Written Statement by the National Association of Manufacturers
Hearing on President Obama's Trade Policy
February 9, 2011

The National Association of Manufacturers (NAM) is pleased to submit the following statement on President Obama's Trade Policy to the Committee on Ways and Means. The NAM is the nation's largest industrial trade association, representing small and large manufacturers in every industrial sector and in all 50 states. Its membership includes both large multinational corporations with operations in many foreign countries and small and medium manufacturers that are engaged in international trade on a more limited scale.

Manufacturing is a critical part of the American economy and, contrary to some opinions, it is not dead. The United States is the world's largest manufacturing economy, producing 21 percent of global manufactured products, nearly as much as Japan and China combined. U.S. manufacturing produces $1.6 trillion of value each year, or 11 percent of U.S. GDP. Manufacturing supports an estimated 18.6 million jobs in the U.S.—about one in six private sector jobs. Nearly 12 million Americans (or 9 percent of the workforce) are employed directly in manufacturing. In 2009, the average U.S. manufacturing worker earned $74,447 annually, including pay and benefits. The average non-manufacturing worker earned $63,507 annually. U.S. manufacturers are the most productive workers in the world—twice as productive as workers in the next 10 leading manufacturing economies. And U.S. manufacturers perform half of all R&D in the nation, driving more innovation than any other sector. In fact, taken alone, U.S. Manufacturing would be the 8th largest economy in the world.

The Three Pending Free Trade Agreements and Jobs

The United States has not progressed on a bilateral trade agenda since Congressional passage of the U.S.-Peru FTA in December 2007. There are three bilateral trade agreements pending approval in Congress: U.S.-Colombia, U.S.-Korea, and U.S.-Panama. The NAM is extremely concerned about the lack of movement on these trade agreements. Manufactured goods comprise two-thirds of overall U.S. exports of goods and services, and experience with previous trade agreements shows they provide robust new market access and increased growth in U.S. exports. The U.S. International Trade Commission estimates these three completed agreements would increase U.S. exports by at least $13 billion. This growth in exports – the majority of which would be manufactured goods – will drive U.S. employment and economic growth.

These agreements can be best described as "preferential trade agreements" because in every case they reduce barriers to U.S. exports far more than any concessions made by the United States. Our tariff rates are far lower than those in almost any other nation and we are open to foreign investment, so any free trade agreement we sign benefits our manufacturing exports to a far greater degree than that partners exports to the United States.

The fact is that we had a combined trade *surplus* in 2010 of $21 billion in manufactured goods trade with our existing free trade agreement partners, despite the overall trade deficit we have in manufactured goods trade with the world. Our cumulative manufactured goods trade surplus with our FTA partners for the last three years has reached nearly $70 billion.

Standing still on trade agreements is more accurately described as “falling behind.” Since the Peru FTA was passed by Congress in 2007, while the United States has not taken action to pass existing agreements or begin new negotiations on any bilateral agreement, four of our largest competitors - Canada, the European Union (EU), Japan and Korea - have either completed or are in the process of negotiating nearly 40 separate trade agreements with nearly 100 countries. In every one of these markets, we will face disadvantages that will impair our ability to competitively sell our products. The United States should immediately re-engage in bilateral negotiations, beginning with rapid approval of the three pending agreements.

Job creation and economic growth go hand in hand with opening new markets. Manufacturing jobs are heavily dependent on exports, and agreements that increase our exports lead to creation of new manufacturing jobs and preservation of jobs in existing factories across the nation. The U.S. Department of Commerce estimates that exports of goods and services supported 10.3 million jobs in 2008, and that export-supported jobs accounted for 6.9 percent of total U.S. employment in 2008. Commerce also reports that in 2008, 6.8 American million jobs were linked to manufactured exports, 5.9 percent of total private-sector employment.

The U.S.-Colombia Trade Promotion Agreement

The U.S.-Colombia Trade Promotion Agreement (Colombia TPA) will increase trade in goods, services and agricultural products between the United States and Colombia, one of the fastest growing economies in the Western Hemisphere. As manufactured goods are roughly two-thirds of our exports to Colombia, manufacturers in America will be the largest beneficiaries of this trade agreement.

