship in the Mexican state of Baja California.

However, even with Michalski's help, Sobrino still found some difficulty with export markets, especially in the United Kingdom. New standards for dairy products entering the United Kingdom made it difficult for Lulu's Dessert to export cream-based frozen fruit bars to the British Isles, especially with the shipping costs from Southern California.

SWEET SUCCESS

Despite these problems, however, exporting has been extremely successful for Lulu's Dessert since Sobrino began receiving help from the Newport Beach Export Assistance Center. Recently, she met with Mexican President Vincente Fox and Mexican business leaders and distributors when they visited the United States for the Agricultural Trade Office (ATO). The ATO scheduled seven appointments with the largest supermarket chains in one day and Sobrino gave her presentations. "The ATO saved me time and money setting up these meetings for us in one day," said Sobrino. "I had the best support from the U.S. Department of Commerce and the buyers treat you in a very special way."

The successes of Lulu's Dessert in foreign markets have been boosted considerably by the assistance of the Western U.S. Agricultural Trade Association (WUSATA), which has provided money to Lulu's Dessert and other companies for marketing outside of the U.S. "I was not aware of WUSATA until the California Trade Office presented this opportunity to me a couple of years ago. These funds are giving us the opportunity to travel, participate in trade shows, create brochures targeted to overseas markets and be reimbursed a good percentage by WUSATA," Sobrino said.

The benefits of exporting have also allowed Lulu's Dessert to expand considerably. Recently, production was moved to a 64,000 square-foot plant in Vernon, California. According to Sobrino, the new facility will allow the company to grow 4 to 5 times in production capacity, employ more than 100 people and increase distribution in the U.S. and abroad. Recently, Commerce Under Secretary Grant Aldonas, along with several other officials, met with Sobrino at the plant. Aldonas toured the plant and observed the production and distribution facilities. This was a momentous event for both Sobrino and the Commerce Department, since it was one of Aldonas' first visits to a private enterprise after the beginning of the new administration. Lulu's Dessert has also considerably expanded its line of products, with baked flan having recently been introduced.

Today, Maria Sobrino has far-reaching goals for Lulu's Dessert, especially concerning the export of her gelatin and frozen fruit bar products. Recently, she hired Anthony Flores, who is Director of International Sales. She is also exploring markets in Canada, South America and even Korea. Another goal for Maria is the distribution of her gelatin products as snacks on flights for AeroMexico, Mexicana and Delta Airlines.

Currently, exporting accounts for 2 to 3 percent of Lulu's Dessert's total revenue, but with a greater production capacity, Lulu's is on a course for explosive growth, especially internationally. "Now, we don't make an export sale without consulting the Department of Commerce, the Export-Import Bank, or the SBA," says Sobrino. "We think that all the world deserves one of our treats."

THE NORTH AMERICAN FREE TRADE AGREEMENT

SEVEN YEARS OF SUCCESS

by Office of NAFTA and Inter-American Affairs,
Market Access and Compliance

In its first seven years, the North American Free Trade Agreement (NAFTA) has shown that it works for America by producing tremendous growth in trade and related benefits, including new jobs, for the United States and our two partners, Canada and Mexico. Let's look at some of the facts:

- With the advent of NAFTA, Mexico has grown to be our second largest trading partner, just behind Canada.

- Trade with our NAFTA partners is growing twice as fast as U.S. trade with the rest of the world and accounts for approximately one-third of all U.S. merchandise trade, exceeding trade with both the EU and Japan combined.

- We trade $1.8 billion a day with our NAFTA partners – that's $1.2 million a minute.

NAFTA has created the largest free trade area in the world — a thriving regional market of more than 411 million consumers producing more than $11 trillion worth of goods and services. The dismantling of trade barriers and the opening of markets have led to economic growth and rising prosperity in all three countries. Although the Agreement will not be fully implemented until 2008, already it is working to expand and protect U.S. exports to Canada and Mexico.

INCREASING MARKET ACCESS

NAFTA has leveled the playing field by creating fair and open markets for U.S. exporters. Today virtually all of our exports enter Canada duty-free. Nearly three-fourths enter Mexico duty-free – almost all manufactured exports will be duty-free in 2003. Prior to NAFTA, the average Mexican tariff on our exports was 10 percent - nearly five times the average U.S. tariff of 2 percent.

However, NAFTA, a comprehensive trade agreement, goes beyond tariff reductions. NAFTA's harmonized customs' procedures have helped facilitate the flow of goods across borders. Its rules of origin ensure the benefits of NAFTA are extended only to goods with a substantial percentage of input produced within the border of NAFTA countries. NAFTA addresses technical barriers to trade, clarifying basic rights and obligations. Likewise, the agreement has expanded opportunities for businesses to pursue government procurement contracts among NAFTA partners. NAFTA provides rules on investment that require non-discriminatory treatment to foreign investors. Its rules on services, such as telecommunications and financial services, have helped to increase access for consumers and ensure stability and growth in the markets. Rules for intellectual property rights have been enhanced to safeguard new works and technologies while stimulating creativity and competition.

CREATING PRODUCTIVE PARTNERSHIPS

Under NAFTA, producers are better able to realize their full potential by operating in a larger, more integrated and efficient North American economy. Manufacturers are able to access duty-free, high-quality intermediate goods from across North America in the production of final goods for export. Consumers benefit from this heightened competition and integrated marketplace with better prices, greater choice of products and higher-quality goods and services.

PROTECTING THE ENVIRONMENT AND RESPECTING BASIC LABOR STANDARDS

NAFTA recognizes the importance of protecting the environment for future generations and improving working conditions. With respect to the environment, the agreement has led to a remarkable improvement in our ability to protect public health, improve the quality of our air and water and protect habitat and wildlife. Specifically, the three NAFTA countries, through the Commission for Environmental Cooperation, have addressed issues related to the banning of dangerous chemicals, such as DDT, in North America; development of environmental management system guidelines for businesses; and a strategy to conserve wildlife and natural ecosystems in North America.

In addition, the United States and Mexico cooperate through the Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADBank) to develop and finance environmental infrastructure in the U.S.-Mexico border area. Since 1994, the institutions have been instrumental in the development of over 31 projects, now complete or under construction, with an aggregate cost of nearly $1 billion.

With respect to labor, the three NAFTA countries, through the Commission for Labor Cooperation, are seeking to improve working conditions and living standards and commit themselves to promoting basic labor standards in the three countries. In addition, we have established cooperative programs and technical exchanges on industrial relations, health and safety, child labor, gender and migrant worker issues.

PROVIDING REAL BENEFITS

NAFTA has provided tremendous benefits for American, Mexican and Canadian businesses. For example, NAFTA has been a huge success for Kodak, with exports to Mexico quadrupling since NAFTA was signed, from $115 million in 1993 to over $450 million in 2000. Over the last five years, exports from the U.S. to Mexico have grown four times faster than overall Kodak U.S. exports. NAFTA has also had a positive effect on U.S. employment at Kodak. Since exports no longer face steep tariffs when entering Mexico, Kodak was able to transfer a high-cost sensitizing operation from Mexico to Rochester, New York, creating U.S. jobs, increasing efficiency, lowering costs and improving quality.

More broadly, the value of textile and apparel exports to Mexico and Canada has doubled under NAFTA, reaching nearly $10 billion last year. Exports of American-made cars to Mexico have increased more than 1,000 percent. These exports support real jobs for real Americans. In the seven years since NAFTA's implementation, our exports to Mexico and Canada now support 2.9 million American jobs – 900,000 more than in 1993. Such jobs pay wages that are 13 to 18 percent higher than the average American wage.

IMPLEMENTING THE AGREEMENT

Institutionally, the implementation of NAFTA is directed by the Free Trade Commission, chaired jointly by the trade ministers from each country. The Commission oversees the more than twenty-five committees and working groups, which are working toward full implementation of NAFTA by 2008. Tasked with day-to-day management of NAFTA work program, these groups provide a forum for early discussion of contentious issues. If no mutually acceptable solution can be found, NAFTA provides for expeditious and effective dispute settlement procedures.

BEYOND NAFTA

Seven years later, NAFTA's record is very positive. It has created the opportunities that allow our people to create jobs and raise living standards, dramatically expanded trade and investment and shielded our continent from the worst effects of global crises. And it has helped us work more closely than ever before to protect our natural heritage, improve public health and advance the rights of workers. And, as it has achieved these specific tasks, it has served the fundamental strategic interest we all have in preserving the peaceful, cooperative relationship between the countries, which share the North American continent.

NAFTA's tremendous success underscores the importance of expanding free trade throughout the hemisphere – and the world. The Free Trade Area of the Americas (FTAA) is on the administration's short list of trade priorities. Once completed in 2005, the FTAA will create an open market of 800 million consumers and a combined GDP exceeding $12.5 trillion. The FTAA will give U.S. exporters much broader access to markets throughout the hemisphere.

We are also negotiating free trade agreements with Chile and Singapore, seeking to knock down barriers to U.S. exporters and working with all WTO members to ensure a successful launch of a new round of global trade negotiations in Doha in November. Such trade agreements will further stimulate innovation and opportunity for U.S. exporters, add to the income and savings of American families and encourage sound economic and environmental policies among our partners.

MORE INFORMATION ON NAFTA

Commerce NAFTA site – www.mac.doc.gov/nafta

Council of the Americas NAFTA state reports - www.counciloftheamericas.org/committees/naftastudies.htm

Trade Information Center– http://tradeinfo.doc.gov

ENFORCING COMPLIANCE WITH OUR TRADE AGREEMENTS

by William H. Lash, III,

Assistant Secretary, Market Access and Compliance

The trade agreements concluded by the United States have opened markets around the world and created new opportunities and new benefits for U.S. exporters. The Administration works with Congress to ensure that American businesses, farmers and workers receive the full benefits of these agreements we have negotiated with our trading partners. Commerce Secretary Donald Evans has made compliance and enforcement the highest priority for all units within the International Trade Administration (ITA) and has emphasized solving problems and getting results.

"I HAVE MADE COMPLIANCE AND ENFORCEMENT THE HIGHEST PRIORITY FOR ALL THE UNITS WITHIN THE INTERNATIONAL TRADE ADMINISTRATION."

— DONALD L. EVANS, SECRETARY OF COMMERCE
(TESTIMONY BEFORE THE U.S. SENATE COMMERCE COMMITTEE AUGUST 1, 2001)

While all parts of the Department within ITA are involved in this effort, Market Access and Compliance (MAC) unit is responsible for spearheading the Department's compliance efforts. MAC's overriding objectives are to obtain market access for American firms and workers and to achieve full compliance by foreign nations with trade agreements they sign with our country.

Within MAC, the Trade Compliance Center (TCC) is the U.S. Government's one-stop-shop for U.S. businesses concerned with foreign compliance with trade obligations or problems in exporting to overseas markets. The TCC maintains the Department's "Trade Complaint Hotline," a service that allows U.S. exporters, especially small and medium-sized firms, to request federal government assistant in resolving market access and agreement-related difficulties.

The Department's compliance program involves monitoring—actively searching for instances in which foreign countries may not be living up to their trade obligations; compliance action—coordinating Commerce resources to solve the problems that are identified with calls, letters and meetings at all government levels; and outreach—helping U.S. firms and workers know their rights and opportunities under U.S. trade agreements.

The first step in ensuring compliance is to identify the problems with foreign implementation of agreements. The Department uses many government and private sources as "nets" to actively search for problems. The TCC established a Compliance Liaison Program, a public/private partnership of trade associations and local business export councils to facilitate communication and prompt action on compliance issues. As one of his first actions in office, Secretary Evans expanded this effort and asked all members of Congress to identify a staff person to work with the Compliance Team to refer constituent market access or compliance problems.

In addition to these outside sources of trade complaints, we also learn about potential problems from all different parts of the Department, including a worldwide network of 160 international offices in 85 countries and 105 Export Assistance Centers throughout the United States, our industry and country desks and trade agreement specialists. Embassy reporting and information from the U.S. Trade Representative (USTR) and other agencies are also used.

