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ONE-STOP IDEA BINDER:

Trade and the Economy

How New Trade Deals Will Create Jobs and Opportunity for America

By Ed Gerwin

This e-binder contains Third Way memos, reports, editorials, and stories in support of the pending trade agreements with Korea, Colombia, and Panama, a robust Trade Adjustment Assistance program, and active U.S. engagement in global trade.

Table of Contents

Memos and Reports

Editorials

10 Stories

TRADE AND THE ECONOMY SECTION I:

Memos and Reports

1. "What Americans Want to Know About Trade Agreements," Memo, Third Way, June 2011.
   Public opinion research shows that Americans have a variety of concerns about trade agreements. This memo answers five of the most common concerns using the KORUS FTA as a template.

2. "The Korea Trade Agreement: A Good Deal for America," Memo, Third Way, April 2011.
   In the past, trade proponents have made the case for FTAs largely with important—but often dry—data. This memo uses compelling stories with supporting data to make the case for the KORUS FTA.

3. "Why We Need Fairer Trade: How Export Barriers Cost America Jobs," Report, Third Way, July 2010.
   Foreign trade barriers make it hard for America to export, tap into foreign growth and support good jobs. This memo describes some of the worst foreign barriers and explains why we need new trade deals to win fairness for U.S. exporters and workers.

June 2011

TO: Interested Parties

FROM: Ed Gerwin, Senior Fellow for Trade and Global Economic Policy
Ryan McConaghy, Director of the Economic Program

RE: What Americans Want to Know About Trade Agreements

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 consumers[2] 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 assistance[11] 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.

Endnotes

[1] Ed Gerwin and Ryan McConaghy, "The Korea Trade Agreement: A Good Deal for America," Policy Memo, Third Way, April 2011, p. 11. Available at: http://www.thirdway.org/subjects/8/publications/385.

[2] Ed Gerwin, "5 Reasons America Needs Korea Free Trade Deal," Op-Ed, *The Wall Street Journal*, December 16, 2010. Available at: http://blogs.wsj.com/economics/2010/12/16/guest-contribution-5-reasons-america-needs-korea-free-trade-deal/?KEYWORDS=gerwin; See also Ed Gerwin and Ryan McConaghy, "The Korea Trade Agreement: A Good Deal for America," p. 2.

[3] NBC News/*The Wall Street Journal* Poll, November 11-15, 2010, Q34. Available at: http://online.wsj.com/public/resources/documents/WSJpoll111710.pdf.

[4] Ed Gerwin and Jon Cowan, "Misconceptions About Trade Agreements," Op-Ed, *The Wall Street Journal*, April 6, 2011. Available at: http://blogs.wsj.com/economics/2011/04/06/guest-contribution-misconceptions-about-trade-agreements/?mod=google_news_blog.

[5] Ed Gerwin and Anne Kim, "Why We Need Fairer Trade: How Export Barriers Cost America Jobs," Report, Third Way, July 2010. Available at: http://www.thirdway.org/publications/318.

[6] Ed Gerwin and Ryan McConaghy, "Selling U.S.-Korea Trade Deal Calls for Common Sense," Op-Ed, Bloomberg Government, May 4, 2011. Available at: http://perspectives.thirdway.org/?p=1014; See also Ed Gerwin and Ryan McConaghy, "The Korea Trade Agreement: A Good Deal for America."

[7] Ed Gerwin and Anne Kim, "Why We Need Fairer Trade: How Export Barriers Cost America Jobs."

[8] Ed Gerwin and Ryan McConaghy, "The Korea Trade Agreement: A Good Deal for America," pp. 2-3.

[9] Ibid. pp. 8-9.

[10] Ibid.

[11] Ed Gerwin, "Pitching a Penny for Trade," *The Hill*, May 27, 2011. Available at: http://thehill.com/blogs/congress-blog/labor/163717-pitching-a-penny-for-trade.

POLICY MEMO

TRADE | APRIL 2011

The Korea Trade Agreement: A Good Deal for America

By Ed Gerwin and Ryan McConaghy

To compete and win in the global economy, America must become an export powerhouse. For this to happen, it's essential that we break down unfair foreign barriers that keep American companies and workers from selling their goods and services to the world. The U.S.-South Korea Free Trade Agreement (KORUS) would do just that, allowing America to go toe-to-toe with China and Europe in the competition for global business. By winning fairer treatment for American exports, KORUS would lead to greater economic growth, support good American jobs, and benefit American companies, communities, and families. And it would do all of this in a manner that's in keeping with America's values.

49 MILLION CONSUMERS

A Good Deal for American Growth and Jobs

On March 28th, FedEx launched new, direct Boeing 777 freighter service to South Korea from its world hub in Memphis.[1] This new route positions FedEx and its U.S customers to seize the many new opportunities that KORUS would create for American exports to South Korea.[2] Under KORUS, the cargo holds of FedEx aircraft—as well as South Korea-bound shipping containers, passenger aircraft and international data networks—would carry a wide array of U.S. products to waiting South Korean customers—from Florida orange juice, Michigan auto parts, Campbell's soup and Hershey's Kisses, to Hollywood movies and life insurance for Korean families.

This story, and many more like it, illustrates how KORUS would help industries, communities, companies and workers throughout the United States. Below, we outline some of the compelling stories and convincing data that demonstrate why KORUS is a good deal for America.

Over the next 5 years, 87% of global growth will take place outside of the United States. By 2030, the global economy will add some 2 billion new middle class consumers.[3] South Korea's 49 million consumers are a dynamic part of the rising global middle class. But, to reach these eager customers, America needs to clear away the many barriers that deny us fair access to the South Korean market.[4]

Tearing Down Tariffs

America boasts one of the world's most open economies, and this openness is a key source of U.S. economic strength. South Korea, on the other hand, currently maintains significant barriers to exports from the United States. For example, Korea's duties on imported farm products average 54%—compared with U.S. tariffs on the same imports that average 9%. On non-farm goods Korean duties average 6.6%—compared with 3.2% for the United States.[5]

By eliminating these high tariffs KORUS would significantly expand the pipeline for American companies and workers selling to South Korea.[6] The agreement would immediately make almost-two thirds of U.S. farm good exports (by value) duty free and eliminate Korean duties on almost 95% of U.S. exports of industrial and consumer products within 5 years.[7]

Breaking down Barriers

However, high tariffs aren't the only barriers that KORUS would help to break down. U.S. exporters have long complained that Korea employs an array of tactics—from discriminatory standards and closed rulemaking, to a lack of due process—to exclude American manufactured and farm goods, services and investments from the Korean market.[8] KORUS would tackle many of these unfair barriers head-on. The agreement's provisions on rules and standards would, for instance, strengthen Korea's obligations to provide transparency in rulemaking, provide American firms with greater opportunities for meaningful participation in Korea's development of standards and establish effective procedures for resolving disputes.[9]

For example, the KORUS revisions negotiated by the Obama Administration would address Korea-specific auto standards that have acted as severe barriers to U.S. auto exports. Under the agreement, Korean safety officials would allow each American automaker to import 25,000 U.S. originating cars per year that comply with U.S. safety standards. American cars would also meet Korea's soon to be issued fuel economy and emissions standards if they achieve targets within 19% of those benchmarks. [10] Both the United Auto Workers and Ford, along with the other American automakers, now support KORUS because these changes would significantly open up Korea to American auto exports.[11]

Opening Opportunities for Growth

Studies by the U.S. International Trade Commission (ITC)also estimate that just the tariff cuts on goods under KORUS would increase American exports by $10-11 billion per year, and it's estimated that these exports would support tens of thousands of good American jobs.[12] And these estimates don't include the additional exports and jobs that KORUS would support by opening up South Korea's half-trillion dollar services sector to highly competitive U.S. firms. Nor do they account for the job-creating impact of breaking down many of South Korea's non-tariff and regulatory barriers to U.S. exports, which the USITC estimates could "substantially increase" U.S.-Korean trade.[13]

As detailed in Appendix I, the strong track record of recent U.S. free trade agreements further shows how trade deals like KORUS have the potential to boost American exports, in many cases well beyond the U.S. International Trade Commission's original, more conservative estimates.

South Korea's vibrant economy—which has been growing at twice the rate of America's—could be an important source of new economic growth.[14] By making it easier to sell American products and services to South Korea, KORUS would allow America to tap into the market's potential to drive growth and create jobs at home.

SQUEEZING THE COMPETITION

A Good Deal For American Companies and Workers

The data on the benefits of KORUS is convincing, but what will the deal mean on the ground for American workers and businesses? It's worth taking a closer look at how KORUS would help America's producers, workers and iconic American products compete and win in Korea. (Appendix II contains additional examples of how KORUS would drive American export sales to Korea.)

Helping Florida Squeeze the Competition in Korea

Orange juice is the most popular juice drink in Korea, with imports exceeding $100 million annually. The 1,100 grower-members of Florida's Citrus World cooperative (owners of the "Florida's Natural" brand) currently export concentrated frozen orange juice to Korea, but these exports face high Korean duties of 54%. KORUS would immediately eliminate these high Korean duties, slashing the price that Korean consumers would pay for U.S. orange juice. This would give Citrus World and other American exporters a huge competitive advantage over suppliers from Brazil (the current lead) and other countries that would still pay the higher Korean duties. After all, if you were a savvy Korean shopper comparing a six-pack of Florida's Natural juice concentrate at $14.49, and a Brazilian brand priced at $22.32, which would you buy?[15]

Food and Farm Products

South Korea is already America's fifth largest export market for high-value food products—importing $5.1 billion worth of U.S. processed foods and beverages in 2008.[16] Leading U.S. exports include juices, chocolate products, prepared foods and frozen French fries. Korea's demand for these and other consumer-ready products is continuing to grow as Korean consumers become more affluent, adopt a more international diet and demand quality and product variety.[17]

But it's hard for American food and beverage exporters to take full advantage of growing opportunities in Korea when their products face a variety of Korean trade barriers, especially high duties—often over 50% and some as high as 754%—that make American processed foods far too expensive for even affluent Korean consumers. American meats, grains, vegetables and fruits similarly face high Korean tariffs and an array of non-tariff trade barriers.

KORUS would help a wide range of American food producers, farmers and their workers win more business from Korean consumers. Opening up Korea's market for these and other American food products would also help create good American jobs. The United Food and Commercial Workers Union—which represents American workers in agriculture, food processing, meatpacking and other sectors—has endorsed KORUS, citing estimates that the agreement would create over 20,000 jobs in meat export producing sectors alone.[18]

Pass the Spicy Pork

Koreans eat more pork than any other meat. One very popular Korean dish is Spicy Pork (Daeji Bulgogi) which is made with thinly sliced pork marinated in spicy chili pepper sauce. In recent years, more and more Korean retail stores have been selling high quality and well-priced American chilled pork to Korean consumers. KORUS would eliminate many Korean pork duties of up to 30% by 2014, helping American pork producers and processors like Swift, Tyson and Hormel make sure that more Korean Spicy Pork has an all-American flavor.[19] But without KORUS, American pork would eventually be priced out of the Korean market by foreign suppliers whose countries get improved access to Korea, such as the EU and Chile. This would leave a bitter taste for our producers, who would lose $215 million in current business and $687 million in future sales.[20]

Manufacturing

Manufactured goods account for some 80% of U.S. exports to Korea, supporting 230,000 American jobs in 2008. KORUS would significantly boost American manufactured exports to Korea—including medical equipment, information technology and environmental goods—helping to support related jobs. The National Association of Manufacturers estimates, for example, that U.S. exports of machinery and equipment to Korea would grow by more than a third under KORUS.[21]

Dredging-Up Korean Business

Ellicott Dredges, a 200-employee company in Baltimore, has been recognized as one of the 100 fastest growing inner-city headquartered companies in America. Ellicott has over a century of experience in the dredging industry—it built the dredges used to dig the Panama Canal. Ellicott has been active in Korea for decades. In 1983, for example, it designed and delivered to Korea a massive dredge which is still one of the largest of its type in the world. But while Ellicott can offer high-quality American-made dredges, it must also compete on price in a very competitive global market. KORUS would eliminate Korea's 5-15% duties on Ellicott's dredges, and help assure that Ellicott's high quality products can continue to compete on price with European dredges that are already set to benefit from tariff cuts under the European Union's new trade deal with Korea.[22]

Services

Services are a superstar of American exporting. But because services are usually intangible and often harder to quantify, they are frequently ignored—especially by critics of new trade deals. However, the benefits of U.S. services exports are undeniable—America exports over a half trillion dollars in services annually and runs a trade surplus in services of almost $150 billion. These exports support some 3 million good U.S. jobs, in sectors including travel, tourism, logistics, finance, insurance, entertainment, IT, health care, education, consulting, accounting and law.[23]

Korea's $580 billion services market is the world's seventh largest. America already runs a services surplus of over $6 billion with Korea, despite Korea's very significant barriers to American services trade. KORUS would significantly open up opportunities for increased U.S. services exports to Korea by:

- Requiring much greater transparency in Korea's services regulatory power;
- Enabling American firms to participate fully in the Korean regulatory process; and
- Eliminating many industry-specific restrictions, such as limits on the ability of financial firms to establish and fully own branches, and restrictions on express delivery, legal services, and electronic commerce.

