CALIFORNIA CHAMBER of COMMERCE

CalChamber

July 24, 2017

To: Office of the U.S. Trade Representative

CC: Members of the California Congressional Delegation

From: (Mrs.) Susanne Stirling, Vice President-International Affairs

Administration's Review and Report to the President on Trade Agreements
- Docket number USTR-2017-0010

Thank you for the opportunity for the California Chamber of Commerce to comment on the United States' Free Trade Agreements (FTAs) negotiated with 20 different countries. We understand that our economy and businesses constantly are changing, and agree with the premise that the United States should seek to grow our economy by improving U.S. opportunities under our FTAs.

However, the provisions of the Free Trade Agreements with the following countries: Israel; Mexico and Canada under NAFTA, Jordan; Australia; Chile; Singapore; Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua under DR-CAFTA; Bahrain; Morocco; Oman; Peru; Panama; Colombia; and South Korea – together with the U.S participation in the World Trade Organization - have been beneficial for American industries, agricultural enterprises, farmers, ranchers, energy companies and automakers. Any renegotiation of our free trade agreements must recognize the gains achieved and ensure that U.S. trade with our major trading partners remains strong and without interruption.

California is one of the 10 largest economies in the world with a gross state product of over $2 trillion. International trade and investment are major parts of our economic engine that broadly benefit businesses, communities, consumers and state government. California's economy is diverse, and the state's prosperity is tied to exports and imports of both goods and services by California-based companies, to exports and imports through California's transportation gateways, and to movement of human and capital resources.

Although trade is a nationally determined policy issue, its impact on California is immense. In 2016, California exported to 228 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 U.S. Department of Commerce reported that, in 2016, California exports amounted to $163.6 billion, with California maintaining its perennial position as a top exporting state.

Exports from California accounted for 11 percent of total U.S. exports in 2016. California's top export destinations are Mexico, Canada, China, Japan and Hong Kong. California trade and exports translate into high-paying jobs for over one million Californians.

California is a top exporter in the nation of computers, electronic products, and sales of food and kindred products. Computers and electronic products are California's top export, accounting for 26.1 percent of all the state's exports.

As you may know, the California Chamber of Commerce is a broad-based nonprofit membership organization through which business, industry and agriculture join forces to work toward positive action on key issues that affect California's economic climate.

The organization, established in 1890, is the largest and most broadly based employer representative in California. Our members include over 13,000 firms of all kinds and sizes, representing three million jobs--one quarter of the state's private sector workforce, as well as 300 affiliated local chambers of commerce and 200 trade associations. Through its grassroots action program, the California Chamber reaches out to a statewide network of approximately 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 California Chamber supports 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.

World Trade Organization (WTO)

The WTO is the only global international organization dealing with the rules of trade among nations. Its main function is to ensure that trade flows as smoothly, predictably and freely as possible. At its heart are the WTO agreements, negotiated and signed by the bulk of the world's trading nations, and ratified or approved in their parliaments or legislatures. The goal is to help producers of goods and services, exporters and importers conduct business.

The WTO is having a positive 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. The WTO gives businesses improved access to foreign markets and better rules to ensure that competition with foreign businesses is conducted fairly.

Israel FTA

The US-Israel FTA, the first FTA entered into by the US, was signed by President Reagan in 1985. The FTA eliminated all custom duties between our two countries and resulted in a huge increase in bi-national trade, which totaled $35 billion in 2016. Israel is the 21st largest export market for US goods and services. Israel is the 17th largest trading partner for California, and California exports to Israel have increased considerably in the past ten years from $1.5 billion in 2006 to $2.04 billion in 2016.

NAFTA

In 1994 and today, the CalChamber has actively supported the North America Free Trade Agreement among the United States, Canada and Mexico, comprising 484.3 million people with combined annual trade with the United States being around $1.069 trillion in 2016. In 2016, goods exports totaled over $496.919 billion while goods imports totaled nearly $572.217 billion.

The CalChamber's long-standing support for NAFTA is based upon an assessment that it serves the employment, trading and environmental interests of California and the United States, as well as, Canada and Mexico, and is beneficial to the business community and society as a whole. Since 1993, trade among the three NAFTA countries has nearly quadrupled.

The California Chamber of Commerce now urges a quick and efficient renegotiation process, and one that does not hinder ongoing trade and investment among the three NAFTA members who must be kept united in the same end-goal of a successful renegotiation. Throughout this process, the Trade Promotion Authority with its objectives and procedures should be followed. Further, during the process, the CalChamber encourages re-examination of the provisions agreed upon by the three countries during the already negotiated Trans-Pacific Partnership, as these may provide a starting point for further discussion.

