We Can't Sit on the Sidelines:
The Race for Exports and Jobs

Democratic and Republican Presidents know the facts. International trade promotes economic growth and creates jobs.

1950

"World prosperity also requires we do all we can to expand world trade."

President Harry S. Truman
State of the Union Address
January 4, 1950

1940

"The action of the Congress in continuing the operation of the trade agreements program is expressive of the determination on the part of our people to retain unimpaired, for the next three years, this powerful instrument for promoting our national economic well-being and for strengthening the foundation of a stable peace."

President Franklin D. Roosevelt
Remarks Upon Signing the Reciprocal Trade Agreements Bill
April 12, 1940

1958

"World trade supports a significant segment of American industry and agriculture. It provides employment for four and one-half million American workers. . . .If we use [trade] wisely to meet the expanding demands of the world, we shall not only provide future opportunities for our own business, agriculture, and labor, but in the process strengthen our security posture and other prospects for a prosperous, harmonious world."

President Dwight D. Eisenhower
State of the Union Address
January 9, 1958

1962

…[W]e cannot protect our economy by stagnating behind tariff walls…the best protection possible is a mutual lowering of tariff barriers among friendly nations so that all may benefit from the free flow of goods. Increased economic activity resulting from increased trade will provide more job opportunities for our workers. Our industry, our agriculture, our mining will benefit from increased export opportunities as other nations agree to lower their tariffs. Increased exports and imports will benefit our ports, steamship lines and airlines as they handle an increased amount of trade. Lowering our tariffs will provide an increased flow of goods for our American consumers. Our industries will be stimulated by increased export opportunities and by freer competition with the industries of other nations for an even greater effort to develop an efficient, economic and productive system. The results can bring a dynamic new era of growth.

President John F. Kennedy
Remarks Upon Signing the Trade Expansion Act
October 11, 1962

1987

Our basic trade policy remains the same: We remain opposed as ever to protectionism, because America's growth and future depend on trade. But we would insist on trade that is fair and free. We are always willing to be trade partners but never trade patsies.

President Ronald Reagan
State of the Union Address
January 27, 1987

1993

Standing as we are on the edge of a new century, we know that economic growth depends as never before on opening new markets overseas and expanding the volume of world trade.

President William J. Clinton
State of the Union Address
February 17, 1993

2006

Keeping America competitive requires us to open more markets for all that Americans make and grow…and we want people everywhere to buy American. With open markets and a level playing field, no one can out produce or outcompete the American worker.

President George W. Bush
State of the Union Address
January 31, 2006

2010

Export growth leads to jobs growth…So at a time when jobs are in short supply, building exports is an imperative. But this isn't just about where jobs are today; this is where American jobs will be tomorrow. Ninety-five percent of the world's customers and fastest growing markets are beyond our borders. So if we want to find new growth streams, if we want to find new markets and new opportunity, we've got to compete for those new customers—because other nations are competing for those customers.

President Barack Obama
Announcing the President's Export Council
July 7, 2010

> *We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores.*
>
> **President Barack Obama**
> **State of the Union Address**
> **January 27, 2010**

America's major international competitors are not standing still in the race for exports and the jobs they create.

The time has come to match the trade deals our international competitors are negotiating to improve the competitiveness of their companies and workers, and to return to the bipartisan trade policy that has been the foundation of American and world economic growth through the administrations of Presidents Roosevelt, Truman, Eisenhower, Kennedy, Johnson, Nixon, Ford, Carter, Reagan, Bush, Clinton and Bush.

The visions of these Presidents helped American companies and workers compete in world markets for new customers and jobs. The United States again stands at a crossroads, but the stakes this time are considerably higher.

Every major trading nation is actively negotiating bilateral and regional free trade agreements (FTAs). **FTAs are, in reality, fair trade agreements.**

They level the playing field by eliminating unfair and discriminatory treatment.

Our trade competitors are using FTAs to secure fair trade for their companies and workers and to ensure that their exporters and workers get preferential market access in important export markets. These agreements give our foreign competitors dynamic new business opportunities to expand their exports; to maintain and create jobs; and to aid their recovery from the world financial crisis, as well as to secure strategic foreign policy and natural resource advantages.

These objectives are all being accomplished at the expense of the United States, our companies and our workers and farmers. Every time one of our foreign competitors enters into a new bilateral or regional free trade and investment agreement that excludes the United States, our companies and workers risk losing both current and future exports and the jobs they support.

Whether they are big, small or medium-sized, American companies need a level international playing field to grow their exports. Small and medium-sized American companies (SMEs) are especially vulnerable if the United States continues to let our foreign competitors use FTAs to gain a competitive advantage over goods and services exported by American companies and workers. Unlike large American companies with extensive international operations, SMEs generally do not have the experience and resources to find ways around unfair and discriminatory barriers to their exports.

In 2001, ("The Case For U.S. Trade Leadership: The United States Is Falling Behind") and 2007 ("We Can't Stand Still: The Race for International Competitiveness"), Business Roundtable called attention to the new era of export competition, one of greatly expanded market access negotiations by our foreign competitors without the United States at the table. In 2001 there were an estimated 130 FTAs with the United States only a party to three. To the detriment of the 289,000 American exporters[1] and their millions of workers, the United States has stood still and fallen behind our foreign competitors. Today, the United States has only 11 FTAs with three waiting for congressional implementation, and just one FTA in the beginning stage of negotiations. In contrast, according to the World Trade Organization (WTO), over 450 FTAs have been notified to the WTO with over 250 now active and many more in negotiation.[2]

As this paper shows, regardless of what happens in the United States, our leading international competitors will continue to negotiate agreements to secure export markets and export-related jobs for their companies and workers at an even more aggressive pace.

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The fundamental question for the United States is whether we are going to pursue export-led growth and export-related jobs or not. If we want export-led growth and the opportunity to use exports to help maintain and create new jobs, then we will have to put in place a new comprehensive national export strategy built around six fundamental initiatives:

1. Effective and adequately financed export promotion programs;
2. Elimination of our own export barriers;
3. Strong enforcement of our rights under international trade agreements;
4. An aggressive and competitive bilateral, regional and multilateral market access negotiating strategy to level the playing field for American companies, workers and farmers;
5. Domestic tax, education, retraining, health, energy and financial policies to promote sustained economic growth and innovation and to improve the competitiveness of our companies and workers; and
6. International action, including reform of the international monetary system, to address the problem of systemic global imbalances and to ensure a competitive exchange rate.

Most importantly, we have to recognize that none of these initiatives will succeed on their own to help American exporters, workers and farmers expand their exports and maintain and create jobs—all six are needed in concert.

What's at Stake

International commerce has been a key source of U.S. economic growth and job creation since the beginning of our nation. While the United States is still a critically important market for U.S. companies, international markets are growing faster and have millions of new potential customers for American products and services. For a growing number of American companies, including many of our largest employers, more than half of their revenues now come from selling American goods and services to consumers abroad through both exports and sales through their foreign affiliates.

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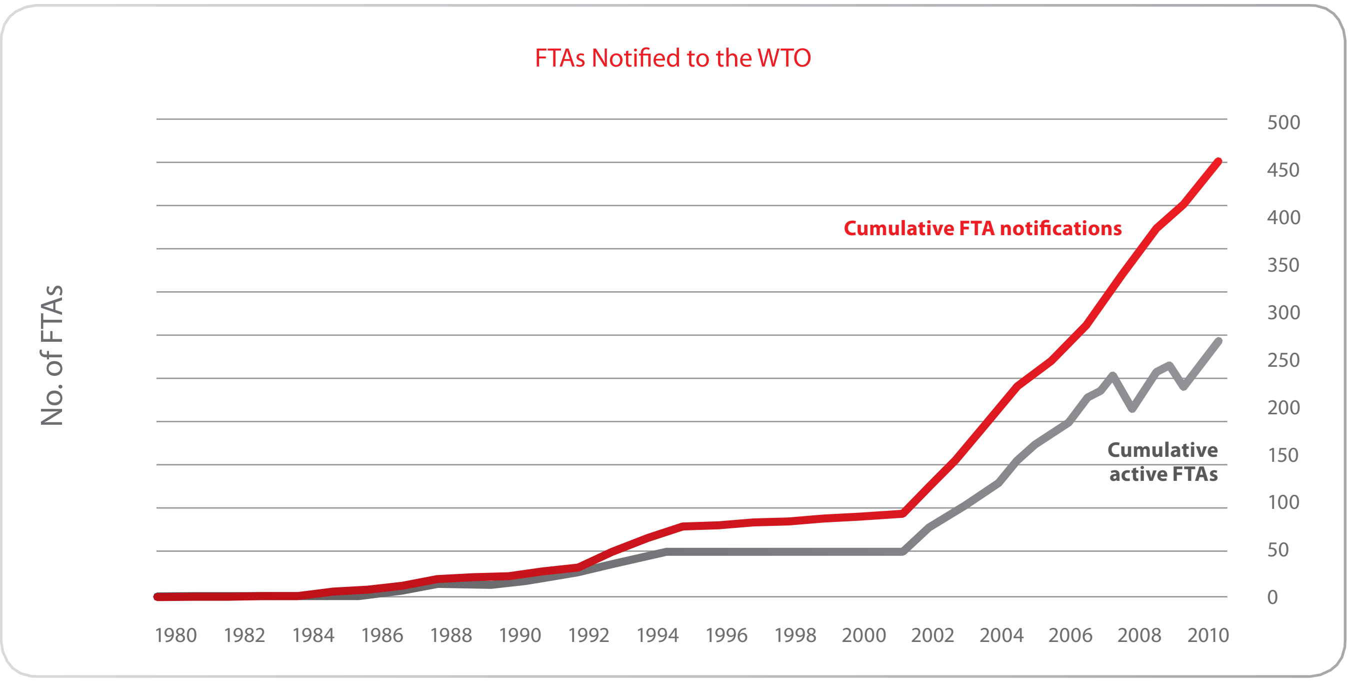
The importance of international trade and investment and export-led growth to the United States is greater than ever today.