Once a compliance problem is identified, a team from all parts of the organization will address the problem, comprising all appropriate ITA country, industry, functional and legal experts as well as experts from other agencies as appropriate. The compliance team analyzes the problem, examines the provisions of relevant trade agreements, consults with appropriate interagency staff and develops a strategy to resolve the complaint. These compliance advocacy efforts include letters, phone calls and meetings between Departmental and foreign government officials—beginning at the staff level and working up to the Secretary as needed.

Compliance Coordinators meet biweekly and include representatives from all relevant Commerce Department agencies, to promote the sharing of their expertise on compliance issues facing the Department and American exporters. For example, the National Institute of Standards and Technology, for example, may help ITA analyze whether a country is abiding by the WTO Agreement on Technical Barriers to Trade when it proposes a new standard or a testing and certification requirement that affects U.S. exporters. Similarly, the Patent and Trademark Office assists ITA in determining whether the actions of certain countries are consistent with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. ITA and the National Telecommunications and Information Administration (NTIA) work together to promote pro-competitive regulatory environments in foreign telecommunications markets, including monitoring and enforcement of commitments made in the WTO Agreement on Basic Telecommunications Services. ITA relies on NTIA for its expertise on the telecommunications policy in the United States so that these principles can be effectively advocated with foreign governments.

This approach is designed to resolve problems more quickly by focusing resources on the problem and having the foreign country come into compliance voluntarily, saving the time and effort required in formal dispute settlement. When compliance cannot be achieved voluntarily, ITA works with USTR's Enforcement Office to bring cases under WTO or NAFTA dispute settlement or under other provisions of U.S. trade law.

Commerce's Trade Compliance program has been successful in this approach. For example, in May, the Department helped a Virginia company referred by Senator George Allen's office to gain access to the Canadian market for agricultural equipment. In June, after inquiries initiated by Commerce's Compliance Team, Taiwan announced that it would recognize National Marine Manufacturing Association certification for U.S. recreational watercraft exported to Taiwan. U.S. companies can now sell pleasure boats to Taiwan without having to undergo additional and costly inspections and will no longer be required to make modifications to their boats to meet Taiwan-specific requirements. In another case, the European Commission recently agreed to modify its proposal for a motorcycle driving license directive, removing an engine size restriction, which would have severely limited U.S. exports of motorcycles to the European Union, the largest foreign market for U.S. motorcycle exports.

The Compliance program also engages in extensive outreach activities to help U.S. firms and workers know their rights and opportunities under trade agreements—helping them use these benefits to build their exports and investments. In addition to the interactive Trade Complaint Hotline where U.S. businesses can register their complaints online, the "TCC On-Line" web site, www.mac.doc.gov/tcc, serves as a resource to help American exporters facing foreign trade barriers. This free service contains a comprehensive, fully searchable database of nearly 300 bilateral and multilateral trade agreements, U.S. exporter guides and Market Monitor News, as well as information on proposed foreign technical regulations and government procurement opportunities. For further information, visit the web site at www.mac.doc.gov/tcc or call the Center at 202-482-1191.

COORDINATED EFFORTS

HARLEY DAVIDSON SUCCESS

As a result of coordinated efforts between Harley-Davidson and U.S. Department of Commerce officials in Brussels and Washington, DC, the European Commission removed an engine size restriction in its proposed EU Motorcycle Driving License Directive, which would have severely limited U.S. exports of motorcycles to the European Union. Under the WTO Agreement on Technical Barriers to Trade, government regulations should be implemented in a way that is least disruptive to trade while still meeting the country's public welfare objectives. The government-industry team working with the Association of European Motorcycle Manufacturers was successful in convincing the Commission that it could achieve its desired safety objective without the engine size limitation that it had proposed. According to Harley-Davidson chairman Jeffrey Bleustein, "Had this limitation remained, it would have made it much more difficult for new riders to own a Harley in the EU, which is by far our largest market outside the United States."


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THE IMPORTANCE OF TRADE PROMOTION AUTHORITY TO SMALL BUSINESS

by Grant D. Aldonas,
Under Secretary for International Trade

More than 25 million small businesses in America employ over half of the country's private workforce, create three of every four new jobs and account for most of American innovation. Small and medium-sized firms are among the many benefactors of liberalized markets, contrary to critics who assert that trade only benefits larger corporations. Additionally, these smaller companies engaged in international trade are more stable, achieve higher growth rates and provide jobs paying higher than average wages than firms not engaged in trade.

Over the last decade, while the United States was negotiating and implementing the North American Free Trade Agreement (NAFTA) and the Uruguay Round, the U.S. economy achieved the highest rate of sustained economic growth we have seen in a generation while inflation and unemployment fell to their lowest sustained levels since the 1960's.

Between 1987 and 1999, America's manufacturing sector maintained its share of GDP, holding steady at slightly over 17 percent. But between 1992 and 2000, while NAFTA and the Uruguay Round were opening new markets for our exporters, the overall economy grew by 34 percent and manufacturing output outpaced that growth, increasing by 54 percent. Productivity in manufacturing has grown at an average rate of 4.1 percent during the current business cycle and it accelerated to a 5.2 percent pace in 1996-2000. And growth in productivity is the key to growth in real wages.

But did trade hurt the American worker during the last decade? Let's look at the facts. The U.S. economy created more than 20 million new jobs since the early 1990s. Since 1995, total U.S. private sector productivity has increased 2.5 percent a year and real wages are up. Exports supported some 12 million U.S. jobs this past year. Workers in jobs supported by these exports receive wages 13 to 18 percent higher than the national average. The facts speak for themselves.

Nearly 97 percent of U.S. merchandise exporters are small and medium-sized companies. Their exports accounted for $161.7 billion in 1998, or 29 percent of the total dollar value of our exports that we can trace back to specific companies. Companies with fewer than 20 employees made up more than two-thirds of all U.S. exporting firms in 1999.

Please bear in mind that these figures count only firms that export goods directly and do not include suppliers whose inputs are exported in final products or services. While we do not have an exact count of such "indirect exporters," companies like CaseNewHolland, Inc. and Boeing have reported that their suppliers number in the hundreds. For example, one Case IH MX Magnum tractor has nearly 200 companies in 27 states, representing about 75,000 other jobs, all providing parts for a tractor that is exported from the CaseNewHolland plant in Racine, Wisconsin.

This evidence suggests that the critics are incorrect: liberalized trade is a boon to the small U.S. manufacturers, which benefit from a greater supply of inputs at lower prices, enabling them to remain globally competitive. More importantly, lowering trade barriers abroad helps small business exporters more than large companies in one fundamental way: large companies benefit from economies of scale and have the resources either to export or to invest abroad on the other side of trade barriers erected by foreign governments; small businesses generally only have one option — to export. What that means in practical terms is that the more we lower trade barriers abroad, the more we benefit small businesses relative to their larger competitors for foreign markets.

A recent study by Robert Stern at the Gerald R. Ford School of Public Policy at the University of Michigan underscores that point. Professor Stern estimates that a one-third reduction in global barriers to trade in agriculture, services and manufacturing would boost the size of the world economy by $613 billion, the equivalent of an economy the size of Canada. Eliminating all global trade barriers would add $1.9 trillion to the global economy, the equivalent of adding two Chinas. Those are markets that would be open to our small businesses. And our small businesses are ready to take advantage of the markets we open for them.

Trade liberalization would help the small and medium-sized businesses achieve greater market access in international markets. Given that a percent of all small business exporters posted sales to only one foreign market in 1999, this would be a welcome change. Currently, Canada and Mexico account for more than one-third of total exports from small businesses. This is due to both proximity and to the benefits brought about by NAFTA. New free trade agreements would streamline and facilitate the export process, enabling small businesses to take full advantage of new markets and opportunities.

Let me give you a few examples of how our small exporters have taken advantage of NAFTA.

- Die Tech Industries of Providence, Rhode Island, has increased its exports of die casting machinery to Mexico dramatically as a result of NAFTA. The company touts improved customs procedures under the NAFTA and increased competitiveness vis-a-vis its competitors in Mexico as the reason for their success.

- Enviro Marine of Greenville, South Carolina, is a small manufacturer of absorbent and bio-remediation devices used to prevent pollution. As a result of NAFTA, the company has successfully entered the Canadian market and has located a distributor in two cities. The company also plans to further increase its exports to Canada and other world markets. But before doing so, Enviro Marine — like many other companies — first determines the success of the bilateral trade relationship and the existence of trade agreements.

- Sioux Steam Cleaner Corporation of Beresford, South Dakota, exports industrial cleaning equipment duty-free to Canada and Mexico as a result of NAFTA. In 1999, the company expanded its operations by adding six new distributing locations in Canada and its first distributor in Mexico. In addition, as a result of NAFTA, three of Sioux Steam's U.S. distributors have been able to break into the Mexican market for the first time. Sioux Steam's management feels strongly that the elimination of duties under NAFTA has given the company an advantage over its competitors.

It is not just manufacturing industries that benefit from trade, but services as well. Small firms comprise most of the U.S. service sector and I'd like to point out that global services trade was valued at $1.4 trillion in 1999. We estimate that some $293 billion in U.S. services exports supported several million jobs in 2000, up significantly from 1992 when service exports totalled $177 billion. We have only taken the first steps in services trade liberalization – the General Agreement on Trade in Services, or GATS, was the very first attempt to open the global services market. Services are subject to laws, regulations and other measures that can impede international transactions, so small business services providers will achieve significant benefits from clear, enforceable international services rules. This points to why we needs a renewal of the Trade Promotion Authority.

It is often stated that we do not need Trade Promotion Authority until an agreement is concluded and Congress has voted on its implementation. What that argument ignores is the fundamental role that Congress was intended to play in setting our trade policies under the Constitution.

REAL PEOPLE, REAL TRADE

MIDWESTERN MANUFACTURING COMPANY, INC. (WWW.SIDEBOOMS.COM)

Midwestern Manufacturing Company, Inc. was founded over 50 years ago. They are a leading manufacturer of hydraulically-operated sidebooms for the pipeline construction and railroad derailment industries. During its long and successful operation, Midwestern has manufactured over 40 percent of the total number of sidebooms that are in operation throughout the world.

Since 1997, Midwestern has been successful in many countries, e.g. Brazil, Ecuador, China, Dubai, Canada, France, Mexico, and Indonesia. They are currently involved in discussion for additional distribution in South America and the Caspian Sea area. In 1997, their export sales were about 39 percent of total sales. In 1998, export sales were 85 percent of total sales; and, in 1998, export sales were up 118 percent over 1997.

In fact, what Trade Promotion Authority really provides is a vehicle to ensure that the Congress and the President have agreed on our objectives and on how they will work together to achieve them. President Bush recently observed that, "Free trade agreements are being negotiated all over the world and we're not party to them." There are more than 130 preferential trade agreements in the world today. The United States belongs to only two. The President's point is that we have to get off the sidelines and back into the game and Trade Promotion Authority is essential to that effort.

That explains the "what" of Trade Promotion Authority, but it does not explain the "why." The "why" is that our inaction hurts American small businesses and the workers they employ as they find their goods and services shut out of markets by the many preferential trade and investment agreements negotiated by our trading partners. When the President laid out his international trade legislative agenda in May, he identified the specific trade negotiating objectives he intends to pursue in order to advance America's interests.

First, the President intends to eliminate tariffs and other barriers that impede U.S. exports of goods, services, investment and ideas. We seek to ensure, through bilateral, regional and multilateral negotiations, that other countries' markets are as free and open as our own. In fact, we need to continue work to re-establish the situation that prevailed in world trade at the end of World War I, when three out of every four dollars of goods entering the United States arrived duty free. In the trade-restrictive decades thereafter, free trade declined to the point that, by the early 1970s, only about one out of every three dollars of U.S. imports arrived duty free.

The President also intends to focus on dismantling barriers to exports of U.S. services, which make up the largest sector of the U.S. economy and, as I mentioned earlier, small firms comprise most of the U.S. service sector. We will pursue this agenda in the new round of negotiations in the WTO.

The third element of our strategy is to support export promotion activities to "fill in" behind our negotiations. For our economy to fully benefit from new market openings, we need to expand the base of exporters — and that means increasing the number of small businesses that export.

