The Manufacturing Council

July 22, 2011

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

Dear Mr. Secretary,

The members of the Manufacturing Council are proud to support the passage of both the U.S.-Panama and U.S.-Colombia Trade Promotion Agreements. We recognize the importance of these agreements, along with the U.S.-Korea Trade Agreement, to U.S. manufacturers and service providers. They will create thousands of new manufacturing jobs, further our national goal of doubling exports in five years, and demonstrate that the United States is once again ready to lead on global trade efforts.

In his State of the Union address, President Obama called for doubling U.S. exports over the next five years, supporting millions of U.S. jobs. He cautioned that "if America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores," and pledged to "strengthen our trade relations with key partners."

Panama Trade Promotion Agreement

The United States exported $6.1 billion worth of products to Panama in 2010. Manufactured goods dominate this relationship. U.S. exports of manufactured goods to Panama totaled $5.6 billion in 2010 – 92 percent of total U.S. merchandise exports to Panama. Significant manufactured export categories to Panama include transportation equipment ($615 million); computer and electronic products ($465 million); chemicals ($458 million); and machinery, except electrical ($413 million)[1]. It is the United States' seventh-largest manufacturing export market in Central and South America, nearly tied with Peru. The U.S. had a trade surplus in manufactured goods of $5.5 billion in 2010. The overall U.S. merchandise trade surplus with Panama was our ninth-highest among all trade partners.

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[1] http://www.trade.gov/fta/panama/

Panama and the rest of Latin America represent a significant and growing market. Further, the $5 billion expansion of the Panama Canal is moving ahead and presents significant opportunities for U.S. companies to provide goods and services to the region. While in 2010, 98 percent of Panama's exports to the U.S. entered duty-free, fewer than 40 percent of U.S. goods entered Panama without tariffs[2]. The best stimulus package we can receive would be the elimination of foreign trade barriers through more trade agreements.

The U.S-Panama TPA would ensure that U.S. firms have an opportunity to participate on a competitive basis in the $5.25 billion Panama Canal expansion project. It would also immediately eliminate nearly all of Panama's tariffs on manufactured goods and would improve rules governing trade – strengthening intellectual property (IP) 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.

Colombia Trade Promotion Agreement

Colombia is the second largest market for U.S. goods exports in Central and South America and our 20th largest export market worldwide, receiving more than $12 billion in U.S. goods exports. Colombia is a growing market of 45.5 million consumers -- the second largest population in Central and South America. Eventual approval of the U.S.–Colombia Trade Promotion Agreement (CTPA) by Congress will support more American jobs, increase U.S. exports, and enhance U.S. competitiveness. The Agreement will also remove significant barriers to Colombia's market and is crucial to maintaining the U.S. share of this important market.[3]

Colombia is a key partner in the Americas and beyond, and one that is overwhelmingly supportive of U.S. interests. Under President Santos' able leadership, Colombia is an important leader in regional organizations like OAS, UNASUR, and the Tuxtla Process with Central America and Mexico. The International Trade Commission (ITC) has estimated that the tariff reductions in the Agreement will expand exports of U.S. goods alone by more than $1.1 billion, and support thousands of additional American jobs. The ITC also projected that the Agreement will increase U.S. GDP by $2.5 billion.

If Colombia's trade accords with other countries are implemented before the U.S.-Colombia TPA comes into effect, U.S. exporters would face an average tariff of over 9 percent while many products from these other countries will enter Colombia duty free. This would leave U.S. products at competitive disadvantage in relation to products of many of Colombia's other trading partners.

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[2] http://www.trade.gov/fta/panama/

[3] USTR

Enforcement

It is important to stress the comprehensive nature of the agreement's coverage and its strong contributions toward improving both labor and environmental conditions in Colombia and Panama. Both TPAs contain enforceable provisions on core labor and environmental standards included as a result of the landmark May 2007 bipartisan trade policy agreement between Congress and the Administration. Such provisions were included in the 2007 U.S.-Peru Trade Agreement, which was supported by a bipartisan majority in the 110th Congress. Similar measures are included in the pending trade agreement with Korea. Ample staff and resources need to be dedicated within the USTR and the Department of Commerce for these and other agreements.

