THE PENDING FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA, AND SOUTH KOREA AND THE CREATION OF U.S. JOBS

HEARING

BEFORE THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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THE PENDING FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA, AND SOUTH KOREA AND THE CREATION OF U.S. JOBS

THURSDAY, JANUARY 25, 2011

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
Washington, DC.

The committee met, pursuant to notice, at 10:08 a.m., in Room 1100, Longworth House Office Building, the Honorable Dave Camp [chairman of the committee] presiding.

[The advisory of the hearing follows:]

HEARING ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

Camp Announces Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

January 18, 2011

House Ways and Means Committee Chairman Dave Camp (R–MI) today announced that the Committee on Ways and Means will hold a hearing on the pending free trade agreements with Colombia, Panama, and South Korea and the creation of U.S. jobs. **The hearing will take place on Tuesday, January 25, 2011, in 1100 Longworth House Office Building, beginning at 10:00 A.M**.

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing. A list of invited witnesses will follow.

BACKGROUND:

In 2007, the United States concluded trade agreements with Colombia, Panama, and South Korea. Ways and Means has not held a hearing on any of the three completed trade agreements.

Each of the three trade agreements would open new markets to U.S. exports and, in turn, benefit American businesses, farmers, workers, and consumers. The independent U.S. International Trade Commission has estimated that the three pending trade agreements, combined, would increase U.S. exports by at least $13 billion. The benefits of trade agreements are also long lasting. Since 2000, U.S. exports to the 13 countries with which the United States has implemented trade agreements have grown almost twice as fast as our worldwide exports.

Colombia, Panama, and South Korea have all concluded trade agreements with major trading partners and export competitors of the United States, so U.S. failure to implement our own trade agreements with these countries could severely disadvantage U.S. exporters and jeopardize U.S. job creation. For example, the Colombia-Canada free trade agreement is expected to enter into force in July of this year, removing significant Colombian tariffs for Canadian agriculture exporters while similar tariffs remain in place against U.S. agriculture exports. Colombia has also implemented trade agreements with Argentina, Brazil, and the MERCOSUR countries. Similarly, Panama has signed trade agreements with Canada and the European Union, which remove a number of key barriers to their exports. The EU-Korea free trade agreement is also expected to enter into force by July 2011 and would provide European manufacturers and service providers with preferential access to one of the most dynamic economies in Asia, to the detriment of U.S. exports.

Over the years, several objections have been raised to these agreements. With respect to Colombia, some have argued that sustained progress to address violence against workers in Colombia and concerns about Colombian labor law must occur before it is appropriate to consider the agreement. However, supporters of the agreement argue that passing the agreement will improve labor protections and express frustration the Administration has not identified concrete steps for Colombia to take to address concerns. Concerns have also been raised about Panama's refusal to provide the United States with certain information needed to enforce U.S. tax laws. In November, the United States and Panama signed a Tax Information Exchange Agreement to address that concern. With respect to South Korea, many stakeholders argued that the auto provisions of the original agreement were insufficient. In December, the United States and South Korea reached a supplemental agreement addressing those concerns.

In announcing this hearing, Chairman Camp said, "**Trade agreements are a sure-fire way to support U.S. jobs and boost economic growth by creating new markets for U.S. goods and services, particularly at a time when unemployment is nearly ten percent. The United States cannot afford to sit on the sidelines while the rest of the world is actively concluding new trade agreements that leave us out. The first step to getting back on the field is passing these trade agreements. It is time for the President to submit the three pending trade agreements to Congress for their consideration within six months**."

FOCUS OF THE HEARING:

The focus of the hearing is on Congressional consideration of the pending trade agreements and the benefits these agreements will bring to American businesses, farmers, workers, consumers, and the U.S. economy. The hearing will also explore developments with each of these countries that have occurred since the trade agreements were concluded.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov,* select "Hearings." Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, **by the close of business on Thursday, February 8, 2011**. Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available on the World Wide Web at *http://www.waysandmeans.house.gov/*.

Chairman CAMP. The committee will now come to order for the previously scheduled hearing on our three pending trade agreements and their job creation benefits.

I would like to welcome all of you to the first trade hearing of the 112th Congress in which we will examine the three pending trade agreements, agreements that were all concluded in 2007, almost 4 years ago.

I also expect to have Ambassador Kirk appear before the committee in the near future to talk about these agreements and our trade agenda.

I would like to take a moment to welcome in particular Ambassador Silva from the Embassy of Colombia, as well as representatives from the Embassies of Panama and the Republic of Korea. I thank you all for attending and for being such strong advocates for these agreements because of the strong ties they will create between our countries.

Given the delay in considering these agreements, I welcomed the President's announcement last June of a clear timetable for resolving the outstanding issues surrounding the South Korea agreement. Mr. Levin and I worked closely together with stakeholders and the administration to arrive at a compromise that resolved the outstanding auto issues in the U.S.-South Korea trade agreement. Unfortunately, the administration has not taken the same productive approach to the Colombia and Panama agreements; and I hope the President lays out such a timetable in his address tonight.

I strongly believe that we should consider all three agreements in the next 6 months. This deadline isn't being driven by politics or posturing. It is driven by the need to create jobs for American workers. The three trade agreements are a sure-fire way to create American jobs by growing U.S. exports of goods and services and does not require one dime of new government spending.

The President has noted that the South Korea agreement alone will create 70,000 American jobs. However, until Congress passes the agreements, our workers can't realize these benefits. Continued delay also hinders the ability of American workers, businesses, and farmers to compete in these markets as our competitors move ahead.

Last May, then agriculture Ranking Member Lucas and I released a report documenting how the delay in implementing the Colombian agreement allowed Argentina and Brazil to take market share from U.S. farmers in the Colombian market as they implemented their trade agreement with Colombia. I have just released an updated analysis showing that the ongoing delay has caused U.S. exports to Colombia to decline even further. This updated report also demonstrates that in stark contrast, the existing U.S.-Peru agreement has resulted in increased U.S. exports and increased market share. If we implement the Colombian agreement, we can enjoy similar gains as we are seeing in the Peruvian market.

Other major economies, including the EU and Canada, have signed or are poised to sign agreements with Colombia, Panama, and South Korea. The EU-South Korea agreement is slated to enter into force on July 1st of this year. The Canada-Colombia trade agreement is also expected to enter into force this July. Implementation of their agreements, and continued inaction on our agreements, will result in further missed opportunities to create U.S. jobs. America cannot afford to fall further behind, and by standing still we are doing just that. In these difficult economic times, Congress and the Administration owe it to American workers, businesses, and farmers to take all available steps to increase exports in the jobs they support.

These agreements create new exports and resulting jobs in several ways.

First, they level the playing field for American workers by reducing foreign tariffs on U.S. exports. In fact, we enjoy a manufacturing trade surplus with our trade agreement partners. For some partner countries, the trade agreements have taken us from a deficit before implementation to a surplus afterward. The simple fact is that nearly all imports from Colombia and Panama already enter the United States duty free and U.S. exports to all three countries pay much higher tariffs than exports from those countries to the United States. These agreements would eliminate or substantially lower the tariffs on U.S. exports in all sectors, making our products more competitive.

Second, the agreements remove existing non-tariff barriers and go a long way towards ensuring new barriers do not emerge. The agreements set standards to ensure sanitary and phytosanitary rules in agriculture are not used for protectionist purposes, provide strong protections for intellectual property rights, and encourage greater regulatory harmonization and the use of international standards.

Third, as I have noted, these agreements maintain and improve U.S. competitiveness vis-a-vis exporters from other countries. Failure to implement the three pending trade agreements risks putting U.S. exporters at a competitive disadvantage in these markets, costing American jobs and slowing job creation.

Finally, I want to note that it is not just big companies that benefit from these agreements. More than 80 percent of the exporters to each of the three markets are small- or medium-sized businesses with fewer than 500 employees. In many ways, these dynamic businesses and their employees have the most to gain from these agreements and the most to lose if we delay.

I would like to welcome our witnesses, who represent the full spectrum of U.S. agriculture, manufacturing, and services interests, including both large and small businesses; and I look forward to your testimony.

At this time, I will yield to Ranking Member Levin for the purposes of an opening statement.

Mr. LEVIN. Thank you very much, Mr. Chairman.

While from the outset most Republicans have been calling for immediate passage of all free trade agreements as originally negotiated by President Bush, we have been working hard at fixing them. Our approach on the Democratic side was that each of the FTAs as originally negotiated did not embody a trade policy responsible to the changing dynamic of a globalized economy and to the best interest of the American people. Trade agreements need to be shaped so that as trade expands the benefits are spread more broadly.

The intervening period since the initial negotiation of the FTAs has been for us in the Democratic ranks one of action, not of inaction. It has been an intensive effort to get trade policy right, and it has been working. We changed for the better the Peru FTA before its passage. We have substantially improved the Korea FTA, and we should have in the coming months the implementation language for consideration and approval. There is now the prospect of successfully addressing the tax haven and labor law concerns with the Panama FTA.

With respect to the Colombia agreement, the new Santos administration has now articulated a new approach which provides an opportunity to address the serious concerns—and I underline them—consistently expressed by us regarding that FTA.

We believe that each trade agreement should be considered on its own merits, not lumped together where key issues are ignored, as some would be willing to do. It was because of our efforts that enforceable worker rights and environmental standards were added to the U.S.-Peru FTA. As a result, labor conditions are improving in Peru. And while significant work remains to be done to implement and enforce the agreement's environmental provisions, as a result of that amended FTA Peru has created a new Ministry of Environment, reformed its forestry oversight agency, revised its criminal laws to strengthen penalties for environmental crimes, deployed 3,000 police officers, and created new offices for environmental prosecutors.

The agreement was also revised to balance the need to encourage innovation with the need to provide access for Peruvian citizens to affordable medicines.

Importantly, the Peruvian government made necessary changes to its labor laws before the vote on the FTA, which was then passed by Congress with bipartisan support and signed by the President.

Because of our efforts, the U.S.-Korea FTA is finally being fixed to open up markets where they were closed and to end one-way trade. For decades, Korea has employed a unique and ever-changing regulatory regime to discriminate against our auto imports, while the U.S. market has been open to their goods. As a result, U.S. automakers exported less than 6,000 cars to South Korea in 2009. In contrast, South Korean automakers have been able to use their historically closed markets to finance an aggressive push into the U.S. market, exporting 476,000 cars to the U.S. in 2009. The imbalance is so severe that automotive trade accounts for 75 percent of the $10.6 billion U.S. trade deficit with Korea.

The Republican majority long ago would have simply again accepted a flawed agreement. Fortunately, last year, with the support of Members of Congress, including our chairman, the automakers, and the UAW, the Obama administration negotiated an additional agreement that will provide U.S. automakers and part suppliers with a real opportunity to compete and succeed in the Korean market. With the changes achieved through the additional agreement, the U.S. auto industry, Ford, Chrysler, GM, and the UAW are supporting that agreement.

Because of our efforts, we used the intervening period to address legitimate issues in the Panama FTA. Through the intensive efforts led by Representative Doggett and Senator Levin, the Obama administration successfully concluded a tax information exchange agreement in November, 2010, to address Panama's status as a tax haven. That agreement still needs to be ratified by Panama.

This administration has also been working to ensure that Panama's labor laws comply with the FTA obligations, a process we started way back in 2007. Because of our efforts, there are now important labor law changes pending before the Panamanian legislature. If the approach had been followed by those who pushed for the immediate passage of the Panama FTA, we would have failed to address a tax haven country or to improve labor standards in Panama.

A few days ago, I returned from 5 days of fact finding on the ground in Colombia meeting with widely diverse citizen groups and government leaders. I went 20 months ago, and I thought it important to compare conditions then and now. It is clear that the intervening period was important in focusing attention on serious concerns standing in the way of support for the Colombia FTA. Those issues include violence and intimidation in cases involving the exercise of human, political, and labor rights by workers and their leaders, a high level of impunity in such cases, and the failure to reform the legal and administrative structures relating to the exercise of basic international worker rights.

Throughout my discussion, there seemed to be wide agreement that the new Colombian government—the new Colombian government—was expressing a different approach than its predecessor on these critical concerns. I believe there is now an opportunity for the two governments to work together mutually to achieve real progress on the ground.

In closing, I say to the Republican majority, you may have been willing to press flawed trade agreements, but we were not. We went about fixing Peru, Panama, and Korea. It was time well spent. Instead of criticizing, there should be acknowledgement of the meaningful breakthroughs; and we should be working together to implement the U.S.-Korea Free Trade Agreement.

I close with this. Today's hearing is about trade policy and jobs. Yet there are other trade initiatives that have a serious impact on U.S. jobs. Much has been said in recent weeks criticizing House Democrats' focus in particular on China's currency manipulation. Well, we focused on it because it matters. China's undervalued currency has been estimated to cost the U.S. 500,000 to 1.5 million jobs.

According to the NAM—and I quote—the number one factor affecting their exports is the value of the dollar. I was pleased to work with Chairman Camp last fall on currency, an effort that resulted in majorities of both parties supporting the currency bill. I hope we can continue that effort this year while we also work on

China's other trade-distorting practices, including its massive subsidies, its failure to enforce intellectual property rights, its discrimination in government procurement, and its indigenous innovation policies. Let me repeat that we must address each trade issue on its own merits and move forward to grow our economy and American jobs and to compete internationally.

Thank you, Mr. Chairman.

Chairman CAMP. Thank you.

Today we are joined by five witnesses.

Our first witness will be Roy Paulson, who is President of Paulson Manufacturing Corporation, a small manufacturing business in Temecula, California. Mr. Paulson is also testifying today on behalf of the National Association of Manufacturers, and we welcome you to the committee.

After him, we will hear from Bob Stallman. Mr. Stallman is President of the American Farm Bureau Federation and a rice and cattle producer from Columbus, Texas.

Our third witness will be Michael Ducker, Chief Operating Officer and President, International, at Federal Express.

Fourth, we will hear from William Toppeta, President, International, with MetLife.

And, last, we will hear from Steve Biegun, who is a Corporate Officer and Vice President of International Governmental Affairs at the Ford Motor Company.

We welcome all of you, and we look forward to your testimony. And I would ask that our witnesses keep their testimony to 5 minutes.

Mr. Paulson, your written statement, like those of all of the witnesses, will be made a part of the record; and you are recognized for 5 minutes.

STATEMENT OF ROY PAULSON, PRESIDENT, PAULSON MANUFACTURING CORPORATION, ON BEHALF OF THE NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. PAULSON. Thank you very much.

Good morning, Chairman Camp, Ranking Member Levin, Members of the Committee. I am Roy Paulson, President of Paulson Manufacturing; and I am pleased to testify as a member of the board of directors of the National Association of Manufacturers. I have a prepared statement for the record and some brief remarks to make at this time.

Paulson Manufacturing is a manufacturer of safety equipment, specializing in eye and face protection. This is a family business with about 140 employees, yet it is a high-technology business that utilizes state-of-the-art equipment and modern methods. You have seen our products many times as the face shields worn on firemen's helmets and the heat-reflective face shields worn by steelworkers in steel mills. What you have not seen are the many forms of eye and face protection used in so many ways from medical surgery to high technology.

We have an expanding business that is thriving even in the difficult economy. We design and manufacture our products in California with domestic materials and local labor. I am able to compete domestically and abroad with my product line as long as I am selling innovative, cutting-edge products. The keys are innovation, quality, and customer service.

As I moved into the international markets, I brought along our business philosophy. I discovered that I could successfully sell to most countries with the proper application of our business methods and a large dose of patience. This helped to develop our long-term relations with our foreign customers, and we have been successful at building our distribution and creating repeat sales in many countries.

Exports are tremendously important to my company. We export to 80 countries, and exports are now one-fourth of our business. I want to build on that, because markets around the world are growing faster than the domestic U.S. market.

For small business to export more, foreign trade barriers must come down. That can only happen if we get trade agreements that will level the playing field and get rid of these barriers. Tariffs on U.S.-made products, including my company's products, are much higher in most foreign markets than corresponding U.S. tariffs on the imports products. When we enter a trade agreement, our barriers drop very little. However, the other countries high tariff barriers drop a lot, as they go to zero. That is why trade agreements are a no-brainer to me.

I truly don't understand congressional reluctance, especially since the Commerce Department's figures show the U.S. has a manufacturing goods trade surplus with our free trade partners. Over the past 3 years, that surplus has accumulated to over $60 billion.

There seems to be a myth in Washington that trade agreements caused the U.S. trade deficit and cost 5 million jobs. Frankly, even spending 5 minutes with the statistics shows that this is just plain wrong.

I am one of those people who hope that Washington will act on facts, not on mythology. One good idea would be for this committee to ask the Commerce Department to brief you on the facts of trade, in fact, brief the entire House.

I hope that you will look more closely at my prepared statement, which has a lot of facts about how these trade agreements are helping manufacturing in America.

Now I would like to talk about my company, Paulson Manufacturing. We sell to all three of the countries where the U.S. has signed free trade agreements that have not yet been passed by Congress. In Panama, I face a 6 percent tariff; in Korea, 8 percent; in Colombia, 20 percent. I could sell a lot more to my customers if I could get my products in duty free, and I could find more customers in those countries. That means my sales would go up. I would gain on my competitors and could even be able to expand my workforce. My nightmare is that my competitors will get free trade agreements first, get in duty free, and I will lose out.

Some people think that trade only benefits large companies. Absolutely untrue. I am here before you as an example, 140 employees and selling to 80 countries around the world.

A lot of smaller companies in the NAM also export. I am on the District Export Council and many other export groups. We all export, and we want to export more. Fully 95 percent of all exporters, including to our free trade partners, are small- to medium-sized businesses. We are all frustrated by this body, and it has been keeping us from expanding our sales and our workforce.

I need those trade agreements, and I want the government to move ahead with the Trans-Pacific Partnership and open these markets. I want you to also open up Brazil, India, and other markets to me. I want my company and family of employees to grow and prosper. To achieve that, I have to sell to more markets.

Thank you very much for your time and for listening. I am ready to answer your questions at the end of everyone's remarks.

[The prepared statement of Mr. Paulson follows:]

Testimony

of Roy V. Paulson
President
Paulson Manufacturing Corporation
On *behalf* of the National Association of Manufacturers

before the Committee on Ways and Means

on Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

January 25, 2011

COMMENTS OF ROY PAULSEN

BEFORE THE

COMMITTEE ON WAYS AND MEANS

JANUARY 25, 2011

Good morning Chairman Camp, Ranking Member Levin, and members of the Committee. I am Roy Paulson, President of Paulson Manufacturing Corporation. I am pleased to testify before the Committee on Ways and Means on "Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs."

I am testifying as a Member of the Board of Directors of the National Association of Manufacturers (NAM). The NAM is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Its membership includes both large multinational corporations with operations in many foreign countries and small and medium manufacturers that are engaged in international trade on a more limited scale.

Paulson Manufacturing is a manufacturer of safety equipment specializing in eye and face protection. This is a family business with about 140 employees, yet it is a high technology business that utilizes state of the art equipment and modern methods. You have seen our products many times as the face shields on fireman's helmets or the heat reflective face shields worn by steel workers in the mills. What you have not seen are the many forms of eye and face protection, used in so many ways, from medical surgery to high technology.

We have a growing and expanding business that is thriving even in this difficult economy. Because of our involvement in industry, we get to experience the return of the economy, before the general public. We design and manufacture our products in California with domestic materials and local labor. I am able to complete domestically and abroad with my product line, as long as I am selling innovative cutting edge products. The keys are innovation, quality and customer service.

As I moved into the international markets, I brought along our business philosophy. This helped to develop our long-term relations with the foreign customers and we have been successful at building our distribution and creating repeat sales in many countries. There was a time that I viewed foreign countries as competitors and I made a whole series of defensive moves to protect my sales in the domestic market.

However, my perspective has changed. This came about gradually and grew through my direct experience in building up my international sales. Now I am playing offence and I view the foreign countries as customers. I love my customers! With this change in attitude I discovered that I could successfully sell to most countries, with the proper application of our business methods and a large dose of patience.

Today we are specifically speaking about the three pending Free Trade Agreements. Take a moment and think of the opportunity these agreements will present to the small business community here in the United States. I have had success selling such varied items as patented eye care products on South Korean cable television to Electrical Safety equipment in Colombia. The security products sold to Panama are a continuing source of repeat business, and safety equipment with a 6 percent duty that will be eliminated will be a viable item as the canal is widened over many years. In addition to my own sales, I encourage other manufactures to sell their products in these countries and freely supply my contacts and experience gained from my years of effort.

In all three countries with pending Free Trade Agreements the reduction in tariffs will have a direct impact on sales of our products. I just spoke to my Korean contact, Bryan Kim, and he is extremely excited about the 8 percent tariff being removed immediately because now he is in a stronger competitive position and the market immediately becomes broader allowing sales into main stream applications. He also commented that the Korean consumer's perception of US products is one of quality and that the Made in the USA label is very important. He went on further to say that the price is critical and import duties are generally paid by the importer along with the freight charges. Eliminating the eight percent tariff will have a direct and immediate benefit and increased sales.

Colombia is truly a special case in South America. The Free Trade Agreement has been sold to the people as tremendous improvement and everyone is waiting for this to occur. My customers have been paying 20 percent tariffs on hundreds of thousands of dollars of my imported products and this has reduced the range of items that they could purchase from me. In other words, from my broad product offering, only the items that they could not purchase from Europe, Brazil or China were being brought in from the USA. After the agreement we can all begin to enjoy a more competitive environment for my full product range.

I am convinced of the effects related to the Free Trade Agreements because I have seen the reduction in tariffs and government regulations improve my sales in other countries, the results are clear, we just need action.

Manufacturing

I would now like to turn to manufacturing more generally and to the importance of trade agreements to America's manufacturers. Manufacturing is a critical part of the American economy and, contrary to some opinions, it is not dead. The United States is the world's largest manufacturing economy, producing one in every five dollars of all manufactured goods in the world. Last year, America's factories shipped $5.0 trillion dollars of products – not far from the record $5.5 trillion of 2008, before the recent serious recession. Manufacturing supports an estimated 18.6 million jobs in the U.S. – about one in six private sector jobs. Nearly 12 million Americans (or nine percent of the workforce) are employed directly in manufacturing.

Exports are vital to American manufacturing and to the creation of jobs in the United States. Exports are now 22 percent of U.S. manufacturing production, and that ratio has been increasing over time as world markets outpace the domestic market. Over the past decade, reflecting the two manufacturing recessions we have gone through, factory shipments rose only 19 percent. The importance of exports is seen in that during that period, shipments for the domestic market rose 14 percent, but exports of manufactured goods were up 46 percent. Exports grew more than three times as fast as shipments for the domestic market.

U.S. manufacturing is the most productive in the world. Our productivity grows rapidly as we improve manufacturing processes, obtain greater efficiencies, and turn to new and more productive software and machinery. Over the past decade manufacturing productivity rose at an average 3.8 percent per year. If jobs are to increase, production has to grow faster than 3.8 percent a year – otherwise jobs will be shed.

The message is that hardly anyone forecasts that domestic demand for manufactured goods over the next decade will grow 3.8 percent annually in volume terms. That means we must turn to exports for job creation. Virtually all forecasts point out that economic growth will be faster overseas – particularly in the developing markets.

The NAM endorses the Administration's goal of doubling exports by 2014. The goal is very ambitious, but it is achievable. The NAM has spelled out how this can be done in its "Blueprint to Double Exports," available on the NAM website. The blueprint calls for expanded export financing, greater export promotion, modernizing export controls, fixing business visas, increasing the protection for intellectual property, and many other things. But of all the things that must be done to double exports, by far the most important is obtaining greater access to foreign markets. And that can only be done by negotiating more trade agreements.

The Three Pending Free Trade Agreements and Jobs

That brings me to the pending trade agreements. The United States has not progressed on a bilateral trade agenda since Congressional passage of the U.S.-Peru FTA in December 2007. There are three bilateral trade agreements pending approval in Congress: U.S.-Colombia, U.S.-Korea, and U.S.-Panama. I and the manufacturing community are extremely concerned about the lack of movement on these trade agreements. Manufactured goods comprise two-thirds of overall U.S. exports of goods and services, and experience with previous trade agreements shows they provide robust new market access and increased growth in U.S. exports. The U.S. International Trade Commission estimates these three completed agreements would increase U.S. exports by at least $13 billion. This growth in exports – the majority of which would be manufactured goods – will drive U.S. employment and economic growth.

These agreements can be best described as "preferential trade agreements" because in every case they reduce barriers to U.S. exports far more than any concessions made by the United States. Our tariff rates are far lower than those in almost any other nation and we are open to foreign investment, so any free trade agreement we sign benefits our manufacturing exports to a far greater degree than those that export to the United States.

The fact is we had a combined trade *surplus* in 2009 of $27 billion in manufactured goods trade with our existing free trade agreement partners, despite the overall trade deficit we have in manufactured goods trade with the world. We are on track to record a $20 billion surplus in manufactured goods with our FTA partners in 2010.

Standing still on trade agreements is more accurately described as "falling behind." Since the Peru FTA was passed by Congress in 2007, while the United States has not taken action to pass existing agreements or begin new negotiations on any bilateral agreement, four of our largest competitors – Canada, the European Union (EU), Japan and Korea – have either completed or are in the process of negotiating nearly 40 separate trade agreements with nearly 100 countries. In every one of these markets, we will face disadvantages that will impair our ability to competitively sell our products.

The U.S.-Colombia Trade Promotion Agreement

The U.S.-Colombia Trade Promotion Agreement (Colombia TPA) will increase trade in goods, services and agricultural products between the United States and Colombia, one of the fastest growing economies in the Western Hemisphere. As manufactured goods are roughly two-thirds of our exports to Colombia, manufacturers in America will be the largest beneficiaries of this trade agreement.

Congress has repeatedly voted tariff preferences for Colombia that permit it to export duty-free to the United States, as part of the Andean Trade Preference Act. The Colombia TPA would convert this one-way free trade to two-way free trade by giving U.S. exporters to Colombia the same open access to that market that Colombia's exporters already have to the U.S. market. Thus, the agreement would truly level the playing field.

The U.S.-Colombia agreement will immediately eliminate the vast bulk of Colombia's tariffs on manufactured goods, and would improve rules governing trade – strengthening intellectual property protection, increasing safeguards against product counterfeiting and copyright piracy, strengthening investment rules, opening access to government procurement, facilitating electronic commerce, speeding customs processing, encouraging express delivery, and opening It is important to stress financial telecommunications and other services markets.

While almost all of Colombia's exports enter the United States duty-free, U.S. manufacturers face significant tariff barriers in Colombia. Colombia's average import duty on manufactured goods is 11.3 percent. These duties, however, are assessed not only on the invoice value of the goods but also on the freight and insurance charges (known as the "C.I.F value"). When other charges are applied as well, the effective import duty on manufactured goods is 14 percent.

Colombia imported $9.4 billion worth of U.S. products in 2009 and is on track to import $11.6 billion in 2010. It is the third largest export market in South America for U.S. exports, behind only Brazil and Venezuela. Manufactured goods predominate in U.S. trade with Colombia – 89 percent of total U.S. exports. We had a trade surplus in manufactured goods of $5.5 billion in 2009.

According to U.S. Department of Commerce methodology, U.S. manufactured goods exports to Colombia in 2009 supported over 70,000 U.S. jobs. The United States represents over one-quarter of Colombia's imports of manufactured goods. Small and medium-sized exporters, like my company, form the vast majority of U.S. exporters to Colombia – over 85 percent of all exporters to Colombia are SMEs. Over 10,000 U.S. SMEs exported products to Colombia in 2008, making up over a third of total exports by value. This point cannot be made enough times – our free trade agreements benefit firms of all sizes.

In 2009, while the United States imported nearly $13 billion in products from Colombia, $8.7 billion – or over two-thirds of which – was oil and other mineral fuels. Coffee, precious stones, fruits and nuts, and cut flowers follow in importance. These four product sectors, together with mineral fuels, comprise 90 percent of total U.S. imports from Colombia. While the United States had a 2009 trade deficit of $1.9 billion with Colombia, if mineral fuels are excluded, the United States had a trade surplus of over $6 billion – most of which was in manufactured goods.

Implementation of the U.S.-Colombia agreement is unlikely to result in significant new increases in U.S. imports from Colombia beyond those which can be expected to occur without the trade agreement. We expect that U.S. imports from Colombia will continue to increase, but the principal drivers of this will be the expansion of Colombia's oil production and the continuation of the duty-free treatment that the U.S. Congress has already given to imports from Colombia. In fact, 99 percent of non-mineral fuel imports from Colombia already enter the United States duty-free. I note that the 110th Congress only extended these benefits for Colombia through next month, and would urge this Committee to act quickly to extend these preferences to Colombia for a longer period.

The U.S.-Korea Free Trade Agreement (KORUS)

The KORUS Agreement will increase bilateral trade in goods and services between the United States and Korea, our eighth largest trading partner and one of the most dynamic economies in the Asia-Pacific region. Manufactured goods predominate our exports to Korea. I would note that the NAM has long believed that the automotive provisions needed strengthening, and we are very pleased to see that with the December 2010 supplemental agreement, this has been done.

The KORUS agreement will immediately eliminate nearly all of Korea's tariffs on manufactured goods and would improve the rules governing trade – by strengthening intellectual property protection, increasing safeguards against product counterfeiting and copyright piracy, strengthening investment rules, opening access to government procurement, facilitating electronic commerce, speeding customs processing, encouraging express delivery, and opening financial telecommunications and other services markets.

The United States is already a very open market to Korea. Over half of all Korean exports to the United States enter duty-free. The average U.S. duty on dutiable imports from Korea is only 3.5 percent. Korea's market is considerably more closed than the U.S. market. Korea's duties on dutiable manufactured imports average 6.6 percent. Since Korean tariffs are assessed on not just the invoice value of the imports but also on the cost of the freight and insurance (known as "C.I.F. value"), and Korea's 10 percent Value Added Tax (VAT) is levied on the C.I.F. duty paid value, the effective Korean import duty is actually about eight percent.

The KORUS agreement would level the playing field for U.S. producers by providing much greater access to Korea – and provide American manufacturers with a competitive advantage over most other exporters. The European Union's FTA with Korea will go into effect on July 1, 2011, and Canada is pursuing a trade agreement with Korea as well. Particularly in the case of the EU, this agreement will give their exporters a competitive advantage and would lead to significant trade diversion and loss of market share for American manufactured goods that can now only be prevented by quick passage and implementation of the KORUS agreement.

U.S. Manufactured Goods Trade with Korea

Korea imported $29 billion worth of U.S. products in 2009 and is on track to import $34 billion in 2010. It is the third largest export market in Asia for U.S. exports, behind only China and Japan. Manufactured goods predominate in U.S. trade with Korea. U.S. exports of manufactured goods to Korea totaled $21.9 billion in 2009 – 75 percent of total U.S. exports.

According to U.S. Department of Commerce methodology, U.S. manufactured goods exports to Korea in 2009 supported over 175,000 U.S. jobs. Small and medium exporters form the vast majority of U.S. exporters to Korea – 89 percent of all exporters to Korea are SMEs. Over 18,000 U.S. SMEs exported products to Korea in 2008, making up over a third of total exports by value.

The KORUS agreement has the potential to have a significant positive effect on U.S. exports, an increase of as much as $10.9 billion, according to the Korea analysis performed by the U.S. International Trade Commission (ITC). Non-tariff effects are important as well, but difficult to quantify, and are not included in the ITC estimate. NAM analysis indicates that if exports meet the ITC forecast (which has been demonstrated to be conservative in past FTAs), the increased manufactured goods exports goods to Korea could contribute 70,000 new U.S. jobs.

<u>The U.S.-Panama Free Trade Agreement</u>

The Panama FTA is strongly in the interests of U.S. manufacturers by providing increased market access for U.S. goods exported to Panama. Panama is currently undertaking one of the largest public works projects on earth with the widening of the Panama Canal, and that project will generate enormous demand for U.S.-made equipment and supplies. The U.S. trade surplus with Panama, at $3.8 billion, is the eighth-largest in the world. The U.S. is Panama's largest supplier of manufactured goods, with 31 percent of Panama's total import market share. Growth opportunities for U.S. manufactured goods, particularly with the multi-billion dollar expansion of the Panama Canal, are robust, and a U.S.-Panama FTA will provide strong commercial links for U.S. companies to supply goods and services under this expansion.

It is important to understand that Panama's exporters have had nearly complete open access to the U.S. market through preference programs like the Caribbean Basin Initiative (CBI) and the Caribbean Basin Trade Partnership Act (CBTPA), while NAM members and other U.S. exporters have to pay import duties to sell their products in Panama. The agreement will allow duty-free entry for U.S. manufactured goods into Panama.

Last year fully 96 percent of Panama's exports to the United States entered duty-free. Panama's average tariffs are 7 percent – but nearly 90 percent of U.S. exports of consumer and industrial goods to Panama will become duty-free immediately, with remaining tariffs phased out over 10 years. The agreement includes "zero-for-zero" immediate duty-free access for key U.S. sectors including agricultural and construction equipment and medical and scientific equipment.

<u>The Future: Far More Trade Agreements Are Needed</u>

NAM members – particularly smaller members – believe the most important trade policy shift for doubling exports is an immediate change in the U.S. aversion to concluding market-opening bilateral trade agreements. As competitors race to negotiate barrier-reducing trade agreements for their companies, the United States is frozen by the widespread misperception in Congress that trade agreements are harmful to the U.S. economy. The truth is that NAFTA, CAFTA and other U.S. FTAs have never been a significant factor in the U.S. manufactured goods deficit. They have given the United States a manufactured goods surplus for the last three years, in fact.

Rapid passage of the three pending FTAs will barely get the United States back into the race. Our competitors around the world have spent the last three years rushing to negotiate and sign new FTAs with rapidly growing economies. We need to embrace the same enthusiasm and redouble our efforts. I commend the Obama Administration for pursuing the Trans-Pacific Partnership (TPP) agreement, which will lead to critical new market openings in key economies like Malaysia, New Zealand and Vietnam. If negotiations on the TPP are successful, it could form the foundation of a larger Asia-Pacific Free Trade Area that could grow to include the most dynamic and rapidly growing economies on earth.

The TPP model should form the basis of new initiatives. It is time for the Obama Administration to propose and pursue a re-opening of the Free Trade Area of the Americas (FTAA) as well. The strong success of NAFTA, as well as that of CAFTA-DR, shows that we must link the entire Western Hemisphere together in a tariff-free economic zone. Economies like Brazil, Argentina and others are key growing markets and by removing their tariff and non-tariff barriers for U.S. exports, we will tap into important new avenues of growth.

Only 40 percent of U.S. exports benefit from existing FTAs. The other 60 percent face trade barriers, particularly in fast-growing emerging nations. Using the USITC methodology for estimating the export expansion effect of existing trade agreements, and extrapolating to the major markets where the United States does not have FTAs, the NAM estimates that a robust program of FTAs with significant trading partners could generate as much as an additional $100 billion in U.S. exports by 2014 – accounting for one-third of the $300 billion increase needed to reach the President's stated goal to double exports by that point.

Thank you, Mr. Chairman

Chairman CAMP. Thank you.

Our next witness will be Bob Stallman. You have 5 minutes, and your written statement will be made a part of the record.

STATEMENT OF BOB STALLMAN, PRESIDENT, AMERICAN FARM BUREAU FEDERATION

Mr. STALLMAN. Thank you, Mr. Chairman, Ranking Member Levin, Members of the Committee. I am Bob Stallman, President of the American Farm Bureau Federation and a rice and cattle producer from Texas. I appreciate the invitation to share the Farm Bureau's views on the three pending free trade agreements and their benefits to U.S. agriculture.

The Farm Bureau is the Nation's largest general farm organization, with more than 6 million member families representing producers of nearly every commodity grown or raised commercially in all 50 States and Puerto Rico. We support passage of the Korea, Colombia, and Panama trade agreements with the United States. Combined, these agreements represent almost $3 billion in additional trade for U.S. agricultural producers, but that is only if they are implemented.

The U.S. is facing a proliferation of FTAs, increasing the export potential of our competitors while putting U.S. agriculture at a disadvantage. Due to the administration and Congress' inaction on these agreements, the debate is no longer simply about generating potential export gains, but it is now about how to prevent the loss of existing export markets.

These trade agreements are not only important to the bottom line of America's farmers and ranchers. They are important to the economic health of our rural communities and the overall U.S. economy.

The USDA estimates that every billion dollars in agriculture exports supports 9,000 U.S. jobs. There is a long supply chain made up of American workers who get products from the farm gate to our foreign consumers. A decline in our exports means a decline in work for those that are a part of that supply chain. Given the state of our economy, we must do whatever we can to assure we are creating opportunities for work, not taking them away.

The U.S.-Korea Free Trade Agreement provides a significant opportunity for the U.S. agricultural sector. When the agreement is fully implemented, we estimate export gains to exceed $1.8 billion annually.

Korea has completed an agreement with the European Union which is expected to be implemented by July of 2011. The Korea-EU FTA in 5 years will eliminate 94 percent of Korea's tariffs. In contrast, the KORUS would eliminate 94.5 percent of Korea's tariffs in 3 years of implementation. If the Korea-EU FTA agreement enters into effect before the KORUS, European exporters will gain a significant competitive advantage over the United States in the Korean market.

Loss of market share in Korea because of U.S. competitors' preferential access has become a reality for some segments of the U.S. agriculture. Wine consumption has been increasing in Korea. During the 2000 and 2009 period, Chilean market share by value rose from 2.4 percent to 21.5 percent, while the U.S. share fell from 17.1 percent to 10.8 percent. This is believed to be the direct result of the 15 percent import duty eliminated on Chilean wine under the Korea-Chile Trade Agreement implemented in 2004.

The Colombia Trade Promotion Agreement eliminates Colombian tariffs on U.S. agriculture products, correcting the current imbalance in agricultural trade between our countries created in part by congressional passage and extension of the Andean Trade Preference Act. Our analysis of the agreement suggests gains in exports from this agreement of $815 million.

While U.S. agriculture continues to wait for passage of the agreement, U.S. market share has been slipping in Colombia due to our competitors implementing their own trade agreements. According to the USDA, between 2008 and 2009 we have seen almost a 50 percent drop in our exports, from 1.6 billion to 906 million. According to Colombia's National Department of Statistics, our peak market share was 46 percent in 2008, while in 2010 it dropped to 21 percent, being taken over by Argentina. In other words, the United States has already blown a major trade opportunity and will need to work hard to ever return to our earlier status.

As a further example, traditionally, the United States has been the top supplier of corn, wheat, and soybeans. In terms of market share, Colombia statistics shows that the U.S. market share went from a peak of 76 percent in 2000 to just 27 percent in 2010, again being taken over by Argentina, with some competition also from Brazil.

Under the Panama agreement, we estimate increased exports for the U.S. agricultural exports to exceed $195 million. Panama has completed a trade agreement with Canada. If this agreement enters into effect before the U.S. agreement, Canadian exporters will gain a significant competitive advantage over the United States for many products we can export.

Mr. Chairman, just to restate, these agreements contain significant export gains for U.S. agriculture that will only be realized by passage and implementation. Conversely, the inaction has proven to result in loss of market share and forfeiture of economic growth here. The U.S. government's inability to move these agreements benefits our foreign competitors and harms us. We urge that this Congress and the administration support and pass these agreements now and take full advantage of the economic opportunity they offer throughout the United States.

Thank you for the opportunity to share our views.

[The prepared statement of Mr. Stallman follows:]

Statement of the American Farm Bureau Federation

TO THE HOUSE WAYS AND MEANS COMMITTEE

REGARDING THE PENDING FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA AND SOUTH KOREA

January 25, 2011

Presented By:
Bob Stallman
President

600 Maryland Ave. SW | Suite 1000W | Washington, DC 20024 | p. 202.406.3600 | f. 202.406.3606 | www.fb.org

My name is Bob Stallman. I am President of the American Farm Bureau Federation and a rice and cattle producer from Columbus, Texas. I appreciate the invitation to share Farm Bureau's views on the three pending Free Trade Agreements (FTA) and their benefits for U.S. agriculture. Farm Bureau is the nation's largest general farm organization, with more than 6 million member families, representing producers of nearly every commodity grown or raised commercially in all 50 states and Puerto Rico.

The American Farm Bureau Federation supports passage of the Korea, Colombia and Panama trade agreements with the United States. Below is a detailed description of each agreement. Combined, these agreements represent almost $3 billion in additional trade for U.S. agricultural producers, but that is only if they are implemented. The U.S. is facing a proliferation of FTAs increasing the export potential of our competitors, while putting U.S. agriculture at a disadvantage. Due to the administration and Congress' inaction on these agreements, the debate is no longer simply about generating potential export gains but about how to prevent the loss of existing export markets.

These trade agreements are not only important to the bottom line of America's farmers and ranchers, but to the economic health of our rural communities and the overall U.S. economy. The Agriculture Department estimates that every billion dollars in agricultural exports supports 9,000 U.S. jobs. There is a long supply chain made up of American workers who get products from the farm gate to our foreign consumers. They are transportation workers, processors, packers, longshoreman, sales and marketing employees, and administrative and clerical staff. A decline in our exports means a decline in work for those that are a part of that supply chain. Given the state of our economy, we must do whatever we can to assure we are creating opportunities for work, not taking them away.

U.S.-KOREA FREE TRADE AGREEMENT (KORUS)

The KORUS provides a significant opportunity for the U.S. agriculture sector. When the agreement is fully implemented, increased exports of the major grain, oilseed, fiber, fruit and vegetable and livestock products are likely to exceed $1.8 billion annually. The KORUS allows the United States to become a competitive supplier of agricultural products to South Korea by providing duty-free and reduced tariff access. Agricultural tariff rates in South Korea range from just over 1 percent to nearly 500 percent, depending on the commodity. Eliminating these tariff rates through the KORUS would be extremely beneficial to the United States agricultural sector. The United States currently has less than one-third of the market share and faces considerable pressure from other suppliers. Lower tariff rates on U.S. products will make the United States more competitive with the European Union, Australia, China, Japan and other agricultural suppliers to South Korea.

Benefits for U.S. Agriculture

Under the KORUS, almost two-thirds of current U.S. agricultural exports to South Korea will become duty-free immediately. Items that receive immediate duty-free treatment include wheat, corn, soybeans for crushing, hides and skins, cotton and a broad range of high-value and processed products including almonds, pistachios, bourbon whisky, wine, raisins, grape juice, fresh cherries, frozen French fries and frozen orange juice concentrate.

The KORUS will provide an opportunity for the U.S. to expand exports. Unlike previous FTAs where trade gains have been focused in bulk agricultural commodities, the largest gains from the KORUS are focused in processed and semi-processed products. In addition to the usual livestock products, fish, fruits, vegetables and nuts all benefit substantially from the agreement.

Summary of KORUS FTA Benefits to U.S. Agriculture

(Values in Million Dollars)

	Current Imports from U.S.		2027 Imports from U.S.		
Commodity	2002-2006 Avg	2006-2008 Avg	**Without** KORUS	**With** KORUS	2027 Difference
Animal Hides	398.8	469.4	300	350	50.0
Beef	271.6	142.0	520.0	775.0	255.0
Corn & Feeds	324.9	1,233.0	600.0	825.0	225.0
Cotton	132.8	116.8	100.0	150.0	50.0
Dairy & Products	65.8	86.1	150.0	225.0	75.0
Fish	369.1	198.5	530.0	665.0	135.0
Fruits, Veggies & Nuts	251.2	263.7	360.0	475.0	115.0
Pork	101.6	219.7	300.0	450.0	150.0
Poultry	51.4	59.5	385.0	550.0	165.0
Rice[1]	16.8	50.3	29.9	38.1	8.2
Soybeans	225.2	190.4	400.0	550.0	150.0
Soybean Meal	13.7	45.7	50.0	150.0	100.0
Soybean Oil	21.4	47.1	50.0	150.0	100.0
Wheat	199.3	349.1	315.0	410.0	95.0
Estimated Impact of Selected Commodoties	2,443.6	3,471.3	4,089.9	5,763.1	1,673.2
All Other Commodities	182.9	546.6	400.0	600.0	200.0
Total	2,626.5	4,017.9	4,489.9	6,363.1	**1,873.2**

[1] *Trade gains for rice come from increased commitments through a WTO, rice-specific agreement and not from the FTA*

Source: American Farm Bureau Federation Economic Analysis

Looking at some of the specific commodities of export interest to the United States, the agreement would put the United States in a strong position to capitalize on the following commodity opportunities in what will be a fast growing market:

- South Korea's growth in imports of **grains and oilseed products,** related both to growing food demand for wheat and vegetable oils and to growing domestic livestock demand for feed grains and protein meals, is likely to be substantial. With no wheat and oilseed production capacity, South Korea's dependence on imports is likely to grow steadily. The trade agreement puts the United States in a strong supplier position to compete on a level playing field with other trade partners.
- Expanding import demand for **livestock products** related to growth in population and per capita incomes, combined with rather limited domestic production potential, will also be important. Growth in domestic demand for livestock products is likely to outpace production, despite larger imports of feed grains and protein meals. The KORUS would allow the United States to use its cost advantages and its wide variety of beef, pork and

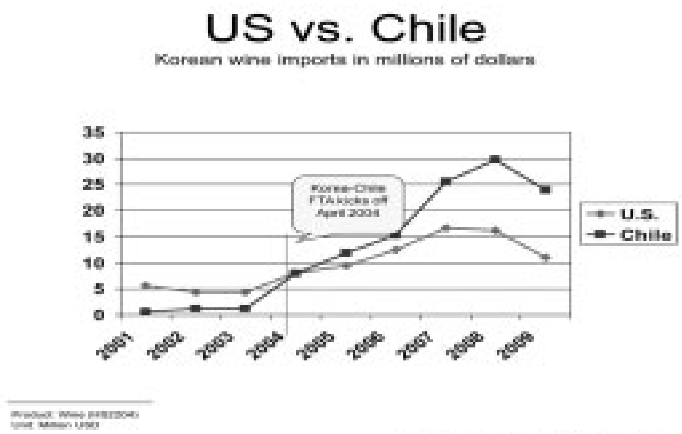
poultry products to fill a growing share of this market. Prior to the agreement, all U.S. beef had been shut out of the Korean market. Currently, the U.S. and Korean beef industries have agreed that the United States will export to the Korean market only beef less than 30 months of age. This is a worthy first step in allowing U.S. beef into the market and achieving consistency with the World Organization for Animal Health standards. Our beef sales to Korea have been increasing since the market was reopened in 2006. According to USDA, in 2009, U.S. exports of beef and beef products totaled $216 million, which represented 34 percent of Korea's total imports. Australia's market share has fallen from nearly 80 percent in 2006 to 55 percent in 2009. While we urge the U.S. and Korean governments to continue to discuss further opening of the market, Congress should move ahead and pass the trade agreement.

- Gains in **cotton** import demand are smaller than one might expect. South Korea has been losing its advantage in the production of clothing and shoes, resulting in less cotton demand to produce these products. The KORUS would put the United States in a position to capture the remaining market share.
- Gains in **other agricultural products** could also be substantial. The United States exports a broad range of farm products to South Korea. The commodities specifically noted above account for two-thirds of the United States total exports. Other commodities or commodity groupings of importance include fruits, vegetables, tallow and other processed products.

Lost opportunities

Korea has completed an agreement with the European Union (EU), which is expected to be implemented by July 2011. The Korea-EU FTA will immediately eliminate 82 percent of Korea's tariffs; in five years, the agreement will eliminate 94 percent of Korea's tariffs. In contrast, the KORUS would eliminate 94.5 percent of Korea's tariffs within three years of implementation; virtually all tariffs will be eliminated in ten years. If the Korea-EU FTA agreement enters into effect before the KORUS, European exporters will gain a significant competitive advantage over the United States in the Korean market.

Loss of market share in Korea because of U.S. competitors' preferential access has become a reality for some segments of U.S. agriculture. Korean wine imports were increasing sharply and peaked at about $167 million in 2008. U.S. wine exports tripled from 2001 to 2008. During the 2000-2009 period, Chilean market share (by value) rose from 2.4 percent to 21.5 percent, while the U.S. share fell from 17.1 percent to 10.8 percent. This is believed to be the direct result of the 15 percent import duty which was eliminated on Chilean wine under the Korea-Chile trade agreement implemented in April 2004. While this is a single incident, there is a real potential for this to become a reality for a range of other agricultural commodities as Korea signs FTAs with our competitors. This would include Australia and Canada who are currently negotiating their own deals with Korea.



Source: United States Department of Agriculture

U.S.-COLOMBIA TRADE PROMOTION AGREEMENT (CTPA)

The CTPA eliminates Colombian tariffs on U.S. agricultural products, correcting the current imbalance in agricultural trade between our countries created in part by congressional passage and extension of the Andean Trade Preference Act (ATPA). It is important to understand that the CTPA allows the United States to become a competitive supplier of agricultural products to Colombia. The United States will be able to land product duty-free and compete with Colombia's Latin American trading partners who currently supply a large percent of the Colombian food and fiber market through preferential trade agreements. This also levels the playing field by providing U.S. products exported to Colombia the same duty-free access already enjoyed by Colombian products imported to the United States.

Colombia has one of the highest tariff structures in South America. This is the major impediment to market access in many sectors, including agriculture. Colombian import duties on agricultural and processed food products are currently high, and the average tariff rate is roughly 30 percent. Elimination of Colombia's duties in the agricultural sector would create new opportunities for American farmers and ranchers in this market, particularly relative to other suppliers that already have trade agreements with Colombia.

Benefits for U.S. Agriculture

Under the CTPA, more than 80 percent of current U.S. exports to Colombia will become duty-free immediately. Agricultural items that receive immediate duty-free treatment include high-quality beef, cotton, wheat, soybeans, soybean meal, apples, pears, peaches, cherries and some processed food products.

Summary of CTPA Benefits to U.S. Agriculture

Year 2026

(Values in Dollars)

	Current Imports from U.S.		2026 Imports from U.S.		
Commodity	2000-2004 Avg	2006-2008 Avg	**Without** CTPA	**With** CTPA	2026 Difference
Beef	0.6	4.5	6.5	12.5	6.0
Corn	162.7	502.5	400.0	625.0	225.0
Cotton	31.4	64.3	115.0	190.0	75.0
Pork	4.5	5.3	10.0	19.5	9.5
Poultry	12.7	10.7	35.0	70.0	35.0
Rice	1.0	1.5	6.0	15.0	9.0
Soybean	25.4	84.1	125.0	185.0	60.0
Soybean Meal	12.2	91.5	150.0	200.0	50.0
Soybean Oil	4.3	26.7	30.0	45.0	15.0
Wheat	86.9	209.2	220.0	300.0	80.0
Estimated Impact of Selected Commodoties	341.7	1,000.3	1,097.5	1,662.0	564.5
All Other Commodities	127.0	255.2	325.0	575.0	250.0
Total	468.8	1,255.5	1,422.5	2,237.0	**814.5**

Source: American Farm Bureau Federation Economic Analysis

As shown in the table, our analysis of the agreement suggests CTPA-related gains in exports over imports of $815 million.

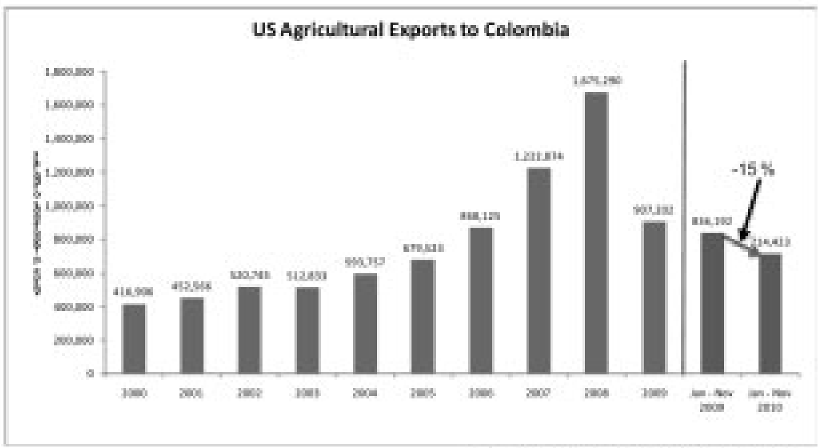
Looking at some of the specific commodities of export interest to the United States, the agreement would put the United States in a strong position to capitalize on the following commodity opportunities in what will be a fast growing overall market:

- Colombia's growth in imports of **grains and oilseed products** related both to growing food demand for wheat and vegetable oils and to growing domestic livestock demand for feed grains and protein meals is likely to be substantial. The trade agreement puts the United States in a strong supplier position to compete on a level playing field with other preferential trade partners.
- Expanding import demand for **livestock products** related to growth in population and per capita incomes, combined with limited domestic production potential, will also be important. Rapid growth in tourism should help to stimulate demand for meats in the hotel and restaurant trade, which could be significant on its own. Growth in domestic demand for livestock products is likely to outpace production, despite larger imports of feed grains and protein meals. The CTPA would allow the United States to use its cost advantages and its wide variety of beef, pork and poultry products to fill a growing share of this market.
- Gains in **cotton** import demand is also key, due to both increased domestic demand for cotton and import demand from the United States for finished textiles and apparel. The CTPA would put the United States in a position to price competitively and boost market share.

- Gains in **other agricultural products** could also be substantial. The United States exports a diverse basket of farm products to Colombia. The commodities noted specifically above account for two-thirds of the United States total exports. Other commodities or commodity groupings of importance include fruits, vegetables, tallow and other processed products.

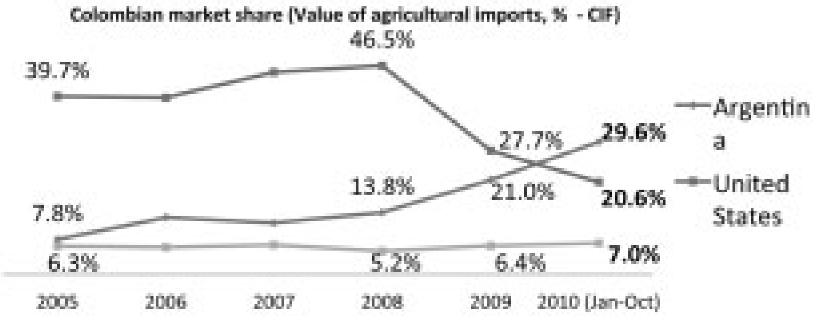
Lost opportunities

While U.S. agriculture continues to wait for passage of the agreement, U.S. market share has been slipping in Colombia due to our competitors implementing their own trade agreements. According to USDA trade data, between 2008 and 2009 we have seen almost a 50 percent drop in our exports from $1.6 billion to $906 million. In 2010 we continued to experience the decline in trade. USDA data from 2010 between the months of Jan. and Nov. compared to the same period in 2009 shows U.S. agricultural exports down 15 percent.



