

What Americans Want to Know About Trade Agreements

**Ed Gerwin****Ryan McConaghy**

To drive long-term economic growth and maintain global leadership, America has to increase its stature as an export powerhouse that sells to the world. However, public opinion research shows that Americans are conflicted about trade. They realize we must actively engage in the global economy and believe we have the strength to succeed, but they don't necessarily see how trade agreements help make this happen. This skepticism has contributed to political resistance that can hinder the enactment of trade agreements and can limit our ability to compete effectively in global markets.

Trade advocates and policymakers in Washington haven't always helped Americans to connect the dots. Too often, debates over trade agreements are data-heavy affairs conducted among the already converted. These debates often fail to answer fundamental questions about what these deals will mean in real, accessible terms for American jobs, communities, and living standards.

When advocating for new trade deals, proponents need to squarely address Americans' key questions and concerns. The following memo highlights five of the most significant of these questions, and provides responses that use the pending U.S.-Korea Free Trade Agreement (KORUS) as an illustration.

Five Things Americans Want to Know

1. Why are trade agreements important?

Pro-trade advocates enter the debate with an implicit assumption that trade agreements create growth and jobs—with good reason. Trade deals have an impressive track record of helping America tap into foreign markets. For instance,

America's 17 free trade agreement partners currently produce about 7% of global economic output outside of the United States, but they account for 40% of American exports. And America runs a trade surplus in manufactured goods with its trade agreement partners—in contrast to its large manufactured goods deficit with other countries.¹ The advantages of these agreements will become even more important over the next 20 years, as the world will add 2 billion new middle class consumers² who can buy from America—or from our competitors.

Although the facts may be in their favor, trade advocates risk making a dangerous mistake by simply assuming that the public is on the same page. In a recent poll, 54% of Americans said that reducing unemployment was the nation's highest priority. However, for the public, the jury is still out on whether trade agreements are good for the nation's economy and for jobs. For instance, by a 2-to-1 margin, Americans have responded in recent polls that “free trade agreements” hurt rather than help the United States.³

To address these concerns, trade advocates need to clearly lay out the chain of cause and effect between new agreements and new jobs. For example:

Q: Why is this new trade deal with Korea important, and what does it mean for me?

A: To create new jobs, we have to sell more American goods and services in fast-growing foreign markets. Right now, Korea's economy is growing twice as fast as ours and its customers are up for grabs. By eliminating Korean trade barriers that unfairly drive up the cost of U.S. exports to Korea and discriminate against our products and services, KORUS will make sure that foreign customers are buying from America and not just from our competitors. That will mean more jobs and prosperity here at home.

2. What do trade agreements actually do?

Even when Americans know that trade agreements are important, they often can't explain what they actually do. This lack of understanding can allow many of the common but untrue myths ⁴ offered by opponents of new trade deals to take root.

At their core, trade agreements are about breaking down the many unfair barriers that keep American companies and workers from selling goods and services in foreign markets. Many foreign governments continue to maintain sky-high duties on U.S. products, discriminatory technical rules, unfair restrictions on American farm products, customs red tape, and policies that limit trade in services, fail to protect U.S. intellectual property and unfairly favor local companies. Trade deals require our trading partners to take down these barriers, and to do so across the board. ⁵

Real-world stories ⁶ are perhaps the best way to explain what trade deals actually do. For instance:

Q: What would KORUS actually do for us?

A: Today, Korean shoppers currently pay a whopping \$22.32 for a six-pack of Florida frozen orange juice concentrate. The Korean trade deal would slash that price to \$14.49 by immediately eliminating Korea's high import duties on U.S. frozen orange juice. This would give Florida juice a huge price advantage over imports from other suppliers like Brazil, which would continue to face high Korean duties. And lower prices in American juice in Korean supermarkets would create more Korean demand—and more opportunity and jobs for Florida growers and workers.