That, in fact, is the element that has been missing in our trade promotion efforts to date. Small businesses, in particular, need to get information, expertise, support and financing to do the deals. This requires the coordinated effort of all of the federal agencies involved in export promotion. ITA's array of programs and services, ranging from information to hands-on assistance, help SMEs through every stage of the export process. (see box)

EXPORT PROMOTION SERVICES

- Trade Information Center (TIC), for counseling via phone on 1-800-USA-TRAD(E) hotline.
- The U.S. Commercial Service provides one-on-one assistance and export counseling to identify best markets and potential buyers or business partners, arrange overseas meetings and obtain customized market analysis via its world-wide network of officers posted in 160 locations in 85 countries. Additionally, there are 105 U.S. Export Assistance Centers (USEACs) throughout the nation. (See back cover for listing)
- The Trade Compliance Center (TCC), helps U.S. exporters facing tradebarriers and ensures that foreign countries comply with their trade commitments.

These resources and others are available through Export.gov, a single, customer-focused website designed to help U.S. exporters quickly assess their needs and find all U.S. Government export-related information online.

In addition, the President intends to preserve our ability to combat unfair trade practices. That means vigorously enforcing our trade laws, not as an end in itself, but as a means of pursuing the elimination of the unfair trade practices that limit economic opportunity. It also means ensuring that U.S. rights under trade agreements are secure so that our farmers, workers, businesses and consumers get the benefit of the bargain that our negotiators reach at the table. In discussing a potential new round with our trading partners, we have made abundantly clear that we oppose any weakening of WTO trade remedy rules.

I believe we also need to work to reduce or eliminate barriers in overseas markets to U.S. foreign investment. Foreign direct investment has a positive impact in promoting U.S. exports and our investment regime is already among the most open in the world. The benefits of an open investment regime are truly win-win.

We must make the needs of small business a priority as we draft our negotiating objectives. While small businesses benefit significantly from the lowering of tariff barriers and other restraints, they also have the strongest interest in the elimination of the red tape that often hinders our exports. That's why small manufacturers are interested in achieving additional progress on the harmonization of standards and burdensome customs procedures. We and most other WTO members seek negotiations in trade facilitation — which helps to resolve customs procedures and related transparency issues — to benefit small business.

USING TRADE PROMOTION AUTHORITY TO REDUCE NON-TARIFF BARRIERS

by Linda M. Conlin,
Assistant Secretary, Trade Development

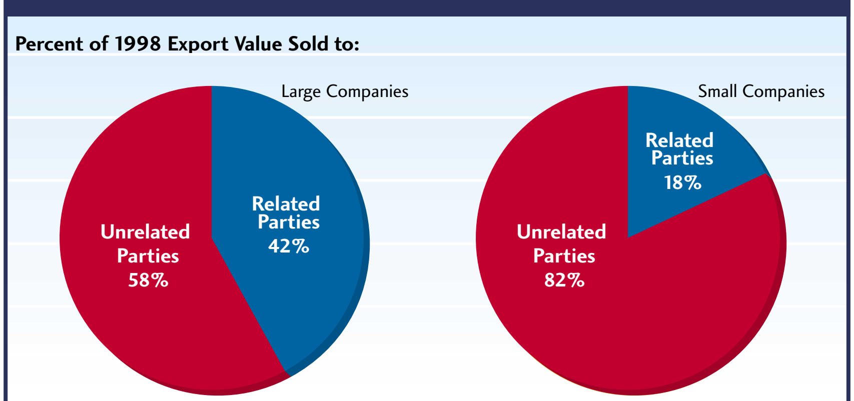
As a former executive in a family-owned business, I know only too well the day-to-day difficulties of small businesses. That is why I look forward to working with Under Secretary Grant Aldonas making small business concerns a priority for the International Trade Administration. Negotiating with our trade partners to lower non-tariff measures will be a tremendous help to all U.S. industries, but especially small businesses that simply do not have the resources to overcome these barriers to trade. The task of removing the barriers will be facilitated by Congressional approval of Trade Promotion Authority.

Trade Promotion Authority will give the Administration the leverage and credibility it needs to work to reduce non-tariff barriers to trade that hinder so many U.S. exporters. Complicated and restrictive non-tariff measures are one of the main reasons why many businesses do not pursue export markets as aggressively as they could. Non-tariff measures, as the name suggests, are barriers other than tariffs that restrict international trade. In many cases, governments implement non-tariff measures in order to protect domestic producers from foreign competition. For example, import quotas restrict the amount of U.S. goods that can be brought into a foreign country. In other cases, the measures are imposed for non-trade purposes but still have a chilling effect on U.S. exports. Examples of this type of measure are national product standards that ignore internationally accepted standards and scientific studies. Since these measures are often non-transparent and confusing, many U.S. exporters are surprised when their products are stopped at the border. Some examples of non-tariff measures include:

- Excessive testing, certification or product requirements;
- Excessive documentation requirements;
- Non-transparent regulatory processes;
- Restrictions against the ability of U.S. service providers to station essential personnel in foreign countries;
- Inadequate patent, copyright and trademark processes that fail to protect U.S. rights on such items are music CDs, software, books and company logos.

Unlike large companies, small and medium businesses generally are unable to devote significant resources

ONLY A SMALL SHARE OF EXPORTS FROM SMALL AND MEDIUM-SIZED ENTERPRISES ARE SOLD TO RELATED PARTIES



The Known Value of Merchandise Exports in 1998 was $554 billion
Definitions: Small and medium-sized enterprises (SMEs) have fewer than 500 employees. Large firms have 500 or more employees.
Note: Figures include only identifiable or "known" exporters — i.e., exports that can be linked to individual companies using information on U.S. export declarations. Source: 1998 Exporter Data Base, U.S. Department of Commerce.

to address global trade barriers. For example, large companies typically have offshore-related parties which not only account for the bulk of their overseas sales (see charts) but also help the parent company overcome non-tariff measures. Approximately 42 percent of large companies' exports go to related companies, in contrast to only 18 percent of small companies' exports. Small and medium businesses therefore have greater difficulty maneuvering around non-tariff measures that hinder exports in most sectors. Some specific non-tariff measures faced by the service, information technology, pharmaceutical and environmental technology industries are set out below.

SERVICES

Non-tariff measures in the services sector are as unpredictable as they are costly. As the largest component of the U.S. economy, services account for 28 percent of U.S. exports and totaled $293 billion in 2000. From telecommunications to finance to energy, nontransparent government regulation is an important barrier in foreign markets. Common barriers to services trade include market entry quotas, limitations on joint venture ownership, restrictions on foreign personnel and discriminatory government procurement practices. Many countries also have state-sponsored monopolies on the provision of such key services as telecommunications. In order to comply with the governmental restrictions, companies may face large time delays and administrative expenses that are especially cumbersome for smaller businesses. Small firms comprise the majority of the U.S. services sector and will benefit from clear, enforceable international services rules. The new round of global services trade negotiations now underway in the World Trade Organization will help improve market access for U.S. service providers.

INFORMATION TECHNOLOGY

While tariffs on many Information Technology products for most major markets have been eliminated as a result of the Information Technology Agreement, foreign non-tariff measures remain and are a growing cause for concern for this crucial component of the U.S. economy. With $134 billion in exports in 2000, the Information Technology sector contributed approximately one-third of real U.S. GDP growth from 1997 to 2000. Market access is limited by non-tariff measures that include local content requirements, technology transfer and duplicative or discriminatory certification requirements. Although the vast majority of information technology firms are small and medium companies, only a fraction of them are willing or able to establish foreign production facilities that would satisfy the local content or technology transfer requirements. The world market for Information Technology products is expected to grow as organizations invest to take advantage of the internet and e-commerce. Negotiating reductions to cumbersome non-tariff measures will help U.S. exports in this industry to grow as well.

PHARMACEUTICALS

The U.S. pharmaceutical industry is also severely threatened by non-tariff measures, most notably by the lack of intellectual property right protection in many countries. Additional barriers include restrictive registration requirements and government price, profit and volume controls. Although the United States exported nearly $13 billion in 2000—a 77 percent increase from 1996 levels—non-tariff measures are estimated to cost U.S. pharmaceutical companies $9 billion annually. The burden of these costs rests with the small and medium businesses that comprise 80 percent of the sector's exporters. The world pharmaceutical market grew 11 percent in 1999, with sales reaching approximately $337 billion. Annual growth is expected to be about 8 percent over the next five years. Latin America, a region where U.S. companies have long been

AVAILABLE REPORTS

INDUSTRY SECTOR REPORTS AVAILABLE ON WWW.TPA.GOV

- Agricultural Equipment
- Chemicals
- Civil Aircraft
- Coal and Energy Related Equipment
- Construction Equipment
- Distilled Spirits
- Environmental Technology
- Furniture
- Gems and Jewelry
- Household Appliances
- Industrial Machinery
- Information Technology
- Medical Equipment
- Metals
- Motor Vehicle Parts
- Paper and Paper Products
- Pharmaceutical Products
- Scientific Equipment
- Services
- Textile and Apparel
- Toys and Games
- Wood and Wood Products

TRUTHS ABOUT TRADE

- Exports account for over one fourth of our country's economic growth.
- Trade Promotion Authority is needed to break foreign trade barriers and create new markets and jobs.
- From 1974 through 1994 Congress granted every President—both Democrat and Republican – this type of authority.
- Over 130 bi-lateral and regional free trade agreements exist today. The United States is only party to two of them—NAFTA and U.S.-Israel FTA.
- NAFTA and Uruguay Round combined have increased the income of the United States by nearly $60 billion per year.
- Approximately $6 million in agriculture products such as grains, cotton, meats, and vegetables are consigned for export each day.
- Agriculture exports create nearly a million jobs and generate over $100 billion in business activity per year.
- Over one third of agriculture sales result from exports. During FY '00, $51 billion in agriculture goods were exported and $39 billion were imported, creating an agriculture trade surplus of $12 billion.
- Small and medium sized businesses (less than 500 employees) account for nearly 30% of all US goods that are exported.
- More than 50% of businesses that export have expanded their business and increased their product line over the past year.
- The value of small business exports increased by over 300% in the last five years.

hampered by non-tariff measures, accounts for about 8 percent of world pharmaceutical sales. The Free Trade Agreement of the Americas negotiations will help open the doors to U.S. exporters for this lucrative market.

ENVIRONMENTAL TECHNOLOGY PRODUCTS

This sector is also subjected to a variety of non-tariff barriers including restrictive technical standards, labeling, packaging and documentation requirements; local government procurement requirements and contracting procedures; and restrictions on professional services, investment and foreign ownership. United States exports of environmental technology products totaled $28.5 billion in 2000. Exports account for 11 percent of the total revenue of the U.S. environmental industry and support some 145,000 U.S. jobs. The U.S. environmental technologies industry accounted for $196 billion in revenues in 1999, nearly 30 percent of which was generated by small and medium sized companies. The World Trade Organization and Free Trade Area of the Americas negotiations will allow more U.S. firms to gain increased access to key markets, particularly in emerging economies, where demand for environmental technologies is rapidly expanding. Our trade liberalization with Mexico serves as an excellent example of expanded opportunities for the industry. United States environmental exports to Mexico grew by 385 percent between 1993 and 2000, due primarily to the increased growth generated by North American Free Trade Agreement.

STRENGTHENING THE ADMINISTRATION'S BATTLE AGAINST NON-TARIFF MEASURES

Trade Promotion Authority will help the United States close out negotiations on free trade agreements with Chile and Singapore and will help build momentum in support of the Free Trade Area of the Americas as well as the launch of a new round of global trade negotiations. In all of these bilateral and multilateral fora, the Administration is working hard to reduce barriers to U.S. exporters. To promote a global, regional and bilateral trade agenda and negotiate the best possible deals, the Executive branch needs as much negotiating leverage as possible. In the past, Presidential trade authority was used to reduce key non-tariff barriers in such areas as investment, intellectual property rights, standards and licensing. However, there is still more work to be done. Trade Promotion Authority will strengthen the U.S. position in trade negotiations and help complete trade agreements, by making clear to our trading partners that the Executive branch and the Congress agree on the need to move forward on trade liberalization. ■

WHAT'S LEFT FOR THE NEW MILLENNIUM?