According to the U.S. International Trade Commission, KORUS would benefit a number of important services sectors in particular. For instance, it would likely increase American film and entertainment services exports "significantly" and result in "sizable" new exports of U.S. financial services to Korea.[24]

Flying Snoopy to Seoul

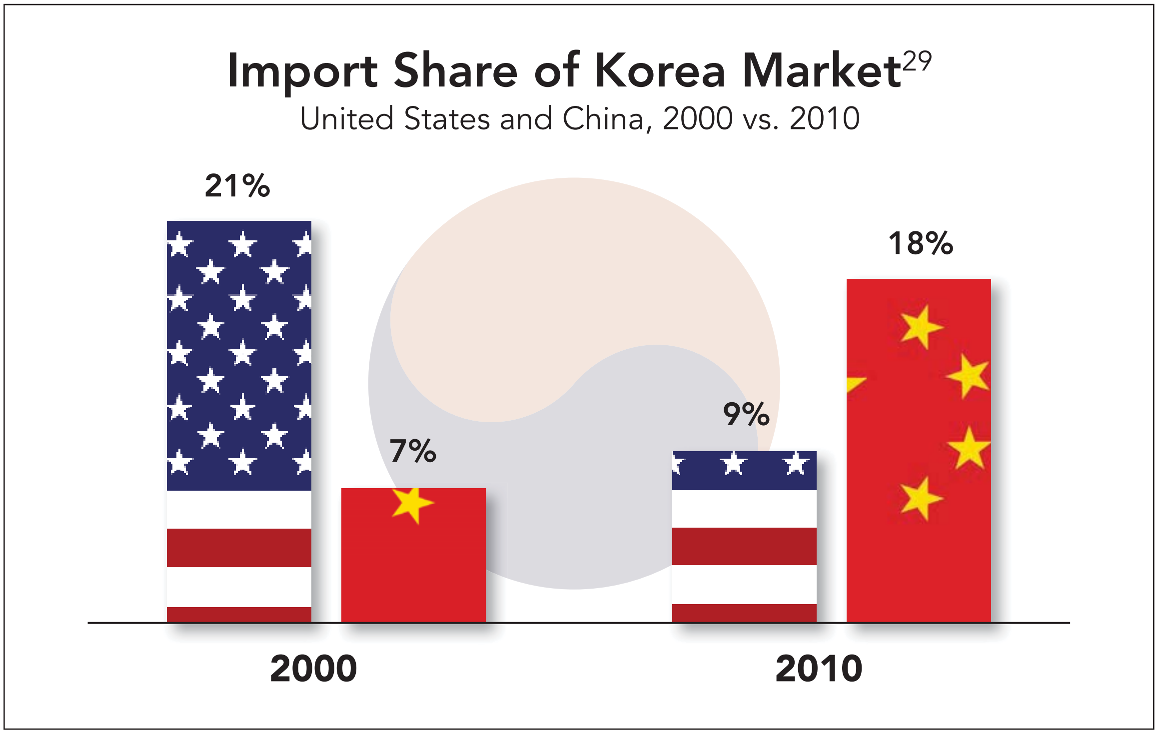
New York-based MetLife is a global leader in insurance and financial services. MetLife has been in Korea for 20 years and Korea is MetLife's third largest market. KORUS would provide MetLife with substantial new opportunities to compete in Korea's $65 billion insurance sector. The agreement would provide MetLife and other American insurers the same rights in Korea as they enjoy in the United States, including the right to freely own branches and to offer innovative products. And new business opportunities in Korea for MetLife would, in turn, support good, well-paying American jobs. MetLife's international investment, product development and actuarial professionals who develop new products for the Korean market are largely based in the United States, as are many of the administrative, research, IT and human resources staffs who work with them.[25]

SOUPED UP SALES

A Good Deal for American Competitiveness

As the world's 15th largest economy, South Korea is a very attractive target for American exporters. But America is not the only country that has its sights on Korea's $1 trillion market, and many of America's global competitors are increasingly doing a better job than the United States in hitting the mark.[26]

In 2003, the United States was the world's leading exporter to Korea. Today, we are struggling with Europe for third place, behind China and Japan.[27] Other countries are working hard to ensure that their companies have preferred access to the Korean market. Countries like Chile, India, and Singapore face fewer barriers in the Korean market under free trade deals, the European Union and Peru are set to implement trade agreements with Korea this summer, and countries including Australia, Canada, China, Japan, New Zealand, and Turkey are either negotiating or exploring trade-opening deals with South Korea.[28]

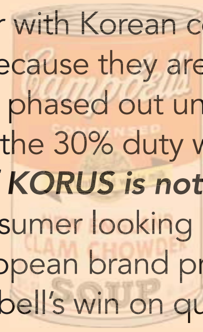


The United States must keep pace with these international competitors by concluding KORUS. If we don't, we will fall further behind in Korea as Korea's barriers to other countries' exports fall away. Failure to act will not only keep American companies from gaining new business in Korea, but will increasingly cost them current business as well. For instance, within a year of Chile's trade deal with Korea, Chilean wine exports to Korea overtook U.S. wine exports.[30]

A U.S. Chamber of Commerce study estimates that the United States would lose some $35 billion in global exports and 345,000 jobs if it fails to implement KORUS while the EU and other global competitors continue to strike new market-opening trade deals.[31]

If, on the other hand, KORUS is implemented, American companies would not only stay in the game, but gain some clear advantages. Among other things, under KORUS, the U.S. service sector would gain better access to Korea than its European competitors. And KORUS would give producers like Citrus World a potentially decisive price advantage over foreign competitors because of much lower duties.[32]

Shopping in Seoul for Clam Chowder



Seafood soups are popular with Korean consumers. But imported chowders can be expensive because they are subject to Korea's 30% import duties. These duties would be phased out under the EU's trade deal with Korea and under KORUS. But the 30% duty would still apply to Campbell's and other American exports ***if KORUS is not implemented***. If you were a budget-conscious Korean consumer looking at a can of Campbell's Clam Chowder for $5.36, and a European brand priced at $4.12, which would you buy?[33] KORUS will help Campbell's win on quality and not lose on price.

FAIR PLAY
A Good Deal for American Values

Critics claim that KORUS and other trade agreements are unfair, charging that they subvert vital American health, safety and environmental policies. However, KORUS affirms the right of the United States to maintain these and other protections.[34] And it includes strong, enforceable environmental and labor protections that were long sought by advocates and were agreed to by bipartisan Congressional leaders.[35]

At its core, KORUS wins fairness for America by breaking down Korea's unfair barriers to U.S. commerce and establishing clear and fair rules-of-the-road. It mandates that Korea apply quintessentially American principles like fair play and due process to American traders and investors. It requires that rules be developed in an open and transparent manner, prohibits unfair discrimination against American products, services or companies, and protects American property rights against seizure without due process and just compensation.[36] Indeed, Korea has agreed to these and other provisions precisely because it wishes to reform its economy and government sector by emulating important American principles—principles that promote fairness, openness, opportunity and prosperity.[37]

By itself, KORUS will provide a shot-in-the–arm for the American economy. However, for America and Americans to maximize the overall benefits of KORUS—and of trade generally—KORUS must be part of a broader, comprehensive trade strategy that assures that trade's opportunities are widely shared and that America keeps the advantages we've won at the bargaining table. This strategy must include more aggressive international enforcement against barriers to U.S. exports, more robust export promotion, more good trade deals, full restoration of Trade Adjustment Assistance, stronger enforcement of import rules, better workforce development, and more sustained pressure on other competitors to comply fully with international rules.

ABSOLUTELY, POSITIVELY KORUS

A Good Deal for America

America is the world's largest manufacturer, leads the world in services and boasts a large and highly productive farm sector.[38] But we also underachieve significantly as an exporter. Of the world's 12 largest economies, we are last in the share of our economy derived from exports. Only 1% of our companies are exporters.[39] To grow, we can and must become an export powerhouse. KORUS provides a key step forward.

Since last month, FedEx Boeing 777's have been making direct cargo flights from Memphis to Korea. But how often will those planes fly, and how much will be in their cargo holds as they wait on the runway to take off? KORUS would expedite these cargo shipments and other U.S. express delivery services[40] and make them more profitable for America. Under KORUS, FedEx freighters would carry more shipments from American small businesses who export to Korea because they no longer have to leap regulatory hurdles, from innovators no longer worried that their intellectual property will be up for grabs, and from domestic parts suppliers reaching new Korean customers through increased "just-in-time" shipments.

More of these flights would also mean more FedEx workers to handle the shipments, more purchases in the local Memphis economy and more 777s built and supported by Boeing's over 150,000 employees and 22,000 suppliers in 50 states.[41] And of course, more export sales for American farmers, manufacturers, service providers, and innovators would continue to keep these flights and other shipments to Korea stocked with new cargoes. Together, this example and countless others would all add up to growth and jobs to help America and Americans recover and prosper. But before this growth can take off, KORUS must take flight.

* * *

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ABOUT THIRD WAY

Third Way is an innovative and influential think-tank that creates and advances moderate policy and political ideas. We advocate for private-sector economic growth, a tough and smart security strategy, a clean energy revolution, bold education and anti-poverty reforms, and progress on divisive culture issues.

For more information about Third Way please visit www.thirdway.org.

APPENDIX I
Track Record of U.S. Trade Agreements

The track record of other U.S trade agreements underscores the potential of KORUS to promote U.S. exports and create opportunity for American communities, companies and workers. Some examples of how recent trade agreements have been a catalyst for robust, export-driven growth in important regions and industries include:

- **North Carolina:** Since the Chile Free Trade Agreement went into effect in 2004, North Carolina's exports to Chile have grown by over $64 million, growing twice as fast as the state's exports to the world overall.
- **Michigan:** Since the Chile Agreement went into effect in 2004, Michigan's exports of transportation equipment—the state's largest export category—have increased nearly four times faster to Chile than the state's transportation equipment exports to the world overall.
- **Colorado:** Since 2002, Colorado's exports of processed foods—the state's second largest export category—have increased twice as fast to free trade agreement countries as the state's processed food exports to the world overall. [42]

According to 2010 U.S. trade data, America's 17 free trade agreement partners represent only about 7% of global economic output outside of the United States. But they accounted for over 40% of U.S. exports, while contributing 31% of U.S. imports.[43] The data also shows that, in 2008 and 2009, the United States had a manufactured goods trade surplus of almost $50 billion with its 17 free trade agreement partners, and that our manufactured exports to these countries continued to exceed imports for 2010. This is in stark contrast with our 2009 manufactured goods deficit of $345 billion with countries—especially China—with which we do not have a free trade agreement.[44]

A Rising Tide: The Impact of Recent U.S. Trade Agreements on U.S. Exports & Imports[45]

Trade Agreement	Change in U.S. Exports	Change in U.S. Imports
Australia (2004-2008)	+59%	+41%
Bahrain (Aug. 2006-July 2009)	+48%	-20%
Chile (2003-2008)	+341%	+122%
Morocco (2005-2008)	+199%	+97%
Singapore (2003-2008)	+68%	+5%

APPENDIX II
More KORUS Stories

Farm and Food

- **Chocolate:** The Americans who make chocolates and candies, like Hershey's Kisses, would benefit from Korea's elimination of duties ranging from 8% to 754%, either immediately or in stages.[46]
- **Processed Foods**: Workers at major American food products companies like Kraft and Proctor & Gamble would be able to produce more for the Korean market when Korea eliminates duties ranging from 8% to 754% on their products. Many would be eliminated immediately.[47]
- **Beef:** Tariff eliminations on Korea's current 40% duty on beef would lower the Korean price of U.S. beef by $1300 per ton ($0.65/pound) and increase U.S. exports by American ranchers and processors substantially.[48]
- **Potatoes:** American potato growers from Idaho to Maine, along with their processors and workers, would gain a larger slice of Korea's $20-$30 million import market for processed potatoes. KORUS would immediately eliminate Korea's 18% duty on American frozen French fries and phase out duties of up to 304% on dehydrated potatoes.[49]
- **Wine:** Napa Valley winemakers are battling with competitors from Chile and Europe for business in Korea's growing market for wine. Chilean wine exports to Korea overtook American wine exports within a year of Chile's trade agreement with Korea. If KORUS is not implemented, the United States would be the only major wine exporter that still pays Korea's 15% duty.[50]

Manufacturing

- **NU Core** (Inkster, Michigan) – immediately eliminates Korea's 8% duty on exported auto parts.
- **LM Glasfiber** (Little Rock, Arkansas) – immediately eliminates Korean duties of up to 8% on windmill blades.
- **Bristol Compressors** (Bristol, Virginia) – eliminates Korean duties of up to 8% on pumps, compressors and fans immediately or within 3 years.
- **Cummins** (Columbus, Indiana) – eliminates Korean duties of up to 8% on certain engines immediately or within 3 years.
- **Medical Equipment** – U.S. medical equipment firms like Johnson & Johnson and Medtronic generate a $500 million U.S. medical equipment trade surplus with South Korea, and are neck-and-neck with their European competitors. But, without KORUS, EU firms would gain the upper hand because their equipment would face duties averaging only 1%, while duties on American equipment would average 5.6%. Moreover, only EU companies would gain clearer and more transparent treatment under Korea's national health insurance.[51]

APPENDIX III
KORUS – Just the Facts

Korea
- World's 15th largest economy (2010 est.).
- GDP – $989 billion (2010 est.).
- Population – 49 million (2010 est.).
- Services sector – $580 billion.