- Trade accounts for more than one-fourth of U.S. gross domestic product (GDP).
- More than one in five U.S. jobs is attributable to trade.
- In 2009, exports accounted for 11.2 percent of U.S. GDP.
- These exports supported a record number of American jobs—more than 10 million—of which nearly 3.7 million were manufacturing jobs.
- Ninety five percent of the world's customers—with over 70 percent of the world's purchasing power—are outside the United States.
- According to the National Intelligence Council, the global middle class will swell from 440 million to 1.2 billion by 2025, with most new entrants in China and India.
- The International Monetary Fund (IMF) forecasts indicate that nearly 87 percent of world growth over the next five years will occur outside the United States.
- Emerging markets are leading the world out of the "Great Recession:" the IMF estimates China will grow by 10 percent in 2011, India by 8.4 percent and Brazil by 4.1 percent, compared to only 2.3 percent for the United States.
- Growth projections for Brazil, Russia, India and China have them collectively matching the original G-7's share of global GDP by 2040-2050.

More than one in five U.S. jobs is attributable to trade.

Our Competitors are Moving Forward to Secure Export Markets and Export-Related Jobs For Their Companies and Workers, With or Without Us

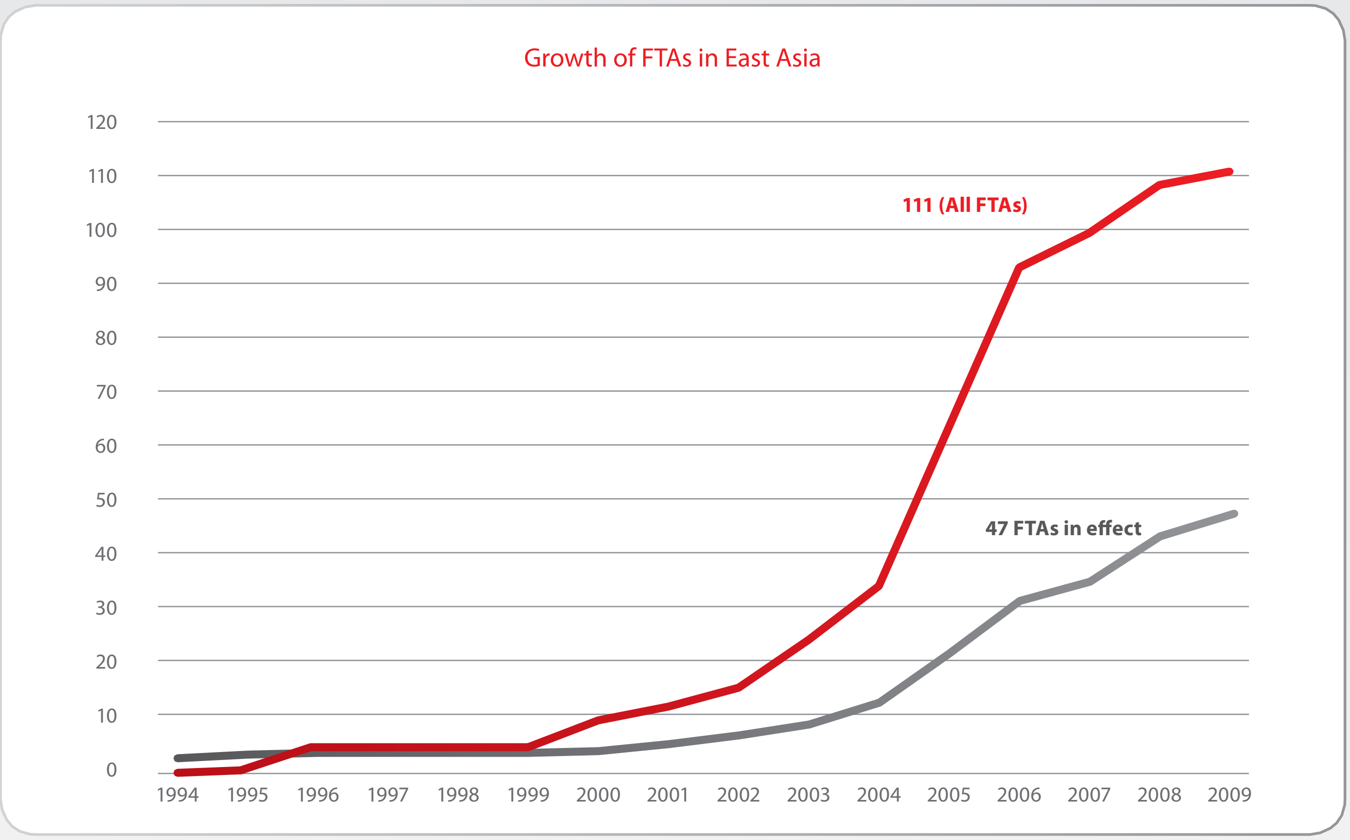
More than 450 free trade/regional agreements have been notified to the World Trade Organization (WTO), and more than 250 are now active.[3] The share of world trade now covered by preferential trade agreements is estimated to be around 50 percent.[4]



Source: WTO

The surge in FTAs has continued unabated since the early 1990s and is occurring across many countries. Indeed, FTAs have become a regular part of the international landscape; almost every country in the world has entered into at least one FTA.[5]

The fastest growing economies of East Asia are now at the forefront of negotiating FTAs, according to the Asian Development Bank. In 2000, the region had only three FTAs; today, 54 have been concluded with another 78 in the pipeline.[6]



Source: Asian Development Bank Regional Integration Database 2009.
Note: All FTAs include concluded FTA, FTAs under official negotiation and proposed FTAs. East Asia includes the 10 ASEAN members, Japan, Korea, Hong Kong, China and Taiwan.

The Asian Development Bank study also highlights the phenomenal shift in world trade patterns that is occurring because of the significant increase in reliance on FTAs in East Asia. FTA partners are clearly expanding their trade with each other, increasing the risk that countries without FTA partners will lose their export markets and export-related jobs.