AN ANALYSIS OF REMAINING TARIFF BARRIERS TO U.S. EXPORTS

by Brinton Bohling,
Office of Trade and Economic Analysis, Trade Development

Although tariffs worldwide have decreased as a result of multilateral trade negotiations, industrial tariffs especially in the developing world are a significant and lingering barrier to free trade and U.S. exports. This presents a mounting problem to U.S. firms interested in accessing new markets abroad. While trade among advanced economies still accounts for the majority of international trade, world economic growth has been faster in developing economies. A new World Trade Organization (WTO) round of tariff negotiations is vital to expand U.S. access to developing member markets.

INDUSTRIAL TARIFFS BELONG ON THE AGENDA FOR A NEW ROUND

At present, the WTO's built-in agenda provides for talks in services and agriculture. While these issues are important for the United States, the nation is also competitive in a host of industrial products. Industrial tariffs remain a prominent piece of unfinished business for the multilateral trading system. Talks in Qatar offer an opportunity for the United States and other WTO members to address these remaining barriers to trade.

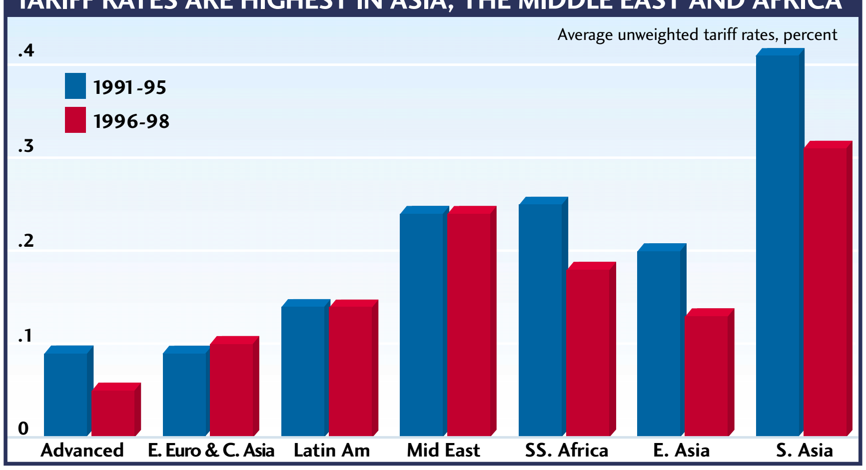
TARIFF BARRIERS AROUND THE GLOBE

The negotiation of the General Agreement of Tariffs and Trade (GATT) created a downward trend in tariff rates spanning five decades. However, this trend is not uniform among developing countries. For example, tariffs in Asia dropped following the Uruguay Round of trade negotiations, but are sometimes four times the rates in advanced economies. Applied average tariffs between 1995 and 1998 in Latin America and the Middle East remained relatively unchanged compared to the previous five years. Over this same period, applied tariffs in the developing world fell from 19.5 to 15.6, while tariffs in advanced economies were reduced significantly from an average of 9.2 percent to 5.2 percent, according to the World Bank.

As the global trading system enters the new millennium, tariff barriers among WTO members tend to be concentrated in developing countries. For example, import tariffs in developing economies on motor vehicles and textiles are applied at more than double the rate, on average, of advanced economies. Although tariffs tend to be lower on chemicals and industrial machinery, developing countries apply duties on these products at rates between two to four times higher on average than advanced economies.

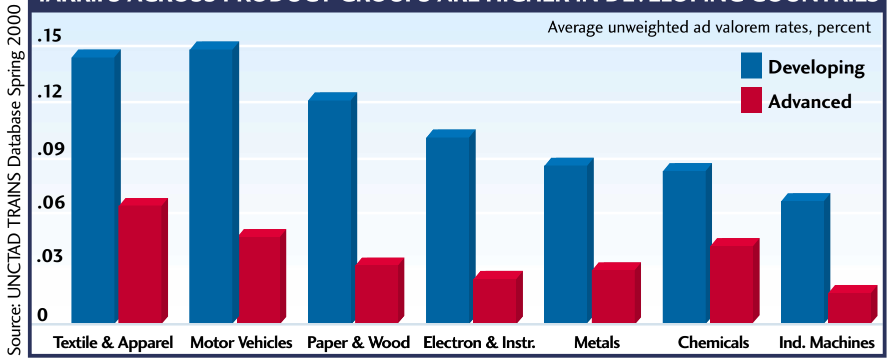
One common misperception is that tariff barriers are high only among non-WTO countries. While it is true that applicant countries joining the

TARIFF RATES ARE HIGHEST IN ASIA, THE MIDDLE EAST AND AFRICA



Source: World Bank, Leveraging Trade for Development, April 2001

TARRIFS ACROSS PRODUCT GROUPS ARE HIGHER IN DEVELOPING COUNTRIES



WTO typically reduce high tariff barriers as a condition of membership, there are a number of developing WTO members who joined under GATT rules, which were less rigorous than the current WTO accession process. As a result, many of these countries still maintain high tariffs.

PROGRESS IN LIBERALIZING TRADE THROUGH MULTILATERAL ROUNDS AND SECTORAL AGREEMENTS

U.S. exporters have benefited from expanded market access as a result of the Uruguay Round of trade negotiations. The share of U.S. exports going to charter WTO members has increased since the round concluded. Merchandise exports to WTO members, according to data from the U.S. Census Bureau, account for 92 percent of U.S. exports to the world.

There have also been a number of sectoral agreements that the U.S. and other participating countries have negotiated to guarantee reduced duties and improved market access for particular product groups. The United States negotiated with other participating WTO members for the elimination of duties on 10 product groupings: agricultural equipment, beer, brown spirits, construction equipment, furniture, medical equipment, pharmaceuticals, paper, steel and toys. In addition, some participating WTO members agreed to reduce tariff levels to an agreed-upon rate for chemical products. Based on the value of U.S. domestic exports of the products covered by the sectoral agreement to countries that have joined the WTO or "significantly participated" in the initiative, exports of these products from the United States totaled $95 billion dollars or 13 percent of total merchandise exports in 2000.

Sectoral negotiations during the Uruguay Round tended to focus on the largest traders and consumers of these goods. The United States, the EU, Canada, Japan, Hong Kong and Singapore joined all initiatives. Korea, Norway, Switzerland, Iceland, Hungary and New Zealand joined only some of the sectoral initiatives. Participation among developing countries in these sectoral agreements was less comprehensive when compared to that of advanced economies. Although two-thirds of international trade is among advanced economies, the World Economic Outlook Database notes that the fastest growing economies are concentrated in the developing world. This fact suggests the increasing importance of expanding participation in tariff elimination to a wider group of developing economies.

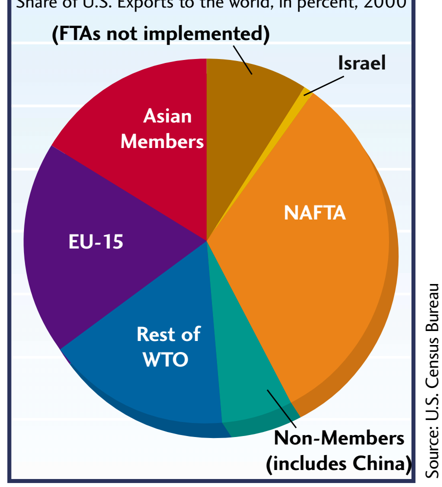
The United States and other major aircraft exporters also developed one of the original sectoral initiatives known as the Agreement on Trade in Civil Aircraft (ATCA). The agreement went into force in 1980 and combines duty elimination with trade rules addressing aircraft production, subsides and procurement. U.S. exports of civil aircraft and parts in 2000, totaled $45 billion, $28 billion of which was shipped to ATCA signatory countries. Twenty-five countries and all major producers of civil aircraft, excluding recent accession countries, have signed this agreement.

In July 1997, the United States and twenty-nine other countries implemented an initiative to eliminate duties on computer, electronic and telecommunication products through a mechanism known as the Information Technology Agreement (ITA). To date, fifty-six parties have signed this agreement to eliminate duties on most information technology products by 2000 with all duties removed by 2005.

According to a 1999 annual report on ITA, trade in information technology goods among signatory nations cover 95 percent of global trade in these products. U.S. exports of ITA products to all countries accounted for $110 billion or 15 percent of total U.S. exports in 2000. U.S. exports to ITA signatory countries—with the exception of Canada—in 2000 totaled $89 billion. The highest tariffs in these goods are found in Africa, Asia and Latin America. Argentina and Brazil apply tariffs as high as 31 percent on automatic data processing machines (HS 8471).

CURRENT U.S. FREE TRADE AGREEMENTS COVER OVER A THIRD OF U.S. EXPORTS

Share of U.S. Exports to the world, in percent, 2000



STATUS OF NEGOTIATIONS, COVERAGE AND IMPACT OF U.S. FTAS

The value and destination of U.S. exports is one measure to consider when targeting negotiation efforts. According to the U.S. Census Bureau, the two U.S. free trade agreements in force, NAFTA and U.S.-Israel, covered 37 percent of total U.S. exports in 2000. As NAFTA tariff phase-outs have been implemented, the share of trade among NAFTA partners has been rising. United States FTAs under negotiation or awaiting ratification (i.e. the FTAA, U.S.-Chile, U.S.-Singapore and U.S.-Jordan) would account for an additional 10 percent of total U.S. exports. In all, U.S. FTAs negotiated or under negotiation would account for 47 percent of U.S. exports.

Altogether, current sectoral initiatives and free trade agreements secure duty-free access—defined, as the value of domestic exports in 2000 to NAFTA and Israel, exports to participants of ITA, ATCA and Uruguay Round zero duty secorals—for the majority of U.S. exports. Although this fact is impressive, focusing exclusively on export coverage of trade agreements may be misleading. For example, if all countries except Canada and Mexico raised prohibitively high tariff barriers, which discouraged all U.S. exports, NAFTA might account for 100 percent of exports. Hence, the number of exports covered by specific trade agreements should not signal a pause in negotiation efforts.

Another indicator of trade agreement coverage is gross domestic product—the total value of consumption and production in an economic area. If gross domestic product were used to measure coverage of exports by U.S. FTAs, current U.S. agreements implemented or negotiated would account for six percent of world gross domestic product outside of U.S. borders. Based on the purchasing power parity shares of world Gross Domestic Product for 1999, adding the FTAA would more than double the figure to 14 percent of GDP outside of the United States. In light of this fact, U.S. efforts to negotiate an FTA in the Americas would be a significant achievement especially considering tariffs on U.S. exports average 13.3 percent within the hemisphere.

U.S. EXPORTERS ARE DISADVANTAGED BY PROLIFERATING TARIFF PREFERENCES

While the United States played a crucial role in past trade negotiations, in recent years U.S. negotiation efforts have not kept pace with the negotiations of other competitors and trading partners. The United States is a party to only two out of more than 130 free trade agreements in force globally. As a result, U.S. exporters often face relatively high most-favored nation tariff rates while competitors increasingly receive preferential and even duty-free access to lucrative, foreign markets.

CONCLUSIONS

This analysis of trade agreements and tariff barriers demonstrates several key points for U.S. trade policy:

A new WTO Round is vital to ensure market access and further reduced tariff barriers for U.S. firms around the globe.

- Members of the WTO (outside of U.S. FTAs and FTA negotiations) account for a little under half of U.S. exports, according to the U.S. Census Bureau.
- Members of the WTO (outside of U.S. FTAs and FTA negotiations) account for 62 percent of GDP beyond U.S. borders.

A new round of tariff negotiations is particularly vital to expand U.S. access in developing member markets.

- While trade among advanced economies accounts for two-thirds of global trade, world economic growth post Uruguay Round has been faster in developing economies.
- WTO sectoral initiatives, at present, do not include many developing member countries. Tariff barriers remain significant in those countries.