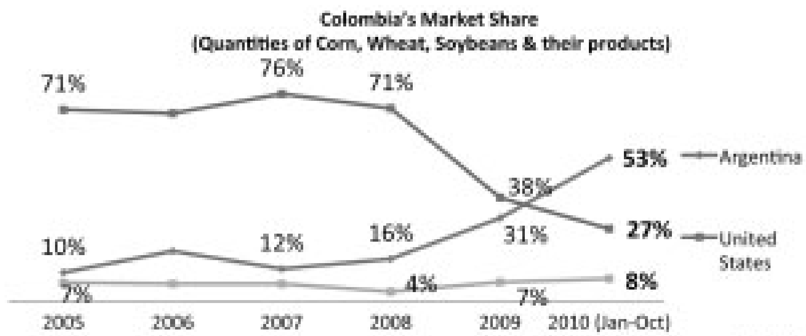
Source: United States Department of Agriculture

In addition to the reduction in the overall export value, the Colombian National Department of Statistics information regarding U.S. market share demonstrates significant slippage. According to this data, our peak market share was 46 percent in 2008, while in 2010 it dropped to 21 percent, being taken over by Argentina. In other words, the United States has already blown a major trade opportunity and will need to work hard to ever return to our earlier status.



Source: Embassy of Colombia

As a further example, the United States has traditionally been the top supplier of corn, wheat and soybeans. In 2008 these products represented 79 percent of the total value of U.S. agricultural exports to Colombia. In 2009 this share fell to 60 percent, and as of Oct. 2010 the share has fallen to 56 percent. In terms of market share, the Colombian National Department of Statistics shows that U.S. market share of these products went from a peak of 76 percent in 2007 to just 27 percent in 2010, again being taken over by Argentina with some competition from Brazil. These losses are not because our competitors have a better product, but a stronger advantage given their reduced tariffs granted by the MERCOSUR trade agreement with Colombia.



Source: Embassy of Colombia

U.S.-PANAMA TRADE PROMOTION AGREEMENT (PTPA)

The United States already has a very large share of the Panamanian agricultural market. In fact, averaged across all agricultural products, the United States already supplies 53 percent of Panamanian agricultural imports. For the commodities that the United States has the most interest in, the share is more than 80 percent. However, the agreement will prevent other countries, specifically other Latin American suppliers, from taking some of the current U.S. share of the Panamanian market. The agreement also levels the playing field by providing U.S. products exported to Panama with the same duty-free access already enjoyed by Panamanian products exported to the United States through the Caribbean Basin Initiative (CBI).

While Panama's agricultural sector is very small, there are some segments that are protected from imports. For the most part, Panama's tariffs on bulk and intermediate commodities are low. However, high-valued and consumer-ready products, which tend to compete directly with local Panamanian producers, generally face higher tariffs. Agricultural tariff rates in Panama range from just 3 percent to nearly 160 percent, depending on the commodity. Eliminating, or even significantly reducing, these tariff rates through free trade agreement negotiations could be beneficial to the United States agricultural sector.

Benefits for U.S. Agriculture

Under the PTPA, more than half of current U.S. agricultural exports to Panama will become duty-free immediately. Items that receive immediate duty-free treatment include high-quality beef, mechanically de-boned chicken, frozen whole turkeys and turkey breast, pork variety meats, whey, soybeans and soybean meal, cotton, wheat, barley, most fresh fruits, almonds, walnuts and many processed products.

The PTPA will provide an opportunity for the U.S. to expand exports of grains, oilseeds, fiber and livestock products. The PTPA allows the United States to maintain its competitive supplier position for agricultural products to Panama. While the PTPA does not guarantee the United States expanded exports, the United States will be able to land product duty free, along with Panama's other regional suppliers. The increased total U.S. agricultural exports likely with a PTPA in place could exceed $195 million if other agricultural and processed products grow at the same pace.

Summary of PTPA Benefits to U.S. Agriculture

(Values in Million Dollars)

Commodity	2001-2004 Avg Imports from US	2027 Imports from U.S. **Without** PTPA	**With** PTPA	2027 Difference
Beef	1.4	21.1	30.9	9.8
Corn & Feeds	35.1	64.2	101.1	36.9
Cotton	0.2	2.1	3.3	1.2
Dairy & Products	4.7	11.7	14.8	3.1
Horticultural Products	17.1	35.2	49.8	14.6
Pork	2.9	22.6	31.9	9.3
Poultry	4.9	28.6	52.2	23.6
Rice	3.4	17.8	33.1	15.3
Soybeans & Products	27.5	43.1	72.2	29.1
Wheat	16.5	39.8	47.9	8.1
Estimated Impact of Selected Commodoties	113.7	286.2	437.2	151.0
All Other Commodities	65.2	137.9	181.9	44.0
Total	178.9	424.1	619.1	195.0

Source: American Farm Bureau Federation Economic Analysis

Lost opportunities

Panama has completed a trade agreement with Canada. If this agreement enters into effect before the U.S. agreement, Canadian exporters will gain a significant competitive advantage over the United States in the market for products such as beef, frozen potato products, beans, lentils, pork, malt and other processed foods.

Chairman CAMP. Thank you. Thank you very much.

Mr. Ducker, you are also recognized now for 5 minutes; and your written statement is part of the record as well.

STATEMENT OF MICHAEL L. DUCKER, CHIEF OPERATING OFFICER AND PRESIDENT, INTERNATIONAL, FEDEX EXPRESS

Mr. DUCKER. Good morning. Thank you very much, Chairman Camp, Ranking Member Levin, distinguished members of the House Committee on Ways and Means.

I am Mike Ducker. I am the Chief Operating Officer and President, International, for FedEx Express. I also serve as the Chairman of the U.S. Chamber's International Policy Committee and am a member of its board of directors. The Chamber serves as secretariat for both the U.S.-Korea FTA Business Coalition and the Latin American Trade Coalition, which represents hundreds of American companies, business, and agricultural organizations and chambers of commerce that support approval of the pending free trade agreements.

As you have heard, I have submitted written testimony for the record, but I am honored to be here today and would like to take just a few moments to discuss our company with the committee.

I represent nearly 300,000 FedEx team members. As I said, I am honored to be here with my fellow panelists to have a discussion with you about how we can pass the trade agreements with Colombia, Panama, and South Korea but, as importantly, how we can work together to position our businesses, our members, our workers, and our communities to thrive in this century in the global economy.

We all share the same priority, igniting economic growth and job creation so we can leave the harmful effects of the recession behind and move forward towards a more prosperous future. Trade has to play a vital role in reaching our shared growth and job creation goals.

The business community welcomed President Obama's call last year to double U.S. exports within 5 years and the launch of the National Export Initiative, and we all look forward to his comments on trade and passing these trade agreements to enhance U.S. competitiveness at tonight's State of the Union.

How do we accomplish the bold goal of doubling exports in 5 years? Well, the markets and consumers outside our borders represent 73 percent of the world's purchasing power, 87 percent of its economic growth, and 95 percent of its consumers. Let me repeat that, 73 percent of the world's purchasing power, 87 percent of its economic growth, and 95 percent of its consumers. We have to harness these new markets, this growth, and these new customers to lift our economy up and create jobs.

Trade and trade agreements empower businesses of all sizes and their workers. We in the business community must work together, no matter our size, to ensure our suppliers, customers, and business partners can benefit from growth and trade as well.

Our FedEx U.S. operations and our 230,000 American team members support our global express delivery network. Expansion of global trade strengthens FedEx and enables continued growth of our U.S. operations and workforce. As we grow and invest around the world, we create jobs here in the United States. Without global trade, FedEx would be a shadow of our current operations and our domestic U.S. workforce would be dramatically smaller.

But also consider this. As our global FedEx network expands, we purchase new planes, such as our new fleet of Boeing 777 freighters, new trucks, new equipment, supplies, and services. Our growth abroad increases our demand for goods and services from our suppliers and vendors here in the United States, which helps them grow their businesses and create jobs.

We strongly support free trade agreements that create new commercial opportunities for our customers and us. At FedEx, we have seen the results from the free trade agreements currently in force. After implementation, two-way trade volumes between the United States and its free trade agreement partners increase. Demand for our services to and from those free trade countries increase. Our package volumes increase, and we expand our operations to accommodate that growth. It is really as simple as that.

I joined FedEx in 1975 and started loading packages on small leased jets during the first years of the company when we served only a handful of the cities in the United States. I have grown with the company and worked here in the United States and around the world as their operations have expanded. I have seen firsthand how the global economy has developed, spending much of my career in Europe, the Middle East, and Asia.

Great opportunities are out there around the world for us and our customers and there are great challenges, but we in the private and public sector must act to seize those opportunities and overcome those challenges. For too long, the United States——

Chairman CAMP. I am afraid we are out of time. The remaining part of your statement can be a part of the record, your written statement. But thank you very much for your testimony.

[The prepared statement of Mr. Ducker follows:]

Michael L. Ducker
COO and President, International
FedEx Express

TESTIMONY TO THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS

"The Pending Free Trade Agreements with Colombia, Panama, and South Korea
and the Creation of U.S. Jobs."

January 25, 2011
10:00 a.m. Longworth House Office Building

Thank you Chairman Camp, Ranking Member Levin, and distinguished members of the House Committee on Ways and Means. My name is Mike Ducker and I am the Chief Operating Officer and President, International for FedEx Express. I also serve as Chairman of the U.S. Chamber's International Policy Committee and am a Member of its Board of Directors. The Chamber serves as secretariat for both the U.S.-Korea FTA Business Coalition and the Latin American Trade Coalition, which represent hundreds of American companies, business and agricultural organizations, and chambers of commerce that support approval of the pending Free Trade Agreements. The Coalitions, the Chamber, and its Members continue to advocate for the expeditious passage of these agreements and below we have summarized a number of the key arguments in support of passing all three agreements.

Thank you for the privilege to testify today and to share FedEx's strong support for the three pending Free Trade Agreements with Colombia, Panama and South Korea. As business leaders and policy makers look out to the future, we must decide how best to anchor the United States in the global economy, and leverage the incredible growth rates and rising middle class around the world to create jobs, grow our economy, and build a prosperous future in the years and decades ahead. I am honored to join my fellow panelists here today, and to have a discussion about how we can pass the trade agreements with Colombia, Panama, and South Korea – but as important – how we can work together to position our businesses, our members, our workers, and our communities, to thrive in this century in the global economy.

The Importance of Trade to Ignite Growth and Prosperity at Home

We all agree that the key to our future prosperity requires putting Americans back to work. Nearly 10% of the U.S. workforce is unemployed — and it reaches 17% when you count those who have stopped looking for jobs and the millions of part-time workers who want to work full time. As a nation, we must create 20 million jobs in this decade to replace the jobs lost in during the recession and to meet the needs of America's growing workforce.

We know that domestic consumption alone cannot generate the demand necessary to grow our economy. Trade must play a vital role in reaching this job-creation goal. The business community welcomed President Obama's call to double U.S. exports within five years and the launch of his National Export Initiative. So how do we accomplish the bold goal of doubling exports in five years? Well, the markets and consumers outside our borders represent 73% of the world's purchasing power,[1] 87% of its economic growth,[2] and 95% of its consumers. We must harness these new markets, this growth and these new consumers to lift our economy up and create jobs. Trade already sustains millions of American jobs. More than 50 million American workers are employed by firms that engage in international trade, according to the U.S. Department of the Treasury.[3] President Obama has noted that one in three manufacturing jobs depends on exports,[4] and one in three acres on American farms is planted for hungry consumers overseas.[5]

Trade can work for companies of any size. More than 97% of the quarter million U.S. companies that export are small and medium-sized enterprises (SMEs), and they account for nearly a third of U.S. merchandise exports, according to the U.S. Department of Commerce. In fact, the number of SMEs that export has more than doubled over the past 15 years. These SMEs rely on companies like FedEx to help them reach new markets. We at FedEx are working closely with the Commerce Department to support the National Export Initiative by reaching out to thousands of our small- and medium-sized customers who are best positioned to export and working with the Commercial Service to help them reach new markets and customers. We in the business community must work together, no matter our size, to ensure our suppliers, customers, and business partners can benefit from growth in trade as well. If America fails to compete abroad, our workers and businesses will lose out and our standard of living and our standing in the world will suffer.

The FedEx Perspective

FedEx provides individuals and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. FedEx has more than 285,000 team members who serve our customers and run our global network. FedEx Express is the world's largest express transportation company, providing fast and reliable delivery to every U.S. address and to more than 220 countries and territories. FedEx works to provide its customers access to new markets, new consumers, and new opportunities around the world. Our network is a critical component of the global supply chain.

FedEx's U.S. operations, and our 230,000 American team members, support both our domestic services and our global express delivery network. Expansion of global trade strengthens FedEx and enables continued growth of our U.S. operations and workforce. As

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[1] David Wessel, "Asia's Latest Export: Recovery," *The Wall Street Journal*, February 24, 2010, http://online.wsj.com/article/SB10001424052748703510204575085280515242598.html.

[2] Office of the U.S. Trade Representative, Executive Office of the President, *The President's 2010 Trade Policy Agenda*, March 2010, http://www.ustr.gov/webfm_send/1673. "IMF forecasts indicate that nearly 87% of world growth over the next 5 years will take place outside of the United States."

[3] U.S. Department of the Treasury: https://ustreas.gov/press/releases/hp285.htm.

[4] The White House: http://www.whitehouse.gov/the-press-office/remarks-president-announcing-presidents-export-council.

[5] American Farm Bureau Federation: http://www.fb.org/index.php?fuseaction=newsroom.fastfacts.

we grow around the world, we create jobs here in the United States. Without global trade, FedEx would be a shadow of our current operations, and our domestic work force would be dramatically smaller. Moreover, as our global network expands, we purchase new planes such as our new fleet of Boeing 777 freighters, new trucks, new equipment, new supplies and new services. Our growth abroad increases our demand for goods and services from our suppliers and vendors here in the United States, which helps them grow their businesses and work forces.

FedEx champions trade and foreign investment liberalization to help our customers reach new markets so they can grow their business and to increase demand for our services. Therefore, we strongly support Free Trade Agreements that create new commercial opportunities for our customers and us. At FedEx we have seen the results from the Free Trade Agreements currently in force. After implementation, two-way trade volumes between the United States and its Free Trade Agreement partners increase, demand for our services to and from those free trade countries increase, our package volumes increase, and we expand our operations to accommodate that growth – it really is as simple as that.

I joined FedEx in 1975 and started loading packages on small jets during the first years of the company when we served only a handful of cities in the United States. I have grown with the company and worked here in the United States and around world as our operations have expanded. I am proud today to run our global operations, which reaches over 220 countries and territories around the world. During my tenure at FedEx, I have witnessed remarkable changes in the way businesses, large and small, operate in the global economy.

We at FedEx feel strongly that the growing and evolving global economy presents great opportunities for our business and the businesses of our customers. FedEx commissioned the independent research firm SRI International to conduct a study looking into how greater Access is changing the world. The Access Index has looked at over 100 countries and measured two dozen indicators of physical and information access. The study demonstrates how access to markets, to customers, to ideas can all generate development, prosperity, and opportunity (*see* http://about.fedex.designcdt.com/access). The world is more connected than ever before, and continues to grow more inter-connected. We cannot and should not stop this trend, but we can harness the trend to strengthen our economic recovery, generate growth, and create jobs.

For too long, the United States has taken a time out on trade agreements. While we may have stopped passing and implementing trade agreements, our trade competitors continue full speed ahead – prying open markets and negotiating reforms that benefit their countries' businesses and workers to the detriment of our competitiveness. During my over 35 years at FedEx, I have found that little business success has been achieved by turning inward or by relinquishing the field to your competition. Trade continues to grow, so the question we as a company, and we as country, must face head on is – will we grow with it?

We face great challenges for our economy, our communities and our businesses and workers – but the dynamism and opportunities literally exploding around the world should provide us with hope – not induce fear. Will it be difficult – certainly – but bold and strategic actions can restore our economic strength, anchor our future economic prosperity and create the jobs and growth our economy so desperately needs. Passage and implementation of the Free Trade Agreements with Colombia, Panama and South Korea will be an important first step.

But why trade agreements? Simply put, they generate new business opportunities, open markets, and enhance U.S. competitiveness. We have found at FedEx that expanding our global express delivery network and diversifying our service offerings helps our customers of all sizes grow their businesses. Far too many American businesses have yet to engage in global commerce. Free Trade Agreements provide new market access, protections for investments, improved customs regimes, transparency and other benefits to American businesses looking to grow and reach new customers. The United States has developed the gold standard for comprehensive Free Trade Agreements, and each of the three pending Free Trade Agreements offers a host of benefits to American business.

A year ago, the U.S. Chamber released a study which warned that the United States could suffer a net loss of more than 380,000 jobs and $40 billion in lost export sales if it failed to implement the Colombia and South Korea agreements while the EU and Canada went ahead with theirs. We cannot afford to let that happen.

We see first-hand the benefits of trade agreements each day, as we witness our package volumes go up in countries that enter Free Trade Agreements. In particular, with respect to the U.S. Free Trade Agreements in force with 17 countries today, for each of them, we saw our two-way trade volume increase following implementation of the agreements. Moreover, we have developed trade promotion and marketing materials to help our customers benefit from the U.S. trade agreements.

We also witness first-hand, the race around the world to negotiate and implement Free Trade Agreements amongst countries that exclude the United States, and these agreements can put U.S. businesses at a significant disadvantage. Unfortunately, many of these hundreds of new trade agreements exclude entire sectors and often do not even address the non-tariff services, investment, customs and other regulatory barriers that impair our operations and limit the access our customers will have to new markets.

Growing the FedEx Global Network Strengthens FedEx and Our Customers

The growth of our company and our almost 230,000 team members in the United States all depend on growing our international business. Our international volumes, including exports and imports into the U.S., as well as between foreign countries, grew almost 20% last year, while our domestic volumes grew about 1%. We project that our international revenues will soon surpass our domestic revenues…and this is great news, because we are positioning ourselves, and all of our customers, to increase access to new markets and customers.

Our goal is to be globally competitive. And today, to be globally competitive, you need to be global in your mindset. Today, with access to the internet and access to FedEx, you can sell your goods and services to virtually any market around the world. FedEx has grown its global network, expanded its investments overseas, and enhanced its service offerings, so our customers of all sizes can reach each other. We play a critical role in the global supply chain, but for that supply chain to run efficiently, and if American businesses are to participate in the global economy, service providers like FedEx must overcome a host of market access, investment, customs and regulatory barriers. Free Trade Agreements, such as the three pending agreements, take these non-tariff trade barriers head on, and they ensure that companies like FedEx can provide our full range of services, so that our customers can grow their international business.

At our Super Hub in Memphis each night millions of FedEx packages move over miles and miles of conveyor belts due to the hard work of over 10,000 FedEx team members operating hundreds of FedEx planes, vehicles and machines to make sure FedEx customers' packages reach their destinations around the world. The Free Trade Agreements with Colombia, Panama, and South Korea once implemented will empower our customers to sell more and buy more from these three countries, and we will grow our operations to accommodate our customer's growth in demand.

Once implemented, these agreements will benefit FedEx and our customers, and strengthen our businesses and our workforce. Every FedEx team member is part of our global operations – whether a courier picking up or delivering an international package in Detroit or Delhi, a pilot flying a Boeing 777 air cargo freighter, a mechanic repairing a FedEx plane or truck, a meteorologist tracking a storm that could impact our flights, or a sales representative helping a customer reach a new market – all of us are part of our inter-connected global network that is woven into the global economy.

The Provisions in the Pending FTAs will Strengthen FedEx and Our Customers

FedEx strongly supports the pending Free Trade Agreements with Colombia, Panama, and South Korea for two primary reasons. First, these three economies offer a host of opportunities for our customers, and each Free Trade Agreement eliminates or phases out many of the barriers that have impaired their access to the three markets. FedEx carries American high-tech products, pharmaceuticals, auto parts, medical equipment and numerous other products to all three countries. Passage and implementation of the agreements will make American goods and services – particularly from small- and medium-sized businesses – more competitive.

Second, specific provisions in each agreement address and resolve a number of the Express Delivery Services industry's concerns with aspects of the current customs regimes and postal laws in each country. These provisions include an appropriate definition of express delivery services, ensuring that its provisions apply to both private and public sector providers of the delivery services, as well as expedited and enhanced customs clearance provisions that will improve the speed and reliability of our service, and the adoption of electronic submission and retention of key trade and customs documentation. These customs improvements will make it easier for all U.S. companies to export to these countries.

The agreements will also provide important protections for FedEx investments, adopt enhanced transparency provisions, reform competition policy, ensure a level playing field when competing with state-owned enterprises and monopoly service providers, and incorporate other reforms in each country that will allow us to provide our full range of services to our customers to reach these markets. These innovative and gold standard provisions will provide FedEx operational certainty as well as enhance trade facilitation with each country that will accelerate and simplify the movement of goods into each country and provide significant competitive advantages to our customers.

The Challenge: Tariffs and Other Trade Barriers Holding Back U.S. Growth

The chief obstacle to reaching the goal of doubling U.S. exports by 2014 is the complex array of foreign barriers to American exports. The World Economic Forum issues an annual *Global Enabling Trade* report, which ranks countries according to their competitiveness in the trade arena.[6] While the report found the United States did well in a number of areas, it ranked a stunning 121st out of 125 economies in terms of "tariffs faced" by our exports overseas. American exporters face higher tariffs abroad than nearly all our trade competitors – and tariffs are just part of the problem, as a wide variety of non-tariff barriers also shut U.S. goods and services out of foreign markets. The foremost goal of U.S. trade policy should be to tear down these barriers.

Historically, foreign governments only open their markets to American exports through trade negotiations that eliminate barriers on a reciprocal or multi-lateral basis. As the WTO Doha Round has languished, the primary vehicle for market openings has been Free Trade Agreements (FTAs), such as those pending with South Korea, Colombia, and Panama, or the Trans-Pacific Partnership, which is under negotiation.

The Solution: More Free Trade Agreements

The pending FTAs with South Korea, Colombia, and Panama are pro-growth agreements that will create good American jobs, support important allies, and strengthen U.S. leadership on trade. These agreements will also benefit American workers and farmers. Most imports from South Korea, Colombia, and Panama today enter the U.S. market duty free. These countries, however, impose tariffs on U.S. products that limit the competitiveness of American goods. These agreements would knock down those barriers.

The U.S. Chamber commissioned a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*,[7] which was released in May 2010. The study examined U.S. FTAs implemented over the past 25 years with a total of 14

[6] World Economic Forum, *The Global Enabling Trade Report 2010*, May 19, 2010, http://members.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

[7] U.S. Chamber of Commerce, *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*, May 2010, http://www.uschamber.com/trade.

countries. It excluded three other countries where FTAs have only recently been implemented. The study employs a widely accepted general equilibrium economic model which is used by the U.S. International Trade Commission, the WTO, and the World Bank. The results of this comprehensive study are impressive: 17.7 million American jobs depend on trade with these 14 countries; of this total, 5.4 million U.S. jobs are supported by the increase in trade generated by the FTAs.

No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to these FTAs, with the exception of the multilateral trade liberalization begun in 1947. The study also shows that U.S. merchandise exports to our FTA partners grew nearly three times as rapidly as did our exports to the rest of the world from 1998 to 2008.

The Race to Implement Free Trade Agreements – Where is the United States?

The success of reciprocal trade agreements has led to their proliferation around the globe. Countries are rushing to negotiate new trade accords — but America is being left behind by standing still. According to the WTO, there are 283 regional trade agreements in force around the globe today, but the United States has only 11 FTAs with just 17 countries.[8] Moreover, there are more than 100 bilateral and regional trade agreements currently under negotiation among our trading partners. Unfortunately, the United States is participating in just one of these – the Trans-Pacific Partnership.

While the U.S. agreements languish, other nations are moving forward. The European Union has concluded a comprehensive FTA with South Korea, and Canada has done so with Colombia; both of these FTAs are expected to enter into force in mid-2011. Also, in May, the EU signed FTAs with Colombia and Panama, and Canada has signed an FTA with Panama. If these agreements enter into force, and the U.S. agreements languish, U.S. exporters will be put at a significant competitive disadvantage in South Korea, Colombia, and Panama. The cost of further delay will be high – American businesses and their workers will suffer.

A Closer Look at the Three Pending Agreements

Colombia: The U.S.-Colombia FTA will increase U.S. exports and strengthen our partnership with a steadfast ally. The FTA's provisions are virtually indistinguishable from those in the U.S.-Peru FTA, which Congress approved by an overwhelming bipartisan majority in 2007. U.S. exports to Colombia have more than tripled since 2003, exceeding $11 billion in 2010. A wide range of industries — including food and other agricultural products, chemicals, computers and electronic products, electrical equipment and appliances, and motor vehicles to name just a few — have seen exports grow into the hundreds of millions of dollars each year. More than 10,000 U.S. small- and medium-sized businesses were selling to Colombia, totaling 85% of all U.S. companies exporting to Colombia.

Building on these strong ties, the Colombia agreement will end a trade relationship built on temporary unilateral preferences and replace it with one that is mutually beneficial,

[8] WTO: http://www.wto.org/english/tratop_e/region_e/region_e.htm.

reciprocal, and permanent. In 1991, Congress approved the Andean Trade Preference Act (ATPA), which has been renewed by bipartisan majorities several times in recent years. Thanks to the ATPA, the average U.S. import duty imposed on imports from Colombia was a stunningly low 0.1% in 2009, according to the U.S. International Trade Commission.[9] By contrast, Colombia's average duty on imports from the United States is 14% for manufactured goods and far higher for key agricultural exports. In short, Colombians enjoy nearly free access to our market while our access to theirs remains limited.

In fact, since the agreement was signed in November 2006, U.S. exports to Colombia have been penalized by the imposition of over $3.2 billion in tariffs that could have been eliminated by the implementation of the agreement (*see* Colombia Tariff Ticker — www.latradecoalition.org). This sum reflects not only money out of the pockets of U.S. companies; it likely deterred hundreds of millions of dollars worth of additional sales. This agreement will remedy the unfairness of today's U.S.-Colombia trade relationship by sweeping away most of Colombia's tariffs immediately. The day the agreement enters into force, four-fifths of U.S. consumer and industrial products and more than half of current U.S. farm exports will enter Colombia duty-free. Remaining tariffs will be phased out, most in just a few years.

In addition, the agreement will open services markets, secure the intellectual property of U.S. inventors, researchers, and creative artists, and introduce enforceable protections for worker rights and the environment. Colombia's Congress has already enacted into law all of the provisions on labor, the environment, public health and enforcement agreed to in the bipartisan trade deal of May 10, 2007. In short, the U.S.-Colombia FTA is good for the U.S. economy, good for U.S. job creation, and good for our partnership with a key ally in the region. Four years of delay is enough.

Panama: In similar fashion, the U.S.-Panama FTA will strengthen the century-old U.S.-Panama geostrategic partnership. From the time of the canal's construction, the United States and Panama have made common cause on issues from security to commerce. Panama has major ports on both the Atlantic and the Pacific, and fully 5% of world trade passes through the canal. With a remarkable one-third of its population speaking English fluently and a fully dollarized economy, Panama is a good friend and partner of the United States. The trade agreement will help both nations get even more benefits from these longstanding ties.

Like the other two FTAs, the U.S.-Panama FTA will benefit American workers, farmers, and companies by eliminating over 88% of Panama's tariffs on U.S. consumer and industrial goods and a majority of the most competitive U.S. farm exports immediately upon implementation. Panama's average duty on imports from the United States is 7%, whereas the United States eliminated nearly all its tariffs on imports from Panama through the Caribbean Basin Initiative in 1984. The agreement will make these trade openings reciprocal — a two-way street that will benefit both countries.

[9] United States International Trade Commission, *Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution* (Investigation No. 332-352, USITC Publication 4188, September 2010), p. 2-2, http://www.usitc.gov/publications/332/pub4188.pdf.

The $5.25 billion expansion of the Panama Canal is now moving ahead and presents significant opportunities for U.S. companies to provide goods and services to the government of Panama as it embarks on one of the largest public works project in the world. If approved, the agreement will grant U.S. firms ready access to the Panamanian market and the chance to compete in selling everything from heavy equipment to engineering services in a market that has reached annual growth rates above 8% in recent years.

Further, the agreement will bolster the rule of law, investor protections, internationally recognized workers' rights, and transparency and accountability in business and government. The agreement's strong intellectual property rules and related enforcement provisions will help protect and promote America's dynamic innovation-based industries and creative artists.

Panama is also an important market for U.S. small business. More than 7,500 U.S. companies export their products to Panama. Of this total, more than 6,000, or 83%, are small and medium-sized enterprises. These SMEs exported $1.1 billion worth of merchandise to Panama in 2009. This represented one-third of all U.S. merchandise exports to the country. With its economy overwhelmingly based on services, Panama's economy complements the strengths of the U.S. economy. Panama's export crops are mostly tropical products that largely do not compete with U.S. farm and ranch products.

The United States and Panama in November signed a Tax Information Exchange Agreement (TIEA), guaranteeing close cooperation between U.S. and Panamanian tax authorities and a world-class level of transparency in Panama's system of taxation – and that should have resolved any outstanding concerns regarding Panama's tax policies. There is no justification for further delay to pass the Panama Free Trade Agreement.

South Korea: The scale of trade and investment between the United States and South Korea makes the Korea-U.S. FTA (KORUS) the most commercially significant trade agreement in 15 years. The agreement will generate new demand in South Korea for U.S. goods and services once the playing field is leveled. Increased U.S. exports to Korea under the agreement, in turn, will generate new U.S. jobs and economic growth.

Korea, with a $1 trillion economy, is the United States' eighth-largest trading partner in terms of two-way trade, which surpassed $80 billion last year. Korea is a major market for U.S. producers across numerous sectors. Over 80% of U.S. merchandise exports to Korea are manufactured goods. The United States is also Korea's leading supplier of agriculture products, and Korea is the fifth-largest market worldwide for U.S. agricultural goods, with U.S. agricultural exports totaling nearly $4 billion in 2009. In addition, Korea is the second-largest market for U.S. services in Asia, and U.S. cross-border exports of services to Korea totaled $12.6 billion in 2009. Korea boasts the highest broadband internet penetration levels in the world, making it an important growth market for U.S. companies in the information and communications technology sector.

KORUS will create substantial new opportunities and economic benefits for U.S. businesses and farmers by eliminating high tariffs and restrictive non-tariff market access barriers in Korea. Under the agreement, almost 95% of bilateral consumer and industrial goods trade will become duty-free within five years, with almost all remaining tariffs on goods eliminated within ten years. Average Korean applied tariffs on U.S. non-agriculture goods are now 6.6%, as compared to the average U.S. applied tariff of 3.2%. Korea's tariffs on imported agricultural goods average 54%, as compared to the average U.S. tariff on these products of 9%. The elimination of these tariffs on almost all goods will significantly benefit U.S. producers and exporters by making their products more price-competitive in the Korean market.

In agriculture, the agreement will eliminate immediately Korean tariffs on nearly two-thirds of U.S. agricultural exports to Korea. It will phase out over 90% of all Korean tariffs on major U.S. agricultural exports, including beef, pork, poultry, and oranges, over 15 years. The U.S. Chamber expects the elimination of these tariffs to boost significantly U.S. agricultural exports to Korea and to create important new growth opportunities for U.S. ranchers and farmers. U.S. small and medium enterprises play an important role in exporting goods and services to Korea, and these firms accounted for 89% of all U.S. companies exporting in Korea in 2007 and $10.8 billion of total U.S. exports to Korea that year. These exports in every category are expected to grow significantly once the agreement is passed.

The timing of implementing KORUS is crucial for the United States to realize the maximum possible economic benefits of the agreement. South Korea continues to rapidly expand its network of bilateral trade agreements, including with major U.S. global competitors. In particular, if the EU-Korea FTA enters into effect in mid-2011 as announced, it will likely generate significant trade diversion in the Korean market away from U.S. exports as Korean consumers turn towards more price-competitive EU goods and services by virtue of benefits under the EU-Korea agreement. A comparison of leading U.S. and EU exports to Korea reveals the significant degree of overlap between them — indicating the competitive disadvantage that U.S. manufacturers, farmers, and ranchers could be placed in under an EU-Korea FTA without implementation of KORUS. Korea also concluded a Comprehensive Economic Partnership Agreement with India in August 2009, and it has ongoing negotiations with Canada, Australia, Peru, New Zealand, the Gulf Cooperation Council, and Japan and is exploring the possibility of FTA negotiations with China.

Conclusion – An Opportunity to Move Forward, Create Jobs, and Ignite Growth

The world is changing rapidly. We cannot afford to turn away from global trade, and we cannot protect or insulate ourselves from the growing world economy. We can, however, harness the growth and markets abroad to strengthen our economy and restore U.S. economic strength and prosperity. We at FedEx are committed to growing our global express delivery network so our customers can access new markets, customers and opportunities. Passing the three pending Free Trade Agreements will help us do that. These agreements will empower FedEx and its customers to grow and create jobs, strengthen the economic recovery, and ignite prosperity at home and abroad. Thank you for the opportunity to testify today.

Chairman CAMP. Now, Mr. Toppeta will have 5 minutes; and, as with all the other witnesses, your full written statement will be a part of the record of this hearing. Thank you.

STATEMENT OF WILLIAM J. TOPPETA, PRESIDENT, INTERNATIONAL, METLIFE

Mr. TOPPETA. Thank you, Mr. Chairman.

My company, MetLife is the premiere global life insurance company, serving more than 90 million customers in over 60 countries. On behalf of MetLife, I offer today our strongest possible support for the FTAs pending with Colombia, Panama, and South Korea.

Let me begin with our own competitive situation overseas.

As an American company doing business in foreign countries, we have certain competitive handicaps which can be corrected by the FTAs. For us and for many in the services industries, the most important challenge in doing business overseas is not tariffs but non-tariff barriers that exist in areas such as governmental competition, regulatory restriction, and unlevel playing fields.

Trade agreements are an important vehicle to rectify those non-tariff barriers to doing business abroad. Unlike here in the U.S., where our competitors are other private businesses and government is the impartial regulator, in some foreign markets we actually compete against government-owned or government-affiliated enterprises. So the foreign government is both our competitor and our regulator. If I may use a baseball analogy, this is like having the umpire playing for the other team.

In FTAs, foreign governments can agree to correct this imbalance. For example, the KORUS FTA will allow U.S. insurers to compete with state-owned enterprises such as the Korea Post and other government-affiliated providers under essentially the same regulatory requirements. Korea's commitments in the KORUS FTA to a number of reforms are intended to level the playing field between the government-owned Korea Post and the private sector. These commitments are vital to the growth of MetLife and other U.S. insurers in Korea.

There is another way in which we face competitive disadvantages overseas. That is the case where our competitors from other countries have an FTA, say, with Korea and the U.S. does not. This is a clear and present danger in Korea. Korea has already negotiated an FTA with the European union which is on track to be implemented later this year. As you may know, we have major European competitors. If the Korea-EU Free Trade Agreement goes into effect this year and KORUS does not, we will be at a competitive disadvantage to European insurers. To use another baseball analogy, it will be as if the Europeans are putting nine players on the field and we can only use six or seven. This disparity can be avoided by passing the KORUS FTA promptly.

My second point is to inform you about how growth of our business in foreign markets, which can be aided by the FTAs, creates and sustains jobs here in the U.S. The fundamental point here is that MetLife as a global life insurance company has businesses in many countries around the world, but we do not export products. Instead, we export competencies and expertise which come largely from the U.S., creating highly skilled, well-paying jobs right here at home. Let me give you an example.

When we create a new product to offer in Korea, the product development and management are done largely in the U.S. The most highly skilled actuaries, investment professionals, risk managers, and others are here. So as we grow our business internationally we are expanding employment of people in the U.S.; and for each of these experts we employ in the U.S., there is a broad spectrum of U.S.-based support jobs behind them in areas such as human resources, information technology, and administrative assistance.

I would also make a related point. MetLife as a global company has a highly diversified stream of revenues and earnings. One of the ways in which we are diversified is geographically. This year, more than 30 percent of our top-line revenues and about 40 percent of our bottom-line earnings will come from international business. This diversification is important because, as we know, the world's economies do not always move in lockstep.

Having diversified revenues and earnings from foreign markets allowed MetLife to perform very well during the recent financial crisis and to sustain U.S.-based jobs of employees supporting our international business. Since the FTAs will enable our growth abroad, they will have a direct and positive impact on creating and sustaining U.S. jobs.

In conclusion, just let me say that American companies are innovative, American workers are highly productive. Given a fair chance, we can compete and win against anybody in the world. It is within your power to put us on a level playing field internationally. By passing these FTAs, you can make it so we don't have to play against the umpire's team overseas and you can let us play nine against nine on the foreign field. If you give us that fair chance, if you will unleash us, we can revitalize this economy and put Americans back to work in record numbers. We are asking for your support.

Thank you.

[The prepared statement of Mr. Toppeta follows:]

MetLife

Statement of

William J. Toppeta

President, International

MetLife Inc.

"The Services Sector and the Opportunity for Growth and U.S. Jobs Through the Pending FTAs"

Before the

Committee on Ways and Means
U.S. House of Representatives

January 25, 2011

Hearing on the Pending FTAs with
Colombia, Panama, and South Korea
and the Creation of U.S. Jobs

MetLife, Inc., is a leading global provider of insurance, annuities and employee benefit programs, serving 90 million customers in over 60 countries. Through its subsidiaries and affiliates, MetLife holds leading market positions in the United States, Japan, Latin America, Asia Pacific, Europe and the Middle East. MetLife does business in all the markets affected by the three pending free trade agreements – Colombia, Panama, and South Korea.

Chairman Camp, Ranking Member Levin, and distinguished members of the House Committee on Ways and Means; thank you for the opportunity to testify today. My name is William J. Toppeta, and I am President of MetLife International. Many Americans know MetLife as the nation's largest life insurer. Over the past ten years, and especially with the recent acquisition of Alico, our international business has grown significantly. MetLife holds leading positions (top 5) in our industry in nearly half of the 60 markets in which we operate.

In addition to my MetLife responsibilities, I would like to cite here some of the additional roles that influence and inform my testimony today. I represent our company's close involvement with the U.S. Chamber of Commerce, as well as our engagement with the American Chambers of Commerce around the world. I am Vice Chair of the U.S.-Korea Business Council, and serve on the Boards of the Korea Society and the Council of the Americas. I am also Chairman of the Coalition of Service Industries, a group of industry leaders that champions the cause of free trade specifically in the services sector. Further, I am the immediate past chair of the International Committee of the American Council of Life Insurers. MetLife is active in both the U.S.-Korea FTA Business Coalition and the Latin American Trade Coalition.

First, let me state that MetLife strongly supports passage of the three pending trade agreements with Colombia, Panama, and South Korea. I would like to describe why these agreements are so essential from the perspective of a U.S. multinational insurance company and how they help us be more competitive, spur positive business growth at home and abroad, and create and preserve jobs here in the United States. Next, I will also discuss the financial services sub-sector and some of the unique opportunities provided through trade in general and these pending FTAs in particular. And finally, I will touch on some data points and the trade success story represented by the U.S services sector overall.

KORUS for Financial Services: A Growth Opportunity

As we all know, one of the world's most vibrant markets is the Republic of South Korea—truly a continuing economic marvel. In just the past 50 years, the post-war transformation of the South Korean economy has been impressive by all measures. In our industry alone, Korea represents the 8th largest insurance market worldwide, and the largest covered by a U.S. FTA.

The pending free trade agreement between the United States and South Korea, known as the KORUS FTA, is widely understood to be the most economically significant of the pending FTAs. There is great appreciation of that fact both in Congress and in the business community. This substantial opportunity is widely replicated across many industries and all sectors.

The KORUS FTA financial services chapter breaks new ground in ways that can help shape trade in other markets around the world. There simply is no better, more comprehensive trade agreement for financial services firms—whether the topic is regulatory transparency, data management, time to market, or level playing field commitments with government-affiliated enterprises.

This agreement enables job growth here in the United States. Speaking for my company I can tell you the KORUS FTA will enhance MetLife's ability to grow in the Korean market and consequently to grow our U.S. workforce. The number of MetLife's U.S. jobs that service our business overseas has increased steadily in recent years; evidence that our growth overseas means increased domestic U.S. jobs. These are highly skilled positions in product development, actuarial, investments, risk management, information technology, marketing and finance for our global operations.

The Latin American Opportunity: Colombia and Panama

MetLife has long been committed to Latin America and strongly supports the Colombia and Panama FTAs. Our focus on Latin America has been in evidence for a number of years, significantly advanced by our 2002 acquisition of Aseguradora Hidalgo S.A., a government-owned life insurer, which made MetLife the largest life insurer in Mexico. We have recently expanded our Latin American presence and are operating in more than a dozen markets in the region.

We have great interest in the market and regulatory improvements that will be enabled by the FTAs with Colombia and Panama. The agreements will bolster the rule of law, investor protections, and transparency and accountability in business and government.

Free Trade Agreements and Life Insurers

As a life insurance company, we have operations in many countries around the world, but we do not export physical products—instead, we export competencies and expertise. This has significant implications for the creation of U.S.-based jobs and for the obstacles we sometimes face in foreign markets.

For us, and for many in the services industries, the most important challenge to doing business is not tariffs, but non-tariff barriers that exist in areas such as regulation, investment restrictions, and data management rules, to name a few. Trade agreements are an important vehicle for us to address those non-tariff barriers to doing business abroad.

Additionally, in many markets, we compete with businesses that are either owned by or affiliated with the foreign government. Trade agreements are one of the most effective ways for us to get commitments to level the playing field for competition between state-owned or state-affiliated enterprises and private businesses like ours.

Regulatory certainty and predictability are essential to the insurance business and the financial services market in general. Higher standards of regulatory transparency like those in these agreements give U.S. financial services companies greater confidence and ability to make the large capital investments needed to expand their businesses into new and growing markets.

The FTAs contain significant and rigorous regulatory transparency obligations. In the United States, we may take for granted that we know what the law requires. In many other markets this is not at all the case, making market entry, product approvals, commitment of capital, and operations less predictable. Under the KORUS FTA, for instance, U.S. insurers will have notice of, and a more meaningful opportunity to comment on, Korea's insurance regulations in a predictable manner and well in advance of these regulations taking effect. The KORUS FTA provides standardized "notice and comment" procedures for the insurance sector and grants U.S. firms access to regulatory information on an equal basis with Korean competitors. Furthermore, it implements the adoption of a "negative list" approach for financial sector regulation, meaning insurers will be allowed to provide any product or service unless specifically prohibited or curbed by regulation. This reform is particularly useful for introducing new, innovative products to the market, enabling our business to grow.

Consequently, the KORUS FTA will also allow U.S. insurers to compete with state-owned enterprises such as Korea Post and other government-affiliated insurance providers under essentially the same regulatory requirements. Korea's commitments in the FTA to a number of reforms are intended to level the playing field between government-owned Korea Post, sectoral cooperative insurance providers, and the private sector. These commitments are vital to the growth of MetLife in Korea, and contribute to further opening the market and reducing trade and investment barriers.

The KORUS FTA eases the ability of U.S. insurers and asset managers to provide cost-efficient service by maximizing the efficiency of regional operations while streamlining key aspects of Korea's insurance regulatory environment. In particular, the agreement allows for much greater flexibility in the management of data across borders. Further, the agreement enables U.S. insurers to bring new insurance products to market more quickly. Within one year of implementation, the KORUS FTA will establish expedited approval procedures allowing most new insurance products to be introduced in the market within shorter timeframes, adding to U.S. firms' competitiveness and ability to innovate. It also establishes a bilateral Insurance Working Group and an ongoing consultative process which will allow U.S. firms to address changing conditions in Korea's marketplace and pursue additional market-opening measures in the future.

Facing Global Competitors on a Level Playing Field

As you know, U.S. companies are competing with companies from many other countries. To ensure our economy remains competitive, we cannot afford to neglect the significance of trade agreements in facilitating growth. The rest of the world is busy negotiating trade agreements, and frankly, the United States is falling behind. In his New Year's Address, South Korean President Lee stated that his administration has concluded trade agreements with the EU, India, and other countries constituting two-thirds of the entire world market. The Korea-EU trade agreement is on track to be implemented this year, and if it is ratified before the agreement with the United States, U.S. companies will be disadvantaged compared to their EU competitors. You are probably aware that MetLife has some major European competitors, and we certainly would not want to cede any competitive advantage to them by failing to enact the KORUS FTA.

Having discussed my own industry and company in some detail, let me turn more broadly to the services sector of which insurance is a part.

The Services Sector – a United States Success Story Poised to Benefit from FTAs

The services sector is surprisingly diverse, which further enhances the importance of the role it plays in job creation. To illustrate that diversity, consider the following partial list of services we export—insurance, banking, express delivery, transportation, telecommunications, software, advertising, computer and information services, research and development services, legal and accounting services, and travel services.

It is clear that one of the greatest competitive advantages for the United States is its strength in providing services around the world. The United States has met with extraordinary success in exporting our services expertise, and we are poised to do even better with the help of the pending FTAs.

The United States has, for many years, enjoyed a substantial trade surplus in services. In 2009, U.S. exports of services reached \$483 billion, with a surplus of \$150 billion. This is a very important point; <u>we have a trade surplus in the services sector</u>. Most recently through the first 11 months of 2010, the U.S. services trade surplus was \$150 billion.

And, our trade surplus in services is doubly important because services constitute the vast majority of the U.S. economy—75% of our GDP. Nationwide, more than 80% of the entire U.S. workforce is employed in services. Recent U.S. Census data show that in 416 of the 435 congressional districts, more than 70% of the workforce is employed in the services sector. For the remaining 19 districts, the figure is higher than 60%.

Chairman Camp, I know you are aware that in Michigan's 4th Congressional District which you represent, 76.7% of jobs are in the services sector. Ranking Member Levin, the percentage of services jobs in the 12th Congressional District is slightly higher at 80.7%. Both of you share the home state of Michigan, which boasts more than 77% of the jobs in the services sector. We are expressing these impressive services jobs statistics in terms of congressional districts because we know in our representative democracy that congressional districts provide a snapshot of the American workforce.

Consistent with these workforce numbers, services account for more than 75% of our country's economic output, yet they only account for 40% of our exports. This percentage disparity can be partly accounted for by barriers to services trade—and the disparity shows the huge untapped potential of the services sector. This is a potential for productive economic output and for job creation.

For a services company like MetLife, a significant portion of our product development, investment and risk management, financial analysis, technology development and marketing is done in the United States in support of our international operations. For example, when MetLife creates a product to sell in London, Seoul, or Tokyo, we do so using our actuaries, risk managers, financial analysts, technology experts and investment and marketing specialists in the United States. So as we grow our business internationally, we are expanding employment of highly skilled talent in the United States. And for each of those experts we hire in the United States, there is a broad base of U.S. support jobs behind them, in areas such as human resources, IT, project management, research and administrative assistance.

Interconnectedness of Services, Agriculture and Manufacturing

In addition to exports of direct services, it is important to remember that the services economy serves as an enabler and multiplier in the agriculture and manufacturing sectors. Banking, insurance, accounting, express delivery and telecommunications, for example, are all essential elements to the success of businesses of any size or type. Services facilitate greater productivity in the goods and farming sectors. Also, larger companies rely on the services and products supplied by smaller ones.

It is impossible to imagine running a manufacturing or farming enterprise without the services of banking, insurance, software, express delivery, and telecommunications. Using MetLife as an example, we are an employee benefit provider to companies large and small in all sectors of the economy (these are our customers) and we ourselves are a massive purchaser of telecommunications, software, express delivery, banking and financial services.

We are all dependent on one another to grow and succeed—manufacturers, agriculture, and services providers of all sizes.

Job Growth: The Opportunity for Financial Services Companies and Life Insurers Presented By Free Trade Agreements

The expansion of American companies into international markets has long supported economic growth and employment here at home. Insurance premium growth rates outside the United States are double or triple those here at home and in some developing markets the growth rates are even greater. This relative growth opportunity, coupled with the recent economic challenges, makes it more critical than ever for U.S. workers and businesses to be able to compete and succeed in the global marketplace. To take MetLife as an example, our revenue growth in the United States was about 1% last year compared to double-digit growth internationally.

There are many benefits to operating internationally for U.S. companies. For one thing, having diverse international operations provides a natural hedge for market risk. While one market might be contracting, another may well be expanding, so diverse presence helps companies balance their performance. We saw this very clearly in the recent financial crisis. While some of our markets were hit very hard by the crisis, others saw little impact or recovered very quickly (like South Korea). This diversification allowed us to sustain the number of U.S.-based employees supporting our international business as we navigated through the crisis.

To fully recover from this recession and ensure long-term growth, one of our nation's top priorities must be to create millions of jobs; and especially high paying ones like investment and export-oriented jobs that global American companies can create.

A recent study released by the Business Roundtable and the United States Council Foundation showed that U.S. workers at global American companies make on average about 20% more than at companies that operate only domestically. The study confirms that American multinational companies, which account for a quarter of all private sector output and employ 22 million U.S. workers, create more U.S. jobs through their participation in the global economy. Furthermore, their international operations complement – rather than substitute for – domestic employment, employee compensation and investment. The equation is simple – more business overseas means more jobs at home.

To tap that overseas growth, it is essential to have free and open trade between nations, and agreements that recognize the importance of the services sector and create level playing fields for our business to compete in vibrant markets around the world. This is core to free trade agreements and why MetLife strongly supports the three pending free trade agreements with Colombia, Panama, and South Korea.

East Asia (South Korea) and Latin America (Colombia and Panama) are perfect examples of the growth opportunities that exist for U.S. services providers and life insurance companies. In many regions of the world, particularly in the developing economies of many countries in Latin America and Asia, we see double-digit growth rates. For example, MetLife's compound annual growth rate in earnings in Korea was 20% from 2005-2009. Time and time again we hear that 95% of the world's consumers are outside the borders of the United States. For U.S. life insurers to grow in a substantial way we must have equal access to the developing economies that are doing so.

In each of the three markets covered by pending FTAs, MetLife is known as a product innovator with a track record of success in keeping promises and providing protection and guarantees to our customers. It is this very role as an experienced product innovator overseas that leads to expansion of U.S.-based jobs for insurance professionals.

Conclusion

The services sector is an American success story and an engine for growth and jobs. With the level playing field provisions and regulatory transparency the pending FTAs will help provide, the services sector is poised to achieve even greater success. Without question, the financial services sub-sector, of which MetLife is a part, is extremely enthusiastic about the market opportunities these FTAs will create in countries which are important both economically and strategically.

We strongly encourage passage of the Colombia, Panama, and in particular the South Korea agreement.

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Chairman CAMP. Thank you very much for your testimony.

Mr. Biegun, you now have 5 minutes; and your written statement also is part of the record. Thank you.

STATEMENT OF STEPHEN E. BIEGUN, CORPORATE OFFICER AND VICE PRESIDENT OF INTERNATIONAL GOVERNMENTAL AFFAIRS, FORD MOTOR COMPANY

Mr. BIEGUN. Thank you, Chairman Camp and Ranking Member Levin and Members of the Committee for the invitation to share Ford Motor Company's views today on Panama, Colombia, and Korea. Let me also say it is a real honor as a third-generation Ford Motor Company employee to represent my company before this distinguished panel today. Thank you.

Ford Motor Company has supported every free trade agreement negotiated by the United States, including the three agreements that are being reviewed by the committee today. I look forward to especially discussing our views during the course of this hearing on the renegotiated 2010 U.S.-Korea Free Trade Agreement.

Since 2007, Ford has worked diligently to reach today's position to say with confidence that the U.S.-Korea Free Trade Agreement will open what has been to date the world's most closed automotive market. We are now pleased to say that we strongly encourage the Congress to approve this agreement in its current form. Under it, America's automobile industry will have far greater opportunity to expand the export and sale of American-made automobiles to Korea.

This was not always the case. In 2007, a deal was originally negotiated that fell far short of opening the Korean market to U.S. auto exports; and, in fact, it would have locked in a one-sided trade in automobiles, a trade that accounts for 75 percent of the $11 billion United States trade deficit with Korea. This agreement, which hopefully will be before the committee soon, is a significant improvement over the 2007 deal. This outcome would not have happened without the active support and the leadership of the chairman and the ranking member of this committee as well as the tireless efforts of the U.S. trade representative and his team. On behalf of the more than 150,000 men and women who work at Ford Motor Company, I would like to say thank you.

Specifically, improvements have been made in key provisions of the free trade agreement impacting car tariffs, auto safety, environmental standards, taxes, transparencies, and a variety of other issues, which I detail in my written testimony.

We had several strong partners in reaching this outcome, certainly Chrysler and General Motors but also the United Auto Workers; and the results speak for themselves. I cannot recall in recent memory another free trade agreement moving through the Congress with bipartisan support as well as the backing of industry and labor.

And this is a big deal. Korea is an important automotive market, with almost 1.5 million new cars sold every year. Ford has operated in Korea since 1995, selling both Ford and Lincoln brands. Almost all the vehicles we sell here are made here in the United States. Despite the fact that Ford Motor Company today makes cars and trucks that are best in class in safety, fuel efficiency, and quality, in 2010 our total exports were limited to approximately

4,000 vehicles. We look forward under this new agreement to offering the Korean customer a choice of vehicles that has never been available to them before; and we are confident that, given the choice, like consumers around the world, they will choose the best value for the money.

Mr. Chairman, though often overlooked, America's automobile industry is one of the leading exporters in the American economy. Over the past 5 years, automobiles and auto parts have constituted nearly 9 percent of our total merchandise exports. In 2009 alone, our company exported 270,000 American-made cars to markets around the world. Including auto components and parts, we exported a total of $9.3 billion from the United States.

We likewise are major importers, sourcing from a global supply chain that stretches across 90 countries and exporting from place of assembly to point of sale nearly half of the 5.2 million vehicles we make worldwide.

We know that trade works. It should therefore not come as a surprise that, as a global company, Ford Motor Company believes that business is best where the trade barriers and tariffs are least. These conditions produce a healthy business climate benefiting all: customers, workers, and businesses.

The latest economic downturn has provided ample illustration that manufacturing matters to American jobs, investment, and economic growth. While U.S. manufacturing took the brunt of the recession, there are now signs that it is leading the way to recovery. Last year, the American economy added manufacturing jobs for the first time in over a decade.

Ford is proud to be at the forefront of American manufacturing's turnaround. We began our transformation before the recession. We focused on the things that just made sense, return to our core strength, matching capacity to demand, and working with our employees to ensure that Ford not only competes but wins globally. Ford's turnaround was its own, and now we will all benefit from this success. We recently announced that Ford will add 7,000 new American jobs over the next 2 years. The men and women of Ford Motor Company are working daily both for Ford and the Nation's recovery.

It has been a difficult and at times contentious effort to get the U.S.-Korea Free Trade Agreement through. But now we look forward, not back, to combining this agreement with our own transformation to build the best vehicles in America and deliver them around the world, including to Korea. That is what free trade is, and that is what free trade agreements should be about.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Biegun follows:]

January 25, 2011

Testimony before the House Committee on Ways and Means
on the US-Korea Free Trade Agreement

Stephen E Biegun
Vice President, International Governmental Affairs
Ford Motor Company

Chairman Camp, Ranking Member Levin, Chairman Brady, Ranking Member McDermott and members of the Committee, thank you for the invitation to share the perspective of Ford Motor Company on trade liberalization. Ford Motor Company has supported every free trade agreement negotiated by the United States government since the process began in the mid-1960s, including the three agreements the Committee is reviewing today. During today's testimony I would like to specifically discuss Ford Motor Company's views on the revised 2010 US-Korea Free Trade Agreement.