Congress has repeatedly voted tariff preferences for Colombia that permit it to export duty-free to the United States, as part of the Andean Trade Preference Act. The Colombia TPA would convert this one-way free trade to two-way free trade by giving U.S. exporters to Colombia the same open access to that market that Colombia’s exporters already have to the U.S. market. Thus, the agreement would truly level the playing field.

The U.S.-Colombia agreement will immediately eliminate nearly all of Colombia’s tariffs on manufactured goods, and would improve rules governing trade – strengthening intellectual property protection, increasing safeguards against product counterfeiting and copyright piracy, strengthening investment rules, opening access to government procurement, facilitating electronic commerce, speeding customs processing, encouraging express delivery, and opening financial telecommunications and other services markets.

It is important to stress the comprehensive nature of the agreement’s coverage, and also its strong contributions toward improving both labor and environmental conditions in Colombia. The Colombia TPA contains enforceable provisions on core labor and environmental standards that were included in the agreement as a result of the landmark May 2007 bipartisan trade policy agreement between Congress and the Administration. Such provisions were included in the 2007 U.S.-Peru trade agreement, which was supported by a bipartisan majority in the 110th Congress.

U.S. Manufactured Goods Trade with Colombia

The United States exported $12 billion worth of products to Colombia in 2010. It is the second-largest export market in South America for U.S. exports, behind only Brazil. Manufactured goods predominate in U.S. trade with Colombia. U.S. exports of manufactured goods to Colombia totaled $11 billion in 2010 – 91 percent of total U.S. goods exports. We had a trade surplus in manufactured goods of $7 billion in 2010.

According to U.S. Department of Commerce methodology, U.S. manufactured goods exports to Colombia in 2010 supported nearly 90,000 U.S. jobs. The United States represents over one-quarter of Colombia's imports of manufactured goods. Machinery, chemicals, plastics, aircraft, electrical equipment, and motor vehicles and other transportation equipment are the major U.S. manufactured goods exports to Colombia.

Small and medium exporters, like my company, form the vast majority of U.S. exporters to Colombia – over 85% of all exporters to Colombia are SMEs. Over 10,000 U.S. SMEs exported products to Colombia in 2009, making up over a third of total exports by value. This point cannot be made enough times – our free trade agreements benefit firms of all sizes.

Effect on U.S. Imports

Implementation of the U.S. – Colombia agreement is unlikely to result in significant new increases in U.S. imports from Colombia beyond those which can be expected to occur anyway. We expect that U.S. imports from Colombia will continue to increase, but the principal drivers of this will be the expansion of Colombia's oil production and the continuation of the duty-free treatment that the U.S. Congress has already given to imports from Colombia.

In 2010, while the United States imported $15.6 billion in products from Colombia, $8.8 billion - or nearly 60 percent of which - was oil and other mineral fuels. Other major exports from Colombia include coffee, precious stones, fruits and nuts, and cut flowers. These 4 product sectors, together with mineral fuels, comprise nearly 90 percent of total U.S. imports from Colombia. While the United States had a 2010 trade deficit of $3.6 billion with Colombia, if mineral fuels are excluded, the United States had a trade surplus of over $5 billion – most of which was in manufactured goods.

Colombian producers already have virtually complete duty-free access to the U.S. market. Colombia has enjoyed this status since 1991 under the Andean Trade Preferences and Drug Eradication Act (ATPDEA), which was intended to create employment alternatives to the drug trade. The U.S. Congress has voted repeatedly to extend ATPDEA preferences to Colombia. In fact, 99 percent of non-mineral fuel imports from Colombia already enter the United States duty-free. Unfortunately, at the time of this statement, the APTDEA benefits for Colombia have been allowed to lapse. The NAM strong supports extending these, with

The existing trade preferences have already allowed Colombian companies to utilize their comparative advantage and sell to the U.S. market. The principal significance to Colombian producers is the fact that it would make their existing preferential access permanent. Thus, while imports from Colombia should continue to increase, the differential effect of the trade agreement will affect very few products and have a very small effect.