Current Comparative Tariffs
- Farm products – average Korean duties of 54% (vs. U.S. average of 9%).
- Non-farm goods – average Korean duties of 6.6% (vs. U.S. average of 3.2%).
- Food and beverage products – Korean duties often over 50%, as high as 754%.

Current U.S.-Korea Trade
- Manufactured goods are 80% of current U.S. exports to Korea, supporting 230,000 jobs in 2008.
- Services – U.S. runs a $6 billion surplus with Korea.
- United States was the World's #1 exporter to Korea in 2003. Now China is #1, with the U.S. competing with the European Union for third place.

KORUS Impacts
- Would immidiately eliminate Korean duties on almost two-thirds of U.S. farm goods (by value).
- Would eliminate Korean duties on almost 95% of U.S. industrial and consumer products within 5 years.
- Would increase U.S. exports to Korea by $10-11 billion per year, based on conservative estimates not including services.
- By eliminating many of Korea's non-tariff and regulatory barriers, KORUS could "substantially increase" trade, according to the U.S. International Trade Commission.
- National Association of Manufacturers estimates that U.S. exports of machinery and equipment to Korea would grow by one-third.

U.S. Economy and Trade
- U.S. is the world's largest manufacturer and exported $1.3 trillion in goods in 2010.
- U.S. is the world's largest services economy and services exporter, and ran a services surplus of almost $150 billion in 2010.
- Of the world's 12 largest economies, the U.S. is last in the share of its GDP (13%) derived from exports. Only 1% of U.S. firms export.

Opportunities in the Global Economy
- 87% of global growth will occur outside the United States over the next 5 years.
- 2 billion new middle class consumers will join the global economy by 2030.

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REPORT

TRADE POLICY | JULY 2010

Why We Need Fairer Trade: How Export Barriers Cost America Jobs

By Ed Gerwin and Anne Kim

In an increasingly competitive global economy, governments around the world are relying on tactics both subtle and brazen to shut out American-made products and services. Left unchecked, foreign barriers to American exports pose a significant threat to American economic growth and job creation. This report details some of the most egregious practices that foreign countries use to keep out American goods and services—practices that rob American companies of new sales and American workers of new jobs. Our report also calls for strong measures to fight back, including a renewed push for more of the tough trade agreements that have already won fairer treatment for American companies in key markets. We also call for more aggressive enforcement of existing trade deals to ensure that we get everything we've already bargained for.

THE PROBLEM

Foreign governments unfairly shut out American products and services

If you're an American itching for a motorcycle, you can hit the open road today on a brand-new Harley-Davidson "Fat Boy" for just about $17,000, including taxes, license and registration fees.[1] But if you're a Brazilian, a Vietnamese or an Indonesian, that same ride will cost you up to three times that much—between $40,000 and $50,000.[2]

The difference isn't due to high overseas shipping costs or because a motorcycle license costs more in Brazil or Indonesia. Rather, it's the result of the many discriminatory duties and taxes that foreign governments levy on American-made Harleys to stifle competition with their local motorcycle producers.[3]

Nor is Harley-Davidson alone. Around the world, iconic American brands, such as Microsoft, KFC, General Electric, FedEx and John Deere, as well as innovative American small businesses,[4] face an array of unfair trade barriers from foreign governments determined to keep them out. Likewise, American farmers face huge obstacles selling Washington State apples, Montana beef or Tennessee whiskey because of arbitrary foreign rules, corrupt customs practices or excessive duties. In an ever-dynamic and competitive global economy, foreign governments are resorting to protectionist policies to win every advantage they can to promote home-grown industries and squash competition. At the same time, they are aggressively seeking new trade deals to knock down obstacles in other countries to their own exports.

These developments have real consequences for American jobs. Without tough action to fight back and insist on fairness for American exports, small and large American companies and their workers will be left behind and will continue to lose out on billions or even trillions of dollars in potential new opportunities around the world. Harley-Davidson, for example, is a $6 billion U.S. company that earns about 30% of its revenues from foreign sales, even in the face of current foreign trade restrictions. Eliminating punitive foreign tariffs and taxes would make Harley's Fat Boys much more affordable for foreign riders, and could easily translate into hundreds of millions of dollars of new U.S. exports.[5]

Exports are an increasingly essential driver of American economic growth and employment and are critical to the success of many American companies.[6] American exports must continue to grow to support sustainable, long-term economic prosperity and good-paying jobs.[7] If we are to meet President Obama's vital and ambitious goal of doubling U.S. exports in five years, a concerted effort to tackle unfair barriers to trade is essential.[8]

In this report, we detail some of the most common and destructive strategies that foreign governments use to shut out American exports—strategies that severely limit our ability to create new jobs. We also argue that the best solution is one that's in our hands already: the use of expanded trade enforcement and new trade deals to make trade fairer for American workers and companies.

We face a choice. We can empower Congress and the Administration to pursue a proven strategy for opening new markets for American exports. Or we can listen to the isolationists and backward-looking critics who would have us flee from global engagement, tear up existing deals and sit idly by while foreign governments run roughshod on American-made goods and services. To us, the answer is clear: America must act now to negotiate the agreements that will protect our interests.

Trade Barriers: The 100-Headed Hydra
The Evolving and Growing Threat of Foreign Barriers to U.S. Trade

Foreign trade barriers are hardly new. During the Colonial era, Britain's Navigation Acts required American exports to be shipped exclusively on British boats manned by British sailors. These and other discriminatory trade limits were a significant cause of the American Revolution.[9]

Today, U.S. exports continue to face significant foreign restrictions. There are ample indications that these limits present a major and evolving threat to U.S. exports.

First, more foreign governments are joining the game of blocking trade, often at the strong urging of their domestic industries. The recent world economic crisis has contributed to this momentum, as governments desperate to stoke up domestic demand and prop up their economies resort to protectionist measures.[10] Some countries, such as China, are also less scrupulous than we are about the means by which they achieve their growth. For example, China historically has had few qualms about pirating intellectual property or carving out lucrative domestic markets for their "national champions." (At the same time, China is aggressively using its economic prowess to extract from other countries better access and fairer treatment for China's own exports.)

Second, foreign governments are becoming more sophisticated about how they limit trade. While barriers to trade have historically taken more obvious forms, such as taxes or tariffs on imports, today's barriers to trade are often harder to spot and therefore harder to stop. Import taxes and duties are steadily being replaced by a dozen or more types of "non-tariff barriers," which are increasingly problematic for U.S. exporters seeking to sell American goods and services in foreign markets.

While non-tariff barriers have been around for years, they are growing in significance as obstacles to U.S. exports.[11] These non-tariff barriers can take a multiplicity of guises, including discriminatory rules and regulations, arbitrary customs procedures, customs red tape, import licensing burdens and any number of other bureaucratic hurdles.[12] The U.S. government now publishes specialized reports on two kinds of non-tariff barriers—technical trade barriers and barriers to U.S. food and farm exports—that have become particularly worrisome.[13]

In some instances, these new trade barriers are blatantly illegal. In others, foreign governments create illegal trade restrictions by applying otherwise legitimate requirements in a manner that unfairly discriminates against imports. In a surprising number of cases (such as high import tariffs or archaic customs practices), unfair foreign trade barriers can actually be *legal* under international trade rules because the conduct or country is not covered by an existing U.S. trade deal.[14] When trade barriers are discriminatory but legal, better enforcement can't fix the problem, because the United States has no rights to enforce.

The Rogues Gallery
Eight "Worst Practices" Against American Exports

We list below eight of the worst examples of foreign trade restrictions that are blocking export opportunities for American goods and services and holding back American jobs and economic growth. In compiling this list, we reviewed thousands of pages of reports and data, including the USTR's extensive 2010 reports on foreign trade barriers, technical barriers to trade, food and farm measures, and intellectual property rights; the President's 2009 Trade Policy Agenda Report; and extensive submissions from U.S. companies that can't achieve their export potential because of foreign trade restrictions.[15]

This list of "worst practices" is by no means exhaustive and represents a mere snapshot in time. Some foreign countries are even now devising new strategies to limit international competition, all at the expense of export business for American companies and workers.

#1 TECHNICAL BARRIERS
French haute couture: skirts for lawnmowers

Foreign governments are increasingly gaming the system for their domestic industries by imposing unfair "standards-related measures" on imports. These include technical regulations, product standards and related testing and certification requirements.

Standards can legitimately promote important goals, such as facilitating commerce or protecting the environment, public health or consumer rights. However, they can also cross the line and become unfair technical barriers to trade (or "TBTs" in trade-speak) when they are discriminatory, non-transparent or otherwise unjustified.[16]

An infamous example of an unfair technical trade barrier is an ongoing effort by French regulators to challenge John Deere and other American lawn mower manufacturers (who have $1 billion in annual sales in the EU) by requiring American riding lawnmowers to wear "skirts" over their transmissions.

Although French regulators claim these skirts are a necessary safeguard, they can't point to supporting data to back up this claim. Moreover, neither leading international standards organizations nor any other European government has adopted this requirement. French officials also imposed the requirement in a highly irregular manner—through unannounced customs seizures initially directed solely at American products and by requiring that companies make untested and potentially unsafe modifications before the mowers could even be released.[17]

Other variations on the TBT strategy include:

- **Arbitrary definitions for certain products.** Some European countries want to redefine "extra virgin" olive oil to exclude oil from American olives. The EU and Israel require "whiskey" to be aged at least three years (as is required for Scotch and Irish whiskey—but not for the good stuff from Tennessee or Kentucky).[18]
- **"State-of-origin" labels and other burdensome labeling requirements.** Israel requires U.S. auto parts to be marked with the U.S. state of origin (e.g., "Made in USA-Michigan") while parts from other countries need only include the country (e.g., "Made in China"). Taiwan requires U.S. exports of furniture and electronics to be marked—like milk—with an "expiration date!"[19]
- **Lack of meaningful access to the regulatory process.** Korea provides too little time for comments on proposed regulations and often fails to take U.S. industry comments into account.[20]
- **Requiring in-country testing of imports.** China insists that only Chinese labs can determine whether electrical and medical imaging products meet requirements for the China Compulsory Certification mark.[21]
- **Encouraging copycat standards in developing countries.** The EU is working hard to install EU technical standards as standards for the rest of the world. For example, European electrical manufacturers are trying to shape Brazil's new electrical standards so they favor European technology and shut out American products. The EU is also effectively using international standards bodies like the International Standards Organization (where they have 27 votes to 1 for the U.S.) to subvert U.S. competition.[22]

THE BOTTOM LINE FOR AMERICA: The Organization for Economic Cooperation and Development ("OECD") estimates that complying with foreign technical standards can add as much as 10% to the cost of an imported product.[23] When foreign governments abuse standards to block competitive U.S. goods and services, these measures can have even more devastating effects on U.S. export sales and American jobs. On the other hand, under NAFTA, the United States, Canada and Mexico are eliminating standards barriers by aligning their technical regulations on products ranging from appliances to chemicals to cars.[24]

#2 UNFAIR STANDARDS FOR FARM AND FOOD EXPORTS

"We answer to a higher authority"

In a long-running ad campaign, Hebrew National compared its kosher hot dogs to hot dogs that meet U.S. government standards. After listing additives and fillers that Uncle Sam allows in regular franks, the ads noted that these ingredients aren't in Hebrew National's kosher dogs, because ". . . we answer to a higher authority."[25]

Like Hebrew National, governments are free to establish measures (including levels of protection) to safeguard human, animal or plant life or health. In trade jargon, these measures are known as "Sanitary and Phytosanitary" or "SPS" measures.