As many of you may be aware, we at Ford have worked diligently over the past three years to reach a point where we could confidently say the US-Korea FTA will help open, what has been to date, the most closed automotive market in the world. As such, I am pleased to say, on behalf of Ford Motor Company, that we strongly encourage the Congress to approve this agreement. Under its authorities the US auto industry will have far greater opportunity to expand the export and sale of American-made vehicles in Korea.

All of us who were involved in these negotiations are acutely aware that none of this could have happened without the active support and leadership of the Chairman and Ranking Member of this Committee, and the tireless efforts of the United States Trade Representative. On behalf of our President and CEO Alan Mulally, and the tens of thousands of men and women who have worked so hard to make Ford Motor Company the success story that it is, I would like to extend a sincere thank you.

We were fortunate to have several strong partners in helping us bring the Korea FTA to this point. In addition to Chrysler and General Motors, we were able to work in partnership with the United Auto Workers to chart a course in which all could support the final outcome. I cannot recall another trade agreement, certainly not in the recent past, which generated bipartisan support as well as the backing of industry and organized labor. This is a truly great achievement.

South Korea is an important automotive market with annual sales of almost 1.5 million. Ford has been operating without interruption in South Korea since 1995 selling both the Ford and Lincoln brands. The majority of vehicles sold by Ford in South Korea are built in the United States. Our number one selling vehicle in South Korea is the Ford Taurus built at our Chicago Assembly Plant. We also sell the Ford Explorer, Escape, Mustang and several Lincoln models. In 2010, our combined sales in South Korea totaled approximately 4,000 vehicles.

As I previously mentioned, Ford Motor Company supports the opening of markets around the world through well negotiated free trade agreements. As a global company, it is our confirmed belief that the very best business conditions exist when trade barriers and tariffs are removed – allowing for the free flow of goods and services. These conditions permit the development of a healthy and efficient business, and they are proven to produce a customer base that is gainfully employed, upwardly mobile, and able to make informed choices about purchases such as what vehicle they will drive.

It is a little known fact that the U.S. automotive industry is the leading sector of American exports. Over the past five years the export of automobiles and auto parts constituted nearly 9 percent of total merchandise exports. In 2009, Ford Motor Company alone produced over 270,000 vehicles in the U.S. for export markets around the globe.

Because of the importance of trade in our current and future growth, Ford could not support the US-Korea FTA as originally negotiated in 2007. That agreement essentially locked out American-made vehicles from South Korea. However, the revised US-Korea Free Trade Agreement that will soon come before the Congress provides greater clarity and transparency by affirmatively addressing the issues surrounding non-tariff and tariff barriers.

Specifically, improvements have been made in key provisions impacting car and truck tariff phase outs, automotive safety and environmental standards, taxes, transparency, and the inclusion of a special motor vehicle safeguard and enforcement mechanism.

- Delivers significant improvements in passenger car tariff phase outs keeping the 2.5 percent U.S. tariff in place until the fifth year. At the same time, Korea will immediately cut its tariff on U.S. auto imports in half (from 8 percent to 4 percent), and fully eliminate that tariff in the fifth year.
- Allows the United States to maintain its 25 percent truck tariff until the eighth year and then phase it out by the tenth year while Korea eliminates its 10 percent tariff on U.S. trucks immediately. Additionally, Korea will immediately reduce its electric car tariffs from 8 percent to 4 percent, and both countries will then phase out their tariffs by the fifth year.
- Moves to address automotive safety standards that have historically acted as a non-tariff barrier to U.S. auto exports. It allows for 25,000 cars per U.S. automaker to be imported into Korea provided they meet U.S. federal safety standards, which are among the most stringent in the world.
- Provides increased flexibility and avoids unfair burdens for low volume vehicle importers in meeting environmental standards while maintaining high standards for environmental protection. All U.S. autos will be considered compliant with new Korean environmental standards on fuel economy and greenhouse gas emissions, developed since the 2007 agreement, if they achieve 119 percent of the targets in these regulations. This provision helps American automakers sell their cars affordably in Korea without undermining Korea's environmental objectives.
- Makes great strides in improving transparency in the areas of automotive regulations and taxes and includes a special safeguard for motor vehicles to ensure that the American auto industry does not suffer from any harmful surges in Korean auto imports due to this trade agreement.
- Includes increased efforts around enforcement.

Mr. Chairman, we would again like to thank you and Ranking Member Levin, Ambassador Kirk and his team at USTR, and the Obama Administration for your unwavering support of the American auto industry and your commitment to ensuring the revised US-Korea FTA addressed the needs of our industry and its employees. We would also like to thank Bob King, President of the United Autoworkers, for his leadership in working to open the Korean market for cars and trucks made by American workers. Finally, we would be remiss if we did not acknowledge Korean Ambassador Han Duk-soo for his tireless efforts in support of forging this improved agreement.

In conclusion, we would like to make a cautionary point that this latest economic downturn has provided ample illustration that manufacturing matters to American jobs, investment, and economic growth. While U.S. manufacturing appeared to take the brunt of the recession's impact, there are now signs that it is leading the nation's recovery. The fact that that the American economy added manufacturing jobs last year for the first time in more than a decade is a hopeful sign.

Ford is proud to be at the forefront of this manufacturing turnaround with job-creating investments. We began our company's transformation before the economy fell into recession. We focused in on doing things that just made sense: shedding brands, reducing the number of nameplates, matching capacity to demand, and coming together with our stakeholders to make changes that ensure we can compete and win in the global marketplace. We turned this company around, on our own, and are now delivering profitable growth for all.

Just this month, we announced the company will add 7,000 new American jobs over the next two years. The men and women of Ford Motor Company are working each day to contribute to the economic recovery and make crystal clear that building things here at home is so very important to our Nation's economic health.

We now look forward to leveraging this new US-Korea Free Trade Agreement to continue to build best in class vehicles in America that meet the needs of customers around the world, including in Korea. That is what free trade should be about.

Ford Motor Company, a global automotive industry leader based in Dearborn, Michigan, manufactures and distributes automobiles across six continents. With more than 160,000 employees and about 70 plants worldwide, the company's automotive brands include Ford and Lincoln. The company provides financial services through Ford Motor Credit Company.

Chairman CAMP. Thank you very much. Thank you all for your testimony.

At this time, I have a question for all of the panelists here today; and if you could just answer briefly because we are all on the clock here on this.

Will the three agreements—Korea, Colombia, and Panama—if passed help create jobs here in the United States? And if each of you could answer.

Mr. PAULSON. Yes. Thank you very much.

If the three agreements passed, for sure it will create jobs in the United States. I know that, in my own factory, for every $150,000 of sales, we are able to hire another person to the factory; and we not just will be hiring production people but also people that will be in engineering and in the tool building end of the business.

Chairman CAMP. All right. Mr. Stallman.

Mr. STALLMAN. Using our calculation that 9,000 jobs are created by every billion dollars of agricultural exports, these three agreements would add 27,000 jobs for Americans, assuming $3 billion in increased exports. More importantly, passing these three agreements will keep us from losing jobs that will occur when our competitors are out there taking over our markets.

Chairman CAMP. That $3 billion is in the agricultural sector? Because I have seen higher numbers for the total exports of all three agreements.

Mr. STALLMAN. Yes, sir, Mr. Chairman. Strictly for agriculture.

Chairman CAMP. Mr. Ducker.

Mr. DUCKER. Yes, sir. As I said in my testimony, Mr. Chairman, we have about 300,000 employees worldwide; 230,000 of those are in the United States. The U.S. is by far the largest business; and by harnessing the global market, shifting more into and out of the United States, we add employees here at home. So the benefits of those trade agreements are clear in our case.

Chairman CAMP. All right. Thank you.

Mr. Toppeta.

Mr. TOPPETA. Yes. I would say in our case the answer is the same.

If I give you my personal experience going back 10 years ago when we were much smaller, had virtually no business outside the United States, we had only a handful of people doing work internationally, and now we are probably at 2,000 or so employees. So the answer is, over that period of time, all because of international growth, we have increased jobs here from close to 0 to 2,000; and I expect that trend would continue.

Chairman CAMP. Thank you.

Mr. Biegun.

Mr. BIEGUN. Mr. Chairman, we do business in all three countries. We have a growing business in all three, and we export U.S.-made automobiles to all three. And to the extent that all three of these free trade agreements—well, the Korea in its renegotiated form going forward—all three would definitely help us expand our business, although the Korean market is six times larger than the Colombian market. So that is where the bulk of the opportunity is for us.

Chairman CAMP. Thank you.

A huge aspect of the trade debate is the unfair competition we face with China. As the ranking member pointed out in his opening statement, it is indisputable that China unfairly subsidizes its exports, fails to protect U.S. intellectual property, favors production by its own industries, and doesn't allow its currency to reflect market realities. Our agreement with South Korea would allow us a beachhead in Asia and provide a counterbalance to China there.

We are also seeing a growing influence of China in Latin America. Their reach is extending even to that part of the world, deliberately using all of the tools they have been using in the past to assist their companies in those markets.

My question for each of the panelists and I will start with Mr. Paulson—is how will the three pending trade agreements help you compete against China?

Mr. PAULSON. Thank you.

For years I used to think I needed to play defense when I was working with foreign markets, and I would look at my prices and I would say I couldn't compete on items, and I played defense and set up these walls. Well, I changed my mind, and I don't really like to play defense. I like to play offense.

When I could move into the offensive role and look to sell to these countries instead of worrying about them with what their activities were here in the United States, I found that even in China I do not have a problem selling. They love my products. They clamor for these items, and the issue about these different countries not wanting U.S. goods is just a misnomer. They want our products, and they will pay our prices for quality items.

Chairman CAMP. Thank you. Mr. Stallman, just briefly.

Mr. STALLMAN. Agriculture is in a little bit different situation with China. China has 7 percent of the world's arable land, over 20 percent of the world's population. They need to import food. They have moved into a position of being the number two importer of U.S. agricultural products, and so our flow is pretty good. There are specific areas that have created problems in the past in some commodities, but, in general, we view this as being very positive, even establishing a beachhead in Asia and then how that will affect the China market.

Chairman CAMP. Thank you.

Mr. Ducker.

Mr. DUCKER. Yes, sir.

China is a large and growing part of our global enterprise. We do business in 220 countries and territories. We do think, as Bob said, it is very important to establish the beachhead there because many of the countries in Asia, are the largest trading lanes within Asia. So this beachhead is very important. It helps to put rules around how we trade and is a good, good creation for our business in China as well as the countries that are under consideration here.

Chairman CAMP. Thank you.

And Mr. Toppeta.

Mr. TOPPETA. Well, I would just give you the example of Korea. I would say Korea is a huge market. It is a trillion dollar economy. It is a fast-growing economy. It is the eighth largest trading partner for the U.S. And if we don't fight for that market, then it is clear to me that China and Europe surely will. So it would seem to me that we would be at our best advantage to get the FTA with Korea done so that we can establish our position firmly there.

Chairman CAMP. Thank you.

And Mr. Biegun.

Mr. BIEGUN. Mr. Chairman, I certainly understand the geopolitical argument that you are getting at in relation to China. From a narrow Ford Motor Company perspective, I would say the most important achievement in the Korea Free Trade Agreement was the United States standing firm on principle. It sends a message to the Asian economies across the board that you have to open your markets if you want free trade with us. I think that is beneficial for China and Korea and Japan and many other countries.

Chairman CAMP. Thank you. Thank you all very much.

Mr. Levin is recognized for 5 minutes.

Mr. LEVIN. Thank you.

We very much welcome your testimony. I really don't think there is any disagreement about the globalization of the economy and the need for us to participate and to compete. The issue is under what standards and whether there are standards that relate to making sure that the benefits of expanded trade are expanded in terms of who benefits in this country in creating jobs and in other countries, for example, helping to develop middle classes there who can buy our goods.

Let me, Mr. Toppeta, ask you a bit of an unfair question. You are sitting next to Mr. Biegun and you very graphically spelled out about the opening of the market for your services, the post owned by the government. If the free trade agreement with Korea had not opened up the market for your services, as Mr. Biegun has said it did not for automotive, would you be supporting the free trade agreement with Korea?

Mr. TOPPETA. Well, the answer is, yes, but maybe not as vigorously as I am. And I will give you the example.

Mr. LEVIN. Even if Korea continued to shut out your services?

Mr. TOPPETA. Well, I think you have to look at this in two ways. I think you have to look at this, first of all, from a broader national perspective, right? The question is helping the U.S. to compete better. That is where I think all of us want to start our analysis. And so if we had an agreement in which a lot of our industry, our agriculture would benefit and my company wouldn't, I would say, sure, I still support a free trade agreement.

Mr. LEVIN. How about not your company but the services—your industry?

Mr. TOPPETA. Yeah, I think the same logic applies. I think we want to get the market open. And if we can pry the market open for one sector or two sectors or three sectors, that would be a start. So my answer is I would still support and my company would still support—and I will give you the example of Colombia and Panama.

Mr. LEVIN. Let me ask you about Korea. What if your services represented two-thirds of the deficit in trade with Korea? Automotive is two-thirds of the deficit and so, in terms of a closed market, Mr. Biegun has indicated it is the most closed market in the world. So even if your industry represented two-thirds of the deficit with Korea, you will still say okay?

Mr. TOPPETA. Well, I think, sir, it depends on what the rest of the agreement does and what it does for the U.S. economy. You can't look at everything just from your own narrow perspective. And the point that I was trying to make to you is that, with respect to Colombia and Panama, we weren't even doing business in Colombia and Panama until November of last year; And we supported the free trade agreements in principle because we thought they were a good idea for our economy.

Mr. LEVIN. You say the word "narrow". You talked about nontariff barriers as the most important barrier.

Mr. TOPPETA. For my company and my industry.

Mr. LEVIN. Exactly. And the nontariff barriers in Korea represented two-thirds of the deficit. We have a major deficit with Korea. All right. Maybe we will leave it at that.

Mr. Paulson, I just want to say I am glad Mr. Camp asked you the question about China. And while your company may be able to benefit from their rules, a lot of companies don't see it the same way. In many cases, the Chinese say we will let you compete only if you transfer your technology to a partner. In those cases, I think many, many companies in this country and its workers say that is not trade the way it should be. So talking about having a broader perspective, I think as we look at our relationship with China—and I favor engaging in expanding trade—we need to look at the rules of engagement.

My time is up.

Chairman CAMP. Your time has expired. But if you would just like to make a brief comment.

Mr. PAULSON. Thank you very much.

It is interesting what you bring up with China. China asked us to bring over the rules and regulations of safety businesses for electrical safety workers to China so they could view those rules and see how they could improve their own circumstances. They didn't try and copy our product. What they did was trying to learn from us how to protect the workers who are the highly trained electricians. And in this way not only did we export our products but we exported the knowledge of the National Fire Protection Association codes for electrical workers.

Chairman CAMP. Thank you.

Mr. Herger is recognized for 5 minutes.

Mr. HERGER. Thank you.

Mr. Chairman, this is indeed a critical hearing that has been long overdue. I represent a district with very high unemployment. I know that is characteristic throughout our Nation. So I would like to thank you for making this a priority and for giving us the opportunity to explore how these pending FTAs will provide an immediate boost to our economy and create much-needed American jobs.

Mr. Stallman, as a member who represents one of the richest agricultural districts in the Nation, one that stands to gain significantly from the tariff reductions included in these agreements for products like almonds, walnuts, and dried plums, I am interested in exploring how increased agriculture export will benefit our local communities and the broader economy.

In your testimony, in answer to several questions, you alluded to a comment in your testimony that the Agriculture Department estimates that every billion dollars in agricultural exports supports 9,000 U.S. jobs. The Farm Bureau estimates that U.S. agriculture exports will increase by almost $3 billion, which would mean 27,000 jobs. Would you provide more detail about how that supply chain works and how additional agricultural exports benefit the broader U.S. economy? And please also provide some insight as to how these exports might be particularly valuable or helpful for small businesses that support our agricultural sector or are part of the supply chain.

Mr. STALLMAN. Certainly, I will try to do that. The entire chain, the food chain, and—starts at the farm gate. And a lot of times people think about agricultural exports only in the context of what is being produced when it leaves the farm gate. Well, the reality is we have transportation workers, processors, packers, longshoremen at the port, sales and marketing employees, administrative and clerical staff for the companies involved. That whole chain that is necessary to move that product from the farm gate to our customer in other countries creates jobs, and it all starts at the local level.

The processing facilities many times, particularly for some of the products that you talked about, are placed at the local level. You have the transportation workers that ship from the local level that probably live there, and they truck or load up the products to be sent on further up the chain.

So this has broad benefits and a broad effect across all of our economy, and those jobs are spread across that entire supply chain.

Mr. HERGER. Thank you.

You also discussed in your testimony how exports of Chilean wine into Korea have grown exponentially and clearly have supplanted market share from U.S. wine exporters. You attributed the decline in U.S. exports to the 15 percent duty that was eliminated under the Korea-Chile trade agreement, but remains in place for U.S. wine exporters. Do you have any other examples of how we have lost market share while others gained by having an agreement in place?

Mr. STALLMAN. Well, we have examples scattered—well, let me start with the Korea agreement. And this is what I fear will happen is that when the EU implements the agreement effective in the summer of this year, their schedule applies to reducing 94 percent of the tariffs over a 5-year period, while our agreement with Korea, if we get that implemented, we reduce the same amount of tariffs over a 3-year period. So that gives us a jump, and just like the Chilean wine agreement, any time you have a tariff that is reduced for one country to the detriment of another country that is putting that product in there, your product is at risk. You are going to lose market share. It is happening in Colombia right now with corn and wheat and soybeans.

That will be the continued example that we will see if we don't get these agreements in place to reduce the tariffs for our products going into those countries.

Mr. HERGER. So what you are saying, as I understand it, is that not only if we are not out signing and implementing trade agreements with other countries, we are not just standing still; we are actually losing market share and losing jobs by not participating in these agreements.

Mr. STALLMAN. Absolutely. And in the past that has not been a problem. We have always looked at moving forward with our trade agreements. Other countries have caught on to this, and they are creating their own free trade agreements with these countries and getting into the markets that we have traditionally had, and for us to sit back and do nothing puts us at a continuing disadvantage.

Mr. HERGER. Thank you.

Chairman CAMP. The gentleman's time has expired.

Mr. Johnson is recognized for 5 minutes.

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. Ducker, in the 3 years before implementation of the U.S.-Australia agreement, exports from Texas to Australia averaged $800 million a year. And in the 3 years after implementation, they went to $1.3 billion a year, or 66 percent.

And you know—and the U.S.-Chile thing was the same thing. The agreement to—exports from Texas to Chile were declining, and since implementation, the exports have increased by 107 percent.

I think the benefits of previous trade agreements are really pretty obvious. And you are all over the world, so can you see changes in the way people conduct business in these countries as compared to exporting from the United States? Are you now seeing exports coming from the rest of the world into these countries that we don't have agreements with?

Mr. DUCKER. Yes, sir, Congressman Johnson. Having lived outside the United States for a long time, at least half of my career, I can unequivocally tell you that not only are other nations taking advantage of the burgeoning global trade, but, as my colleagues have mentioned here, moving rapidly to gain access to these other markets through their trade agreements. And there is no doubt that the numbers that you just mentioned there, as well as some of the numbers that are in my testimony regarding NAFTA, absolutely are indisputable that the world is moving on and, in fact, taking a page out of our playbook about these free trade agreements.

Mr. JOHNSON. You know, we have got to stop sitting on our hands, don't we?

Mr. DUCKER. We have to move, sir. It is an imperative.

Mr. JOHNSON. You know, 26 percent of all manufacturing jobs in Texas depend on exports. That is more than one in every four workers. Between 2005 and 2008, the number of manufacturing jobs in Texas dependent on exports increased from around 161,000 to 225,000, an increase of 38 percent.

Mr. Paulson, you rightly note in your testimony that standing still on trade agreements is more accurately described as falling behind. I couldn't agree more. How has U.S. manufacturing in general been affected by the delay in implementing these three trade agreements?

Mr. PAULSON. It is not just an effect with these three countries; it is a vision to the whole world that the United States turned off the sign that says "We are open for business." We want to turn that sign back on, because if we are stalling out in these agreements, what are we going to stall out next?

Mr. JOHNSON. Thank you very much. Thank you, Mr. Chairman.

Chairman CAMP. Thank you.

Mr. Rangel is recognized for 5 minutes.

Mr. RANGEL. Thank you so much, Mr. Chairman, and let me thank all of you for sharing your views with us. While it is true that there are a few Members that would accept any agreement that we might come up with, or there are others that no matter how good the agreement is, that they would be opposed to it. But I think the vast majority of Members, Democrats and Republicans, recognize that we have an excellent opportunity to create jobs, to create competition, to have economic growth, and that I think all of you would agree that having a competitive educational system is important. So I do hope that all of you would send to me what efforts you are making in order to improve the quality of education of all Americans so that indeed we can compete with international workers.

And I think you have to agree, too, that having an educated and healthy workforce is helpful. And I would like to get your views as to what role, if any, you think the United States Government should play in making certain that all of our workers have access to the best health care that is possible in order to be competitive. So I hope that you would share those things with me. I don't want to take the committee's time, but I do hope that I do receive some very, very positive things that you are doing.

Let me ask this as it relates to Korea. There are so many reasons why we should support the free trade agreement with Korea. Not only are they are our friends and, as people have pointed out, a largest trading program, but they represent the center of democracy in this part of the world. It is a part, I think, about national security. We have had troops there since I first went in 1950 to Korea, and they are still there after 60 years, and so, therefore, we do have a vested interest in Korea.

I want to know whether anyone sitting at this table would have supported an agreement with Korea that actually singled out our automobile industry for exclusion, where they would accept 6,000 cars and send over half a million cars. It is not just automobiles in Detroit, it is the heart of American manufacturing. Without the changes that I understand have been made, would any of you have supported the Korea FTA? So I——

Mr. PAULSON. Excuse me. I would liked to answer you because you did ask us a question.

Mr. RANGEL. I am waiting for an answer, Mr. Paulson.

Mr. PAULSON. Certainly.

The Korean FTA has more in it than simply automotives. The NAM, National Association of Manufacturers, has consistently said that an improvement to the Korean FTA in respect to the automotive industry was needed, and as you have seen, the USTR Kirk has done an excellent job of achieving this.

Mr. RANGEL. Mr. Paulson, that is a wonderful answer, and I don't think anyone can challenge it, but my question to you is that if these corrections had not been made in terms of the barriers that Korea has put up to American-manufactured cars, would you support that agreement, not the one that I am being supportive of today?

Mr. PAULSON. I have to say that I was not particularly privy to that.

Mr. RANGEL. Okay. You don't know. Okay.

Let me ask this, then, as it relates to Panama, because we worked on all of these things, and so I am trying to shatter the myth that one party is for trade, and the other party is against trade. I think we have a great agreement with our friends in Panama. But I ask the question would any of you support the Panamanian FTA if you knew that they refused to sign an agreement with us as it relates to them providing a tax haven for billions of dollars from American taxpayers being lost? Would you support the Panamanian agreement knowing this and knowing that our government objected to their failure to sign such a tax exchange—information exchange agreement? Would you support that agreement knowing that it had this fault, which I understand now, Mr. Paulson, has been corrected?

Mr. STALLMAN. Congressman Rangel, we would have. We view trade agreements through the lens of—really two lenses: one, what it does for U.S. agriculture; but then more importantly what it does for the economies of the respective countries. Because it is a very simple calculation. As economic growth occurs, and as standards of living increase, that increases opportunities to provide for food——

Mr. RANGEL. I understand that.

Chairman CAMP. The gentleman's time has expired, and at this time I would recognize Mr. Brady for 5 minutes.

Mr. BRADY. First, Mr. Chairman, thank you for the timeliness of this hearing. Trade has been locked away in a closet for too long here in Congress. It is appropriate on the day the President will address the Nation on the State of the Union to focus on jobs and competitiveness that we are hearing from leaders in manufacturing, in agriculture, in services, in automobiles, real job creators who are telling us that trade and these pending trade agreements are the answer, are one key component, to creating new U.S. jobs and competitiveness, and making the point, too, that clearly America is falling behind our competitors, is costing us U.S. jobs, and, I think, undermining the credibility as we go forward on the global stage to level the playing field.

I credit the President and USTR for making a very solid agreement even better and clearing the way for passage of that agreement. I think it is important to make distinction between improvement for the sake of passage versus improvement as an excuse for further delays, which is what I see with the Panama and Colombia agreements.

Clearly Panama, in the 4 years since the agreement has been signed, has literally met every request that this Congress and White House, frankly, could dream of, not only incorporating the bipartisan May 10th agreement, but also passing tax and labor laws to meet every request from the U.S. Government. Panama is ready to go. We have the votes to pass it tomorrow. It is time to open that market. No more excuses.

Colombia is the same. Colombia continues to make dramatic improvements in human rights, labor rights, in protecting labor leaders from violence, and protecting and creating rule of law in their country. In fact, the independent organizations looking at Colombia, the International Labor Organization, recognizes the improvements Colombia has made by removing Colombia from its labor watch list. The U.N. High Commission for Human Rights has cited Colombia's improvements. The European Union's latest report on human rights acknowledged the evident reduction of cases of violence. And we have bipartisan support from people like Senator Max Baucus, chairman of the Senate Finance Committee.

Colombia is making remarkable progress, and I think the new government is not a new opportunity for progress, but the continuation of the same opportunity for progress and, unless we move, the same opportunities for harm for our U.S. workers.

So I guess my question today with competitiveness as the issue, from a jobs perspective, from a competitiveness perspective, is it time, in your opinion, to move these three pending agreements, and does the failure to move undermine our competitiveness as a country? Mr. Paulson?

Mr. PAULSON. Thank you.

Yes, if we don't move, as I said previously, it shows the world that we are not open for business in this country. But if we do move, and we do it quickly and appropriately, we will see that there will be more and more business that will come here to the United States not just from these trade agreements, but from our other trading partners.

Thank you.

Mr. STALLMAN. Absolutely we need to move forward. If we don't, we will be at a competitive disadvantage.

Let me make one point about Colombia because I don't think it has been talked about. People want to level the trade playing field. Our Members want to do that. You hear that continually. This Congress has passed the Andean Trade Preferences Act and renewed it. That gives them access to our markets. By them reducing tariffs when they already have access to our markets, we are leveling the playing field, and that is what the Colombia agreement is about for American agriculture.

Mr. BRADY. Two-way trade, not merely one-way trade.

Mr. STALLMAN. Absolutely.

Mr. BRADY. Mr. Ducker.

Mr. DUCKER. Yes, sir, Mr. Congressman, it is time to move. We fly airplanes into all three of these countries. I have been to Colombia several different times and note, as you do, the improvements that have been made in that environment. And as my colleague states, some of the tariffs that exist on American exporters today into Colombia in particular would be eliminated as a result of this agreement.

Others are moving rapidly to create their own agreements with these countries, and I do believe it is urgent that we move and pass these free trade agreements to the benefit of our workers here.

Mr. BRADY. Mr. Toppeta.

Mr. TOPPETA. I agree. As I said in my testimony, we support all three.

Mr. BRADY. Thank you.

Mr. Biegun.

Mr. BIEGUN. Mr. Brady, we support all three agreements, and we are confident that the committee will find a way to move forward to get all three through.

Mr. BRADY. Thank you, Mr. Chairman.

Chairman CAMP. The gentleman's time has expired.

Mr. Stark is recognized for 5 minutes.

Mr. STARK. Thank you, Mr. Chairman. And I want to thank the panel for enlightening us today.

I would like to, as the chairman has, just go down the list with you and say while I am encouraged by the idea of free trade agreements, what are the pitfalls? What do we want to watch out for? It can't be all 100 percent in our favor. Ford Motor has an issue. I am sure that small manufacturers do. What need we—you have all outlined for us the benefits. What, if any, very quickly, are the dangers we have to watch out for?

Mr. PAULSON. Well, I think you just properly described the free market, because there is always this situation that there is a push-me, pull-you circumstance that occurs, and the cream will rise to the top, and that will be us.

Mr. STARK. Ag?

Mr. STALLMAN. You always have to watch out for the details of access basically, and I will give you an example with Korea. Rice as a commodity.

Mr. STARK. That is important to California.

Mr. STALLMAN. That is why I mentioned it. That was taken off the table during negotiations. The Koreans are extremely sensitive about that. The reality is that is not going to be a huge market for us. We have much better markets elsewhere. But when you look at the package—and that is what we do as a general farm organization—when you look at the package, it is positive for U.S. agriculture.

Mr. STARK. Beef?

Mr. STALLMAN. The beef issue, we are getting beef back into that market. We are still encouraging the Koreans to adhere to international standards. They have continually said that when their consumer confidence increases, they will. But beef is flowing back into that market at a rapid rate from the U.S.

Mr. DUCKER. Yes, sir, Congressman, I think one of the things that you have to be careful of in the trade agreements is a balance, and striking the proper balance. That is why it is a negotiation. Not everybody is going to win on every point, but as long as the broader perspective is maintained and we get good balance in the free trade agreements, then I think the country is best served.

Mr. STARK. You are suggesting that we win in one free trade agreement but maybe give up in the other, and the balance ends up——

Mr. DUCKER. I am suggesting that in all of those free trade agreements there is a balance in a number of different technical points. So in one agreement there may be agricultural provisions that need assistance; in others there may be service agreements. But I am saying the balance on both sides.

Mr. STARK. Could you give me an example of a State law or regulation that hurts the life insurance business? Specific?

Mr. TOPPETA. Sorry, Congressman? A State law in the U.S.?

Mr. STARK. No, no, in Korea or wherever.

Mr. TOPPETA. That hurts? Oh, yeah. I can give you lots of examples of that. I think that in the current situation in Korea, one of the things—we take for granted here in the U.S. that you know what the rules are. You know what the law says. You know what the regulations are.

In Korea, we are frequently subject to what I would call "desk drawer" rules, which means the regulator has got something in his desk drawer, you don't know what it is, and at the appropriate moment after you have done something, he pulls it out and says, oh, by the way, this is the rule.

Notice and comment provisions, due process provisions are extremely important. They are actually in this agreement, so I think that is a plus for us. But right now there are a number of these things which regulatory transparency is a big issue for us in Korea.

The other thing I would say, you asked a question about things to watch out for. I think the big thing to watch out for in all agreements are the follow-throughs. I agree with Mike that, you know, in any agreement you are going give something, and you are going to get something, but once you get commitments, you have to make sure that there is a follow-through. Again, in the KORUS agreement we have established an insurance working group between the two countries to work out these differences.

Mr. STARK. Can their life insurance companies sell in our country?

Mr. TOPPETA. Yes, they can under the agreement.

Mr. STARK. Thank you.

Mr. BIEGUN. Mr. Stark, in the automobile sector, tariffs generally—except in exceptional cases, tariffs are not the barrier to imports. It is the nontariff barriers, The regulatory differences often created specifically to impede imports. So you have to build in the market to that standard. So in the FTAs that is the fine print that we really have to spend a lot of time looking over.

Mr. STARK. You will have to explain to me later what a third of a car is.

Thank you, Mr. Chairman.

Chairman CAMP. The gentleman's time has expired.

Mr. Nunes is recognized for 5 minutes.

Mr. NUNES. Thank you, Mr. Chairman.

Mr. Chairman, I do want to remind the committee that it has been 4 years these trade agreements have been pending, more or less. We had President Bush, who was willing to sign free trade agreements for the first 2 years. The last 2 years, we had President Obama and the Democratic Congress, who for the most part has said he supports moving these agreements; however, we have not seen the agreements move. And despite the sluggishness in our economy, despite all of these fine gentlemen here saying they would benefit from these agreements, we still have yet to see any real movement.

This President's National Export Initiative—and I know we politicians love to come up with these wonderful names—in 2009, we had $1 trillion in total trade in this country. This initiative set out by the President wants to double U.S. exports. And I guess my question to the panel—and this is open to anyone who wants to answer it—is this a reasonable expectation to be able to double our exports in the near term, to go from $1 trillion to $2 trillion? And how far down the line would these three agreements get us? I guess we will go to Mr. Paulson first.

Mr. PAULSON. Thank you.

I really do feel that the NEI is an achievable goal for our country, and it also puts us into the position that we are striving towards that goal instead of just letting things happen as they may occur over time.

Mr. NUNES. But, Mr. Paulson, can we get there by not passing trade agreements?

Mr. PAULSON. We must pass the trade agreements, and work towards the trans-Pacific agreement, and work towards other trade agreements, not just these three. We have to go beyond that. You can see how other countries, like the cooperation of the EU, is working to establish trade agreements. We have to do the same type of work.

Mr. NUNES. Mr. Stallman.

Mr. STALLMAN. Well, I don't think we can do it without passing agreements and negotiating new agreements, reducing tariff barriers and nontariff barriers. But I am encouraged. I think we can accomplish the goal. Agriculture already has very significant exports. But if you look at the numbers between 2010 and 2011, we are projecting basically a 20 percent increase in agricultural exports, and as world demand increases, I think that number will continue to go up. So if we keep working at it, keep enforcing current trade agreements, I think we can do it.

Mr. DUCKER. Congressman Nunes, the answer is unequivocally yes, that we can achieve that initiative. If you look at the 5 years between 2003 and 2008, we increased our exports by 79 percent. The global economy is expanding. People want to do business with the U.S. And I would also point out that during that 5-year period, that we implemented free trade agreements with 10 countries, and we also saw earlier agreements like NAFTA attain full implementation.

So I think the lesson is we can do it, yes. We cannot do it without free trade agreements and an opening up of our trade platform.

Mr. NUNES. Mr. Toppeta.

Mr. TOPPETA. Yes, I believe we can do it with the FTAs. I think it is a matter of record that the first letter sent from the President's Export Council to the President himself was in support of the three FTAs. So I think the President's Export Council believes that we need to get the free trade agreements in order to do this.

The other point I would make is that I think you can't really do it without services. And the reason I would emphasize that is services are 75 percent of the U.S. GDP, and they are 40 percent of our exports. And I think that tells a big story. There is a huge opportunity to increase our exports of services.

Mr. NUNES. Mr. Biegun.

Mr. BIEGUN. Yes, sir, I agree with what the other witnesses have said, and I would add the emphasis of quality agreements. So the renegotiated Korea Free Trade Agreement does offer us this opportunity, in our estimation. But it is a total effort. It is also enforcement. It is competitiveness of the economy. And, frankly, the lion's share of the responsibility is ours, as leaders in our companies, to be able to build the highest quality, the most desirable products and get out there in the world and sell them. And that is our job, and we are willing to take that on.

Mr. NUNES. Mr. Stallman, I am going to submit a question about nontariff barriers to trade specifically dealing with agriculture. As you know, some agricultural products do very well, especially when those countries need those products like corn and wheat and other products. And then when it comes to certain types of fruits and vegetables, they tend to put up nontariff barriers to trade. So I will address that in writing.

Chairman CAMP. Mr. Tiberi is recognized.

Mr. TIBERI. Thank you, Mr. Chairman.

I thank you all for being here. I come from Ohio. We have lost 400,000 jobs over the last 4 years in Ohio, many in manufacturing, not all manufacturing.

But in your testimony, Mr. Paulson, you express a number of different things, and one was frustration with this body, and one was talking about the mythology of trade. I do want to remind you that some of us up here have supported free trade. Some of us have supported more trade and are just as frustrated, but from a different perspective, as well. Let me give that to all of you.

As part of the President's Export Council, as was just mentioned—Mr. Reichert and I serve on that—a year ago the President talked about doubling exports in the next 5 years. This is the same President who, as a candidate in Ohio, less than a year earlier campaigned in Ohio about repealing NAFTA. Now, in Ohio, NAFTA means also trade with Canada, which has created a whole lot of jobs for Ohioans. Now, that is a big change, from repealing NAFTA to doubling exports, our largest trading partner being Canada in Ohio, in the next 5 years.

In the fall of 2010, after the President, before the export council, talked about doubling exports, we saw a record number of advertising by a lot of different people who were antitrade, including the Democrat Congressional Committee, Democratic Governors Association, labor unions, millions and millions of dollars. I had conversations with your association in Ohio, your association in Ohio, the Chamber in Ohio, a number of different folks who say trade is good, and not one, not one, zero associations, zero employers, did anything to counter the millions of dollars in negative advertising on trade.

And this has been building over years, and 2010 saw the record. What I would say to all of them is if this is so good, why aren't you countering to the American people, to the Ohioans in this case, why trade is good? When you open a new plant and say to me it is because of exports, why aren't you calling the local TV stations then and saying these 100 jobs are because of the trade agreement with CAFTA; these 25 additional jobs are because of what we are doing because of NAFTA or whatever else it is?

There has never been an answer, yes, we have done that; yes, we are educating the public. So my question for you, Mr. Paulson, and for the entire panel is, number one, why are your associations—I understand you as public companies may have other things to do, but you are a board member of NAM—why aren't you more engaged in communicating to the public the benefits of trade? It is great that you are here today, but if this is so good, why are all of these associations not doing what the protectionist side does in saying this is good for the American economy, this is good for the American worker, this creates jobs? Why aren't you doing that?

And when you expand—because you all said if these three trade agreements pass, we will have more jobs in America—are you going to put out a press release saying that these jobs are directly responsible to this trade agreement?

And number two, are you communicating with your employees that trade is good?

I would like to hear from all of the gentlemen.

Mr. PAULSON. I will try to be quick. First of all, if you go onto export.gov Web site, you will see that I am on it promoting trade. On the U.S. Chamber Web site, Paulson Manufacturing is listed as Faces of Trade for California. And on NAM, we have been doing one heck of a job of trying to communicate the advantages of trade.

Mr. TIBERI. Zero TV ads, sir. Nobody in downtown Columbus is seeing it.

Mr. PAULSON. In Ohio, having just been there visiting my customers, I went into one of my customers that works with me over there. I sell to him my products, and he says to me 13 to 30 percent of the products I ship to him he reexports with value-added products, sewn goods in that particular case. And that fellow needs a new factory because he has no room in his factory anymore because he has got so many people.

Mr. STALLMAN. We don't have the resources to do national TV advertising campaigns, but we are very active in editorials, press conferences, news releases, and not only at the national level. That spreads down to our State and local levels. I personally try to get editorials in major newspapers around the country. So we have been very active. We have a complete educational campaign called Trade Matters, which is once again spread out around the country through our grass-roots network.

I think we are fully engaged. And I don't know what to say about TV advertising given today's media and communications systems as they exist. I am not sure that national TV advertising necessarily is the sole answer to this educational issue.

Chairman CAMP. The time has expired, but if the remaining three would just give a quick answer, we will move on.

Mr. DUCKER. Yes, sir, I will be very quick.

We are committed to educating our workers and our customers. Our Web site blogs extol the virtues of global trade. Our relationship with the Commerce Department that has been ongoing for many years, helps small and medium enterprises to find new export markets. And our Faces of Trade program, which was just mentioned, with the Chamber. So there are a number of activities there. And even in our global advertising, it takes a particularly global tone about trade and the benefits of that to our viewers. But we don't do major campaign ads about trade.

Chairman CAMP. Mr. Toppeta.

Mr. TOPPETA. I would second what Mike has just said in terms of what we have done. We have done internal communication with our own employees.

But to your point, I certainly would concede that we could do a better job of communicating with the public on these kinds of issues.

Mr. BIEGUN. Congressman, we love trade. We sell trade. We benefit from trade. When we launched our 2011 Ford Explorer, the 2010 truck of the year, the central message was this vehicle is going to be exported to 90 markets around the world. It created 1,200 new jobs in a Chicago assembly plant, 600 supplier jobs in Indiana, Ohio and Michigan. And it is an exciting opportunity for us, and as we see the successes from this renegotiated Korea Free Trade Agreement, we are looking forward to sharing those not only with the committee and the Congress, but also with our partners in the UAW to show that quality trade agreements can work for America.

Chairman CAMP. Mr. McDermott is recognized.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

I have sat on this committee since 1991, beginning with NAFTA and the World Trade Organization and China accession. I have listened to panels like there over and over again, and I have heard promises, and we saw side letters on NAFTA and other things.

I want to ask a simple question of all five of you. Is there any problem you have with taking the time to negotiate labor and environmental provisions in these trade agreements? Is that something that you think was a useful thing to do?

Mr. PAULSON. Thank you for the question. The NAM's point of view is that social portions of the trade agreements should not be part of the trade agreements, but should focus more on the trade issues that are associated. But if I may please add in, don't forget that our influences of working with these countries on a business-to-business value or business-to-business circumstance will have a huge change within these countries over a period of time, because while you are our Representatives, when we go into the field, we are the representatives of the United States.

Mr. STALLMAN. We have much the same view, that trade agreements need to be focused on economics because of the benefits that that brings and also the increased standard of living. The increased standard of living, you reduce political strife and improve labor conditions. But we have accepted and probably think it is a good idea that in agreements that countries should state that they will adhere to international standards and international conventions, which is the level at which we think it is appropriate for labor and environmental agreements to be included.

Mr. DUCKER. Very similarly, as I said a little bit earlier, there should be balance in the trade agreements. If there is time that needs to be taken to balance some of those agreements, yes. But the bulk of the agreements should be on the economic benefits of free trade on both sides. And so we have had, as I think one of the Members pointed out, a 4-year hiatus in terms of moving some of these agreements forward.

Mr. TOPPETA. I would echo what my colleagues have said. I think again Mike is right. It is a question of balance. You do have to address concerns about worker protection and environment. The question for us would be how long does that take to accomplish, and what is the balancing act in terms of what may be lost in other areas during that process?

Mr. BIEGUN. We, too, support as my colleagues here on the panel do, I want to single out the Congress for its ability to achieve an agreement just a few years ago, a bipartisan agreement with the administration and the Congress, to pursue this exact angle. But I should also say that it is not by virtue of agreements alone, but as a global company and for reputational reasons, we also strive to provide those labor protections and environmental standards on an equal basis worldwide regardless of whether or not they were required in the free trade agreement.

Mr. MCDERMOTT. It strikes me that none of you said we should have just taken the Bush "slam, bam, thank you, Ma'am" agreements and pass them. You said you thought it was useful that we waited and worked out some of these problems. Is that a fair characterization? You all would have passed the Bush ones as they came out of the White House without any consultation with anybody in the Congress and passed them immediately? That is basically what you would say, right?

Mr. PAULSON. I wouldn't want you to put words in my mouth, but I would say that the agreements that were worked out with the previous administration were certainly striving towards a goal that would then come to this panel for review.

Mr. STALLMAN. We are on record as supporting those agreements as passed, and we were involved in the negotiations of those, working with our trade representative's office. And when they were completed, and we did our analysis, we supported them.

Mr. DUCKER. As did FedEx support those agreements in the past. And I think there is a certain question of timing in this. Many of the—it is 4 years hence now, and countries are roaring ahead that are not the United States with free trade agreements around the rest of the world.

Mr. MCDERMOTT. I am going to interrupt because my time is just about up. It strikes me that some people think that these agreements for labor and environment on these are the only ones they will ever be on, and that in the future they won't be considered. But I don't hear anybody here saying that this is of legitimate concern to have about every trade agreement, no matter which ones we make in the future.

Thank you, Mr. Chairman.

Chairman CAMP. Thank you.

Mr. Davis is recognized.

Mr. DAVIS. Thank you, Mr. Chairman. I want to briefly echo a comment Mr. Tiberi made regarding the communication at the grass-roots level. I would have to say personally, also living in the Ohio Valley, the business community in general, and NAM specifically, were absent from the critical political discussions.

The reason I bring that up is we get into this constant battle—in fact, I was told once by a senior NAM staffer that NAM is not a political organization, to which I responded, how do you want to get your policy done?

That brings me to the crux of this. We have a much bigger stake in these free trade agreements than simply doing business, than simply creating jobs. There is a huge national security and international security component to this, particularly with the Latin American agreements with Colombia and with Panama. When I think of Hugo Chavez aiding and abetting terrorist activity in his own country, dealing with direct threats to Colombia, as well as trying to destabilize the Latin American republics in Central America; Evo Morales in Bolivia; Rafael Correa in Ecuador, among others, dominate this political landscape.

These trade agreements largely keep us out. And the reason that I bring up the issue of communication, not preaching to the choir, Web site to employees who obviously know that their goods are going overseas doesn't tell the person one block away. And I see this in my manufacturing-centric district all the time.

Here is the real question: I was flabbergasted by the irony a couple of years ago when labor leaders from Colombia came here to meet with their brethren, labor leaders in the United States, as well as with the then-majority leadership in the House, pleading for the signature on the Colombia Free Trade Agreement. And I guess the question that concerns me here is they were turned down by the people that said they were fighting for their interests, and it became a matter of raw politics where in many ways I think we squandered a lot of opportunity.

Here is my question: In light of this strategic interest that spans not only our businesses, but our ability to protect those and our friends, will the failure of these agreements precipitate a longer and much bigger setback for the United States? I open that to any participant.

Mr. STALLMAN. We think it will, because it will send a message. It will send the wrong message, as my colleague says, that we are not open for business. It will send the message that, well, you may want to engage in negotiation with us, but at the end of the day, once we agree that we have an agreement, what are you going to do to pass it? Are we going to put our gives on the table, if you will, out there where we have to take political heat in terms of what the other countries are thinking, and then the U.S. takes it back, and the agreements are not passed? And when you are involved in trade negotiations and know trade negotiators, that sends a real message.

Mr. DUCKER. Yes, sir, Congressman Davis. I would agree with my colleagues on the open-and-ready-for-business piece is a very important part of this. I have been to Geneva many times meeting with the trade delegations of the WTO, and always I am struck by the fact that they want American leadership in terms of the negotiations and moving things forward. And I believe establishing that leadership and reinvigorating our trade agenda is very important for our country and the world writ large.

Mr. DAVIS. Following on a point, FedEx is kind of at the tip of the spear with where you take and pick up many of the parcels that are in transit. Do you feel that this lack of absence on our part of activating these free trade agreements would, in fact, cause a significant setback to the larger interests of the country besides business?

Mr. DUCKER. Yes, sir, I do. And I would point out that several of my colleagues have talked about the global supply chain. Today's business has changed so radically. Really if you have the Internet and FedEx to deliver to almost anywhere in the world, you can be in business. That helps small business. That helps innovation. That helps entrepreneurship. And frankly speaking, removing trade barriers, whether they are tariff or nontariff, around the world puts people in business. And I think it is very helpful to move the trade agenda forward on a positive basis.

Mr. DAVIS. Your actuarial analysis, Mr. Toppeta.

Mr. TOPPETA. What I would say is this: The country of these three that I know the best is Korea. I have been working with the Korean market for the last 20 years, and that is a strategically very important country for the United States. I don't think there is anybody who would debate that. I can tell you that our friends in Korea, the Korean Government, will be very disappointed, very disappointed, if we can't make this free trade agreement happen, and I think that will hurt us.

Mr. BIEGUN. Certainly we are not oblivious to the geopolitical considerations in these free trade agreements. All three countries are good friends of the United States of America, and every effort should be made to find a way forward. But I am also encouraged that, in fact, we are on the cusp of moving forward with one of the agreements, the Korean Free Trade Agreement, that through a good process in this committee has produced a good outcome. So we want to encourage the committee along these lines. We think that it produces a good outcome.

Chairman CAMP. Thank you.

Mr. Lewis from Georgia is recognized.

Mr. LEWIS. Thank you very much, Mr. Chairman. And I thank the members of the panel for being here.

Mr. Biegun, I have two brothers that worked for Ford for many, many years in Detroit, hosts of other relatives, and many are retired. I want to thank you for your leadership of Ford and for all that you do. But I want to ask you a simple question. Do you think it is more important to rush to get an agreement signed into law, or is it better to take our time and try to get it right?

Mr. BIEGUN. Thank you, Mr. Lewis, and thank you for your brothers' service to the company.

Obviously our track record speaks for itself. We fought for 3 years to get the Korea Free Trade Agreement right, and we felt that was critically important to the people of Michigan and to the people of the Ford Motor Company on a global basis, and also to the principle of free trade. Free trade agreements should open trade between markets.

But again, as I said a moment ago, we are quite encouraged by the outcome, that through a thorough effort, through the leadership of the members of this committee, we got to that point.

So, yes, we should get them right. There is a balance in getting them right, and getting them through, and getting them on a timely basis, but the committee in the recent past has, I think, demonstrated the right formula for that, and I encourage that to continue.

Mr. LEWIS. I want to go back for a moment to the question that Mr. McDermott raised. Do you think that—and I was somewhat not necessarily disturbed, but the way some of you responded. You are not suggesting that we have a double standard when it comes to trade; that we have one standard in America and one standard abroad? Do you believe or feel that trade agreements should be a reflection of the core values that we have as a Nation and as a people?

Mr. PAULSON. I would like to answer that in the sense of that as these trade agreements have lingered and laid about, we have had a lot of opportunities to second-guess the hard work that was put in to develop these.

I suggest that the stakeholders such as yourself, Mr. Lewis, would be involved with the new trade agreement formation right at the beginning so that you can form your ideas and bring those in with our U.S. Trade Representative so he knows how to focus his direction, and not look back so much on we could have, would have, should have. Let us move forward with new ideas.

Mr. LEVIN. Would the gentleman yield?

Mr. LEWIS. Yes.

Mr. LEVIN. I just want to tell you, Mr. Paulson, we actively engaged the USTR on these issues in the previous administration, and there was simply a disagreement whether core labor standards and international environmental standards should be in trade agreements.

It wasn't the lack of engagement on our part, and as soon as we had the power to make it happen, it happened. It is true in Peru, and it is true in Korea. The previous administration and the Korean Government would simply not negotiate changes to open up their market, the most closed automotive market in the world.

We were engaged endlessly, as we have been relating to conditions in Colombia. It is not a lack of engagement; it was a lack of willingness on the part of the previous administration to tackle these issues. The Korean Minister told Mr. Rangel and me, we will not discuss. Then we had a new administration that said, in order for that agreement to move, you have to open up your market and have two-way trade. And if you gentlemen believe in two-way trade, and I hope you do, and standards as reflecting American values, remember we have been trying to bring that about. With Korea it finally, I think, is happening. And to simply say you balance, we don't want to support imbalanced trade agreements in terms of two-way trade or in terms of basic international standards on worker rights and the environment.

Mr. BRADY. Will the gentleman yield?

Mr. LEWIS. Yes.

Mr. BRADY. I was just going to make a point that I really think the breakthroughs on these two agreements, Panama and Colombia, came several years ago when Republicans and Democrats in Congress sat down together and came forward with a May 10th agreement that addressed issues like labor rights, environment. And the result, Colombia has adopted eight of the ILO conventions, six more than the United States itself has adopted.

Mr. LEWIS. I take back my time. And——

Chairman CAMP. The time has expired.

Mr. LEVIN. That is just not——

Chairman CAMP. I would just say I am not sure that the characterization of the back and forth is really particularly helpful to the debate here, because, as Mr. Brady pointed out, there is a May 10th agreement. And frankly, the real effort on Korea occurred after November, the intense discussions. The President made the announcement in July or June, but the real effort occurred after November.

But at this time I would yield to Mr. Reichert for 5 minutes.

Mr. REICHERT. Thank you, Mr. Chairman.

I will just mention briefly that I also am from the State of Washington, as is Mr. McDermott. Unlike Mr. McDermott, however, I have only been on this committee for 2 years, and I have been waiting for a hearing on trade agreements.

I am pleased to have you here today, and excited about having our first trade hearing, and am looking forward to Korea, Colombia and Panama all being brought to the House floor for our votes.

As you can see it, if we work together, we can get this done. And you have a responsibility, as has been mentioned, and each of us here at the dais have our responsibilities, and hopefully together, Democrats, Republicans and the community in the business world out there across the country, can all work together to accomplish our goals of creating more jobs and spurring this economy on.

And one statistic that I want to refer to that was mentioned in the panel is this doubling export initiative. As was mentioned, Mr. Tiberi and myself are members of the President's Export Commission. We want to double exports, but at the same time if you look at the figures, the last time we did that was between 1995 and 2007, and, again, there were nine trade agreements that were passed during that period of time, I think, that made that possible. So I think it is absolutely critical, and I think everyone in the hearing today and everyone in this room and everyone of us sitting here knows it is absolutely critical, that we pass these agreements, we have fair agreements and move forward with these agreements to create jobs. Not only at an economic level is it important, but also as we look at our security across the world.

So I really want to focus on what we lose as we have languished somewhat. And specific to the Korean agreement, we know that the EU and Korea has an agreement that will take effect on July 1st, and here we sit. If you could explain—and any one of the panel members, please—what will the losses be as you look forward to our inability to—and what have your losses been—in jobs, in dollars, in the economy here in the United States as we have not been able to pass these agreements, and other countries have moved forward with their agreements, and we are losing market share? Mr. Ducker or anyone who would like to respond to that.

Mr. PAULSON. Thank you.

The International Trade Commission has estimated for the 3 agreements, 13 billion in new U.S. exports. So if we divide that, considering that Korea is the largest of these, there will be a huge amount of loss and jobs that will occur. It also gives an opportunity in the case of the EU to enter in in the sense of that—and I often use standards, and actually standards for employees' safety and health. They will bring in these EU standards, which are in my business, very critical, and then we will be having to fight against those standards versus, for example, the steel industry that is begging for our products in Korea. So it will be a change of focus aimed at looking towards Europe as opposed to looking towards the United States.

Mr. REICHERT. Mr. Ducker, you mentioned the Chamber of Commerce numbers of losing 380,000 jobs and $40 billion worth of business. Specifically how does that affect us in a negative way as we look forward into the future as these agreements are not made and other countries are moving forward?

Mr. DUCKER. That is a widely used model, but the chamber did, in fact, estimate 380,000 jobs, 40 billion lost. And frankly we operate in a fiercely competitive world, and the industrial strength of other countries is growing, and they are aggressively pursuing trade agreements to expand to the economic benefit of their workers and their populations, the benefits of free trade.

Mr. REICHERT. So it means fewer products sold across the country because other countries are selling their products, and we can't sell the cars, we can't sell——

Mr. DUCKER. Absolutely, sir. It is, as I said, fiercely competitive, and American products do have alternatives manufactured in other places. And a lot of what has been discussed in terms of speed in these trade agreements, FedEx is in the speed and reliability business. So we think there has to be balance, but due speed with passing free trade agreements and moving the trade agenda forward because others are not standing still.

Mr. REICHERT. Thank you, Mr. Chairman.

Chairman CAMP. Thank you.

Mr. Boustany is recognized.

Mr. BOUSTANY. Thank you, Mr. Chairman. Thank you for holding this hearing, and I look forward to many more hearings on trade policy as we go forward.

Over the past 2 years, the Secretary of State, Hillary Clinton, has traveled around the globe and based our foreign policy on three pillars: diplomacy, developmental aid and defense. It has now become glaringly apparent that we are missing something, and it is a trade agenda, and the failure to move forward on these three agreements puts American prestige, American leverage, American credibility at stake, at risk. And nothing short of American competitiveness is really the issue here.

Now, speaking of American competitiveness, I want to drill down to something earlier, because we need to make sure that everybody is included in this in this country in this equation, which means rural America. Mr. Stallman, you mentioned earlier some numbers, and you mentioned the fact that with the $3 billion in exports in agricultural trade, we would see perhaps 27,000 new jobs created as a result of that. Now, I take it those are direct jobs, jobs that are directly involved in the production of commodities, the shipment of commodities and so forth.

