



The Manufacturing Council

January 12, 2011

The Honorable Gary Locke
U.S. Department of Commerce
Washington, D.C. 20230

Dear Mr. Secretary,

The members of the Manufacturing Council are proud to support the passage of the U.S.-Korea Trade Agreement (KORUS). We recognize the importance of this agreement to U.S. manufacturers and encourage the resolution of outstanding fair trade agreements – particularly the current pending agreements with Colombia and Panama. KORUS will create thousands of new manufacturing jobs, further our national goal of doubling exports in five years, and demonstrate that the United States is once again ready to lead on global trade efforts.

In his State of the Union address, President Obama called for doubling U.S. exports over the next five years, supporting millions of U.S. jobs. He cautioned that "if America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores," and pledged to "strengthen our trade relations in Asia and with key partners like South Korea." Ten years ago, the United States was the top exporter to Korea providing one-fifth of all Korean imports; now we are in third place with less than 10% market share.

KORUS would contribute significantly to job growth by increasing exports to one of the United States' largest trading partners. According to a recent study¹ by the U.S. Chamber, 345,000 jobs in the United States are at risk if the agreement is not implemented. The U.S. International Trade Commission has estimated that the reduction of tariff and non-tariff barriers to U.S. manufactured and agricultural goods under the agreement would increase U.S. exports to Korea by \$10 billion to \$11 billion. U.S. exporters to Korea currently pay an average 6.2 percent tariff, or nearly \$1.3 billion a year, to Korea through tariffs on industrial goods. Korean exporters to the United States currently face an average 2.8 percent tariff. Tariff eliminations and strong transparency obligations will specifically facilitate SME exports.

¹ Baughman, Laura M. and Joseph F. Francois, "Trade Action – or Inaction: The Cost for American Workers and Companies," Report by the U.S. Chamber of Commerce, 15 September 2009.

Failure of Congress to pass this agreement swiftly could put America at a significant competitive disadvantage in Korea, the United States' 7th largest trading partner.² Exporters from ASEAN countries, Chile and India already benefit from preferential access to the Korean market and the European Union's FTA with Korea goes into effect July 1, 2011. We have already begun to lose exports due to other countries already having agreements with Korea and stand to lose even more of this share with the EU legislation. Thus, we support you and the Administration in urging Congress to move swiftly to pass this legislation to keep exports growing and encourage the creation of new jobs. This holds especially true for states such as: Michigan, Illinois, Ohio, Pennsylvania, and California where job losses have been dramatic, and where approximately 25% of all manufacturing jobs depend on trade. Based on previous Trade Agreements, the statistics show growth in exports from manufacturing companies when passed.

Michigan:

More than 27% of all manufacturing workers in Michigan depend on exports for their jobs. A total of 11,796 firms exported goods from Michigan in 2008; of which 10,651 were SMEs, with fewer than 500 employees. SMEs generated 13% of Michigan's total exports of merchandise in 2008.

Recently implemented trade agreements have benefited Michigan. For example, since the U.S.-Singapore trade agreement entry into force in 2004, Michigan's exports to Singapore have grown by 103%.³ This equals to about \$506,119,765 out of the \$32.7 Billion Michigan exported in 2009.⁴ Exports of manufactured goods directly support an estimated 270,000 jobs in Michigan. (2008 data are the latest available). Using the formula where each exporting manufacturing job supports 2.34 other jobs⁵, over 945,000 jobs depend on exporting.

Ohio:

Ohio was the seventh largest exporter among the 50 states in 2009 with merchandise export shipments worth \$34.1 billion in 2009. A total of 13,092 companies exported goods from Ohio in 2008; 11,678 of which were SMEs, amounting to more than 89% of the total exporting firms. Exports of manufactured goods directly support an estimated 362,000 jobs in Ohio. Using the same multiplier as above, an estimated 1,260,000 total jobs are supported by Ohio's exporting manufacturing companies.

Recently implemented trade agreements have benefited Ohio and contributed positively to these employment totals. For example, since the U.S.-Chile trade agreement entry into force in 2004, Ohio's exports to Chile have grown by 68 percent. Since implementation of the U.S.-Singapore trade agreement, the state's exports to Singapore have increased by 79 percent.⁶

Pennsylvania:

Pennsylvania was the tenth largest exporter among the 50 states in 2009 with merchandise export shipments worth \$28.4 billion in 2009. A total of 13,139 companies exported goods from

² U.S.-Korea Business Council

³ Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce

⁴ Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce

⁵ The Public Policy Institute of New York

⁶ Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce

Pennsylvania locations in 2008, with 11,720 of those being SMEs. That again equals 89% of all exporting companies being SMEs.

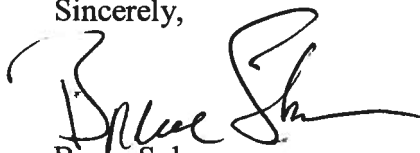
Exports of manufactured goods directly support an estimated 258,000 jobs in Pennsylvania. Recently implemented trade agreements have benefited Pennsylvania. For example, since the U.S.-Chile trade agreement entry into force in 2004, Pennsylvania's exports to Chile have grown by 63%.⁷

Based on just a look at how these three states depend on manufacturing companies that export, a passed KORUS would add tens of thousands of new jobs not only from manufacturing companies, but the sectors that support them nationwide. KORUS would also open Korea's \$560 billion services market to highly competitive American companies, supporting jobs for American workers in sectors ranging from delivery and telecommunications services to education and health care services.

While Trade Agreements should positively impact all parties to the agreement, it is critical that we enter into them only with the assurance and commitment from our government, in writing, to enforce the terms of the agreement in a proactive manner. We note that KORUS is an enforceable, binding agreement with a whole chapter devoted to dispute settlement (i.e. enforcement). The inclusion of this comprehensive enforcement mechanism in the agreement is imperative to its success and this type of serious commitment to enforcement is an integral part of our support for this agreement. The U.S. Government should allocate proper resources to ensure monitoring and enforcing of these provisions. **We will insist that the implementing legislation for KORUS ensures aggressive enforcement of the provisions, as well as protections for the continued effectiveness of U.S. trade laws.**

As a cross-section of representatives of small, medium and large manufacturing companies from across the country, we stand ready to help educate other manufacturers of the benefits of KORUS and encourage Congress to pass this Trade Agreement. Please use us and our members as resources for this and future manufacturing related issues.

Sincerely,



Bruce Sohn
Chair

⁷ Office of Trade and Industry Information, International Trade Administration, U.S. Department of Commerce