Regional free trade areas are another key venue to expand U.S. access to foreign markets.

- The FTAA would significantly expand duty-free access for U.S. goods, more than doubling the foreign economic area in which the United States has duty free access as a percentage of GDP.
- This type of duty-free access does matter. As demonstrated by U.S. exports to Mexico since the implementation of NAFTA, lowering duties was followed by expanded exports and economic growth.

In order to ensure that the U.S. continues to negotiate tariff reductions and eliminations around the world, the agenda for the WTO New Round should provide not only for talks in services and agriculture, but in industrial products as well.

- Industrial goods comprise the majority of U.S. exports accounting for 65 percent of total goods and services sold abroad.
- Post-Uruguay Round, U.S. exports of industrial goods grew as fast as services in percentage terms and faster than agricultural exports.
- Since the conclusion of the Uruguay Round, U.S. exports of industrial goods grew dollar for dollar more than twice the value of agriculture and services exports combined.

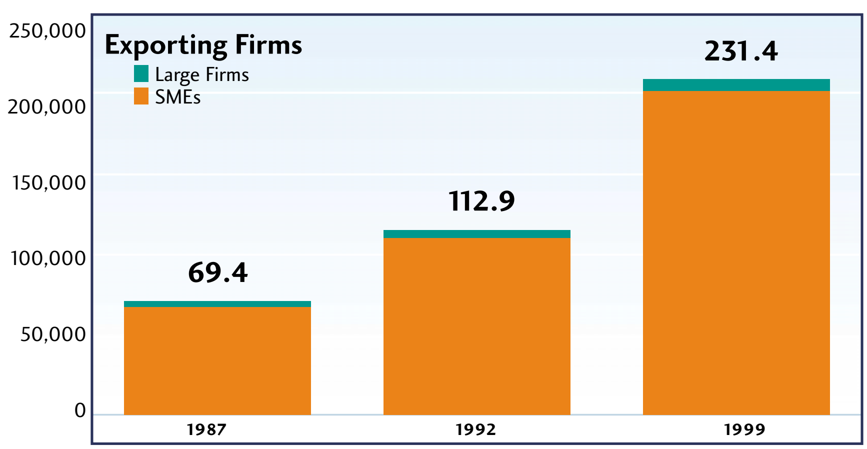
Thanks to Christopher Blaha, Joseph Redbard and Sara Rogge for their contributions.

A LOOK AT U.S. EXPORTS

SMALL AND MEDIUM-SIZED ENTERPRISES PLAY AN IMPORTANT ROLE

Office of Trade and Economic Analysis,
Trade Development

THE NUMBER OF U.S EXPORTING COMPANIES ROSE 233 PERCENT FROM 1987 TO 1999

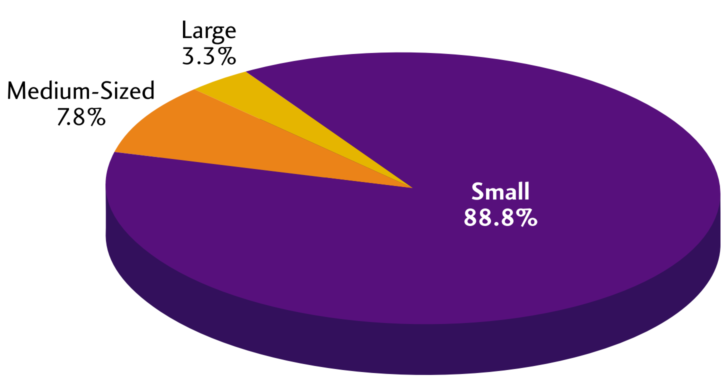


Source: 1992 & 1999 Exporter Database, U.S. Department of Commerce and Small Business Administration.

- Small and medium-sized enterprises (companies with fewer than 500 workers) would be among the major beneficiaries of U.S. initiatives to reduce foreign barriers to U.S. exports. The Commerce Department's Exporter Database reveals that in 1999 the number of U.S. firms exporting goods stood at 231,420 — up 105 percent from 112,854 firms in 1992.

- SMEs accounted for nearly 98 percent of the 1992-99 growth in the exporter population. The number of SMEs that export merchandise soared from 198,101 in 1998 to 223,681 in 1999.

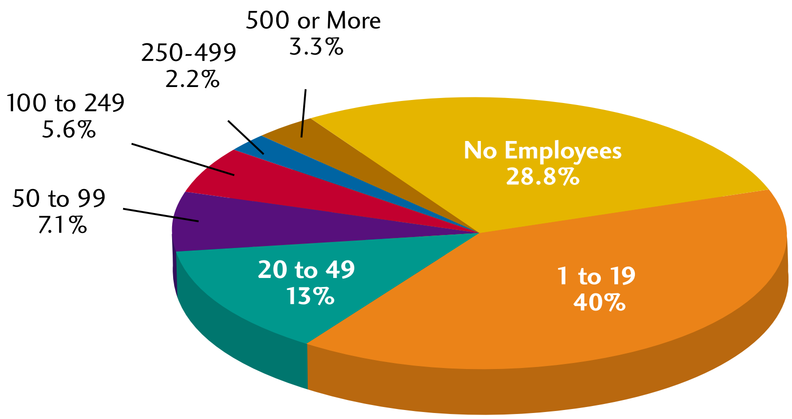
NEARLY 97 PERCENT OF ALL EXPORTING COMPANIES ARE SMALL OR MEDIUM-SIZED



Definitions: Small=less than 100 employees; Medium=100-499 employees; Large=500 or more employees.
Source: 1999 Exporter Database, U.S. Department of Commerce and Small Business Administration.

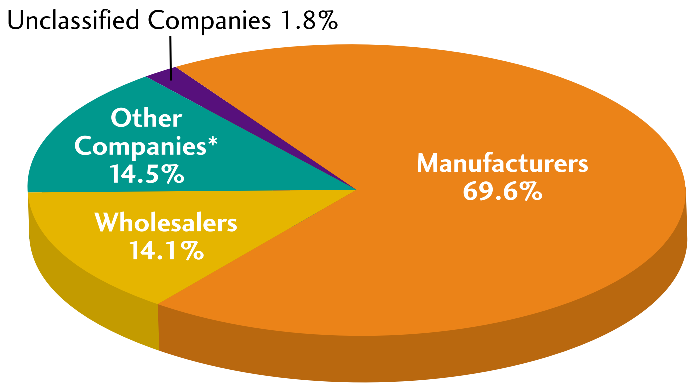
- SMEs continued to dominate the exporter population in 1999, accounting for nearly 97 percent of all U.S. exporters. This is up slightly from the 95.7 percent share registered in 1992.

MORE THAN TWO-THIRDS OF U.S. EXPORTERS HAVE FEWER THAN 20 EMPLOYEES



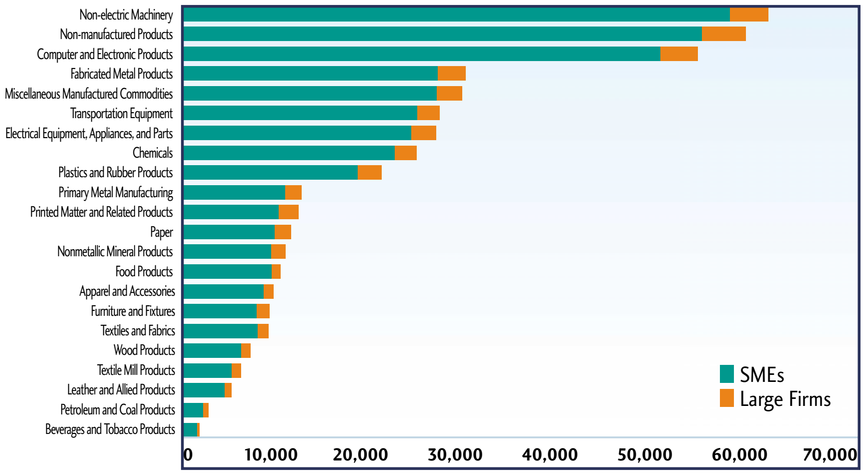
231,420 Companies Exported Goods From the U.S. in 1999
Source: U.S. Department of Commerce, Exporter Data Base.

MANUFACTURING FIRMS GENERATE OVER TWO-THIRDS OF U.S. MERCHANDISE EXPORTS



*Includes resource extraction firms and various service companies (transport services, communications, engineering and management services, etc.)

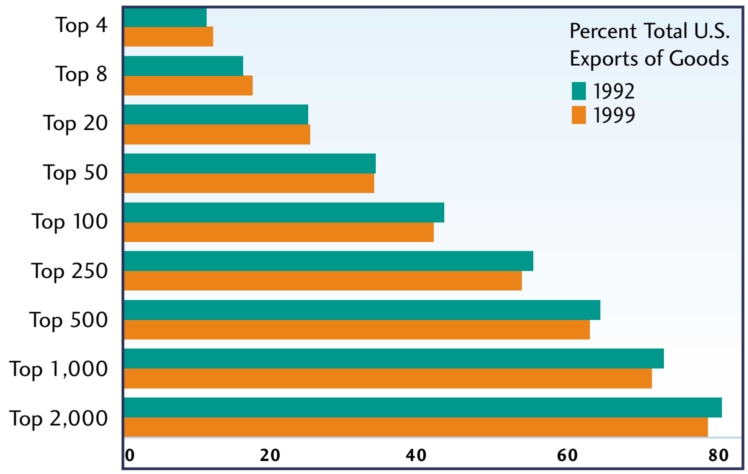
IN ALL INDUSTRIES, MOST EXPORTERS ARE SMALL AND MEDIUM-SIZED ENTERPRISES



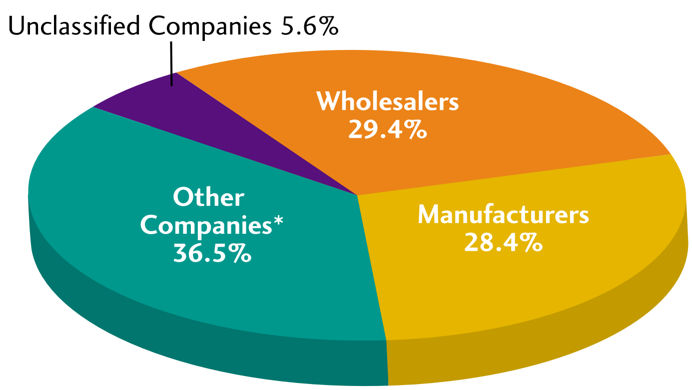
Source: 1998 Exporter Data Base, U.S. Department of Commerce.

Very small companies — i.e. those with less than 20 employees — made up nearly 70 percent of all U.S. exporting firms in 1999. This is up significantly from 1992, when 59 percent of all exporters employed less than 20 people.

U.S. EXPORTS OF GOODS REMAIN CONCENTRATED IN A SMALL NUMBER OF COMPANIES.