3. Are new trade deals “fair” to America?

Americans want trade agreements that are “fair”— agreements that are a “good deal” or a “fair exchange” for the United States. To obtain fairer trade, America must act on the pending trade deals. If we don’t, unfair barriers to U.S. trade in these countries will loom even larger, as China, the European Union and other competitors conclude many new deals to make trade fairer for their exports.⁷

Once again, this is an area where there is a significant mismatch between the outcomes of trade deals and the perception of trade deals. Public skepticism about trade flourishes when there’s a suspicion that America is giving more than its getting.

To effectively make their case, trade advocates have to clearly demonstrate that new deals are a two-way street. The set of upcoming agreements provide a good opportunity to highlight this point.

The American market is already much more open to imports from Colombia and Panama than their markets are to U.S. trade. For example, most imports of consumer and industrial products from Colombia and Panama to the United States have long been duty-free, while U.S. exports to those countries often face high tariffs and other restrictions. A similar dynamic is in place regarding trade between Korea and the United States. The pending trade deals would eliminate a great many of these barriers, and give U.S. exporters the same expanded access to these markets as foreign exporters now enjoy in the United States.⁸

Q: How do we know that this is a fair deal and not a lopsided giveaway?

A: Right now, the United States is getting the short end of the stick when we trade with Korea. Their import taxes on our products are much higher than the duties we place on their products, and unfair Korean regulations pose serious barriers to American goods and services. KORUS would even the score by making

sure our products get the same fair treatment over there that Korean products get here. That gives America a better deal and a bigger slice of the Korean market.

4. Will there still be strong rules?

Some Americans have doubts about “free trade agreements” because they believe that “free” trade means trade without rules—the kind of unfettered trade that would, for example, expose America’s children to unsafe, imported toys. These Americans need to be reassured that trade deals preserve America’s ability to maintain vital health, safety, labor, environmental and other rules. And they must know that United States is committed to aggressive enforcement of laws and agreements against unfair and unsafe imports and foreign barriers that block American exports.

Q: How do we know that this agreement will be enforced and Korea will actually play by the rules?

A: KORUS will lay down strong rules of the road for trade between the United States and Korea. Under the agreement, Korean products will continue to have to meet strong U.S. health, safety and other standards, and the Korea will have to apply fair, transparent and reasonable rules to American exporters and investors.⁹ The agreement sets up clear lines, and if Korea crosses them, the United States will have the right to take aggressive enforcement action under these rules.

5. Are we standing up for America and Americans?

Many Americans worry that the United States will be taken advantage of in trade agreements, and they want our

negotiators to fight harder for better terms. These Americans should know that U.S. trade officials used tough negotiations to gain important additional improvements to the Colombia, Korea, and Panama trade agreements in key areas, including auto trade, labor rights, and tax haven abuse.

Additionally, it's important to stress that trade agreements must be a part of a comprehensive approach to trade,¹⁰ which includes aggressive export promotion, strong enforcement of trade rules, sustained pressure on other trading partners, and trade adjustment assistance¹¹ to help those Americans who are adversely affected by trade to share in trade's vast benefits.

Q: How do we know that we're getting the best deal we can on KORUS?

A: U.S. trade negotiators fought tooth and nail to get additional concessions from the Korean government on KORUS. When pieces of the original offer weren't good enough, they opened the package back up and fought for additional concessions, particularly better terms to help U.S. auto companies and workers. From President Obama on down, our negotiators consistently pressed Korea on key issues, stood strong for U.S. interests, and made sure that they eventually got KORUS right for America. This more assertive approach to aligning trade agreements to key U.S. interests is a key part of an overall U.S. strategy to make trade work better for Americans.

Conclusion

Americans are open to trade agreements, but their support has to be earned rather than assumed. To seal the deal, trade advocates have to clearly explain to the public how and why a deal is fair and will benefit them, their community, and their

country. Once advocates make that sale at home, they can start helping American businesses sell abroad.

TOPICS

TRADE 86

END NOTES

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