The Office of the United States Trade Representative (USTR) acknowledged recently the seriousness of this risk of trade diversion when it explained that "engagement with the Trans-Pacific Partnership can help America ensure its share of job-creating economic opportunities this region has to offer,"[7] and then warned that, "America could lose as much as $25 billion in exports annually solely from the static discriminatory effects of an East Asian Trade Area excluding the United States."[8]

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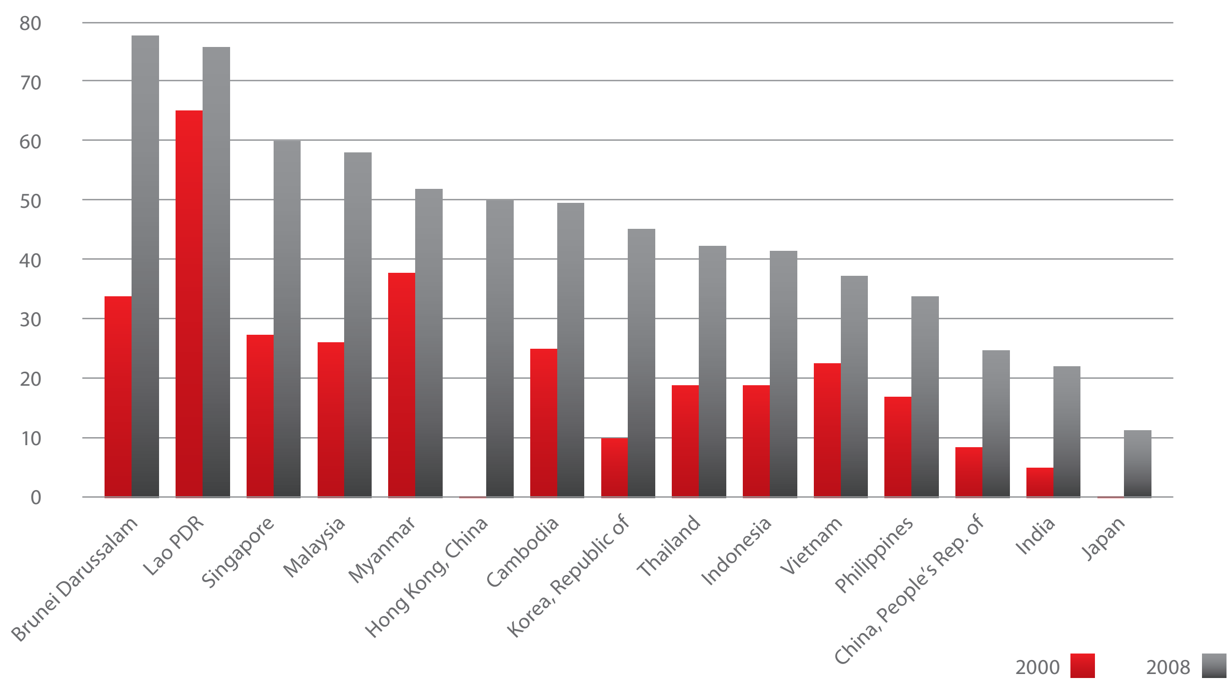
>
> **Office of the United States Trade Representative**
> **December 14, 2009**

Share of an Economy's Total Trade Conducted with Its FTA Partners, 2000-2008



Source: Asian Development Bank staff estimates based on Direction of Trade Statistics and International Monetary Fund (June 2009).
Note: Data covers only concluded FTAs in 2000 and 2008. Japan, Hong Kong and China did not have FTA partners in 2000.

The negative impact of being on the outside of FTAs looking in was also highlighted in a September 2009 study that estimated that failure of the United States to implement the Korea and Colombia FTAs "would lead to a decline of $40.2 billion in U.S. exports of goods and services and the U.S. national output failing to grow by $44.8 billion."[9] The study also estimated that "the total net negative impact on U.S. employment from these trade and output losses could total 383,400 [jobs]."[10]

FTAs are Working for the United States

The United States recognized in the 1980s the advantage of locking in export markets through FTAs, and led the world in negotiating FTAs to give its exporters and their workers an international competitive advantage. The United States was also the first nation to include environment and labor provisions in FTAs.

And the facts support the conclusion that the 11 American FTAs make a positive contribution in expanding exports by U.S companies and their workers. FTAs are estimated to now support 5.4 million new American jobs[11] and U.S. trade merchandise exports to these countries grew nearly three times as fast as our exports to the rest of the world over the last decade.[12] According to the U.S. Department of Commerce, U.S. FTA partners accounted for 7.5 percent of global GDP in 2006, but took an enormous 42.6 percent of all U.S. exports in that year. These are the type of trade partnerships the United States needs if we are going to succeed in doubling our exports in five years.[13]

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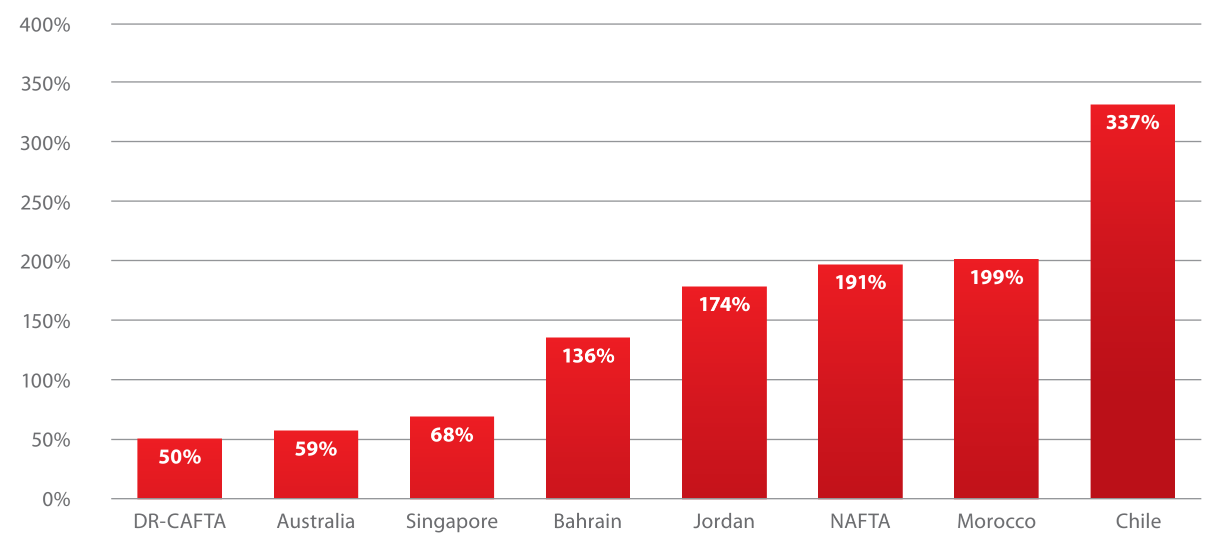
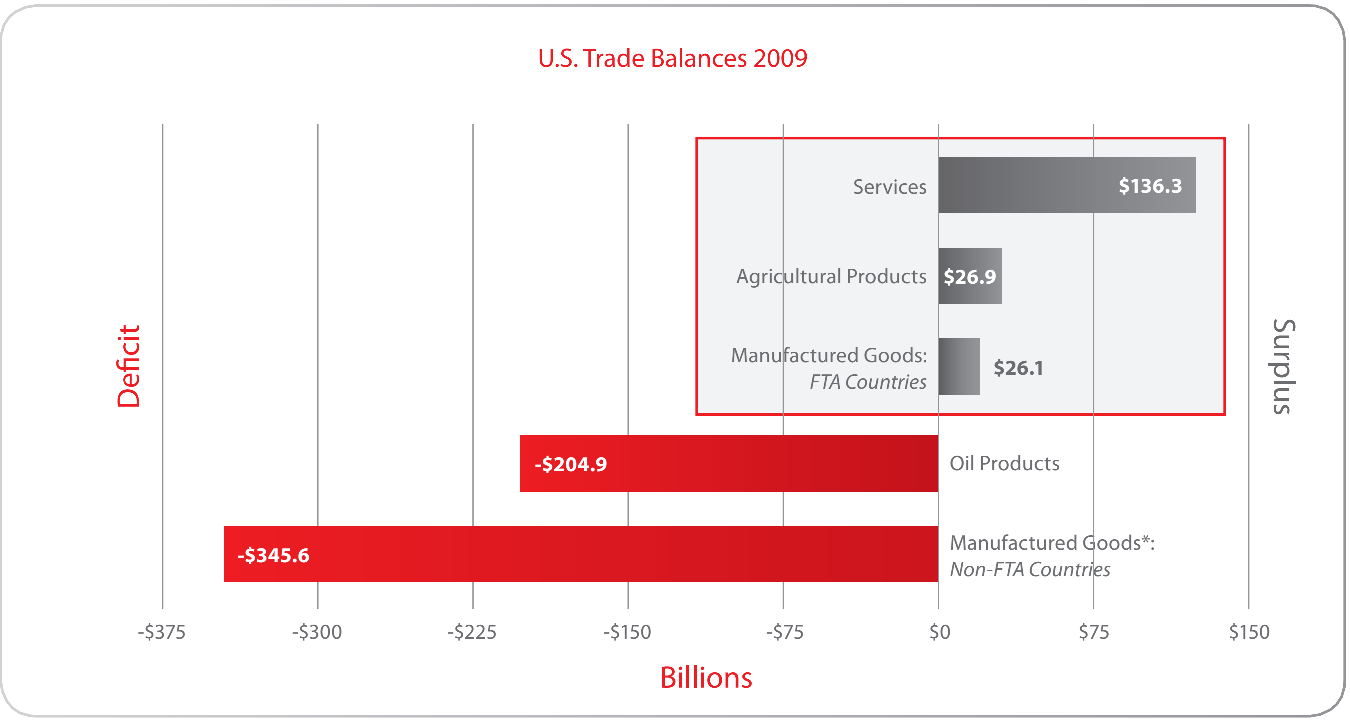
FTAs Help U.S. Companies and Workers Expand Exports

