Statement of the U.S. Chamber of Commerce

ON: First in a Series of Three Hearings on the Pending, Job-Creating Trade Agreements (specifically on the U.S.-Colombia Trade Promotion Agreement)

TO: U.S. House of Representatives Committee on Ways and Means Subcommittee on Trade

BY: U.S. Chamber of Commerce and the Association of American Chambers of Commerce in Latin America

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The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96% of the Chamber's members are small businesses with 100 or fewer employees, 70% of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business manufacturing, retailing, services, construction, wholesaling, and finance — is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 115 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

The U.S. Chamber of Commerce (the Chamber) and the Association of American Chambers of Commerce in Latin America appreciate the opportunity to share their strong support for the U.S.-Colombia Trade Promotion Agreement (CTPA) on the occasion of this important hearing of the House of Representatives Committee on Ways and Means Subcommittee on Trade. The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The Chamber serves as secretariat for the Latin American Trade Coalition, which represents more than 1,200 American companies, business and agricultural organizations, and chambers of commerce that support approval of the pending free trade agreements with Colombia and Panama.

This testimony is also submitted on behalf of Association of American Chambers of Commerce in Latin America (AACCLA). The 23 American Chambers of Commerce in Latin America and the Caribbean making up AACCLA together represent more than 20,000 companies and over 80% of U.S. investment in the region.

No priority facing our nation is more important than putting Americans back to work. Nearly 9% of the U.S. workforce is unemployed — a figure that doubles when those who have stopped looking for jobs and the millions of part-time workers who want to work full time are included. As a nation, the biggest policy challenge we face is to create the 20 million jobs needed in this decade to replace the jobs lost in the current recession and to meet the needs of America's growing workforce.

World trade will play a vital role in reaching this job-creation goal. When President Barack Obama delivered his State of the Union address in January 2010, the U.S. Chamber and the rest of the business community welcomed his call for a national goal to double U.S. exports within five years. The rationale is clear: We cannot rely on domestic consumption to generate more demand for the goods and services we produce. The American consumer is likely to spend more frugally in the years ahead, and the federal government faces unsustainable budget deficits.

Most importantly, outside our borders are markets that represent 73% of the world's purchasing power,[1] 87% of its economic growth,[2] and 95% of its consumers. The resulting opportunities are immense.

Trade already sustains millions of American jobs. More than 50 million American workers are employed by firms that engage in international trade, according to the U.S. Department of the Treasury.[3] President Obama has noted that one in three manufacturing jobs depends on exports,[4] and one in three acres on American farms is planted for hungry consumers overseas.[5]

Nor is trade important only to big companies. Often overlooked in the U.S. trade debate is the fact that more than 97% of the quarter million U.S. companies that export are small and medium-sized enterprises (SMEs), and they account for nearly a third of U.S. merchandise exports, according to the U.S. Department of Commerce. In fact, the number of SMEs that export has more than doubled over the past 15 years.

The bottom line is simple: If America fails to look abroad, our workers and businesses will miss out on huge opportunities. Our standard of living and our standing in the world will suffer. With so many Americans out of work, opening markets abroad to the products of American workers, farmers, and companies is a higher priority than ever before.

The Problem: Foreign Tariffs and Other Trade Barriers

For all of these firms — large and small — the chief obstacle to reaching the goal of doubling U.S. exports by 2014 is the complex array of foreign barriers to American exports. Those barriers are alive and well, and they pose a major competitive challenge to U.S. industry and agriculture and the millions of U.S. workers whose jobs depend on exports.

From the perspective of the U.S. business community, the foremost goal of U.S. trade policy should be to tear down those barriers. Casting light on this challenge, the World Economic Forum issues an annual *Global Enabling Trade* report, which ranks countries according to their competitiveness in the trade arena.[6] One of the report's several rankings gauges how high the tariffs are that a country's exporters face. Leading the pack as the country whose exporters face the lowest tariffs globally is Chile, with its massive network of free trade agreements with more than 50 countries around the globe.

While the report found the United States did well in a number of areas, America ranked a disastrous 121st out of 125 economies in terms of "tariffs faced" by our exports overseas. In other words, American exporters face higher tariffs abroad than nearly all our trade competitors. It is also worth noting that tariffs are just part of the problem, as they are often found alongside a wide variety of non-tariff barriers that shut U.S. goods and services out of foreign markets.