But if you drill down even further and take a look at the indirect jobs, take every small community. I live in Louisiana, rural Louisiana. I have got rice farmers, soybeans. Take a community like Crowley, Louisiana, or Abbeville, Louisiana, very dependent on agriculture and agricultural exports for the entire economy of that small town. You are talking about jobs, you know, convenience stores, dentists' offices, small rural hospitals. Do you have a sense of what number of indirect jobs we would see either protected or created as a result of just doing these three free trade agreements?

Mr. STALLMAN. We have not analyzed that to give a specific number, but I think it is obvious. I drive through Crowley, Louisiana, at least twice a year. And, for instance, just take rice; the local rice dryer that employs some people, the equipment dealer, the suppliers. If you don't have the ability to export in this case rice specifically, which we export roughly half of our rice in this country every year, all of a sudden you don't have those jobs, you don't have that business. So it is a direct impact on rural communities in America. And you can just spread that same principle across all of the production areas of agriculture.

Mr. BOUSTANY. So it is critically important that we make the case that job growth is linked to exports. And the case can be easily made, I think, in rural America, and as we try to build consensus to move forward on these trade agreements and future trade agreements, we have to get the American people on board with this. And I think focusing on rural America, focusing on small business development is going to be critical in this.

I don't think there is any way we can actually double exports in the time period that the President is describing, the 5-year time period, unless we include small businesses and medium-sized businesses and their connection to the modern supply chain. And I have seen some of the figures related to all three of these agreements where a lot of the exports will be on the part of small- and medium-sized firms, and I would welcome any of you to comment on that.

Mr. DUCKER. Congressman Boustany, I would just give you one small example, if I could. And I couldn't agree with you more. Small and medium enterprises are going to drive a large part of that.

I would just talk for a moment about the Memphis hub, and it is like a small city at night, perhaps 10,000 employees working in one small area at night. And U.S. exports are one of the fastest-growing parts of our business. But Memphis is the number one cargo airport in the world, and Memphis is not the number one large-sized city in the world. We outpunch our weight in the global economy because of exports and connecting the world with what we deliver. And the benefits of that flow through, as you say, to the dentists' offices, to the grocer and to many parts of the economy. So that is one small part where facilitating trade and facilitating global markets to small and medium enterprises has a dramatic impact locally.

Mr. BOUSTANY. Thank you.

Chairman CAMP. Thank you very much.

Mr. Neal is recognized.

Mr. NEAL. Thank you, Mr. Chairman. I want to thank our panelists as well.

I think the argument that is being offered here is that sometimes to subordinate human rights concerns and others in terms of getting some sort of economic liberalism a foothold, that that in turn will bring about greater demand in heretofore closed societies for more free choice not only in the marketplace, but, just as importantly, in the polling place and other endeavors.

Now, I think that it bears the reminder, however, that with NAFTA and China, that we were instructed that they could not be amended. I think that is a part of the conflict here today. We were instructed that they could not be amended, that it was all or nothing. And here comes the Peruvian bilateral in which we demonstrated that you could, in fact, amend that agreement, which I supported for the purpose of including human rights, the right to organize, and environmental concerns, and the Peruvian Government adopted it with little fanfare.

Now, Mr. Toppeta, I have been very supportive of your industry's efforts, as you know, over the years to expand globally, but I think as part of this discussion, there ought to be at least some reasonable discourse about the following idea. It has been difficult, has it not, for your industry in China? That is a fair assessment, isn't it?

Mr. TOPPETA. Yeah, I think that is a fair assessment, sure.

Mr. NEAL. And the idea of a forced partnership in a sovereign capitalist nation where you can never control more than 49 percent of your industry, and they really make a lot of basic decisions. And, in fact, without saying so, there is one of your large competitors that has decided to back away in recent weeks.

How do we get their attention if we don't make the argument here that economic liberalism, including those basic tenets of the Peruvian agreement, the right to organize, campaign for human rights and environmental concerns—how do we get them to move the argument forward?

Mr. TOPPETA. Look, it is a great question. I am not sure that I have the answer to it, Congressman. I think that in each of these cases, we fully understand the need to address a number of different concerns. The issue that presents itself is can you solve all of the problems in one trade agreement, and if you attempt to do that, you probably wouldn't get the trade agreement.

And with all due respect, I think we have to recognize as a country that these are negotiations, these are negotiations, and negotiating with a country like Peru may not be the same as negotiating with a country like China. So I think there are difficulties in a number of these markets. We are correcting, I think, some of them in some of our agreements, but we are certainly not getting at all of the issues. The question for me is do you want to make some progress with the prospect of making more later?

Mr. NEAL. Fair enough. But it also, I think, notes reminding ourselves that in Panama, the reason that the Panamanian bilateral did not move forward is because the Bush administration took the position that I believe the speaker of their assembly had been involved in the murder of an American soldier, I believe, the result of which was it was the Bush administration that pulled back the Panamanian bilateral. It wasn't the slowness of this committee, whether our Republican friends were in the majority or we were in the majority. That was an administration position not to submit that proposal, I believe.

Mr. TOPPETA. The only thing I can say about that is I am not here certainly and my company is not here blaming anybody. What we are talking about is let us move forward. Let us move forward. We have three good agreements. We think we should move forward on those, and we think it would be beneficial for the country to move forward on those.

Mr. NEAL. The last point that I will make is this. China has not proved to be quite what the industry assumed that it would be, has it?

Mr. TOPPETA. I think China has a lot of challenges, and it is not alone in that. It is an attractive market for a lot of people because of its size, because of its growth, but it does present difficulties, no doubt about it.

Mr. NEAL. One last comment, Mr. Chairman.

Chairman CAMP. The committee needs to move forward.

Mr. NEAL. If we don't pursue this here, then your job becomes more difficult, isn't that so, by pushing them?

Mr. TOPPETA. Our job is difficult already. There is no doubt about that.

Chairman CAMP. Thank you. The gentleman's time has expired. And I would just say that the ILO core labor rights found in the Panama agreement are also the exact same language found in the Korea and Colombia agreements as well.

Mr. NEAL. Mr. Chairman.

Chairman CAMP. Yes.

Mr. NEAL. That wasn't the point that I tried to make. The point that I tried to make, it was the Bush Administration that pulled back on Panama; isn't that true?

Chairman CAMP. I think that this idea of which Administration did what isn't particularly productive. I think we can find certainly gaps in both—certainly the Bush and Obama Administration on these issues. And I just think we are here to talk about what is before us, which is how do we move forward now on these agreements.

Mr. NEAL. I agree, Mr. Chairman. The point that I am making is that there has been some testimony or some inquiry this morning from members of the panel that have suggested that there was foot dragging on the part of the minority with some of these bilateral proposals, and I think that the point that I tried to make, which I assume is based on fact here, and that is that it was the Bush administration that pulled back——

Chairman CAMP. The fact is we have had no hearings on trade over the last 2 years, and that is not an Administration issue; that is a committee issue. I wish we had. We didn't. We are trying to have hearings now. I think these are productive discussions. But it really is Mr. Smith's time, and you are recognized for 5 minutes.

Mr. SMITH. Thank you, Mr. Chairman. And to the panel, thank you for sharing your expertise and insight.

Obviously we are talking about opportunities for the future here, and I am intrigued as we do have this discussion. And I don't want to repeat what my colleagues have said about losing market share to our competitors around the world, but we do know that it is happening.

Mr. Stallman, if you could reflect a little bit for agriculture on the nontariff trade barriers and how these trade agreements will help address that.

Mr. STALLMAN. A lot of the problems with agricultural trade, as in other industry sectors, are the nontariff barriers. For agriculture particularly you have the sanitary and phytosanitary barriers. In many cases a bilateral agreement is much more able to address those issues between two countries in terms of health standards, food safety standards, those kinds of things, than depending on the WTO. So in that respect many times in bilaterals you can more directly address those issues than you can with the international agreements.

Mr. SMITH. Anyone else wishing to respond?

Mr. DUCKER. Well, I am just going to add a comment that many of the provisions in these FTAs level the playing field. And if you are in our business, you compete against non-U.S. large companies which don't operate under the some of the same provisions. But these trade agreements prevent cross-subsidization by government-owned and -assisted competitors. They define contours of postal monopolies or fees that can be assessed to serve markets. They provide expedited customs procedures. It really simplifies and codifies doing business in many of the foreign countries, and that is a great benefit of the FTAs.

Mr. SMITH. Mr. Biegun.

Mr. BIEGUN. Mr. Smith, in the case of the Korea Free Trade Agreement, in the renegotiated text, it is some of the most far-reaching effort we have seen in free trade agreements to create a level playing field on standards. We are now expecting adequate notice in advance of new regulations, transparency in how those regulations are implemented, and there are enforcement mechanisms in the FTA that will be meaningful if those regulations are used simply to exclude imports. So we are encouraged that with the shoulder to the wheel, we can get agreements like this that will open the market.

Mr. SMITH. Thank you very much.

Thank you, Mr. Chairman. I yield back.

Chairman CAMP. Thank you.

Mr. Becerra is recognized.

Mr. BECERRA. Thank you, Mr. Chairman.

Gentlemen, thank you very much for your testimony and your work.

I would like to just begin by acknowledging that I don't think there is an American that wouldn't believe that trade is essential for us to continue to be a growing and vibrant economy. What makes us strong is the fact that not only do we sell to Americans, but we sell to everybody in the world, and everyone loves American products. In fact, everyone loves America, and that is why so many people wish to come to this country as well. So our brand is good not just in terms of our product, it is good in terms of our country and people wanting to be here.

The difficulty I think we get into is we try to ignore that trade causes consequences, and they are not always the greatest. And Mr. Tiberi tried to point that out in terms of Ohio. I can point it out in terms of southern California, where we depend so dramatically on trade because we have the largest ports in the Nation right there in Los Angeles. But to the degree that we try to make it sound like every trade deal is a good trade deal regardless of what it says, that is where we lose, I think. That is where we lose Americans. So when they hear that in 2009 we got to sell to Koreans 6,000 American vehicles, yet they got to sell to us—in other words, they exported to us, we imported from them and bought 476,000 vehicles, they don't need to have degrees in rocket science or in trade to know that something is wrong. And they just simply want to know that it will be level trade, that it will be a fair deal for Americans.

When you take a look at these deals, whether it was the situation for the auto industry with regard to Korea or, as we pointed out, the difficulties with Panama being a tax haven, there are reasons why some of these deals haven't gone through as quickly as we might like. But let us not just say willy-nilly we must have a trade deal, because a bad trade deal has major consequences. And if you think about our recent past in the last decade or so, American multinational companies have reduced the size of their domestic workforce by about 1,900,000 Americans, yet their foreign employment has gone up by 2.4 million in that same time. Americans aren't dumb. They see that we are exporting as many U.S. jobs to places as we are products, and what they want to know is that as we export those products, we want Mr. Paulson and his company and everybody else to continue to create jobs here because you are exporting more.

And so I think what is important to remember is that we are trying to make sure that this is a good deal, not just a trade deal, and if we do that right—well, not just for one industry, but for every industry.

Now, I have a question for all of you gentlemen. If you could just give me a quick answer. Currency manipulation. We have heard a lot about it. We know some countries devalue their currency. That makes their products cheaper to buy. It also makes our products more expensive to buy because it makes the U.S. currency look like it is valued at a higher price than it should be. Do you believe that we should tackle the issue of currency manipulation? And obviously the focus has been on China. But do you believe we should address the issue of currency manipulation now?

Mr. PAULSON. Thank you.

I do not——

Mr. BECERRA. Just a quick yes or no, if you could. I tried to make it a very direct question because I know that we could go into that forever, but I am going to lose time, and I want to get back to the trade deals.

Mr. PAULSON. I don't think we should address the currency manipulation within the trade agreement.

Mr. BECERRA. And I don't mean within the trade agreement; I mean just address it generally as quickly as we can.

Mr. PAULSON. Yes.

Mr. BECERRA. Thank you.

Mr. Stallman.

Mr. STALLMAN. Not in trade agreements, but in the context of international agreements with our countries.

Mr. BECERRA. Thank you.

Mr. Ducker.

Mr. DUCKER. I would agree with Bob. I mean, that is just one of many issues.

Mr. BECERRA. Yeah. And by the way, I am not asking that we address the currency issue in these trade deals. I am just asking if we should tackle that as an issue of importance to American consumers.

Mr. TOPPETA. I would agree with the other panelists. Completely agree.

Mr. BECERRA. I know the estimates are out there that we lose somewhere between a half a million to 1.5 million jobs because of this currency manipulation that goes on throughout the country, so I hope we can deal with it and deal with it immediately.

I have one final question I would like to ask. Mr. Toppeta was extremely virtuous a moment ago in responding to some questions by Mr. Levin. You mentioned that even if these trade deals had left out your industry and your company, that you think that we might still want to go forward and approve these deals.

Now, we are going to probably, I hope soon, in this committee and in this Congress deal with the issue of tax reform. And I would like to know if you would like to be as noble as well with regard to tax reform and virtuous so that if tax reform occurs, and we by chance don't deal with your particular industry or company, that you believe that we should still do the tax reform if we don't tackle the issues that are most important to your company and to your industry. I will try to leave it brief. Now my time is expiring, so if I could just get a quick yes or no from the panel.

Mr. TOPPETA. I will say that one is way beyond my competence. So I have no answer for you.

Mr. PAULSON. I believe tax reform is important for manufacturers.

Mr. STALLMAN. Our policy indicates we should work on tax reform, but we will wait to see the details.

Mr. BECERRA. I see you all tap dancing very, very well. Thank you.

Chairman CAMP. Has everyone had a chance?

Mr. BECERRA. Mr. Ducker and Mr. Biegun.

Mr. DUCKER. I was just going to say, yes, I think tax reform is important in many different aspects. But corporate taxes are among some of the highest that we deal with in the world and—so, yes, we should deal with tax reform.

Mr. BECERRA. Thank you.

Mr. Biegun.

Mr. BIEGUN. We will be here.

Mr. BECERRA. Thank you very much, Mr. Chairman. I appreciate it.

Chairman CAMP. Mr. Buchanan is recognized.

Mr. BUCHANAN. Thank you, Mr. Chairman, for holding this important hearing today.

As we work to get our ailing economy back on track, I believe it is crucial that we work to expand our exports. I am pleased that the administration is pushing harder, appears to be pushing hard, to get the Korean agreement done as well as the others that we are working on.

But I guess this is to all of the panelists. Last year the President stated that he wanted to double U.S. exports by 2014. I support this goal. Would you agree that enacting these three trade agreements is an important first step in reaching that goal?

Mr. PAULSON. It certainly is an important first step, but we also have to say that the U.S. manufacturing base needs to become fully engaged with not just the trade agreements, but also with improvements to financing for us and improvements to taxes.

Mr. STALLMAN. Yes, passing these agreements is essential as a first step. We need to continue to focus on enforcement and continue to negotiate other agreements to further open up markets.

Mr. DUCKER. Every long journey begins with a first step, and this is a darn good one, and we are strongly encouraging that. But we need to move forward after the passage of these into other very important markets.

Mr. TOPPETA. I would agree with that.

Mr. BIEGUN. And I would just like to repeat what I said earlier, that we bear responsibility, too. It is not just the policies of the government, but it is the job of our companies to make these work, and we look forward to doing so.

Mr. BUCHANAN. Thank you.

Mr. Stallman, my State that I represent in terms of my district is in Florida, but looking at Florida in general, we have a big area of agriculture, citrus, cattle. How do these trade agreements affect the State of Florida, in your opinion? And I would be interested in anybody else's comments as it relates to that.

Mr. STALLMAN. Well, I don't have the State-by-State breakdowns in terms of benefits, but in general all agriculture will benefit from these agreements based on the opening of markets. We know beef in particular, which I am a little more familiar with, these agreements—but the enforcement of current agreements, the work with—the work that we are doing to open up markets now in China and Japan and keep the market for beef in Taiwan, all of those things will be beneficial to beef specifically. But in general these agreements are what is necessary to improve agricultural market access for our products.

Mr. DUCKER. I cannot speak specifically to the agricultural aspects, but I would point out that we have a very large international hub in Miami which serves most all of Latin America, and trade with Latin America certainly benefits the area in and around Miami and all the catchment areas that that Miami hub services.

Mr. TOPPETA. I would say something similar. I cannot give you an agricultural angle on this, but for us, we have a large financial center in the State of Florida, and there is no question that there are a lot of jobs sustained and created in that area because of this. It is a finance center for us.

Mr. BIEGUN. We have Ford stores across the great State of Florida, and our dealer partners in your State benefit as we do when the company is more prosperous and successful. They have been having a very good year, and we look forward to working with them to have more good years. Corporate health will definitely be improved by the ability to export our vehicles around the world.

Mr. BUCHANAN. I guess the other just general question is this thing has dragged on. I have been here 4 years and have been talking about it for 4 years, these trade agreements. It seems like it is a big disadvantage to our companies compared to other people that are doing business on a partnership with these countries. What are your thoughts on that? My sense is we are losing ground and losing jobs in America.

Mr. PAULSON. I would like to say if we put ourselves in the perspective of being in Colombia, and this was a promise, a golden promise, that was given to the Colombian people, and they had to make the changes, and then every day that this drags on, over in Venezuela somebody is laughing. And I can hear him all the way, sitting here.

Mr. BIEGUN. Mr. Buchanan, in the case of Korea, the good news is that while the Koreans are negotiating free trade agreements with a number of other countries, Canada, Australia and Europe, none of those agreements have been completed either precisely because of the same issues that held ours up, because their market was closed to imported automobiles. Should the committee be able to move with some alacrity on the renegotiated free trade agreement, it will be timed so that we should not lose any ground in relation to other countries. But it is important that that deal come before the committee and get approved by the end of the summer.

Chairman CAMP. Thank you very much.

Mr. Lee is recognized.

Mr. LEE. Thank you. And I appreciate all the speakers being here today.

I know a lot of the questions have been brought up, but the positive theme that I keep hearing here is that trade is a good thing; that these three trade agreements at the end of the day will do what the American people are demanding out of Congress, help us create an environment where we can start employing American workers again. It is very simple.

And for my colleagues, as you know, I spent my entire career in manufacturing up until 2009, so I am a huge advocate. We exported products to all over the world, including South Korea, and I am truly a proponent.

And ironically we have the State of the Union this evening, and I am sure we all want the President to talk about economic issues, talk about putting people back to work. One thing I learned from my father, however, was that it is your report card that counts at the end of the day, and it is easy to give lip service to the fact that we want to say we want to double exports over the next 5 years. However, unless you put tangible items into place, in this case free trade agreements, will have a significant impact.

It is known by experts and obviously by this panel here we can start doing the right thing, but we are out of time. And to have these trade agreements that have sat on the shelf here for the last several years in Congress and had inaction, and the President talk about this for 2 years and move none of these forward, I think it is very hard for us to look at the American people. We are not doing our job.

Again, I hope tonight we are going to hear a different story from him, and that we here in this committee—there were several opportunities over the last few years for this issue to be debated if there had been concerns so that we could help push this along. But now at the 11th hour, trying to slow this up is reckless, and the American people shouldn't put up with it.

We need to start moving forward on trade. There is nothing here that I've heard today that would stop us from doing what, again, American people want, allow them an opportunity to make a good living and take care of their family.

So with that I yield back.

Chairman CAMP. Thank you.

Mr. Blumenauer is recognized.

Mr. BLUMENAUER. Thank you, Mr. Chairman.

I guess I would like to focus for a moment on the role agriculture will play in our opportunities going forward. And I appreciate, Mr. Stallman, your being here and your testimony. If my Republican friends are serious about addressing spending and the deficit, and I think they are, we are going to have to deal with the rather expensive support that we provide to agriculture in this country. I want to be clear that I am not referring to assistance that is not trade-distorting. I am not talking about marketing; I am not talking about paying farmers to help them comply with clean water and other environmental requirements, marketing. These are areas, research and marketing, I think it is legitimate for us to help and in some cases maybe do more.

But since I have been in Congress and on this committee, and before that, trying to work to move forward with a bipartisan trade agenda, I have watched as our agricultural subsidies got in the way of moving these programs forward. I watched how a tiny loosening of sugar subsidies was a serious problem with CAFTA. We had problems with our Australian agreement because of sugar again and beef restrictions where we just simply were not going to allow free trade to operate. More recently we are paying—the American taxpayers are paying Brazil $143.3 million a year because of our lavish cotton subsidies, which are illegal under our agreements, in order to forestall retaliatory actions for intellectual property and other goods that would have been close to a billion dollars. We are going to pay that every year.

I am very interested in wondering if the panel thinks that we need to continue these agricultural subsidies. Can American farmers compete in a global market without lavish subsidies? I would start, Mr. Paulson, with the National Association of Manufacturers. Do you support reforming our foreign policy to reduce costs and to avoid these international trade complications?

Mr. PAULSON. Since I am a manufacturer and have been focused on that my whole life, I really do have to pass on this question.

Mr. BLUMENAUER. I would respectfully request that maybe you check back, because you as a manufacturer could be hit because of retaliatory actions when we violate our WTO requirements. And as I mentioned, these are things that have gotten in the way of other trade agreements.

Mr. PAULSON. I certainly believe that you have brought up a very important point. I am not trying to say anything about that. But I will say that it is just one that I am not well prepared to answer.

Mr. BLUMENAUER. I am just requesting that maybe you could check and find out what the association's position is and maybe make that part of the record?

Mr. PAULSON. Certainly.

Mr. BLUMENAUER. Mr. Ducker, FedEx, do you have any thoughts about potential retaliation because of lavish foreign subsidies?

Mr. DUCKER. Having spent most of all of my life in the services industry, I am going to refer this to Bob, who has much greater expertise in this area than I.

Mr. BLUMENAUER. Would you mind if lavish farm subsidies resulted in retaliatory trade actions that affected FedEx? Would that get your attention?

Mr. DUCKER. If people aren't living up to their agreements, and there are retaliatory measures, I think we should live up to the agreements that we have—that we have signed.

Mr. BLUMENAUER. Like Brazil and cotton?

Well, Mr. Stallman, I don't want the time to run out without turning to you. I am wondering if the Farm Bureau feels that we need to have the current level of subsidies for our agricultural products to compete internationally, like, for example, the illegal cotton subsidies that we are now paying Brazilian farmers to avoid Mr. Ducker and Mr. Paulson having retaliation. What is your feeling on that?

Mr. STALLMAN. Yeah, a couple of quick points, Congressman Blumenauer. First, with respect to the degree of subsidies we have as you designate them being lavish, had we reduced our entire Federal budget to the extent to which those payments had been reduced over the course of this last farm bill, we would not be talking about budget deficits in this country if that same percentage reduction basically occurred across the board.

Secondly, with respect to the Brazilian cotton agreement, that $143 million first is not going directly to Brazilian farmers. The second point is that was a negotiated agreement, a temporary agreement, if you will, while the Brazilians are waiting to see what we do in the context of the negotiation of the 2012 farm bill and in terms of nontrade distorting, the direct payment component in the Title I of the farm bill is considered to be green-boxed under WTO trade rules.

Mr. BLUMENAUER. Do you feel that American agriculture can——

Mr. BRADY. [Presiding.] Thank you, Mr. Blumenauer. Mr. Blumenauer, all time has expired.

The chair recognizes Ms. Jenkins for 5 minutes.

Ms. JENKINS. Thank you, Mr. Chairman.

Agriculture is obviously important to the great State of Kansas in my district. Back in 2009, experts in ag products from our State, they valued the exports at more than $4.7 billion. The pending free trade agreements are especially important to our farmers, who traditionally lead the Nation in wheat production. Kansans know the importance of international trade in these markets. In 2007 and 2008, the U.S. wheat industry dominated the Colombian wheat market with almost 70 percent of the market share. It was valued at $330 million.

So delaying the Colombian Free Trade Agreement has already hurt Kansas and American farmers. While the U.S. waited, Argentina and Canada began their own negotiations. And, of course, by 2009–2010, the U.S. wheat industry's market share had fallen to 46 percent, a 24 percent loss. U.S. Wheat Associates estimate that if the Colombian Free Trade Agreement is not signed, U.S. wheat producers will lose up to $100 million per year.

So considering the impact on the wheat industry alone, could you all remind us what the economic impact on your business or industry will be if we fail to implement the three free trade agreements?

Mr. STALLMAN. Well, I think, if I understood the question, it was broader, it was beyond agriculture that——

Ms. JENKINS. Yes, I would like to hear from each one of you.

Mr. PAULSON. Excuse me. I thought that you were just talking in agriculture for that. So if we don't get these free trade agreements through, naturally those are estimates that are how much loss will be made over a period of time and the number of jobs. We are using again the International Trade Commission's estimate that it is 13 billion. I believe that what we will see, though, is that there will be greater losses beyond this because it isn't just these trade agreements. The whole world is watching. The world is watching what we are up to right at this moment. And these trade agreements have taken on a greater impact than just dollars and cents going back and forth. They become the image of how well the U.S. embraces other countries throughout the world, how are we out working with others.

Mr. STALLMAN. You stated the case for agriculture very well. You used wheat specifically. I lumped in corn and wheat and soybeans with the particular example of Colombia and the fact that other countries have stepped in and begun to take those markets to the detriment of our agricultural producers, and that is why it is critical that we move forward and go ahead and get us back in the game.

Mr. DUCKER. I would not put it in an agricultural context. You have done that quite nicely. But I would say that just one simple statistic that exports from this country support one in three U.S. manufacturing jobs. The markets are huge and immense outside the United States. Eighty-seven percent of the growth is occurring there. Ninety-five percent of the world's consumers are there. And one of the great vehicles to get at those consumers, at that economic growth, is through free trade agreements.

And so I believe that while we delay, others are moving, because their calculators work the same way that ours do in terms of the numbers and the economic power that exists in global trade.

Mr. TOPPETA. Thank you.

As I said earlier, I think the main impact for us of delay will be in terms of Korea and the fact that the European Union will have an agreement going into effect in the middle of the year. That will mean that those competitors from Europe will be able to get their products to market quicker in Korea. They will be allowed to do more things than we are allowed to do in the markets. They will be subject to different rules and regulations, which will be to their advantage, frankly. So there is no question that if we don't get this Korea agreement done, it will hurt the insurance industry competitively in Korea. No doubt about it.

Mr. BIEGUN. We support all three agreements, but in particular I would like to repeat what was just said. On Korea, the good news again is that we are on a timetable now to have the Korea agreement passed as soon as, if not earlier, than some of our major competitors.

But I would also be remiss if I didn't point out that had the Korea Free Trade Agreement gone through in its previous form before these provisions were renegotiated, it actually would have had a punishing effect on our industry. So we are very supportive of the agreement. And the timing still affords us the opportunity to move, moving with alacrity, to get it through in time to realize that benefit.

Ms. JENKINS. Thank you.

Mr. BRADY. Thank you. Time has expired.

The chair recognizes Mr. Paulsen for 5 minutes.

Mr. PAULSEN. Thank you, Mr. Chairman. I want to thank you also for your leadership at the subcommittee level and being a part of this hearing today, and for all of the witnesses for their testimony.

There is no doubt that all the trade agreements—we have heard about Panama, Colombia and South Korea, of course, which is the latest that has had the most discussion from the administration standpoint and now the support from a lot of our colleagues from both sides of the aisle. It is very important.

I really believe free trade is a very simple concept that is a natural proven stimulus. It is a cost-free job creator. I can look at Minnesota, my home State. And we talked a little bit about services having 75 percent of U.S. GDP. Well, in my district I have got 80 percent of services occupying that portion of the economy, and there is a lot of jobs that are connected directly with that. Seven hundred forty-one thousand jobs in Minnesota depend on trade independently. It covers manufacturing. It goes all the way to services.

And I just want to go back to a little bit of the services testimony, Mr. Toppeta, if that is okay, because you mentioned earlier—you had identified some key nontariff barriers; regulation, investment restrictions, due process, regulatory transparency, data management rules, for instance. And you talked a little bit about how trade agreements very importantly touch on those issues, because the average person doesn't understand that or doesn't relate to that. They always think of tariffs. Can you just expand a little bit about what signs you have seen in different markets as these implemented trade agreements have gone forward and actually taken place?

Mr. TOPPETA. I am sorry. What signs I have seen?

Mr. PAULSEN. Some of the progress, I think, within the markets and some of the good things that have happened.

Mr. TOPPETA. Maybe I could—Korea specifically—here again, let me give you an example that I think is important, and this one relates to data management, and it covers really two points about Korea. One is this question of the desk drawer rules that I was talking about before, that you sometimes don't know what the rules of the road are.

We had an experience in Korea where we wanted to do data management in a more centralized location. We believed that that was permissible. We had discussions with regulators about whether that was permissible. We were allowed to go ahead and do our data management outside of Korea. There was a change of people in the regulatory body that regulates us. They came back and said, sorry, you have to move your data center back into Korea. Now, that is an example of tremendous expense on our part that we had to go through partly because we didn't know the rules, partly because they had restrictions on data.

I think with these kind of issues, and this is directly addressed in the Korea FTA, we will be able to do data management outside of Korea. I think that is going to be very useful for some companies. They may do their data management from here in the U.S., and that will again create jobs here in the U.S.

The second thing that I would say is this will also give us the ability to do really a good job of data privacy protection, because when you have small data centers all over the world, it is much harder to bullet-proof those, the phrase that is used, to make sure that they are protecting the consumers' information. So this is an example where the Korea FTA, I think, can give us both better efficiency, but also better effectiveness. So that is a positive sign, I think, going forward.

Mr. PAULSEN. Thank you very much.

Mr. Stallman, let me just quickly follow up on a question with you, because Cargill is based right in my district, and, of course, you think agriculture right away. And Minnesota exports quite a bit, $6 million worth of wheat and corn, I think, to South Korea currently. Is it possible to estimate the effect of an increase in opportunities for one large exporter, what that can be on the local economy? I think you mentioned 9,000 jobs earlier. But for a company like Cargill, the supply chain and the agriculture, how many new jobs locally might be added?

Mr. STALLMAN. It is awfully hard to get those numbers precisely at the local level. But just assume that Cargill exports an additional billion or some fraction of that at the rate of 9,000 jobs per billion—those are direct jobs, not the indirect effects—will definitely help the local economy where those facilities are located.

Mr. PAULSEN. Mr. Chairman, one more point I want to make is that in Minnesota in particular, we have seen successful exporting both in services and with manufactured goods. But the reality is that with our FTA partners, where we have got FTA partners that currently exist, there is actually an exponential increase in exports that have gone on. In fact, I think there is a 103 percent increase overall in terms of Minnesota exports since 2002 with the FTA partners that we have. So I think if we look at expanding in Korea and Panama and Colombia, we are all going to benefit, and it is going to open the door to China and other countries down the road.

Thank you, Mr. Chairman.

Mr. BRADY. Thank you.

The chair recognizes Mr. Pascrell for 5 minutes.

Mr. PASCRELL. Thank you, Mr. Chairman. I thank each member of the panel.

I am a skeptic on these issues. I must say this to begin with: Free trade agreements through the last 4 Presidents—so this is not a partisan statement I am making—I personally believe have contributed to the job loss in this country and, worse, contributed to the minimizing of the dignity of the American worker. I did not come and rush to that conclusion. I have voted for trade agreements.

But I do know that free trade is not simple, not at all. And I would like to start by saying to those who say that the jobs that will come out of the Korean FTA are going to spread throughout the land and contribute to our recovery, well, the International Trade Commission has found that net job creation from the Korean FTA will be negligible, while independent estimates have found, for instance, a subject already brought up, that stopping Chinese currency manipulation would create up to 1.2 million jobs.

As that is my preface, I would like to ask Mr. Biegun, the European Union recently completed its own free trade negotiations with South Korea and was able to secure a 55 percent minimum rule of origin requirement, which is a major problem in many different areas, not just automobiles, and a cap on duty drawbacks. So our agreement, on the other hand, one we are examining right now, contains only a 35 percent rule of origin and no limits on the duty drawbacks, none.

Is Ford concerned that what I see as a major disparity, which would allow a Korean car company to assemble over 65 percent of the value of a car in a regional country like China, will put the United States auto industry at a disadvantage compared to our European competitors?

Mr. BIEGUN. Thank you, Mr. Pascrell.

Breaking down the two issues, on the issue of duty drawback, the approach in the U.S. free trade agreement and in the EU free trade agreement are largely the same. So in that case there is not a significant difference. However, in both cases, Ford and other automobile industry companies fought very hard to put limits on the degree to which the Korean Government could use duty drawback, because, as you point out, it allows the import of content from outside the free trade areas.

Mr. PASCRELL. Does that concern you?

Mr. BIEGUN. It certainly is a concern. It is one of many that we have had.

Mr. PASCRELL. What is the concern? What is your actual concern with what I just said specifically?

Mr. BIEGUN. Specifically it will allow manufacturers in Korea to import content from third countries and then reexport to the United States duty free. We in the United States do not enjoy that privilege, so we would import the same product from the same country to put it in our automobile, and we would pay a tariff on it. So it is something of a competitive disadvantage.

However, as in any free trade negotiation, it is a package of gives and takes. Ultimately Ford Motor Company's principal concern in this agreement was opening the Korean market to our goods. The Koreans are already well represented in this market, and it is our estimation that this free trade agreement will not sizably increase their imports, although the duty drawback is a competitive advantage for them.

Mr. PASCRELL. I have folks coming into my office every day because we were once a great manufacturing power in New Jersey. Paterson, New Jersey, was the original manufacturing city in this country, the cradle of the industrial revolution. Alexander Hamilton went there, debated very severely Thomas Jefferson over whether we should be an industrial or—and we decided we needed to be a multifaceted society.

We made the decision 35 years ago. The problem of trade didn't just start in the last 10 years, did it? The problem of trade existed now for many, many years. We lost our textile business 35, 40 years ago. We were the silk city of the world. So this didn't just happen.

But here is what comes into my office, and I will conclude with this if I may, Mr. Chairman——

Chairman CAMP. [Presiding.] Yes, you may conclude.

Mr. PASCRELL. Folks who import—who are trying to make stone and send it to other places, parts manufacturers come into my place every week. They can't stay in existence—we are talking about trading products? You have to have a product to trade. If we don't do something about manufacturing in this country, if we don't do something about that phase of the economy, these trade deals only make certain people affluent and bury other people. And bury other people. And that is what has happened in the United States. And I would look at that very carefully because I think we are being put out—and I only use this as one example.

My time has run out.

Chairman CAMP. The time has expired. Thank you.

Mr. Berg is recognized.

Mr. BERG. Thank you, Mr. Chairman. I thank everyone that has come here for this hearing.

In 2004, I guess, compared to this year, North Dakota's exports to South Korea have doubled. And those exports, primarily in agriculture, are wheat, peas and soybeans. In fact, right now we have a delegation in South Korea trying to expand that. And one of the questions that I have is—there is a lot of these other trade agreements that are in the mix. And I am assuming that every country in the world is trying to increase its trade so it can pull itself out of the same environment that we are in. So I guess my question is if we do nothing and say for 2 years—and maybe this is for you Mr. Stallman. If we do nothing for 2 years, this component of North Dakota's increased trade with South Korea, will that stall, or will that continue if we do nothing?

Mr. STALLMAN. Well, it is hard to speculate totally, but the bias will be for it stalling and not moving forward, because you have an EU agreement with reduced tariffs that will be put in place, you have other countries negotiating free trade agreements, and if those are implemented before ours, and those tariff reductions occur before we have a chance to implement our agreement, that puts our shippers of any agricultural products and many other products at a competitive disadvantage. And the Koreans aren't going to buy from us just because we are nice people. We are going to have to have a good deal.

Mr. BERG. That kind of leads to another question. But I have heard the hearing today, and I have kind of thought about a water tank that is up on stilts that is leaking, and we are trying to figure out what is the best way to fix this water tank, or how can we have the best water tank. That water tank is full of our trade and our export, and my thinking is if we do nothing, we may come up with a great water tank, but there will be no more market share. It will all be drained out of that tank.

So I guess, continuing with what you said, I would just like a—it is going to be a tough question probably, but if we do nothing, and we assume that these other countries are engaging in free trade agreements and expanding their trade, what will we lose in terms of jobs in these sectors over the next 2 years if nothing is done? So in manufacturing, just kind of what is your feel and what would we lose in agriculture? Or in the service industry what would we lose by standing still and watching others take our market share in these three countries?

Mr. Paulson.

Mr. PAULSON. Thank you.

I know we have talked about the jobs, the dollars and the totals. And not to avoid your question, but I want to overemphasize, please, that the commercial diplomacy of the U.S. businessmen entering these markets will by far exceed what all of these calculations that have been made, because as I move into a market and I go into Colombia, I bring with me all other companies that I know about and have them entertain the idea of also selling there.

So again, I am trying to be clear, let the U.S. businessman do his job. He will bring prosperity to our country here, but he has to have that opportunity and level that playing field.

Mr. STALLMAN. If we don't move forward and pass these agreements, work to open up other agreements, what will happen to U.S. agriculture is that our competitors will step in. They will begin to take more market share, as they already are in many countries, and thus, since American consumers won't be eating more, we will be backing up our supply. We will be filling up our domestic supply, increasing that supply, and with stagnant demand what happens is basic economics: The price of the product goes down.

So that is a real concern. We won't stand still. We are either going to move forward, or we are going to fall backward.

Mr. BERG. Please go ahead.

Mr. DUCKER. I was just going to say one thing about that, Congressman Berg. If we do nothing, we do something, because if we do nothing, others continue to move. We lose market share, we lose jobs, we lose the future prosperity. I mean, if you look at NAFTA as just one data point, since NAFTA was created, 4 million U.S. jobs have been created. There is $1 trillion a year in trade, in that NAFTA trade. So if we do nothing, we do something.

Mr. TOPPETA. Yeah. I mean, I will second the motion. I think that one of the other consequences will be we will not be able to meet this goal of doubling our exports in the next 5 years. I think that goal will go by the wayside if you don't go forward. So I think that is a significant detriment.

Mr. BIEGUN. Since no importer sells any significant volume of cars into Korea, currently it is all upside. But with a good deal, the sooner the better. And it is a good deal.

Mr. BERG. Thank you.

Mr. BRADY. [Presiding.] Thank you.

Mrs. Black is recognized for 5 minutes.

Mrs. BLACK. Thank you, Mr. Chairman. And thank all of you for being here today and helping to enlighten us on the trade issue.

I want to, first of all, thank you, Mr. Ducker, and how proud I am to have FedEx in our State and the amount of jobs that it has supplied in the—how it has helped our economy there in the State of Tennessee and particularly there in Memphis. As you recognize, there is almost a city there of itself with FedEx. So thank you for that.

Mr. Paulson, I was interested as I read your written comments about your enlightenment about how trade really did increase your opportunity to be able to grow your business, and in particular you said, there was a time that I viewed foreign countries as competitors, and I made a whole series of defensive moves to protect my sales in the market, in the domestic market. And then you said you changed your perspective.

I know one of the comments that you also made that intrigued me—and I do believe that being a small business person, that I agree that innovation, quality and customer service are three very, very important pieces of what makes you successful as a business and makes you stand out from other businesses. But what made you change your mind? And what were those factors that made you then decide to move forward in being a strong competitor in the international market?

Mr. PAULSON. It didn't happen overnight; it took quite a while actually for me to change from a defensive position to an offensive position. However, I was always making some—I call them opportunistic exports, and it was not really a planned event.

So as I started to go around the world, going to the trade shows, working actually with the U.S. Commercial Service, who is a very strong element in the United States for teaching people how to work outside the country, and then working with, like, the senior commercial officers in these foreign countries, I was imbued with this whole new world of opportunity in front of me, and through that I started making sales. And it was my good success and fortune that really turned my mind, because all of a sudden I could see there was so much opportunity, and the sales—I can say the sales in the most unusual places also through the help of the U.S. Commercial Service.

Mrs. BLACK. Is your trade organization helping those manufacturers who have had great difficulty and some of them just not being able to be successful with their product; are they helping them to get into these foreign markets?

Mr. PAULSON. Absolutely. The National Association of Manufacturers offers free help to open foreign markets and teach people how to work in those markets. And I can also say that I personally spend a lot of my own time as—and volunteer time of teaching others how to enter a market. One of the things I like to say is if you put me to work at your business, within just a couple of years, you will also have 25 percent of your sales in foreign markets.

Mrs. BLACK. My final question may be for any of the other panelists. In looking at innovation, quality and customer service, would you say that that is the key for why other countries may want our products as opposed to the product being made in their country and the competitiveness of that?

Mr. TOPPETA. I would comment on that. I think that is absolutely right. We see in all of these markets that customers are looking for innovation in products, and frankly, doing business with a global company and a U.S. company is something that they very much desire because of the innovativeness and because of the quality of the service that is provided. So I think it is definitely an advantage.

Mr. BIEGUN. And, Congresswoman, this is where I keep coming back to our responsibilities. And that is our responsibility. But I can tell you that Ford Motor Company in our 106 years in business around the world has never found a customer that wants to pay more for less quality or for a lower—less desirable product. We are absolutely convinced that given the opportunity to present our vehicles to customers around the world, they will make a choice based upon best value for the money.

Mr. DUCKER. Congresswoman Black, I would like to thank you, first of all, for your service to our State and to our country. But I would say personally about our trade missions, India is one great example. Most of the group is dominated by small companies, and while we were there, many trade agreements signed and the fortunes of those small businesses greatly enhanced by being open and exposed to innovative, new American products that they could take to market in India. So, yes, I would definitely agree that innovation, certainly creating value, is one of the greatest things that we bring.

Mrs. BLACK. So if we can remove barriers, we have the products with the innovation, the customer service and the quality that will make us very competitive. Thank you.

Mr. BRADY. Thank you.

Mr. Roskam is recognized for the final question.

Mr. ROSKAM. Thank you, Mr. Chairman.

Those of us who are speaking late feel a little bit like the Jimmy Stewart character in "Mr. Smith Goes to Washington" when the Chamber clears out. So thank you very much for your patience and the patience of our colleagues.

It seems like one of the subtexts of today's hearing is that you have one side that has been making an argument or a suggestion about the cost of waiting, and another that is making an argument about the cost of moving forward. And those are very thoughtful questions, and you can kind of weigh them out. On Korea, as Mr. Rangel alluded, there was kind of a negotiation technique and so forth on moving forward and creating more opportunities for Ford Motor Company, for example, and other manufacturers. There is also a notion, well, as it relates to Colombia and Panama, there is a human rights element that I think most largely recognize have been remedied and so forth.

But I just want to share with you an experience of a group that came in to see me, and it gets to this idea about no-cost job creation that I think is very powerful and something that can bring us all together to Mr. Camp's point on moving forward, moving this debate forward.

I had a group come to see me sort of with talking points over at the Cannon House Office Building just a couple years ago, and they were against the Colombia Free Trade Agreement. And I kind of shrugged them off and I said, I don't really want to talk about Colombia. Let me tell you about something that I just heard about. And I began to explain to them—I said, hey, there is this opportunity for us as the United States to create changes within the Tax Code that actually get our manufactured products in a better position vis-à-vis another area in the world that is actually four times the size of Illinois. And I asked them if we were able to do that, were able to change the Tax Code so that Illinois manufacturers had an advantage in selling and taking things then to O'Hare Airport on trucks and flying them down to this other market that is four times the size of Illinois, would you all be for that? They looked around and kind of crumpled up their talking points, and they said, yeah, we are for that, that sounds good. That is the Colombia Free Trade Agreement. And it was sort of a revelatory moment for them. Now, they didn't give me the satisfaction of telling me that I persuaded them, but I think that the way that was framed up was a little bit different.

So I guess the challenge that we have—my staff sometimes will come to me, my kids will come to me, and they will ask me a question, and sometimes I will say, well, let me think about it. Now, as we all know, "let me think about it" means one of two things; it either means no, and I just don't want to deal with it, or it means let me think about it. And I think that we are upon this time right now as a committee, as a Congress, and as a country where sort of the thinking is done. We need to make decisions moving forward to try to create an environment where worldwide American companies or little American companies are in the best possible footing to be competitive and dynamic, and that is no-cost job creation, and that is something I think we can all agree on.

Mr. Biegun, let me just ask you one sort of closing question, and that is sort of relating that experience that I had with this group in my office about Colombia and the type of manufacturing that you mentioned when you were having a conversation with Mr. Tiberi a couple of minutes ago, can you comment on what the Colombia FTA agreement means in terms of Ford Motor Company production opportunity and how that ripples out in jobs from a no-cost job creation point of view?

Mr. BIEGUN. Sure. Thank you, Mr. Roskam.

As I said earlier in the hearing, we source a number of our vehicles that we sell—the vast majority of the vehicles that we sell—in Colombia from the United States, and this will increase our exports from the United States. So it will be entirely beneficial as Colombia doesn't manufacture any cars, and none are coming—or any cars are exported to the United States anyway. So none are coming the other way.

Let me also add in the case of Korea, had you presented me with the Koreans' 8 percent tariff was going away, it would have been of no benefit to us, but we would have seen a sizable advantage to the Korean importers. So, there is a formula that we have to get right.

But let me end with this note, that we worked through that with this committee, with the leadership and the chairman and the ranking member, and we are very encouraged with the outcome of this. And in conclusion we have bipartisan support; we have industry and labor all supporting the Korea deal. I think that is a model of success, and I think it shows that we can together, private sector and government, work these things through, and I think that has been a great experience for us.

Mr. ROSKAM. I yield back.

Chairman CAMP. [Presiding.] Thank you. I thank the gentleman for yielding. And I want to thank—sincere thanks to all of our witnesses for their excellent testimony and to the Members for their thoughtful questions today.

Let me note for our witnesses, Members may submit questions to you for the record. If they do, I hope you will respond promptly in writing.

Chairman CAMP. Our witnesses today made clear that all three pending trade agreements offer significant benefits for agriculture, manufacturing and the services sectors of our economy, all without requiring any new government spending. Continued delay will only harm the ability of American workers, businesses and farmers to compete in these markets as our competitors move ahead.

Tonight we have an opportunity to hear from the President. I hope we will hear about these agreements and that he lays out a clear action plan and timetable for considering all three of them. I strongly believe that we should work together and consider all three agreements together, and hopefully within the next 6 months. I hope that we can continue to work together to make that happen.

I again want to thank all of you for spending time today, and the committee is about to adjourn, but we will hold.

Mr. RANGEL. I just want to remind the panel—and I really thought it was a great panel—of my request as to your feeling as to whether or not our great country is meeting your standards in terms of education and also health care. It is very, very important to many of us that we find out what your position really is and what are you doing about it.

Thank you, Mr. Chairman.

Chairman CAMP. Thank you. Thank you very much. The committee is now adjourned.

[Whereupon, at 1:14 p.m., the committee was adjourned.]

[Submissions for the Record follow:]

sifma

Invested in America

Securities Industry and Financial Markets Association Comments on the Pending Free Trade Agreements with Colombia, Panama, and South Korea

February 8, 2011

Mr. Chairman, Ranking Member, and Members of the Committee, the Securities Industry and Financial Markets Association (SIFMA) appreciates the opportunity to comment in support of the U.S.-Colombia Trade Promotion Agreement (Colombia TPA), the U.S.-Panama Trade Promotion Agreement (Panama TPA), and the U.S.-Korea Free Trade Agreement (KORUS FTA).[1] These agreements represent a key building block of President Obama's efforts to open foreign markets to U.S. workers, business, consumers, and investors, resulting in new opportunities to create U.S. jobs and bolster economic growth. Consequently, we strongly encourage the Administration to renew efforts to pursue international economic engagement on global, regional, and bilateral tracks.

Access to foreign markets and the ability to provide products on a global basis is critical to the continued success of the U.S. financial services industry. The exports of financial services totaled $55.4 billion in 2009, with a surplus of $39 billion - this helps support millions of jobs in the U.S., both within the industry and in supporting sectors. Open and fair global capital markets reduce the cost of capital for U.S. companies in all sectors of the economy, and enable continued growth and expansion.

[1] The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to develop policies and practices which strengthen financial markets and which encourage capital availability, job creation and economic growth while building trust and confidence in the financial industry. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

In addressing the specific requests of the Committee, our comments will focus on the following key points: 1) the benefits of the pending agreements to the U.S. economy; 2) the costs of delaying approval of the agreements; 3) the agreements' impact on the financial services industry; and 4) the importance of concluding other pending regional and global negotiations.

Benefits to the American Economy

As the U.S. and global economy navigate through a sustained period of weak economic growth, the pending agreements would provide debt-free stimulus to the American economy by opening new markets for U.S. goods and services. The agreements complement and support the Administration's National Export Initiative that pledges to "remove barriers to trade and open new markets, make sure that trade is free and fair, and work with the world community to promote strong balanced growth worldwide that will benefit everybody."[2] Nearly six million U.S. jobs are supported by goods exports, which is more than 5 percent of private industry jobs.[3] President Obama has stated that a 1 percent increase in exports would create 250,000 jobs.

In the aftermath of the recent global economic crisis, international trade agreements are an important means of promoting greater cross-border cooperation, transparency, predictability, and accountability in financial services, which is critical to continuing the global recovery. G20 leaders have highlighted the critical role that vibrant financial markets play in providing the credit and capital essential for economic growth, especially in developing countries. Financial services firms operating in a sound

[2] National Export Initiative, July 2010.
[3] U.S. Korea FTA Business Council Factsheet, http://www.uskoreafta.org/sites/default/files/Benefits-KORUS.pdf, Accessed February 1, 2011.

regulatory environment help companies manage risk, raise debt and equity, carry out acquisitions or sales, and help individuals plan and invest for the future. Capital markets facilitate economic growth and development by substantially broadening the range of vehicles for savings and investment and lowering the cost of capital for businesses and entrepreneurs.

This, in turn, supports economic growth and job creation. Consequently, global investors will benefit from more attractive investment opportunities, exporters will be able to access to a more vibrant export market for goods and services, and workers will benefit from increased job opportunities.

SIFMA strongly supports Chairman Camp's statement that Congress should consider all three agreements in the next six months.

KORUS FTA

Notably, U.S. services exports to Korea totaled $12.6 billion in 2009 (most recent data available). Following ratification of the KORUS FTA, U.S. goods exports to Korea are projected to increase by $10 billion to $11 billion annually, according to estimates by the U.S. International Trade Commission. Implementing the agreement would create about 70,000 American jobs.[4]

Colombia and Panama TPAs

Under the Colombia and Panama TPA, more than 80 percent of U.S. consumer and industrial products and more than half of current U.S. farm exports will enter

[4] Report to the President on the National Export Initiative: The Export Promotion Cabinet's Plan for Doubling U.S. Exports in Five Years, http://www.whitehouse.gov/sites/default/files/nei_report_091510_short.pdf, Accessed February 1, 2011.

Colombia and Panama duty-free immediately. The agreements will also strengthen intellectual property and investor protections, open services markets, and enhance transparency in government procurement.

Not only will all three agreements be important for our clients in the agriculture, manufacturing and services sector, financing the increased exports and U.S. business activity in all three countries will also be a significant benefit to our industry itself.

Costs of Delay

The United States stands to lose more than 380,000 jobs if it fails to implement its pending trade agreements with Colombia, Panama, and South Korea, while the European Union, Canada, China and other countries move ahead with their own agreements with the those countries, according to a study by the U.S. Chamber of Commerce.

KORUS FTA

To fully reap the benefits of the agreement, the KORUS FTA must be implemented in a timely manner. The European Union, an economy of similar size and composition to the U.S., recently concluded a free-trade agreement with Korea and is scheduled to begin the provisional application of the agreement July 1, 2011. Under the agreement, EU bilateral exports to Korea are expected to increase by as much as 82.6 percent, as barriers to EU-based firms are reduced and eliminated in Korea.[5] Korea is also in the process of negotiating trade agreements with Australia and India. According

[5] The Economic Impact of the Free Trade Agreement (FTA) between the European Union and Korea http://trade.ec.europa.eu/doclib/docs/2010/may/tradoc_146174.pdf. Accessed February 1, 2011.

to White House economic official estimates, if competing economies reach and implement their pacts first, the U.S. stands to lose about $30 billion in exports.[6]

Colombia and Panama TPAs

According to the Committee on Ways & Means (Republican Staff) based on technical assistance provided by the independent, nonpartisan U.S. International Trade Commission:

- If the EU-Colombia Trade Agreement is implemented and the U.S.-Colombia Trade Promotion Agreement (CTPA) is not, U.S. exports to Colombia of:
    - Machinery and equipment would decline by 15 percent, totaling $155 million in lost revenue;
    - Textiles and apparel would decline by 11 percent and 21 percent respectively, combining for nearly $21 million in lost revenue;
    - If the Canada-Colombia Trade Agreement is implemented and the U.S.-Colombia Trade Promotion Agreement (CTPA) is not, the hardest hit U.S. sectors would collectively experience a 35 percent reduction in U.S. exports to Colombia, totaling more than $56 million in lost revenue.

[6] Elizabeth Williamson, "US Vows New Push in Korean Trade Pact," The Wall Street Journal, June 25, 2010. [illegible URL], Accessed February 1, 2011.

Impact on Financial Services Firms

The KORUS FTA will generate significant benefits for U.S. financial services firms and their customers, including:

- 100 percent ownership, as well as the right to establish their corporate form of choice;
- National treatment to foreign financial sector participants and investors on the same basis as domestic investors for regulatory and other purposes;
- The right to supply specific financial services on a cross-border basis, including portfolio management services for investment funds in Korea, and with the ability for portfolio managers to manage their portfolios from their regional or head offices outside of Korea;
- Enhanced regulatory transparency. Securities firms in Korea are often confronted with non-tariff barriers in the form of regulatory restrictions and a lack of transparency in the development, implementation and application of regulations. These barriers prevent access in much the same way as tariffs, but unlike tariffs, no quantitative mechanism exists to reduce them;
- The transfer of information into and out of its territory for data processing where such processing is required in the institution's ordinary course of business;
- Strong provisions to protect U.S. investors and U.S. investment against arbitrary, confiscatory and discriminatory government action,

including compensation for expropriation, commitments to fair and equitable treatment and most-favored nation treatment, and an objective and independent investor dispute settlement mechanism to resolve individual disputes; and

- In addition to establishing regular bilateral dialogues between regulators, enabling more effective regulatory cooperation, the financial services agreement also provides provisions protecting each trading partner's sovereignty and regulatory approaches.[7]

The Colombian agreement has been overwhelmingly approved by Colombia's Congress and will serve to benefit the more than 10,000 U.S. companies that export to Colombia, of which about 8,500 are small-and medium-sized firms. The pending agreement with Panama is also a vital piece of the trade puzzle and its ratification would complete the series of bilateral trade agreements currently outstanding. As with the KORUS FTA, the Colombia and Panama agreements provide similar benefits to the financial services industry:

- Full rights to establish or acquire existing financial institutions in Colombia and Panama to supply a complete range of financial services, including:
    - The right to 100 percent ownership;
    - Extensive rights to establish in the judicial form that best suits the business model of financial services firms.

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[7] U.S. Korea Business Council Factsheet, http://www.uskoreafta.org/sites/default/files/Financial-Services-KORUS.pdf, Accessed February 1, 2011.