Percentage Growth in Exports from Pre-FTA to 2008 (Post-FTA)





Source: U.S. International Trade Commission, U.S. Bureau of Economic Analysis, U.S. Department of Agriculture
** "Manufactured Goods" includes all products in NAICS categories 31-33*

Despite these positive results, some Americans lose jobs as markets shift because of changes in technology, consumer demands and trade competition. This is why, in addition to supporting K-12 education reform, Business Roundtable also created *The Springboard Project*. *The Springboard Project* comprised an independent commission of the nation's top experts from different sectors—business, education, labor, policy and philanthropy—who together recommended cutting edge education and training policy initiatives needed to close the gap between American workers' current skills and those employers need to be internationally competitive. In the short term, Business Roundtable supported the renewal and expansion of Trade Adjustment Assistance. In the longer term, Business Roundtable supports making the changes recommended by *The Springboard Project* [14] to help workers earn the education and skill credentials needed in today's competitive marketplace by providing access to lifelong learning opportunities on a continuous basis and not simply after they lose a job.

Our International Competitors Know FTAs Work for Their Companies, Workers and Farmers

Our foreign competitors understand how FTAs benefit their exporters and workers, which is why they are aggressively negotiating new FTAs. As the debate in the United States over the benefits of negotiating agreements to reduce foreign barriers to our exports and investment has escalated and become more divisive, we have let our most competitive trading partners take advantage of our trade policy deadlock.

EU: 16 negotiations underway with 47 countries

- The European Union (EU) had actively negotiated FTAs for years—it is party to more FTAs than any other economy in the global trading system,[15] but paused in its bilateral and regional FTA negotiating activity in the earlier part of this decade, pending the outcome of the WTO Doha negotiations. Recognizing the limitations inherent in the Doha Round, the EU announced in 2006 a new and more commercially aggressive global strategy based on the negotiation of strategic FTAs with big markets in Asia and Latin America, where U.S. companies, farmers and workers compete head-to-head with their European counterparts.[16]

Japan: 7 negotiations underway with 38 countries

- Japan, which rejected FTAs for many years as derogation from the multilateral trading system, is now actively negotiating or preparing for multiple negotiations, having already concluded 10 agreements since 2002. The India-Japan FTA is likely to be signed in 2010. As many as 9,000 products—ranging from steel to drugs to machinery—will be traded without import taxes or at substantially reduced tariffs.

China: 11 negotiations underway with 18 countries

- China, a relatively new player in the world trading system, is now using FTAs to solidify its competitive advantages and to promote its national security and foreign policy interests by negotiating preferential access in key markets. China now has 12 FTAs in force, including a new FTA with the Association of Southeast Asian Nations (ASEAN), and is negotiating or preparing to negotiate FTAs in Africa, Latin America and East Asia, including with Japan, Korea and India.

India: 17 negotiations underway with 62 countries

- India is now committed to an active FTA policy because it does not want to be left behind, especially as China uses FTAs to pursue its economic, national security and foreign policy interests. India's FTAs will give its exporters and workers preferential access in key markets in Asia and Europe. The India-EU, Japan and European Free Trade Association (EFTA) negotiations are especially threatening to American exporters and their workers because they would give our major industrial competitors a substantial competitive advantage in one of the world's fastest growing markets.

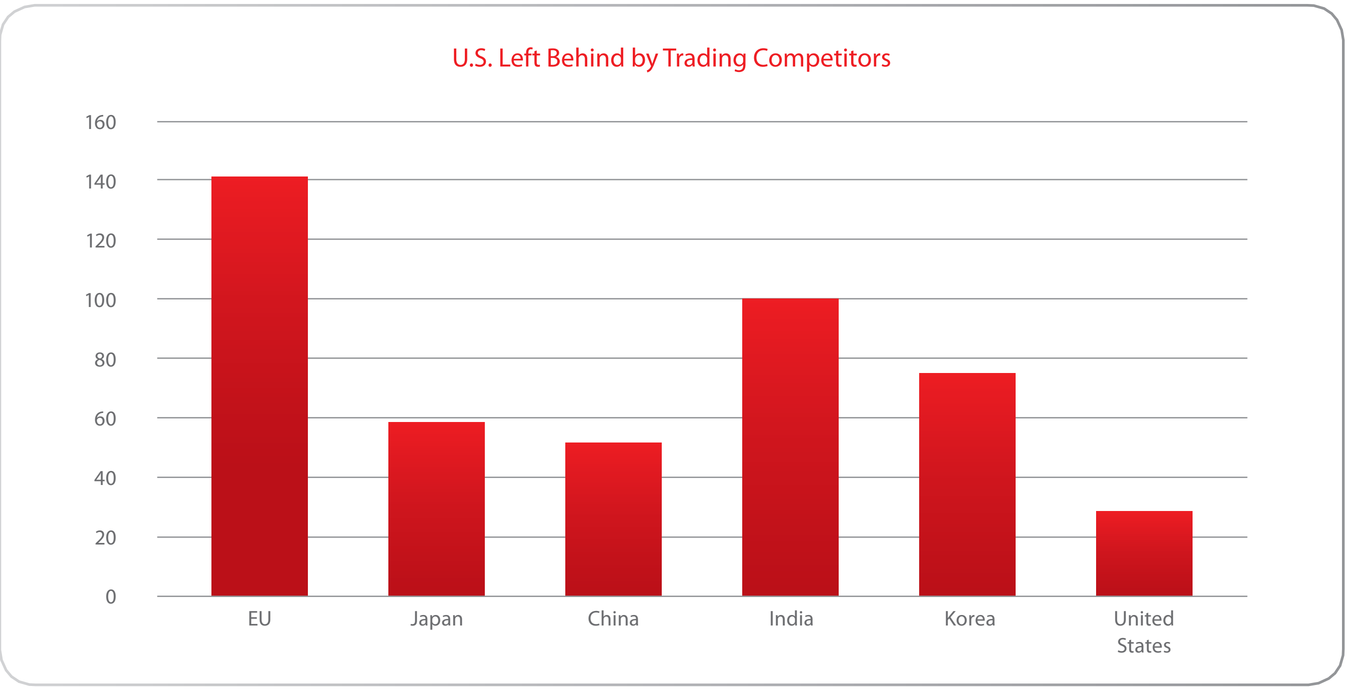
South Korea: 15 negotiations underway with 25 countries

- South Korea has four FTAs in force and two pending implementation (with India and the United States) and is actively expanding the global reach of its FTAs.