However, U.S. farm and food exports are frequently unfairly blocked—intentionally or unintentionally—by foreign SPS measures, including measures designed to protect domestic industries more than public health. These include rules that are not based on science, that unfairly favor local producers over imports, that unreasonably differ from international standards, or that result from a non-transparent process. A smorgasbord of the American food products that have faced unfair barriers includes:

- **Pork.** In 2009, more than 30 countries blocked imports of U.S. pork valued at $900 million annually. These countries claimed to be motivated by the H1N1 or "swine flu" virus, even though extensive scientific evidence shows that the virus can't be transmitted by eating properly handled and prepared pork.[26]
- **Apples.** Argentina and Australia block imports of U.S. apples based on plant disease claims that are not backed up by sound science.[27]
- **Potatoes.** China bans imports of U.S. fresh potatoes based on alleged pest concerns and has been dragging its feet in addressing the technical basis for this ban since 2000, when the United States officially requested that China allow certain U.S. potato imports.[28]
- **Rice.** Two different Japanese government agencies require 100% of U.S. rice imports to undergo repeated, extensive and unnecessary testing for hundreds of different chemicals, many of which pose no risk.[29]
- **Biotechnology.** U.S. companies are leaders in using biotechnology to create improved crops that provide the world with vital food, fuel and feed. Despite repeated studies demonstrating their safety, the EU and other countries continue to impose unjustified import bans or labeling requirements on U.S. biotechnology products.[30]

THE BOTTOM LINE FOR AMERICA: U.S. farm and food exports account for some $100 billion in annual trade and support 1 million U.S. jobs.[31] Eliminating foreign SPS trade barriers could add billions more in farm exports and more jobs in America's farm communities.

#3 PROHIBITIVE TARIFFS AND TAXES

No chicken for the Colonel

Despite what European food purists may say, American restaurant chains are widely popular worldwide. (KFC, for example, has almost 2900 restaurants in 650 cities in China, making Colonel Sanders almost as ubiquitous as Chairman Mao.[32]) This popularity is due in no small measure to the fact that KFC, McDonald's, Pizza Hut and other chains insist on consistent standards, and often meet this requirement by using American-made ingredients in their foreign outposts.

In many countries, however, high import duties and taxes on ingredients like chicken, cheese and French fries take a big bite out of profits and growth for U.S. food chains, while hitting local consumers hard in the pocketbook.

India, for example, now imposes a prohibitive 100% import duty on frozen chicken parts and fully cooked chicken, even though the country currently faces a nationwide shortage of poultry. Indian diners ordering pizza, fries or seafood also pay much higher prices as a result of India's 30% import duties on cheese, toppings, dough, frozen fries and cooked seafood. When India's taxes and "special additional" tariffs are taken into account, effective duties on these key ingredients are over 40%.[33] If these high costs tempt Indian diners to have a shot of Kentucky Bourbon or Tennessee whiskey, they would face duties and taxes of 160% on these American imports.[34]

As shown in the table, sky-high duties on a wide variety of other American foods make these products outrageously expensive for foreign consumers. In many cases, these high fees effectively bar otherwise competitive U.S. imports.

Sample Duties/Border Taxes on American Food Products	
Canned soup	30% (India, Korea)[35]
Vegetable juice	30% (India, Korea)[36]
Goldfish crackers	30% (India)[37]
Tomato sauce	35% (Vietnam)[38]
Grapes	45% (Korea)[39]

Chocolate candy and confections	55-62% (India)[40]
Pears	45% (Korea)[41]
Oranges	51% (India, Thailand)[42]
Oreo cookies	45% (India)[43]
Apples	50% (India)[44]

THE BOTTOM LINE FOR AMERICA: The U.S. food, beverage and consumer packaged goods industry is a $1.2 trillion industry that employs 14 million workers and contributes more than $1 trillion to the U.S. economy.[45] In the 17 countries with which the United States has trade agreements, American food companies face few, if any, import duties like the ones described above.[46] But in other areas of the world, America's food and farm sectors face high tariffs that force them to leave significant export opportunities on the table. For example:

- Yum! Brands, the parent company of KFC, Pizza Hut and Taco Bell, estimates that high foreign duties cost hundreds of millions of dollars in additional U.S. exports.[47]
- Campbell's estimates increased U.S. exports of as much as $200 million if India and Korea removed current duties on vegetable juice and canned soup.[48]
- Duties in seven countries on frozen potato fries and dehydrated potatoes block more than $80 million in additional U.S. exports.[49]
- Duties in 11 countries on U.S. table grapes prevent $100 million in additional U.S. exports.[50]
- India's duties on U.S. apples block some $100 million in U.S. exports.[51]
- Japan's duties on U.S. oranges block additional exports of at least $150 million.[52]

#4 RED TAPE AT CUSTOMS

"Your papers, please!"

We've all seen the movie. Our hero rides on a train deep behind enemy lines. He's approached by an evil, trench-coated government agent, who says simply, "Your papers, please!" We breathe a sigh of relief when the agent moves on.

American exporters face similarly high drama every day at foreign ports. Although the countries we trade with are largely friendly, their customs systems frequently are not. Often, millions of dollars of U.S. trade can be blocked by problems with a simple (and often unnecessary) piece of paper.[53]

Countless examples include:

- **Refusing to accept U.S. forms of certification.** India, for example, has blocked some $25 million in U.S. dairy exports over each of the last five years while it "considers" approving the certificates to accompany these products. Russia refuses to approve USDA certificates for exports of U.S. egg products.[54]
- **Demanding documents that can't legally be produced.** Chile, among others, requires phytosanitary* certificates for processed food products that the USDA cannot issue. As a result, U.S. products without these certificates are effectively barred from these markets.[55]
- **Slow-walking paperwork.** Argentina took 150 days in 2008 to process import licenses for U.S. toys, and virtually stopped issuing licenses in early 2009.[56] Ecuador's government often asks its farm sector for permission to grant import certificates to U.S. exporters (and, not surprisingly, the answer is often "no").[57]
- **Requiring excessive or burdensome paperwork.** Egypt requires a raft of documents, certificates and approvals for imported medical equipment and supplies, even for items like tongue depressors and bandages.[58] Pakistan requires invoices to be placed inside shipping containers, even though, in modern supply chains, shipments and documents are often generated in different locations or at different times or by different parties.[59] In Asia, exporting rice may involve as many as 15 different parties, 24 documents and 700 pieces of data![60]

THE BOTTOM LINE FOR AMERICA: Red tape at foreign customs offices is a significant drag on U.S. exports. Needless customs requirements add a whopping $650 billion in costs to worldwide trade each year. Foreign customs bureaucracy can increase the cost of American goods by as much as 15%, and often price otherwise competitive American goods completely out of the market.[61]

* "Phytosanitary" refers to the presence of pests or pathogens in agricultural products.

#5 ARBITRARY LIMITS ON SERVICES EXPORTS

"When it absolutely, positively *can't* get there overnight"

In most public discussions about trade, the words "trade" and "deficit" are invariably linked. But this obscures the fact that America actually enjoys a commanding trade *surplus*—the world's largest—when it comes to services, such as overnight delivery, professional services, finance and host of other high-end sectors.

Global powerhouse FedEx, for example, employs almost 270,000 workers around the world—including almost 220,000 in the United States—ships seven million packages a day to 220 countries and territories around the world and generates revenues of more than $35 billion a year.[62] Other can-do American service companies are world leaders in banking, insurance, telecom, logistics, information technology, engineering, legal, retail and entertainment, and large and small U.S. firms are big exporters of professional, business and technical services.[63] Overall, the United States exported more than $500 billion in services in 2009, with a surplus of some $136 billion.[64]

But even in services, America's strong competitive advantage is blunted by discriminatory foreign trade barriers in countries that are eager to cut into our lead. Some of the industries that have been in the crosshairs include:

- **Express delivery.** In Brazil, customers must pay a 60% duty on all goods imported by express delivery companies. Other countries give their national post offices unfair competitive advantages by restricting overseas express shipments or limiting the right of U.S. express delivery companies to fully own operations in the foreign country. Some countries, including Japan, China, Egypt and Thailand, even force U.S. express companies to help subsidize regular mail delivery, while others take fees from express companies to subsidize products offered by their national postal operators.[65]
- **Movies and Television.** Spain requires movie theatres to show one day of "EU" films for every three days that non-EU films are shown. Canada requires that 60% of its broadcasts be "Canadian" programs.[66]
- **Accountants, architects, doctors and lawyers.** China requires American construction, design, architecture and contracting firms to meet onerous investment and staffing rules, while Chinese firms are exempt. The Philippines allow only Filipinos to practice law, medicine, accounting and engineering.[67]
- **Banking, finance and insurance.** U.S. banking, finance and insurance firms can't recognize their full potential in foreign markets because of discriminatory regulations and other limits.[68] China has a growing private pension market for its 1.3 billion citizens, but has largely closed this

lucrative business to American pension managers. Non-Egyptian banks have not been able to set up new banks in Egypt for 20 years. India severely limits the ability of foreign banks to set up new branches, while in Thailand, American and other foreign banks can't have off-site ATMs. American financial services companies also report widespread problems due to the lack of transparency in Korea's financial regulatory system.[69]

THE BOTTOM LINE FOR AMERICA: The services sector accounts for over 80% of U.S. GDP, more than 80% of U.S. jobs and one-half trillion dollars in U.S. exports. If America is going to create new jobs through trade, a key place to start is with our world-class services companies. American financial service companies, for example, are pursuing significant new opportunities in Chile after a trade agreement eliminated unfair obstacles to American companies.[70]

#6 PIRACY, COUNTERFEITING AND FORGERY
A "Sonkist" orange, anyone?

America has always been a nation of invention and ideas. Founding Fathers like Ben Franklin and Thomas Jefferson were prolific inventors, and the importance of patents and copyrights as drivers of growth is enshrined in the U.S. Constitution.[71] The "Yankee Ingenuity" of our diverse country is a critical and growing part of America's comparative advantage in sectors ranging from drugs to software to consumer goods and the arts. Patents, copyrights and trademarks are increasingly valuable to American companies competing in the global economy. Indeed, more than 50% of U.S. exports now depend on some form of intellectual property ("IP").[72]

Unfortunately, some global competitors and criminals are good at a destructive kind of ingenuity—developing new ways to steal valuable American ideas. Often, foreign governments do little to stop copying, counterfeiting and forgery. Too often, they are wiling accomplices. Countless examples abound:

- **Robbed research.** Pharmaceutical companies spend more than $50 billion annually on clinical research and development for new drugs. However, many countries let competitors take a "free ride" on this valuable clinical data by allowing them to use it prematurely to get marketing approvals for their own competing products. Additionally, some countries use or threaten "compulsory licensing" to undermine valuable drug patents.[73]
- **Phony pharmaceuticals.** The production and export of counterfeit drugs in countries such as India and Indonesia is a huge international problem.[74]

Some 10% of the drugs on world markets are thought to be fakes.[75] This not only has serious financial implications for U.S. pharmaceutical exporters, but, even more significantly, poses severe health risks for the world's consumers.†

- **Stolen software.** Pirated software accounts for more than 60% of the software used in Asia, Central and Eastern Europe and Latin America. In many countries, software piracy rates reach 90%. In a number of countries, the government itself is a software scofflaw. Despite a 10-year-old government order, China's government agencies still make extensive use of illegally copied Microsoft Windows and other U.S. produced software.[76]
- **Pirated pictures.** Pirated copies of American movies, music and video games are available on illegal markets within days of their legitimate release. Illegal camcorder recording of movies is rampant in Mexico, as is Internet piracy in Spain. 65% of Russia's sound recordings are bootlegged, leading to estimated losses for legitimate labels of $2.7 billion.
- **Bootlegged baseball.** Foreign-based internet piracy of live Major League Baseball, NFL, NBA, NHL and NCAA games and other American sports broadcasts robs copyright owners of significant revenues. One notorious online piracy hub, "TV Ants," uses a domain name that appears to be registered to a Chinese computer science professor at Zhejiang University. The site pirates nearly every live major U.S. sports broadcast and illegally profits by selling advertising on the "TV Ants" media player.[77]
- **Counterfeit California oranges.** "Sonkist" oranges are widely available in Chinese markets. In fact, Chinese factories actually manufacture sham "Sunkist" (or "Sonkist") labels for Chinese street vendors to stick on their fake fruit. Worse yet, these bogus labels are exported to other countries, including Europe,[78] so international fruit forgers can join in the fun.‡

† A study in the New England Journal of Medicine reports that, in early 2008, 150 men in were admitted to hospitals in Singapore with severely low blood sugar. Seven of the patients sustained brain damage and four ultimately died. Many of the patients admitted to taking counterfeit versions of Viagra or Cialis. The counterfeit drugs contained a powerful anti-diabetes medicine, along with leaded road paint, floor polish, shoe polish, cement powder, brick dust, nickel and arsenic. "An Unusual Outbreak of Hypoglycemia," New England Journal of Medicine, vol. 360:734-736, February 12, 2009.