How the Colombia Trade Agreement Will Boost U.S. Exports

The U.S.-Colombia free trade agreement has the potential to have a significant positive affect on U.S. exports. There will be three types of effects: (1) expansion of U.S. exports stemming from the reduction and elimination of Colombian tariffs on U.S. production; (2) expansion of U.S. exports through the reduction of non-tariff barriers in Colombia and the trade facilitation measures they are committed to take; and (3) preservation of existing U.S. exports that would otherwise be lost if Colombia maintains its expansion of trade agreements with other nations who compete with the United States in manufactured goods, like Canada, Brazil or the European Union. Together, these three effects could total as much as $1.2 billion, according to the U.S. International Trade Commission (ITC) analysis of the Colombia TPA.

While almost all of Colombia's exports enter the United States duty-free, U.S. manufacturers face significant tariff barriers in Colombia. Colombia's average import duty on manufactured goods is 11.3 percent. These duties, however, are assessed not only on the invoice value of the goods but also on the freight and insurance charges (known as the "C.I.F value"). When other charges are applied as well, the effective import duty on manufactured goods is 14 percent.

A wide variety of U.S. industrial products will benefit from the immediate reduction of these tariffs, the vast bulk of which would be eliminated immediately upon implementation of the agreement. The ITC's analysis shows the largest increases in U.S. exports will be chemicals, rubber and plastic products, machinery and equipment, and motor vehicles and automotive parts. NAM analysis shows other sectors that stand to gain include processed food products, electronic and electrical equipment, and transportation equipment.

U.S. Manufactured Goods Exports Compete with Other Suppliers, not with Colombian Industry

Analysis of the relative strengths of the U.S. and Colombian manufacturing sectors shows that there is little overlap in the types of product produced. This means that U.S. manufactured exports to Colombia currently are, and will continue to be, in sectors where Colombia either has no significant manufacturing presence or has very low levels of production. At the same time, Colombia's strongest manufacturing sectors are not exporters to the United States or are not at competitive levels that will displace U.S. manufacturing. Moreover, these Colombian industries already have duty-free access to the United States, and have already benefitted from that treatment.

There is, however, a high degree of similarity in the composition of U.S. exports to Colombia and those of our competitors in other nations, and this is where the U.S.-Colombia TPA will provide significant benefits to U.S. manufacturers. U.S. exports to the region will become duty-free, while exports from the European Union, Canada, China, Japan and other countries will continue to be subject to the full duties assessed by Colombia. This will make U.S. products more price-competitive relative to third-country production and will result in a shift of Colombian purchases from the other suppliers to U.S. products.

There is danger in not acting rapidly to pass this agreement, because Canada and other nations are in negotiations with Colombia on free trade agreements of their own. If these agreements are enacted before the Colombia TPA, foreign products will replace American goods in Colombia, and there will be a significant loss of U.S. market share. That is why time is of the essence in implementing the Colombia TPA.

The U.S.-Korea Free Trade Agreement (KORUS)

The KORUS Agreement will increase bilateral trade in goods and services between the United States and Korea, our 8th largest trading partner and one of the most dynamic economies in the Asia-Pacific region. As manufactured goods are roughly four-fifths of our exports to Korea, manufacturers will be the largest beneficiaries of this trade agreement.

The KORUS agreement will immediately eliminate nearly all of Korea's tariffs on manufactured goods and would improve the rules governing trade – by strengthening intellectual property protection, increasing safeguards against product counterfeiting and copyright piracy, strengthening investment rules, opening access to government procurement, facilitating electronic commerce, speeding customs processing, encouraging express delivery, and opening financial telecommunications and other services markets.

It is important to stress the comprehensive nature of the agreement's coverage, and also its very strong contributions toward improving both labor and environmental conditions in Korea. The KORUS agreement contains enforceable provisions on core labor and environmental standards that fully embody the provisions of the landmark May 2007 bipartisan trade policy agreement between Congress and the Administration.