United States: 1 negotiation underway with 4 new countries

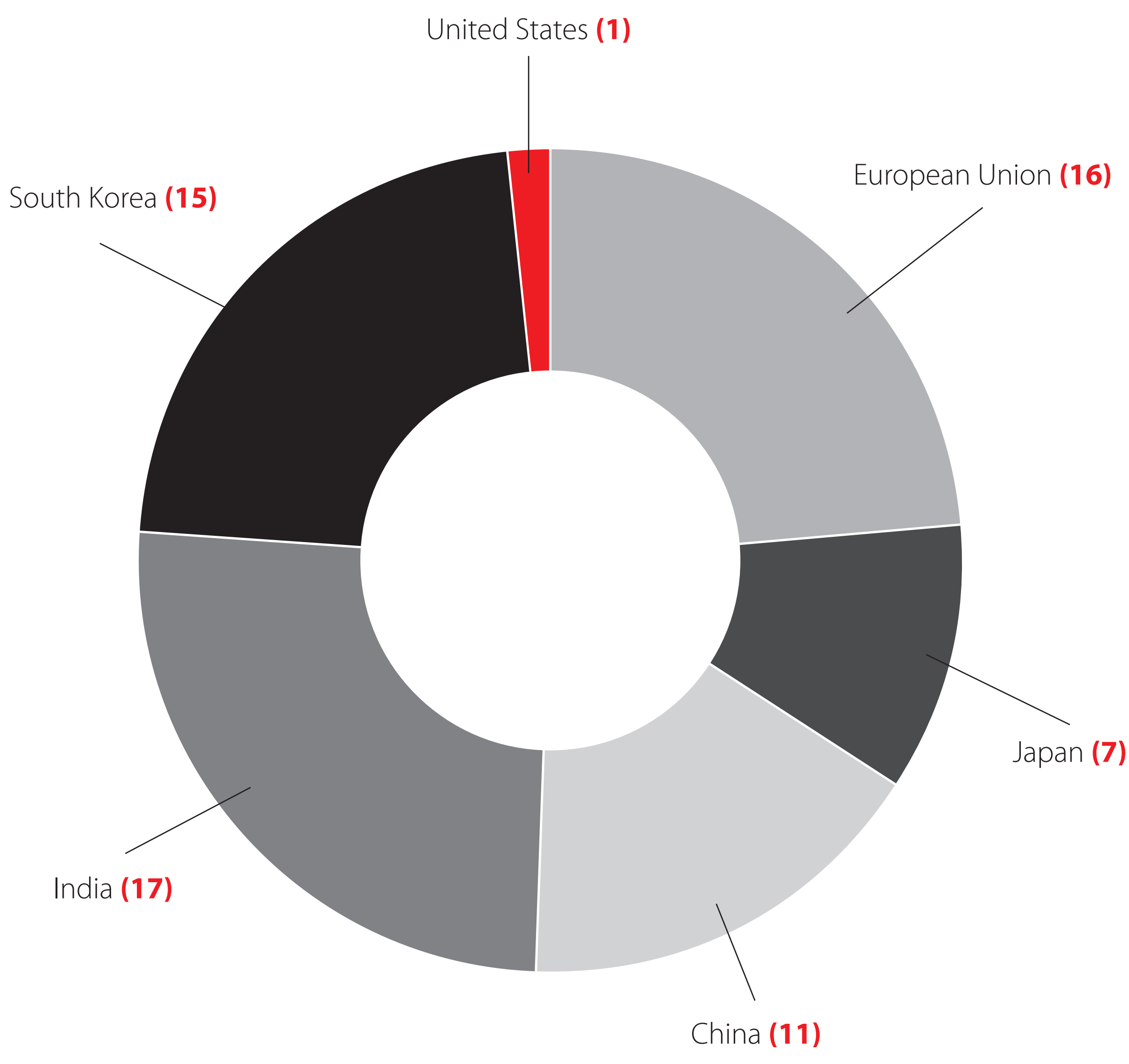
- The United States, in contrast, has only 11 FTAs in force (with 17 countries), three pending implementation (with Colombia, Korea and Panama), and is negotiating a single FTA (the Trans-Pacific Partnership (TPP) with eight countries—four of which already have FTAs with the United States).

These economic powerhouses are pursuing an aggressive plan for trade negotiations, dwarfing American efforts, which are now essentially frozen because of policy disagreements. As a result, our international competitors are capturing export markets that we need to sustain economic growth and to maintain and create new jobs.



Countries covered by FTAs and PTAs negotiated, proposed and underway.

FTA Negotiations Underway or Proposed



FTAs Negotiated (bold)

Negotiations Underway or Proposed (italics)

EU

European Union (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom)
Albania
Algeria
Andorra
Bosnia and Herzegovina
Cameroon
CARIFORUM States (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Saint Christopher and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago)
Central America (Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama)
Chile
Colombia
Cote d'Ivoire
Croatia
Egypt
European Economic Area (Iceland, Liechtenstein, Norway)
Faroe Islands
Macedonia
Israel
Jordan
Lebanon
Mexico
Montenegro
Morocco
Overseas Countries/Territories (Anguilla, Aruba, British Virgin Islands, Cayman Islands, Falkland Islands, Greenland, Mayotte, Montserrat, Netherlands, Antilles, New Caledonia, Pitcairn, Polynesia, Saint-Pierre Miquelon, St. Helena, Turks and Caicos Islands, Wallis et Futuna)
Palestinian Authority
Peru
San Marino
Serbia
South Africa
South Korea
Switzerland
Syria
Tunisia
Turkey
Andean Community (Colombia, Peru)
ASEAN (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam)
Canada
East African Community (Burundi, Kenya, Rwanda, Tanzania, Uganda)
Eastern South African Regional Group (Comoros, Madagascar, Mauritius, Seychelles, Zimbabwe)
Ghana
Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE)
India
Japan
MERCOSUR (Argentina, Brazil, Paraguay, Uruguay)
Pacific Group (Papua New Guinea, Fiji)
Russia
Singapore
South African Development Community (Botswana, Lesotho, Namibia, Mozambique, Swaziland)
Ukraine
Vietnam
FTAs Negotiated: 33
Negotiations Underway or Proposed: 16

Japan

ASEAN
Brunei Darussalam
Chile
India
Indonesia
Malaysia
Mexico
Philippines
Singapore
Switzerland
Thailand
Vietnam
Australia
Canada
EU
Gulf Cooperation Council
Mongolia
Peru
South Korea
FTAs Negotiated: 12
Negotiations Underway or Proposed: 7

China

ASEAN (Goods)
ASEAN (Services)
Asia Pacific Trade Agreement (Bangladesh, India, South Korea, Laos, Sri Lanka)
Chile
Costa Rica
Hong Kong
Macao
New Zealand
Pakistan
Peru
Singapore
Thailand
Australia
Gulf Cooperation Council
Iceland
India
Japan
Norway
Pakistan
South African Customs Union (South Africa, Botswana, Lesotho)
South Korea
Switzerland
Taiwan
FTAs Negotiated: 12
Negotiations Underway or Proposed: 11

India
Afghanistan
ASEAN (Goods)
Asia Pacific Trade Agreement
Bay of Bengal Initiative on Multi-Sectoral Technical and Economic Cooperation (Thailand, Myanmar, Bangladesh, Sri Lanka, Bhutan, Nepal)
Bhutan
Chile
Japan
MERCOSUR
Singapore
South Asian Free Trade Agreement (Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Sri Lanka)
South Korea
Sri Lanka
ASEAN (Services and Investments)
Australia
China
Colombia
EFTA (Iceland, Norway, Switzerland, Liechtenstein)
Egypt
EU
Gulf Cooperation Council
Hong Kong
Israel
Mauritius
New Zealand
Russia
South African Customs Union
Turkey
Uruguay
Venezuela
FTAs Negotiated: 12
Negotiations Underway or Proposed: 17

South Korea
ASEAN
Asia Pacific Trade Agreement
Chile
EFTA
EU
India
Peru
Singapore
United States
Australia
Canada
China
Colombia
India
Israel
Gulf Cooperation Council
Japan
Malaysia
MERCOSUR
Mexico
New Zealand
Russia
South African Customs Union
Turkey
FTAs Negotiated: 9
Negotiations Underway or Proposed: 15

U.S.
Australia
Bahrain
CAFTA-DR (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua)
Chile
Colombia
Israel
Jordan
Morocco
NAFTA (Canada, Mexico)
Oman
Peru
Singapore
South Korea
Panama
Trans Pacific Partnership (Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam)
FTAs Negotiated: 14
Negotiations Underway or Proposed: 1

A More Detailed Look at Negotiating Activity by Some Key Trading Powers:

European Union

In 2006, EU Trade Commissioner Mandelson identified as priority negotiating partners the following key countries: India, South Korea, ASEAN in Asia and MERCOSUR in Latin America. The EU has also identified China as a possible FTA candidate. As the EU said in its October 2006 formal strategy paper on FTAs ("Global Europe: Competing in the World"), FTAs "can help drive EU competitiveness, spur wider economic growth and sustainable development and prepare the ground for global trade rounds."[17]

When Sweden assumed the EU Presidency in June 2009, Swedish Trade Minister Ewa Bjorling reconfirmed the EU's aggressive FTA negotiating strategy with the added emphasis that FTAs would play a key role in helping Europe's economy recover from the current worldwide recession.