Historically, the only way the U.S. government has ever enticed a foreign government to open its market to American exports is by negotiating agreements for their elimination on a reciprocal basis. This is done in bilateral free trade agreements (FTAs), such as those pending with Colombia, Panama, and South Korea or the Trans-Pacific Partnership (TPP), which is under negotiation. In addition, reciprocal market openings can be accomplished multilaterally, as in the Doha Round, the global trade agreement currently being negotiated under the WTO by the United States and 152 other countries.

The Solution: Free Trade Agreements

The pending FTAs with Colombia, Panama, and South Korea are pro-growth agreements will create good American jobs, bolster important allies, and confirm that America is not ready to cede its global leadership role in trade. They will generate billions of dollars in new American exports within a few short years.

Most importantly, these are "fair trade" agreements that promise a level playing field for American workers and farmers. Many Americans don't know that the U.S. market is already wide open to imports from these countries, with most imports from Colombia, Panama, and South Korea entering our market duty free. However, these countries impose tariffs on U.S. products that often soar into the double digits, limiting our competitiveness overseas. These agreements would knock down those barriers, opening the door for American companies to sell to these consumers.

If the United States is to double exports within five years, the proven export-boosting record of these reciprocal trade agreements will be indispensable. In 2003-2008, for example, U.S. exports rose 79%, their fastest growth in nearly two decades. It is no coincidence that this period also saw the United States implement FTAs with 10 countries and saw earlier agreements such as NAFTA attain their full implementation with the elimination of all tariffs.

To settle once and for all the debate over whether these FTAs have benefitted American workers and companies, the U.S. Chamber commissioned a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*,[7] which was released in May 2010. The study examined U.S. FTAs implemented over the past 25 years with a total of 14 countries. It excluded three other countries where FTAs have only recently been implemented. The study employs a widely used general equilibrium economic model which is also used by the U.S. International Trade Commission, the WTO, and the World Bank.

The results of this comprehensive study are impressive: 17.7 million American jobs depend on trade with these 14 countries; of this total, 5.4 million U.S. jobs are supported by the increase in trade generated by the FTAs.

No other budget neutral initiative undertaken by the U.S. government has generated jobs on a scale comparable to these FTAs, with the exception of the multilateral trade liberalization begun in 1947. The study also shows that U.S. merchandise exports to our FTA partners grew nearly three times as rapidly as did our exports to the rest of the world from 1998 to 2008.

The trade balance is a poor measure of the success of these agreements, but deficits are often cited by trade skeptics as a reason why the United States should not negotiate free trade agreements. However, according to the U.S. Department of Commerce, the United States is now running a *trade surplus* in manufactured goods with its 17 FTA partner countries — taken as a group — on top of the U.S. global trade surpluses in services and agricultural products.

America Left Behind

The success of reciprocal trade agreements has led to their proliferation around the globe. Countries are rushing to negotiate new trade accords — but America is being left behind.

According to the WTO, there are 283 regional trade agreements in force around the globe today, but the United States has just 11 FTAs with just 17 countries.[8] There are more than 100 bilateral and regional trade agreements currently under negotiation among our trading partners. Unfortunately, the United States is participating in just one of these (the Trans-Pacific Partnership).

The United States is standing on the sidelines while other nations clinch new trade deals. This is painfully evident in the case of Colombia, Panama, and South Korea. The pending U.S.

agreements with those countries would create good American jobs, bolster important allies, and confirm that America is unwilling to cede its global leadership role in trade.

While these U.S. agreements languish, other nations are moving forward. The European Union has concluded a comprehensive FTA with South Korea, and Canada has done so with Colombia; both of these FTAs are expected to enter into force in mid-2011. Also, in May 2010, the EU signed FTAs with Colombia and Panama, and Canada has signed an FTA with Panama.

If Washington delays, U.S. exporters will be put at a marked competitive disadvantage in Colombia, Panama, and South Korea. Canadian wheat farmers will be able to sell their crop to Colombians and Panamanians at a huge discount, and European manufacturers will easily undercut their American competitors in the South Korean market.

