

COUNCIL FOR INTERNATIONAL TRADE

CALIFORNIA CHAMBER of COMMERCE



November 10, 2008

The Honorable Barack Obama
President-Elect of the United States
Washington, DC 20005
VIA FACSMILE

Dear Mr. President-Elect:

Re: Support of US Free Trade Agreements with Colombia, Panama and Korea

Congratulations on your historic election to the office of President of the United States. As Congress is expected to convene a "lame duck" session in the coming weeks, the California Coalition for Free Trade 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.

The California Coalition for Free Trade was initiated in May of 2008 by the California Chamber of Commerce's 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 working to secure Congressional approval of the Free Trade Agreements with Colombia, Panama, and South Korea.

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 2007, California exported over \$320 million to Colombia, making it our state's 39th largest export market. America's two-way trade with Colombia reached \$18 billion in 2007, 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 2007, the United States had a trade surplus with Panama, with exports totaling \$3.7 billion and imports slightly under \$400 million. California exports to Panama totaled \$260 million, making it our 43rd 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 seventh-largest U.S. export market in the world (and our sixth-largest market for farm exports). In 2007, two-way trade between the two countries totaled over \$82 billion and US goods exports to Korea were \$34.7 billion, a steady increase over the previous five years. 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 2007, California exported \$7.5 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 \$2.3 billion of California's merchandise exports to Korea in 2007. 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 \$1.4 billion of the state's merchandise exports to Korea in 2007. Transportation equipment accounted for \$590 million of the state's export sales to Korea in 2007 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.

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 \$1.7 trillion. As one of the largest exporting states, with exports to 223 countries around the world, international-related commerce accounts for approximately one-quarter of California's 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 Arnold Schwarzenegger, State of California
Ms. Vickie Bradshaw, Cabinet Secretary, Governor of California
Mr. Brian McGowan, Dep. Secretary for Econ. Development,
CA Business, Transportation and Housing Agency

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California Coalition for Free Trade Member Companies November, 2008

32 South, Inc.
Arrowhead Credit Union
Bear Creek Winery
Blue Diamond Growers
California Chamber of Commerce
Cange International Inc.
Caterpillar Inc.
Chevron
CNA Insurance Companies
East Bay
Center for International
Trade Development
El Camino College
Center for International
Trade Development
Fillner Construction Inc.
Foxx Hunter Farms
HBLA Certified Public Accountant
Hitchcock Automotive Resources
Hitchcock Commercial Properties
Hunter International
Ironstone Vineyards
Irvine Chamber of Commerce
John Kautz Farms
Long Beach Area
Chamber of Commerce
Los Angeles Area
Chamber of Commerce
Los Angeles Metro
Hispanic Chambers of Commerce
Lyles Diversified, Inc.
McKenna, Long & Aldridge
Merrill Lynch - Mill Valley
Montebello Chamber of Commerce

Monterey Bay
International Trade Association
Moon Shot Communications
Motion Picture Assn. of America
News Corporation / Fox Entertainment Group
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
Puente Hills Toyota
RB International
Ruiz Foods
San Dimas
Chamber of Commerce
Silicon Valley CITD
South Bay BMW
South Orange County Regional
Chambers of Commerce
SunWest Foods, Inc
Systems Integrated, Inc.
The Boeing Company
The California Parks Co.
The Dow Chemical Company
Toyota of Santa Barbara
Voiland Enterprises
WJ Byrnes & Co.