The United States is already a very open market to Korea. Over half of all Korean exports to the United States enter duty-free. The average U.S. duty on dutiable imports from Korea is only 3.5 percent. Korea's market is considerably more closed than the U.S. market.

Korea's duties on dutiable manufactured imports average 7.6%. Since Korean tariffs are assessed on not just the invoice value of the imports but also on the cost of the freight and insurance (known as "C.I.F. value"), and Korea's 10 percent Value Added Tax (VAT) is levied on the C.I.F. duty paid value, the effective Korean import duty is actually about nine percent. This is a significant barrier.

The KORUS agreement would level the playing field for U.S. producers by providing much greater access to Korea – and provide American manufacturers with a competitive advantage over most other exporters. The European Union's FTA with Korea will go into effect on July 1, 2011 (the European Parliament approved it last week), and Canada is pursuing a trade agreement with Korea as well. Particularly in the case of the EU, this agreement will give their exporters a competitive advantage and would lead to significant trade diversion and loss of market share for American manufactured goods that can now only be prevented by quick passage and implementation of the KORUS agreement.

Of particular concern to American manufacturers is the EU-Korea agreement. This is of great significance because in 2008 the EU for the first time surpassed the United States both in overall and manufactured goods exports to Korea. In 2009, the EU had a 15 percent share of Korea's import market for manufactured goods, versus 11 percent for the United States. Last year, that gap narrowed somewhat, but the EU still remains ahead of the United States, 13.7 percent to 12 percent – and they will benefit from many months of preferential treatment for their goods, even after U.S. approval of the KORUS agreement.

Looking at their respective top fifteen export sectors broadly, on a two-digit Harmonized System (HS) level, the United States and EU show a significant similarity in the types of manufactured goods exported to Korea. EU exporters are already out-exporting the United

States even though they face the same tariffs that U.S. exporters do. Once the EU's FTA with Korea goes into effect, there is no question that the nine percent cost advantage from the elimination of Korea's tariffs on their products will lead to a significant market share loss for American manufacturing.

As the table below shows, Korea experienced a remarkable recovery in 2010. It is this strong economic growth that represents a truly unique opportunity for American manufacturing exports, and the competition our producers face from the EU, China and other nations is a prime argument for passage of the preferential KORUS agreement.

Top 10 Exporters of Manufactured Goods to Korea and Share of Korea's Import
Market. (Thousands of U.S. Dollars)

	2009	2010	% Share	% Chg 2010/09
World	197,213	255,342		29.5
EU 25	*29,604*	*35,041*	*13.7*	*18.4*
China	49,249	65,468	25.6	33.0
Japan	46,726	60,927	23.9	30.0
United States	***21,952***	***30,655***	***12.0***	***39.6***
Germany	12,018	13,938	5.5	16.0
Taiwan	9,530	13,198	5.1	38.0
Singapore	7,099	7,207	2.8	1.5
Malaysia	3,560	4,565	1.8	28.2
France	3,682	3,891	1.5	5.6
Netherlands	1,643	3,557	1.4	116.4
Italy	3,334	3,474	1.4	4.2

Source: Global Trade Atlas

U.S. Manufactured Goods Trade with Korea

The United States exported $38.8 billion worth of U.S. products to Korea in 2010, a 35% increase from 2009. It is the third largest export market in Asia for U.S. exports, behind only China and Japan. Manufactured goods predominate in U.S. trade with Korea. U.S. exports of manufactured goods to Korea totaled $31.6 billion in 2010 – 81 percent of total U.S. exports.

According to U.S. Department of Commerce methodology, U.S. manufactured goods exports to Korea in 2010 supported over 250,000 U.S. jobs. The United States represents 12 percent of all global manufactured goods exports to Korea – but that share has been declining or stagnant over the last five years due to increasing foreign competition, particularly from China (nearly 26%), Japan (24%) and the European Union (nearly 14%).