The cost of these delays will be high. According to a study commissioned by the U.S. Chamber, the United States could suffer a net loss of more than 380,000 jobs and $40 billion in lost export sales if it fails to implement its pending trade agreements while the European Union and Canada move ahead with their own agreements.[9]

Unfortunately, this scenario is already unfolding. Following implementation of a new trade accord between Colombia and Mercosur (a customs union that includes Argentina and Brazil), "U.S. exports of agricultural products to Colombia dropped by 48% in 2009 and an additional 45% in 2010. Meanwhile, Argentina's and Brazil's sales to Colombia have climbed by over 20 percent. In dollar figures, U.S. exports of corn, wheat, and soybeans to Colombia dropped from $1.1 billion in 2008 to $343 million in 2010, a decline of 68%."[10]

In the absence of an FTA, the average tariff paid by American farmers shipping their goods to Colombia is 16.9%, while competitors in the Mercosur countries have duty-free access to the Colombian market. When the Canada-Colombia FTA enters into force — an event expected in June — American farmers risk losing more of their market share and sales.

The implications have a profound significance in the rapidly growing Asia-Pacific region. U.S. trade with Asia continues to grow, but our market share is dropping as other countries boost their own commerce more rapidly. Over time, expanding Asian production supply chains will tend to shut out U.S. suppliers of intermediate goods and undermine U.S. manufacturers. U.S. farmers are shut out because highly protected agricultural markets are open to U.S. competitors but not to American food products. The United States will be left on the outside, looking in.

Washington's failure to negotiate more trade agreements not only hurts U.S. companies and workers, but it limits America's ability to advance its broader interests around the globe. A stronger U.S. economic presence abroad would boost America's ability to achieve its security, political, and economic goals.

Details on CTPA

CTPA is a critical component to increasing U.S. exports and strengthening a longstanding partnership with the second largest Spanish-speaking country in the world. CTPA's provisions are virtually indistinguishable from those in the U.S.-Peru Trade Promotion Agreement, which Congress approved by an overwhelming bipartisan majority in 2007. Like the agreement with Peru, CTPA is a comprehensive agreement that will accelerate Colombia's progress as a resilient and strong democracy and a committed ally of the United States.

U.S. exports to Colombia have more than tripled since 2003, exceeding $11 billion in 2010. A wide range of industries — including food and other agricultural products, chemicals, computers and electronic products, electrical equipment and appliances, and motor vehicles to name just a few — have seen exports grow into the hundreds of millions of dollars each year. More than 10,000 U.S. small and medium-sized businesses export to Colombia, totaling 85% of all U.S. companies exporting to Colombia.

Building on these strong ties, CTPA will do away with a trade relationship built on temporary unilateral preferences and replace it with one that is mutually beneficial, reciprocal, and permanent. In 1991, Congress approved the Andean Trade Preference Act (ATPA), which has been renewed by bipartisan majorities several times in recent years. Thanks to the ATPA, the average U.S. import duty imposed on imports from Colombia was a stunningly low 0.1% in 2009, according to the U.S. International Trade Commission.[11] By contrast, Colombia's average duty on imports from the United States is 14% for manufactured goods and far higher for key agricultural exports. In short, Colombians enjoy nearly free access to our market while our access to theirs remains limited.

In fact, since the agreement was signed in November 2006, U.S. exports to Colombia have been penalized by the imposition of over $3.4 billion in tariffs that could have been eliminated by the implementation of the agreement (*see* Colombia Tariff Ticker — www.latradecoalition.org). This sum is not only money out of the pockets of U.S. companies; it likely deterred hundreds of millions of dollars worth of additional sales.

This agreement will remedy the unfairness of today's U.S.-Colombia trade relationship by sweeping away most of Colombia's tariffs immediately, ushering in a mutually beneficial, reciprocal partnership. The day the agreement enters into force, four-fifths of U.S. consumer and industrial products and more than half of current U.S. farm exports will enter Colombia duty-free. Remaining tariffs will be phased out, most in just a few years. For example:

Without the U.S.-Colombia FTA		**Products**	**With the U.S.-Colombia FTA**	
We Pay	**They Pay**		**We Pay**	**They Pay**
35%	2.5%	Automobiles	0%	0%
20%	0%	Furniture	0%	0%
5-15%	0-3.9%	Audiovisual (film and DVDs)	0%	0%
5-15%	0%	Mineral fuels and coal	0%	0%
10%	0%	Cotton	0%	0%
5-15%	0-3.9%	Copper, gold, silver products	0%	0%
5-21%	0-1.9%	Cereals (oats, corn, soybeans)	0%	0%
10%	0%	Computers & related products	0%	0%

In addition, the agreement will open services markets, secure the intellectual property of U.S. inventors, researchers, and creative artists, and introduce enforceable protections for worker rights and the environment.

