

CALIFORNIA CHAMBER of COMMERCE

ALLAN ZAREMBERG

President and Chief Executive Officer



March 26, 2009

Secretary Gary Locke
U.S. Department of Commerce
1401 Constitution Ave N.W.,
Washington D.C. 20230

Dear Secretary Locke,

On behalf of the California Chamber of Commerce and our Council for International Trade, I extend our congratulations on your appointment and confirmation to the position as Secretary of the U.S. Department of Commerce.

The California Chamber 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.

California is one of the 10 largest economies in the world with a GSP of over \$1.8 trillion. International related commerce (including exports and imports of goods and services) accounts for approximately one-quarter of the state's economy. Although trade is a nationally determined policy issue, its impact on California is immense. California exports to over 220 foreign markets. Trade offers the opportunity to expand the role of California's exports. In its broadest terms, trade can literally feed the world and raise the living standards of those around us.

The California Chamber of Commerce is a broad-based, non-profit membership organization through which business, industry and agriculture join forces to work for positive action on key legislation and regulatory issues affecting California's economic and job climate. International trade is one of our highest priorities.

The organization, established in 1890, is the largest and most broadly based employer representative in Sacramento. Its members include more than 16,000 firms of all kinds and sizes, as well as 450 affiliated local chambers of commerce and 200 trade associations. Through its grassroots action program, the California Chamber reaches out to a statewide network of 430,000 small business owners.

The California Chamber also offers a variety of services to help businesses comply with complex laws and regulations, as well as compete in the international marketplace.

The CalChamber supports allowing California companies to compete more effectively in foreign markets, as well as to attract foreign business to California. We appreciate your consideration of our positions and look forward to working with you and your Office.

Sincerely,

A handwritten signature in black ink, appearing to read "Allan Zaremborg", with a stylized flourish at the end.

Allan Zaremborg

Enclosures

California Chamber of Commerce Council for International Trade

International Trade Priorities

The CalChamber Council for International Trade expands California's voice on trade. The Council boosts the ability of California businesses and organizations to advocate sound international business policies. The Council is focused on sound policy and works with state and federal administrations and lawmakers to influence international business policies that support California's global success, job creation and sustainability. Leadership on these issues is more important than ever. With free trade agreements pending before Congress, we are at a historic time to take action. California business and trade leadership on domestic and global issues remains a key in fostering California competitiveness.

Overall, recognizing the current U.S. and California trade deficits, the California Chamber:

- **Supports** achieving and maintaining a stable and competitive relationship between the U.S. dollar and the currencies of our major trading partners.
- **Supports** actions designed to eliminate barriers that impede U.S. and California commerce domestically and abroad by aggressively negotiating fair and equitable market access for California agriculture, manufactured products and services.
- **Promotes** the education of California's citizens, legislators and businesses about the benefit of trade to the state's economy.

World Trade Organization

The WTO is having a tremendous impact on how California producers of goods and services compete in overseas markets, as well as domestically, and is creating jobs and economic growth through expanded international trade and investment. It gives businesses improved access to foreign markets and better rules to ensure that competition with foreign businesses is conducted fairly. The California Chamber of Commerce is supportive of a successful Doha Round in the near future.

Trade Agreements

The CalChamber urges you to work with Congress to approve the U.S. – Colombia Free Trade Agreement, the U.S. – Panama Free Trade Agreement and the U.S. – Korea Free Trade Agreement. It is critical to consumers, workers, businesses, farmers, and ranchers in our state that these job creating trade agreements are approved at a time when they are needed more than ever.

U.S. – Colombia Free Trade Agreement

Colombia is a dynamic economy with a pro-U.S. government, and with whom U.S. trade has nearly doubled over the past four years. Over 9,000 U.S. companies export their products to Colombia and more than 85 percent of these are small and medium-sized companies. U.S. farmers and ranchers sell agricultural products to these markets, and U.S. manufacturers are enjoying double-digit sales growth 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 2008, California exported over \$419 million to Colombia, making it our state's 36th largest export market. America's two-way trade with Colombia reached \$24.5 billion in 2008, making Colombia our fifth largest trading partner in Latin America. Trade and investment in Colombia already sustains thousands of U.S. jobs and the Free Trade Agreement will only open up more opportunities.

Per the U.S. Department of Commerce, International Trade Administration, the U.S.-Colombia Free Trade Agreement offers tremendous opportunities for California's exporters. When the Agreement enters into force, 80 percent of U.S. consumer and industrial exports to Colombia, including nearly all information technology products; mining, agriculture, and construction equipment; medical and scientific equipment; auto parts; paper products; and chemicals, will be duty-free immediately. The remaining tariffs phase out over 10 years.

U.S. – Panama Free Trade Agreement

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 2008, the United States had a trade surplus with Panama, with exports totaling \$4.9 billion and imports slightly under \$400 million. California exports to Panama totaled \$346 million, making it our 39th largest export market.

Per the U.S. Department of Commerce, International Trade Administration, the U.S.-Panama FTA offers tremendous opportunities for California's exporters. Panama's strategic location as a major shipping route and the massive project underway to expand the capacity of the Panama Canal enhance the importance of the U.S.-Panama FTA for California's exporters.