The United States had a 2010 trade deficit of $10 billion with Korea – a decline of 5.5% from 2009. Machinery, automotive goods, electronics, chemicals and plastics are significant U.S. manufactured goods imports from Korea; significant U.S. exports are machinery and equipment, medical equipment, chemicals, aircraft, plastics, and automotive goods. Small and medium exporters form the vast majority of U.S. exporters to Korea – 89% of all exporters to Korea are SMEs. Nearly 19,000 U.S. SMEs exported products to Korea in 2009, making up over a third of total exports by value.

The Effect of Tariffs

The KORUS agreement has the potential to have a significant positive effect on U.S. exports. There will be three types of effects: (1) expansion of U.S. exports stemming from the reduction and elimination of Korean tariffs on U.S. production; (2) expansion of U.S. exports through the reduction of non-tariff barriers in Korea and the trade facilitation measures they are committed to take; and (3) preservation of existing U.S. exports that would otherwise be lost if Korea maintains its robust expansion of trade agreements with other nations who compete with the United States in manufactured goods, like Canada, Japan and the European Union.

Together, these three effects on U.S. exports could be an increase of as much as $10.9 billion, according to the Korea analysis performed by the U.S. International Trade Commission (ITC). Non-tariff effects are important as well, but difficult to quantify, and are not included in the ITC estimate.

A wide variety of U.S. industrial products will benefit from the immediate reduction of the average nine percent Korean tariffs on manufactured goods once this agreement is passed. The ITC's study indicates that the largest increases in U.S. exports will be in electronics, transportation equipment, machinery and equipment, pharmaceuticals, medical devices, and motor vehicles and automotive parts. These sectors will account for the bulk of the new exports generated by the KORUS agreement.

Growth of U.S. manufacturing exports will lead to further growth in U.S. employment. NAM analysis indicates that if exports meet the ITC forecast (which has been demonstrated to be conservative in past FTAs), the increased manufactured goods exports goods to Korea could contribute 70,000 new U.S. jobs dependent on those exports. While nearly every U.S. state will benefit from added exports of goods to Korea, 5 states had over $1 billion in manufactured goods exports and 22 states had over $400 million in manufactured goods exports to Korea in 2010, including a number of heavily industrialized states that have been impacted by the recent recession. These states will see significant gains in exports and jobs from the KORUS agreement.

U.S. Manufactured Goods Exports to Korea:
States with $500 Million+ in 2010 Exports

California	$6,624,832,986
Texas	$6,171,832,120
New Jersey	$1,602,226,704
New York	$1,548,288,654
Washington	$1,505,494,212
Massachusetts	$861,681,310
Michigan	$738,403,720

Illinois	$722,654,165
Louisiana	$678,822,563
Pennsylvania	$638,163,961
Ohio	$621,048,319
Minnesota	$605,208,935
North Carolina	$576,455,792
Missouri	$564,997,131
Georgia	$545,150,047
Tennessee	$543,013,466
Indiana	$537,189,494

The U.S.-Panama Free Trade Agreement

The United States exported $6 billion worth of U.S. products to Panama in 2010, a 41% increase over 2009. U.S. exports of manufactured goods to Panama totaled $5.6 billion in 2010 – 93 percent of total U.S. exports. We had a trade surplus in manufactured goods with Panama of $5.5 billion in 2010. The overall U.S. trade surplus with Panama, at $5.6 billion, is our ninth-largest of all trade partners. The U.S. is Panama's largest supplier of manufactured goods, with 30 percent of Panama's total import market share.

Growth opportunities for U.S. manufactured goods, particularly with the multi-billion dollar expansion of the Panama Canal, are robust, and a U.S.-Panama FTA will provide strong commercial links for U.S. companies to supply goods and services under this expansion. We further believe the agreement will reinforce the commitment of Latin America to democracy and greater economic openness. It will contribute to the political stability and economic integration of the Western Hemisphere and provides an incentive for further trade liberalization.

The Panama agreement is also an important link in the NAM's goal of expanding free trade throughout the Western Hemisphere, following our previous agreements with Peru, Chile and Central America and the Dominican Republic nations (CAFTA), and the pending agreement with Colombia. The NAM has been a strong supporter of a barrier-free Western Hemisphere, a goal first proposed by President Franklin Roosevelt in 1933. Though President Roosevelt called for free trade in the Hemisphere "without further delay," the goal has still not been achieved. Implementation of the Panama agreement will move us a little bit closer to the goal posts.