- Non-discriminatory, national treatment for financial services firms, including on the types of services provided to customers;
- Automatic binding of future liberalization through most favored nation (MFN) treatment whereby both Colombia and Panama agree that if they liberalize further in the context of another FTA, then that liberalization is offered automatically to the U.S.; and
- Enhanced regulatory transparency and important regulatory reforms, such as more regularized and transparent regulatory procedures, the adoption of a negative list approach to financial sector regulation, and a regional integration of data processing.

Pursue Regional and Global Agreements

Increasingly important to the future of the U.S. economy and the financial services sector is the conclusion of the Trans-Pacific Partnership (TPP), a regional trade agreement that includes Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States, and Vietnam. In a January 2011 speech, U.S. Trade Representative Ambassador Ron Kirk said he wants to "substantially complete" TPP negotiations by the annual Asia-Pacific Economic Cooperation (APEC) meeting in Hawaii in November 2011. We fully support this effort and believe its rapid implementation is critical to sustain a dynamic economy and create and retain high paying, high-quality jobs in the U.S.

SIFMA believes that a high-standard, comprehensive, and broad-based regional agreement would represent a key building block in opening foreign markets to U.S.

business, consumers, and investors, resulting in new opportunities to create jobs, and bolster economic growth. Such an agreement among TPP markets can also serve as a launch pad for the addition of similar like-minded countries.

In developing a 21st century agreement, the Administration should build on "best of breed" provisions from recent agreements, such as those in the KORUS FTA, rather than simply inventorying provisions from existing FTAs with TPP countries. A mere recounting of existing agreements would not reflect the global and rapidly changing nature of the financial services sector.

While U.S. exports to the Asia-Pacific have increased by 63 percent over the past five years, the U.S. share of trade in the region has declined by 3 percent in favor of U.S. competitors.[8] Last year, China and the 10 Southeast Asian ASEAN nations ushered in the world's third-largest free-trade area. According to the United States Trade Representative, in addition to the ASEAN-China trade deal, there are now 175 preferential trade agreements in force that include Asia-Pacific countries. More are on the way, with an additional 20 agreements awaiting implementation and more than 50 others under negotiation. A recent study forecasts that the U.S. could lose as much as $25 billion in annual exports just from the discriminatory effects of an East Asia Free Trade Area that excludes the U.S. Exclusion from economic opportunities already is becoming evident and such exclusion will cost American jobs.[9]

Finally, we note that the Doha Round has been stalled for more than two years. We encourage Congress and the Administration to work with members of the G20 and

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[8] USTR Fact Sheet, http://www.ustr.gov/about-us/press-office/fact-sheets/2009/december/economic-opportunities-and-tpp. Accessed February 1, 2011.

[9] Demetrios Marantis, "U.S. Trade Priorities in the Asia-Pacific: TPP and Beyond," Accessed February 1, 2011.

other major global trading partners to ensure the successful completion of these negotiations. A recent Peterson Institute for International Economics study projected a boost of between $180 billion and $520 billion annually to global exports. Likewise, the potential GDP gains are significant, estimated between $300 billion and $700 billion annually, and are expected to be well balanced between developed and developing countries.[10]

Conclusion

SIFMA believes these trade agreements offer Congress and the Administration another opportunity to secure open and fair access to foreign markets for U.S. firms and their clients. To sustain its recovery, the financial services sector must continue to position itself globally to meet the demands of its U.S. and foreign clients.

Free trade agreements are a key component of the global economic recovery. The financial services sector helps to facilitate and support these bilateral agreements. For the financial services industry to help multinational companies take advantage of these global opportunities, they must have ability to provide, for example, currency-related products, deal with cross-border tax differences, offer country risk assessments, develop global cash-management facilities, and provide country-specific investment advice and solutions: all key services provided by global financial institutions to promote U.S. exports.

[10] What's on the Table? The Doha Round as of August 2009. http://piie.com/publications/wp/wp09-6.pdf. Accessed February 1, 2011

SIFMA looks forward to continuing to work with Congress and the Administration to pursue free-trade agreements that enhances U.S. competitiveness abroad and supports jobs at home.

EMERGENCY COMMITTEE FOR AMERICAN TRADE

EMERGENCY COMMITTEE FOR AMERICAN TRADE (ECAT) URGES CONGRESSIONAL APPROVAL OF COLOMBIA, KOREA AND PANAMA TRADE AGREEMENTS

Written Submission in Connection with the House Committee on Ways and Means Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

February 10, 2011

ECAT strongly urges Congressional approval and entry-into-force of the pending trade agreements with Colombia, Korea and Panama as soon as possible this year so that they will provide important benefits to the U.S. economy, U.S. enterprises and their workers and broader U.S. national interests the Western Hemisphere and the Asia Pacific.

This submission is provided on behalf of the Emergency Committee for American Trade – ECAT. ECAT is an association of the chief executives of leading U.S. business enterprises with global operations. ECAT was founded more than three decades ago to promote economic growth through expansionary trade and investment policies. Today, ECAT's members represent all the principal sectors of the U.S. economy – agriculture, financial, high technology, manufacturing, merchandising, processing, publishing and services. The combined exports of ECAT companies run into the tens of billions of dollars. The jobs they provide for American men and women – including the jobs accounted for by suppliers, dealers, and subcontractors – are located in every state and cover skills of all levels. Their annual worldwide sales exceed $1.6 trillion, and they employ more than 6.2 million persons. ECAT companies are strong supporters of agreements to eliminate tariffs, remove non-tariff barriers and promote trade liberalization and investment worldwide.

ECAT strongly supports Congressional approval as soon as possible this year of the U.S.-Colombia Trade Promotion Agreement, the Korea-U.S. Free Trade Agreement and the U.S.-Panama Trade Promotion Agreement. The high-level market-access, intellectual property (IP), investment, and other provisions included in each agreement will produce strong economic benefits for the United States and U.S. enterprises and workers. This paper provides an overview of the important role that trade agreements play in the U.S. economy, a discussion of each of the three pending trade agreements and finally a discussion of the key provisions included in each of those agreements.

Trade Agreements and the U.S. Economy

Since the U.S. market is largely open, the main effect of trade and investment agreements is to eliminate foreign trade barriers, thereby opening other countries' markets to our goods and services, and provide a more stable, transparent and fair legal environment for the protection of U.S. property and interests. According to the *Global Trade Enabling Report* (2009) of the World Economic Forum, America ranks 114th out of 121 economies in terms of "tariffs faced" by our exports overseas. As a result American exporters pay on average higher tariffs than nearly all our trade competitors, leaving the United States at a competitive disadvantage in foreign markets. The most effective way to eliminate these and non-tariff barriers is through new agreements and negotiations.

Bilateral, sub-regional and regional agreements also act to give an advantage to the United States by establishing preferential terms for U.S. manufactures, farm products and services, compared to competing products and services from foreign countries. At the same, the United States also faces a global marketplace where other countries, particularly in Asia, are entering into trade and investment agreements that exclude the United States. When the United States is left on the outside without the preferential access those agreements provide, our products and services, our workers and our interests, are disadvantaged through higher taxes and other barriers.

The importance of trade agreements to the United States is demonstrated by the fact that U.S. trade with the 17 countries with which the United States had a free trade agreement in effect by the end of 2009 accounted for approximately $882 billion or nearly 29 percent of total U.S. trade and 28 percent of U.S. exports in that year. **Source:** U.S. Department of Commerce, Trade Stats Express. At the same time, these countries represent only seven percent of the world economy.

The United States has done very well with each of these FTAs. Indeed, U.S. exports to the 17 countries with which the United States had an FTA in force before 2010 increased 63 percent between 2001 and 2008 and, despite the economic downturn, were still 30 percent over 2001 exports in 2009. U.S. exports to new FTA countries (excluding Canada, Mexico and Israel) increased even faster, by over 100 percent between 2001 and 2008 and were 68 percent higher in 2009 than in 2001. **Source:** U.S. Department of Commerce, Trade Stats Express. It is also noteworthy that U.S. exports to each of its major FTA partners have increased significantly after each FTA has entered into force. Even with the economic downturn, which lowered U.S. exports in 2009, U.S. exports to each FTA partner have increased significantly.

- U.S. goods exports to the NAFTA countries almost tripled between 1993 and 2008, from $142 billion to $412 billion. In 2009, U.S. goods exports to the NAFTA countries were $334 billion, still more than double U.S. exports in 1993 despite the economic downturn.

- U.S. goods exports to Chile increased by 348 percent between 2003 and 2008, increasing from $2.7 billion to $12.1 billion. In 2009, U.S. goods exports to Chile equaled $9.4 billion, still more than three times higher than the pre-FTA level.

- U.S. goods exports to Singapore increased by 73 percent, from $16.6 billion in 2003 to $28.8 billion in 2008. In 2009, U.S. goods exports to Singapore equaled $22.3 billion, 34 percent higher than pre-FTA levels.

- U.S. goods exports to Australia increased 57 percent, from $14.3 billion in 2004 to $22.5 billion in 2008. In 2009, U.S. goods exports to Australia equaled $19.6 billion, 37 percent higher than pre-FTA levels.

- U.S. goods exports to the seven CAFTA-DR countries grew nearly 30 percent between 2006 and 2008 to approximately $25.4 billion, before dropping to $20 billion in 2009.

Source: U.S. Department of Commerce, Trade Stats Express.

U.S. services exports and U.S. investment also have increased following previous FTAs, supporting greater economic growth, better paying jobs and greater productivity here in the United States. In particular, U.S. services exports to the NAFTA countries more than doubled between 1993 and 2009, from $27.4 billion to $69.8 billion. **Source:** Bureau of Economic Analysis, Trade in Services. As well, U.S. investment has typically expanded following the entry-into-force of FTAs with other major trading partners, supporting greater economic growth, better paying jobs and greater productivity here in the United States.

Imports from U.S. FTA partners have also increased significantly, expanding the variety and choice of products available to U.S. consumers at competitive prices, lowering costs to U.S. manufacturers and dampening inflationary pressures.

U.S.-Colombia Trade Promotion Agreement

ECAT strongly supports Congressional approval and implementation of the U.S.-Colombia TPA as early as possible in 2011, so that American farmers, manufacturers and service providers can more effectively access Colombia's growing market.

The United States and Colombia negotiated over several years on the U.S.-Colombia Trade Promotion Agreement (TPA), an important accord that will eliminate major barriers in Colombia's market, promote important new economic opportunities, foster improved ties and promote broader U.S. interests in Latin America. The U.S.-Colombia TPA was signed on November 22, 2006 and then amended on June 28, 2007 to incorporate the provisions of the Administration-Congressional trade deal.

Colombia is the United States' 26th-largest trading partner, importing $9.5 billion in goods from the United States in 2009, with significant imports of U.S. machinery, fuel, electronics and chemicals. Colombia is currently America's largest agricultural market in South America. U.S. imports from Colombia totaled $11.3 billion in 2009, with major imports of fuel, precious stones and coffee.

While the United States has been the largest foreign supplier of goods to Colombia's market, U.S. exports to Colombia are now losing out to exports from Argentina and Brazil and will soon lose out to those of other countries, including Canada and the European Union, that have negotiated their own trade agreements with Colombia. For example, U.S. agricultural exports to Colombia declined throughout 2009 as Argentine and Brazilian farmers gained duty-free access for their corn, wheat, soybeans and soybean oil and substantially grew their exports at the expense of American farmers. The longer America delays in approving and implementing this agreement, the more sales American farmers, manufacturers and service providers will lose to other foreign suppliers in the Colombian market.

The United States and Colombia are neighbors and longstanding allies in a region that is vitally important to the United States given its strategic proximity and both are concerned about increasing threats to the rule of law within the region. Colombia has worked side-by-side with the United States to help fight illegal narcotics trade, while also working to tackle a violent insurgency that has been shown in recent years to be actively supported in part by Venezuela and others. Colombia's efforts to restore peace, reduce violence, maintain strong human rights protections and provide a better future for its citizens have been recognized and commended throughout the world. The U.S.-Colombia TPA will help expand that relationship and bolster democracy and the rule of law in Colombia. It will help promote economic growth and development within Colombia, which will make it easier for the government to maintain its progress on restoring peace and reducing violence. By promoting closer relationships and strengthened cooperative activities, as well as economic alternatives, the U.S.-Colombia TPA will also function as a key tool in the United States' and Colombia's efforts to combat the movement of illegal narcotics through the region.

With regard to labor practices, it is important to note that Colombia has in its Constitution and its laws a strong labor-rights regime. Colombia has ratified and implemented 60 ILO Conventions, including all eight core ILO labor conventions (of which the United States has only ratified two). As summarized in the 2009 ILO Report of the Committee of Experts, the Colombian government is actively engaged with the ILO and union representatives on a wide range of issues regarding each of these conventions, with detailed discussions on the many measures that Colombia has taken to improve the enforcement of fundamental labor rights, including protection of unionists against intimidation or violence and efforts to prosecute perpetrators of violence or intimidation against unionists. **Source:** *International Labour Conference, 98th Session, 2009, Report of the Committee of Experts on the Application of Conventions and Recommendations, Report III (Part IA) at 74-79 (1st Ed.). 2009.*

As documented by *Back from the Brink: Evaluating Progress in Colombia, 1999-2007*, Colombia's progress in improving the rule of law and restoring stability broadly since 1999 has been "impressive." *Back from the Brink: Evaluating Progress in Colombia, 1999-2007* by Peter DeShazo, Tanya Primiani and Philip McLean (2007).

Areas of improvement reviewed and identified by this study include:

- Extending legitimate state authority and the rule of law.
- Reducing levels of violence sharply.
- Improving the observance of human rights.
- Advancing the peace process.
- Checking the reach of drug trafficking.
- Enhancing governance.
- Growing the economy.
- Providing social services.

While tackling these very broad and systemic issues, the Colombian government has also taken concrete and substantial steps to improve its labor laws, protect trade unionists and prosecute perpetrators of violence against unionists. Colombia is working actively and constructively with the leading international body on labor issues, the International Labor Organization (ILO), and both domestic and international trade-union groups on a wide range of issues. As a result of these efforts, there has been an unprecedented decrease in violence overall in Colombia and violence against trade unionists in particular has also declined substantially. As well, prosecutions against perpetrators of labor-union intimidation and violence have also increased dramatically.

To promote continued improvement on labor issues, ECAT strongly recommends that the United States, as a member of the ILO, work more intensively and collaboratively with the ILO to promote labor rights and labor-rights enforcement in Colombia, rather than pursuing a unilateralist agenda. As well, ECAT urges the approval by the U.S. Congress and the entry-into-force of the U.S.-Colombia TPA to spur the increased economic growth and opportunity in Colombia that are vital to continued progress by Colombia in restoring peace and general stability, and more specifically, improving labor rights and the protection of trade unionists.

Continuing to delay the TPA will also further undermine and possibly erode the strong U.S.-Colombian relationship that has been forged through successive Administrations. Given the pressures in the region for Colombia to move away from a democratic and peaceful model, the erosion of the U.S.-Colombian relationship represents a severe risk every month that the United States fails to move forward on this agreement.

Some who advocate delay seem to take Colombia's progress over the past seven years for granted and seem to believe that further delay has no cost. As explained in *Back from the Brink*, however, Colombia's accomplishments could in fact be "reversed if forward momentum is not sustained." Given the importance of economic growth and a positive relationship with the United States to Colombia's progress thus far, further delay of the TPA is just the type of loss of momentum that will undermine, rather than foster, progress.

Over the past years, the Obama Administration has indicated that it wants to address these issues and is consulting with Congress and interested stakeholders. ECAT urges that this work be completed quickly so that the broad benefits of the U.S.-Colombia TPA can be realized as early as possible this year. Given the competition that the United States already faces in Colombia as discussed above, U.S. action is needed quickly.

U.S.-Korea Free Trade Agreement

The U.S.-Korea FTA offers U.S. manufacturers, farmers, and service providers important opportunities in Korea's large and vibrant marketplace. ECAT strongly supports Congressional approval and implementation of the U.S.-Korea FTA as early as possible in 2011, so that U.S. enterprises remain competitive in the region and have access to key markets in Korea's economy.

The United States and South Korea negotiated over many years on the U.S.-Korea Free Trade Agreement (FTA), a landmark agreement that will eliminate major barriers in Korea's market, promote important new economic opportunities and foster broader U.S. interests in the Asia-Pacific region. The U.S.-Korea FTA was signed on June 30, 2007. In 2010, the United States and Korea reached further agreement in order to address key issues for the United States.

Korea is the United States' 7th-largest trading partner, importing $28.6 billion in goods and $12.6 billion in services from the United States in 2009. Yet, the United States is only the 4th-largest supplier of imports into Korea's market. The U.S.-Korea FTA will give the United States an advantage over other foreign exporters only after Congress approves the agreement and it enters into force.

The U.S.-Korea FTA will provide a significant opportunity to open Korea's market for U.S. manufacturing and agricultural exports. Upon approval and entry-into-force, U.S. companies will have strengthened opportunity to export manufactured products to Korea, including chemicals and pharmaceuticals, electronics, machinery, medical devices, transportation equipment and autos and processed foods. Additionally, the FTA will reduce Korea's 40-percent tariff on beef, creating even stronger opportunities for U.S. companies in Korea's marketplace.

When approved and enforced, this agreement will eliminate tariffs and non-tariff barriers for farm and manufactured goods, as well as services and investment going into Korea, enabling the U.S. to expand its commercial presence in South Korea's large and growing marketplace. Further, the FTA will help support and expand U.S. companies and workforce at home and abroad, while supporting U.S. competitiveness in the international economy. Through passage and entry-into-force of the U.S.-Korea FTA, the U.S. will position itself as a strong competitor throughout the vibrant Asia-Pacific region, helping to create new economic opportunities for U.S. companies in the region.

U.S. Panama Trade Promotion Agreement

ECAT strongly supports Congressional approval and implementation of the U.S.-Panama TPA as early as possible in 2011, so that American farmers, manufacturers and service providers can more effectively access Panama's growing market.

The United States and Panama negotiated intensively on the U.S.-Panama Trade Promotion Agreement (TPA), an important accord that will eliminate major barriers in Panama's market, promote important new economic opportunities, foster improved ties and promote broader U.S. interests in Latin America. The U.S.-Panama TPA was signed on June 28, 2007. Panama's legislature approved the final trade agreement on July 11, 2007 by an overwhelming 58-to-3 margin.

Panama is the United States' 56th-largest trading partner, importing $4.3 billion in goods from the United States in 2009, with significant imports of U.S. fuel, machinery, aircraft and parts, vehicles, food, and consumer products. The United States has long been the largest foreign supplier of goods to Panama's market.

The U.S.-Panama trade agreement is a comprehensive and high-standard agreement that will eliminate tariffs on U.S. farm and manufactured goods exports, eliminate barriers to access by U.S. service suppliers and set in place important rules from transparency to the protection of property and investment. As a result, this agreement will expand economic opportunities for U.S. businesses in all sectors of the economy and of all sizes. Panama has long enjoyed duty-free access to the United States; this agreement will make that relationship reciprocal for U.S. farmers, manufacturers and service providers.

This agreement is particularly important for expanding the U.S.-Panamanian commercial relationship as Panama has embarked on an over-$5-billion expansion of the Panama Canal. The Panama Canal expansion will build a new lane of traffic, thereby doubling the Canal's capacity and allow the passage of longer and wider ships. Implementation of the Panama agreement will lower the cost of U.S. goods, require non-discriminatory treatment of U.S. services and guarantee non-discriminatory access to government procurement opportunities that will make U.S. firms much more competitive for Canal expansion work compared to other foreign competitors in Panama's market. But if approval and implementation of the agreement is delayed much longer, such potential advantage to the United States on this major construction effort will be lost.

Key Trade Agreement Provisions

U.S. trade agreements with Colombia, Korea and Panama each include important market-opening provisions that expand access to key markets in each country, including agriculture and manufactured goods and services. The agreements also set in place strong rules to advance and protect the interests of U.S. enterprises abroad, in areas including intellectual property (IP) and investments. These provisions serve as a strong foundation to facilitate commercially-meaningful opportunities for U.S. companies and workforce, and ECAT strongly supports the inclusion of these critical provisions in each agreement.

- *Market Access*. Each trade agreement reduces and/or eliminates tariffs in important sectors and sub-sectors in Colombia, Korea and Panama, which will strongly promote U.S. exports of agricultural, consumer and industrial goods. The agreements also liberalize services trade and investment in these countries, a negative-list approach with few exceptions. As a result, these countries will dismantle barriers to financial, broadcasting and audiovisual, express delivery, information technology and other services to the benefit of the U.S. industries and workers. The agreements further eliminate or reduce prohibitive non-tariff barriers in each country by eliminating technical and other barriers to trade, while at the same time including provisions to facilitate the movement of goods across borders.
- *Investment:* Each of the trade agreements expand opportunities for U.S. investors and incorporate expropriation and other strong investment protections relating to non-discrimination, expropriation,

fair and equitable treatment, performance requirements, transfer of capital and fair and objective investor-state and state-to-state enforcement mechanisms.

- *Competition Policy*: The trade agreements include strong competition policy chapters that will promote greater transparency and due process in each of these countries.
- *Intellectual Property Rights:* The trade agreements also contain strong protections for trademarks, patents, copyrights and trade secrets, including stronger penalties. The Korea trade agreement includes even strong provisions on anti-camcording, and patent-term restoration, patent linkage and data exclusivity for pharmaceutical products.
- *Government Procurement*: The trade agreements provide non-discriminatory access to Colombian and Panamian government procurement and expand access to Korean government procurement beyond Korea's existing commitments in the Government Procurement Agreement of the World Trade Organization (WTO).
- *Transparency:* The trade agreements include strong transparency standards, in such areas as customs and regulatory rulemaking, including with respect to pharmaceutical reimbursement, financial services, telecommunications and technical regulations.
- *Customs Procedures and Rules of Origin:* The trade agreements include strong commitments on customs administration, including use of automation and electronic-clearance procedures and streamlined customs procedures.
- *Labor and Environment:* Each of the Parties committed to adopt and maintain provisions in law consistent with the core principles identified in the International Labor Organization (ILO) Declaration, to honor obligations in a number of key multilateral environmental agreements (MEAs), to enforce effectively their domestic labor and environmental laws, and to not derogate from the ILO or MEA commitments in a manner affecting trade.
- *Dispute Settlement:* All trade agreement obligations will be enforced through strong, transparent and objective dispute settlement.

Conclusion

The U.S. trade agreements with Colombia, Korea and Panama are important accords that will promote new market opportunities for U.S. producers, enterprises and workers across the wide spectrum of the U.S. economy, while advancing U.S. interests and competitiveness more broadly in the international economy. These agreements incorporate critical rules on investment, intellectual property, transparency, competition policy and market access that will help ensure each agreement is commercially-meaningful and advantageous to U.S. companies and workforce. Congressional approval and entry-into-force of each agreement should be pursued immediately by the United States. Delaying approval will risk undermining the progress already achieved, as well as the important relationships the United States maintains with each country.

Statement for the Hearing on the Pending Free Trade Agreements
with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

by Thomas A. Hammer, President
National Oilseed Processors Association (NOPA)

Ways and Means Committee
U.S. House of Representatives
January 25, 2011

Mr. Chairman and distinguished Members of the Committee, thank you for holding this hearing on the pending free trade agreements with Colombia, Panama, and South Korea and the creation of U.S. jobs. The National Oilseed Processors Association (NOPA) thanks you for the opportunity to submit our views regarding the pending free trade agreements (FTAs).

NOPA is a national trade association comprised of 14 members engaged in the production of food, feed, and renewable fuels from oilseeds, including soybeans. NOPA's member companies process more than 1.7 billion bushels of oilseeds annually at 63 plants located in 20 states throughout the country, including 57 plants that process soybeans. Each one of these operates as a small business generating services and opportunities for farmers and ranchers in the rural communities they serve.

American agribusiness is at risk of being left behind as a result of the long delay in the passage of these pending agreements. Many of our major trading partners, especially in Asia, have turned to bilateral economic agreements to promote trade at the expense of U.S. exports. South Korea is not waiting for the United States, but is negotiating FTAs with other major economies, including the EU and India, to the disadvantage of U.S. business. It is only a matter of time before South Korea joins with other nations, such as China, Australia and New Zealand, in negotiating additional bilateral agreements.

These trade agreements are important to the overall economic health of farmers, ranchers, agricultural processors, and the entire value chain. Our industries play a vital role in the prosperity of rural communities. Agriculture is responsible for one out of every 12 jobs in America and is responsible for creating employment opportunities for people in urban, suburban, and rural communities across the country. The Department of Agriculture estimates that every billion dollars in agricultural exports supports 9,000 jobs. A decline in our exports means a decline in work for the entire supply chain. We must do whatever we can to assure that we are creating opportunities and jobs.

In President Obama's State of the Union Address on January 27, 2010, he announced the National Export Initiative (NEI), with a goal of doubling exports over the next five years. The President once again mentioned in his State of the Union Address on January 25, 2011, the goal of doubling our exports by 2014. The negotiation and implementation of FTAs and other trade expanding arrangements will lead to increased opportunities for oilseed processors, farmers, ranchers, and agribusiness. The three pending FTAs represent immediate growth opportunities in both revenue and jobs and support the NEI goal of doubling exports by 2014.

However, trade expansion between the United States, South Korea, Colombia and Panama are at risk because our competitors are moving quickly to gain market access. They are moving forward with their own FTAs. This is not a trivial concern. There are 13 such agreements in place or in the works involving some 50 nations around the world. They include some major agricultural producing and exporting countries: Chile, Australia, New Zealand, Canada, the 27-nation European Union, Mexico, Mercosur (Argentina, Brazil, Paraguay and Uruguay), Peru and the ASEAN bloc. In fact, South Korea's FTA with the European Union is set to enter into force on July 1, 2011. This, coupled with the failure to implement the KORUS FTA, will put U.S. food and agriculture products at a severe disadvantage with respect to competition from the European Union in the Korean market.

According to an analysis by the American Farm Bureau Federation, the KORUS FTA would result in $1.8 billion in additional sales to Korea, a 46 percent increase over existing sales. These new exports would create thousands of new jobs across the agricultural sector, in rural communities and throughout the economy. For three years, these important benefits have been forfeited while the implementing legislation has been on hold.

We can lose jobs as our market share declines, we can relinquish our export sales to countries that have implemented their own FTAs, or we can create new jobs by expanding exports to South Korea, Colombia, and Panama.

First and foremost, however, Congress and the Administration should proceed to expeditiously ratify the pending agreements with South Korea, Panama, and Colombia. Below is a detailed description of each agreement and the benefits to the U.S. soybean industry and our animal and livestock customers.

U.S. – Korea Free Trade Agreement (KORUS)

The United States is already Korea's top supplier of a broad variety of agricultural exports at $4.37 billion in 2009, including fish and forest products, making Korea the fifth largest export market for U.S. farm products. The new agreement is expected to expand those sales even further. The U.S. is the No. 1 supplier to Korea of many farm products, including almonds, beef, fresh cherries, hides and skins, poultry, soybeans, corn, and wheat. With the agreement, the average agricultural tariff for U.S. goods will fall from the current 52 percent to 4 percent in 15 years. The tariff reductions will help the U.S. compete against China and Australia, which have increased their presence in Korea's $12 billion agriculture market. The tariff reductions will help the U.S. compete against Korea's other major agriculture suppliers and help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future trade partners.

Product	2005	2006	2007	2008	2009
Soybeans	$199.4 M	$113.1 M	$158.4 M	$186.7 M	$276.0 M
Soybeans Oil	$ 6.8 M	$ 27.7 M	$ 46.4 M	$ 66.8 M	$ 55.9 M
Soybean Meal	$ 4.4 M	$ 17.2 M	$ 38.0 M	$ 82.0 M	$116.0 M
	$ 211.1 M	$158.0 M	$242.8 M	$335.5 M	$447.9 M

Soybeans and Products: The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-ton market for food quality soybeans. Korea has agreed to immediately eliminate its 5-percent tariff on food-use soybeans. In addition, Korea will also establish a Tariff Rate Quota (TRQ) for identity-preserved soybeans for food use (the production of soybean curd). This quota will operate outside the current state trading entity, which has charged a reported $250 per ton markup on soybean imports supplied to soybean curd processors. The TRQ will be operated by an association of food-grade soybean processors. Korean tariffs on soybeans for crushing will decline from the current 1 percent autonomous tariff to zero upon implementation of the KORUS FTA.

Soybean Oil and Meal: Korean tariffs on imports of crude soybean oil (the majority of Korea's soybean oil imports) will decline from the current 5.4 percent WTO tariff in 10 equal annual reductions. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3 percent tariff on soybean flour and meal will immediately go to zero. U.S. livestock and poultry producers customers consume over 29.49 million tons of soybean meal.

Pork: Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty-free on January 1, 2014. This includes all frozen pork products and processed pork products. Fresh and chilled products will be phased out in 10 years and subject to a 10-year safeguard that is higher than historical trade and grows six percent annually. Date-certain duty-free access allows for U.S. exports to compete on a level playing field with other Korean free trading partners. In addition to ambitious market access gains, the Republic of Korea has agreed to accept all pork and pork products from USDA-approved facilities. This provision ensures that trade will be possible without onerous technical or sanitary barriers.

The KORUS FTA will add hundreds of millions of dollars to the U.S. pork industry in additional pork exports. Exports positively impact the price of live hogs, and therefore the agreement will benefit all U.S. pork producers. In 2009, exports to South Korea were 133,530 metric tons valued at $215 million. The United States is the largest foreign supplier of pork to South Korea. Major competitors include the EU, Canada, Chile and Australia. The U.S.-Korea FTA will give U.S. pork preferences in this lucrative market over other foreign competitors.

Poultry Meat and Egg Products: Korean tariffs on imports of chicken cuts, including the dominant U.S. frozen leg import category, will decline from the current 20 percent to zero in 10 equal annual reductions with the exception of frozen breast and wings, which will decline in 12 equal reductions. Korean tariffs on frozen turkey cuts will decline from the current 18 percent in seven equal annual reductions. Korean tariffs on egg products (egg yolks are the key import item) will decline from the current 27 percent in 12 equal annual reductions.

Korea's most significant poultry meat imports are frozen cuts, such as legs and wings, followed by frozen turkey cuts, such as legs and wings. The U.S. is the leading supplier, with an average market share of 53 percent, followed by Brazil and the European Union.

U.S.-Colombia Trade Promotion Agreement (CTPA)

The CTPA achieves two key trade objectives for the United States: it makes agricultural trade a two-way street, and it levels the playing field with respect to third-country competitors in the Colombian market.

Product	2005	2006	2007	2008	2009
Soybean Meal	$ 56.9 M	$ 76.7 M	$ 73.8 M	$120.6 M	$ 39.2 M
Soybean Oil	$ 2.1 M	$ 2.2 M	$ 6.8 M	$ 71.0 M	$ 1.3 M
Soybeans	$ 41.7 M	$ 65.4 M	$ 91.0 M	$ 96.0 M	$100.4 M
	$100.7 M	$144.3 M	$171.6 M	$287.6 M	$140.9 M

Upon implementation of the CTPA, U.S. exporters will receive immediate duty-free treatment on products accounting for more than half the value of current trade. Currently, no U.S. agricultural exports enjoy duty-free access to Colombia. In contrast, over 99.9 percent of Colombia's current exports already receive duty-free treatment into the U.S. market under the Andean Trade Promotion and Drug Eradication Act (ATPDEA), legislation passed by Congress in 2002. Most Colombian applied tariffs range from 5 to 20 percent for agricultural products and, in many cases, these tariffs now restrict U.S. exports.

Sanitary & Phytosanitary (SPS) Measures: Colombia also agreed to recognize the U.S. meat and poultry inspection system as equivalent to its own system. The U.S. and Colombia agreed to establish an SPS Committee to expedite resolution of technical issues.

Soybeans and Soybean Products: Colombia's WTO tariff bindings on soybeans and soybean products range from 75 to 150 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products, while other products are subject to Colombia's price band system with tariffs ranging up to the WTO bound level, depending on world prices. Colombia will immediately eliminate tariffs on soybeans and soy meal and flour. Colombia will provide immediate duty-free access for crude soybean oil through a 31,200-ton TRQ with four percent annual growth. Colombia will phase out the out-of-quota tariff of 24 percent for crude soybean oil over 20 years. Colombia will phase out its 24 percent tariff for refined soybean oil over 5 years.

Pork: The CTPA negotiated between the U.S. and Colombia, once fully implemented, will significantly benefit U.S. pork producers. Under the terms of the CTPA, the tariffs on some pork and pork products will be eliminated immediately, while the tariffs on others will be phased out over a 5-year period.

Live hog prices are positively impacted by the introduction of new export markets. According to Iowa State University economist Dermot Hayes, the Colombia agreement, when fully implemented, will cause live U.S. hog prices to be $1.15 higher than would otherwise have been the case.

Poultry: In 2009, the United States exported $20.8 million of poultry and poultry products to Colombia. Colombia's WTO tariff bindings on poultry range from 70 to 209 percent. Colombia's applied tariff rates range from 5 to 20 percent on some products, while other products are subject to Colombia's price bands with tariffs ranging from zero percent up to the WTO bound rate, depending on world prices. The United States secures a 27,040-ton TRQ at zero duty with four percent annual growth for chicken leg-quarters. Colombia will phase out the out-of-quota tariff of 164.4 percent for fresh, chilled and frozen chicken leg-quarters and of 70 percent for processed chicken leg-quarters over 18 years with a grace period during the first six years. Colombia will have access to a safeguard on chicken leg-quarters in the event of an annual import surge during the 18-year tariff phase-out period.

Colombia will also establish a zero-duty, 412-ton TRQ with 3 percent annual growth for "spent fowl," typically post-production layers. The 45 percent above-quota tariff on spent fowl will be phased out over 18 years. Colombia will have access to a safeguard on spent fowl in the event of an annual import surge during the 18-year implementation period.

U.S.-Panama Trade Promotion Authority Agreement

The U.S.-Panama Trade Promotion Agreement provides for a growing market for U.S. agricultural products. U.S. agricultural products exported in 2009 were $378 million, compared to $207 million in 2005.

Over 88 percent of U.S. exports of consumer goods and industrial products to Panama will be duty-free immediately upon entry into force of the agreement, and an additional four percent will be duty-free within five years. All remaining tariffs will be eliminated within ten years.

Product	2005	2006	2007	2008	2009
Soybean Meal	$28.6 M	$27.5 M	$42.5 M	$59.0 M	$51.8 M
Soybeans Oil	$ 2.6 M	$ 1.2 M	$ 2.6 M	$ 8.9 M	$ 2.6 M
Soybeans	0	$ 1.1 M	$ 1.8 M	$ 1.1M	$ 1.5 M
	$31.2 M	$29.7 M	$46.9 M	$69.0 M	$55.9 M

Oilseeds and Vegetable Oil: Panama's tariffs on oilseeds and vegetable oils range from zero to 30 percent. All fat and oil tariff lines will be eliminated within 15 years or less.

- Oilseeds. Panama will lock in duty-free treatment for U.S. exports of both soybeans and soybean meal immediately.
- Soybean Oil. The tariff on crude soybean oil will be eliminated immediately. The tariff on refined soybean oil will be phased out within 15 years, with an initial grace period and a safeguard.
- Corn Oil. The tariff on crude corn oil will be eliminated immediately. Panama will establish a duty-free preferential TRQ for refined corn oil. The initial duty-free TRQ will be 368 tons with a 5-percent compound growth rate. The over-quote tariff on refined corn oil will be phased out within 10 years, with an initial grace period and a safeguard.

Pork: U.S. pork exports to Panama are currently restricted by a very limited quota and out-of-quota duties as high as 80 percent. However, the Panama Trade Promotion Agreement, if implemented, will provide immediate duty-free treatment on pork variety meats and expanded market access for U.S. pork through tariff rate quotas. U.S. pork competes in Panama with pork from Canada and the EU. The Panama Agreement, if implemented, will give U.S. pork products a competitive edge in the market.

Poultry: Panama's tariffs on poultry range from 5 to 260 percent. Tariffs will be eliminated immediately on frozen whole turkeys, most frozen turkey cuts, and mechanically de-boned chicken. Tariffs will be eliminated within five years on chicken wings and other turkey meat, as well as processed chicken and turkey. The agreement establishes a preferential duty-free TRQ for chicken leg quarters that starts at 660 tons and grows each year by a 10-percent compound rate. The over-quota tariff will be eliminated in 18 years with no tariff reductions for the first 10 years. All other poultry tariffs will be eliminated within 15 years or less. Under the CBI, U.S. tariffs on poultry imports from Panama currently are zero. The U.S.-Panama TPA continues this zero-duty treatment.

Agricultural Market Access: More than half of current U.S. farm exports to Panama will receive immediate duty-free treatment, including high quality beef, mechanically de-boned chicken, frozen whole turkeys and turkey breast, port variety meats, whey, soybeans and soybean meal, crude vegetable oils, cotton, wheat, barley, most fresh fruits, almonds, walnuts, many processed food products, distilled spirits, wine, and pet food.

U.S. farm products that will benefit from expanded market access opportunities through tariff-rate quotas include the following: pork, chicken leg quarters, dairy products, corn, rice, refined corn oil, dried beans, frozen French fries, and tomato products. Tariffs on most remaining U.S. farm products will be phased out within 15 years.

Agricultural Regulatory Issues: Panama will recognize the equivalence of U.S. food safety inspection system for meat and poultry, and the U.S. regulatory system for processed food products. The agreement streamlines import documentation requirement for U.S. processed foods and ensures Panama's continued recognition of the U.S beef grading system and cuts nomenclature.

As you can see, these free trade agreements provide significant opportunity for U.S. agriculture. We urge Congress and the Administration to proceed to expeditiously ratify the pending FTAs with South Korea, Panama and Colombia.

Thank you for allowing NOPA to share its views on the pending free trade agreements. We look forward to working with you and the Committee in addressing the challenges and opportunities in facilitating growth in U.S. agricultural trade and creating economic growth in rural communities across the country.

# # #

CALIFORNIA
TABLE GRAPE
COMMISSION

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February 8, 2011

House Ways and Means Committee
1101 Longworth House Office Building
Washington D.C. 20515

To Members of Congress:

California produces 99 percent of the table grapes grown commercially in the U.S. The table grape industry is family owned and operated; most operations are small, all are located in rural areas of the San Joaquin and Coachella valleys. Together, those small operations generate an industry value of $1.3 billion. The California Table Grape Commission represents California's table grape industry and is charged with maintaining and expanding markets domestically and worldwide for table grapes.

The commission requests Congressional approval and implementation of the U.S.-Colombia Free Trade Agreement (FTA). By helping to ensure economic viability, its implementation will yield benefit to California table grape growers and the rural communities in which they live and work.

California fresh table grapes entering Colombia currently face a 15 percent tariff. This tariff will be eliminated upon implementation of the U.S.-Colombia FTA, making California grapes more affordable for Colombian consumers and more competitive with grapes from competing markets, including Chilean and Peruvian grapes which currently enter Colombia duty-free.

In the 2009-10 season, California exported $5.2 million worth of table grapes to Colombia; elimination of the 15 percent tariff provides the opportunity to significantly expand California table grape exports to this market. The commission encourages Congress to work with the Obama Administration to make passage and implementation of the U.S.-Colombia FTA a priority.

Please feel welcome to contact me with any questions you might have.

Regards,

Kathleen Nave

Kathleen Nave
President

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TABLE GRAPE
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California produces 99 percent of the table grapes grown commercially in the U.S. The table grape industry is family owned and operated; most operations are small, all are located in rural areas of the San Joaquin and Coachella valleys. Together, those small operations generate an industry value of $1.3 billion. The California Table Grape Commission represents California's table grape industry and is charged with maintaining and expanding markets domestically and worldwide for table grapes.

The commission requests Congressional approval and implementation of the U.S.-Korea Free Trade Agreement (FTA). By helping to ensure economic viability, its implementation will yield benefit to California table grape growers and the rural communities in which they live and work.

South Korea currently imposes a 45 percent tariff on California fresh grapes (HS 0806.1); elimination of the tariff will make California grapes much more competitive. South Korea is an important emerging market for California grapes; the exports in the 2009-10 season were valued at $4.3 million.

In the FTA, South Korea agrees to eliminate its 45 percent tariff for grapes entering from May 1 to October 15, over a 17-year period. Tariffs on grapes entering between October 16 and April 30 will be immediately reduced to 24 percent and eliminated over a five-year period. Two-thirds of California grapes enter the South Korean market from October through December, which translates to a significant opportunity for California's table grape industry.

California's table grape industry faces competition from Chilean grapes in the early and late periods of the California season. Chile's competitiveness is enhanced by the existing South Korea-Chile FTA, where Chile benefits from a reduced South Korean tariff during its season from November through April (currently 12.4 percent). This tariff will continue to fall until it is completely eliminated in 2014.

The European Union (EU) completed a trade agreement with South Korea which is scheduled for implementation on July 1, 2011, that contains tariff reductions identical to the U.S-Korea FTA. If the EU implements its agreement and the U.S. does not, California's table grape industry will lose market share to European producers due to the tariff advantage.

Implementation of the U.S.-Korea FTA will help to maintain economic viability in California's rural communities, and ensure that California farmers remain competitive internationally. Thank you for your attention to these comments and the important issues represented.

Regards,

Kathleen Nave

Kathleen Nave
President

American Forest & Paper Association
Donna Harman, President & CEO

Statement Submitted for the Record
House Committee on Ways and Means
Hearing on Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs
January 25, 2011

The American Forest & Paper Association, Inc. (AF&PA) is pleased to submit this written statement to the House Committee on Ways and Means on the pending free trade agreements (FTAs) with South Korea, Colombia and Panama. AF&PA is the national trade association of the forest products industry, representing pulp, paper, packaging and wood products manufacturers, and forest landowners. Our companies make products essential for everyday life from renewable and recyclable resources that sustain the environment. The forest products industry accounts for approximately 5 percent of the total U.S. manufacturing GDP. Industry companies produce about $175 billion in products annually and employ nearly 900,000 men and women, exceeding employment levels in the automotive, chemicals and plastics industries. The industry meets a payroll of approximately $50 billion annually and is among the top 10 manufacturing sector employers in 48 states.

The United States is one of the world's most diverse exporters of sustainable forest products. In 2010, U.S. exports of forest products reached an estimated $27.4 billion – composed of $20.3 billion of paper and wood pulp and $7.1 billion of wood products. Exports account for about 15% of total sales of U.S. forest products. In addition, the industry benefits from indirect exports – i.e., domestic sales of paper, paperboard and wood packaging materials that are used to package and transport goods exported by other U.S. industries.

The Obama Administration has recognized the importance of exports as a source of economic growth and job creation, especially with global economic growth expected to outpace the growth of the U.S. economy. Last year, the Administration pledged to double U.S. exports in the next five years. Opening up foreign markets to U.S. exports should be a major component of the Administration's strategy to achieve that goal.

Successful completion of the Doha Round of multilateral trade negotiations that includes a strong agreement to eliminate tariffs by advanced developing countries, especially Brazil, China and India, is a priority for the U.S. forest products industry. However, the Doha Round negotiations have made little progress to date so it is critical for the U.S. to conclude market-opening bilateral and regional trade agreements. Our major competitors are not waiting around and are instead negotiating barrier-reducing trade agreements for their companies. To move forward on a market-opening U.S. trade agenda, it is essential to achieve the rapid implementation of all three pending FTAs with South Korea, Colombia and Panama.

U.S.-South Korea Free Trade Agreement

The U.S.-South Korea Free Trade Agreement (Korea FTA) meets AF&PA's overall goal of achieving free trade in forest products and should be implemented immediately. The U.S. and Korea enjoy a strong and mutually beneficial economic relationship and both countries would benefit from deepening and expanding these ties.

In 2010, U.S. paper and paperboard exports totaled $242 million and wood pulp exports totaled $216. Korea participated in the World Trade Organization's Uruguay Round zero-for-zero tariff agreement on pulp and paper, so all its pulp and paper tariffs already have been eliminated. Nonetheless, U.S. paper and paperboard producers stand to gain from the FTA as a result of increased exports of other U.S. products using paper and paperboard packaging.

U.S. wood exports to South Korea in 2010 were an estimated $203 million, of which more than 80 percent was in the form of logs, timber and pulpwood. On most of these unprocessed wood products, where tariffs are already fairly low, Korea agreed to immediate eliminate tariffs upon implementation of the FTA. Initially, Korea sought to exclude certain value-added wood products – e.g., sawn wood, flooring, plywood and builders' joinery – from tariff reduction in the FTA, but at the end agreed to phase-out the tariffs on these products over a period of 3-10 years. With the phase-out of tariffs on value-added wood products, U.S. producers are expected to become more competitive in relation to other major suppliers to the Korean market.

A non-tariff issue of longstanding concern to AF&PA has been Korean government subsidies to their coated paper producers. AF&PA conducted an in-depth study that documented direct and indirect subsidies being channeled through government-owned or government-controlled banks, keeping several of the otherwise bankrupt paper companies in business. During the FTA talks, U.S. negotiators pressed this issue with their Korean counterparts and as a result, the FTA provides for the establishment of a joint committee on trade remedies to deal with bilateral trade remedy issues. AF&PA would urge that the U.S. government use this forum to monitor and engage with Korea to address industrial subsidies issues as they arise.

U.S.-Colombia Free Trade Agreement

AF&PA believes that the U.S.-Colombia FTA (Colombia FTA) will advance the economic interests of both the U.S. and Colombia and will benefit the U.S. forest products industry. This is the best opportunity to strengthen economic and trade ties with a country that is the second largest market for U.S. products in South America, after Brazil.

Until the global recession, Colombia was a growth market for U.S. forest products. In 2007, U.S. pulp, paper and wood exports to Colombia exceeded $213 million, an 83 percent jump from 2002. The global recession reduced that significantly, but exports have rebounded to an estimated $248 million in 2010 (of the total, paper, paperboard and converted products account for $159 million).

America's market is already open to forest products imports from Colombia. Under most-favored nation tariff rates and preference programs such as the Andean Trade Preference Act and the Generalized System of Preferences, nearly all of Colombia's forest products exports to the U.S. already enter duty-free. However, U.S. exporters entering the Colombian market currently face average import tariffs of 12.5 percent on paper products and 12.3 percent on wood products. Upon implementation of the FTA, 44 percent of U.S. paper product exports and 69 percent of U.S. wood products exports will receive immediate duty-free access. Tariffs on certain high-value priority wood products will be eliminated immediately. The industry will also benefit from the overall reduction of tariff barriers for all U.S. exports as expanded exports of U.S. agricultural and manufactured products to Colombia will increase domestic demand for paper and wood packaging materials.

U.S. forest products companies operate in a global market where issues surrounding the legality and sustainability of timber and other manufactured forest products are growing in importance. AF&PA believes the Colombia FTA, with the establishment of the Environmental Affairs Council, will facilitate the development and improvement of environmental protection, including improved forestry practices.

AF&PA supports the Colombia FTA and urges Congress to pass implementing legislation as soon as possible. The agreement will lower trade barriers for U.S. forest products and will promote sustainable development and management of environmental resources in Colombia.

U.S.-Panama Free Trade Agreement
Panama is a relatively small market for U.S. forest products. In 2010, the industry's exports to Panama were about $80 million. The implementation of the Panama FTA will provide improved market access for U.S. forest products in relation to other suppliers and together with the Central American FTA, lead to stronger ties between the U.S. and the region.

Summary
The Korea, Colombia and Panama FTAs are in our nation's economic and trade interests, and are good for American manufacturers and workers. Quick action is needed on all three FTAs. All three countries have concluded FTAs with other major trading countries, some of which - including Canada - compete with the U.S. forest products industry around the world. If more time is allowed to pass without increased U.S. access to these foreign markets, AF&PA is concerned that current customers in South Korea, Colombia and Panama will develop new commercial relationships with suppliers from competing countries who will benefit from preferential market access as a result of their FTAs. This could result in a loss of existing and future export opportunities for U.S. forest products companies and their workers. For these reasons, AF&PA strongly urges the Obama Administration and Congress to quickly implement the pending free trade agreements with South Korea, Colombia and Panama.

USA Rice FEDERATION

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February 8, 2011

The Honorable Dave Camp
Chairman, House Ways and Means Committee
1101 Longworth House Office Building
Washington, D.C. 20515

Via Electronic Submission

Re: Comments Concerning the House Ways and Means Committee Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

The USA Rice Federation (USA Rice), located at 4301 N. Fairfax Drive, Suite 425, Arlington, VA 22203, is the global advocate for all segments of the U.S. rice industry with a mission to promote and protect the interests of producers, millers, merchants and allied businesses. USA Rice members are active in all major rice-producing states: Arkansas, California, Florida, Louisiana, Mississippi, Missouri and Texas. The USA Rice Producers' Group, USA Rice Council, USA Rice Merchants' Association and the USA Rice Millers' Association are members of the USA Rice Federation.

USA Rice appreciates the opportunity to comment on the pending free trade agreements. Rice is a sensitive political and economic commodity throughout the world, and protectionism is extensive. The U.S. rice sector is a key player in the global rice market and the economic health of the rice industry is tied to exports. While the United States produces only 2 percent of global rice output, the United States ranks, in any year, as the third or fourth largest global exporter and between 45 and 50 percent of the U.S. rice crop is exported.

Through free trade agreements, rice is able to be a competitive commodity and, in turn, create U.S. jobs. According to a recent economic impact study completed by the Agriculture and Food Policy Center at Texas A&M, the rice industry contributed 127,186 jobs to the U.S. economy in 2009. This figure, based on 2009 rice production and sales information, is a component of the total value-added to the U.S. economy from rice production, milling, and selected end users of $17.5 billion in 2009. Small businesses are well represented within the thousands of rice farmers across the six rice-producing states.

Colombia

The free trade agreement with Colombia offers tremendous short and long term economic benefits to U.S. rice producers, millers and exporters. We believe that this trade agreement holds the most promise for the rice industry since the North American Free Trade Agreement was implemented more than 10 years ago.

The free trade agreement with Colombia reflects the sensitivity of rice. Import duties on U.S. rice phase out over 19 years, with reductions from the bound rate of 80% not beginning until year 7. A tariff rate quota for 79,000 mt (milled equivalent basis) of U.S. rice is established in year one, growing 4.5% annually until free trade is achieved in year 19.

The rice provisions of the agreement with Colombia are similar to those in the CAFTA-DR agreements, but with one substantial difference. The Colombia agreement provides that the net revenue from auctioning licenses to import under the TRQ will be split evenly between the U.S. and Colombian industries. This provision remains a singular achievement of U.S. negotiators that distinguishes this agreement from other U.S. free trade agreements in the region and significantly increases its value to U.S. rice farmers and marketers, who otherwise would wait nearly two decades for free trade.

The USA Rice Federation recently estimated that the gross revenue to the United States from a 79,000 TRQ would be approximately $13 million. While the net figure would be somewhat smaller because of the expenses associated with administering the TRQ, the remaining revenue is significant and would greatly benefit the rice industry. The USA Rice Federation has proposed that all net revenue be allocated to the state rice research boards in the six producing states to be used exclusively for rice research.

Because of Colombia's 80% duty on imported rice, U.S. sales to date have been sporadic and surged only in response to production shortfalls. Annual imports from the United States have rarely exceeded 5,000 mt in the current decade, except in 2009 when a crop shortfall caused Colombia to establish a zero-duty TRQ for 75,000 mt, which the United States promptly filled nearly exclusively. U.S. sales suffer further from the duty-free treatment afforded rice from Venezuela and Ecuador.

Without the passage and implementation of this agreement, U.S. rice exports to Colombia will be sporadic at best and the key benefit of sharing the quota rents from the TRQ between the two rice industries will be lost. Colombia is an important commercial and political partner of the United States and the trade agreement with Colombia is a key tool for strengthening this agreement that should not be lost.

Panama

The U.S.-Panama Free Trade Agreement will also benefit U.S. rice producers, millers and exporters. The agreement phases out Panama's duties on U.S. rice over a 20-year period. Two separate TRQs are established for rough rice and milled rice, which allow for duty-free imports.

The milled rice TRQ in year one is 4,240 mt and will increase 6% each year before becoming duty free in year 20. The average U.S. milled rice exports to Panama for 2005-2009 are only 758 mt. This TRQ will allow for substantial access for U.S. milled rice starting in the agreement's first year of implementation.

The rough rice TRQ in year one is 7,950 mt and will similarly increase 6% each year before becoming duty free in year 20. However, the TRQ for all years is less than the 2005-2009 average for U.S. rough rice imports of 59,405 mt.

Unlike the CAFTA-DR agreement, domestic purchase as a requirement of import under the TRQ is forbidden. The agreement calls for detailed TRQ administration requirements to guarantee quota fill and to exclude producers from influencing quota administration. Thus, domestic producers cannot be allocated or awarded a portion of the TRQ. Any unfilled TRQ licenses must be surrendered by September 1 and a final auction held by October 1.

Although the 20-year phase out until free trade is 3-5 years longer than the CAFTA-DR, it is an important agreement supported by USA Rice.

South Korea

USA Rice does not support the agreement as it stands due to the exclusion of rice. Free trade agreements entered into by the United States should be comprehensive and include all products even those that are politically sensitive.

The U.S. rice industry understands the political and cultural sensitivity of the matter for Korea. However, the U.S. rice market is open, and about 15 percent of U.S. rice consumption is imported. Tariff protection in the United States for rice is virtually non-existent.

We appreciate the opportunity to provide these comments. Please contact us if you have any questions.

Sincerely,

Robert Cummings

Robert Cummings
Senior Vice President
USA Rice Federation

National Grain and Feed Association

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Statement of the

National Grain and Feed Association

to the House Ways and Means Committee

Regarding the

Pending Free Trade Agreements with Colombia, Panama, and South Korea

February 8, 2011

About the NGFA

Established in 1896, the National Grain and Feed Association (NGFA) is a U.S.-based nonprofit trade association that consists of more than 1,000 grain, feed, processing and grain-related companies comprising more than 7,000 facilities that handle more than 70 percent of U.S. grains and oilseeds. Affiliated with the NGFA are 26 state and regional grain and feed trade associations.

The NGFA's membership encompasses all sectors of the industry, including country, terminal and export elevators; feed and feed ingredient manufacturers; biofuels companies; cash grain and feed merchants; end users of grain and grain products, including processors, flour millers, and livestock and poultry integrators; commodity futures brokers and commission merchants; and allied industries.

Trade is essential to the U.S. agricultural sector, and in particular to the U.S. grain, feed and processing industry, and the NGFA appreciates the opportunity to submit this statement.

U.S. agricultural exports continue to grow. More than half of U.S. agricultural exports are comprised of grains, feed and feed ingredients, oilseeds and grain products, with the vast majority of our consumers living outside the United States. U.S. agricultural exports also have significant linkages to the non-farm economy, particularly by generating employment and off-farm business activity. So, opening foreign markets and continuing to expand agricultural exports are critical to the success of the U.S. grain, feed and processing industry.

Through various linkages, agricultural exports are also fundamental to the economic activity in the rest of the economy, as well. U.S. Department of Agriculture (USDA) research indicates that this is truer for agriculture than most other export industries, regardless of size. According to USDA's Economic Research Service, every dollar of agricultural exports creates another $1.36 in supporting business activities, such as processing, packaging, shipping and financing. In 2010, the $108.4 billion of agricultural exports generated roughly $150 billion in total economic activity.