> "In this present time of economic downturn, it is more important than ever to make real progress…on important free trade agreements with South Korea, the GCC, Central America, the Andean countries and other regions…This is an essential step on the road to economic recovery.[18]"
>
> **Swedish Trade Minister Ewa Bjorling**
> **June 3, 2009**

The EU is also negotiating an ambitious set of agreements with countries in Africa, the Caribbean and the Pacific, and seeking to do the same with Russia, the Gulf Cooperation Council and the Andean and Central American countries. As part of its aggressive plan to capture export markets in Asia, the EU signed an FTA with Korea in October 2010. In announcing the new EU-Korea FTA, EU Commissioner Karel De Gucht highlighted the importance of the FTA to restoring economic growth and creating new jobs in Europe:

> "The agreement between the EU and South Korea marks a significant achievement in improving our trade links. It will provide a real boost to jobs and growth in Europe at this critical time.[19]"
>
> **EU Commissioner Karel De Gucht**
> **October 6, 2010**

EU officials are heralding the EU-Korea FTA as a boost to the EU's trade policy offensive in Asia and explaining that the breakthrough with Korea will strengthen the leverage of EU trade negotiators:

> The Korea deal is already triggering a domino effect. Japan, Taiwan and other countries are knocking on the door.[20]

With the signing of the EU-Korea FTA, "the clock is ticking, since EU companies will get preferential access to the fourth strongest Asia economy at the expense of their U.S. competitors…"[21] One EU study of the EU-Korea FTA estimates that the FTA will create new trade in goods and services worth 19.1 billion Euros for the EU, and another study calculates that the FTA will **more than double** the bilateral EU-South Korea trade in the next 20 years compared to a scenario without the FTA.[22]

The EU also announced in March 2010 the start of free trade negotiations with Vietnam. EU officials are quoted as saying, "they want a privileged relationship with Vietnam, a booming country with 86 million people and $100 billion economy that is open to buying European cars, wine, cheese and pharmaceuticals."[23]

All this activity supplements what is already the world's largest set of FTAs, illustrated by the fact that of the 199 FTAs and preferential trade agreements (PTAs) in force and notified to the WTO by December 2008, 35 involved the EU, making the EU's FTA and PTA network the largest in the world.[24] This network of FTAs and PTAs now cover, according to a recent Congressional Research Service (CRS) Report, "nearly twice as much exports in percentage terms (70 percent versus 40 percent) and seven times as much in value terms ($3.4 trillion versus $0.52 trillion) than U.S. PTAs."[25]

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Japan

Following a long-standing policy of refusing to negotiate bilateral and regional trade agreements, Japan changed course earlier this decade and is negotiating or preparing to negotiate 14 agreements, to complement the four FTAs it has already negotiated and signed. This includes agreements throughout Asia as well as with Canada, the Gulf Cooperation Council and Switzerland. Most ambitiously, it has proposed a free trade area that would comprise Southeast Asia, Japan, China, Korea, India, Australia and New Zealand.

According to the CRS, Japan is moving forward with an active FTA strategy to "energize its economy [and] better compete with China for influence in Asia." The CRS report notes that "Ministry of Economy, Trade and Industry (METI) officials see East Asia as the fastest growing region in the world and a region that is increasingly vital to Japan's economic future."[26]

The Japanese Foreign Minister said that the Japan-India FTA will eliminate tariffs on 94 percent of bilateral trade flows in ten years and could increase trade tenfold.[27]

In October 2010, Japan and India concluded their FTA negotiations. The Japanese Foreign Minister said that the Japan-India FTA will eliminate tariffs on 94 percent of bilateral trade flows in ten years and could increase trade tenfold.[27] And, in response to the announcement in October 2010 of the new EU-Korea FTA, Japan has suggested that the EU and Japan begin discussions on the feasibility of an EU-Japan FTA.

China

China, a new entrant to the world trading system, has pivoted off of its 2001 entry into the WTO to launch an active FTA diplomacy, with negotiations involving 27 countries and regions, including a completed agreement with ASEAN that went into effect in January 2010, negotiations with the Gulf Cooperation Council, Australia, New Zealand, Pakistan and the Southern African Customs Union.[28]

In January 2007, China and ASEAN expanded their free trade agreement to cover services to advance "their common desire to deepen economic linkages, minimize trade barriers, increase intra-regional trade and investment, and create a larger market with greater opportunities," as Philippine President Arroyo put it.[29] The China-ASEAN Free Trade Area for goods and services is expected to create a combined market of nearly $6 trillion and will be the third largest FTA in the world after NAFTA and the EU.

> FTAs have played a positive role in stabilizing external demand, promoting exports and maintaining market share.[31]
>
> **China's Ministry of Commerce**
> **August 17, 2009**

China is moving forward with a global FTA negotiating strategy because it recognizes that "more FTAs mean more business" for its companies and workers.[30] China's Ministry of Commerce also noted recently that FTAs have helped China meet the challenges of the recent global financial crisis: "FTAs have played a positive role in stabilizing external demand, promoting exports and maintaining market share."[31] FTAs have become such an integral part of China's trade and foreign policy strategies that the nation has even recently concluded a wide-ranging free-trade area with Taiwan.[32] China is also moving forward with FTAs to promote its competitiveness in Japan, Korea and India.

India

India is also now pursuing an active FTA negotiating strategy with both developing and industrialized countries. In November 2009, an official from the Indian Commerce Ministry said, "India is looking to engage more aggressively with key trading partners at a bilateral level to pry open markets for its companies and exports."[33] To supplement its more limited regional FTAs, India completed an FTA for goods with ASEAN in 2009. On signing the FTA, Arnand Sharma, India's Commerce and Industry Minister said: "This is a historic development, given rising engagement between India and ASEAN and the enhanced economic cooperation. This agreement will open new opportunities for multi-sector engagement."[34] According to a report issued by the South Asia Analysis Group, the likely beneficiaries in India of the India-ASEAN FTA will be exporters of manufactured products, including machinery, steel, auto components, chemicals, pharmaceuticals and jewelry.[35] India and ASEAN also committed to negotiate a comprehensive services FTA. The ASEAN free trade agreements are considered to be a major step in India's "Look East" policy to reduce its dependence on trade with the United States and the EU.[36]

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>
> **Indian Commerce Ministry Official**
> **November 23, 2009**

To expand the global reach of its FTAs, India is currently negotiating with developing countries in Latin American and the Middle East, including Colombia, Uruguay, Venezuela and the Gulf Cooperation Council countries. Two years ago India decided to expand its FTA program to include industrialized countries and has negotiations underway with the EU and Japan. Because India has one of the fastest growing economies, there was a race between the EU and Japan to complete their FTA negotiations with India, which Japan won with the announcement in October 2010 that Japan and India have successfully concluded their FTA negotiations. Negotiations with China, Korea, Egypt, SACU, Russia, New Zealand and Australia are also under consideration.[37]

Korea

Korea, another latecomer to embracing FTAs as a strategy to promote economic growth, is moving forward with FTA negotiations with a wide range of countries. Within the last few years, Korea has entered into FTAs with Chile, EFTA, the EU, Singapore, Mexico and ASEAN (the FTA with the United States is completed but not ratified). FTA negotiations are now underway with Canada, Colombia, India and Japan. Korea is also exploring the feasibility of FTA negotiations with MERCOSUR, China, Malaysia, Turkey, Peru and Israel.

In calling for an early conclusion of a Korea-Japan FTA, South Korean President Lee and Japanese Prime Minister Aso explained that increased cooperation will help them overcome the current global economic crisis. Prime Minister Aso also specifically recognized the importance of FTAs to the growth of small and medium-sized companies in Korea: "A Korea-Japan FTA and cooperation in the small and medium-sized business sector are the two forces that will pull the economic development of both countries."[38]

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>
> **Japanese Prime Minister Taro Aso**
> **June 28, 2009**

Our Competitors Are Also Negotiating Other Types of International Agreements to Gain an Advantage Over American Companies and Workers

In addition to bilateral and regional trade agreements, our most formidable competitors are actively negotiating bilateral investment treaties (BITs) to maximize the ability of their companies and workers to be competitive in world markets.

Companies competing in international markets need BITs to prevent unfair treatment of their investments and to provide for an open investment environment. In today's world economy, American worldwide companies contribute to U.S. economic growth through a combination of their domestic and international operations.

While the U.S. market is still a very important market for U.S. companies, international markets are growing faster and have the most new customers for American products and services. To be competitive in these markets, American companies need to have access through a combination of exports and foreign investments.

In this environment, American worldwide companies play a central role in renewing U.S. growth and job creation. Their ability to help lead America out of the recession, stem job losses in the United States and eventually help return the economy to creating new jobs depends on their health, vitality and competitiveness in world markets.[39]

- The worldwide operations of U.S. global companies are highly concentrated in their U.S. parents at home, not abroad in their foreign affiliates.
- Foreign-affiliate activity tends to complement, not substitute for, key parent activities in the United States such as employment, worker compensation and capital investment.
- U.S. parent companies perform large shares of America's productivity-enhancing activities that lead to high average compensation for American workers.
    - **Output:** U.S. parent companies accounted for 24.3 percent of all private-sector output—nearly $2.6 trillion dollars in the United States.
    - **Capital Investment:** U.S. parent companies purchased $482.5 billion in new property, plant and equipment—29.4 percent of all private-sector capital investment.
    - **Exports:** U.S. parent companies exported $515.4 billion of goods to the rest of the world—nearly one-half of the U.S. total.
    - **Research and Development:** To discover new products and processes, U.S. parent companies performed $200.4 billion of research and development—74.4 percent of total U.S. R&D.