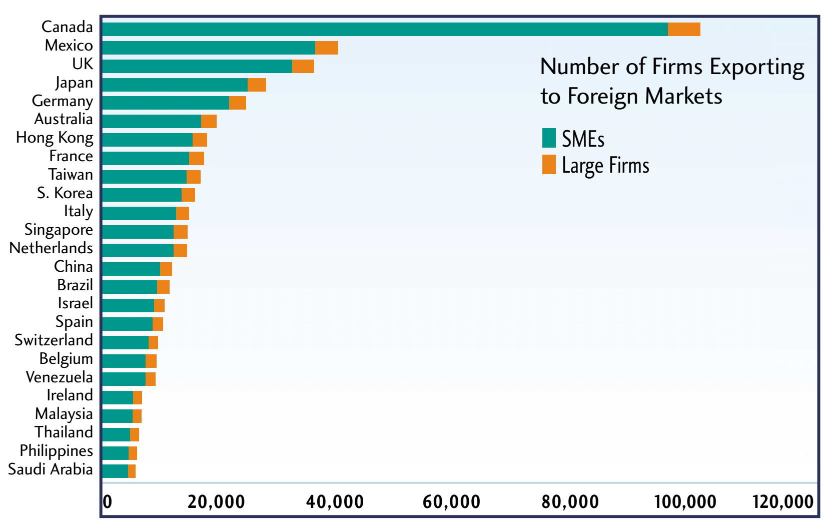
A MAJORITY OF U.S. EXPORTERS ARE NON-MANUFACTURING COMPANIES



*Includes resource extraction firms and various service companies (transport services, communications, engineering and management services, etc.)
Source: 1999 Exporter Data Base, U.S. Department of Commerce

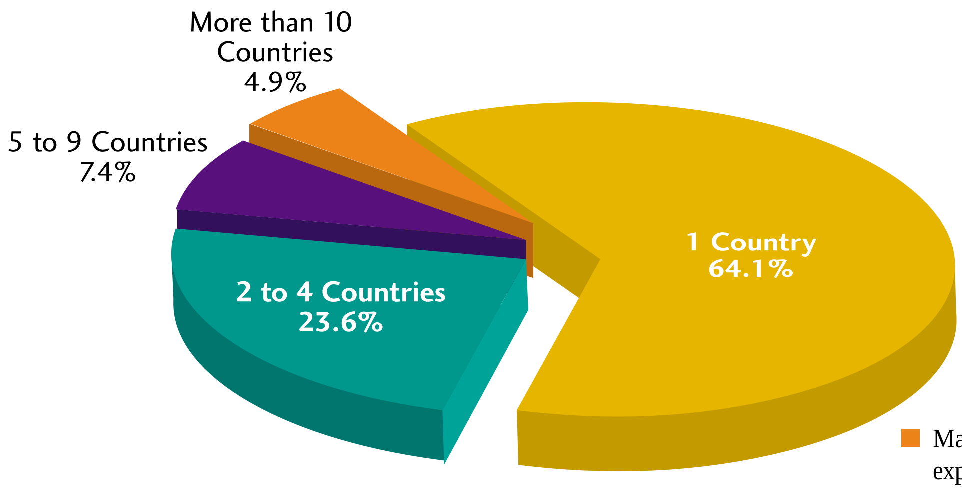
- Non-manufacturing companies dominate exporting by SMEs. In 1999, wholesalers and other non-manufacturing firms made up 72 percent of all SME exporters and generated 66 percent of total SME exports.

SMALL AND MEDIUM-SIZED EXPORTERS OUTNUMBER LARGE U.S. FIRMS IN KEY FOREIGN MARKETS



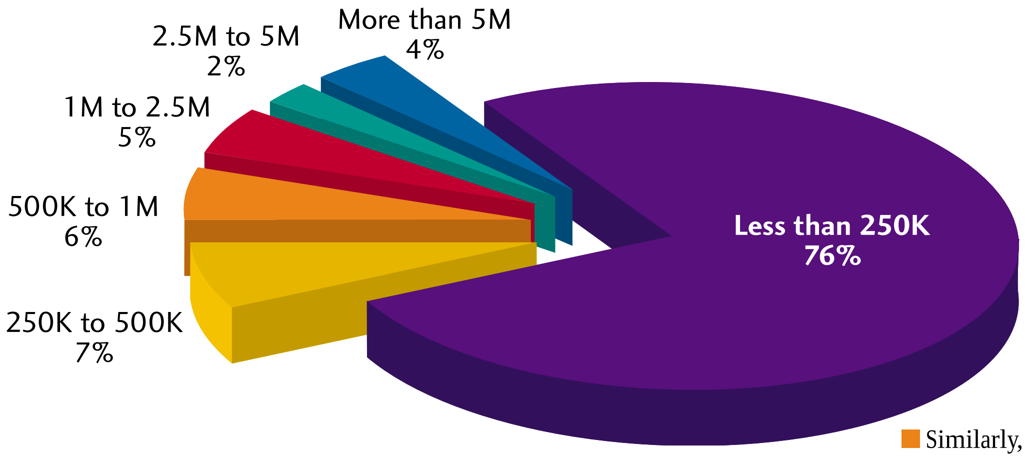
- The two NAFTA markets – Canada and Mexico – accounted for 35 percent of total SME exports in 1999. Other top markets for SMEs were Japan, the UK, South Korea and Germany.
- Canada is by far the most popular export destination for SMEs. In 1999, some 96,393 out of 223,681 SME companies registered sales to Canada.
- Emerging markets are among the fastest-growing markets for SMEs. From 1992 to 1999, SME exports to Brazil surged by 197 percent, while exports to Mexico increased 159 percent and sales to China rose 85 percent.

NEARLY TWO-THIRDS OF SMALL AND MEDIUM-SIZED EXPORTERS SOLD TO JUST ONE FOREIGN MARKET IN 1999



Many SMEs could sharply boost exports by entering new markets. In 1999, 64 percent of all SME exporters — nearly two-thirds — posted sales to only one foreign market.

NEARLY 90 PERCENT OF ALL EXPORTING FIRMS POSTED EXPORTS OF LESS THAN $1 MILLION IN 1998



Similarly, nearly 90 percent of all exporting firms posted annual exports of less than $1 million in 1998. The value and number of export transactions could be greatly increased with the help of trade liberalization agreements.

STATE EXPORTS TO THE WORLD

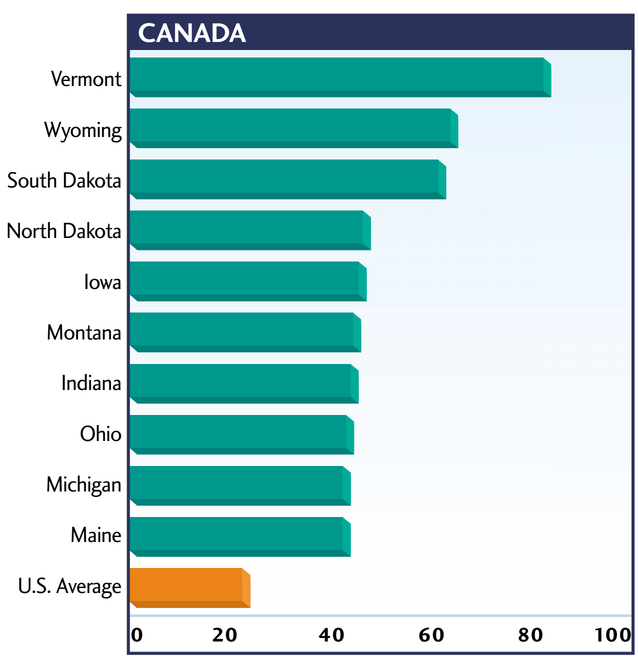
Compiled by the Office of Trade and Economic Analysis,
Trade Development

The charts presented here break down U.S. exports of goods by state and market (destination). For each of fourteen national or regional markets, one can see the ten states having the largest proportion of exports going to that market. For reference, the U.S. average (that is, the percentage of overall U.S. goods exports going to the country or region) is also shown.

For example, the chart for Japan shows that more than half of Hawaii's merchandise exports last year went to Japan. Because the charts are based on percentages they do not reflect the dollar values of the state-market export flows. To continue the example, California (which happens to be the leading state in terms of total value of exports to Japan), ranks only tenth among the states in terms of the proportion measure.

The charts are based on data for calendar year 2000, tabulated on the basis of exporter location.

Much more extensive state export data are available on the web at http://trade.gov/tradestats/state/. More information on the methodology of the Exporter Location series is also available at that site.



States with greatest fraction of their exports going to the named market (percent).

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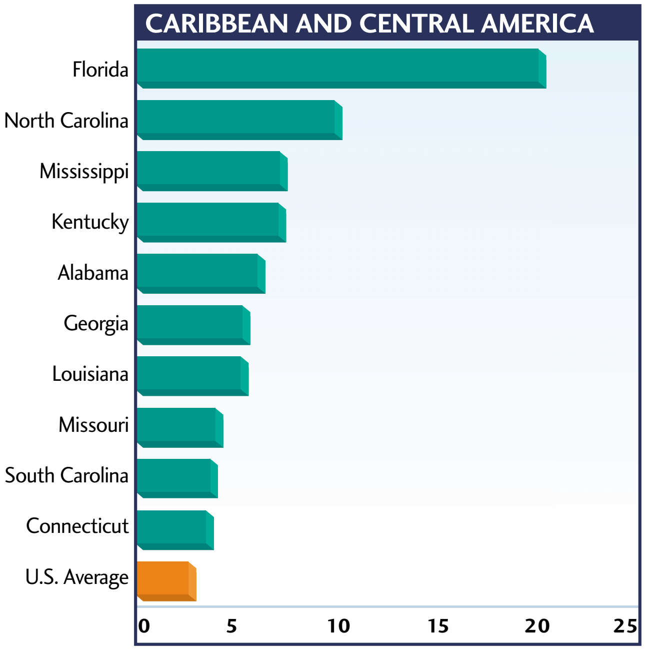

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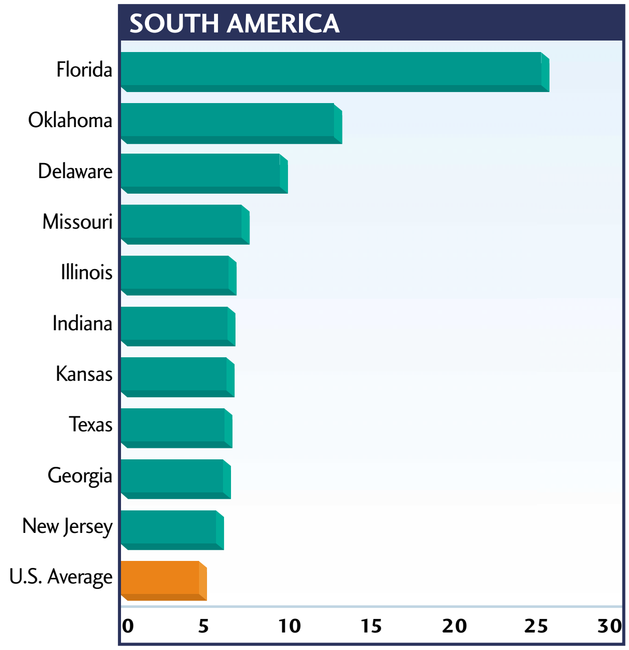

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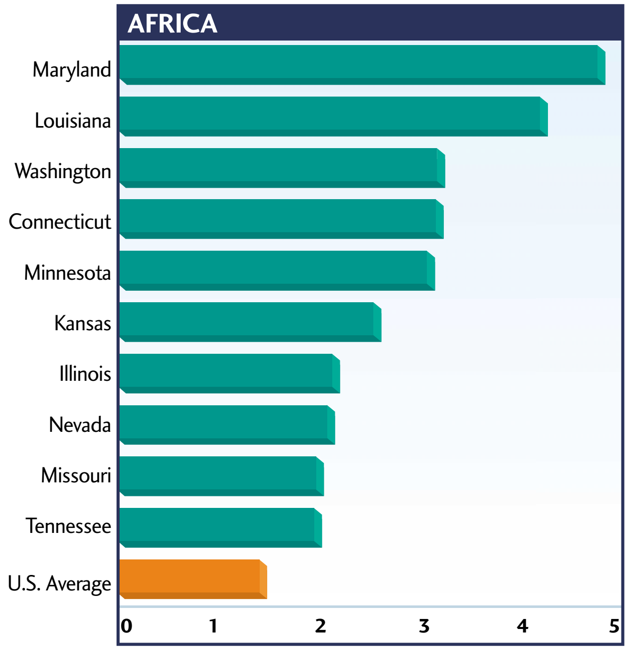

