

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.

1. Trade Agreements

The CalChamber urges Congress to approve the U.S. – Korea Free Trade Agreement, U.S. – Colombia Free Trade Agreement, and the U.S. – Panama 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. – Korea Free Trade Agreement

The trade agreement with Korea will be positive both for the California and U.S. economies. 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 2009, two-way trade between the two countries totaled over \$67 billion and US goods exports to Korea were \$34.8 billion. By giving U.S. exporters a leg up in one of the world's largest economies, 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 2009, California exported \$5.9 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, 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.

The U.S. Commerce Department estimates that the implementation of the FTA will create 70,000 new jobs in the United States. On the other hand, failure to implement the FTA will lead to a loss of market share to competitors such as the EU and Canada, and a loss of over 345,000 U.S. jobs. The U.S. International Trade Commission estimates that the FTA will increase U.S. exports to Korea by \$11 billion and reduce the U.S. deficit by \$4 billion. 2010 marked the 60th anniversary of the start of the Korean War, and of the special relationship between the United States and the Republic of Korea.

For California, the FTA would be a big win too. According to the International Trade Administration in the US Department of Commerce, computer and electronic products accounted for \$1.5 billion of California's merchandise exports to Korea in 2009. 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 \$945 million of the state's merchandise exports to Korea in 2009. Transportation equipment accounted for \$468 million of the state's export sales to Korea in 2009 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.

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 2009, California exported over \$328 million to Colombia, making it our state's 35th largest export market. America's two-way trade with Colombia reached \$20.7 billion in 2009, 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 2009, the United States had a trade surplus with Panama, with exports totaling \$4.4 billion and imports slightly under \$305 million. California exports to Panama totaled \$228 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.

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.

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.

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.

2. Trade Practices

With the ongoing global recession, jobs and exports will be the key to our economic recovery. The US Department of Commerce, specifically the Commercial Service, is an indispensable resource for California as it strives to increase its exports, invigorate its economy, and create meaningful jobs. We have a good working relationship with the California DOC offices and have a long-standing MOU. Almost every industrialized country has much higher per capita expenditures on export expansion than the US. Many provide subsidies to their beginning or small and medium- sized exporters.

The CalChamber is hopeful that appropriate funding will be available to make the US Commercial Service and export assistance a core part of the economic recovery package. Export assistance is an essential tool in economic recovery. Helping US firms find foreign buyers for products and services and finalize those sales delivers direct stimulus to retain or expand employment.

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 \$120 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.

3. 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 continued participation 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.

4. 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.

5. Trade Disputes

The California Chamber of Commerce urges a quick resolution to the North American Free Trade Agreement (NAFTA) Cross-Border Trucking Dispute with Mexico. We are supportive of NAFTA and understand that a 2001 dispute-settlement panel unanimously ruled that the blanket exclusion of Mexican trucking firms violates US obligations under the NAFTA.

Mexico's retaliation for the US refusal to implement the cross-border trucking provisions of the Agreement has resulted in harm to California's economy. Mexico's retaliation imposes tariffs on products from most states ranging from dental floss to Christmas trees. The targeted California agricultural products include fresh and processed products worth millions ranging from grapes to almonds.

Mexico is California's largest trading partner. With a global recession, California stands to lose more than most states with moves toward protectionism. A move to protectionism only invites retaliation from our trade partners which negatively affects trade-related jobs in our state. We would support the ongoing movement to resolve this issue.

***Chairman Camp and Members of the Ways and Means Committee
- thank you for your consideration and interest in these important issues.***