When the Agreement enters into force, 88 percent of U.S. consumer and industrial exports to Panama, including nearly all information technology products; aircraft and related equipment; agriculture and construction equipment; medical and scientific equipment; environmental products; pharmaceuticals; fertilizers; and agro-chemicals will become duty-free immediately. The remaining tariffs phase out over 10 years. U.S. farmers and ranchers will also become much more competitive, benefiting from immediate duty-free treatment of more than 60 percent of current U.S. agriculture exports. Key U.S. agriculture exports such as high-quality beef, other meat and poultry products, soybeans, most fresh fruit and tree nuts, distilled spirits and wines, and many processed food products, will be duty-free upon entry into force of the Agreement. Tariffs on most remaining U.S. farm products will be phased out within 15 years.

The U.S.-Panama FTA will ensure that California's firms can participate on a competitive basis in the \$5.25 billion Panama Canal expansion project that will offer many opportunities for U.S. providers of goods and services. Ultimately, the Canal expansion will benefit California's exporters by increasing the Canal's capacity, which will reduce the costs of transporting goods while keeping up with the demands of a growing global economy.

U.S. – Korea Free Trade Agreement

The trade agreement with Korea is another big win for the California and U.S. economies for many of the same reasons. Korea is a \$1 trillion economy and is the eighth-largest U.S. export market in the world (and our sixth-largest market for farm exports). In 2008, two-way trade between the two countries totaled over \$82 billion and US goods exports to Korea were \$34.8 billion. 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 2008, California exported \$7.7 billion to Korea.

The US-Korea FTA will greatly expand market access in Korea for US farmers, manufacturers, service providers, and financial services firms. Under the FTA, more than half of current US agricultural exports to Korea—with a value of \$1.6 billion—will become duty-free immediately. Almost 95 percent of all bilateral trade in consumer and industrial products will become duty-free within three years under the agreement, and virtually all remaining tariffs on consumer and industrial goods will be eliminated in ten years. Moreover, this agreement will eliminate significant non-tariff market access barriers in Korea to US goods, services, and investment. Consumers in both countries stand to gain from the broad benefits of this agreement.

US interests are protected under this agreement through robust provisions on transparency, intellectual property rights, competition, investment, and other rules, particularly in the area of services. The agreement also has important implications beyond bilateral trade and investment. By giving US exporters and investors a preferential position in the world's tenth-largest economy, an FTA with Korea will enhance US businesses' ability to compete in the dynamic Northeast Asia regional economy. From a strategic vantage point, the FTA will reinforce the critical partnership and alliance between our two countries.

For California, the FTA would be a big win. According to the International Trade Administration in the US Department of Commerce, computer and electronic products accounted for \$1.9 billion of California's merchandise exports to Korea in 2008. With immediate removal of many of these related tariffs, exports will become more competitive and affordable to Koreans. California's exports of machinery also will benefit from US Korea FTA reductions as machinery manufactures accounted for \$1.2 billion of the state's merchandise exports to Korea in 2008. Transportation equipment accounted for \$664 million of the state's export sales to Korea in 2008 and most of these duties also would be eliminated immediately. In addition, tariffs and other barriers would be eliminated on most agricultural products produced in California. From pharmaceuticals to pistachios – the US-Korea FTA is a win for California.

The Republic of Korea is a longstanding and close US ally, and strong partner in advancing regional and global security. The US-Korea FTA will reinforce this critical economic and political partnership by deepening the links between our countries as we work together to protect peace and prosperity in Northeast Asia.

The Trans-Pacific Partnership

As you know, the Trans-Pacific Strategic Economic Partnership Agreement was signed by New Zealand, Chile, Singapore and Brunei in the summer of 2005. In September of 2005, negotiations for the United States to join the Trans-Pacific Agreement were launched. Australia, Peru and Vietnam also indicated interest in participating in negotiations from the first round.

The Asia-Pacific region is a key driver of global economic growth, representing nearly 60 percent of global GDP and roughly 50 percent of international trade. U.S. trade with Asian countries totals nearly \$1 trillion annually.

The Trans-Pacific Partnership is reinforcing the Asia-Pacific Economic Cooperation (APEC) goal of promoting regional economic integration and could serve as a potential way to build towards the Free Trade Area of the Asia Pacific. The CalChamber encourages you to participate in these negotiations eventually leading to the US accession to the TPP.

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.

These 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. We urge your support of these trade agreements that will continue to keep American and Californian businesses competitive.

Trade Promotion Authority

For the future, the CalChamber will support the extension of trade promotion authority so that the President of the United States may negotiate new multilateral, sectoral and regional trade agreements ensuring that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans

Protectionism

With a global recession, California stands to lose more than most states with a move toward protectionism. The CalChamber opposes unnecessary and trade-restrictive "Buy American" expansions. We oppose 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 provisions of the World Trade Organization, as well as, our Free Trade Agreements.

California maintains its perennial position as a top exporting state and we lead the nation in export-related jobs. California exports amount to nearly \$145 billion annually. A move to protectionism only invites retaliation from our trade partners which would negatively affect trade-related jobs in our state. Increased protectionism has not helped our economy in the past and it won't in today's increasingly global economy.