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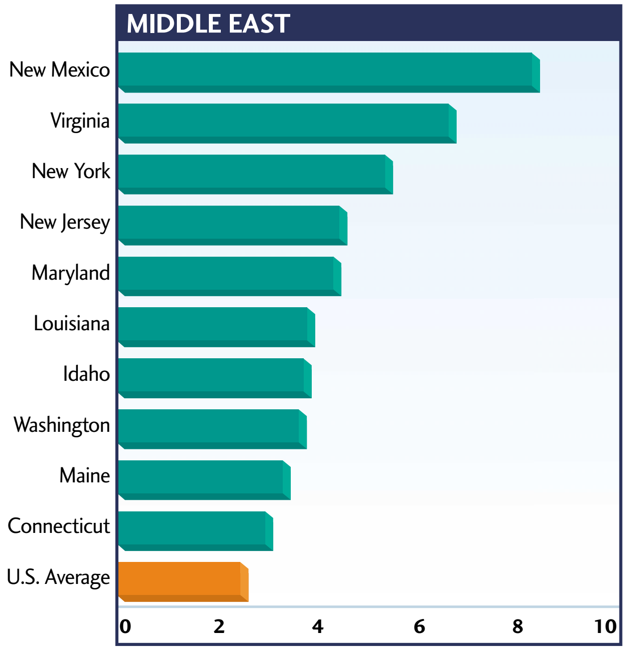

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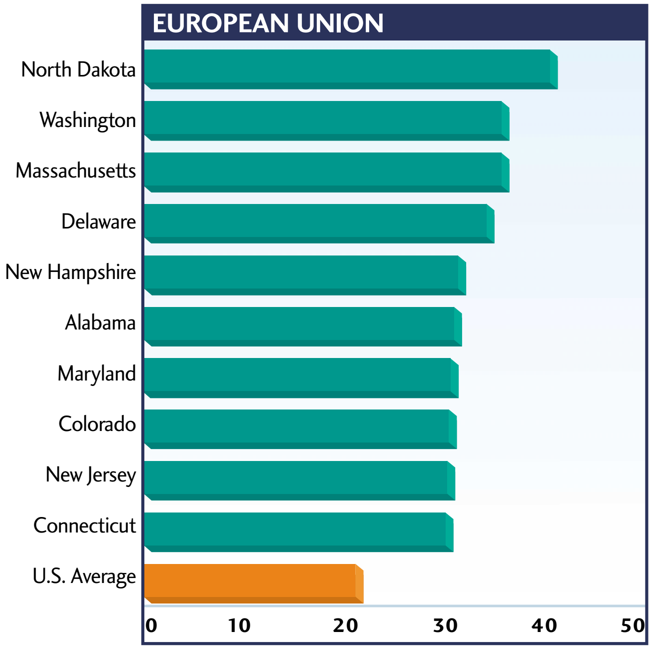

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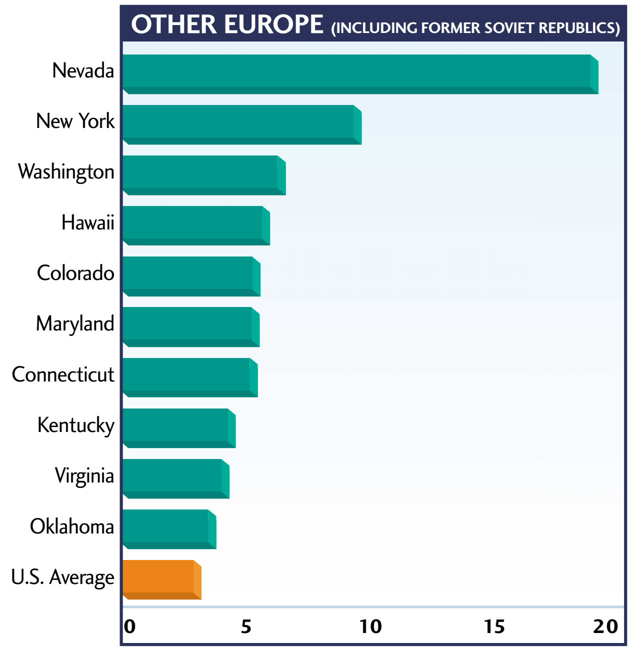

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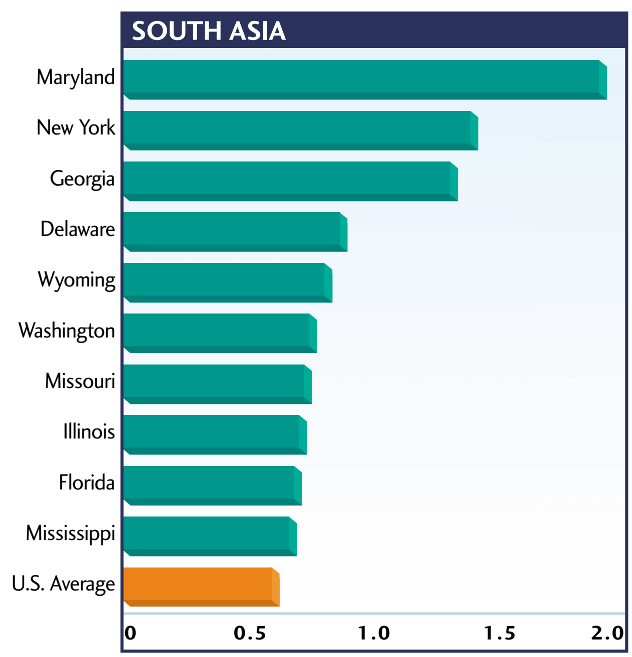

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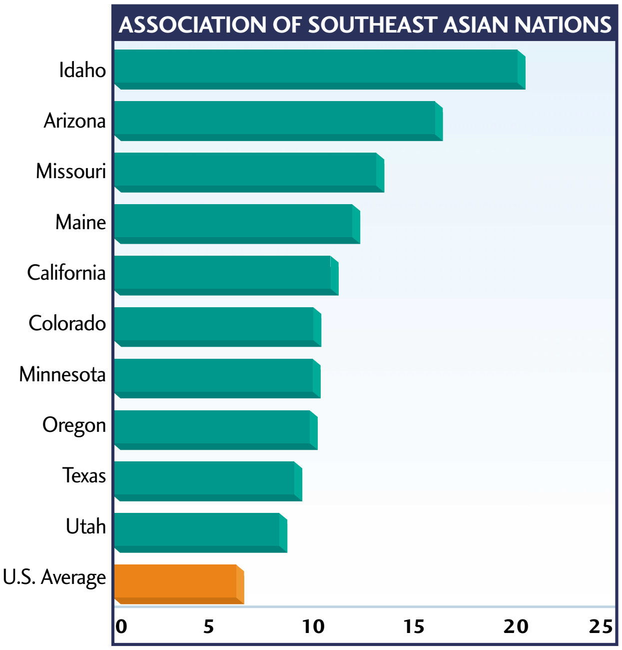

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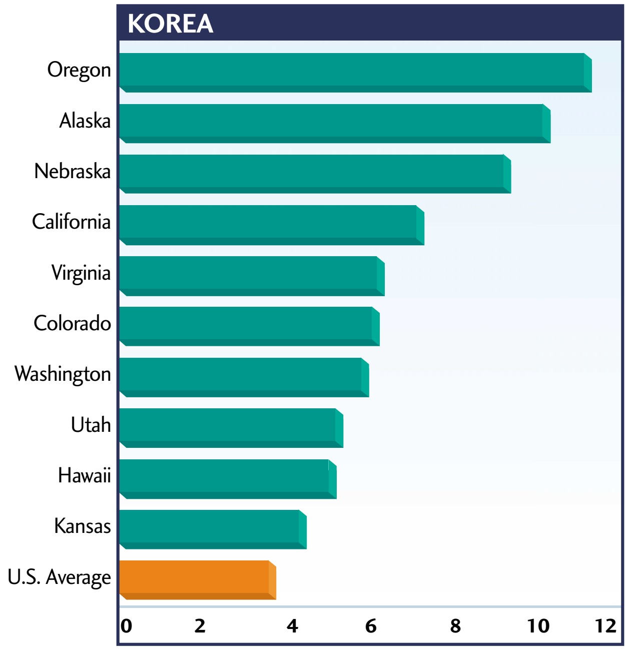

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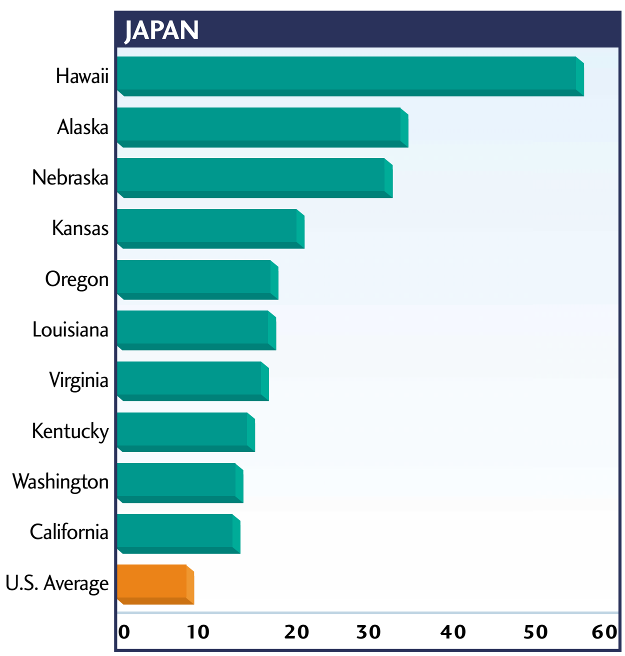

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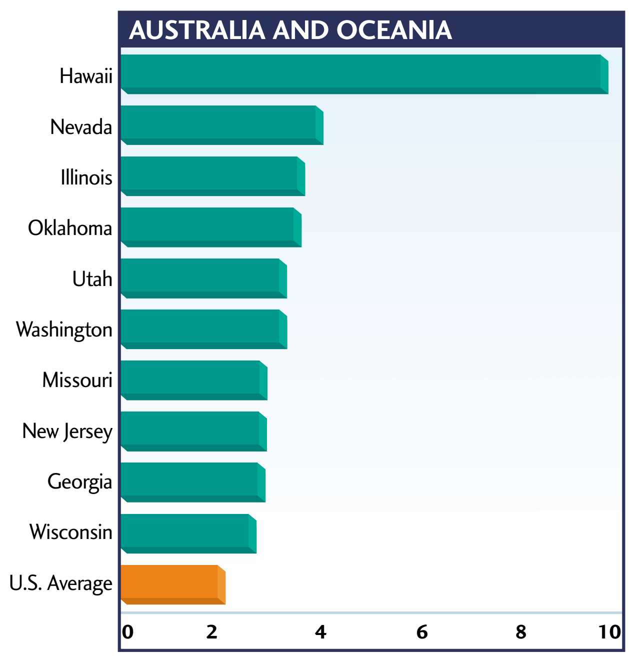


States with greatest fraction of their exports going to the named market (percent).

STATE TRADE REPORTS

EXPORTS AFFECT EVERYONE

Office of Trade and Economic Analysis,
Trade Development

BENEFITS OF EXPORTS

The free exchange of goods and services supports higher paying jobs, raises incomes, sparks innovation, spreads technology, and stimulates opportunity, fresh ideas, and democratic values, both at home and abroad.

During the past decade, while implementing the NAFTA and the Uruguay Round, the U.S. economy has performed exceptionally well.

- The U.S. economy grew at the fastest rate in a generation.
- Inflation fell to the lowest sustained levels since the early 1960s.
- Unemployment fell below 4 percent.
- By the year 2000, U.S. industrial production was 48 percent higher than it had been in 1990.
- More than 24 million new jobs have been created in the United States since the early 1990s.

These benefits of trade can be witnessed at every level: National, State and Local. In the last decade, we have seen a significant change in the types of jobs Americans hold, the industries that participate in exporting and the size of businesses engaged in international trade. Statistics collected show that the number of smaller businesses exporting has doubled since 1992. These firms are located in communities all across the country and represent diverse industries from information technology and electronics to pharmaceuticals and chemicals.