The U.S. National Interest

However, the U.S. failure to approve and implement CTPA is not only harming U.S. workers, farmers, and businesses; it is hurting one of the most important U.S. strategic allies in the hemisphere.

Colombia has long been America's most stalwart ally in South America. Colombia chairs the UN committee implementing sanctions against Iran and has partnered with the United States to provide extensive training and assistance to help the Mexican government defeat violent drug cartels along the U.S.-Mexico border. In Afghanistan, at the request of the United States, Colombia has provided counter-narcotics training and assistance to the Karzai government.

Over the past 50 years, Colombian governments have had to contend with the combined terrorist activities of left-wing guerrillas, drug cartels, and paramilitary self-defense forces. But in 1999, the Pastrana administration unveiled its "Plan Colombia," and successive Colombian administrations since that time leveraged more than $7 billion in U.S. assistance to fight drug trafficking, promote sustainable development, and protect human rights.

Since that time, coca production in Colombia has been reduced by 40%, reaching the lowest level in 11 years, according to the U.S. Office of National Drug Control Policy. In the past ten years Colombian security forces have interdicted cocaine and heroin shipments with an estimated street value between $35 billion and $40 billion. According to official statistics, guerrillas were reduced from 24,000 fighters in 2002 to 9,500 in 2010, and paramilitaries have been completely demobilized. These labors were recognized on March 1, 2011, when Colombia was removed from the UN Drugs Watch List.

Colombia has pursued its dream of security, peace, and prosperity and has achieved impressive results. Colombia has created more than three million jobs since 2002, cutting the unemployment rate by nearly half from 20.5% in 2000 to 11.7% in 2008. In many parts of today's Colombia, children can walk safely to school, families can visit friends, and relatives and all Colombians can enjoy the natural beauty of their country. In less than 20 years, the enrollment rate for Colombian children in school has increased from 71% in 1991 to 93.5% in 2008. The Colombian government also spends 12.7% of the entire country's GDP on education, health care, and social programs.

The Colombian government clearly recognizes the benefits of free trade agreements, and while the United States has delayed CTPA, Colombia has negotiated or is in the process of negotiating free trade agreements with Canada, the European Union, Argentina, Brazil, Korea, Panama, and Singapore. In the meantime, the United States has lost more than just our market share. We have also raised questions about our leadership in the region and our reputation as a reliable partner. By not approving CTPA now — after four years of delay — the United States risks alienating its closest ally in the region.

Labor Provisions in CTPA

One of the noteworthy benefits of U.S. free trade agreements is the boost that they give to reformers in our developing country partners. As in the United States, economic and social reform is often hard-earned, piecemeal, and subject to high political cost. By providing a strong economic incentive, U.S. free trade agreements provide developing country reformers with the leverage they need to secure improvements in areas such as government procurement, governmental transparency and accountability, investor protections, and labor and environmental standards, among other areas.

In many cases, these reforms have been built into the trade agreement itself. For instance, CTPA includes dedicated chapters on labor, the environment, and transparency. CTPA contains the strongest provisions on labor ever incorporated into a U.S. trade agreement. These measures incorporate the provisions of the May 10, 2007, Congressional-Executive Agreement on Trade Policy. That agreement directly linked enforcement to the principles of international labor standards as recognized by the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. Having agreed to tough, enforceable labor provisions in the agreement as originally negotiated and signed, the Republic of Colombia then agreed on June 28, 2007, to bind itself to the new, stricter standard established by the May 10 Agreement. In fact, the Colombian government did so even though its Congress had already approved the trade agreement.

These measures in CTPA are identical to labor provisions in the U.S.-Peru Trade Promotion Agreement, which was approved by Congress in 2007 by an overwhelming bipartisan majority. These provisions require Colombia to enforce its labor laws, or be subject to dispute settlement under the agreement, backed by the threat of sanctions.

Since that time, various U.S. policymakers in both the Congressional and Executive branches have implied that further, unspecified labor concessions from Colombia will be necessary to secure U.S. approval of the trade agreement. Notwithstanding that Colombia has already signed this agreement with the United States *twice*, and already gone to its legislature for approval of the agreement *twice*, leaders in Colombia have remained willing to work with their U.S. government counterparts to take further steps.