‡ For a photo of a Chinese vendor openly attaching forged "Sunkist" labels to Chinese fruit, go to www.regulations.gov, enter ID number "USTR-2010-0003" and sort by submission ID number to locate Sunkist's submission, USTR-2010-0003-0234, dated February 17, 2010. The picture and other pictures of fake labels are at Exhibit D.

THE BOTTOM LINE FOR AMERICA: America's IP-related industries are key drivers of the U.S. economy. For example, American pharmaceutical companies supported 700,000 U.S. jobs in 2006 and had almost $300 billion in economic impact in the United States. America's core copyright industries (including software, film, video and books) employ 5.6 million U.S. workers and add almost $900 billion to the U.S. economy.

#7 RIGGED BIDS AND CORRUPTION

Foreign thumbs on the scale; foreign hands on the take

Among its many strengths, General Electric is one of the world's leading producers of wind energy equipment. But in China, it's facing strong and increasing headwinds as it tries to capture a piece of the $8.6 billion Chinese wind energy market.

The reason is that China has adopted a broad array of government procurement policies aimed at ensuring that most new wind energy equipment bought by China will: (1) be made in China, (2) be based on Chinese-owned IP (under China's infamous "indigenous innovation" policy) and (3) embody Chinese technical standards.

As a result of these policies, U.S. and other foreign wind turbine producers have seen their Chinese market share plummet from 75% to 24% from 2004 to 2008. 2009 foreign sales were expected to drop yet further, to 15% of the total Chinese market.[79]

China is not the only country in which competitive American bidders don't get a fair shake in government contracting, and the problem isn't limited to wind energy. The list of countries in which American companies are essentially shut out of government procurement includes India, Spain, Japan and others. For example, U.S. firms annually win less than 1% of Japan's massive $195 billion public works sector.[80]

But even rigged bidding processes are a relatively benign problem compared to the outright corruption that American companies often face abroad. Corruption is a significant barrier to trade in at least 25 of the top 58 U.S. export markets.[81] Corrupt customs officials often block or hold up imports from America. Crooked regulators or judges turn a blind eye to piracy of U.S. products or other thefts of valuable American property and investments.[82] Foreign officials often selectively enforce local laws against American companies only. Repeat offenders include:

- **Ukraine.** Corrupt courts and lax laws in the Ukraine have enabled organized crime to literally "hijack" legitimate companies from U.S. and other foreign investors.[83]
- **China.** Chinese officials routinely ignore regulations—unless they are carrying out a vendetta or want a favor in return. And guess what? Chinese companies often benefit over Americans. [84] In addition, while China reliably collects its 5-17% value-added tax (VAT) on imports, Chinese companies often evade the tax, putting U.S. imports into China at a significant price disadvantage.[85]
- **Kenya.** A number of U.S. firms have left Kenya in part due to that country's rampant corruption. Some estimate that more than $10 million in bribes is paid each year in the East Africa to police and customs officials.[86]

THE BOTTOM LINE FOR AMERICA: Government contracting accounts for an estimated 15% of the GDP of OECD countries, and the percentage is even higher in other nations. American companies can't compete for a fair share of this business, however, when public bidding and other aspects of a country's economy are fixed by favoritism or stained by corruption.[87] This is one reason why the U.S. pursued an agreement with Peru. Under our deal with Peru, Peru no longer applies a 20% price preference for local companies against American bidders on covered bids.[88]

#8 "NATIONAL CHAMPIONS"

Rocky versus Drago—except Drago wins

In the Cold War classic *Rocky IV,* Rocky Balboa—a do-it-yourself hometown hero trained on South Philly's gritty streets—defeats the evil boxer Ivan Drago—a steroid-pumped, drug-enhanced product of the Soviet military-industrial machine.

While *Rocky IV* ended happily, U.S. companies are having less luck against foreign competitors who, like Drago, operate with the full weight of their governments behind them and use their favored status to muscle aside rivals and pump up opportunities.

For example, under a "secret" agreement, the European Union appears to be favoring two European suppliers of enriched nuclear fuel and imposing strict limits on imports from the United States.[89] In China, only a monopoly created by the People's Bank is allowed to operate electronic payment systems for Chinese currency credit cards, cutting leading American companies like Visa out of this lucrative service sector.[90]

Other examples include:

- The Canadian Wheat Board's monopolistic marketing practices provide unfair advantages for Canada's wheat farmers over their U.S. competitors.
- A government monopoly manages and strictly regulates the import of U.S. rice into Japan.
- Japanese ports are run under an old boys' network that forces exporters to use Japanese-only companies to unload their cargoes. Prices are fixed by a collusive industry association that intentionally keeps prices high.[91]

THE BOTTOM LINE FOR AMERICA: In America's early years, some states let local monopolies shut out competition from other states. The Supreme Court outlawed these unfair practices in the 1820s and unleashed a torrent of new American economic activity.[92] Today, foreign monopoly practices present U.S. exporters with a similar challenge—and a significant opportunity.

THE SOLUTION

Tough new trade deals and stepped-up enforcement

So how can America fight back?

Fortunately, the most potent weapon we can deploy against export barriers is already in our arsenal: the trade agreement. The question is, will America step forward to use it, or will we allow anti-trade forces to drive an agenda that will lead to more trade barriers, fewer exports and less growth?

The United States has existing reciprocal trade deals with 17 countries. In these countries, our agreements have broken down trade barriers and opened new opportunities for American companies and workers. They have also eliminated the vast majority of duties on U.S. imports into these markets and given the United States considerable leverage to demand fairer treatment for U.S. exports. This leverage includes such tools as new requirements for greater regulatory transparency, expanded U.S. access to foreign government procurement, and stronger protection and enforcement of U.S. IP rights.[93]

But in countries with which we have no reciprocal agreement or no other tough rules for fair play,[94] the Wild West usually prevails. Without the limitations imposed by an effective and comprehensive trade deal, foreign governments are often free to devise whatever ploys they want—like the barriers described in this report—to shut out American companies and products.

This is why America must again demand tough new trade deals—to give us the tools to call out renegade practices, put a stop to unfair barriers and hold foreign governments accountable for the way they treat American companies and workers. In particular, we should pursue more market-opening initiatives with major economies, such as Europe, China, India, Brazil, the ASEAN countries and Japan, and in sectors where we are strongest, such as high technology, services, clean energy and health.[95]

The stakes also go beyond the fair treatment of American companies and workers to the future growth of the American economy. Policymakers now broadly agree that exports must play a much bigger role in America's "post-consumption" economy. The United States can no longer rely on housing bubbles, excessive consumer debt and financial speculation to drive U.S. growth and create new jobs.[96] For our economy to grow, the United States must aggressively seek new opportunities among the rising global middle class.[97]

What follows is a three-step strategy for how we can ensure that America gets its fair share of the global economy and future growth.

STEP 1: RECOGNIZE THAT TRADE DEALS WORK

Trade deals stop bad foreign practices and make trade fairer for U.S. companies

In fact, the United States has had striking success in exporting to countries with which we have free trade deals. According to a U.S. Commerce Department analysis, U.S. trade agreement partners accounted for 7.5% of global GDP in 2006, but took in a whopping 42.6% of all U.S. exports during that year.[98] Commerce Department data also shows very substantial increases in U.S. exports after recent trade agreements entered into force:

BEFORE AND AFTER:
Impact of Recent U.S. Trade Agreements on U.S. Exports and Imports[99]

Trade Agreement	Change in U.S. Exports	Change in U.S. Imports
Australia (2004-2008)	+59%	+41%
Bahrain (Aug. 2006-July 2009)	+48%	-20%
CAFTA-DR (2005-2008)[100]	+50%	+7%
Chile (2003-2008)	+341%	+122%
Morocco (2005-2008)	+199%	+97%
Singapore (2003-2008)	+68%	+5%

One reason for the success of trade agreements in promoting U.S. exports is that American exporters often have comparatively more to gain because our partners frequently must eliminate many more trade barriers than the United States. For example, CAFTA-DR countries had to eliminate significant duties on goods from the United States, while most CAFTA-DR country exports to the United States were already duty free, even before the agreement.[101] Similarly, in the pending U. S.-Korea Free Trade Agreement ("KORUS FTA"), Korea would eliminate duties that effectively average 9%, while the United States will eliminate duties that average only 3.5%.[102]

Trade agreements can also make trade more fair for the United States in other ways. For example, the pending KORUS FTA would eliminate many of the various kinds of tariff and non-tariff barriers discussed in this report.[§]

Barrier	How the US-Korea Free Trade Agreement Would Help Fix This[103]
#1 Technical barriers	• Make Korea's rulemaking process more open; require greater justification for technical standards.
#2 Standards for farm and food exports	• Require Korea to recognize USDA certifications for meat and poultry safety and respect international rules for animal health.
#3 Tariffs and taxes	• Eliminate duties on 95% of U.S. consumer and industrial products exports within 3 years. • Through duty eliminations, provide U.S. exporters with an average 9% price advantage over other foreign competitors without privileged access to the Korean market. • Eliminate or reduce tariffs on foods like cherries, French fries, vegetable soups, and oranges.
#4 Customs red tape	• Require international best practices, such as electronic document submission and transparent rulemaking, to speed up document processing at Korean ports.
#5 Limits on services exports	• Open up Korea's market for nearly all major service sectors. • Permit U.S. financial institutions to establish or acquire financial institutions in Korea to supply a complete range of financial services.
#6 Intellectual property protection	• Provide strong, state-of-the-art IP protections for U.S. patents, copyrights and trademarks. • Require strong Korean IP enforcement mechanisms and penalty provisions, including the criminalization of piracy.
#7 Government procurement	• Expand opportunities for U.S. firms in Korea's government procurement process by creating a special working group to oversee the procurement process and assist U.S. companies.
#8 Pro-competition practices	• Promote greater transparency in Korea's regulatory process and customs procedures.

§ As of this writing, the Obama Administration is continuing efforts to address outstanding issues relating to Korea's technical rules involving U.S. auto exports.

STEP 2: GET IN THE GAME NOW

There's a new global arms race—for trade deals

As President Obama said recently, "if America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores."[104]

We must pursue new trade agreements with urgency. Our foreign competitors fully understand the economic and employment benefits of new trade deals, and they are actively negotiating a raft of attractive new market-opening agreements for themselves.

The number of free trade agreements has exploded over the past decade, and these agreements cover an ever-increasing portion of global trade. Almost 400 of these trade deals will be in force by the end of 2010, with many more in development. America's major international competitors—including China, the EU, India, Japan and Korea—are all aggressively seeking new trade deals with major trading partners. Countries in the rapidly growing Asia-Pacific region have been particularly active in seeking better access and fairer treatment for their exports.[105] In the meantime, America has largely been sitting out of the game. And in this game, standing still means falling behind. This places our companies and workers at severe risk of losing new—and current—export business to foreign competitors whose countries are smashing down barriers to their exports.

	Trade deals being negotiated/proposed[106]	New or Potential partners
China	13	Japan, India, Korea[107]
EU	21	India, Korea, ASEAN
India	7	EU, Japan, Korea
Japan	10	China, India, Korea
Korea	14	China, EU, India, Japan
United States	1	Trans- Pacific Partnership[108]

At the same time they are seeking fairer treatment for their exports, foreign governments continue to maintain and create obstacles to U.S. exports. These barriers will present increasing disadvantages for our exports as limits on other countries' exports continue to fall away.[109] Our foreign competitors seem intent on building shiny new expressways to speed their own exports, while continuing to throw up new speed bumps to trade from the United States.[110] America can't continue to go along for an increasingly bumpy ride.

STEP 3: ENFORCE THE BARGAINS WE'VE ALREADY STRUCK

Provide more help for an unheralded army of heroes

Finally, even as we pursue new agreements, we should ensure that the deals we already have provide us with the maximum benefit. This can only happen if the trade experts at the Departments of Commerce and Agriculture and the U.S. Trade Representative get the resources they need to enforce the bargains we have struck.

The staffs at these agencies are on the frontlines, doing the hard, detailed, day-to-day work of breaking down the many roadblocks to U.S. exports. However, in recent years, the U.S. Government's trade enforcement resources have stayed flat, despite considerable growth in trade and trade agreements. If American exports are to double, we will need more export specialists on the ground attacking trade barriers in foreign markets, and we'll need stronger government efforts to enforce U.S. trading rights throughout the world.

The Obama Administration is moving in this direction by proposing a $78 million increase in the Commerce Department's funding for export promotion and enforcement (which could support as many as 328 new trade experts) and by adding $19 million in USDA funding targeted at trade enforcement, especially at breaking down standards and technical barriers facing U.S. farm exporters. Congress should support the Administration with these efforts and should go even further by supporting more funds for USTR to expand its trade enforcement capabilities.[111]

Finally, the United States must do a better job of identifying and prioritizing those trade barriers that pose the most significant impediments to our exports.