STATE LEVEL EXPORT FACTS

These statistics are available for all 50 states and are relevant to business and consumers alike. The Office of Trade and Economic Analysis of the International Trade Administration has produced state-by-state reports outlining the effect of trade on industry, employment and metropolitan areas. These reports are available on the TPA web site (www.tpa.gov) and contain detailed information on:

- Jobs supported by exports
- The number of small businesses that export
- Metropolitan areas that are important in exporting
- Manufacturing industries involved in trade

Each state report includes a section on how industry will gain from trade negotiations. For example, Maryland industries include information technology, chemicals, paper and paper products, industrial machinery, agriculture and services. According to the U.S. Department of Agriculture, Maryland's agricultural exports totaled $200 million in 1999. Since 1991, the state's reliance on agricultural exports has ranged from 12 percent to 20 percent as measured by export's share of farm cash receipts. Maryland already benefits from past trade agreements; however, U.S. agricultural exports still face high tariffs and not-tariff barriers worldwide.

To obtain downloadable copies of each of the 50 state-by-state reports, visit www.tpa.gov and click on the map of the United States for detailed information.

U.S. DEPARTMENT OF COMMERCE
International Trade Administration
August 2001

Maryland

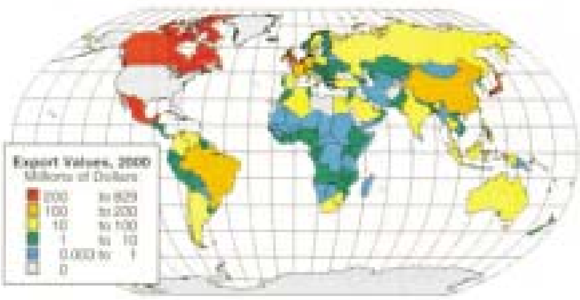
Benefits From Exports

Maryland export sales of merchandise for the year 2000 totaled $5.0 billion, up by more than 29 percent from 1997 and more than 84 percent higher than the state's 1993 total of $2.71 billion.

The growing importance of foreign markets to Maryland's economy is also reflected in per capita export figures. In 2000, the state recorded per capita export sales of $943, up from $548 for every person residing in the state in 1993. This represents a gain of 72 percent, well above the 57 percent increase in U.S. per capita merchandise exports over the 1993–2000 period.

MARYLAND EXPORTED GOODS WORTH $5 BILLION TO 198 FOREIGN MARKETS IN 2000

Dollar Value of Maryland's Merchandise Exports to Foreign Markets, 2000



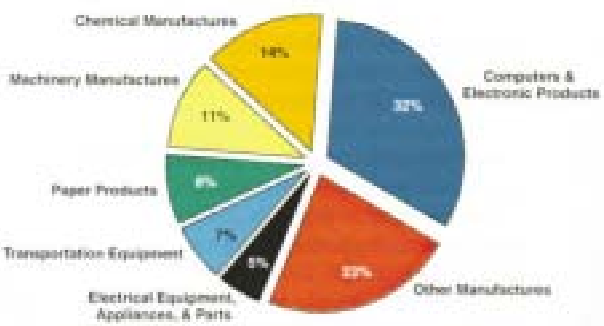
Source: U.S. Department of Commerce, Exporter Location Series.

Maryland exported globally to 198 foreign destinations in 2000, up from 193 destinations in 1997. Buoyed by the North American Free Trade Agreement, the state's leading markets, by far, are the NAFTA countries of Canada (17 percent of 2000 exports) and Mexico (11 percent). Other major markets include the United Kingdom, Belgium, Japan, the Netherlands, Germany, China, and France.

Maryland's biggest growth markets, in dollar terms, are Mexico and Canada. From 1997 to 2000 the state's exports to Mexico grew from $199 million to $526 million—a gain of 164 percent. Over the same period, exports to Canada rose 27 percent, from $653 million to nearly $829 million. Maryland also recorded large dollar increases in exports to Belgium, Japan, Switzerland, Algeria, the United Kingdom, and China.

The state's leading export category, by far, is computers and electronic products. These goods accounted for $1.49 billion, or nearly one-third, of Maryland's total merchandise exports in 2000. Other major export sectors—each with more than $250 million in 2000 export sales—include chemicals, machinery, paper products, and transportation equipment.

MARYLAND EXPORTS A WIDE RANGE OF MANUFACTURES: $4.63 BILLION IN 2000



Note: Manufactures are a subcategory of total merchandise exports, which also include mining commodities and unprocessed agricultural products.

Source: U.S. Department of Commerce, Exporter Location Series.

Within Maryland, the Baltimore metropolitan area posted 1999 merchandise exports of $2.33 billion—over half the state total and the 55th largest export figure among the 253 U.S. metro areas for which data are available. Baltimore's exports grew by more than 30 percent from 1993 to 1999. The Washington, D.C., metro area, whose boundaries include large areas of Maryland, recorded export sales of $7.2 billion in 1999. A sizable but indeterminate portion of these exports was generated by Maryland businesses.

Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs

MARYLAND EXPORT BENEFITS

TPA RESOURCES

GOVERNMENT

Trade Promotion Authority centralized web site. This site includes up to date information on TPA, testimony, speeches, success stories, state-by-state reports on the impact of TPA on trade and frequently asked questions and answers. Links to the following sites are available through www.tpa.gov

THE WHITE HOUSE
www.whitehouse.gov

U.S. DEPARTMENT OF COMMERCE www.doc.gov

U.S. TRADE REPRESENTATIVE
www.ustr.gov

U.S. DEPARTMENT OF AGRICULTURE www.usda.gov

U.S. DEPARTMENT OF STATE
www.state.gov

U.S. ENVIRONMENTAL PROTECTION AGENCY
www.epa.gov

U.S. DEPARTMENT OF LABOR
www.dol.gov

U.S. DEPARTMENT OF TREASURY
www.treasury.gov

U.S. SMALL BUSINESS ADMINISTRATION
www.sba.gov

ASSOCIATIONS

USTRADE
www.us-trade.org
USTrade is a broad-based coalition of business, agriculture, high-tech, retail and service organizations dedicated to passage of Trade Promotion Authority in Congress this year. USTrade believes that in challenging economic times, we must have common-sense trade policies that will promote economic growth and more opportunity for all Americans, without isolating us from the world or putting up walls around America.

U.S. CHAMBER OF COMMERCE –
www.uschamber.org
The U.S. Chamber of Commerce is the world's largest not-for-profit business federation representing 3 million businesses, 3,000 state and local chambers, 830 business associations, and 87 American Chambers of Commerce abroad. Whether you own your own business, represent one, head a corporate office or manage an association, the Chamber works for you by promoting your interests in Washington, D.C. and around the world.

U.S. HISPANIC CHAMBER-
www.ushcc.com/tradepromo.htm
The United States Hispanic Chamber of Commerce (USHCC) is pleased to endorse the President's framework for Trade Promotion Authority together with the Hispanic Council on International Relations, U.S. Mexico Chamber of Commerce, Latin American Management Association and Hispanic Business Roundtable.

BUSINESS ROUND TABLE
www.gotrade.org/index.asp
Achieving a significant, lasting increase in public understanding and support of international trade — this is the vision articulated by the chief executive officers of The Business Roundtable (BRT) in launching the goTRADE program. In so doing, Roundtable executives made a long-term commitment to mount a high-impact trade education and advocacy initiative.

CONSUMERS FOR WORLD TRADE (CWT)
www.cwt.org/
CWT members urged the House and the Senate to grant President Bush Trade Promotion Authority (TPA) in order to negotiate a variety of multinational and bilateral trade agreements.

CENTER FOR TRADE POLICY STUDIES
www.freetrade.org/
The mission of the Cato Institute Center for Trade Policy Studies is to increase public understanding of the benefits of free trade and the costs of protectionism. Scholars at the Cato Trade Center recognize that open markets mean wider choices and lower prices for businesses and consumers, as well as more vigorous competition that encourage greater productivity. These benefits are available to any country that adopts free trade policies; they are not contingent upon reciprocal policies in other countries.

FEDERATION OF INTERNATIONAL TRADE ASSOCIATIONS (FITA)
www.fita.org/index.html
The Federation of International Trade Associations (FITA), founded in 1984, fosters international trade by strengthening the role of local, regional, and national associations throughout the United States, Mexico and Canada that have an international mission.

ORGANIZATION OF WOMEN IN INTERNATIONAL TRADE (OWIT)
www.owit.org/
The Organization of Women in International Trade (OWIT) is a non-profit professional organization designed to promote women doing

business in international trade by providing networking and educational opportunities. Our members include women and men doing business in all facets of international trade including finance, public relations, government, freight forwarding, international law, agriculture, sales and marketing, import/export, logistics, and transportation.

ARTICLES

TRADE PROMOTION AUTHORITY

by Willard A. Workman Senior Vice President, International Affairs February 2001

What is "Trade Promotion Authority" (fast-track)?

Trade Promotion Authority (TPA) is an agreement by the U.S. House of Representatives and the U.S. Senate to vote on trade agreements negotiated by the President on a straight up or down basis, without amendments. In return for the Congress foregoing amendments, the President agrees to extensive and on-going consultation with the congressional committees of jurisdiction on trade throughout the negotiations. www.uschamber.com/International/Western+Hemisphere/_articles/fasttrack.htm

WHY SUPPORT TPA?

One of the key components of the President's legislative trade agenda is Trade Promotion Authority (TPA). TPA would grant the President the ability to negotiate trade agreements that will open markets for the US on the world stage. It provides Congressional lawmakers the ability to accept or reject all agreements reached by the administration.

TPA provides the essential foundation for economic prosperity in the US. Free trade will create new jobs, open new markets, and provide new income for all sectors of the economy - small business, agriculture and technology. www.progressforamerica.com/support.asp#Trade

GETTING ON THE FAST TRACK: SMALL BUSINESS AND INTERNATIONAL TRADE

For the Benefit of Consumers, Workers & Entrepreneurs, Congress Must Give the President Fast-Track Trade Authority

Small Business: Trading Around the Globe

International trade has never been more important to the U.S. economy. Vast leaps in computer, telecommunications and other technologies have shrunk the globe and thereby expanded economic opportunity. Ideas, innovations, capital, labor and consumers are no longer restrained by distance or international borders.

Some mistakenly believe that global trade is the exclusive domain of large, international conglomerates. Nothing could be further from the truth.

Entrepreneurs who lead small and medium-sized businesses are the overwhelming participants in U.S. international trade. www.sbsc.org/SbscIssues.asp?FormMode=Call&LinkType=Text&ID=10

SEMICONDUCTOR INDUSTRY SUPPORTS FOCUS ON TPA

Press release from the Semiconductor Industry Association (SIA)

San Jose, Calif.-June 14, 2001 — The Semiconductor Industry Association (SIA) today applauded the increased Congressional focus on Trade Promotion Authority (TPA). Granting the President trade negotiating authority through TPA will allow the U.S. to take a leadership role in further opening foreign markets to competitive U.S. high technology products, including semiconductors. http://semichips.org/news/archives/pr06142001_12.htm

BARRETO URGES SMALL BUSINESSES TO SUPPORT TRADE PROMOTION AUTHORITY INITIATIVE

(SBA, August 16, 2001)

Administrator Hector V. Barreto of the U.S. Small Business Administration told participants at the El Paso Regional Trade Forum Thursday that the President's Trade Promotion Authority initiative, like the President's tax reform, is critical to the growth and prosperity of America's small businesses."TPA is important," said Barreto. "It is important to America and it is important to the hard working small business men and women in New Mexico and Texas. Just as we have supported President Bush in tax reform, we must take our stand with him as we bring forth an era of free trade." www.sba.gov/news/indexheadline.html

WHY PRESIDENTS NEED TRADE PROMOTION AUTHORITY

A white paper from the group American Consumers for Trade providing a basic explanation of Trade Promotion Authority and the need for Trade Promotion Authority in the United States. www.cwt.org/-learn/whitepapers/tradepro.html

HISTORY AND BACKGROUND

One of the major trade issues in the 107th Congress will be whether or not Congress approves authority for the President to negotiate trade agreements with expedited, or "fast track" procedures. Under this authority, Congress agrees to consider legislation to implement the non-tariff trade agreements under a procedure with mandatory deadlines, no amendment, and limited debate. The President is required to consult with congressional committees during negotiation of non-tariff trade agreements and notify Congress before entering into any such agreement. The President was granted fast-track authority almost continuously from 1974 to 1994, but the authority lapsed and has not been renewed. www.cnie.org/nle/econ-128.html.

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