Agricultural exports also mean jobs – jobs that often pay above-average wages and are distributed across many communities and professions, on and off the farm in urban and rural communities. USDA estimates that every $1 billion dollars in agricultural exports supports more than 9,000 U.S. jobs. At this rate, agricultural exports provide employment for more than 900,000 Americans. Clearly, not only farmers and ranchers rely on agricultural exports.

According to the World Trade Organization (WTO), there are 474 trade agreements in place. Nearly all of the WTO's 153 members participate in one or more of these trade agreements, with some members party to 20 or more agreements. The United States, however, has implemented trade agreements with only 17 countries. The United States has the opportunity to implement free trade agreements with three additional countries, Colombia, Panama and South Korea, but these agreements have been stalled for more than three years.

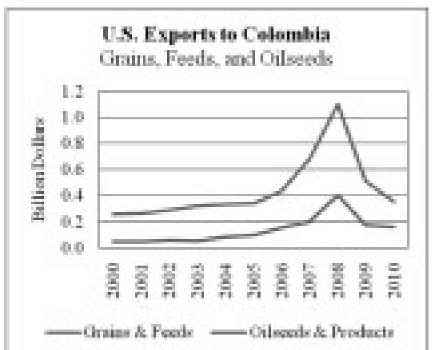
Colombia Trade Promotion Agreement (CTPA) – The United States and Colombia signed the CTPA on November 22, 2006. Under the CTPA, more than 80 percent of U.S. agricultural exports to Colombia will become duty-free immediately. Items that will receive immediate duty-free access include wheat, soybeans, soybean meal, and other processed and high-value agricultural products.

In fiscal year (FY) 2010, the United States exported $354 million in grains and feed ingredients and $165 million in oilseeds and products to Colombia. That accounted for 54 percent of all U.S. agricultural exports to this Latin American market.

U.S. Exports to Colombia
(Values in $1,000)

	FY2010
Grains & Feeds	**354,365**
Oilseeds & Products	**164,598**
Horticultural Products	125,446
Cotton, Linters & Waste	81,660
Sugar & Tropical Products	33,045
Livestock & Meats	31,463
Poultry & Products	22,506
Planting Seeds	10,443
Dairy & Products	5,135
Tobacco & Products	494
Total	829,154

Colombia recently completed free trade agreements with Canada, the European Union (EU), and Mercosur (the Southern Common Market, a South American regional trade group that includes Argentina, Brazil, Paraguay, and Uruguay). The U.S. market share in Colombia, especially for feed ingredients and grains, has been declining because of our competitors' advantages with their own trade-preference agreements. For example, the United States traditionally has been the top supplier of corn, wheat and soybeans to Colombia; in 2007, the United States had 76 percent of the market for these products. But in 2010, the U.S. market share had declined to just 27 percent, suffering major losses to Mercosur partners Argentina and Brazil.



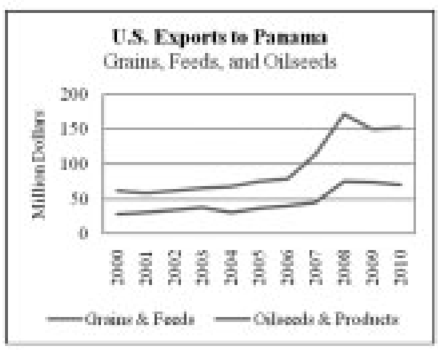
Panama Trade Promotion Agreement (PTPA) – The United States and Panama signed the PTPA on June 28, 2007. Under the PTPA, more than half of U.S. agricultural exports to Panama will become duty-free immediately. Items that will receive immediate duty-free access include soybeans, soybean meal, wheat, barley, and other processed and high-value agricultural products.

In FY 2010, the United States exported $152 million in grains and feed ingredients, as well as $71 million in oilseeds and products, to Panama, which accounted for 55 percent of all U.S. agricultural exports to this Central American market.

U.S. Exports to Panama
(Values in $1,000)

	FY2010
Grains & Feeds	**151,682**
Horticultural Products	93,643
Oilseeds & Products	**70,742**
Sugar & Tropical Products	33,091
Livestock & Meats	20,192
Poultry & Products	17,004
Dairy & Products	14,567
Planting Seeds	1,835
Tobacco & Products	52
Cotton, Linters & Waste	9
Total	402,817

Panama recently completed a free trade agreement with Canada. If this agreement enters into effect before the PTPA, Canadian exporters will gain a significant competitive advantage over the United States in the Panamanian market.



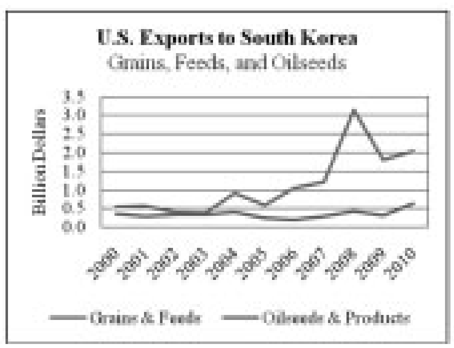
South Korea Free Trade Agreement (KORUS FTA) – The United States and South Korea signed the KORUS FTA on June 30, 2007. Under the KORUS FTA, nearly two-thirds of U.S. agricultural exports to South Korea will become duty-free immediately. Items that will receive immediate duty-free access include wheat, corn, soybeans for crushing, and other processed and high-value agricultural products.

In FY 2010, the United States exported $2 billion in grains and feed ingredients, as well as $644 million in oilseeds and products, to South Korea, which accounted for 54 percent of all U.S. agricultural exports to this key Asian market.

U.S. Exports to South Korea
(Values in $1,000)

	FY2010
Grains & Feeds	**2,040,832**
Livestock & Meats	1,094,322
Horticultural Products	672,053
Oilseeds & Products	**643,678**
Cotton, Linters & Waste	139,508
Sugar & Tropical Products	130,728
Dairy & Products	117,142
Poultry & Products	95,655
Planting Seeds	26,605
Tobacco & Products	21866
Total	4,982,388

South Korea recently completed a free trade agreement with the European Union (EU). That agreement is expected to be implemented in July 2011. Under the Korea-EU FTA, 82 percent of Korea's tariff will be eliminated immediately. If the Korea-EU FTA is implemented *before* the KORUS FTA, EU agricultural exporters will gain a significant competitive advantage over U.S. agricultural exporters in the South Korean market. In addition, South Korea is negotiating a regional free trade agreement with Mercusor.



Conclusion

Prompt ratification of each of these trade agreements – with Colombia, Panama and South Korea – are vital to the continued competitiveness and ultimate success of the U.S. grain, feed and grain processing sectors in each of these markets.. Ratification also would send a powerful signal that the United States is unwilling to cede its international trade competitiveness to other regions of the world, and would, in the process, sustain existing, as well as create new, jobs in the U.S. economy.

The NGFA strongly supports and encourages expeditious Congressional consideration and ratification of each of these important trade accords.

DISTILLED
SPIRITS
COUNCIL
OF THE
UNITED
STATES

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

HEARING ON THE PENDING FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA AND SOUTH KOREA AND THE CREATION OF U.S. JOBS

JANUARY 25, 2011

STATEMENT OF THE DISTILLED SPIRITS COUNCIL OF THE UNITED STATES, INC.

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U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON WAYS AND MEANS

"The Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs."

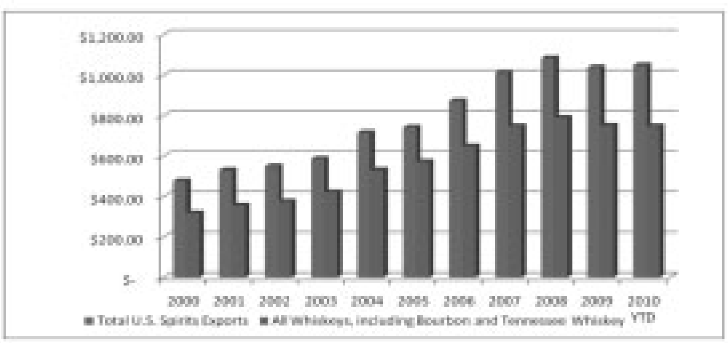
January 25, 2011

The following statement is submitted on behalf of the Distilled Spirits Council of the United States, Inc. (Distilled Spirits Council) for inclusion in the printed record of the Committee's hearing on the pending bilateral free trade agreements (FTAs) with Colombia, Panama and South Korea. The Distilled Spirits Council is a national trade association representing U.S. producers, marketers and exporters of distilled spirits products. Its member companies export spirits products to more than 130 countries worldwide, including to Colombia, Panama and South Korea.

I. OVERVIEW

The Distilled Spirits Council and its member companies enthusiastically support Congressional approval and prompt entry-into-force of the free trade agreements with Colombia, Panama and South Korea, which will bring about significant and measurable benefits for U.S. spirits exporters. Over the past two decades, the export market for U.S. distilled spirits products has become increasingly more important to the U.S. distilled spirits industry. As of 2008, the industry supported 676,000 direct employees. Expanding exports to foreign markets will help to support current and future employment in the industry. U.S. spirits exports have more than doubled since 2000, and have surpassed the $1 billion mark for the fourth consecutive year (exports from January through November 2010 totaled $1.05 billion). As shown below, the vast majority of U.S. spirits exports are comprised of whiskeys, including Bourbon and Tennessee Whiskey, which are distinctive products of the United States.

Global U.S. Distilled Spirits Exports
(2000-2010)



While the Uruguay Round negotiations produced significant benefits for U.S. distilled spirits exporters, including substantial reductions in import tariffs and non-tariff barriers, numerous barriers still remain. The U.S. distilled spirits industry actively supports the U.S. government's efforts to seek the elimination or reduction of these remaining barriers within the context of the ongoing World Trade Organization negotiations, and in other multilateral and bilateral negotiations.

The pending Free Trade Agreements (FTAs) eliminate several of the barriers that U.S. spirits exporters currently face in these markets. Prompt Congressional approval and implementation of the FTAs will permit U.S. spirits exporters to benefit from improved market access to Colombia, Panama and South Korea, thus ensuring the continued growth of the U.S. distilled spirits industry.

II. BENEFITS OF THE U.S. - COLOMBIA AGREEMENT TO U.S. DISTILLED SPIRITS EXPORTERS

The U.S. – Colombia Free Trade Agreement (or Trade Promotion Agreement (CTPA)) (CTPA) will provide significant benefits for the U.S. distilled spirits industry in the growing Colombian spirits market, which was valued at $2.5 billion in 2010 (retail sales). Although the overall spirits market is growing, the market for imported spirits faces several hurdles in Colombia. The spirits market is dominated by locally-produced spirits (*i.e., aguardiente* and rum). *Aguardiente*, in particular, has a long-standing place in Colombia's beverage alcohol market, accounting for approximately 67% of total spirits volumes in 2010. The dominance of domestically-produced categories is due, in part, to the benefits these products have enjoyed from lower tax rates via Colombia's discriminatory consumption tax regime, as well as by the existence of alcohol monopolies or *licoreras* in several states or *departamentos*. As detailed below, implementation of the CTPA will address these concerns and provide meaningful market access improvements for U.S. spirits exporters to Colombia.

First, the U.S. – Colombia FTA provides essential protections for Bourbon and Tennessee Whiskey--two distinctly American spirits. Under the agreement, Colombia has agreed to provide explicit protection in the Colombian market for Bourbon and Tennessee Whiskey as distinctive products of the United States. Such recognition ensures that only spirits produced in the United States, in accordance with the laws and regulations of the United States, may be marketed in Colombia as Bourbon and Tennessee Whiskey.

Second, Colombia has agreed to eliminate its 20% *ad valorem* tariff on all U.S.-origin spirits, except whiskey, rum, and vodka, immediately upon entry-into-force of the agreement. The tariffs on U.S.-origin whiskey, rum, and vodka will be phased out over a ten-year period. While the U.S. – Colombia FTA remains in limbo, both Canada and the European Union – the U.S. spirits industry's key competitors in international markets – have concluded FTAs with Colombia. Once in force, Colombia will phase out its tariffs on imports of Canadian whisky and vodka over a 12-year period and will phase out its tariffs on European whiskeys and vodka over a 10-year period. Unless the U.S. – Colombia FTA is promptly implemented, U.S. spirits exporters will be placed at a significant competitive disadvantage vis-à-vis European and Canadian producers.

Third, Colombia has agreed to eliminate the discriminatory aspects of its tax regime for distilled spirits within four years of entry-into-force of the agreement. Colombia's tax regime, which has been in place since 2003, discriminates against imported distilled spirits through arbitrary breakpoints that have the effect of applying a lower tax rate per degree of alcohol to domestically-produced spirits than the rate that applies to most imported spirits. Every year that the agreement has remained in limbo had added another year to the time that U.S. spirits exports continue to be subject to Colombia's discriminatory tax system.

Finally, the agreement contains important obligations with regard to national treatment (Article 2.2) and prohibitions with regard to import/export restrictions (Article 2.8), which will help to address the industry's concerns regarding the operation of Colombia's alcohol monopolies (*i.e., licoreras)* in several states or *departamentos*. The *licoreras* control the distribution and marketing of distilled spirits, restricting the ability of U.S. distilled spirits companies to do business in Colombia. These state monopolies are subject to the national treatment obligations in the CTPA. The state alcohol monopolies remain a significant and real concern: recent press reports suggest that the monopolies have proposed to prohibit imported spirits. Thus, once the agreement is implemented, it should usher in much needed reform to this system.

III. BENEFITS OF THE U.S. - PANAMA AGREEMENT TO U.S. DISTILLED SPIRITS EXPORTERS

Similarly, the U.S. spirits industry stands to benefit from the provisions of the U.S. - Panama FTA. Panama's 15% *ad valorem* tariff on U.S. spirits imports will be eliminated immediately upon entry into force of the agreement, significantly improving the competitiveness of U.S. spirits in this market. Panama currently ranks as the fifth largest export market in Latin America for U.S. distilled spirits; in 2009, exports totaled almost $4.1 million (FAS value). As in the case of Colombia, further delays in implementation of the FTA will be costly to U.S. exporters. Canada, one of the U.S. spirits industry's major competitors, particularly in the whiskey category, signed a free trade agreement with Panama in May 2010. Under that agreement, Panama will immediately eliminate its tariffs on most spirits imported from Canada, including Canadian whisky. Prompt action on the U.S. – Panama FTA is required to ensure that U.S. exporters will not be disadvantaged.

In addition, under the FTA Panama has agreed to provide explicit protection in its market for Bourbon and Tennessee Whiskey as distinctive products of the United States which, as stated above, is an important tool to ensure that only spirits produced in the United States, in accordance with the laws and regulations of the United States, may be marketed in Panama as Bourbon and Tennessee Whiskey.

IV. BENEFITS OF THE U.S. - KOREA AGREEMENT TO U.S. DISTILLED SPIRITS EXPORTERS

Prompt implementation of the U.S. – Korea Free Trade Agreement (KORUS FTA) will ensure that U.S. spirits exporters will be able to compete in one of the most important markets in Asia with strong potential for increased spirits sales. In 2010, the Korean spirits market was valued at $10.1 billion (based on retail sales prices), ranking it as the tenth largest spirits market in the world, and fourth among Asian nations behind China, India and Japan, respectively.

The spirits market in Korea is dominated by two categories: whiskey and soju, the domestically-produced spirit made from any of the following ingredients: rice, wheat, barley, sweet potatoes or tapioca. In volume terms, soju accounts for an astonishing 96% of total spirits sales in Korea. In value terms, however, the market is more evenly divided, with soju accounting for 56% and whiskey accounting for 39%. Thus, the whiskey category is comprised mainly of higher-priced premium and super-premium brands – the segment where U.S. whiskeys compete. Whiskey is forecast to grow by over 45% from 2009 to 2014 in value terms.

Korea's whiskey market is dominated by Scotch Whisky; sales of Scotch Whisky accounted for almost 98% of total whiskey sales (retail) in Korea in 2010 (Euromonitor International). The leading U.S. spirits exports to Korea are Bourbon and Tennessee Whiskey, accounting for 86% of total exports in 2009. Although American whiskeys are growing in popularity in Korea, they are still considered as niche products and have not been able to penetrate significantly the whiskey market in Korea, in large part due to the high tariffs and taxes that currently apply and Scotch Whisky's continued dominance.

Under the KORUS FTA, Korea will eliminate its 20% *ad valorem* tariff on Bourbon (and Tennessee Whiskey), which as noted above comprises 86% of total U.S. spirits exports to Korea, immediately upon entry into force. The tariffs on all other U.S. origin spirits (between 15-20% *ad valorem*) will be phased out over a five-year period. Prompt action to approve the KORUS FTA is needed to ensure that U.S. spirits exporters are not competitively disadvantaged vis-à-vis European spirits producers: under the terms of the EU – Korea FTA, which was signed in October 2010, Korea will eliminate its tariffs on Scotch and Irish whisky over three years.

In addition, as noted above with the Colombia and Panama FTAs, the KORUS FTA provides recognition of Bourbon and Tennessee Whiskey as distinctive products of the United States. Securing this recognition is critical because it provides the U.S. spirits industry with an important anti-counterfeiting tool.

V. CONCLUSION

In summary, the pending free trade agreements with Colombia, Panama and South Korea successfully address the principal trade barriers currently impeding U.S. exports of distilled spirits to those markets. The Distilled Spirits Council, therefore, strongly supports these agreements, which, once implemented, will provide considerable tangible benefits to U.S. spirits exporters. We stand ready to work closely with the Congress in seeking the swift approval of these agreements, so that U.S. spirits exporters may begin soon to enjoy improved access to the Colombian, Panamanian and South Korean markets. Thank you very much for your consideration.

Written Statement of:

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February 8, 2011

The Honorable Dave Camp
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
Washington, DC, 20515
Submitted electronically *via* http://waysandmeans.house.gov/committeesubmissions/

RE: Committee on Ways and Means hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea

The National Pork Producers Council (NPPC) hereby submits comments in response to the Committee on Ways and Means hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea for consideration by the Committee for inclusion in the printed record of the hearing.

NPPC is a national association representing a federation of 43 state producer organizations, and represents the federal and global interests of 67,000 U.S. pork operations that annually generate approximately $15 billion in farm gate sales. The U.S. pork industry supports an estimated 550,000 domestic jobs, of which 110,000 are supported by U.S. pork exports, and generates more that $97 billion annually in total U.S. economic activity.

The U.S. pork industry is highly dependent on exports as a revenue source. Nearly twenty percent of the pork produced in the United States in 2009 was exported, compared to about six percent ten years ago. In 2009 the United States exported 1.9 million metric tons of pork, valued at $4.4 billion.

Most of the demand for pork in the world is outside the United States. During the past five years, on average, the U.S. has been the low cost pork producer in the world. The U.S. is the number one pork exporter in the world. In order to remain successful, the U.S. pork industry needs to be able to compete on a level playing field with its global competitors. There is enormous risk of letting other countries move forward first and gain market share. Now that the risk is becoming reality, it is critical that the U.S. act quickly to at least keep pork and other products on a level playing field.

U.S. Trade Agreements

The biggest actions the United States could take to expand U.S. pork exports would be implementation of the U.S. free trade agreements (FTAs) with Colombia, Panama and South Korea. There is no question that U.S. FTAs have been a major factor in the rapid growth in U.S. pork exports over the last two decades. As an example, since 1993, the year before the North American Free Trade Agreement (NAFTA) was implemented, the volume of pork shipments to Mexico increased from 95,000 metric tons to over 500,000 metric tons, and Mexico is now our largest volume market. The Central American Free Trade Agreement (CAFTA) has already begun to generate similar trends in terms of U.S. pork export growth.

1. U.S. – Colombia Free Trade Agreement

According to the American Farm Bureau Federation, the U.S.-Colombia FTA, if and when it is implemented, would result in U.S. agricultural export gains of more than $815 million per year at full implementation.

In the agricultural sector as a whole, not a single U.S. product currently receives a zero tariff in Colombia, and applied tariffs range from 5 to 20 percent. These could rise to as much as 388 percent under Colombia's current WTO commitments. Under the U.S. FTA, tariffs on 77 percent of all agricultural tariff lines, accounting for more than 52 percent of current U.S. trade by value, would be eliminated immediately.

Iowa State University economist Dermot Hayes calculates that when fully implemented, the U.S. - Colombia FTA will generate an additional $68.9 million in U.S. pork exports and will create 919 new jobs because of increased pork exports alone. In addition, live hog prices will be $1.15 higher per animal than would be the case if we lost an export market of this size --and this beneficial price impact is based on the assumption that the Canada - Colombia FTA is implemented in 2011. However, should the U.S. fail to implement its FTA with Colombia, the U.S. will be completely out of the Colombian pork market within ten years.

To make matters potentially worse, Colombia also anticipates signing a trade agreement with the European Union that will also allow for pork access to Colombia. The failure to implement our FTA in advance of these agreements has prevented our industry from getting a head-start on the EU and Canada, which are the second and third largest global pork exporters after the U.S., both in terms of reduced tariffs and the ability to lock in all-important marketing arrangements. U.S. pork producers need the United States to implement the FTA with Colombia.

2. U.S. – Panama Free Trade Agreement

The American Farm Bureau Federation's economic analysis group estimates that the U.S. - Panama FTA could mean increased U.S. agricultural exports to Panama of more than $195 million per year by full implementation. Once the FTA is in place, the tariff disparity in agricultural trade between the U.S. and Panama will immediately become more balanced. In the case of Panama, over 99 percent of its agricultural exports enter the U.S. market duty free. In contrast, Panama's average agricultural tariff rate is 15 percent, but many key U.S. export products face much higher rates.

U.S. pork exports to Panama are currently restricted by a very limited quota and out-of-quota duties as high as 80 percent. However, the FTA would have provided immediate duty free treatment for pork variety meats, expanded market access for U.S. pork through tariff rate quotas, and a phase out of tariffs on certain processed pork items within five years. Only by implementation of the FTA will the disparity in these tariff levels be reduced and ultimately eliminated.

According to Iowa State University economist Dermot Hayes, the FTA will generate an additional $16 million in U.S. pork exports and will cause live hog prices to be 20 cents higher per animal, when fully implemented, than would be the case if we lost an export market of this size. In addition, the FTA will create 213 new jobs because of increased pork exports alone.

Panama concluded an FTA with Chile last August and has also concluded negotiations of an FTA with Canada. An FTA with the European Union bloc of 27 countries is also a possibility in the near future. The failure to implement our FTA with Panama two years ago has prevented our exporters from getting a head-start on those major agricultural exporting countries, both in terms of preferential tariff rates and the ability to lock in new marketing arrangements in Panama.

Canada's FTA with Panama would immediately eliminate import duties on 90 percent of Panama's pork tariff lines. As our closest competitor, Canada will have a distinct advantage in the Panamanian pork market resulting in the loss of market share for the United States pork industry.

3. U.S. – Korea Free Trade Agreement (KORUS FTA)

The Korean market is currently the fifth largest for U.S. agricultural exports, valued at $3.9 billion in 2009. According to economic analysis by the American Farm Bureau Federation, the Korea FTA would expand exports in a wide range of commodities and result in $1.8 billion in additional sales – a 46 percent increase.

The KORUS FTA would be one of the most lucrative for the U.S. pork industry. According to Iowa State University economist Dermot Hayes, by the end of the FTA's 15-year phase-in period, total U.S. pork exports to South Korea will be almost 600,000 metric tons. That represents nearly twice the current U.S. export level to Japan – now the top value market for the U.S pork industry. The FTA will lift live hog prices by a staggering $10 per animal and will generate an additional $687 million in U.S. pork exports. South Korea alone will absorb 5 percent of total U.S. pork production, and the FTA will create more than 9,000 new direct jobs in the U.S. pork industry.

It has been over three years since the KORUS FTA was signed. While the U.S. delays implementation, Korea continues to move forward in strengthening trade relationships with other countries. Korea already has concluded, is negotiating or is planning FTAs with Chile, Australia, New Zealand, Canada, China, the European Union (27 nations), India, Japan, Mexico, Mercosur (Argentina, Brazil, Paraguay and Uruguay) and Peru. Many of these countries are competitors of U.S. pork exports. Two major competitors, Chile and the EU, pose the largest threat to the future success of U.S. pork exports to Korea.

Chile-South Korea FTA
South Korea's FTA with Chile was implemented in 2004. In 2010, South Korea import duties on Chilean pork have already been reduced to 9 to 10 percent. South Korean duties on Chilean pork imports will go to zero on January 1, 2014. Chilean market share grew 34 percent in 2009 due in large part to the gradual reduction of duties under the Chile-Korea FTA. This tariff reduction allowed Chile to increase its sales to South Korea by approximately 11,000 tons from 2008 to 2009. Because of the Chile-Korea FTA and failure to implement the KORUS FTA, the U.S. could be out of the Korean market within 20 years.

EU-South Korea FTA
Failure to implement the KORUS FTA, coupled with the implementation of the EU-Korea FTA on July 1, 2011, puts U.S. pork at a severe disadvantage with respect to competition from the European Union in the Korean market. Under a scenario in which the U.S. dollar returns to a price of 1.25 to the Euro, reflecting the long-run equilibrium between these two currencies, U.S. market share in Korea would fall by 3 percentage points per year for the entire projection period, and the U.S. would be eliminated from the Korean market over a 10-year period. This, Hayes calculates, would cost 3,628 full-time positions in direct pork industry employment and 18,000 economy-wide full time positions, after allowing for indirect employment impacts.

4. North American Free Trade Agreement

Implementation of NAFTA in 1994 provided U.S. agriculture substantial new market access opportunities for a broad range of products -- with pork at the forefront. Under NAFTA, U.S. agricultural exports to Mexico increased by 25 percent and pork exports by 580 percent. Mexico went from being an inconsequential market for U.S. pork to our second largest U.S. export market valued in 2009 at over $762 million. Through the first half of 2010 Mexico alone accounted for over 20 percent of total U.S. pork exports and approximately 4 percent of U.S. pork production.

However, the continued growth of U.S. pork exports to Mexico is at risk. The United States has not complied with a provision of NAFTA that allows Mexican trucks to haul goods into America. This failure to meet its NAFTA obligations has negatively affected U.S. exports to Mexico. In March 2009 and August 2010, Mexico placed higher tariffs on an estimated $2.4 billion of U.S. goods after the U.S. Congress failed to renew a pilot program that let a limited number of Mexican trucking companies to haul freight beyond a 25-mile U.S. commercial zone.

In August 2010, Mexico put a 5 percent tariff on most U.S. pork imports. Because of the tariff placed on U.S. pork products in August, the U.S. pork industry saw exports of these targeted products to Mexico fall from 17,400 metric tons to 12,900 metric tons in the first month. In dollar terms, that is a loss of $8 million in a four-week period. These losses have since continued as U.S. exports to Mexico from August to October are down 17 percent from the same period last year. Canadian exports grew by 87 percent during the same period in 2010 reaching record levels in September and October, amounting to 2,796 and 3,089 metric tons, respectively. Though its exports are low relative to U.S. exports, Canada's sizable export growth is of concern to the U.S. pork industry. October's export level of 3,089 metric tons is nearly five times the amount Canada exported in October 2009. In addition to the increased competition from Canada, we are already seeing Mexican pork become more price-competitive as a result of the tariff on U.S. product.

It is hard to overstate the importance of exports to pork producers and to the many people whose jobs depend on our industry. According to analysis conducted by Iowa State University economist Dermot Hayes, the loss of the Mexican market over several years would result in the loss of 2,083 direct jobs in the industry and 33,013 in secondary employment in areas such as veterinary services, input supplies and local businesses and government. Labor income lost would total $1.2 billion. U.S. pork producers need the United States to resolve the trucking dispute with Mexico. As long as these tariffs remain the U.S. will continue to lose exports and jobs.

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PEPSICO

February 8, 2011

The Honorable Dave Camp
Chairman, House Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Re: Support for U.S. Free Trade Agreements with Colombia, Panama, and South Korea

Dear Mr. Chairman:

PepsiCo, a global food and beverage company with annualized revenues of nearly $60 billion and over 285,000 employees worldwide, strongly supports the passage and implementation of pending U.S. free trade agreements (FTAs) with Colombia, Panama and South Korea.

PepsiCo's main businesses – Frito-Lay, Quaker, Pepsi-Cola, Tropicana and Gatorade – make hundreds of nourishing, tasty foods and drinks to consumers in more than 200 countries. 19 different PepsiCo product lines generate more than $1 billion in annual retail sales. Our thriving business spans Asia, the Americas, Europe, the Middle East, Africa and Australia, serving 86 percent of the world's population.

PepsiCo firmly believes that international commerce strengthens stability and peace by fostering economic growth, opportunity and mutual understanding. The enactment of all three pending FTAs this year will serve to strengthen U.S. economic ties in the key regions of East Asia and Latin America. In addition, by reducing trade barriers and ensuring reciprocal market access, the FTAs will improve the competitiveness of U.S. suppliers in these countries, promoting the creation of jobs and increased investment. FTAs help to build environments that are conducive to investment by U.S. firms and such investments in foreign countries directly sustain thousands of American jobs.

Congressional approval and enactment of the U.S. FTAs with Colombia, Panama and South Korea will serve to sustain and expand opportunities for economic growth. We strongly encourage efforts to complete all three agreements this year.

Thank you for the opportunity to share these views.

Sincerely,

Elizabeth Avery
Vice President, Global Public Policy and
Federal Government Affairs

Securities Industry and Financial Markets Association
Emergency Committee for American Trade
National Oilseed Processors Association
California Table Grape Commission (Colombia)
California Table Grape Commission (Korea)
American Forest & Paper Association
USA Rice Federation
National Grain and Feed Association
Distilled Spirits Council of the United States, Inc.
PepsiCo
American Natural Soda Ash Corporation

February 8, 2011

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

THE CAMPBELL SOUP COMPANY SUPPORT FOR THE FREE TRADE AGREEMENTS OF COLOMBIA, PANAMA AND SOUTH KOREA

This statement is submitted by the Campbell Soup Company (Campbell), headquartered in Camden, New Jersey, in response to the January 18, 2011 Committee on Ways and Means request for comments on the pending free trade agreements with Colombia, Panama and South Korea and the creation of U.S. jobs.

I. ABOUT CAMPBELL SOUP

Tracing its heritage back to 1869, Campbell is a global manufacturer and marketer of high-quality foods and simple meals, including soups, baked snacks and healthy beverages. Its portfolio includes retail and food service brands including *Campbell's*, *Pace*, *Prego*, *Swanson*, *V8* and *Pepperidge Farm*. Campbell products are sold in 120 countries around the world. Campbell employs nearly 20,000 workers and operates more than 75 facilities in over 22 countries. Its annual revenue exceeds $7 billion, and the company is a major consumer of U.S. agricultural and farm products.

II. EXECUTIVE SUMMARY

Campbell is committed to a vigorous trade liberalization agenda for the United States and strongly endorses prompt Congressional review and passage of the three pending free trade agreements. The Colombian and Panamanian FTAs will, when implemented, immediately eliminate tariffs on most of Campbell's products. This will directly benefit hundreds of U.S. jobs not only at Campbell but for U.S. farmers and ranchers that support the company's processed food and beverage exports.

III. COLOMBIA, PANAMA AND KOREA FREE TRADE AGREEMENTS

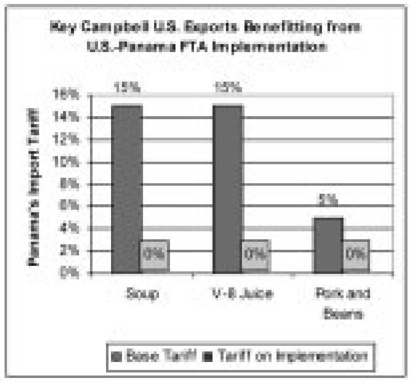
A. The U.S.-Colombia FTA

Campbell's products currently face an extraordinarily high 20% tariff in Colombia on all of its major products. When implemented, the FTA will **immediately eliminate Colombia's tariffs on all of Campbell's major products**, including: 1) condensed soups; 2) V-8™ vegetable juices; 3) V-8 Splash™ fruit juice beverages; and 4) Pepperidge Farm™ distinctive cookies and Goldfish snack crackers.

Tariff elimination will offer new opportunities for U.S. exports and contribute to value-added jobs for U.S. suppliers and farmers. For example, all of the soups exported to Colombia are currently manufactured in Robeson County, Maxton, North Carolina, which has one of the highest unemployment rates in North Carolina and in the United States. Duty-free access to Colombia's important soup market should increase these exports and, at the minimum, protect, if not increase, the 900 jobs at this facility. Duty-free access will introduce competitive advantages for U.S. suppliers over comparable products manufactured in the European Union and other countries which do not have an FTA with Colombia. Campbell's expects increased U.S. exports of millions of dollars annually, benefiting workers not only in North Carolina but in facilities in New Jersey, Ohio, Texas and California, as well as the thousands of workers employed by other American processed food manufacturers and American farmers.

B. <u>U.S.-Panama FTA</u>

The Panama FTA is a success story for Campbell as Panama's 5% to 15% base rate tariffs on U.S.-produced pork and beans, canned soups and vegetable juices will be eliminated upon implementation of the agreement.



Campbell estimates its U.S. exports to Panama will increase several million dollars annually with the implementation of the U.S.-Panama FTA in 2011. This increase will directly benefit U.S. workers and farmers in Napoleon, Ohio, Maxton, North Carolina and Paris, Texas.

While a relatively modest market, Panama's economy is strong and viewed as an important growth market for Campbell's business in the Americas. For example, Panama is the largest importer of pork and beans in the region.

C. <u>U.S.-Korea (KORUS) FTA</u>

As this country's seventh largest trading partner, South Korea is an important and growing market for U.S. processed food and beverage exports. The KORUS FTA is significant in that over one-half of all food and agriculture exports to Korea will be duty-free upon implementation of the agreement.

IV. SUMMARY

The current tariffs imposed on Campbell's products in Colombia, Panama and South Korea are a major impediment to increasing U.S. exports and to maintaining and increasing U.S. jobs. Campbell urges the U.S. Congress to approve all three FTAs in 2011 so that they can be implemented by January 1, 2012. This is particularly important in light of the rush by other countries to secure their own FTAs with Colombia, Panama and Korea.

Respectfully submitted,

Kelly Johnston

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COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

CONAGRA FOODS SUPPORTS RAPID PASSAGE AND IMPLEMENTATION OF FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA AND SOUTH KOREA

This statement is filed by ConAgra Foods, headquartered in Omaha, Nebraska, and one of America's leading food companies.

I. EXECUTIVE SUMMARY

ConAgra supports the Congressional approval and implementation of the pending free trade agreements (FTAs) with Colombia, Panama, and South Korea. The elimination of tariff barriers on U.S. exports included in these agreements will serve to boost U.S. export competitiveness and support U.S. jobs. For ConAgra Foods, the U.S. FTAs with Colombia, Panama and South Korea would principally benefit the company's Lamb Weston division, one of the world's largest producers of frozen french fried potatoes, with production facilities in Washington, Oregon, Idaho, Minnesota and North Carolina. The enactment of these FTAs will reduce tariff barriers to U.S. french fry exports, serving to promote ConAgra's business and securing and creating U.S. jobs.

II. ABOUT CONAGRA / LAMB WESTON

ConAgra is a Fortune 500 company with net sales totaling $12+ billion in Fiscal 2010 while employing more than 24,000 people. The company is a rich source of U.S. jobs beyond its own employees, supporting tens of thousands of U.S. jobs as one of the largest customers of U.S. agricultural and farm products.

ConAgra Lamb Weston is a leading supplier of frozen potato, appetizer and vegetable products to restaurants and consumers throughout the world. Lamb Weston's products are sold in over 100 different countries on all seven continents. ConAgra Lamb Weston employs approximately 5,000 U.S. workers at facilities in five states and supports additional U.S. jobs through sourcing from U.S. potato farmers.

III. PENDING U.S. FREE TRADE AGREEMENTS

The elimination of the high tariffs facing U.S. frozen french fry exports in South Korea (which imposes an 18% duty), Colombia (a 20% duty) and Panama (a 20% duty) are critically important to expanding U.S. exports to these countries.

A. U.S.- South Korea (KORUS) FTA

The KORUS FTA provides for immediate elimination of South Korea's 18% tariff on U.S. frozen french fries, which would give U.S. exporters a significant advantage over global competitors.

1. Serving A Growing Market

South Korean french fry demand is satisfied entirely by imports. South Korea is the fifth largest export market for U.S. french fries, with 2009 exports of 34,000 MT valued at $32.1 million. Since 2005, U.S. french fry exports to South Korea have increased 48% in volume and nearly doubled in value, reflecting growing demand.

2. Facing A High Tariff

South Korea's 18% tariff on frozen french fries is prohibitive by both global and regional standards. It is among the highest in Asia, compared to 8.5% in Japan, 5% in Indonesia and 0% in Malaysia. Duty-free access would yield about $5.8 million in savings per year for U.S. exporters, exclusive of expected export growth with the elimination of the 18% duty.

3. Competitive Challenge

Implementing the KORUS FTA would provide U.S. suppliers preferential market access that is needed due to South Korea's ongoing trade liberalization with other french fry exporting economies, such the European Union and Canada. The EU-Korea FTA grants the EU an immediate elimination of the 18% tariff upon enactment of that agreement, which is expected in July 2011. The conclusion of Canada-Korea FTA negotiations ahead of KORUS FTA implementation would greatly benefit Canadian-based McCain Foods Limited, one of ConAgra's main global competitors.

B. U.S-Colombia FTA

Implementation of the U.S.-Colombia FTA would result in the immediate elimination of Colombia's 20% duty on frozen french fries.

1. U.S. Exports Supplying A Growing Market

U.S. french fry exports to Colombia in 2010 were a record 3,100 MT, valued at $2.8 million. Since ConAgra filed its initial comments on the Colombia FTA with USTR in 2004, U.S. exports have increased 64% in volume and 75% in value.

ConAgra Lamb Westons's exports to Colombia have been rising even with the tariff barrier, as local growing conditions are not favorable to the domestic production of french fries. At about $25 million in consumption, Colombia's french fry market is growing at 5% annually. With the 3rd largest population in Latin America and a vibrant economy, Colombia has seen a proliferation of quick-service restaurants (both locally-owned and U.S.-based chains) serving french fries.

2. Competitive Challenge

A delay in implementing the U.S.-Colombia FTA would introduce a significant competitive disadvantage to U.S. exporters. Colombia has also been working towards completing FTAs with other major french fry exporters, including Canada and the EU. Canada and Colombia signed an FTA in 2008 that will result in Colombia's 20% tariff being phased out on Canadian imports over five years. Colombia's Vice President Angelino Garzon recently stated that the FTA with

Canada will take effect in the spring of 2011. With potential implementation in 2011, the Canada-Colombia FTA will give Canadian suppliers a major competitive advantage unless the U.S.-Colombia FTA is approved by Congress.

C. U.S.-Panama FTA

Implementation of the U.S.-Panama FTA will result in a significant improvement of market access for U.S. frozen french fry exporters. The agreement provides for a 5-year phase out of Panama's 20% tariff, coupled with immediate duty-free access under a tariff rate quota (TRQ).

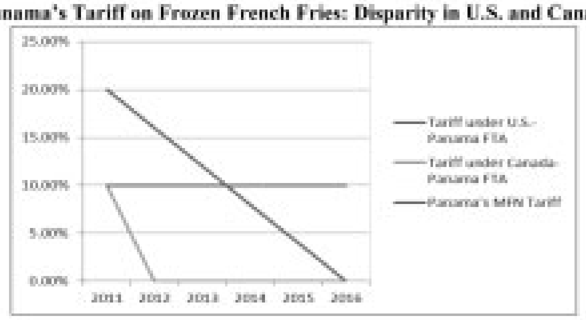
1. Expanding Market for Exporters

While small, Panama is an important and fast-growing market for frozen french fries, which are not produced in Panama. As recently as 2007, U.S. exporters supplied over $6 million of frozen french fries.

2. Competitive Challenge

In 2010, Canada and Panama signed an FTA which, once implemented, will immediately eliminate Panama's 20% duty on Canadian imports. This will introduce a potentially devastating competitive disadvantage for U.S. suppliers, who must wait five years from implementation to benefit from a duty-free market. U.S. suppliers, such as Lamb Weston, compete for market share in Panama with Canadian supplier McCain. The Canada-Panama FTA is expected to be implemented by July 1, 2011. Under this scenario, Canada will secure an advantage over the United States for unfettered access to Panama's market as follows:

Panama's Tariff on Frozen French Fries: Disparity in U.S. and Canada FTAs



IV. FTA BENEFITS FOR CONAGRA'S SUPPLIERS AND JOBS

It is important to understand that the tariff phase-outs on frozen french fries included in the U.S. FTAs with South Korea, Colombia and Panama will not only benefit ConAgra and its Lamb Weston division, but also our U.S.- based competitors (such as J.R. Simplot Company, which has potato processing plants in Idaho, North Dakota and Washington) and to the numerous farmers and suppliers that provide U.S.-grown potatoes to our operations. Considering that each pound of processed french fries requires two pounds of fresh potatoes, an increase of exports of U.S. french fries will benefit potato-growing farmers in states such as Idaho, Washington and Oregon.

ConAgra estimates that KORUS FTA could result in increased annual U.S. exports of $10 million, or about 24 million pounds of frozen french fries per year. This will require the annual purchase of about 50 million pounds of U.S. raw potatoes, leading to increased jobs. Given the strong Colombian demand for U.S. frozen french fries and the existing high level of import protection, the U.S.-Colombia FTA could result in increased U.S. exports of $5 million (about 15 million pounds of frozen French fries), requiring about an extra 30 million pounds of U.S. potatoes annually. The US-Panama FTA will allow us to be able to fight to secure our position in the market against our Canadian competitors, who will see their 20% tariff eliminated upon implementation of the Canada-Panama FTA in July.

V. RAPID FTA IMPLEMENTATION VITAL FOR U.S. EXPORTERS AND JOBS

As outlined above, the implementation of U.S. FTAs with Colombia, Panama and South Korea will greatly enhance the competitiveness of U.S. french fry exporters, benefiting U.S. workers along the supply chain. If the passage of implementing legislation for these FTAs is delayed, it will only allow foreign competitors to gain preferential market access to these markets at the expense of U.S. suppliers. In order to expand U.S. jobs, we must maintain U.S. export competitiveness though enactment of the Colombia, Panama and South Korea FTAs in 2011.

February 8, 2011

Brent Baglien
Vice President, Government Affairs
ConAgra Foods

AAPA American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

AMERICAN ASSOCIATION OF PORT AUTHORITIES
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January 25, 2011

Testimony of Kurt J. Nagle

President and CEO
American Association of Port Authorities

Before the
House Committee on Ways and Means

Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

Thank you for the opportunity to submit this statement for the hearing record. Founded in 1912, AAPA is an alliance of the leading public ports in the Western Hemisphere. Our testimony today reflects the views of our U.S. members, which are state and local public agencies located along the Atlantic, Pacific, and Gulf coasts, the Great Lakes, and in Alaska, Hawaii, Puerto Rico, Guam, and the U.S. Virgin Islands.

The American Association of Port Authorities (AAPA) is pleased to submit these comments on behalf of its U.S. member public port authorities regarding the pending Free Trade Agreements (FTAs) with Colombia, Panama, and South Korea. AAPA is in strong support of the FTAs, as expanding free and fair trade opportunities through new agreements opens up new avenues for increased exports and greater national prosperity.

Founded in 1912, AAPA represents virtually all major public port authorities and agencies in the United States. AAPA members are public entities mandated by law to serve public purposes, primarily the facilitation of waterborne commerce and the consequent generation of local and regional economic growth. The Association has consistently supported strengthening the international trading system through bilateral and multilateral negotiations.

For centuries, seaports have served as a vital economic lifeline for America by bringing goods to people and providing the crucial link for access to the global marketplace for American farmers and manufacturers. Over 13 million U.S. jobs are related to the cargo moving through America's ports and international trade accounts for over 25% of our Gross Domestic Product (GDP). Importantly, in light of the current economic and employment challenges, each $ 1 billion in additional exports creates 15,000 jobs.

Trade policies that enhance and facilitate, rather than hinder, international trade advance our nation's position in the global marketplace and promote economic activity and jobs here at home. Colombia, Panama, and South Korea represent a tremendous opportunity for increased economic activity to benefit the United States. The U.S. International Trade Commission (ITC) estimates that the three pending trade agreements would combine to increase U.S. exports by at least $13 billion (a one percent increase in overall exports) thereby creating more than 200,000 American jobs.

For more than three years, FTAs with Colombia, Panama, and South Korea have languished in Congress. These FTAs are critical to creating a level playing field between the U.S. and the involved countries. Most Colombian exports already enjoy tariff-free access to the U.S. market. Delaying these agreements any further will lead to lost opportunities for U.S. exporters. Canada and the European Union are already moving ahead with trade agreements with Colombia at the time of this hearing. As the United States economy finds its strength again, it is critical that trade policies not place U.S. goods at a disadvantage in the global marketplace.

With broad bipartisan support for these agreements in the House and Senate, AAPA urges Congress to sign the pending FTAs with Columbia, Panama and South Korea into law as soon as possible. These agreements will strengthen the U.S. economy, increase American export opportunity and create badly needed American jobs.

AAPA applauds the leadership of both Chairman Camp and Ranking Member Levin in bringing their efforts to bear on this important issue. Thank you for the opportunity to express support for the swift approval of the pending FTAs with Columbia, Panama and South Korea.

International Dairy Foods Association
Milk Industry Foundation
National Cheese Institute
International Ice Cream Association

TESTIMONY OF THE INTERNATIONAL DAIRY FOODS ASSOCIATION BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS REGARDING THE PENDING FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA AND SOUTH KOREA AND THE CREATION OF U.S. JOBS

February 7, 2011

Chairman Camp, Ranking Member Levin and members of the committee, the International Dairy Foods Association (IDFA) advocates on behalf of the nation's dairy manufacturing and marketing industries and their suppliers, with a membership of 550 companies representing a $110-billion a year industry. IDFA is composed of three constituent organizations: the Milk Industry Foundation (MIF), National Cheese Institute (NCI) and the International Ice Cream Association (IICA). IDFA's 220 dairy processing members and their 175 divisions, subsidiaries and joint ventures run over 600 plant operations, and range from large multi-national organizations to single-plant companies. Together they represent more than 85 percent of the milk, cultured products, cheese and frozen desserts produced and marketed in the United States. In addition, 320 member companies provide processing equipment and supplies, packaging equipment and materials, ingredients and a wide variety of products and services to the dairy processing industry. More than 15 state and regional trade associations are also members of IDFA.

Our member companies compete in U. S. and foreign markets and are deeply committed to advocating for improved international trade opportunities for dairy foods through bilateral free trade agreements (FTAs), such as the pending agreements with Colombia, Panama and the Republic of Korea.

Although the American market is large, 96 percent of the world's consumers are outside U.S. borders. Currently, only about 10 percent of U.S. farm milk production ends up in dairy exports. In 2010 alone, the United States exported over $3.3 billion worth of dairy products around the world, and there is a huge potential to increase this number. Developing and newly industrialized economies offer stronger consumption growth rates for food products generally and dairy products in particular. To take advantage of these new markets, U.S. dairy exporters must be able to compete in a fair environment. Dairy manufacturers find, however, that current dairy product tariffs and subsidy practices impair their ability to export.

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As more market barriers fall, and the historical gap between U.S. and world dairy market prices closes, competitive opportunities for U.S. dairy foods expand and more U.S. firms can make inroads into foreign markets. Free trade agreements provide extremely important opportunities to advance trade liberalization and break down trade barriers that obstruct the global growth of the dairy and other industries. The agreements currently pending congressional action, including those with Colombia, Panama and the Republic of Korea, offer enormous potential for growth in new markets for U.S. dairy products.

In particular, the U.S-Korea Free Trade Agreement (KORUS-FTA) is a key building block and a critical step forward for U.S. dairy processors. Assuming the United States is able to make full use of the new market-access opportunities negotiated, this agreement would embody what IDFA believes is one of the most important free-trade deals for the American economy since the North American Free Trade Agreement. The KORUS agreement represents a tremendous opportunity for the U.S. dairy industry to increase and sustain its growing presence in an extremely important economic region.
The Pacific Rim is the U.S. dairy industry's fastest growing export region, totaling over $1.2 billion in dairy exports during 2010, an increase of over 100 percent from 2009. As these economies continue to develop and incomes grow, consumption of animal proteins such as dairy and other value-added agricultural products increase as well. In the dairy sector, this increasing demand will continue to be met by imports because local production of dairy products in this region is often constrained by the lack of manufacturing facilities. U.S. dairy processors are uniquely positioned to meet consumer demand that local manufacturers are not able to supply.

In the case of the KORUS-FTA, quick action is needed as Korea's dairy market is particularly important to American exporters. Currently, duties on U.S. dairy exports to Korea are subject to high tariffs, starting at 36 percent, while most of Korea's agricultural exports enter the U.S. market at about 10 percent. Despite these barriers, in 2010 South Korea constituted the U.S. dairy industry's sixth-largest export market and imported over $115 million worth of American dairy products, which was a 72-percent increase over 2009. In addition, Korea was the fourth-largest export destination for U.S. cheeses and curds and the eighth-largest export destination for ice cream and related products.

Estimates from the U.S. International Trade Commission (ITC) Report: U.S.-Korea Free Trade Agreement "Potential Economy-wide and Selected Sectoral Effects" indicate that full implementation of the KORUS agreement would increase U.S. dairy exports by $175–336 million (249–478 percent).[1] The report notes that the domestic Korean dairy industry is currently unable to supply total Korean demand for dairy products. One-half of non-fluid dairy consumption in Korea is supplied by imports. If the market-access opportunities for the U.S. dairy industry under the KORUS-FTA are fully realized the U.S. dairy sector, farmers, processers, and their suppliers, are well positioned to meet this demand.

Perhaps most important to the purview of this hearing, the ITC report estimated that the dairy sector would be among the industries seeing the largest gains in output and employment. Based on Commerce Department multipliers, such an increase in U.S. dairy exports could mean 10,000 or more additional U.S. jobs when considering the effect across the dairy industry value chain. This figure assumes the United States is able to make full use of the negotiated new market-access opportunities in the KORUS-FTA; our industry sincerely hopes that this will be the case.

In an economy emerging from a recession, our industry simply cannot afford further delays in the implementation of the KORUS agreement. If Congress fails to act quickly, this tremendous opportunity for market growth will be critically threatened, especially in light of the rapid pace at which Korea has negotiated other FTAs with other dairy exporters, such as the agreement negotiated with the European Union. This agreement is set for an approaching July 2011 implementation that could potentially undermine the U.S. dairy industries market gains in Korea; our industry sincerely hopes that this will be the case.

In addition to supporting the approval of the KORUS-FTA at the earliest opportunity, IDFA also strongly supports quick congressional approval of the FTAs with Colombia and Panama. The estimated benefit to the U.S. dairy industry over the first several years of each of these agreements will be on the order of an additional $25 million per year, on average. As is the case with the KORUS-FTA, the economic gains estimated here assume the United States would be able to make full use of the new market-access opportunities negotiated in the FTAs; our industry sincerely hopes that this will be the case.

The advancement of these FTAs, especially the KORUS-FTA, is viewed by IDFA as a crucial step forward in the industry's continued overseas growth

[1] Impact relative to a 2008 base. See chap. 2 of U.S. International Trade Commission U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects report for additional information regarding the economy-wide analysis: http://www.usitc.gov/publications/pub3949.pdf

and logical progression towards becoming a significant global dairy industry player.

IDFA urges members of this committee and Congress to work diligently to approve these long-pending free trade agreements, and appreciates the opportunity to provide comments on the importance of these agreements to our industry. Thank you.

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PREPARED STATEMENT FOR THE RECORD OF
INTEL CORPORATION

for the

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

On

"Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs"

Intel Corporation respectfully submits this testimony for the record in conjunction with the Committee's hearing on the pending free trade agreements. In particular, our testimony will focus on the Free Trade Agreement with the Republic of Korea (KORUS FTA), which should receive prompt Congressional approval to help maintain U.S. competitiveness.

I. <u>Importance of Increased Market Access</u>

Intel is the leading manufacturer of computer, networking, and communications products. Intel has over 80,000 employees, with more than half of those in the U.S. In 2010, Intel had over $40 billion in revenue from sales to customers in over 120 countries.

Intel is a prime example of why the U.S. government should pursue the synergistic objectives of (i) creating the best ecosystem possible to encourage domestic manufacturing; and (ii) removing market access barriers overseas. While approximately three quarters of Intel's manufacturing capacity remains in the U.S., more than three quarters of our revenue is generated overseas. We recently announced Intel will be making an investment of $6-8 billion to build a new factory in Oregon and upgrade several factories in Oregon and in Arizona. Most of the product manufactured from our significant U.S. investments will be sold to the 95% of worldwide consumers that live outside the U.S. The ability to access markets worldwide is essential to Intel's ability to maintain jobs in the U.S. and our continued growth and prosperity.

Intel believes that international trade and investment also are critical to America's overall continued economic growth and the creation of good jobs in the United States. According to the United Nations Industrial Development Organization's 2010 International Yearbook of Industrial Statistics, the U.S. continues to lead the world in manufacturing, with 19% of the worldwide value-added manufacturing output. Additionally, approximately 22% of all U.S.-manufactured products are exported, and the United States is the world's third largest exporter of goods. We can further increase our exports, however, by entering into additional robust free trade agreements (FTAs).

Free trade is of particular importance to the semiconductor industry. According to the Semiconductor Industry Association (SIA), the U.S. semiconductor industry employs 185,000 people in the U.S. and makes almost 51% of the world's computer chips. This market for chips was worth over $225 billion in 2009 and is growing every year. Over 80% of U.S. semiconductors go to customers outside the U.S. market and are sold in nearly every country in the world. According to the International Trade Commission (ITC), semiconductors have been America's largest exporter when data are over the last five years.

Exporting semiconductors creates real benefits to American workers. For example, those overseas sales allow leading-edge U.S. based chip makers to employ highly skilled and talented U.S. workers whose average income is almost $100,000 per year. Additionally, domestic semiconductor makers invest over $20 billion a year in research and development in the U.S. and invest over $13 billion in capital equipment at home, which also spur new products and create new jobs that are maintained by sales overseas.

Given the rapid growth of its information economy, South Korea has become a very important market to U.S. technology industries. High quality trade agreements like the KORUS FTA allow Intel and other companies in the semiconductor industry to maintain and even grow our manufacturing base in the U.S. by increasing exports around the world.

II. Congress Should Promptly Approve the KORUS FTA

Congressional approval of the KORUS FTA should occur as soon as possible. The strategic importance of implementing this agreement cannot be overstated.

The KORUS FTA is a state of the art free trade agreement that would provide not only significant tariff cuts, but also crucial substantive protections for U.S. goods and services as discussed in more detail below. Moreover, in addition to Korea being a key market for U.S. exports, the KORUS FTA provides a great template for furthering trade liberalization initiatives in Asia.