CONCLUSION

If the United States is to maintain its rightful place as a global economic leader and a major supplier to the world, we will need to step up our game and stand up for America's rights in a changing global economy. This means aggressively enforcing the deals we already have with other countries to treat American companies more fairly. It also means pursuing new deals to knock down unfair foreign obstacles to U.S. goods and services and to ensure fairer treatment for competitive American exporters.

By working to make trade fairer for American workers and companies, we will not only grow our exports but ensure future economic growth for the country and success for the middle class.

* * *

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Third Way is the leading think tank of the moderate wing of the progressive movement. We work with elected officials, candidates, and advocates to develop and advance the next generation of moderate policy ideas.

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ENDNOTES

1 In Virginia, for example, motorcycle registration and title fees and sales taxes on a $16,000 motorcycle would total $516.75. DMV Fees. Virginia Department of Motor Vehicles. Web. May 17, 2010. Available at: www.dmv.state.va.us/webdoc/citizen/fees.asp.

2 High duties and internal taxes would also raise the cost of a Fat Boy to $29,000 in Argentina, $33,000 in Ecuador, $35,000 in India, $25,000 in South Korea, $38,000 in Malaysia, $24,000 in the Philippines, $29,000 in Russia, $26,500 in Singapore, $33,400 in Taiwan and $39,000 in Thailand. In addition, the European Union imposes a duty of 6% on U.S. motorcycles, which is two-and-one-half times higher than the duty that the United States imposes on motorcycles from the EU. This high duty differential makes it difficult for U.S. motorcycles to compete in Europe's highly competitive motorcycle market, which is second in size only to the United States. Hoetler, Timothy K., Harley-Davidson Motor Company. "Barriers to Imports of Large Motorcycles." Letter to the Office of the United States Trade Representative. Nov. 12, 2009. Web. May 17, 2010. Available at: www.regulations.gov. (Docket No. USTR-2009-0033).

3 In addition to high import duties and taxes, countries also limit competition from larger U.S. motorcycles through special import licensing and permit requirements (Brazil and Malaysia), highway and city bans (China, Indonesia, Korea, the Philippines, Singapore, Taiwan and Thailand) and title, insurance and license rules (Korea, Singapore and Vietnam). Hoetler, Timothy K., Harley-Davidson Motor Company. "Barriers to Imports of Large Motorcycles." Letter to the Office of the United States Trade Representative. Nov. 12, 2009. Web. May 17, 2010. Available at: www.regulations.gov. (Docket No. USTR-2009-0033).

4 Export barriers can loom particularly large for America's small businesses, which often lack the resources and foreign contacts to break down foreign obstacles to their exports.

5 Hoetler, Timothy K., Harley-Davidson Motor Company. "Barriers to Imports of Large Motorcycles." Letter to the Office of the United States Trade Representative. Nov. 12, 2009. pp. 1-2. Web. May 17, 2010. Available at: www.regulations.gov. (Docket No. USTR-2009-0033).

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Jobs by Promoting New Exports. March 11, 2010. Web. May 27, 2010. Available at: http://www.bea.gov/national/nipaweb/SelectTable.asp.

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16 Technical Barriers Report. pp. 5-19.

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Riding Lawn Mowers." Letter to the Office of the U. S. Trade Representative. Nov. 4, 2009. Web. May 17, 2010. Available at: www.regulations.gov. (Docket No. USTR-2009-0032).

18 Technical Barriers Report. pp. 48, 56, 92-3.

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TRADE AND THE ECONOMY SECTION II:

Editorials

1. "Misconceptions About Trade Agreements," *The Wall Street Journal, April 6, 2011.*
   Trade agreements drive deficits? This myth and four other common myths about trade deals are debunked in this op-ed.

2. "5 Reasons America Needs Korea Trade Deal," *The Wall Street Journal*, December 16, 2010.
   KORUS is about more than autos and beef. This article explains how the KORUS FTA can help America grow, win a fair deal for our exporters and workers, and keep pace with China and other international competitors.

3. "Selling U.S.-Korea Trade Deal Calls for Common Sense," Bloomberg, May 4, 2011.
   This op-ed explains why it is critical to use compelling stories—and strong data—to highlight the benefits of the KORUS FTA to Americans.

4. "Pitching a Penny for Trade," *The Hill*, May 27, 2011.
   This op-ed explains the importance of renewing a robust version of TAA. It notes that TAA costs 1 cent for each $10 of benefit America derives from trade.

THE WALL STREET JOURNAL.
WSJ.com

APRIL 6, 2011, 8:36 AM ET

Guest Contribution: Misconceptions About Trade Agreements

The U.S. and Colombia appear near a deal on a trade agreement. With this deal and others move closer to congressional debate, ***Ed Gerwin****, Senior Fellow for Trade and Global Economic Policy at* ***Third Way****, and* ***Jon Cowan****, president of* ***Third Way****, point to five misconceptions about trade agreements.*

Later this year, the Obama administration and Congress will seek bipartisan votes to pass free trade agreements with South Korea, Colombia and Panama. With 87% of global economic growth over the next 5 years taking place outside of the United States, trade supporters believe these agreements will create jobs and prosperity by helping American companies tap into fast-growing export markets.

Opponents disagree. They argue that "NAFTA-style" trade agreements hurt rather than help the U.S. economy—and polls show that much of the public agrees.

But is this conventional wisdom correct? Or do trade deals work? As Washington gears up for hard-edged debates about trade, it's worth exploring some common misconceptions about free trade agreements.

1. Trade Agreements Drive Trade Deficits. *Not really.*

Critics often tie free trade agreements to U.S. trade deficits. For example, opponents note that the overall U.S. trade deficit in goods ballooned from $103 billion before NAFTA to over $830 billion in 2008.

But customs data for trade agreement countries tells a different story. In 2008-09, the U.S. had a trade surplus in manufactured goods of almost $50 billion with its 17 free trade agreement partners, and our manufactured exports to these countries continued to exceed imports for 2010. The real drivers of America's overall trade deficit are the manufactured goods deficit with countries with which we don't have free trade deals (over $345 billion in 2009)—especially China (almost $227 billion in 2009)—and massive petroleum imports (almost $205 billion in 2009). Trade critics also usually ignore America's strong global trade surpluses in services and agriculture ($136 billion and $27 billion, respectively, in 2009). In short, in their focus on deficits, trade skeptics often confuse the cause with the cure.

2. Trade Deals are a "Zero-Sum" Game. *They're not.*

Trade critics are preoccupied with deficits because they believe that trade agreements are essentially "zero-sum" games—where, if one country wins, the other necessarily loses. They see exports as essentially "good" and imports as essentially "bad." But the real world is much more complex.

To be sure, exports are vital to the American economy, supporting one in three manufacturing jobs and accounting for one in three acres planted on American farms.

But imports also make important contributions to America's economy. Imports supply low-cost inputs that enable American manufacturers and their U.S. workers to make products more competitively, and support millions of American jobs in research, design, transport, logistics, retail and manufacturing. Additionally, reduced tariffs on imports have increased the purchasing power of an average American family by as much as $2,000 each year—allowing families to spend more in local communities.

3. Trade Deals Weaken the Economy. *They don't.*

Critics attribute a variety of serious economic ills to trade agreements. For example, they repeatedly cite a 2006 study that claims that NAFTA "displaced" some 1 million U.S. jobs, and assert that the U.S. manufacturing sector has declined by over 30% because of NAFTA.

The NAFTA job loss claim is refuted by a series of other studies, including analyses by the Congressional Research Service, the Congressional Budget Office, the U.S. International Trade Commission and the Carnegie Endowment for International Peace. Additionally, Bureau of Labor Statistics data shows that U.S. manufacturers actually added 500,000 jobs in the seven years after NAFTA entered into force.

America has lost manufacturing jobs in recent years, but it's hard to pin those losses to any substantial degree on trade deals. Instead, the predominant cause of declining U.S. manufacturing employment is increased productivity—the reality that a better educated workforce using more sophisticated equipment can produce more with fewer workers. Manufacturing jobs have been declining steadily as a proportion of total U.S. employment since World War II—long before modern trade agreements were ever envisioned. At the same time, America manufactured 4.7 times more goods than in 2005 than in 1959. It's also difficult to blame trade deals for manufacturing job losses when America posts manufactured goods surpluses with trade agreement countries.

4. Time to Take a "Time Out" from Trade. *We can't afford to.*

Trade critics want the United States to stop work on new trade deals. They insist that we must first renegotiate existing agreements and adopt new trade policies, including measures that would restrict imports and make it harder for American companies to export.

But the rest of the world isn't waiting for us. In any market, there's a premium on being first—just ask Apple about the iPod. If America fails to get and stay in the game, our exporters will lose not only new opportunities in foreign markets, but increasingly lose current business as their foreign competitors face fewer and fewer trade barriers. For example, without the Korea trade deal, U.S. pork producers would be priced out of South Korea's market within a decade and lose $215 million in annual sales.

To their credit, the Obama Administration and many in Congress understand this. The Administration has taken a highly inclusive approach to U.S. trade policy, particularly in developing a new model trade agreement in the Trans-Pacific Partnership negotiations. But they also know that America can no longer sit still while our major international competitors negotiate a raft of new trade agreements to open markets to their exports.

5. Trade Deals aren't "Fair." *No, they're about fairness.*

Contrary to the claims of opponents, America often gets the short end of trade relationships in which we lack a robust trade agreement. It is no coincidence that China—a country with which the United States does not have a free trade agreement—extensively uses highly discriminatory currency policies, technical standards, bidding requirements and other barriers to deny essential fairness to American companies and workers. And, when compared to America's trade agreement partners, China has failed to make meaningful commitments to enforce environmental laws and labor rights.

At their core, trade agreements win fairness for America by breaking down unfair foreign barriers to U.S. commerce. They mandate that our trading partners apply quintessentially American principles like fair play and due process to American traders and investors. Trade agreements require that rules be developed in an open and transparent manner, prohibit unfair discrimination against American products, services or parties, and protect American property rights against seizure without due process and just compensation. And, ultimately, they give American exporters, workers and investors greater freedom from unfair interference by foreign governments.

As America debates trade agreements that have the potential to support new economic growth, it's imperative that we focus on the merits of each agreement—and not simply fall back on longstanding misconceptions.

THE WALL STREET JOURNAL.
WSJ.com

DECEMBER 16, 2010, 10:21 AM ET

Guest Contribution: 5 Reasons America Needs Korea Free Trade Deal

U.S. and South Korean officials plan to meet Friday to start work on the final text of changes to the free-trade agreement reached earlier this month. The focus in the U.S. has been on beef and automobiles, but ***Edward F. Gerwin, Jr.****, Senior Fellow for Trade and Global Economic Policy at* ***Third Way****, presents five more reasons Americans should back the deal.*

Based on the headlines, Americans could be forgiven for thinking that the recent U.S.-South Korean trade deal is only about motors and meat. But the agreement includes much more.

To be sure, the Obama administration won important new concessions from Korea on autos. These include regulatory changes that that will facilitate the export of more U.S. vehicles to Korea, and delays in the phasing out of U.S. auto tariffs—changes that converted Ford, Chrysler and the UAW from opponents to strong supporters. Additionally, although Korea did not eliminate its remaining barriers to certain U.S. beef, the U.S. will continue to press Korea on these barriers, and the overall agreement has strong backing from U.S. meat exporters, because it will increase U.S. beef and pork exports by an estimated $2 billion once Korea's high current duties are eliminated.

But beyond autos and animals, there are other key reasons why America needs the Korea FTA. Here are five:

1. America Must Export to Grow. Over the next 5 years, an astounding 87% of global growth will take place outside the United States. By 2030, the world is will have some 2 billion new middle class consumers. Meanwhile, America is growing at an anemic 2.5%. To grow, we must export. Of the world's 12 largest economies, we are dead last in the share that exports add to our economy. The Korea FTA can help to reverse this, by enabling our manufacturers, farmers and service firms to tap into a vibrant Korean market that is growing twice as fast as ours.

2. America's Exporters and Workers Deserve Fairness. Korea imposes an array of unfair trade barriers on American exports. Harley-Davidson "Fat Boy" motorcycles are subject to 8% duties, varieties of Campbell's soup face duties of 30% and U.S. farm products face an average applied duty of 52%. Additionally, U .S. manufacturers and farmers are often shut out of Korea's opaque regulatory process. These and others barriers are unfair to American companies and their workers. But they are often entirely legal under international trade rules. Only a reciprocal trade deal will remove or reduce Korea's trade barriers on a comprehensive basis, by eliminating or significantly reducing tariffs, opening up Korea's services and procurement sectors and making Korea's regulatory and customs rules more transparent. Harleys, for instance, would be duty-free immediately, as would two-thirds of American farm exports.

