

Editorial

How free trade boosts Illinois

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Democrats in Congress complain that the free trade pacts the Bush administration has negotiated with Colombia, Panama, Peru and South Korea are "flawed" and should not be approved. They oppose the treaties even though the administration agreed in May to labor and environmental standards sought by the Democrats.

The four trade agreements would give U.S. companies and farmers more access to markets and customers in these four countries and would create more jobs for Americans. But the Democrats stand in the way.

So these trade pacts appear to be dead. House Speaker Nancy Pelosi and the rest of the House majority leadership announced the deals will go nowhere until they are convinced the benefits of globalization will reach all Americans.

Let's look at the impact international trade has on Illinois workers and businesses, and the potential impact of these trade agreements.

The folks who run Peoria-based Caterpillar say the jobs of half of Caterpillar's 49,000 U.S. employees depend on exports.

Cat exports more to Peru, Panama and Colombia combined than it does to Germany or to Japan. But its exports are subject to 12 to 15 percent tariffs in the three Latin American countries. If the trade pacts passed, those tariffs would go to zero. That would mean more sales for Cat, which would support more jobs building bulldozers in East Peoria, wheel-loaders in Aurora and off-highway trucks in Decatur.

Cat's big machinery and equipment sales to Korea are duty free. But the Korea free trade pact would eliminate an 8 percent tariff on diesel engines made in Mossville, Ill., and Lafayette, Ind. After the U.S. entered into a free trade pact with Chile in 2004, Cat's exports there nearly doubled. After an Australia free trade pact was inked in 2005, Cat's exports there rose 26 percent.

Keep those numbers in mind if you get a chance to ask an Illinois member of Congress about the stalled free-trade agreements.

Here's another example you can use. Illinois sells about \$1 billion worth of pork each year. Nearly 13 percent of pork-related jobs here are tied to exports. Eliminating tariffs on U.S. pork sold in South Korea would increase the demand and could add \$10 to the price of a live hog. The Latin America pacts combined could raise live hog prices by another \$2.66 per hog. That's good for Illinois pork producers.

Illinois last year exported \$45.2 billion worth of goods to the rest of the world, including \$3.2 billion in agricultural products. Those exports supported nearly 300,000 Illinois jobs. Another 235,000 Illinois workers are employed by foreign firms that operate in the state.

Some Illinois workers make their living in the auto industry, which would be a major beneficiary of the South Korea pact. That trade deal would eliminate tariffs and other barriers that have hindered U.S. auto exports. South Korea sells about 700,000 vehicles a year in the U.S., but the U.S. sells fewer than 5,000 in South Korea. The trade pact would immediately eliminate an 8 percent tariff on U.S. cars sold there and, over a decade, get rid of a 2 percent tariff on Korean cars sold here. Korea also would equalize tax treatment of auto imports with those of Korean-made vehicles and adopt California emission standards. If the Koreans violated any provisions of this deal, U.S. tariffs on their cars would kick back in.

Yet the United Auto Workers and some U.S. car makers still oppose this deal. AFL-CIO President John Sweeney called the South Korea pact "a losing, one-sided agreement" and applauded the Democratic opposition to the trade deals.

Globalization is contributing to a lot of paychecks in Illinois. President Bill Clinton once persuaded the Democratic Party to recognize that, and to take a modern, aggressive view of the benefits of the global economy and international trade. But Democrats have retreated to their old, protectionist tendencies. That's bad news for Illinois workers.