

# Action Needed on Free Trade Agreements to Open New Markets for U.S. Companies

**Roy Paulson**

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 firemen'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 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.

## International Markets

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 offense 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.

## Opportunities

Today we are specifically speaking about the three pending free trade agreements (FTAs) with South Korea, Colombia and Panama. Take a moment and think of the opportunity these agreements will present to the small business community here in the United States.

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## Guest Commentary By Roy V. Paulson

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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 manufacturers 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 FTAs, 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 mainstream applications.

He also commented that the Korean consumer's perception of U.S. 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 8 percent tariff will

have a direct and immediate benefit and increase sales.

Colombia is truly a special case in South America. The FTA 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.

## Clear Results; Action Needed

I am convinced of the effects related to the FTAs 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.

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 U.S. International Trade Commission 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 National Association of Manufacturers 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 President Barack Obama's stated goal to double exports by that point.

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*Roy V. Paulson is president of Paulson Manufacturing Corporation and a member of the California Chamber of Commerce Council for International Trade. He was recently appointed to the President's Export Council. This commentary is adapted from testimony presented to the U.S. House Ways and Means Committee on behalf of the National Association of Manufacturers on January 25.*