3. America Gets A Good Deal. Free Trade Agreements work for America. In 2009, our FTAs with 17 countries accounted for 40% of U.S. goods exports and 31% of our goods imports. One reason for the success of FTAs in promoting U.S. exports is that we often have more to gain because other countries must usually eliminate higher trade barriers than the United States. This is certainly true of Korea. Under the FTA, for example, Korea would eliminate duties that effectively average 9%, while America would eliminate duties that average only 3.5%.

4. America Must Compete for Trade Deals—or Fall Behind. America can get back in the game by implementing the Korea FTA. While we have been on the sidelines, competitors like China, the European Union, India and Japan have aggressively pursued new trade deals to win fairer treatment for their exports. Asia-Pacific countries have been particularly active, and are now considering or negotiating over 75 new trade deals. The EU-Korea FTA should take effect next year and would ultimately provide EU products with a price advantage in Korea averaging 9% over non-FTA products. America must secure similar benefits to assure that our companies can gain new business and keep current sales to Korea. For example, without an FTA, U.S. pork would be priced out of South Korea within a decade, and American pork producers would lose their sixth largest export market and sales of $215 million.

5. China is Not a Fan. The Korea FTA would solidify America's strategic relationship with South Korea, a key ally. It would bolster stepped-up U.S. efforts to respond to an increasingly assertive China and a belligerent North Korea by building strong trade, diplomatic and security relationships with South Korea and other Pacific allies. The

Agreement would also help America compete and win in Korea's $1.3 trillion economy. In recent years, China has muscled aside the United States, and is Korea's #1 supplier. The FTA's advantages would help U.S. companies and workers win back business from China and others in this vital Asian market.

So, while Fords and fillets are certainly important, the Korea FTA also includes other "beefy" benefits for American trade.

Bloomberg GOVERNMENT

Selling U.S.-Korea Trade Deal Calls for Common Sense

May 11th, 2011

by ED GERWIN and RYAN MCCONAGHY

Stop us if you've heard this one before: The proposed U.S. trade deal with South Korea would "increase exports of American goods by $10 billion to $11 billion."

This is how Washington policy makers and American business leaders have traditionally made the case for new U.S. trade agreements. The numbers don't lie; they don't always persuade, either.

For any good trade deal, there's a strong statistical case about economic growth, exports and employment that works with market watchers, economists and policy experts. To them, the data in support of the trade deals with countries such as South Korea, Colombia and Panama is compelling and often conclusive.

Still, data alone doesn't cut it with the millions of Americans who are more familiar with supermarkets than spreadsheets, more worried about balancing a checkbook than a current account, and who ultimately decide our elections.

While they understand that the U.S. must compete in a global economy, they're often unsure about what trade agreements actually do, and they don't find high-level data or conceptual arguments for trade to be of much help in finding the answer.

To build support for new trade deals, trade supporters must not only persuade Washington and Wall Street, but must also make a case that plays in Peoria — a case that uses real-world stories to explain to Americans how trade agreements actually work, how they can benefit America's exporters and workers and why they're a good deal for the U.S.

Making the Case

For Americans in the heartland, the case for new trade agreements might look more like this:

Orange juice is the most popular juice drink in South Korea. Currently, Korean shoppers pay a whopping $22.32 for a six-pack of frozen orange juice concentrate from Florida.

Our trade deal with Korea would slash the price to $14.49 by immediately eliminating Korea's high import tax on American orange juice.

Juice from countries such as Brazil would continue to face Korea's high duties. So the U.S.-Korea pact would open up significant new business for the 1,100 grower-members of Florida's Citrus World cooperative and for other American orange growers, processors and workers.

After all, if you were a Korean shopper comparing Florida orange juice at $14.49 and a Brazilian brand priced at $22.32, which would you buy?

Dollars and Jobs

Certainly, data does matter and trade advocates have built an impressive case. Studies detail the billions of dollars in U.S. exports and hundreds of thousands of American jobs that would be supported by the pending trade deals with Colombia, Korea and Panama, and they highlight the exports and jobs that America would lose if we abandon new trade deals while countries such as China forge ahead in these markets.

And there is also compelling data that debunks common myths about trade deals. Although critics commonly assert that trade agreements contribute to trade deficits, trade data shows that America actually had a manufacturing-goods surplus of almost $50 billion with our 17 trade-agreement partners in 2008 and 2009.

To go beyond the data-speak, trade supporters must also employ a host of real-world stories that speak directly to Americans about the tangible benefits of new trade deals.

Real-World Examples

For example, in the case of the Korean trade deal:

– Ellicott Dredge Enterprises LLC, a century-old, 200-employee company based in Baltimore's inner city, would be able to match duty-free prices of their European competitors and continue to win sales of their high-quality American-made equipment in the Korean market.

– The agreement would help MetLife Inc. sell insurance to Korean families, and support good U.S. jobs for MetLife's insurance professionals and administrative workers.

– Eliminating Korea's 30 percent duties on American seafood soups will assure that that Campbell Soup Co.'s Clam Chowder isn't $1.25 more expensive than European brands in Korean supermarkets.

– Korea's love for spicy pork, combined with duty reductions under the agreement, would create hundreds of millions of dollars in new business for America's pork farmers.

For the U.S. economy to recover and grow, we must pursue a forward-looking trade agenda that helps our companies and workers sell to the 2 billion new middle-class consumers who will be joining the global economy in the next 20 years.

To make this happen, trade supporters need to make the case directly to America's own middle class in terms they can understand, embrace and share. This might start with a glass of Florida orange juice and a bowl of Campbell's soup.

Ed Gerwin, senior fellow for trade and global economic policy at Third Way, and Ryan McConaghy, director of the Economic Program at Third Way, are authors of the new report The Korea Trade Agreement: A Good Deal for America. The opinions expressed are their own.

THE HILL

THE HILL'S Congress Blog
Where lawmakers come to blog

Pitching a penny for trade

By Ed Gerwin - 05/27/11 12:33 PM ET

Imagine that someone presented you with the following proposition: You can have $10, with more to come. You're just asked to pitch in a penny to improve your neighborhood. You'd probably be quick to take that deal, right? Well, that's basically the offer on the table right now for the American economy, yet some in Washington are waffling.

Each year international trade adds one trillion dollars to our economy – translating into $9,000 in annual benefits for the average household. Trade supports 1 out of 5 American jobs, and jobs sustained by exporting products pay 13-18 percent more than the national average. Overall, trade is a very good deal for America.

But, even as the vast benefits of trade are broadly enjoyed, we can't pretend that they come for free. It's been estimated that about 500,000 jobs are lost due to trade each year. These displaced workers, who represent about 3 percent of the large churn in our permanent labor market, essentially foot the bill for the greater good that trade does for our economy.

For many of these displaced workers, finding a new job with decent wages can be particularly difficult. These workers tend to be older, lower-income, less educated, less skilled, less mobile and harder to re-employ. They often live in places like Michigan, North Carolina, Ohio and Pennsylvania, which have borne much of the brunt of the economic downturn.

For almost 50 years, America has used Trade Adjustment Assistance – or TAA – to help smooth out trade's rough edges and make sure that the prosperity of many doesn't rest on the backs of a few. By helping trade-affected workers and firms to transition to new jobs and business opportunities, TAA does more than provide them with a safety net – it provides a path for them - and for America - to take a more active role in the global economy. TAA helps trade-displaced workers return to employment by providing employment counseling, job training and extended income support. It also helps trade-affected small businesses stay in business and avoid layoffs by supporting projects to bolster a firm's international competitiveness in areas such as marketing, engineering and quality.

In 2009, Congress made very significant improvements to the TAA program, including covering workers and firms in the services sector, covering jobs lost to factory shifts abroad and increasing funds for training. Unfortunately, because of inaction by Congress, these key reforms expired in February.

In 2010, TAA assisted almost 235,000 American workers, providing skills assessments and career counseling to over 136,000 participants and employment training to almost 100,000 displaced workers. Two-thirds of the participating workers had a high school education or less, 59 percent were over 45 and many lived in hard-hit areas like California, North Carolina and the Rust Belt. The 2009 improvements to TAA enabled the program to assist over 185,000 Americans who may not have been previously ineligible for help. And the small but effective TAA program for trade-impacted firms has enabled 99 percent of participating businesses to survive. Many are thriving and some have even become U.S. exporters.

By assisting workers and firms, TAA also enhances America's economic potential. By 2012, America will have 3 million fewer skilled manufacturing workers than we need. Improving the skills of trade-displaced workers and helping import-threatened firms to retool their operations will help America have the workers and tools to better compete and win in a global economy.

How much does all of this cost? Renewing the 2009 version of TAA would require about $1 billion per year - essentially a rounding error in the federal budget.

The Obama administration has been working hard to build strong bipartisan support for increased American engagement in global trade. The administration has improved the pending agreements with Colombia, Korea and Panama, and is negotiating a 21st Century trade deal to win fairness for American exporters and workers in important Asian markets. Like earlier administrations, the administration is rightly insisting that a substantial TAA program must be a key pillar of a comprehensive American trade policy that benefits the many while seeking to help the vulnerable few.

One trillion dollars - that's how much trade benefits America's economy each year.

One billion dollars - that's the annual cost of a robust TAA.

It's is true that you can't get something for nothing, but with a cost of about 1/1000th of trade's annual benefits, a strong TAA comes pretty close. In view of TAA's importance to American workers and firms and how much America can continue to gain from further trade expansion, extending and funding a robust TAA seems like an awfully good deal. It shouldn't take long – even for Washington – to figure out the right move.

Ed Gerwin is the Senior Fellow for Trade and Global Economic Policy at Third Way, where he works to develop pro-growth, pro-trade, progressive economic policies that benefit the American middle class.

TRADE AND THE ECONOMY SECTION III:

Stories

How New Trade Deals Will Help Foreign Consumers 'Buy American'

1. (KORUS FTA) "Dredging Up New Business in Korea."
2. (KORUS FTA) "'M'mm, M'mm Good'—Souping Up American Soup Exports to South Korea."
3. (Colombia TPA) "Building Exports of Construction Equipment to Colombia."
4. (KORUS FTA) "Keeping American French Fries 'Cooking' in South Korea."
5. (KORUS FTA) "Ensuring Opportunity for American Insurers."
6. (KORUS FTA) "Helping Florida Orange Juice Growers Squeeze the Competition in South Korea."
7. (Colombia TPA) "Recapturing Colombian Export Markets for U.S. Grain."
8. (KORUS FTA) "Delivering New Opportunity for American Small Business."
9. (KORUS FTA) "Exporting Medical Devices to Help American Workers —and Korean Patients."
10. (KORUS FTA) "Harvesting the Bounty of Increased Wine Exports to Korea."

10 Stories

How New Trade Deals Will Help Foreign Consumers "Buy American"

Florida orange juice . . . or Brazilian OJ? A bulldozer built in Peoria . . . or Japan?

Every day consumers and businesses in foreign markets make millions of decisions about what to buy. Often, their decision comes down to a choice between a "Made in the USA" product and one made somewhere else.

This collection of 10 stories illustrates how the proposed trade agreements with Colombia, Korea and Panama can help support increased U.S. exports and American jobs. These trade deals would help foreign buyers "Buy American" by eliminating high duties and other foreign trade barriers that make U.S. goods and services too expensive or too hard to get. Our stories highlight how—from wheat to wine, dredges to medical devices and FedEx deliveries to French fries—these deals would make key American goods and services more competitive in foreign markets. They are also cautionary tales that show starkly the sales that America stands to lose if we fail to act on these agreements while our foreign competitors continue to open up foreign markets for their exports.

CHAPTER ONE

Dredging Up New Business in Korea

Ellicott Dredges, a 200-employee Baltimore manufacturer, has been recognized as one of the 100 fastest-growing inner-city headquartered companies in America. Since its founding in 1885, Ellicott has built more than 1,500 dredges, serving customers in 80 countries. Ellicott has been active in Korea for decades. **The U.S.-Korea Free Trade Agreement (KORUS) would make Ellicott's high-quality dredges more competitive in Korea by eliminating Korea's 5-15% duties on dredges and related equipment from the United States.** For a multi-million dollar sale, this would save Ellicott's Korean customers hundreds of thousands of dollars in import fees, and make Ellicott dredges an even more attractive choice.

Korea is eliminating its duties on dredges and related equipment from Europe under its trade deal with the European Union that went into effect on July 1. **If America fails to act on KORUS, duty-free treatment for EU products would potentially give European dredge manufacturers a 5-15% price advantage over Ellicott's equipment in Korea.** Ratifying KORUS would help Ellicott win Korean sales based on quality, rather than losing sales to European manufactures who no longer face Korea's high import duties.

* * *

KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Ellicott Dredges LLC (2011), Embassy of the Republic of Korea.