South Korea is the United States' seventh-largest trading partner, with U.S. exports totaling about $38 billion in 2010. However, the U.S. share of the Korean market has declined over the last several years; China, Japan and now Europe all enjoy greater market shares. Many of our major foreign competitors are pursuing negotiating strategies with Korea to open markets for their companies and workers on a preferential basis, putting American companies and workers at a severe competitive disadvantage. Korea now has FTAs with the EU and India, Chile, Singapore, the European Free Trade Association, and the Association of Southeast Asian Nations. Korea currently is negotiating with Japan, Canada, Mexico, Australia, New Zealand and Peru, and preparatory discussions are underway with China, Turkey, Russia, Colombia, and Israel. As long as the KORUS FTA remains unapproved, U.S. exports of goods and services to Korea will face discrimination and higher tariffs than the competing products of countries subject to these other trade agreements that Korea is or has negotiated.

While not perfect, the KORUS FTA is very robust and has met the Administration's high standard for open and fair market access. Moreover, the benefits of KORUS are far-reaching. The United States Trade Representative (USTR) estimates that the agreement will create tens of thousands of well-paying jobs in the U.S. and increase the U.S. GDP by $10 billion per year through increased exports made possible by greater market access. According to the U.S. ITC, the KORUS FTA will lower tariffs for 95% of industrial and consumer goods. In addition, the agreement will provide U.S. services firms with levels of market access, national treatment, and regulatory transparency that generally exceed those currently afforded by South Korea's commitments. KORUS also includes strong intellectual property enforcement requirements, e-commerce enabling provisions, state-of-the-art public participation rights in rulemaking and standard setting activities, and settlement authority for the Korean Fair Trade Commission.

Asia, the region with the greatest growth, has helped fuel our economy and reducing barriers in South Korea will also help the U.S. expand trade throughout Asia-Pacific. The U.S. needs more consumer spending overseas, as this is the engine of our economy that accounts for about 70% of total GDP growth. The quicker the KORUS FTA is approved and implemented, the faster the U.S. economy will benefit.

III. Conclusion

The time for congressional action on KORUS is now; Congress should not let other pending trade agreements delay action. The U.S./Korea FTA is a comprehensive state-of-the-art agreement that not only will benefit the U.S. and Korean economies and employment opportunities, but also will provide a strong base on which to construct additional bilateral or regional agreements in the Pacific region. Intel joins many other businesses, large and small, across multiple industries in requesting prompt Congressional approval of the KORUS free trade agreement. Prompt approval could be the first bipartisan success of this new Congress and a signal to the American people and business owners to expect economic progress ahead.

We appreciate the opportunity to provide testimony on this important issue.

CORN REFINERS ASSOCIATION

Comments for the Record

From

Audrae Erickson, President

Corn Refiners Association

Regarding the

House Ways and Means Committee

Hearing on the Pending Free Trade Agreements

January 28, 2011

The Corn Refiners Association (CRA) is pleased to submit the following comments for the record in response to the House of Representatives Committee on Ways and Means' hearing on the pending free trade agreements with Colombia, Panama, and South Korea on January 25, 2011. The CRA strongly supports these Agreements and urges swift Congressional approval of them.

CRA is the national trade association representing the corn refining (wet milling) industry of the United States. CRA and its predecessors have served this important segment of American agribusiness since 1913. Corn refiners manufacture sweeteners, ethanol, starch, bioproducts, corn oil, and feed products from corn components such as starch, oil, protein, and fiber.

CRA favors all three Agreements because of their benefits to agriculture in general and the corn refining industry in particular. The specific benefits of each agreement are outlined below.

Colombia-U.S. Trade Promotion Agreement
Even with current restrictive tariffs, Colombia has been a growing market for U.S. exports of refined corn products. Passage of this Agreement would accelerate this growth, particularly for corn gluten feed and meal. Duties on these products will be eliminated immediately, which would provide an important export market for the growing supply of ethanol co-products in the United States.

In addition, duties on corn starch, crystalline fructose, dextrin, and modified corn starch will be eliminated immediately. Colombian tariffs on most processed food – a major market for U.S.-produced corn starches, sweeteners, and oil – will be reduced to zero upon enactment of the Agreement. The elimination of price-band systems for vegetable oils, coupled with full duty elimination in five years, will restore and increase trade for U.S. corn oil that was lost in the 1990s. Duties on most glucose syrup and high fructose corn syrup will be eliminated over ten years. In the meantime, a new tariff-rate quota for U.S. glucose syrup will expand trade by 300%.

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House Ways and Means Committee
January 28, 2011
Page 2

While the CRA seeks the shortest path to a duty free trade, the significant market access granted in the Colombian agreement for starches, sweeteners, oil, feed and processed food products is a major step. CRA supports passage of the Colombian Trade Promotion Agreement.

Korea-U.S. Free Trade Agreement
Currently, Korea imposes high tariffs on refined corn imports that prevent entry of many of our exports today. Under the KORUS Agreement, several products of the U.S. corn refining industry would have all duties eliminated in five to seven years, including corn oil, corn syrup, high fructose corn syrup, and crystalline fructose.

The most highly protected segment of the Korean market for processed corn products – corn starches and high-value modified starches – would see duties eliminated over the life of the Agreement and new duty-free quotas will enable U.S. firms to enter the market during this transition period.

While the KORUS awaits U.S. ratification, Korea is actively pursuing free-trade or preferential trade agreements with other nations. It has successfully concluded agreements with the European Union, the ASEAN group of countries, and India. Negotiations are ongoing with Australia, Canada, China, Mexico, New Zealand, and Peru. All of these countries are current or future competitors for the U.S. corn processing industry in the Korean market. Failure to adopt the KORUS will make the U.S. a residual supplier to the Korean market in relation to these countries, or will prevent U.S. corn refiners from competing in this market altogether.

This is especially true in the case of corn starch products in the Korea-European Union Agreement, an agreement that will go into force in July 2011. The European Union secured a highly advantageous deal for their starch exports, in some cases European starches received approximately four times the market access that U.S. starches received. Moreover, tariffs on European starch products are eliminated more rapidly than tariffs on U.S. corn starch exports.

Failure to secure expeditious ratification of the KORUS will place the U.S. corn refining industry at a significant competitive disadvantage relative to its European competitors. We urge immediate Congressional approval of the KORUS to ensure that the Korean market is not handed over to the European starch industry.

Panama-U.S. Trade Promotion Agreement
The Corn Refiners Association also supports passage of the Panama-U.S. Trade Promotion Agreement (TPA). Currently, Panama maintains restrictive duties on imports of U.S. refined corn oil, dextrose, crystalline fructose, and corn gluten feed and meal. The U.S.-Panama TPA will eliminate these duties in incremental steps, resulting in full free trade in all refined corn products in fifteen years. Immediate tariff reductions for animal feed products will provide rapid opportunities for U.S. exporters.

Thank you for the opportunity to provide these comments for the record in conjunction with the House Ways and Means Committee hearing.

February 2, 2011

The Honorable Dave Camp
Chairman, House Committee on Ways and Means
United States House of Representatives
Washington, DC 20515

Re: Support for U.S. Trade Agreements with Colombia, South Korea, and Panama

Dear Mr. Chairman:

In response to the Committee's January 18th hearing advisory on the pending free trade agreements with Colombia, Panama, and South Korea and the creation of U.S. jobs, this submission provides a summary of the benefits these FTAs will bring to Herbalife Ltd. The FTAs with Colombia, South Korea, and Panama present an extraordinary opportunity to eliminate long-standing tariff and regulatory barriers that have impeded Herbalife's business in several of its most important international markets. Removing these barriers would result in significant duty and other cost savings, creating and sustaining U.S. jobs around the country where Herbalife's products are manufactured.

About Herbalife

Herbalife, headquartered in Los Angeles, California, is a global network marketing company that sells weight-management, nutritional supplement and personal care products that support a healthy lifestyle. Our products are available through a network of over 2 million independent distributors in 74 countries. Herbalife's mission is to change people's lives by providing the best business opportunity in direct selling and the best nutrition and weight-management products in the world.

Current Tariff Levels Harm U.S. Exports

Colombia, South Korea, and Panama all impose hefty tariffs on U.S. exports, making it expensive for American businesses to sell products in these countries. Colombia maintains a 20% tariff level on Herbalife's products such as aloe vera concentrate, protein drink mixes, powdered teas, and moisturizers. Panama imposes tariffs of 5 to 10% on Herbalife's nutritional supplements and personal care products. South Korea's 40% tariff on imported herbal tea products is among the highest in the world, resulting in a significant barrier to U.S. exports. The implementation of the FTAs with these countries would serve to eliminate these tariffs, removing barriers to U.S. exports.

Non-Tariff Barriers

Herbalife has also experienced regulatory-related obstacles in exporting products to the Colombian, South Korean and Panamanian markets. In Colombia, the process for obtaining food export certificates from Colombia's National Institute of Food and Drug Monitoring (INVIMA) has led to time-consuming delays. Similarly, product registration requirements in Panama have caused significant delays in bringing products to the Panamanian market. In South Korea, restrictions under the country's Food Safety Law and other packaging requirements have created obstacles to U.S. goods. By creating formal commitments and mechanisms on transparency and bilateral cooperation on standards and technical regulations, the FTAs with Colombia, Panama, and South Korea will provide additional disciplines to help U.S. exporters overcome such technical barriers to trade.

Ensuring U.S. Competitiveness

Notwithstanding the restrictive trade barriers facing U.S. exports, these countries – Colombia and South Korea in particular – are among Herbalife's largest export markets due, in part, to the affinity for health, nutrition and personal care products in these growing economies. Implementing the U.S. FTAs with Colombia, South Korea, and Panama will significantly enhance U.S. export competitiveness and contribute to considerable growth in these markets for U.S.-origin products. Increased U.S. exports by Herbalife will sustain and create new U.S. jobs in California, New Jersey, and New York – the three states where most of the company's exported products are made.

South Korea is Herbalife's seventh largest market. It is estimated that removal of South Korea's tariffs on U.S. exports will generate cost savings and increased sales worth millions of dollars annually, creating and sustaining U.S. jobs. Based on 2009 trade levels, Herbalife will save more than $2.5 million per year due to eliminated duties in South Korea. The elimination of Colombian duties on U.S. exports is also expected to reduce costs for U.S. nutritional and personal care products in Colombia by millions of dollars, significantly enhancing U.S. competitiveness and contributing to growth in the Colombian market for these U.S.-origin products.

The implementation of these pending FTAs is also necessary to ensure the United States retains a level playing field with other exporting economies. U.S. exporters are competing with suppliers of similar goods from China, the EU and Japan. As these countries increase their bilateral and regional trade agreements with countries like South Korea and Colombia, U.S. exporters will be disadvantaged if tariff preferences are not available. Congressional approval of all three FTAs will contribute to the momentum that is needed for trade liberalization more broadly, strengthening the U.S. economy and supporting job growth.

Thank you for your consideration of these views.

Sincerely,

S. Diane Turpin J.D.
Vice President, Worldwide Regulatory,
Government and Industry Affairs
Herbalife

Securities Industry and Financial Markets Association
Emergency Committee for American Trade
National Oilseed Processors Association
California Table Grape Commission (Colombia)
California Table Grape Commission (Korea)
American Forest & Paper Association
USA Rice Federation
National Grain and Feed Association
Distilled Spirits Council of the United States, Inc.
PepsiCo
American Natural Soda Ash Corporation
Campbell Soup Company
ConAgra Foods
American Association of Port Authorities
International Dairy Foods Association
Intel Corporation
Corn Refiners Association
Herbalife Ltd.
National Cattlemen's Beef Association

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Herbalife Ltd.
National Cattlemen's Beef Association
National Potato Council
Council of the Americas

COUNCIL FOR INTERNATIONAL TRADE

CALIFORNIA CHAMBER of COMMERCE CalChamber

VIA EMAIL
To the Committee on Ways and Means

January 27, 2011

The Honorable David Camp, Chairman
Committee on Ways and Means
United States Senate
Washington, D.C., 20510

Dear Chairman Camp:

Re: Support of US Free Trade Agreements with Colombia, Panama and Korea

We, the undersigned companies and business organizations of the California Coalition for Free Trade, urge Congressional approval of the pending Free Trade Agreements with Colombia, Panama, and Korea. Congressional leaders of both parties have indicated their intent to bring these agreements up for a vote in the months ahead, and it is critical to companies, workers, farmers, and ranchers in our state that you support these job creating trade agreements.

The California Coalition for Free Trade was initiated in May of 2008 by the California Chamber of Commerce Council for International Trade. This group of California companies and business organizations believe that opening markets and promoting fair trade rules are critical for California's economy. The Coalition is supportive of current and pending Free Trade Agreements.

Colombia and Panama are dynamic economies with pro-U.S. governments, and U.S. trade with these countries has nearly doubled over the past four years. More than 19,500 U.S. companies export their products to Colombia and Panama, and more than 80% of these are small and medium-sized companies. U.S. farmers and ranchers sell over a billion dollars worth of agricultural products to these markets, and U.S. manufacturers are enjoying double-digit sales growth and that will only grow when the tariffs are removed.

A U.S.-Colombia Free Trade Agreement will increase momentum toward lowering trade barriers and set a positive example for other small economies in the Western Hemisphere. In 2009, California exported approximately $320 million to Colombia, making it our state's 35th largest export market.

Panama has the highest GDP per capita in Central America. Its economy is based largely on the services sector, which accounts for nearly 80 percent of the GDP. Services include the Panama Canal, banking, insurance, container ports, and medical and health. Panama has been hailed for the strong growth in its economy and its commitment to fighting corruption, combating narco-trafficking and promoting democracy.

In 2009, the United States had a trade surplus with Panama, with exports totaling $4.3 billion and imports slightly above $300 million. California exports to Panama totaled $228 million, making it our 43rd largest export market.

The trade agreement with Korea is another big win for the California and U.S. economies for many of the same reasons. Korea is the seventh-largest U.S. export market in the world (and our sixth-largest market for farm exports). In 2009, U.S. exports to Korea reached $28.6 billion, with U.S. small and medium-sized companies accounting for a third of this impressive total. By giving U.S. exporters a leg up in the world's tenth-largest economy, the agreement with Korea will enhance the ability of U.S. companies to compete in the dynamic Asian economy. Korea is California's 5th largest exporting partner. In 2009, California exported goods worth $5.9 billion to Korea.

The Coalition supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad, and elimination of disincentives that impede the international competitiveness of California business. Further, the Coalition opposes protectionism that results in higher prices to the consumer for the specific product protected and in limited choices of products for consumers. Protectionism causes a net loss of jobs in related industries, retaliation by our trading partners, and violates Trade Agreements.

America's standing as world leader depends directly upon our competitive success in the global economy. For the past half century, the United States has led the world in breaking down barriers to trade and in creating a fairer and freer international trading system based on market economics and the rule of law. Increased market access achieved through trade agreements has played a major role in our nation's success as the world's leading exporter.

California is one of the ten largest economies in the world with a gross state product of approximately $1.8 trillion. As one of the largest exporting states, with exports to 226 economies around the world, international-related commerce accounts for approximately one-quarter of California's economy.

The Coalition supports allowing California companies to compete more effectively in foreign markets, as well as to attract foreign business to California. Increased protectionism has not helped our economy in the past and it won't in today's increasingly global economy.

These Free Trade Agreements will ensure that the United States may continue to gain access to world markets, which will result in an improved economy and additional employment of Americans. The California Coalition for Free Trade urges your support of these FTAs that will continue to keep American and Californian businesses competitive. Thank you for your consideration.

Sincerely,

The California Coalition for Free Trade
(members listed below)

Cc: Members of the CA Congressional Delegation
Governor Jerry Brown, State of California

COUNCIL FOR INTERNATIONAL TRADE

CALIFORNIA CHAMBER of COMMERCE CalChamber

California Coalition for Free Trade
Member Companies
January 2011

- 32 South, Inc.
- Applied Materials,Inc.
- Arrowhead Credit Union
- Bay Area World Trade Center
- Bear Creek Winery
- Blue Diamond Growers
- California Business Ventures
- Cange International Inc.
- Caterpillar Inc.
- Chevron
Citigroup, Inc.
- CNA Insurance Companies
- De Avila Law Firm
- DHL Express
- El Camino College CITD
- Express Employment Professionals
- Fernandez Barragan & Associates
- Fillner Construction Inc.
- Fox Entertainment Group
- Fox Legal Group
- Foxx Hunter Farms
- Gathers Strategies, Inc.
- General Electric
- HBLA Certified Public Accountant
- Hitchcock Automotive Resources
- Hitchcock Commercial Properties
- Holtouse, Carlin & VanTright
- Hunter International
- Intel Corporation
- International Information Specialists
- International Technical Services
- Ironstone Vineyards
- Irvine Chamber of Commerce
- John Kautz Farms
- Kikkoman Foods Inc.
- LA Metro Hispanic Chambers of Commerce
- Long Beach Area Chamber of Commerce
- Los Angeles Area Chamber of Commerce
- Lyles Diversified, Inc.
- McKenna, Long & Aldridge
- Montebello Chamber of Commerce
- Monterey Bay International Trade Assn
- Moon Shot Communications
- Motion Picture Assn. of America
- News Corp
- North County BMW
- Northern California World Trade Center
- Northridge Toyota
- OceanWind International Inc.
- Oliva Global Communications
- Oracle Corporation
- Orange County Bus. Council
- Otis McAllister, Inc.
- Pacific Resources
- Paramount Farms
- Paulson Manufacturing Corporation
- Puente Hills Toyota
- RB International
- Ruiz Foods
- Safeway, Inc.
- San Dimas Chamber of Commerce
- Silicon Valley CITD
- South Bay BMW
- So. Orange Cty Regional Chambers of Commerce
- SunWest Foods, Inc
- The Boeing Company
- The California Parks Co.
- The Dow Chemical Company
- Toyota of Santa Barbara

- Voiland Enterprises
- WJ Byrnes & Co.

PUBLIC CITIZEN

215 Pennsylvania Avenue, SE • Washington, D.C. 20003 • 202/546-4996 • www.citizen.org

Testimony of Public Citizen's Global Trade Watch
House Ways and Means Committee Hearing on the
Pending Free Trade Agreements with South Korea, Panama and Colombia
January 25, 2011

Public Citizen is a national, nonprofit public interest organization with 150,000 members and supporters that champions citizen interests before Congress, the executive branch agencies and the courts. We thank Ways & Means Committee Chairman Dave Camp (R-Mich.), Trade Subcommittee Chairman Kevin Brady (R-Texas), Committee Ranking Member Sander Levin (D-Mich.) and Trade Subcommittee Ranking Member Jim McDermott (D-Wash.) for the opportunity to testify for the record on the proposed trade agreements with South Korea, Panama and Colombia.

Government and independent estimates show that approval of any of these trade agreements, which replicate many terms of the North American Free Trade Agreement (NAFTA) and the Central America Free Trade Agreement (CAFTA), will be a net negative for U.S. jobs, our economy, reining in Wall Street abuses, and the environment. Moreover, they will open a wide range of routine public interest policies to attack outside of the U.S. court system, where multinational corporations will be empowered to make claims on taxpayer funds for measures that interfere with investors' expectations or future expected profits. At a time of high unemployment, it would be politically perilous for any member of Congress to vote for any NAFTA-style trade deal that is expected to kill jobs, much less the most economically significant one since NAFTA.

This testimony will focus primarily on the U.S.-Korea "free trade agreement" (FTA), which is projected to cost American jobs, and which the government's own estimates suggest will increase the U.S. global trade deficit. But the NAFTA-style deals with Colombia and Panama are virtually identical, and have their own special problems, which we address at the end of the testimony.

Korea Trade Deal: An Increased U.S. Trade Deficit and More U.S. Job Loss

The Korea FTA is projected to be a net negative for the U.S. economy and jobs. In fact, the pact's chief negotiator, Ambassador Karan Bhatia, offered a frank assessment while he served as President George W. Bush's deputy U.S. trade representative. In an October 2006 speech to a Korean audience, Bhatia said that it was a "myth" that "the U.S. will get the bulk of the benefits of the FTA." He went on to say, **"If history is any judge, it may well not turn out to be true that the U.S. will get the bulk of the benefits, if measured by increased exports." He added that, in the instance of Mexico and other countries, "the history of our FTAs is that bilateral trade surpluses of our trading partners go up," meaning that the U.S. trade deficit with those countries increased.**[1]

A study by the Economic Policy Institute examined the U.S. historical experience with major changes in bilateral trade policy – namely changes in trade flows with Mexico and China after NAFTA implementation and Chinese World Trade Organization (WTO) accession, respectively. It used this as a basis to determine the likely impact of the Korea FTA on trade flows and jobs.[2] **EPI found that implementation of the Korea FTA would boost the U.S. trade deficit with Korea by $13.9 billion**

over the next seven years.[3] **This rise in the trade deficit, in turn, would cost the U.S. economy about 159,000 net jobs.**[4] This is equivalent to losing 90 percent of the manufacturing jobs in Detroit.[5]

Public Citizen conducted a similar exercise in our report "Lies, Damn Lies and Export Statistics: How Corporate Lobbyists Distort Record of Flawed Trade Deals," available at: http://bit.ly/hx3JJn. Examining the relative export growth record to the broader set of America's 17 FTA partners, we found that **American exports to FTA countries have on the whole grown at less than half the pace of U.S. exports to countries with which we do not have such pacts. If the difference between the FTA and non-FTA export growth rates for goods for each year were to be put in dollar terms, the total U.S. FTA export "penalty" would be $72 billion over the past decade.**[6]

The U.S. International Trade Commission (USITC), an independent federal body that analyzes the likely effects of trade agreements for Congress and the executive branch, made projections of the effects of the Korea FTA based on a mathematical model of the global economy (a computable general equilibrium [CGE] model). **The USITC found that the Korea FTA would result in an increase in the total U.S. goods trade deficit of between $308 million and $416 million.**[7] Imports are projected to increase by $5,100 million to $5,692 million, and exports will increase by $4,792 million to $5,276 million.

The December 2010 supplemental deal – which extended the time period for but did not eliminate the tariff phase-out for certain autos and trucks – does not alter these findings. That is because the USITC model looks at the change in trade flows when the agreement is fully implemented and tariffs are fully phased out. Given that the supplemental agreement did not alter ultimate tariff elimination, but only altered timelines for cuts, it does not alter the USITC findings of an increased U.S. trade deficit.

In announcing his intentions to send the Korea FTA to Congress, Obama said, "I am very pleased that the United States and South Korea have reached agreement on a landmark trade deal that is expected to increase annual exports of American goods by up to $11 billion and support at least 70,000 American jobs."[8] A fact sheet that accompanied the release said, "With the U.S. International Trade Commission (ITC) estimating that the tariff cuts alone in the U.S.-Korea trade agreement will increase exports of American goods by $10 billion to $11 billion, advancing this agreement will secure the tens of thousands of American jobs supported by those exports."[9]

> ***"If you want a trade policy that helps employment, it has to be a policy that induces other countries to run bigger deficits or smaller surpluses. A countervailing duty on Chinese exports would be job-creating; a deal with South Korea, not."***
> - Paul Krugman, "Trade Does Not Equal Jobs," The New York Times, Dec. 6, 2010

President Obama's use of the term "support" is critical, as noted in a *New York Times* story, "Few New Jobs Expected Soon from Free-Trade Agreement with South Korea."[10] At issue is the net total job impact. However, the figure Obama cites likely only reflects the ITC's projected gains of $10 billion to $11 billion in U.S. exports to Korea.[11] It is likely that Obama's jobs number was then derived by multiplying the estimated gain in bilateral exports by an exports-to-jobs ratio without including the estimated increase in imports. A recent International Trade Administration report estimated that every $150,000 in U.S. exports supports one American job.[12] Applying this exports-to-jobs ratio to the ITC figure yields an estimate of 66,667-73,333 jobs. This notably does not include the other side of the calculation – U.S. jobs lost to imports.

It is misleading to discuss just exports when examining the potential economic and jobs impact of trade agreements. Just as greater exports tend to support more jobs, greater imports tend to eliminate jobs – all else being equal. **The 70,000 figure ignores the USITC's import estimates entirely. If we were to account for the effects of imports, use this same method of jobs calculation and consider the**

USITC's estimate of the effect of the Korea FTA on the U.S. global trade balance (available on Table 2.3 on page 2-14 in the USITC report), we would find that the Korea FTA would cause a net loss of U.S. jobs, since the trade deficit will increase by $308-416 million. Even if only the USITC's projections on the bilateral trade flows with Korea were to be considered, more than 60 percent of the job gains from exports would be wiped out from job losses due to increased imports from Korea.

Given that the fundamental question is what the Korea FTA would mean for America's trade balance and thus jobs, it is worth understanding the seemingly conflicting data in the USITC report. At first glance the USITC study seems to suggest that the U.S. trade balance in goods (also known as merchandise) will improve by $3.3-4.0 billion because this is the projected change in the bilateral trade balance with Korea. However, due to the way that bilateral trade pacts affect global trade flows, the Korea FTA's results for overall U.S. trade balance in goods are dramatically different from the change in the bilateral balance with Korea. Chapter 2 of the USITC report explains: "The last row in table 2.3 reports the simulated changes in total U.S. trade in sectors analyzed in this simulation. Total U.S. exports of these commodities is expected to be higher by $4.8–5.3 billion, and total imports of commodities in this analysis is expected to be higher by $5.1–5.7 billion."[14] **Subtracting the import figures from the exports figures reveal that the USITC study predicts the total U.S. trade deficit in goods will increase by between $0.3 billion and $0.5 billion under the FTA.** This finding in sum is that the effect of *trade diversion* on U.S. exports is greater than the effect on U.S. imports, so the U.S. trade balance with the world (including Korea) will worsen after the FTA goes into effect, but the balance with Korea alone improves. **The bottom-line USITC finding of an increased U.S. trade deficit contradicts Obama's stated purpose for passing the FTA – to promote his goal of doubling exports to create two million jobs.**

Table 1: USITC Estimates of Trade Balance Effects of Korea FTA, Selected Industries

	Change in U.S. global trade balance (millions of dollars)[13]	
	Low	High
Motor vehicles and parts	($531)	($708)
Other transportation equipment	($340)	($293)
Electronic equipment	($790)	($782)
Metal products	($169)	($187)
Textiles	($169)	($190)
Apparel	($56)	($74)
Iron-containing metals	($65)	($75)
Total	($2,120)	($2,289)

The USITC study of the Korea agreement indicates that jobs may be lost in many high-wage industries, including auto manufacturing and electronics manufacturing. The average hourly earnings of workers in the electronic equipment manufacturing industry, projected to lose a significant number of jobs, were $30.38 in 2008.[15] This was 40.5 percent greater than the average hourly earnings of all workers employed in the private sector.[16] Table 1 shows what is driving these declines in employment in these industries: large rises in the trade deficit in these sectors, totaling up to $2.3 billion for motor vehicles and parts, other transportation equipment, electronic equipment, metal products, textiles, apparel and iron-containing metals.

Table 1, above, displays the USITC's estimates of the trade balance impact upon a few sectors of the U.S. economy where it projects the FTA will cause deficits: motor vehicles, electronic equipment, "other transportation equipment," iron, metal products, textiles and apparel. The USITC developed ranges for the statistically likely FTA effects, which are the "low" and "high" estimates in Table 1.

The auto manufacturing industry may lose a significant number of workers due to the FTA. Indeed, the Korea Automobile Manufacturing Association (KAMA) celebrated the December 2010 supplemental deal in the following terms: "The deal wiped off uncertainties in the world's largest automobile market and is forecast to drive up South Korean automakers' market share in the U.S. ... Small and mid-size auto parts makers will also benefit from the elimination of

tariffs."[17] The USITC study projected that once tariffs are phased out, the sizable bilateral trade deficit with Korea in autos and auto parts (Korean sent 500,000 autos here in 2010 while the U.S. exported less than 6,000 to Korea[18]) would increase by up to $1.3 billion.[19]

Koreans have not been purchasers of foreign cars. Given both strong "Buy Korean" social preferences and various non-tariff barriers, total import penetration is four percent. To try to expand U.S. exports to Korea, the supplemental negotiations concluded in December 2010 included a four-year waiver of Korean auto fuel efficiency and emission standards for U.S. imports as well as a waiver of Korean auto safety standards for up to 25,000 U.S. autos per U.S. Big Three maker – if there were demand for such cars. (That is to say that there is no guaranteed access for 75,000 additional U.S. cars.) Other Korean policies identified by the industry and the United Auto Workers as posing significant non-tariff barriers were not waived.

Further, the low 35 percent domestic content rule for vehicles to obtain duty-free treatment was not altered, meaning Korean assembled vehicles containing 65 percent Chinese and other inputs would gain duty-free entry into the U.S. market. (Korea's FTA with the European Union requires 55 percent domestic content to obtain favorable tariff treatment and NAFTA requires 50 percent.) The elimination of U.S. auto and truck tariffs and the low rule of origin requirements raise the question of whether Korean auto firms now producing cars in the United States would continue their operations. The average hourly earnings of American workers in the auto industry was $23.61 in 2008, 9.2 percent greater than the average hourly earnings of all workers employed in the private sector ($21.62).[20] According to the U.S. Bureau of Labor Statistics (BLS), total hourly compensation per worker, which includes both wages and benefits, was $36.35 for American workers in the auto sector and $23.30 for Korean workers in the auto sector in 2007, so compensation for American auto workers is about 56 percent higher.[21]

Interestingly, the USITC predicted that, were the Korea FTA implemented, there would be an absolute decline in the total value of exports in some manufacturing sectors, including electronic equipment, other transportation equipment and iron-containing metals, not just a worsening of the balance. For example, total U.S. exports of electronic equipment are expected to decline by $293 million to $381 million.[22] This is a particularly troubling development, since high-tech jobs are often touted as being the "jobs of the future."

The unfavorable U.S. employment effects of the Korea FTA projected by the USITC model can be thought of as the *minimum* level of employment displacement and trade deficit increase that the pact might bring about, given that past USITC projections have been overly optimistic. For example, a 1999 USITC study using roughly the same model estimated that China's WTO accession tariff offer would increase the U.S. trade deficit with China by only $1 billion dollars.[23] In reality, the trade deficit with China skyrocketed by $167 billion between 2001 and 2008.[24] Although China's WTO accession alone (and the favorable trade treatment that came with it) likely did not cause the entirety of the huge rise in the deficit with China, it almost certainly contributed more than the ITC's projected $1 billion dollars.

Lack of currency manipulation disciplines mean agriculture could also lose out

Proponents of the Korea FTA are advocating for its congressional passage by highlighting prospective gains for the U.S. agricultural sector related to tariff cuts. However, especially given Korea's past history of significant currency manipulation, it is worth noting that if Korea again devalued its currency, it could effectively cancel the benefits of the tariff cuts. Unfortunately, despite calls from various U.S. economic sectors to include safeguards against such devaluations,[25] the Korea FTA does not provide for penalties or adjustments if one party deliberately undervalues its currency. In other words, the new market access in Korea being promised by various government officials and agribusiness trade associations aimed at persuading farm state legislators to support the FTA could well turn out to be completely hollow.

Historically, Korea has been a chronic currency manipulator. Korea is one of only three countries (China and Taiwan being the others) that have ever been placed on the Treasury Department's list of currency manipulators.[26] During the mid to late 1980s, the Korean won was undervalued against the dollar by about 60 percent, meaning that all U.S. goods exported to Korea faced a barrier equivalent to a tariff of about 60 percent.[27] Korea's deliberate effort to keep its currency undervalued during this time prompted the Treasury Department to place it on the 1988 currency manipulators list.[28] In the early 1990s the value of the Korean won shifted so it was no longer undervalued, but in the late 1990s Korea rapidly acquired foreign exchange reserves and the won again became severely undervalued against the dollar by about 50 percent.[29]

If Korea again reverts to strategically undervaluing its currency to boost exports and reduce imports following implementation of the FTA tariffs cuts, for instance by again devaluing by 50 percent, then the FTA tariff cuts combined with the 50 percent devaluation of the Korean won would result in a net effective *increase* in Korean agricultural tariff equivalents of: 12 percent for beef; 25.2 percent for non-beef meat products; 46.7 percent for other animal products; 18.2 percent for vegetables, fruit, and nuts; 10.4 percent for dairy products; and 40 percent for miscellaneous food products.

Such currency devaluation following FTA implementation has happened in the past. A year after NAFTA went into effect, Mexico suddenly devalued its currency by 50 percent.[30] The devaluation of the peso negated NAFTA's tariff cuts, as noted by a former World Bank Chief Economist who wrote, "Nonetheless, it must be recognised that the real depreciation of the peso [in 1994], given its magnitude, was a larger influence on trade than was the entry into NAFTA. This is because the total reduction in tariffs at the end of 15 years would average only 10 per cent, in contrast with the 50 per cent real depreciation."[31] Due to the peso devaluation, American products became much more expensive for Mexican consumers, and U.S. agricultural exports suffered. For example, U.S. exports of beef and pork to Mexico in the first three years of NAFTA were 13 and 20 percent lower, respectively, than beef and pork exports in the three years before NAFTA was enacted.[32] Members of Congress should consider the NAFTA experience before making optimistic claims about supposed benefits to the beef and pork industries under the Korea FTA.

FTA Investment Terms a Threat to the Public Interest and Reining in Wall Street

The Korea trade deal's Investment Chapter 11 text includes private investor-state enforcement of extraordinary new substantive FTA-granted property rights with respect to a broadly defined array of investments, including in financial services. **Combining investor-state private enforcement with the Korea FTA's expansive substantive foreign investor and financial service terms would provide Korean firms operating in the United States greater rights than provided to domestic firms and investors under U.S. law** as interpreted by the U.S. Supreme Court. This would violate Congress' requirement that FTAs provide foreign firms "no greater rights."

Investor-state enforcement is not necessary or appropriate between two developed countries with well established rule of law and sound court systems. The ostensible purpose of the mechanism is to provide U.S. investors a stable investment environment, and the ability to adjudicate problems in countries without reliable domestic courts. This system is not even arguably necessary between two stable democracies with well-functioning court systems. The U.S.-Australia FTA did not include private investor-state enforcement.

The Korea FTA text would allow foreign investors to demand compensation from the U.S. government in foreign tribunals for "regulatory takings" and other claims that would not be allowed under U.S. law. The FTA definition of investment to which the new rights apply extends beyond U.S. law. It includes investment agreements between a government and a foreign firms with respect to natural resources, certain procurement construction activities and more; investment authorizations; enterprises; shares, stock, and other forms of equity participation in an enterprise; bonds, debentures, other debt instruments, and loans; futures, options, and other derivatives; turnkey, construction, management, production, concession, revenue-sharing, and other similar contracts; intellectual property rights; licenses, authorizations, permits, and similar rights conferred pursuant to domestic law; and other tangible or intangible, movable or immovable property, and related property rights, such as leases, mortgages, liens, and pledges. Moreover, the FTA text's "denial of benefits" language provides a loophole that could allow Korean subsidiaries of U.S. firms to use their status as "Korean entities" to challenge U.S. laws in foreign tribunals.

Past U.S. FTAs with investor-state enforcement have been with developing countries, except for Canada under NAFTA. This has reduced the prospects for challenges of U.S. laws somewhat, given relatively few investors from such countries operate within the United States. In contrast, the Korea FTA would be the first FTA since NAFTA with a major capital exporter that includes investor-state arbitration. This creates a much greater likelihood that U.S. state and federal laws would be challenged in foreign tribunals, exposing U.S. taxpayers to potential large new liabilities and threatening to undermine important public interest policies. According to Uniworld, the leading proprietary source on Foreign Direct Investment, there are roughly 80 Korean corporations with around 270 establishments now in the United States.[33] There are also hundreds of U.S. establishments in Korea that the FTA would newly empower to challenge Korean public interest laws in foreign tribunals.

To date, Canada under NAFTA is the only other developed, capital exporting country with which the United States has such an investment agreement. Canadian firms have used NAFTA's investor-state system to attack an array of U.S. environmental, health and other policies in foreign tribunals. The United States has to date dodged the bullet on the six of these challenges in which final rulings have been issued, mainly thanks to an array of errors by the challengers. In some of these cases, substantial amounts of U.S. taxpayer dollars were wasted defending lengthy cases that would not have been allowed in U.S. courts. Many millions in outstanding cases remain. This includes a $340 million challenges to the 1998 U.S. Tobacco Settlement and a Canadian drug firm disputing a patent issue already decided by the U.S. Supreme Court.[34]

Excluding investor-state from the Korea FTA was of special concern to the bipartisan National Conference of State Legislatures (NCSL), which wrote: *"Since South Korea is a sophisticated and developed trading partner, NCSL does not believe that an investor-state chapter should be negotiated into the U.S.-Korea FTA for fear that similar abuses may arise. Until we have further refined the FTA investor-state language to protect state sovereignty and federalism, we fear that it may be more dangerous to include revised yet still flawed investor-state language in the U.S.-Korea FTA than to forego the provision all together."*[35]

The FTA's Financial Services chapter reflects the pro–deregulation mentality that helped foster the worst financial crisis since the Great Depression. More than other FTAs, it has been justified for its role in pushing financial liberalization and deregulation. Bush administration fact sheets note: "The Financial Services Chapter of the United States-South Korea Free Trade Agreement … is a groundbreaking achievement, providing more extensive provisions related to financial services than ever before included in a U.S. FTA."[36] Citigroup's Laura Lane, co-chair of the U.S.-Korea FTA Business

Coalition, stated that "it is the best financial services chapter negotiated in a free trade agreement to date."[17] Does Congress want to support financial services policies celebrated by an administration and firm that wrecked the economy?

The FTA's financial provisions are especially troubling in the U.S.-Korea context. The U.S. Congress and the Korean parliament have implemented new financial regulations that could conflict with the FTA. The FTA's Financial Services chapter reads in the investor-state enforcement mechanism established in the Investment Chapter – thus empowering private investor attacks on domestic financial regulation and capital controls. There are at least 74 financial corporations cross-established in the United States and Korea that would be newly empowered to use the private investor-state enforcement rights in the FTA to attack U.S. and Korean financial policies, even if the U.S. and Korean government might refrain from using FTA government-government enforcement to challenge each other's domestic laws that conflict with the FTA.

The financial services chapter conflates liberalization of the financial sector and deregulation, simply banning many forms of regulation even when rules are applied equally to domestic and foreign firms. Like the WTO, CAFTA and the Peru FTA, the Korea FTA commits its signatory countries to refrain from limiting the size of financial institutions, imposing firewalls between the sort of financial services one firm may offer, banning toxic derivatives, or controlling destabilizing capital flights and floods. At the time that the U.S. Congress has worked to reregulate the financial sector, implementing a trade agreement negotiated pre-crisis that imposes constraints on regulation with the world's 15th largest economy (whose financial firms are operating here) is a breach of faith with the American public.

The FTA includes a "prudential measures" exception that unfortunately fails to protect financial stability measures. The Korea FTA prudential measures clause is much less deferential to regulators than that in NAFTA, but is identical to other FTAs negotiated by the Bush administration. It reads: "a Party shall not be prevented from adopting or maintaining measures for prudential reasons, including for the protection of investors, depositors, policy holders, or persons to whom a fiduciary duty is owed by a financial institution or cross-border financial service supplier, or to ensure the integrity and stability of the financial system. *Where such measures do not conform with the provisions of this Agreement referred to in this paragraph, they shall not be used as a means of avoiding the Party's commitments or obligations under such provisions.*" This self-cancelling language undermines the use of the defense to actually protect a financial regulation: a country would only need to use this defense if its policy did not conform with the FTA. In other words, a country would only be challenged because a foreign firm or government believed it violated an FTA obligation. To restate, this circular defense measure does not provide a reliable safeguard.

Investment terms in Panama agreement will make fighting tax havens more difficult

For decades, Panamanian governments have pursued an intentional tax haven strategy offering foreign banks and firms a special offshore license to conduct business.[18] Not only are these businesses not taxed, but they are subject to little to no reporting requirements or regulations. According to the OECD, the Panamanian government has little to no legal authority to ascertain key information about these offshore corporations, such as their ownership.[19] Last year, to test how simple it is to set up a shell corporation in Panama, Public Citizen assigned a 20-year old intern with no legal or accounting experience whatsoever, to set up a corporation in Panama over the telephone from the U.S. She could do so in a matter of moments.[20]

Because of Panamanian secrecy policies, precise numbers regarding the amount of the taxes lost to Panama do not exist. However, according to the U.S. Office of Management and Budget (OMB), eliminating tax evasion in tax havens overall could save U.S. taxpayers $210 billion over the coming decade,[41] while the Senate Homeland Security Committee estimates a savings five times as great.[42] Since Panama is one of the world's leading tax havens, the country is likely to account for a significant share of those revenue losses, which could be used to meet other urgent policy priorities at home. The OECD reports that the secrecy protections for lawyers in Panama are so high that they could be sent to prison for revealing information about clients, even when that information *is not* protected by attorney-client privilege.

Panama's financial secrecy practices also make it a major site for money laundering from throughout the world. According to the U.S. State Department, "Panama is a major logistics control and trans-shipment country for illegal drugs… major Colombian and Mexican drug cartels as well as Colombian illegal armed groups use Panama for drug trafficking and money laundering purposes… the funds generated from illegal activity are susceptible to being laundered through" Panamanian banks, real estate projects, and more.[43]

In late November, the Obama administration signed a tax information exchange agreement (TIEA) with Panama that does not require Panama to automatically exchange information with U.S. authorities about tax dodgers, money launderers and drug traffickers. In the TIEA protocol, Panama gave itself until the end of 2011 to make domestic legal changes to facilitate the non-automatic information sharing envisioned by the TIEA – which will only cover responses to specific, case-by-case requests after U.S. authorities have already obtained and provided to Panama a great deal of information about potential wrongdoers. The OECD's tax watchdogs stated that they would not give Panama the peer review seal of approval until there was sufficient time to see how well Panama's recent flurry of new tax reform commitments worked in practice. And certainly – before voting on any FTA – those in the U.S. Congress who have long raised concerns about Panama's financial secrecy will want to be able to verify that newly announced changes in Panama's policy are resulting in real changes in practice.

Finally, the U.S.-Panama FTA contains virtually identical investment and financial services provisions to the Korea FTA. In addition to all the same problems we identified above with respect to the Korea agreement, the Panama FTA would constrain one of the most important tools policymakers have in fighting financial crimes and wrongdoing – restrictions on transfers to and from the countries that provide financial secrecy like Panama. Moreover, the FTA gives the tax haven government of Panama and the 400,000 corporations registered there the new rights to challenge U.S. anti-tax haven policies for cash compensation outside of the U.S. judicial system. These are not speculative threats. Panama has actually threatened WTO cases against other countries' anti-tax haven measures.[44]

Colombia trade deal will worsen human rights

There will never be an acceptable U.S. FTA with Colombia until a Colombian government changes the on-the-ground-reality of the country's horrific labor and other human rights abuses. It is impossible to imagine Congress approving a trade pact with extreme human rights violators Burma or Sudan. Nearly 2,850 Colombian trade unionists have been killed since 1986 – more than the rest of the world combined. Only four percent of unionist murders have been prosecuted. Over 530 unionists have been murdered during the presidencies of Álvaro Uribe (with whom the FTA was negotiated by President Bush) and his successor Juan Manuel Santos (Uribe's former defense minister).[45] Human rights groups have documented collusion between Colombian governments and murderous paramilitary groups on these and other issues, including forced displacement and murders of Afro-Colombians.[46] The pact's corporate boosters argue that it is critical to U.S. national security because it will bolster Colombia against populist governments in the region. This is severely misguided: it is precisely the damage caused by NAFTA-style policies that turns people against the U.S. and leads to the economic instability on which populism feeds. Moreover, once we allow brutal regimes permanent access to our market, we lose whatever leverage we might have had to improve human rights.

The Colombia FTA is a threat to regional and international security: the FTA's agricultural rules will devastate small Colombian farmers, just as NAFTA's did in Mexico.[47] Displaced *campesinos* would add to the over 4 million Colombians already uprooted by that country's half-century long civil war.[48] As the Colombian government's own agriculture ministry concluded, the FTA will eliminate 35 percent of the jobs in crucial agriculture sectors like corn, rice, beans and more. As the Colombian Government's Agriculture Ministry stated, under the FTA without agricultural protections, rural Colombians "would have no more than three options: migration to the cities or to other countries (especially the United States), working in drug cultivation zones, or affiliating with illegal armed groups."[49]

The Colombia FTA endangers the environment – targeting the Amazon, the lungs of the planet. The upper Amazon basin in Colombia is among the most bio-diverse areas on earth, but is also very much at risk. Deforestation, horrific pollution, and health disasters from oil production and mining are widespread already. The FTA's special foreign investor privileges empower corporations to pillage the area for timber, mineral and energy resources, and would chill direly needed efforts to protect the Amazon basin.

Conclusion

The Obama administration had a chance to change course on the failed NAFTA-style trade policies of the past by renegotiating the trade deals with Korea, Panama and Colombia to better support jobs and the public interest. They did not take advantage of that opportunity, which now puts the onus on Congress to stand up for America and reject more-of-the-same flawed trade policy.

ENDNOTES

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Testimony for the Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

Ways and Means Committee
U.S. House of Representatives
January 25, 2011

STATEMENT OF J. PATRICK BOYLE, PRESIDENT and CEO, AMERICAN MEAT INSTITUTE, WASHINGTON, D.C.

Mr. Chairman, Congressmen Camp, and distinguished Members of the Committee, I would like to thank you for the opportunity to testify before you today. My name is Patrick Boyle, president and CEO of the American Meat Institute, the largest and oldest meat and poultry trade association in the United States. AMI represents America's meatpackers and processors and their suppliers. Our member companies process 95 percent of red meat and 70 percent of turkey in the U.S. Headquartered in Washington, D.C., AMI monitors legislation, regulations and media activity that impacts the meat and poultry industry and provides rapid updates and analyses to its members to help them stay informed. In addition, AMI conducts scientific research through its Foundation, a 501(c) (3) organization, designed to help meat and poultry companies improve their plants and ensure the safety of their products.

The U.S. meat and poultry industry is defined to include not only the production of meat and poultry-based products, but meat distribution and retailing. A 2009 Meat and Poultry Industry Economic Study measured the combined impact of meat and poultry processing as well as hides, skins, leather and meat byproducts. This industry is a proud contributor of approximately $832 billion to the U.S. economy, or just under 6 percent of U.S. gross domestic product (GDP) and, through its linkages, impacts firms in all 509 sectors of the U.S. economy. Our companies and their subsidiaries generate directly and indirectly 6.2 million jobs in the United States. Through direct employment of 1.8 million people, our industry pays $45.5 billion in wages and benefits. The industry accounts for 524,000 jobs in production, packaging, trade operations, sales, packaging and direct distribution of meat and poultry products.

The meat and poultry sector is the largest sector of U.S. agriculture, however continued growth and sustainability is not guaranteed. As U.S. per capita meat consumption has leveled off or declined in recent years, we must look to export markets for our industry to thrive and expand. With the increasing economic strength of emerging and traditional markets such as China, the Middle East, Japan, Canada, Mexico and Russia and subsequent growth in consumer purchasing, consumers in these markets are demanding higher quality products with an emphasis on food safety. The United States is known for its high quality meat and poultry products and our reputation for and emphasis on food safety is solid.

Although the importance of exports is increasing to all sectors of our industry — with exports accounting for 18.9 percent of U.S. pork production, 19.8 percent of poultry production, and 9 percent of beef production in 2010 — U.S. meat exporters face significant trade barriers in overseas markets and competitors who are aggressively seeking new markets. The industry often faces unjustified and unscientific barriers to trade and spends a considerable amount of resources to combat these barriers. Simply put, loss of any of these potentially huge markets will mean the loss of growth opportunities throughout our industry here at home.

The future prosperity, growth and sustainability of America's meat and poultry sector is invariably linked to the success we have in expanding our markets abroad. The negotiation and implementation of Free Trade Agreements (FTAs) and other trade expanding arrangements will produce jobs and increased opportunities for America's meat and poultry sector and offer new opportunities for rural America.

Unfortunately, time is of the essence, because our competitors are moving quickly to gain market access and consumer loyalty to many of the most lucrative export markets. If we are determined to avoid this opportunity cost while helping to contribute to the President's National Export Initiative of doubling exports in five years, we must pass, as soon as possible, the pending FTAs with Korea, Colombia and Panama. These three FTAs are the low hanging fruit on the tree, offering a relatively easy growth opportunity that is within our grasp to implement and start realizing benefits immediately.

The FTAs with South Korea, Colombia and Panama represent substantial and immediate growth opportunities in both revenue and jobs for America's meat and poultry sector. In 2010, although the final numbers are not available as of the date of this hearing, the value of U.S. exports of meat, poultry and related products is estimated at $12.9 billion, up from $9.4 billion in 2007. According to USDA's Economic Research Service (ERS), U.S. meat exports are predicted to rise to 7.1 million metric tons in 2019 up from 5.9 million metric tons in 2009. However, for this potential to be realized we must act now to secure access to key growth markets and demonstrate our commitment to reducing trade barriers and promoting open and fair trade.

In 2010, AMI worked closely with the National Pork Producers Council, Iowa State University, ERS, U.S. Meat Export Federation and the USA Poultry and Egg Export Council to derive estimates on the impact of full implementation of these three FTAs on U.S. exports and job creation. Results of the impact study found that passage of the three FTAs currently pending — with South Korea, Colombia and Panama —would represent an additional **$2.3 billion in exports** and the creation of **29,524 new jobs**. Many of these jobs are in rural areas of the U.S. where prospects of true economic development are seldom presented. The chart below details the impact these FTAs would have on the meat and poultry industry:

Export and Job Creation Opportunities for the U.S. Beef, Pork, and Poultry Industries
with Adoption of the Free Trade Agreements with Korea, Colombia, and Panama

Market	U.S. Exports 2009 ($millions)	Potential U.S. Exports ($millions)	Change ($millions)	Jobs Created
FTA Beef Access (once FTAs are fully implemented and all duties eliminated)				
Korea **	216.0	1,600	1,384.0	17,577
Colombia	0.4	30.0	29.6	375
Panama	2.5	8.0	5.5	70
Total FTA Beef	218.9	1,638.0	1,419.1	18,022
*** Korea FTA potential is also impacted by expected recovery of pre-BSE export value*				
FTA Pork Access				
Korea	182.9	870.0	687.1	9,161
Colombia	7.1	76.0	68.9	919
Panama	2.5	18.5	16.0	213

Total FTA Pork	192.5	964.5	772.0	10,293
FTA Poultry Access (potential in five years w/o trade issues)				
Korea	40.0	98.0	58.0	687
Colombia	12.0	40.0	28.0	332
Panama	9.0	25.0	16.0	190
Total FTA Poultry	61.0	163.0	102.0	1,209
Total FTA Beef, Pork, Poultry	472.4	2,765.5	**2,293.1**	**29,524**

Contributors: U.S. Meat Export Federation, National Pork Producers Council, USDA Economic Research Service, USA Poultry and Egg Export Council, American Meat Institute

The data reveal that passage of the agreements could increase U.S. exports of beef by $1.4 billion, pork by $772 million and poultry by $102 million. The jobs resulting from this growth, both in the commodity groups and downstream, would include an estimated 18,000 jobs in the beef industry, 10,300 jobs in the pork industry and 1,200 jobs in the poultry industry. Trade numbers are based on projections from the respective commodity groups. Job creation data is based on employment multiplier projections from ERS and industry groups which estimate:

- For every $1 billion in beef exports, 12,700 jobs are created.
- For every $1 billion in pork exports, 13,333 jobs are created.
- For every $1 billion in poultry exports, 11,853 jobs are created.

The recent progress made on the FTA with Korea (KORUS) is a sign that with perseverance, there is promise of progress. KORUS, if ratified, would be the biggest shot in the arm to the meat and poultry industry since the passage of the North American Free Trade Agreement (NAFTA) in 1994. In a nutshell, the agreement will phase out all tariffs on meat and poultry products over the next 12-15 years, and ensures that Korea recognizes the equivalence of the U.S. food safety inspection system for meat and poultry. KORUS puts U.S. producers and processors on an equal playing field with their competitors abroad who have already forged these treaties. Other third-country suppliers recognize the time-sensitive opportunities available when completing an FTA with Korea and are working aggressively to get to the finish line before we do.

For the pork industry, passage of KORUS will mean that by the time tariffs are phased out, Korea will be the largest U.S. export market, doubling the amount of pork we currently sell to our largest foreign customer, Japan. In the U.S. this would result in an additional $825 million worth of pork exports, creating an additional 11,000 U.S. jobs.

For the poultry industry, it's an equally appealing picture. Passage of KORUS could triple U.S poultry exports to Korea to more than $150 million, or 125,000 tons annually. Over the first 10 years of this agreement, $720 million in exports are expected to be generated along with the creation of 8,500 new American jobs.

For the beef industry, which is still working to regain what was lost when BSE was first discovered in the U.S. in 2003, KORUS represents a promise of hope. Recent export numbers underscore the fact that Korean consumers are regaining their faith in the safety of U.S. beef and are purchasing our products. Beef exports are expected to surpass 100,000 MT in 2010, at a value of over $450 million — nearly quadruple what was sold in 2006. Passage of the FTA would mean an additional $1.3 billion in beef exports, creating an additional 17,000 badly needed American jobs.

However, the trade expansion deals between the U.S. and South Korea, as well as the deals with Panama and Colombia have been awaiting Congressional approval for years, and as I mentioned earlier, our competitors are taking advantage of our hesitation to get these agreements signed. Australia is aggressively working to beat us to the finish line and get a FTA with Korea, ensuring that exports of Australian meat and poultry products, in addition to other agricultural goods, will have immediate market-access advantage over U.S. products in the Korean market. The unfortunate reality of trade is that while we sit on our hands, our competitors are seizing market shares that could be ours and will be difficult to win back later.

The restrictionists and isolationists here in the U.S. who are busy building walls to keep these agreements from ever being passed must sooner or later realize that there is a booming world outside of the borders of the United States and those 6.5 billion consumers are quickly gaining affluence and seeking to consume more quality meat and poultry products, as well as other American goods. If they don't buy them from us, there are plenty of other suppliers out there who will be happy to sell to them.

In the economic times in which we find ourselves, when opportunity knocks, if you do not open your door before your competitor does, then you will miss an opportunity. In his first State of the Union address, President Obama correctly insisted that, "Jobs must be our number-one focus in 2010." We agree with him and believe that this also applies to 2011. He also correctly noted that the "more products we make and sell to other countries, the more jobs we support right here in America." The tables we provided on passage of the three FTAs underscore the truth of those words as well.

Mr. Chairman, Congressmen Camp and Members of the Committee, we appreciate the time that you have taken to listen to this testimony and your efforts to plot a steady course forward on expansion of trade opportunities. Hopefully, Congress will be able to push past the political barriers that have blocked passage of these agreements in the past and demonstrate that our leaders in Washington have enough faith in the determination and ingenuity of the American people to allow us the opportunity to compete fairly in these highly sought after global markets. If Congress fails to do so, American agriculture will lose these opportunities to our competitors in other countries. Thank you again for your time and commitment to increasing U.S. agricultural exports.