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

Benefits of Trade Promotion Agreements

As the pending trade agreements with South Korea, Colombia and Panama have languished, our trading partners have moved forward rapidly to negotiate their own market opening agreements. For example, on July 1 of this year, a free trade agreement between South Korea and the European Union (EU) entered into effect. Implementation of this agreement without the U.S. - Korea Trade Agreement in place has immediately placed U.S. businesses and farmers at a competitive disadvantage as South Korean consumers turn toward more price-competitive EU member country goods and services.

The three pending trade agreements with South Korea, Colombia and Panama will reduce barriers to U.S. exports to these countries far more than any concessions on incoming goods made by the United States. U.S. tariff rates are considerably lower than those of almost any other nation, and we are open to foreign investment, so any free trade agreement we sign benefits American exporters to a far greater degree than those that export to the United States. The ITC estimates these three completed agreements would increase U.S. exports by at least $13 billion. This growth will drive U.S. employment and economic growth, just as past agreements have demonstrated the ability of new market access and reduction of market barriers to transform U.S. export revenues.

There is a widely-held myth that U.S. FTAs are the reason the United States has a trade deficit, and that they have been a major contributor to job losses in manufacturing. In truth, the U.S. Commerce Department's analysis shows the United States had a combined trade surplus of $23.4 billion in manufactured goods trade with our existing FTA partners in 2010 – the third annual surplus in a row. 2011 is on track to become the fourth annual year of surplus.

Our cumulative manufactured goods trade surplus with our FTA partners for the last three years was more than $72 billion. During that same period, our manufacturing goods deficit with countries with which we do not have trade agreements accumulated to nearly $1.3 trillion. We have a trade deficit problem, for sure – but the data show our FTAs are part of the solution, not part of the problem.

American manufacturers are already running a trade surplus in excess of $20 billion a year with our free trade partners. With more agreements we can run that surplus even higher.

Manufacturing Means Exports

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[4], producing one in every five dollars of all manufactured goods in the world. Last year, America's manufacturers produced $1.72 trillion dollars of products – exceeding the record $1.70 trillion of 2007 before the 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 9 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 ten years, shipments for the domestic market rose 21 percent, but exports of manufactured goods were up 68 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 3.3 percent per year. If jobs are to increase, production has to grow faster than 3.3 percent a year – otherwise jobs will be lost.

Hardly anyone forecasts that domestic demand for manufactured goods over the next decade will grow 3.3 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.

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[4] In 2009, according to the World Bank (latest data available)

Next Steps

As a cross-section of representatives of small, medium and large manufacturing companies from across the country, we stand ready to help educate other manufacturers of the benefits of both Colombian and Panamanian TPAs as well as KORUS and to encourage Congress to pass all three trade agreements.

The ITA has launched a new tool for companies to new Free Trade Agreement (FTA) tariff tool -- a free online capability which will help SMEs and other stakeholders take better advantage of export opportunities with the 17 U.S. FTA partners and prospective partners. The FTA Tariff Tool empowers the user to perform, instantly and at a glance, industrial product searches for tariff treatment under U.S. FTAs, which can help small manufacturers with forward planning for entry into new export markets. The tool also enables the user to access market and sector reports and other FTA-related information useful for SMEs seeking new export opportunities, this tool is located at:

http://www.export.gov/fta/ftatarifftool/

We understand that supporting the pending trade agreements is not enough. Therefore, we stand ready to undertake an educational outreach campaign targeting manufacturers so they can better understand the benefits of trade (and specifically the benefits of these pending trade agreements) and link them to government resources to help grow their businesses through exports to global markets.

Please use us and our members as resources for this type of education and outreach and for future manufacturing related issues. We hope to further explore ways to engage local businesses to consider the benefits of exporting and how it can grow their companies.

Respectfully Submitted,

Joe Anderson
Council Chair

Jason Speer
Export/Import Subcommittee Chair