CHAPTER TWO

"M'mm, M'mm Good"— Souping Up American Soup Exports to South Korea

Soups are popular with Korean consumers. But imported brands can be expensive in South Korea because of Korea's high import duties, and these duties rob American soup producers of opportunities to increase their sales to Korea. Campbell's has estimated, for instance, that Korean import duties on various types of canned soups block up to $50 million annually in additional U.S. exports to Korea.

The U.S.-Korea Free Trade Agreement (KORUS) would soup up American exports to Korea by phasing out Korea's duties on American soups, including its 18% duties on meat and vegetable soups and its 30% duty on seafood soups. For Korean shoppers, eliminating the 30% duty could slash the price of can of Campbell's Clam Chowder from $5.36 to $4.12, making it more competitive in Korean supermarkets.

Korea is similarly phasing out its duties on soups from Europe under its trade deal with the European Union went into effect on July 1. **If America fails to act on KORUS, this would eventually give European soup producers a significant price advantage in Korea over American soup imports.** After all, if you were a savvy Korean shopper choosing between Campbell's Clam Chowder priced at $5.36 and a European brand for $4.12, which would you buy?

* * *

KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: USTR (2010), Embassy of the Republic of Korea (2011). Lower prices assume proportional reduction in supplier markups.

CHAPTER THREE

Building Exports of Construction Equipment to Columbia

Colombia is a significant market for American construction machinery, importing almost $435 million in U.S. excavating equipment alone in 2010. Over the next decade, Colombia's demand for heavy equipment will continue to surge, as it mines its abundant resources and embarks on $40 billion in new infrastructure projects to eliminate serious deficiencies in its roads, rivers, railways, and airports.

The U.S.-Colombia Trade Promotion Agreement (Colombia TPA) would help American companies like Peoria-based Caterpillar to tap into Colombia's strong demand for construction equipment. The Colombia TPA would eliminate Colombia's 5% duty on Caterpillar's U.S.-made bulldozers and its 15% duty on Caterpillar's heavy trucks. For a $2 million Caterpillar D11 bulldozer, this would save Colombian customers some $100,000. For a $2 million Caterpillar truck, the savings would be $300,000.

Eliminating Colombia's duties on bulldozers and construction trucks would give Caterpillar and its 47,000 U.S. employees a leg up in Colombia on aggressive competitors from China and Japan—countries that would not enjoy this duty-free treatment. But to gain these benefits for Caterpillar and other American exporters, America must ratify the Colombia TPA.

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The Colombia TPA would increase American exports of goods alone by over $1 billion, create thousands of new jobs, and benefit producers and workers in a wide range of sectors across America, all while strongly promoting vital reforms in Colombia. But to lock in these benefits for the United States, we must ratify the Colombia TPA. If we delay or fail to act, our foreign competitors will use their improving access to Columbia to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Census (2011), Reuters (2011), Bloomberg Government (2011), Caterpillar (2011).

CHAPTER FOUR

Keeping American French Fries "Cooking" in South Korea

In 2009, the United States exported $41 million in frozen potato products to Korea, accounting for some 80% of Korea's imports. **The U.S.-Korea Free Trade Agreement (KORUS) would drive increased exports for U.S. potato growers, processors, and workers by immediately eliminating Korea's 18% duty on American frozen fries.** For Korean shoppers, eliminating the 18% duty could slash the price of a 500 g. bag of Lamb Weston frozen fries from $3.40 to $2.88.

Korea is eliminating its 18% duty on frozen french fries from Europe under its trade deal with the European Union that went into effect on July 1. **As the world's largest potato processor, Europe is poised to grab Korean sales from U.S. french fry producers—especially if America fails to act on KORUS and U.S. fries still face Korea's 18% duty.** After all, if you were a budget-conscious Korean shopper choosing between American Lamb Weston fries priced at $3.40 and a European brand for $2.88, which would you buy?

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: CRS (2011), USDA, FAS (2010), Embassy of the Republic of Korea (2011). Lower prices assume proportional reduction in supplier markups.

CHAPTER FIVE

Ensuring Opportunity for American Insurers

When Americans think of exports, they usually think of cargo ships laden with American goods sailing for foreign ports. But exports of services—including finance, transport, IT, travel, and professional services—also make vital contributions to the U.S. economy. Indeed, **America is the world's largest services exporter, exporting over $540 billion in services, and accounting for a services trade surplus of almost $150 billion in 2010.**

South Korea's $580 billion market for services offers tremendous opportunity for America's world-class services firms, who are often much more innovative and productive than their sheltered Korean competition. For example, **Korea's $65 billion insurance market is the world's eighth largest,** and Korea's aging and increasingly affluent population purchases insurance products at high rates. **But it can be hard for U.S. insurers to compete when state-owned firms like Korea Post play by different rules, and when American insurers are often the last to know about new regulations.**

The U.S.-Korea Free Trade Agreement (KORUS) would level the playing field in Korea for American insurers. It would require Korea's state-affiliated insurers to comply with the same regulatory requirements and would mandate a more open regulatory system that would enable U.S. firms to compete on an equal basis with Korean insurers. Fairer rules would lead to new business for U.S. insurers like New York-based MetLife, and would expand job opportunities for MetLife's largely U.S.-based product development, investment and risk management professionals, as well as the U.S.-based administrative, research, and IT staffs who support them.

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of product and service sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Census (2011), USTR (2011), OECD (2008), Coalition of Service Industries (2009), House Ways & Means Committee (2011).

CHAPTER SIX

Helping Florida Orange Juice Growers Squeeze the Competition in South Korea

Orange juice is the most popular juice drink in Korea, with imports exceeding $100 million annually. American companies, like Florida's Citrus World cooperative, currently export frozen orange juice concentrate to Korea, but face high Korean duties of 54%. **The U.S.-Korea Free Trade Agreement (KORUS) would immediately eliminate Korea's 54% duty, promoting additional sales for U.S. juice growers, processors, and workers. For Korean shoppers, eliminating import duties could slash the price of a six-pack of Citrus World's "Florida's Natural" juice from $22.32 to $14.49.**

Eliminating Korea's high duties would position American juice suppliers to grab Korean sales from Brazil—Korea's current leading supplier—because Brazil's juice imports would still face Korea's 54% duty. **After all, if you were a savvy Korean shopper comparing a six-pack of Florida's Natural juice at $ 14.49 and a Brazilian brand for $22.32, which would you buy?**

But to gain this significant advantage for U.S. orange juice exporters, America must act on KORUS.

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, we'll forfeit advantages over America's global competitors—and the opportunity and good jobs that increased exports create for Americans.

Sources: USDA, ERS (2009), Embassy of the Republic of Korea. Lower prices assume proportional reduction in supplier markups.

CHAPTER SEVEN

Recapturing Colombian Export Markets for U.S. Grain

America's farmers have long been a major suppliers to Colombia, but their share of that key market is slipping badly. Since 2008, our share of Colombia's farm imports has tumbled from almost 50% to 21%, causing $1 billion in lost U.S. exports. The U.S. share of Colombia's wheat imports has dropped from 73% to 43%, while our corn producers have lost over $500 million in exports as the U.S. share of Colombia's import market for coarse grains (corn, barley and sorghum) has plummeted from 83% to 18%.

Colombia's trade deals with other countries have contributed significantly to this lost U.S. farm trade. Argentina's wheat exports to Colombia can now enter without duties, while wheat imports from the United States must pay a duty ranging from 10-15%. U.S. corn pays Colombia's high basic duty of 15%, while corn from Argentina and Brazil pays a duty of only 6%, and will be duty-free by 2018. And duty reductions under Colombia's pending trade deals with Canada and the European Union will cause further export losses for U.S. farmers. **For instance, industry officials in Colombia predict that Canada could displace all U.S. wheat sales to Colombia following the expected implementation of the Colombia-Canada trade deal this summer.**

The U.S.-Colombia Trade Promotion Agreement (Colombia TPA) would level the playing field for America's farmers and help them to win back market share in Colombia. When the deal is implemented, U.S. wheat would enjoy duty free access to Colombia, and U.S. corn exports would enjoy duty-free treatment under large and growing quotas. But to gain these benefits for U.S. farm exporters, America must act.

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The Colombia TPA would increase American exports of goods alone by over $1 billion, create thousands of new jobs, and benefit producers and workers in a wide range of sectors across America, all while strongly promoting vital reforms in Colombia. But to lock in these benefits for the United States, we must ratify the TPA. If we delay or fail to act, our foreign competitors will use their improving access to Columbia to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Senate Finance Committee (2011), House Ways and Means Committee (2011), Census (2011).

CHAPTER EIGHT

Delivering New Opportunities for American Small Business

In today's interconnected global economy, an American small business with a great product or service can thrive in foreign markets with nothing more than an Internet connection and a FedEx account. Small businesses account for almost a third of U.S. exports, and small firms that export have much stronger revenue growth than non-exporters. **But only about 1% of America's 26 million small firms export, often because they are intimidated by customs red tape, complex regulations, and high duties in foreign countries.**

The U.S. Government has successfully partnered with express delivery firms like FedEx and UPS to help more U.S. small businesses sell their goods and services in fast-growing foreign markets. The U.S.-Korea Free Trade Agreement (KORUS) would make this partnership even more effective, by locking in legal certainty and market access for U.S. express firms and by expediting Korean customs clearance for their deliveries.

These and other benefits from KORUS would enable U.S. businesses – small and large—to expand their sales of products and services to Korea's growing middle class. Increased trade with Korea would also create new opportunities for U.S. express delivery firms, their over 600,000 U.S. employees, and their American suppliers. UPS estimates that every 22 additional international packages per day support an additional job in its global package operation. And FedEx has recently started direct Boeing 777 cargo service from Memphis to Korea, which means more work for FedEx employees, more purchases in the local Memphis economy and, potentially, more new 777's built and supported by Boeing's 150,000 employees and 22,000 suppliers in 50 states.

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of product and service sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: House Small Business Committee (2011), UPS (2011), FedEx (2011), Coalition of Service Industries (2009).

CHAPTER NINE

Exporting Medical Devices to Help American Workers—and Korean Patients

America is the world's largest exporter of medical devices, with 2009 exports of over $36 billion. **The U.S.-Korea Free Trade Agreement (KORUS) would increase U.S. exports to Korea's fast-growing, $3 billion medical device market by eliminating Korean tariffs and reducing Korea's regulatory barriers** through greater transparency, reduced bureaucratic duplication, and greater reliance on international standards.

KORUS would help Varian Medical Systems, a world leader in radiotherapy technologies for treating cancer, to expand its exports to Korea. Varian makes 90% of its products in the United States, employing over 3,000 American workers in states including California and Utah. **KORUS would eliminate Korea's 8% duty on Varian's radiotherapy exports, shaving $160,000 off the cost of a $2 million equipment order.** This would make Varian more competitive in Korea, while also helping to bring cutting-edge cancer treatments to more Korean patients.

Korea is eliminating its 8% duty on radiotherapy equipment from Europe under its trade deal with the European Union that went into effect on July 1. If America fails to act on KORUS, this would give Europe's highly competitive medical device firms a significant price advantage in the Korean market. **After all, if you were a Korean hospital choosing between Varian radiotherapy equipment priced at $2,160,000 and a European device priced at $2,000,000, wouldn't the price difference be a significant factor?**

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Commerce Department (2010), USITC (2007), Senate Finance Committee (2011).

CHAPTER TEN

Harvesting the Bounty of Increased Wine Exports to Korea

Wine is increasingly popular in Korea, particularly among consumers in their 20s and 30s. Between 2000 and 2008, the value of Korea's wine imports grew by almost 750%, from just under $20 million to more than $166 million.

Koreans admire American wines, but **U.S. vintners like Kendall-Jackson and Robert Mondavi face stiff competition in Korea, especially from France, Chile, and Italy.** Chile replaced America as Korea's #2 wine supplier in 2005, a year after the Chile-South Korea trade deal began the phase-out of Korea's 15% duty on Chilean wine, which was completed in 2010. Under the European Union's trade deal with Korea that went into effect on July 1, Korea is immediately dropping its 15% duty on EU wines, providing a price advantage that could help France and Italy expand their lead over the United States.

Fortunately, the U.S.-Korea Free Trade Agreement (KORUS) would level the playing field for U.S. vintners by immediately eliminating Korea's 15% duty on American wines. According to the USDA, Korean importers anticipate that KORUS would significantly increase imports of U.S. wines, bringing more of the bounty of Sonoma and Napa Valley to Korean tables. But to gain these benefits, America must act on KORUS. Otherwise, America would be the only major wine supplier that pays a tariff in Korea, and would face even tougher competition. After all, if you were a Korean consumer comparing a mid-price bottle of California wine for $34.50 with competing wines from France, Italy and Chile priced at $30, which would you buy?

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Source: USDA, FAS (2009). Lower prices assume a proportional reduction in supplier markups.