It should be noted in this regard that Colombia's labor laws were generally strong when CTPA was signed in 2007, but have since undergone substantial reform through major labor legislation. Colombia years ago ratified all eight of the ILO core conventions. Since 2007, the Government of Colombia has worked closely with the ILO to identify and implement further reforms. In 2007, the ILO opened an office in Colombia to identify a joint program of work and implement cooperative programs. In June 2010, the ILO dropped Colombia from its list of countries subject to monitoring for failure to comply with international labor rights

Colombia has also taken significant steps to protect labor union members from violence. The Colombian government has established a protection program for vulnerable individuals, including union leaders. More than 1,900 union members and 10,000 judges, human rights workers, and journalists have been included in this program, which has a budget of $360 million and an unblemished record of success. It has created a special unit to investigate and prosecute individuals charged with violence against labor union members and as a result of these and other measures, the homicide rate of union members has declined by nearly 90% since 2002.

The results are dramatic. The homicide rate of union members is now just one-sixth the national homicide rate, and a resident of the District of Columbia is eight times more likely to be murdered than a Colombian trade unionist. Far from being persecuted, Colombia's labor unions have grown significantly in recent years. The number of Colombian workers affiliated with labor unions rose from 850,000 (4.9% of workforce) in 2002 to 1,500,000 (7.9%) in 2009 — an increase of more than 75% and one of the most dramatic rises in unionization anywhere in the world.

In addition, the Colombian Congress is poised to approve legislation proposed by President Juan Manuel Santos to establish a separate Ministry of Labor. The new ministry's sole focus would be to protect the rights of workers and promote job growth. This legislation would also create a separate Justice Ministry to step up the prosecution of violent offenders. President Santos has proposed groundbreaking initiatives to compensate victims of violence and return land to poor farmers they lost during the violence of past decades.

Today, the challenge in Colombia is to sustain and enhance the progress that has been made over the past decade. Trade has a critical role to play. Colombia's economic resurgence has been a defining factor in its recent progress. Robust investment has boosted economic growth and development. The creation of new jobs has provided tens of thousands of Colombians with alternatives to narcotics trafficking. CTPA will help reinforce this powerful and positive dynamic.

Conclusion

For the Chamber, the agenda is clear. The United States needs a laser-like focus on opening foreign markets. This means approving the pending trade accords with Colombia, Panama, and South Korea and negotiating more of them, including the Trans-Pacific Partnership and an ambitious Doha Round agreement. To this end, Congress should renew the traditional trade negotiating authority that every president since Franklin D. Roosevelt has enjoyed.

World trade is again expanding rapidly, and it is generating new opportunities around the globe. However, this is too often a story of missed potential. The business community could be doing much more to create jobs, lift people out of poverty, foster greater understanding and stability among nations, and solve vexing social problems if we weren't missing so many of the opportunities that global commerce can create.

[1] David Wessel, "Asia's Latest Export: Recovery," *The Wall Street Journal*, February 24, 2010, http://online.wsj.com/article/SB10001424052748703510204575085280515242598.html.

[2] Office of the U.S. Trade Representative, Executive Office of the President, *The President's 2010 Trade Policy Agenda*, March 2010, http://www.ustr.gov/webfm_send/1673. "IMF forecasts indicate that nearly 87% of world growth over the next 5 years will take place outside of the United States."

[3] U.S. Department of the Treasury: https://ustreas.gov/press/releases/hp285.htm.

[4] The White House: http://www.whitehouse.gov/the-press-office/remarks-president-announcing-presidents-export-council.

[5] American Farm Bureau Federation: http://www.fb.org/index.php?fuseaction=newsroom.fastfacts.

[6] World Economic Forum, *The Global Enabling Trade Report 2010*, May 19, 2010, http://members.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

[7] U.S. Chamber of Commerce, *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*, May 2010, http://www.uschamber.com/trade.

[8] WTO: http://www.wto.org/english/tratop_e/region_e/region_e.htm.

[9] U.S. Chamber of Commerce, *Trade Action—or Inaction: The Cost for American Workers and Companies*, September 2009, http://www.uschamber.com/trade.

[10] Doug Palmer, "Bush and Clinton aides prod Obama on Latam trade deals," *Reuters*, March 2, 2011, http://www.reuters.com/article/2011/03/02/us-usa-colombia-trade-idUSTRE7217CN20110302.

[11] United States International Trade Commission, *Andean Trade Preference Act: Impact on U.S. Industries and Consumers and on Drug Crop Eradication and Crop Substitution* (Investigation No. 332-352, USITC Publication 4188, September 2010), p. 2-2, http://www.usitc.gov/publications/332/pub4188.pdf.