Mexico

Mexico continues to be California's number one export market, purchasing 16.2 percent of all California exports. California exports to Mexico amounted to $25.262 billion in 2016, a slight decrease from 2015. Computers and electronic products remained California's largest exports, accounting for 21.7 percent of all California exports to Mexico. Exports of transportation equipment and machinery from California to Mexico grew to total over $5.1 billion; with chemicals continuing to be a strong export sector as well.

Canada

Canada remained California's second largest export market, with California exports to Canada increasing to over $16.18 billion in 2016. Canada purchases over 10 percent of all California exports. Computers and electronic products remained California's largest exports to Canada, accounting for over 30 percent of all California exports to Canada. California exports to Canada directly and indirectly support approximately 110,000 jobs in California, with many of those resulting from export growth under NAFTA.

NAFTA Facts

Per the US Chamber "Facts on NAFTA", the North American Free Trade Agreement has generated substantial new opportunities for U.S. workers, farmers, consumers, and businesses.

• Trade with Canada and Mexico supports nearly 14 million American jobs, and nearly 5 million of these jobs are supported by the increase in trade generated by NAFTA.

• The expansion of trade unleashed by NAFTA supports tens of thousands of jobs in each of the 50 states—and more than 100,000 jobs in each of 17 states.

• Since NAFTA entered into force in 1994, trade with Canada and Mexico has nearly quadrupled to $1.3 trillion, and the two countries buy more than one-third of U.S. merchandise exports.

• The United States ran a cumulative trade surplus in manufactured goods with Canada and Mexico of more than $79 billion over the past seven years (2008-2014). For services, the U.S. surplus was $41.8 billion in 2014 alone.

• NAFTA has been a boon to the competitiveness of U.S. manufacturers, which added more than 800,000 jobs in the four years after NAFTA entered into force. Canadians and Mexicans purchased $487 billion of U.S. manufactured goods in 2014, generating nearly $40,000 in export revenue for every American factory worker.

• NAFTA has been a bonanza for U.S. farmers and ranchers, helping U.S. agricultural exports to Canada and Mexico to increase by 350%.

• With new market access and clearer rules afforded by NAFTA, U.S. services exports to Canada and Mexico have tripled, rising from $27 billion in 1993 to $92 billion in 2014.

• Canada and Mexico are the top two export destinations for U.S. small and medium-size enterprises, more than 125,000 of which sold their goods and services in Canada and Mexico in 2014.

The goals of NAFTA are to eliminate trade barriers and facilitate movement of goods and services across borders, promote fair competition, increase investment opportunities, provide protection and enforcement of intellectual property rights, create procedures for trade disputes, and establish a framework for further trilateral, regional, and multilateral cooperation to expand the trade agreement's benefits.

Jordan FTA

The U.S.-Jordan FTA was initially enacted in 2002 and fully implemented in 2010. The FTA has established intellectual property protection for both countries, reduced trade barriers for services, offered effective production protections for labor and the environment, and has made regulation more transparent across borders. Since the implementation, there has been major economic progression for the US and Jordan. US automobile exports to Jordan have risen by 1500%, corn exports by 2300%, and TV and radio transmitters by 500%. Two-way trade between the US and Jordan totaled over $3 billion in 2016, compared to $816 million in 2002 when the agreement was first enacted.

Australia FTA

The US-Australia FTA came into effect in 2005, signed by President Bush in 2004. The FTA eliminated tariffs on 99% of US manufactured goods exported to Australia, which accounted for 93% of all US exports to the nation. Australia is an ideal trading partner for the US, as it shares legal, regulatory, and ideological similarities, as well as its military and security relationship. The US has had a trade surplus with Australia, and Australia is the 17th largest export market for the US as of 2016. In 2016, the US exported $22 billion to Australia and imported $9.5 billion, totaling $31.5 billion. In the year it was implemented, total two-way trade was $22.8 billion.

Chile FTA

The US-Chile FTA was implemented in 2004, which allowed 80% of US consumer and industrial goods exports to Chile to immediately become duty free, with 100% of tariffs phased out in 2015. In 2016, Chile was the US' 23rd largest export destination. According to the American Chamber of Commerce in Chile, over 300 US companies have investments in Chile, with over 40 of them using Chile as a platform for services in the region. Chile has the most stable and fastest growing economy in the region, and 59 bilateral or regional trade agreements in effect, more than any other country. In 2004, two-way trade totaled $8.3 billion, by 2016 total two-way trade has more than doubled to $21.7 billion.

Singapore FTA

The US-Singapore FTA was enacted in 2004, eliminating most tariffs immediately and phasing out the remaining ones over a 3 to 10-year period. Singapore is a major strategic partner of the US and one of America's closest friends in the region. The country has one of the most open, well-regulated, safe and secure climates for investments in the world. In 2015, there was approximately 3,600 US companies established in Singapore and a large number of Americans living in the country. In 2016, Singapore was the 13th largest export destination for the US. Two-way trade totaled $44.5 billion in 2016, compared to $34.7 billion the first year the FTA was in effect.