- These productivity-enhancing activities contribute to larger average paychecks for the millions of employees of U.S. worldwide companies.
  - **Employment:** U.S. international companies employed more than 22 million U.S. workers—19.1 percent of the total U.S. private sector payroll.

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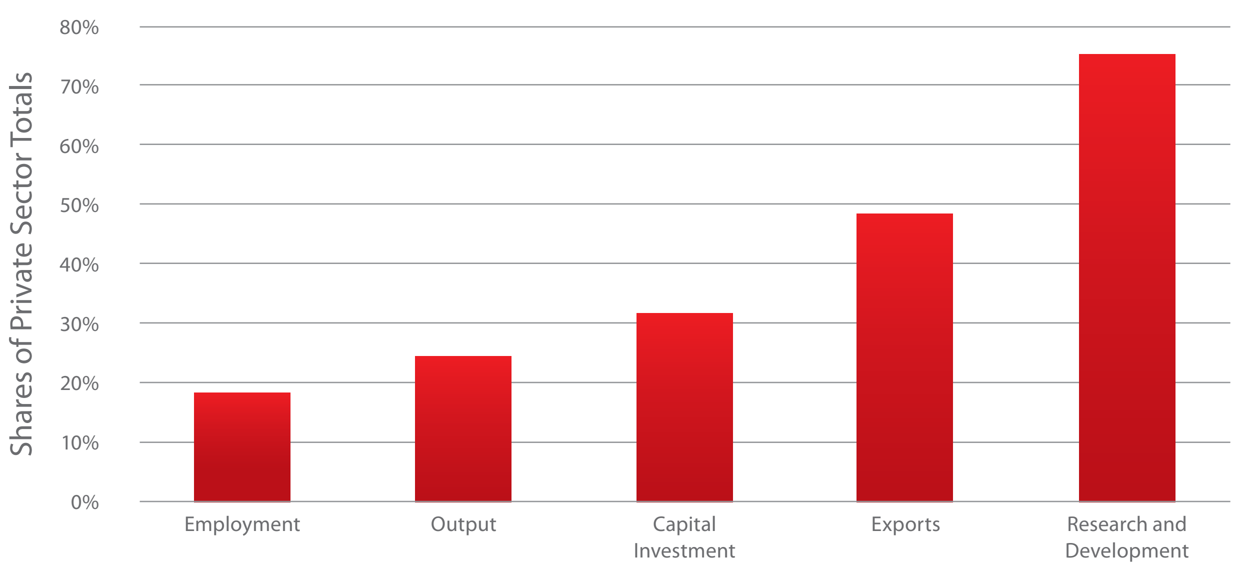
  - **Compensation:** Total compensation of U.S. international companies was more than $1.39 trillion—a per-worker average of $63,272, which was $9,917 (18.7 percent) above the average for the rest of the private sector of $53,315.
- In 2007, U.S. worldwide companies purchased a total of $6.03 trillion in intermediate inputs. Of this total, 88.9 percent ($5.36 trillion) was bought from other companies in the United States.
- The worldwide operations of U.S. worldwide companies are highly concentrated in America, not abroad in their foreign affiliates.
  - **U.S. Employment:** U.S. parent companies account for 68.7 percent of worldwide employment of U.S. international companies—22 million U.S. parent workers versus 10 million in their foreign operations. This translates into a ratio of 2.2 U.S. employees for every one foreign affiliate employee.
  - **Output:** U.S. parent companies account for 69.8 percent of worldwide output (in terms of value added) of U.S. international companies—almost $2.6 trillion versus about $1.1 trillion.
  - **Capital Investment:** U.S. parent companies undertake 74.1 percent of worldwide capital investment by U.S. international companies—$482.5 billion versus just $169.1 billion. For every $1 in affiliate capital expenditures, parents invested $2.85 in the United States.
  - **Research & Development:** U.S. parent companies perform 85.1 percent of worldwide R&D by U.S. international companies—$200.4 billion versus just $35 billion, or $5.72 in parent R&D for every $1 by their foreign affiliates.

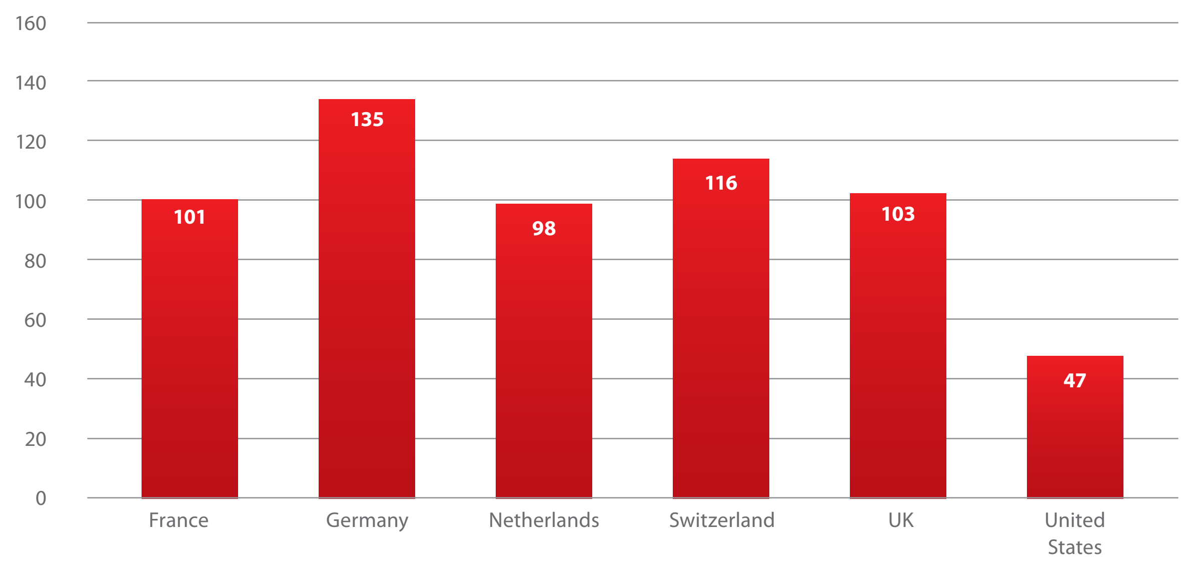
- Foreign affiliates are located primarily in high-income countries that, in many ways, have economic, social, labor and environmental systems similar to the United States, not in lower-income developing or advanced developing countries.
    - Foreign affiliates in high-income countries accounted for more than 75 percent of total foreign affiliate output.
    - In 2007, the three countries that in 2007 accounted for the largest shares of foreign affiliate output were the United Kingdom (15.4 percent), Canada (10.4 percent) and Germany (7.8 percent).
    - China and India, despite their very fast overall GDP growth, accounted for just 2 percent and 0.7 percent of total foreign affiliate output, respectively.

U.S. Parent Companies Account for Large Shares of the Overall U.S. Economy



Our foreign competitors understand the value of their companies using international business models that mix exports and investments to maximize their worldwide competitiveness and economic growth. According to the United Nations Conference on Trade and Development (UNCTAD), the number of bilateral investment treaties (BIT) more than quintupled during the 1990s and now exceeds over 2,200. The United States ranks 25th in terms of the number of BITs concluded,[40] lagging well behind such peer economies as Germany, the UK and France—all of whom already have BITs with China and India.

The United States Lags Behind Peer Economics in BIT Coverage



The Negative Impact of U.S. Inaction

Discriminatory Tariffs and Services Market Access = Lost U.S. Exports = Lost U.S. Jobs. When an FTA is concluded that excludes the United States and the United States does not have an FTA with that country, U.S. exporters and workers suffer trade discrimination. They are at a competitive disadvantage because they face higher tariffs than their competitors, as well as more limited access to services markets; and they run a high risk of losing both their current and future export market. For instance, prior to negotiation and implementation of the U.S.-Chile FTA, U.S. exporters faced an across-the-board 11 percent tariff, while Canadian exporters—by virtue of the Canada-Chile FTA—could sell to Chile duty-free.[41] The U.S-Chile FTA now ensures that U.S. exporters and workers can compete on a level playing field.