THE FINANCIAL SERVICES ROUNDTABLE

Financing America's Economy

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January 25, 2011

The Honorable Dave Camp
Chairman
Committee on Ways and Means
Washington, D.C. 20515

The Honorable Sandy Levin
Ranking Member
Committee on Ways and Means
Washington, D.C. 20515

Dear Chairman Camp and Ranking Member Levin:

The Financial Services Roundtable ("Roundtable") applauds the Ways & Means Committee for moving expeditiously in the 112th Congress to highlight the pending free trade agreements (FTAs) with South Korea, Colombia and Panama. The Roundtable believes the United States' economic interests are served best by promoting open and fair trade among all nations.

We urge swift passage of all three pending free trade agreements (FTAs). These agreements will bring down barriers to the delivery of financial services, including: foreign ownership limitations, license quotas, product and service restrictions, client restrictions, non-transparent regulation, and restrictions on the cross-border supply of services. Increased access to markets abroad will provide the American financial sector with domestic job growth and help continue our economic recovery.

We can no longer afford to stand by as other countries reap the benefits from new bilateral and multilateral trade agreements that aggressively open foreign markets. The Roundtable stands ready to work with you to push ratification and implementation of these FTAs without delay.

Best Regards,

Steve Bartlett
President and CEO

TESTIMONY OF THE NATIONAL MILK PRODUCERS FEDERATION & THE U.S. DAIRY EXPORT COUNCIL BEFORE THE HOUSE COMMITTEE ON WAYS AND MEANS REGARDING THE PENDING FREE TRADE AGREEMENTS WITH COLOMBIA, PANAMA AND SOUTH KOREA AND THE CREATION OF U.S. JOBS

January 25, 2011

Chairman Camp, Ranking Member Levin, and members of the committee, the National Milk Producers Federation (NMPF) develops and carries out policies that advance the well being of dairy producers and the cooperatives they own. The members of NMPF's 31 cooperatives produce the majority of the U.S. milk supply, making NMPF the voice of more than 40,000 dairy producers on Capitol Hill and with government agencies. The U.S. Dairy Export Council (USDEC) is a non-profit, independent membership organization that represents the export trade interests of U.S. milk producers, proprietary processors, dairy cooperatives, and export traders. The Council was founded in 1995 by Dairy Management Inc. (DMI), the farmer-funded marketing, promotion and research organization, to build global demand for U.S. dairy products and assist the industry in increasing the volume and value of exports.

While historically the U.S. dairy industry has not been heavily dependent on exports, our foreign sales have been on an upward trend for the past several years. In fact, the U.S. dairy industry has become a significant player in the world market, and these markets are playing a greater role in determining prices for dairy products in the United States.

Although the U.S. has recently negotiated and implemented numerous trade agreements, none of these new partnerships will provide the level of opportunity to expand exports as in the case of the Korea Free Trade Agreement. Indeed, the Korea – U.S. Free Trade Agreement (KORUS FTA) will provide the best opportunity since the U.S. – Mexico portion of the North American Free Trade Agreement to expand U.S. dairy exports. Our industry is very eager to take advantage of this remarkable opportunity, particularly considering the speed with which Korea has negotiated FTAs with other major dairy exporters such as the European Union.

Upon implementation of the FTA, the U.S. dairy industry will gain immediate open access for whey for feed uses, as well as tariff-free access for approximately 16,000 metric tons of cheese, milk powders, whey for food uses, and other important dairy products. Furthermore, U.S. exporters will achieve additional market access in Korea as all dairy tariffs except those on milk powders are ultimately phased out completely. This will help to grow a very restricted and high-value market that accepted only $77 million in U.S. dairy exports in 2009. Without this agreement in place, the U.S. potentially stands to lose even its current share of the Korean import market, as Korea continues to negotiate trade agreements with U.S. competitors such as the EU, Australia and New Zealand.

We estimate that the benefit to the U.S. dairy industry over the first several years of the agreement will be on the order of an additional $380 million per year on average. (This figure assumes the U.S. is able to make full use of the new market access opportunities negotiated for in the KORUS FTA; our industry sincerely hopes that this will be the case.)

Most of this growth will be the result of improved access for U.S. cheese, whey, skim milk powder, and certain other processed dairy products. These additional exports will help bolster milk prices for America's dairy farms, and help to support additional jobs in the dairy processing and transportation sectors. Based on Commerce Department multipliers, we estimate that such an increase in U.S. dairy exports would mean as many as 10,000 additional U.S. jobs, on and off the farm. (This figure similarly assumes the U.S. is able to make full use of the new market access opportunities negotiated for in the KORUS FTA; our industry sincerely hopes that this will be the case.)

The delay in implementing this agreement since it was signed has cost our sector many potential new jobs at a time when we, and the U.S. economy, could least afford it. Korea is too much of a prize for job creation and cannot wait any longer. In order to make the most of market possibilities abroad and create jobs here in the United States, we need to reject any further postponement of this agreement.

We greatly appreciate this opportunity to point out the strong expected benefits that our industry anticipates deriving from an implemented Korea-U.S. FTA, particularly one that allows the U.S. to maximize the range of opportunities envisioned at the time of the signing of this agreement. Our industry has a strong desire to see this Committee move forward with passing this agreement swiftly.

In addition to wishing to see the Korea-U.S. FTA approved at the earliest opportunity, we remain strongly supportive of the U.S. FTAs with Colombia and Panama, and we would like to see them also ratified by Congress. We estimate that the benefit to the U.S. dairy industry over the first several years of each of these agreements will be on the order of an additional $25 million per year (per FTA), on average. As is the case with the Korea-U.S. FTA, the economic gains estimated here assume the U.S. is able to make full use of the new market access opportunities negotiated in each of these FTAs; our industry sincerely hopes that this will be the case.

In conclusion, advancement of these FTAs, and particularly of the Korea-U.S. FTA in light of the anticipated benefits it would bring to our dairy industry if we are permitted to make full use of its promise, remains one of best shot we have at trying to improve the situation our industry faces here and abroad.

In order to best support the interests of the agricultural industries represented by this Committee, as well as many other sectors of the economy, we urge members of this committee to pass the Korea FTA swiftly so the House of Representative can take action and, with Senate approval as well, the agreement could be implemented. Similarly, we look forward to working closely with the Committee to also ensure timely and near-term approval of the Colombia and Panama FTAs.

We appreciate the opportunity to provide comments on this important issue to this committee. Thank you.

[redacted]

June 2, 2011

The Honorable Dave Camp
Chairman
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Camp and Ranking Member Levin:

On behalf of the Retail Industry Leaders Association (RILA), I write to offer retailers' perspectives on tax reform for your committee's hearing today titled "How Business Tax Reform Can Encourage Job Creation." RILA supports tax policies that will improve the business climate for retailers, both domestically and internationally, by helping them continue creating jobs, investing in this country, and bring price-competitive value to American consumers.

By way of background, RILA is the trade association of the world's largest and most innovative retail companies. RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Its members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales, millions of American jobs and more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Growth-Orient Tax Reform: Lower Business Tax Rate

The retail industry is vital to our nation's economy, representing one of the largest industry sectors in the United States with nearly 15 million jobs and $3.9 trillion in annual sales overall in 2010. The industry pays billions of dollars in federal, state, and local income taxes, and collects and remits billions more in state and local sales taxes. At the federal level, retail taxpayers typically have among the highest effective tax rates, hitting the top statutory rate of 35 percent in many cases. As you consider tax-reform options, one of the most far-reaching options that the Committee could endorse would be a reduction in the federal tax rates on business income.

The last major overhaul of the system occurred with the enactment of the Internal Revenue Code of 1986, which substantially reduced the corporate tax rate along with major restructurings to the corporate and individual tax system. Over the ensuing 25 years, Congress has made thousands of changes to the tax code increasing its complexity and tax rates, resulting in greater burdens for American businesses. Today, the United States has nearly the highest statutory tax rate on corporate income, which has a number of significant ramifications for U.S. retailers.

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Overall, high corporate taxes reduce the availability of critically needed capital for business to invest in their workforce. A number of studies confirm that a significant share of corporate taxes is borne by labor. Thus, a reduction in the tax burden will free companies to create new jobs, increase real wages and income, and improve standards of living for U.S. workers. With the unemployment rate hovering around 9 percent nationally, this is a critical opportunity for Congress and the Administration to reverse the job losses that have occurred over the past several years.

Moreover, our current high corporate tax rate hinders retailers' ability to maintain their existing operation and invest for the future. Especially in the current economic environment where the flow of private-sector capital has been constrained, a lower tax rate would free up essential corporate earnings for investments in new equipment, facilities and products. Similarly, it would enable retailers to retain more of their earnings to reinvest for the long-term growth of their companies, which will contribute to nation's economic recovery and ultimately to sustained economic expansion.

Looking beyond the domestic benefits, a lower corporate tax rate also holds significant potential for improving the competitiveness of U.S. businesses. In recent years, a growing number of U.S. retailers have expanded into the global marketplace. Yet, the United States is set to have the highest corporate tax rate in the world once Japan implements its proposed rate reduction, and the United States remains one of the only countries with a system for taxing worldwide income. As a result, the United States has created a difficult environment for its multinational businesses to compete in the global economy. And further exacerbating this situation, other members of the Organisation of Economic Cooperation and Development (OECD) have been pursuing measures to reduce their tax rates. Lowering the U.S. corporate tax rate would help level the playing field for U.S. multinationals and encourage companies to keep jobs and investments in this country. At the same time, it is important to recognize the tremendous growth in the number of businesses operating as pass-through entities (e.g., sole proprietorships, partnerships, limited liability companies, and S corporations), including some RILA members. These business taxpayers are critically important to the U.S. economy and must be taken into consideration in the debate if overall tax reform is to be successful.

For the foregoing reasons, RILA applauds the Chairman's call for a significant reduction in the rate applicable to U.S. corporations and other forms of business. We encourage the Committee to endorse this approach as a step toward improving the business climate for retailers, both domestically and internationally, which will help the retail industry continue creating jobs, investing in new equipment and technologies, and contributing to the nation's long-term economic growth.

Principles for a Simpler, Permanent and Stable Tax System

While we believe a reduction in the business tax rates is fundamental to successful reform of the tax code, we also recognize that myriad other aspects of the tax law must be examined in the

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overall effort to broaden the tax base and simplify the tax code. To contribute to that goal, RILA has developed the attached a set of tax reform principles. These principles represent a foundation on which a tax system can be built that will achieve necessary revenues while minimizing the burdens and complexities of our current tax system, which stifle innovation, hinder job creation, and deter overall economic growth.

Fundamental to any successful tax reform is a simple, permanent, and stable tax system. While RILA strongly endorses the objectives underlying tax reform, we urge the Committee to be cognizant of this imperative. Every day, businesses across the country struggle with the increasingly complex tax code. Current law requires a substantial number of employees, advisors, and time for the required tax compliance, including tax accounting and reporting. Moreover, the current system also forces retailer to expend enormous resources to undertake annual audits by the Internal Revenue Service (IRS), which often entail a lengthy and costly process for resolving frequent disputes over the application of the tax laws and regulations.

Clearly, a simplified tax system would mean significant savings for taxpayers and the IRS by lowering compliance costs, reducing filing burdens, and minimizing disputes between taxpayers and the government, freeing resources to be put to more productive use.

Similarly, business taxpayers would benefit greatly from a tax law that is stable and predictable. Over the past two decades, dozens of provisions have been added to the tax code, many well intended and achieving their particular employment, investment, or other objective. Yet, in too many cases, these provisions were added on a temporary basis, even when the tax policy objective should have been permanent. Examples particularly relevant to the retail industry include 15-year depreciation for improvements to retail and restaurant property, the research and development tax credit, the Work Opportunity Tax Credit (WOTC), and the controlled foreign corporation look-through rules, to name a few. And, compounding the tenuousness of these provisions are recent instances when they have expired and taxpayers have been left with no certainty of even retroactive renewal until nearly the end of the year in which the tax provisions were supposed be effective.

Long-term planning is essential for business success, and with federal and state taxes playing such a significant role in retailers' financial decision making, the continual expiration and uncertainty of renewal of so much of the tax code has had adverse consequences – it has forced increased tax reserves, postponed investments in new facilities and improvements, and held back critically needed new jobs.

Accordingly, RILA urges the Committee to resist including temporary provisions in tax reform legislation. While we appreciate that significant changes to the current tax system will necessitate the need for transition rules, which are inherently temporary, we encourage the Committee to establish such rules that provide adequate time for implementation of a new tax system and that take into account existing agreements, practices, and other requirements without letting them become new expiring provisions that become another source of uncertainty.

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This country is in desperate need for an efficient and effective tax system. Once that is achieved, the temptation to make on going changes must be resisted.

Additional Retail Considerations for Tax Reform

For RILA members, the need for lower tax rates and a simple, stable and predictable tax code are top priorities for tax reform. As the Committee examines all the contours of tax reform, we also offer some considerations on select issues that have been of historic importance to the retail industry.

Inventory Accounting Methods

In the context of broadening the base, inventory accounting methods are often referenced as tax expenditures or benefits that could be eliminated. RILA strongly believes that such a view is erroneous and misguided. Any effective tax system must have rules to determine which goods are sold in a given year and which remain in a business' inventory for future sale. Similarly, procedures are necessary to determine the cost of the merchandise sold and the value of the products that remain in ending inventory for a business to clearly reflect its income that is subject to tax.

Without such rules, businesses would be forced to employ a system of specific identification, with each product sold having to be traced back to its original purchase price. In the retail environment such a system would be simply infeasible. A retailer may have hundreds of thousands of products for sale on a given day in hundreds of stores across the country. Moreover, a retailer will continually purchase quantities of a single product (e.g., style and size of a shirt, type of hammer, particular quantity of a brand of aspirin, etc.) in order to maintain a sufficient supply for sale. Since each product is indistinguishable from the other, it would impossible to assign the actual cost to the product at the time it is ultimately sold.

Given that inventory accounting methods are indispensable, RILA submits that they should be treated as fundamental operating rules, not a tax expenditure or other benefit that could be eliminated to offset other tax reforms, such as a reduction in tax rates.

The existing inventory accounting methods, on which retailers have relied for decades, enable retailers to assign costs to the goods sold and reflect their income clearly. For the retail industry, these inventory accounting methods include the first-in/first-out (FIFO) method, the last-in/first-out method (LIFO), and the retail inventory method. For purposes of determining a company's remaining inventory at year end, financial and tax accounting rules also permit businesses in certain cases to write down the book value of an inventory item – under the lower-of-cost-or-market (LCM) method – to take into account a decrease in the economic value of the item offered for sale.

We are concerned by the Administration's proposals in its budget submissions to repeal LIFO and LCM (particularly under the retail inventory method), both of which are widely used within the retail industry. For many retail businesses, LIFO is a much more accurate method for measuring financial performance and calculating the associated income tax. LIFO takes into account the greater costs of replacing inventory as costs rise, thereby giving a more conservative measure of both the financial condition of the business and the economic income subject to tax. Absent LIFO, phantom profits would be taxed, which would be inconsistent with the fundamental principle of U.S. tax law that unrealized appreciation in the value of assets is ordinarily not taxed.

LIFO repeal would have two adverse effects on countless retail businesses. First, they would have to recapture their LIFO reserves, which would result in substantial additional cash required to pay the resulting income tax, even if spread over several years, especially for businesses that have relied on LIFO for many years or even decades. This would amount to an enormous retroactive tax increase by repealing fully authorized deductions from income with respect to products sold, in many cases years or decades in the past. Moreover, since companies would have no economic income from such an accounting adjustment, they would effectively be taxed on non-existent cash flow. Second, LIFO repeal would create future tax increases for businesses if inflation accelerates as some expect due to the fiscal imbalances facing the United States. Since inflation increases prices, a business that can no longer utilize LIFO would have to calculate its taxable income based on older inventory costs that do not reflect the inflationary growth in prices, resulting in a higher future tax bills with less earnings available for growth, capital investment, and job creation.

Similarly, the LCM method allows retailers to write down the book value of their ending inventory that has declined in economic value, which frequently occurs with products like clothing at the end of a season or when particular styles change. The loss in value is a real economic loss, and these methods allow businesses to recognize the loss in the year it occurs rather than having to wait until it is able to dispose of the inventory. Moreover, any recovery in the value of the inventory in a subsequent year is not lost since the business would then recognize a larger amount of taxable income in the year the inventory is sold.

Repeal of the LCM method would mean higher taxes on a retailer that would no longer be able to account for a current economic loss in inventory value when it occurs. In addition, during economic downturns, the value of the LCM write-down will also grow, especially under the retail inventory method as retailers are forced to mark down retail prices. Thus, the repeal of the LCM method would have an even greater adverse effect on businesses' tax liabilities in a down economy, at a time when businesses can least afford additional tax liabilities.

Overall, inventory accounting methods are essential to any tax system. And, to achieve the goal of simplicity, stability and predictability, such accounting methods should be simple to apply in order to ensure proper compliance and predictably enforced by the IRS to minimize disputes.

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Investment in Workforce

Fundamental to every retail business is its workforce of sales associates, managers, and company executives, and for retail businesses to grow, whether by brick-and-mortar stores or online, requires a dedicated workforce to make the retail sales that ultimately contribute significantly to the overall economy. From that perspective, reducing the tax burden on American businesses holds significant potential for job creation by allowing retailers to invest tax savings in their workforce along with retail facilities.

Depending on the degree to which the tax rates are reduced, RILA urges the Committee to evaluate the continued benefits of providing employment incentives, such as the WOTC, which are intended to increase employment of individuals from specific targeted groups. Historically, the WOTC has helped offset the added costs of hiring and training individuals who rely on public assistance programs or are qualified veterans, disabled persons, low-income seniors, high-risk youth, or residents of designated areas. And, through these credits, businesses have helped disadvantaged individuals find meaningful employment in retail and other settings.

If the WOTC is retained as part of overall tax reform, which RILA would support, it should be made permanent, rather than perpetuating its current temporary status with periodic, and often retroactive, extension. Moreover, consideration should be given to simplifying the program to reduce the associated compliance costs. A permanent and simplified program would remove uncertainty in business planning, expand employer participation, and improve program administration.

Investments in Capital Assets

Along with its workforce, retailers must maintain an inviting, modern shopping environment to attract and maintain customer loyalty. Investment in new stores and facilities is an enormous financial undertaking that can be influence greatly by the tax treatment of that investment along with the treatment of repair and remodeling costs, which typically occur every five to seven years. Whether a large format retail operation or a smaller store, retailers spend significant resources on "build out" and other improvements to reflect changes in their customer base and to compete with newer stores.

As the cost recovery rules are considered, RILA urges the Committee to ensure that they reflect the true economic life of the property. It is well established that the current 39-year depreciation period for buildings often bears little relationship to the economic life of such structures and even less to building improvements and upgrades required in successful retail businesses. The current 15-year recovery period for retail and restaurant remodeling costs is a step toward such an economically reflective cost recovery, although the period still exceeds the true life of the improvements in many cases. In order to achieve an accurate reflection of the income derived in large measure through such property, RILA believes that retailers, whether they own or lease their stores, should depreciate such improvements over their economic useful lives, rather than based on an arbitrary and substantially longer recovery period set out in the tax code.

Similarly, RILA urges the Committee to examine rules governing the capitalization of expense relating to capital assets versus those permitting the deduction of expenses for maintenance and repairs. The complexity and ambiguities surrounding such rules lead to ongoing disputes with the IRS, with substantial amounts of time and money spent to resolve issues, in some cases year after year. Clear rules would free up resources, facilitate investment in new facilities as well as improvements to existing ones, and ultimately support overall business growth and job creation.

International Tax Reform

RILA applauds the Committee's efforts to examine the international implications of tax reform on the competitiveness of U.S. businesses operating in the global economy. A growing number of U.S. retailers have expanded into the global marketplace in recent years through the establishment of both retail operations in other countries as well as subsidiaries that strengthen the supply-chain of goods and services they provide to their customers. With the United States being one of the last countries to tax worldwide business income and soon to have the highest corporate tax rate, U.S. retailers operating and looking to expand abroad face significant competitive barriers. These obstacles not only constrain a retailer's ability to grow internationally, but also cost the United States the well-paying jobs that a company typically must add to oversee such global operations.

As the tax reform debate progresses, we urge the Committee to continue examining the international tax regime and consider moving the United States to some form of a territorial tax system. With the United Kingdom and Japan most recently embracing such a construct for the taxation of foreign subsidiaries of their domestic companies, the United States should not be left behind while putting U.S. multinationals at a further disadvantage to their global competitors. We appreciate that shifting to a territorial tax system raises a number of challenges such as the treatment of intangible property, transfer pricing rules, and business expense allocation rules. Nevertheless, we believe that the benefits that such a system could bring in terms of simplification, improved competitiveness, and reduction in economic distortions would far exceed any challenges.

Retailers compete every day for consumers' loyalty and spending. The nation's tax rules, domestic and international, should foster their success – not erect competitive barriers – especially as retailers continue to expand into the global marketplace.

Individual Tax Reform

While not directly affecting the business income tax system, the individual tax rules have a significant indirect impact on the retail industry. Individual tax rates and taxable income have a direct effect on consumer spending as well as on their ability to save and invest, which is an

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important source of capital for retail businesses. Accordingly, RILA applauds the Committee's recognition that tax reform should not be undertaken piecemeal, but rather comprehensively. And, RILA urges the Committee to give careful consideration to the effect that tax rates, as well as other components of the individual tax code like the alternative minimum tax, have on consumer spending, which contributes to the overall growth in the economy and businesses ability to increase capital for investment and job creation.

Conclusion

Thank you for this opportunity to present our views on tax reform. RILA and its members look forward to working with the Committee to enact meaningful tax reform that includes provisions that support the retail industry and help it to continue to create jobs and grow.

Sincerely,

Bill Hughes
Senior Vice President, Government Affairs

RILA

PRINCIPLES FOR TAX REFORM

- ***Keep tax rates low*** – Enabling individuals to keep more of what they earn encourages savings and enables them to make purchases of needed consumer products, which also has the benefit of providing a major stimulus to the economy including sustained, improved retail sales. Similarly, low tax rates help American businesses by increasing capital for investment and job creation.
- ***Enact simple, predictable and easy to understand tax rules*** – A tax system that individual and business taxpayers can easily understand will improve compliance and reduce the cost of tax administration.
- ***Establish tax rules that are consistent with economic reality*** – For business taxpayers in particular, tax rules need to result in appropriate timing and accurate reflection of income without arbitrary rules that, for example, delay deductions beyond the period in which the income is earned or set depreciation periods inconsistently with the real economic life of the property.
- ***Ensure the tax system fosters business competitiveness and promotes economic growth*** – In an increasingly global economy, the tax system should not hinder the ability of U.S. businesses to compete internationally as well as domestically against foreign firms. A tax code that treats business fairly and equitably will minimize burdens on compliance and decision-making, thereby enhancing the productive capacity of U.S. businesses and the U.S. economy.
- ***Implement reforms that ensure industry-specific neutrality*** – Business decisions should be based on economic benefits of the particular transaction, not driven by special tax benefits targeted to one industry versus another. The economy does not benefit when the tax code chooses winners and losers. Accordingly, tax reform should allow the marketplace, not the tax system, to allocate capital and resources appropriately.
- ***Avoid a whole-scale change in the tax base*** – Dramatic shifts in tax policy, such as implementing a national retail sales or value-added tax, would be immensely disruptive to the economy and particularly detrimental to lower-income workers and families.
- ***Make changes permanent and ensure certainty*** – A new tax system must be permanent and stable, not littered with expiring provisions that cause uncertainty for families saving for college and retirement and business striving to expand, create jobs, and remain competitive in the United States and abroad.
- ***Provide realistic transitions rules*** – Significant changes to the current tax system will create substantial burdens on taxpayers, especially in the business sector, to ensure compliance. Establishing transition rules that provide adequate time for implementation and that take into account existing agreements, practices, and other requirements is essential for the success of any new tax system.
- ***Recognize that tax revenues are one part of fiscal discipline*** – As with any business, long-term fiscal viability requires careful management of *both* revenues and expenses. The tax-revenue lever can only be pulled so much and so often before it harms the business sector (with resulting effects on tax revenues from businesses, employees, and investments). Equal attention must be given to government spending to strike a reasonable balance with a tax code that fosters economic growth, job creation, and investment.

AMTAC American Manufacturing Trade Action Coalition NCTO NATIONAL TEXTILE ASSOCIATION

USIFI AMERICAN FIBER MANUFACTURERS ASSOCIATION, INC.

House Committee on Ways and Means

Hearing on the Pending Free Trade Agreements

Statement for Record

January 25th 2011

As representatives of the nearly 600,000 person fiber, textile and apparel sector, we are writing to you today to express our concerns regarding job losses that will occur in the sector if the United States-Korea Free Trade Agreement (KORUS) is passed. We have analyzed the agreement carefully and come to the unfortunate conclusion that the textile portions of the KORUS agreement are seriously flawed. If passed in its current form, the agreement will open the U.S. market to a massive one-way flow of sensitive textile products from South Korea, as well as illegal Chinese imports, while providing no new export business to our textile manufactures and workers.

Unfortunately, instead of expanding markets, the KORUS will result in the continued outsourcing of valuable textile, apparel, and other manufacturing jobs. Using export projections from the United States International Trade Commission (USITC) and other U.S. government analysis, we are very concerned that 40,000 textile and related jobs could be lost under the KORUS. With our nation struggling through one of the worst economic periods in its history, we believe this agreement sends the wrong message to our workers and to American voters.

The KORUS agreement represents the second largest free trade agreement (FTA) that the United States has entered into behind the North American Free Trade Agreement (NAFTA). In contrast to recent trade agreements, the KORUS is also the first agreement since NAFTA where the country in question has a large developed textile sector which exports significant amounts of textile products to the United States.

During the last 40 years, Korea has become a large textile-producing country with a vertically integrated industry as a result of extensive support from its government. In 2009, Korea was the second largest exporter of textile yarns and fabric to the United States. From a bilateral perspective, U.S. textiles and apparel imports from Korea are more than double times the value of our exports to Korea. This relationship in trade added $629 million to the U.S. trade deficit in the last twelve months alone.

Overall, Korea has substantial capability to produce finished goods for export, while they have limited ability to consume finished goods manufactured in the United States. As a result, we are greatly concerned about the KORUS agreement and the impact it will have on our industry and our ability to remain competitive in the global marketplace.

Our principal concerns include accelerated tariff phase-outs that do not give U.S. producers time to adjust, non-reciprocal tariff phase-outs that favor the Korean textile industry in key products, and strong evidence that Customs' ability to enforce this agreement will be ineffective. These concerns will have two simultaneous effects: 1) Korean textile producers will sharply increase exports of products to the U.S. industry while keeping their own industries safe behind tariff barriers, and 2) China will follow past practice and transship textile and apparel products at zero duty through Korea. Other major concerns include the vulnerability of key textile sectors to Korean dumped and undervalued goods and omissions in the rule of origin which allow Chinese producers to take advantage of the agreement to legally ship certain textile components under the agreement.

Tariff Phase Out

Contrary to the precedent established in the NAFTA agreement and all succeeding FTAs, 86% of textile and apparel product lines are duty free immediately under KORUS and an additional 10% fall under the 5 year phase. This is the first time an administration has allowed a large number of sensitive products from a country with a sophisticated textile industry to receive immediate access to the U.S. market.

The agreement also provides South Korea with a more generous and expedited tariff elimination schedule than what is afforded U.S. producers and exporters for certain products. Noting that the purpose of this agreement is to provide fair and equitable treatment to all parties, it is concerning that our own government would put our domestic industry at such a severe disadvantage.

Let us provide a pertinent example. South Korea exports of polyester fiberfill have entered the United States under anti-dumping orders for the past 15 years. This dumping case passed two sunset reviews, the last of which was successfully completed prior to the end of the KORUS negotiations. However, the KORUS agreement immediately removes the U.S. duty on polyester fiberfill, defeating the purpose of the anti-dumping rule and defying logic of equal trade negotiations.

As another example, in 2007, DuPont invested $500 million to significantly expand production of its high-performance DuPont™ Kevlar® para-aramid brand fiber for industrial and military uses in Cooper River, South Carolina. DuPont manufacturers and exports the fabric Kevlar, a super-tough flame retardant industrial textile. Kevlar and fabrics like it are made of the same tough fibers called aramids. DuPont is the main manufacturer of Kevlar worldwide, and South Korea is one of two major competitors in the aramids sector. In KORUS, South Korea will be allowed to export aramids to the U.S. with immediate duty free treatment, while access for DuPont is phased in over five years, putting DuPont at a direct disadvantage.

Customs Enforcement

The KORUS customs enforcement language is modeled on antiquated language in the original NAFTA agreement and is deeply flawed. Customs' own statistics for CAFTA and NAFTA show rapidly increasing fraud as dramatic reductions in Customs ability to intercept and deter illegal activity in these trade agreements.

These concerns are magnified by the fact that Korea has a proven history of both dumping manmade fiber textile products in the U.S. market (as well as elsewhere) and of transshipping goods from China, where Korean textile firms have made significant investments. Currently there are 18 anti-dumping and countervailing duty orders in place against U.S. imports from Korea. To the best of our knowledge, this is first U.S. trade agreement in history that extinguishes tariffs on a product covered by a U.S. anti-dumping order.

Retaining ineffective Customs language derived from a 15-year old agreement leaves the U.S. textile industry and its workers vulnerable to large-scale illegal imports from China through Korea. As a result, the industry fully expects Chinese textile exporters to be a primary beneficiary of the KORUS agreement.

All of these concerns were reinforced when The Korean Federation of Industries stated that it expects Korean textile exports to increase by 25 percent during the first year of the agreement. The Congressional Research Service also cited an ITC study delivered to USTR before the negotiations began which concurred that Korea textile producers, not U.S. producers, are expected to be big winners if this agreement is enacted into law.

We would also note that while KORUS will give South Korean goods duty-free entry into the U.S. market, U.S. exports to Korea will be subjected to a 10% Value Added Tax (VAT). It is important to address this inequity as part of any trade agreement as border taxes are another persistent example of foreign practices that place domestic companies at a competitive disadvantage.

The U.S. textile industry voiced its concerns regarding KORUS to the Bush Administration and the Office of the United States Trade Representative (USTR) when the agreement was first signed and then again to the Obama Administration this summer when it became apparent the they were prepared to renegotiate certain texts. Unfortunately, the Administration chose not to pursue these concerns, and the final textile chapter remains unchanged from its hastily negotiated text finalized in 2007.

As it now stands, KORUS will inflict swift, accelerating, and lasting damage across the American textile and apparel sector supply line, including fiber production, yarn spinning and texturizing, fabric weaving, knitting and finishing, and end product assembly. We expect to see a significant increase in job losses as well as the U.S. trade deficit as a consequence of this flawed agreement and the failure to address these concerns.

A recent analysis by the Economic Policy Institute estimates that 159,000 good paying American jobs will be lost if the KORUS agreement passes Congress. Of that total, we estimate that between 9,300 and 12,300 jobs will be lost in the U.S. textile and apparel sectors as a result of (legal) KORUS trade. U.S. government figures show that approximately three additional jobs are lost to the U.S. economy for each textile job that is eliminated; this increases the job loss estimate to nearly 40,000 textile and related jobs due simply to the textile text in the KORUS agreement. It is important to note that these figures do not account for the job losses as a result of illegal Chinese transshipments which are expected to be significant.

With job creation a central priority for Congress, we do not believe that the KORUS agreement meets that goal of expanding markets and creating U.S. jobs. We continue to urge that the textile chapters of the agreement be renegotiated to ensure that the U.S. textile industry and the jobs the industry provides in our communities are not put in danger. However, in light of the fact that the reasonable requests made by the industry were ignored, we have no choice but to oppose the agreement.

Thank you for providing us the opportunity to provide comments on the U.S.-Korea Free Trade Agreement. If you have any questions or require additional information, please do not hesitate to contact us.

Sincerely,

Cass Johnson
President
National Council of Textile Organizations

Auggie Tantillo
Executive Director
American Manufacturing Trade Action Coalition

Karl Spilhaus
President
National Textile Association

Ruth Stephens
Executive Director
U.S. Industrial Fabrics Institute

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International Dairy Foods Association
Intel Corporation
Corn Refiners Association
Herbalife Ltd.
National Cattlemen's Beef Association
National Potato Council
Council of the Americas
California Coalition for Free Trade
Public Citizen's Global Trade Watch
American Meat Institute
The Financial Services Roundtable
National Milk Producers Federation & U.S. Dairy Export Council
Retail Industry Leaders Association
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HOUSE WAYS AND MEANS COMMITTEE

HEARING ON

PENDING FREE TRADE AGREEMENTS (FTAs)

AND JOB CREATION

January 25, 2011

STATEMENT BY

STEPHEN J. UBL

PRESIDENT AND CEO

THE ADVANCED MEDICAL TECHNOLOGY ASSOCIATION (AdvaMed)

AdvaMed
Advanced Medical Technology Association

We thank the Committee for holding this important hearing today on the pending free trade agreements (FTAs) between the United States and some of our trading partners and the impact of FTAs on U.S. job creation. We strongly support the efforts to expand market access for U.S. products abroad through new FTAs as one means of increasing U.S. competitiveness in a global economy.

AdvaMed is the world's largest medical technology association. AdvaMed represents the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. AdvaMed is proud to represent an industry that brings new hope to patients around the world. U.S. companies are still benchmark manufacturing leaders in terms of total production, innovation and highest quality products. Our member companies manufacture nearly 90% of the $94 billion U.S. health care technology market, and nearly 50% of the $240 billion of medical technology products that are purchased globally each year. In 2009, U.S. exports in medical devices and diagnostics totaled over $33.2 billion.

The size of AdvaMed member companies spans the full spectrum from large multinationals to very small start-ups. About two-thirds of AdvaMed members are small in size but are among the most dynamic in terms of innovation. Indeed, the medical technology industry is fueled by intense competition and the innovative energy of small companies – firms that drive very rapid innovation cycles among products, in many cases creating new product iterations every 18 months. Accordingly, our US industry succeeds most in fair, transparent global markets where products can be adopted on their merits without excessive regulatory hurdles or inappropriate reimbursement policies.

Medical technology products improve people's lives and contribute to economic progress. In a world of shrinking healthcare resources, medical technology products are an investment in our most valuable resource – the health of our people. The returns on that investment are the long-term benefits that can be achieved when we provide the resources needed for the best medical care. These benefits include greater quality of life, productivity and economic competitiveness.

Impact of Free Trade Agreements on Medical Technology Exports

Because of the relative size of the Korean market for medical technology, compared to the markets in Colombia and Panama, we have devoted limited staff time to focus on the Korea-U.S. Free Trade Agreement (KORUS). Also, the KORUS has specific provisions addressing the concerns of the medical technology industry. Provisions in the FTAs with Colombia and Panama, such as the elimination of tariffs on medical devices and diagnostics, would lower costs for our members' products entering those markets.

The KORUS illustrates the benefits that FTAs can bring to the medical technology sector and to job creation in the U.S. Korea is an extremely important market for United States medical technology exporters. According to the U.S. Department of Commerce, Korea is the fifth largest export market for U.S. medical device manufacturers. U.S.

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manufacturers exported over $700 million worth of medical technology products to Korea in 2009, while Korea exported $253 million in medical technology products to the United States. The U.S. International Trade Commission estimates that the Korean medical device market will grow 10-15 percent in the next several years. With a growing economy, the Korean people will come to demand an even higher level of health care and, with it, will come increased U.S. export opportunities. AdvaMed views the implementation of the Korea-U.S. Free Trade Agreement as an opportunity to increase exports of medical technology products to this expanding market.

However, access to the Korean market is currently limited by excessive tariffs; pricing and reimbursement policies that discriminate against foreign manufacturers; burdensome product-testing requirements; and inappropriate requirements to register products in their country of origin and re-register following a change in manufacturing location. Korea was not a party to the Uruguay Round "zero-for-zero" tariff elimination initiative for medical devices, and maintains import tariffs on a range of medical technology products, including most of our top export categories.

AdvaMed strongly supports adoption and implementation of the U.S.-Korea FTA as quickly as possible as it will serve to assist in eliminating tariffs and non-tariff measures applied to medical technology products by Korea. We anticipate that implementation will provide greater access and a more equal competitive arena for U.S. medical technology in the Korean market. The effect of implementation of the U.S.-Korea FTA will be to increase the availability of medical technology in the Korean market, thereby allowing increased access by Korean patients to the most innovative technologies and treatment options.

The U.S.-Korea FTA is the first U.S. free trade agreement with specific provisions for the medical technology industry. Chapter 5 of the FTA contains a number of protections for the medical technology industry, and also attempts to address many of the concerns that have been experienced by our industry and that remain pervasive. Some of the provisions most beneficial to the medical technology industry include the following:

- The agreement acknowledges the importance of access to medical technology to the provision of high quality health care and the importance of patented products in reducing other more costly expenditures;
- It provides for the promotion of innovation and timely and affordable access to safe and effective medical devices through transparent and accountable procedures;
- It calls for fair, reasonable and non-discriminatory procedures for the setting of reimbursement prices that are mainly derived from market competition;
- In instances where non-competitive practices define reimbursement rates, the manufacturer is permitted to apply for increased level of reimbursement based on the product's safety or efficacy;

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- Transparency of regulations and rules affecting medical technology is provided, including advance publication of rules prior to implementation with a reasonable opportunity (at least 60 days) to provide comment;
- Requests for approval or reimbursement for medical technology products will be processed within a reasonable timeframe;
- Applicants will be provided within a reasonable and specified time all procedural rules, methodologies, principles, and criteria, used to determine pricing and reimbursement for medical technology, including detailed written information regarding the basis for the decision or recommendation;
- Applicants will be provided timely and meaningful opportunities to provide comments at relevant points in the pricing and reimbursement decision-making processes;
- An independent review process will be provided that may be invoked at the request of an applicant directly affected by a recommendation or determination;
- Reimbursement decision-making bodies will be open to all stakeholders, including innovative and generic companies; and
- A membership list of all committees related to the reimbursement and pricing of pharmaceutical products and medical devices will be made publicly available.

Additionally, under the FTA's strong dispute settlement provisions, implementation of the FTA will mean that the medical technology industry will gain very important procedural safeguards against arbitrary and non-transparent reimbursement and regulatory decisions by Korea.

The implementation phase of the agreement is critical in ensuring the success of these provisions and will offer challenges to maintain their letter as well as spirit. The negotiation of these provisions and their inclusion in the FTA is a tribute to the effort by USTR, working with our industry.

We view these as essential protections that will better ensure a more competitive, less arbitrary market in Korea. Implementation of the FTA will ensure these hard won provisions are brought to life.

Impact on U.S. Jobs

The medical technology industry is a powerful economic driver in the United States. In the United States in 2008, the medical technology industry employed 422,778 workers; paid $24.6 billion in salaries; and shipped $135.9 billion worth of products.

Until 2003, the United States ran a significant trade surplus in medical technology products. The U.S. industry is witnessing a slow-down in the value of exports, largely as

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a result of foreign government reimbursement and regulatory policies. The industry needs U.S. Government support to address these issues and to eliminate other market access restrictions.

Examining the industry on a state by state basis, according to recent data, the median figure for all states in the United States indicates the following:

- Each medical technology job generates an additional 1.5 jobs in that state.
- Each medical technology payroll dollar generates and additional $0.90 in earnings in that state;
- Each dollar of medical technology sales generates an additional $.90 in sales in that state.

Implementation of the FTA would help United States retain and expand jobs in the U.S. Decreasing tariff and non-tariff barriers will obviously lead to more sales of U.S. medical technology products in Korea. Implementation of the FTA would therefore benefit not just the medical technology sector, but also would create positive collateral benefits to the U.S. economy as a whole. These benefits are in addition to the benefit that will accrue to the Korean people, benefits derived from obtaining the most innovative products, increased patient choice and treatment options, and improved quality of life.

Non-implementation would put us at a disadvantage because, as other nations establish FTAs with Korea, the U.S. domestic industry would face increased competition. For example, some U.S. firms manufacture in the European Union (EU), which has negotiated an FTA with Korea. If, as a result, shipping manufactured medical technology products from the EU becomes more cost-effective than shipping it from U.S. manufacturing plants, valuable jobs could shift overseas.

Conclusion

The United States must negotiate and implement strong FTAs as one means of providing a level playing field for U.S. firms and improving U.S. competitiveness in the global market place. We cannot afford to cede U.S. leadership on international trade to other countries. The KORUS provides an illustration of the benefits that FTAs can bring to the U.S. medical technology industry. These benefits are the result of improvements in market access that the agreements provide. This improved market access will help U.S. medical technology firms increase their exports, with a direct and strong impact on employment in the United States. Adoption of FTAs will benefit U.S. workers, the U.S. economy, and patients overseas.

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ANNEX I

Medical Devices – Harmonized Tariff Schedule (HTS) Codes

HTS Heading	HTS Description	Tariff Rate in Korea's 2005 Schedule
2844.40	Radioactive elements and isotopes	0
3005	Wadding, gauze, bandages and similar articles for medical, surgical, dental or veterinary purposes	0
3006.10	Sterile surgical catgut, similar sterile suture materials and sterile tissue adhesives for surgical wound closure and similar sterile material	0
3006.20	Blood-grouping reagents	0
3006.30	Opacifying preparations for X-ray examinations; diagnostic reagents designed to be administered to the patient	0
3006.40	Dental cements and other dental fillings; bone reconstruction cements	0
3006.50	First-aid boxes and kits	0
3407 *Excluding 3407.00.2000 (modeling clay)*	Preparations of dental wax or dental impression compounds; other dental preparations of plaster	6.5
3821	Prepared culture media for development of micro-organisms	6.5
3822	Diagnostic or laboratory reagents on a backing and prepared diagnostic or laboratory reagents	3822.00.10.00-3822.00.10.90: 0 3822.00.10.91: 6.5 3822.00.10.92: 8 3822.00.10.93: 0 3822.00.10.99: 8 3822.00.20.11-3822.00.20.90: 0 3822.00.20.91: 6.5 3822.00.20.92: 8 3822.00.20.93: 0 3822.00.20.99: 8
4015.11	Surgical gloves, of vulcanized rubber other than hard rubber	8
4015.19.0510	Medical gloves, of natural rubber	8
4015.19.0550	Medical gloves, other	8
4206.10.30	Articles of gut for use in the manufacture of sterile surgical sutures	8
6115.12.10	Surgical panty hose of synthetic fibers	13
6115.19.20	Surgical panty hose of other textile materials	13

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6115.92.30	Surgical stockings of cotton	13
6115.93.30	Surgical stockings of synthetic fibers	13
6307.90.60	Surgical drapes of fabric formed on a base of paper or covered or lined with paper	10
6307.90.68	Surgical drapes of spunlaced or bonded fiber fabric; disposable surgical drapes of man-made fibers	10
6307.90.72	Other surgical drapes	10
6307.90.89	Surgical towels	10
8419.20	Medical, surgical or laboratory sterilizers	0
8419.90.5040, 8419.90.9040	Parts and accessories for medical, surgical or laboratory sterilizers	0
8543.89.85	Electrical machines and apparatus for electrical nerve stimulation	0
8713	Carriages for disabled persons, whether or not motorized or otherwise mechanically propelled	0
8714.20	Parts and accessories of carriages for disabled persons	0
9001.20	Sheets and plates of polarizing material	8
9001.30	Contact lenses	8
9001.40	Spectacle lenses of glass, unmounted	8
9001.50	Spectacle lenses of other materials	8
9003.11	Frames and mountings of plastic	8
9003.19	Frames and mountings of other materials	8
9003.90	Parts for frames and mountings, spectacles, goggles or the like	8
9004.10	Sunglasses	8
9004.90	Spectacles, goggles and the like, protective	8
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, and electro-medical apparatus and sight-testing instruments; parts and accessories thereof	8
9019 *Excluding 9019.10.2020 and 9019.10.2030 (hand-held massagers and parts thereof)*	Mechano-therapy appliances; massage apparatus; psychological aptitude testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus; parts and accessories thereof	0
9020.00.60	Breathing appliances and gas masks	8
9020.00.90	Parts and accessories for breathing appliances and gas masks	8
9021	Orthopedic appliances, including crutches, surgical belts and trusses;	0

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	splints and other fracture appliances; artificial parts of the body; hearing aids and other appliances which are worn or carried, or implanted in the body, to compensate for a defect or disability; parts and accessories thereof	
9022 *Excluding 9022.19.0000, 9022.29.4000, 9022.29.8000, and 9022.29.0700 (non-medical equipment; smoke detectors and parts thereof)*	X-ray equipment	8
9025.11	Liquid filled clinical or veterinary thermometers	8
9025.19.00.40, 9025.19.80.40	Other clinical thermometers	8
9402	Medical, surgical dental or veterinary furniture and parts thereof	0
9608.20.0000*	Felt-tipped and other porous-tipped pens and markers.*	8

Source: U.S. Harmonized Tariff Schedule, Advanced Medical Technology Association, Korea 2005 Tariff Rate Schedule as reported on the APEC Tariff Database

*Note: Skin markers for surgery are included in this category; if the tariff cannot be removed from the entire category, AdvaMed recommends creating a more specific eight- or ten-digit code for the surgical markers and lift the tariff on that code.

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ANNEX II

Top 10 U.S. Medical Technology Exports to Korea, 2005

HTS Heading	HTS Description	U.S. Dollars	Tariff Rate in Korea's 2005 Schedule	Est. Cost of Tariff in 2005
3822000002	Diagnostic or laboratory reagents on a backing and prepared diagnostic or laboratory reagents	$60,375,932	0	-
9001200000	Sheets and plates of polarizing material	$59,222,040	8	$4,737,763
9018908000	Instruments and appliances used in medical, surgical, dental or veterinary sciences, and electro-medical apparatus and sight-testing instruments	$54,706,123	8	$4,376,490
9018390030	Bougies, catheters, drains and sondes and parts and accessories	$30,466,031	8	$2,437,282
9022140000	X-ray equipment	$23,303,338	8	$1,864,267
9018120000	Ultrasonic scanning apparatus	$22,946,442	8	$1,835,715
9018906000	Electro-surgical instruments and appliances and parts and accessories	$21,185,957	8	$1,694,877
9018199560	Parts and accessories for electro-diagnostic apparatus	$19,734,740	8	$1,578,779
8419200000	Medical , surgical or laboratory sterilizers	$18,614,420	0	-
9018130000	Magnetic resonance imaging apparatus	$18,614,420	8	$1,489,154
Total (Top 10)		**$329,888,696**		**$20,014,327**
Total Export Value		**$623,185,405**		

Source: U.S. Department of Commerce, U.S. International Trade Commission, Korea 2005 Tariff Rate Schedule as reported on the APEC Tariff Database

american apparel &
footwear association

January 25, 2011

The Honorable Dave Camp	The Honorable Sandy M. Levin
Chair	Ranking Member
Ways & Means Committee	Ways & Means Committee
U.S. House of Representatives	U.S. House of Representatives
1102 Longworth House Office Building	1102 Longworth House Office Building
Washington, DC 20515	Washington, DC 20515

RE: January 25, 2011 Hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs

Dear Chairman Camp and Ranking Member Levin:

Thank you for providing us this opportunity to provide this written testimony for today's hearing on the Pending Free Trade Agreements with Colombia, Panama, and South Korea and the Creation of U.S. Jobs.

The American Apparel & Footwear Association (AAFA) is the national trade association representing the apparel and footwear industries, and their suppliers. Our members produce and market sewn products throughout the United States and the world. In short, our members make everywhere and sell everywhere.

On behalf of AAFA and its members, I applaud you for calling this hearing to showcase the importance of these pending free trade agreements to U.S. workers, U.S. businesses and U.S. consumers. We share your desire to move not only the Korea-U.S. Free Trade Agreement, but also the U.S.-Columbia and U.S.-Panama Trade Promotion Agreements through Congress as soon as possible.

Congressional approval and U.S. government implementation of these agreements will play a crucial role in driving the U.S. economic recovery. Therefore, we pledge to work with you to make quick passage and implementation of these important free trade agreements a reality.

These agreements have been pending for far too long, with American workers and American businesses paying the price in lost jobs and lost business as we stand on the sidelines. In the apparel and footwear industry, we have seen firsthand the costs of waiting.

U.S.-Colombia Trade Promotion Agreement (TPA)
Since the U.S.-Colombia Trade Promotion Agreement was signed on November 22, 2006, U.S. apparel imports from and U.S. textile exports to Colombia fallen by over half, jeopardizing thousands of U.S. textile and apparel jobs.

In the four years since the agreement was signed, the *Andean Trade Promotion & Drug Eradication Act* (ATPDEA), a unilateral trade preference program which provides duty-free access to the U.S. market for apparel from Colombia made from U.S. textiles, has been allowed to almost lapse and has been extended a total of 6 times, the most recent being a paltry extension of six weeks, through February 12, only a few weeks away. These short term extensions have created immense uncertainty that has driven apparel and trade out of the region and has threatened the very existence of this mutually beneficial relationship.

It is important to emphasize here that Congress has approved, in most cases by unanimous or voice vote, the extension of the ATPDEA a total of six times in the last four years. ATPDEA is a unilateral trade preference program that provides duty-free access to the U.S. market for virtually all products from Colombia while offering NO access for U.S.-made and U.S.-grown products to the Colombian market. Meanwhile, the U.S.-Colombia TPA, upon implementation, immediately eliminates duties on virtually all U.S. products entering the Colombian market.

In our industry, quick passage and implementation of the U.S.-Colombia TPA would provide the certainty that U.S. textile manufacturers and U.S. apparel firms both need to continue and grow their mutually beneficial relationship. Not only is the TPA permanent, it also provides additional incentives to grow this relationship by immediately eliminating duties on all U.S. textile exports to Colombia upon implementation of the TPA.

Finally, the TPA provides incentives to U.S. footwear firms to diversify their sourcing, bringing back footwear to this hemisphere and offering U.S. footwear materials suppliers new opportunities to export their products.

Korea-U.S. Free Trade Agreement (KORUS FTA)
U.S. apparel, footwear and textile manufacturers, and their suppliers, have been forced to leave money, and U.S. jobs, on the table since the Korea-U.S. Free Trade Agreement (KORUS FTA) was signed on June 30, 2007. For the past 3 ½ years, U.S. apparel, footwear and textile manufacturers have been forced to forgo opportunities to enter or expand in to the lucrative and fast-growing Korean market at a time when they have had to endure worst economic recession in U.S. history.

The KORUS FTA offers, upon implementation, immediate duty-free entry for U.S. apparel and textile manufacturers into what is their 12th largest export market and for U.S. footwear manufacturers into what is their 5th largest market.

With U.S. apparel, footwear and textile manufacturers already exporting over $250 million worth of product to Korea, the potential the KORUS FTA provides to these companies, and the thousands of U.S. workers they employ, should not be ignored.

U.S.-Panama Trade Promotion Agreement (TPA)
Like the other two agreements, 3 ½ years of opportunities have already been lost since the U.S.-Panama Trade Promotion Agreement (TPA) was signed on June 28, 2007. The U.S.-Panama TPA offers U.S. apparel, footwear and textile firms a range of new opportunities.

The TPA provides duty-free access for apparel from Panama made from U.S. textiles. Further, the TPA provides incentives to U.S. footwear firms to diversify their sourcing, bringing back footwear to this hemisphere and offering U.S. footwear materials suppliers new opportunities to export their products.

Again, the time has come for Congress to immediately approve, and the U.S. government to immediately implement, the long-pending free trade agreements with Colombia, Korea and Panama. We look forward to working with you towards accomplishing this laudable goal.

Thank you for your time and consideration in this matter. Please contact Nate Herman of my staff at 703-797-9062 or nherman@apparelandfootwear.org if you have any questions or would like additional information.

Please accept my best regards,

Kevin M. Burke

Kevin M. Burke

President & CEO

Securities Industry and Financial Markets Association
Emergency Committee for American Trade
National Oilseed Processors Association
California Table Grape Commission (Colombia)
California Table Grape Commission (Korea)
American Forest & Paper Association
USA Rice Federation
National Grain and Feed Association
Distilled Spirits Council of the United States, Inc.
PepsiCo
American Natural Soda Ash Corporation
Campbell Soup Company
ConAgra Foods
American Association of Port Authorities
International Dairy Foods Association
Intel Corporation
Corn Refiners Association
Herbalife Ltd.
National Cattlemen's Beef Association
National Potato Council
Council of the Americas
California Coalition for Free Trade
Public Citizen's Global Trade Watch
American Meat Institute
The Financial Services Roundtable
National Milk Producers Federation & U.S. Dairy Export Council
Retail Industry Leaders Association
American Manufacturing Trade Action Coalition, National Textile Association, U.S. Industrial Fabrics Institute, American Fiber Manufacturers Association
The Association of Colombian Flower Exporters
The Advanced Medical Technology Association
American Apparel & Footwear Association
Consumer Electronics Association

Securities Industry and Financial Markets Association
Emergency Committee for American Trade
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The Association of Colombian Flower Exporters
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20 January 2011 2 pages

The Honorable Senator Dianne Feinstein
United States Senate
Washington, D.C. 20510

Dear Senator Feinstein:

Our 117 year young San Francisco global food and beverage company wishes to express our strong Support of the proposed U.S. FTA's with Colombia, Panama and South Korea. We export Martinelli's gold medal apple juice, Sun Maid raisins, Sunsweet prunes and many other California grown / packed products to these markets for decades. We need your help to pass these agreements and make our natural, healthy, popular local products more competitive in these loyal export markets. Please!

On a personal note, the first time we met was in 1979, just after you became Mayor of our beloved San Francisco. You spoke at a monthly dinner meeting of the International Trade Council, before about 200 young professionals working at the many import/export, shipping lines, and global businesses downtown. As President, I was honored to present you and your assistant, George Broder. Coincidentally, George was a neighbor of my wife, S.F. Prima Ballerina, Nancy Dickson. We both still enjoy a great friendship with George & wife, Wendy.

I also enjoyed a fun lunch with you in 1980 onboard a Gran Colombiana vessel docked at Pier 32, you as Mayor and me as a major shipper to Latin America on their service. We did not enjoy the FBI reception on the pier after our visit as they searched us both, went through your purse and took away the cans of Colombian coffee presented to us by the Captain of the vessel….after opening both cans to check for illegal substances!

My firm employs 4 individuals overseas, 1 each in Thailand, Mexico, Guatemala and Ecuador and we have a separate Otis office in Hong Kong with 3 full time staff. We're a small but very active and rather large volume specialty food company selling supermarkets, club stores and food distributors in 100 countries spanning 5 continents. I am very concerned about the rumored proposals by President Obama's

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Re: FTA's & Tax regulations on U.S. International business

Administration to reduce or repeal the current, in my opinion pretty limited, tax deferral statutes benefitting our American businesses abroad.

Our small firm benefits from the few overseas employees, offices and their support of our U.S. food exports. We use and need the limited but helpful tax deferrals on our exports of California agricultural products and ability to hire a few overseas specialist to assist us with our mission. These foreign employees and offices, not currently subject to U.S. tax, pay local taxes in their countries and contribute to our economy by assisting Otis sell more goods and build strong U.S. brands abroad.

PLEASE do not support changes in the current overseas tax policies related to foreign earnings or expenses; it will hurt far more small businesses like ours in San Francisco, than the optimistic revenue stream unrealistically assumed by the proponents!

Most sincerely. Your fan of 30 years,
OTIS McALLISTER, INC.

Everett C. Golden III
President, C.O.O.

Email: egolden@otismcallister.com