CAFTA-DR (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua)

The US-Central American FTA was signed by President Bush in 2005, but not ratified by all member countries until 2008 when Costa Rica was the last to sign. The US and the five Central American member countries shared $52 billion in two-way trade in 2016, significantly more than the $35 billion total in 2005. The US is the main supplier of goods and services to these Central

American economies, with over 40% of their total imports coming from the US. The FTA was created with the intention to create stronger economies, rule of law, sustainable development, and more institutional accountability in the region.

Bahrain FTA

The US-Bahrain FTA entered into force in 2006 with goals of expanding the US' export opportunities in the Middle East and creating more jobs for US workers, as well as promoting economic and political reforms in Bahrain. The FTA allowed for 100% of all industrial and consumer products to enter Bahrain tariff free and Bahrain opened their services sector to opportunities for US companies. US agricultural exports increased with an elimination of 81% of tariffs, and the FTA also saw success in the pharmaceutical, machinery, and aircraft industries. In 2016, two-way trade totaled $1.67 billion.

Morocco FTA

The US-Morocco FTA came into effect in 2006, having been signed in 2004. The FTA eliminated 95% of tariffs between the two countries, with the remaining tariffs to be phased out after 9 years. In 2006, two-way trade totaled $1.36 billion, by 2016 the total increased to $2.95 billion. The US has consistently had a trade surplus with Morocco since the FTA was implemented.

Oman FTA

The US-Oman FTA was signed by President Bush in 2006 allowing for all bilateral trade of consumer goods and industrial products to become duty-free. Oman is seen as a potential market for US oil equipment and services, transportation equipment, water and environmental technology, medical equipment, electrical and mechanical equipment, as well as many other US products and services. Since the implementation, US exports to Oman have more than doubled from $828 million in 2006 to $1.8 billion in 2016. In 2016, two-way trade totaled $2.9 billion.

Peru TPA

The US-Peru Trade Promotion Agreement (TPA) was signed in a ceremony at the Organization of American States in 2006 and entered into force in 2009. The TPA eliminated tariffs and removed barriers to US services, provided a secure and predictable legal framework for investors, and strengthened protection for intellectual property, workers, and the environment. The TPA was the first to include provisions concerning protection of the environment and labor rights. All tariffs on US agricultural products are set to be phased out by the seventeenth year of the agreement. In 2009, two-way trade totaled just above $9 billion, by 2016 two-way trade increased to $14 billion.

Panama TPA

The US-Panama TPA went into effect in late 2012. The TPA is expected to significantly increase opportunities for American exporters which have gained expanded access for manufactured and agricultural products, as well as access to Panama's $22 billion services market, and a major shipping route. Panama immediately eliminated more than 86% of tariffs on US industrial and consumer goods, which previously faced tariffs of 15%, with all remaining tariffs set to be eliminated within 10 and 15 years of implementation. Panama is one of Latin America's fastest growing economies. Panama is currently the 34th largest export partner of the US. In 2016, two-way trade between the two countries totaled more than $6.5 billion.

Colombia TPA

The US-Colombia TPA was signed by President Bush in 2006, but not ratified by Congress until 2011. Colombia is an emerging economy in Latin America that is providing the US with a quickly expanding export market and opportunities for future collaboration. When the agreement entered into force in 2012, 80% of US consumer and industrial exports to Colombia became duty-free, with the remaining tariffs being phased out over the following 10 years. Two-way trade with Colombia has increased significantly since the TPA was signed in 2006, increasing from $15.9 billion in 2006 to $26.9 billion in 2016.

KORUS FTA

The US-Korea FTA was implemented in 2012 becoming the biggest free trade pact the US reached since entering into NAFTA. The FTA is expanding market access in Korea for US farmers, manufacturers, service providers, and financial service firms. In the first 3 years of the agreement, almost 95% of consumer and industrial products became duty-free, with all remaining tariffs phased out by the 10-year mark. The US is one of Korea's largest exporting markets, and Korea is the seventh largest exporting partner of the US, and sixth largest for California. Korea is also an important market for small and medium sized companies in the US. The FTA reinforces the critical economic and political partnership between the US and Korea, as the two countries have become close allies and partners in advancing regional and global security. Total two-way trade in 2016 continues to cement this relationship, as trade totaled more than $112 billion.

In conclusion, the Office of the U.S. Trade Representative should be committed to a quick and efficient renegotiation of any FTA. Global trade is crucial to the world economy, and trade agreements are an integral part of that success. Free Trade Agreements serve the interest of American producers, employees and consumers.

Thank you for your consideration.