In the case of Korea, with the U.S.-Korea FTA stalled, both the EU and India have moved aggressively and recently concluded their own FTAs with Korea. The Korea-EU FTA forms a free trade area larger than that of the combined BRIC (Brazil, Russia, India and China) economies. While EU and Indian exporters—by virtue of the Korea-EU FTA and the Korea-India FTA—will be able to sell to Korea without paying any import taxes on most of their exports, U.S. exporters will have to pay import taxes of over 12 percent on average.[42] To make matters worse for U.S. exporters, Korean exporters—among the most competitive in the world—will be able to sell their products to the 27 EU countries and India without paying the import taxes charged on U.S. products. A similar situation exists with respect to Colombia; Canada and Colombia have concluded their FTA negotiations and are moving forward to implement the agreement.

As noted earlier, a September 2009 study explains that U.S. export sales in these markets will be lost to Canadian and EU exporters and their workers. The study estimates that failure to implement these two FTAs while major trade competitors are going forward with their FTAs "would lead to a decline of $40.2 billion in U.S. exports of goods and services and the U.S. national output failing to grow by $44.8 billion."[43] The study also concludes that our failure to move these FTAs forward will have a devastating effect on U.S. jobs, leading to a "total net negative impact on U.S. employment…of 383,000 jobs."[44]

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The ability of our major trade competitors to use their FTAs to discriminate against our exporters is particularly significant where U.S. businesses are trying to gain a competitive foothold in key strategic markets. The result of a lack of agreements is clearly weaker positioning in the global economy. Whenever one of our foreign competitors enters into an FTA that excludes the United States, we substantially increase the risk of losing both current and future exports and the jobs they support. Here's how EU Trade Commissioner Peter Mandelson put it: "Our exports are not sufficiently focused on the very economies that are growing the fastest. These agreements [FTAs] can help change that."[45]

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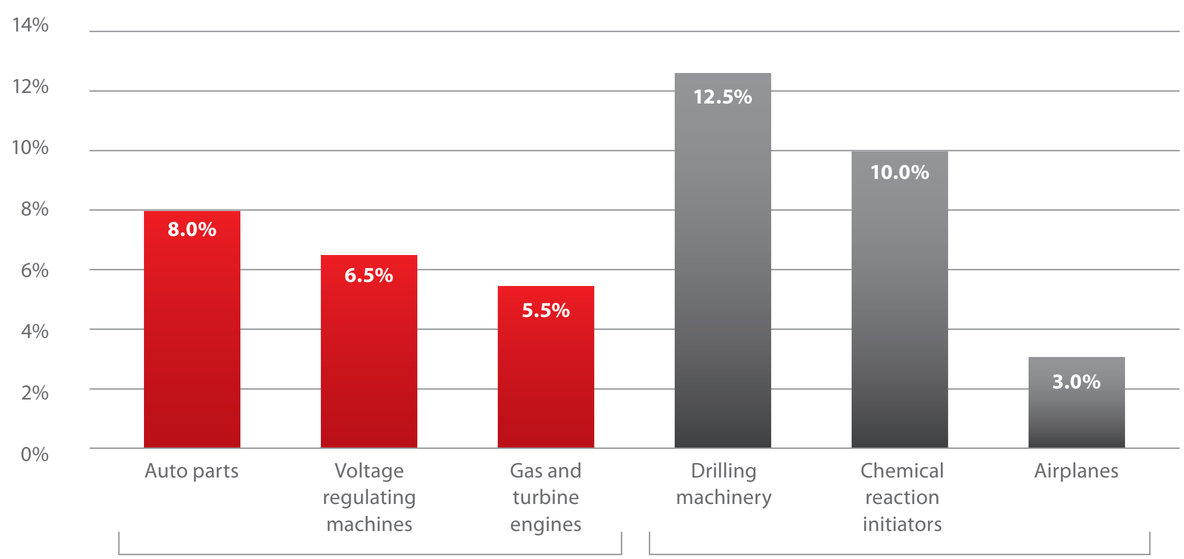
EU Trade Commissioner Peter Mandelson
October 16, 2006

Average Tariffs U.S. Exports Will Face While EU Competitors Export Duty-Free Under FTAs



Source: WTO Integrated Database.

The severe negative impact of discriminatory tariffs on the competitiveness of American exporters was confirmed by the World Economic Forum in its "The Global Enabling Trade Report 2009." The central purpose of the report was to evaluate the extent to which countries around the world have in place policies for enabling trade. The report concluded that "U.S. exporters face some of the highest tariffs in the world."[46] In its country-specific Enabling Trade Index, the United States ranked a dismal 114th in terms of tariffs faced for the purpose of evaluating export competitiveness.[47] EU countries ranked 60th,[48] India 48th,[49] China 57th,[50] Canada 58th[51] and Korea 104th.[52]

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The development of an ASEAN network of FTAs is especially troubling. If unmatched by U.S. FTAs, this network creates new incentives for American companies to expand their market access in a much larger group of Asian countries—China, Japan, Korea and India.

Strong enforcement of U.S. rights under international trade agreements and new export promotion programs are essential, but they are not enough to level the playing field. In many instances, existing trade and investment agreements do not cover the new barriers and discriminatory practices blocking U.S. exports, and export promotion programs cannot overcome higher tariffs. The key to overcoming this serious competitive disadvantage and meeting our new national objective of doubling our exports in five years is the negotiation and implementation of new trade agreements.

Unfavorable Product Standards and Regulatory Models = Lost Exports = Lost Jobs. U.S. exports are regularly delayed or blocked because they must comply with mandatory product standards that differ from U.S. or international standards, or must undergo duplicative local testing requirements. FTAs often facilitate cooperation on standards issues, and mutual recognition agreements (MRA) obligate trading partners to recognize each other's product standards and conformity assessment procedures. The result: where a competitor from the EU or elsewhere can rely on its own standards, conformity assessment procedures or other regulatory procedures to enter or operate in the market and the U.S. firm cannot, the United States is hurt.[53]

Setting Dangerous Precedents and Bad Rules of the Road = Lost Exports = Lost U.S Jobs. Trading powers use FTAs to set precedents for how issues should be dealt with more broadly in the international trading system. For instance, the United States has addressed certain regulatory and transparency problems common around the world, and as more parties sign on to these, it may one day become feasible to pursue such issues in the WTO. Other economic players have used FTAs to promote their own objectives—for instance, the EU's use of trade agreements to pursue international competition policy objectives, or attempts to establish a "cultural" carve-out to trade in audio-visual goods and services. Commissioner Mandelson noted that "our aim in these agreements will be to go beyond what can be achieved at the global level…by covering issues which are not yet ready for multilateral discussion, such as rules for competition…"[54]

Of course, some of the precedents set in bilateral agreements by the EU and others would be supported by the United States and are consistent with U.S. interests if adopted more broadly. But, if the United States does not engage at the bilateral and regional level, it will be leaving the field to others to set the global agenda.

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Conclusion: Action Plan to Recapture U.S. Export Markets and to Maintain and Create New Export-Related Jobs

To keep the United States on pace with our international competitors, to not fall backwards by standing still and to ensure continued U.S. international economic leadership and competitiveness, it is essential to move forward quickly to meet the following objectives:

- Implement the free trade agreements with Korea, Colombia and Panama;
- Conclude the Doha Round on commercially meaningful terms for American industrial, services and agricultural exporters;
- Develop and pursue an aggressive and competitive trade and investment negotiating agenda to secure the most significant export markets for American exporters and workers; and
- Renew Trade Promotion Authority/Fast Track based on an open discussion between the Administration, Congress and other stakeholders on how it should be used in the future to recapture and secure export markets for American companies, workers and farmers.

U.S. policymakers also have to recognize that to succeed in today's world economy, American companies and workers need to be able to match the international business strategies used by their foreign competitors:

1. Exporting goods and services to foreign markets.
2. Marketing goods and services in foreign markets through foreign operations.
3. Importing goods and services so that they can be competitive manufacturers and offer the best prices and quality to business customers.

There is no "either/or" in the struggle for success in international markets. Our foreign competitors are pursuing all these strategies and are actively negotiating FTAs and BITs because they want to empower their companies and workers to compete successfully at all levels of the international economy.

Our major international competitors are not standing still; they are using FTAs and BITs to capture markets for their companies, workers and farmers and to maintain and create new jobs.

The United States needs to get off the sidelines and win the race for exports and jobs.

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