The agreement provides an important leveling of the playing field. It is important to understand that Panama's exporters have had nearly complete open access to the U.S. market through preference programs like the Caribbean Basin Initiative (CBI) and the Caribbean Basin Trade Partnership Act (CBTPA), while NAM members and other U.S. exporters have to pay import duties to sell their products in Panama. The agreement will allow duty-free entry for U.S. manufactured goods into Panama.

Last year fully 96 percent of Panama's exports to the United States entered duty-free. Panama's average tariffs are 7 percent – but nearly 90 percent of U.S. exports of consumer and industrial goods to Panama will become duty-free immediately, with remaining tariffs phased out over 10 years. The agreement includes "zero-for-zero" immediate duty-free access for key U.S. sectors including agricultural and construction equipment and medical and scientific equipment. Other key export sectors such as motor vehicles and parts, paper and wood products, and chemicals will also obtain significant access to Panama's market. This is a very favorable achievement, similar to other recent trade agreements, and NAM supports such a wide-ranging and immediate opening of Panama's market.

Key Provisions Common to All Three Agreements

Non-Tariff Barriers

U.S. trade agreements are comprehensive and go far beyond simple removal of tariffs. The second positive effect on U.S. exports stems from liberalization of non-tariff barriers and improvements in trade-facilitating rules and policies. These include express delivery, expedited customs clearance and strengthened intellectual property protection. For example, the agreement requires that customs processing be accelerated and imported goods be cleared through customs within 48 hours to the extent possible. Advance customs rulings, transparent publication of customs rules, and other trade facilitation steps will lower the cost of processing exports.

The Colombia, Korea and Panama agreements include several important improvements over previous U.S. FTAs with regard to transparency issues. Among the key elements are: strong transparency obligations, including commitments that the national governments will publish proposed regulations in advance; agreement that the governments will allow a reasonable opportunity to comment on proposed regulations and will address significant substantive comments received; and publication of final regulations in an official journal of national circulation.

The provisions on technical barriers to trade are expected to reduce arbitrary rulings on standards. The agreement increases the likelihood that U.S. standards and conformity assessment procedures will be more broadly accepted, which will reduce costs in chemicals, machinery and other areas. Smaller U.S. exporters will particularly benefit. Additionally, the agreement improves the ability of U.S. exporters to switch distributorships, which is presently difficult to do in some of countries.

Investment Provisions

One of the strengths of the three agreements is a robust, enforceable investment chapter. The agreement will establish a stable legal framework for U.S. investors operating in Colombia, Panama and Korea. All forms of investment will be protected under the agreement, including enterprises, debt, concessions and similar contracts, and intellectual property. With very few exceptions, U.S. investors will be treated as well as investors of any other country in the establishment, acquisition and operation of investments in the three nations.

Pursuant to U.S. Trade Promotion Authority (TPA), the agreement draws from U.S. legal principles and practices to provide U.S. investors in Korea substantive and procedural protections that foreign investors currently enjoy under the U.S. legal system. These include due process protections and the right to receive fair market value for property in the event of an expropriation.

The investor protections in the Investment Chapter are backed by a transparent, binding international arbitration mechanism, under which investors may, at their own initiative, bring claims against a government for an alleged breach of the chapter. Submissions to investor-state arbitral tribunals will be made public, and hearings will generally be open to the public. Tribunals will also be authorized to accept *amicus* submissions from non-disputing parties.

Intellectual Property Rights (IPR)

The NAM views intellectual property rights (IPR) protection as one of the most important parts of any trade agreement, for America's competitiveness and its productivity depend upon innovation and technology which in turn depend upon strong intellectual property protections. The three pending agreements contain strong bilateral protections for intellectual property.

The protection of patents, trademarks, geographic indicators, internet domain names and copyrighted works are especially important. Particularly significant are the strong provisions to criminalize copyright piracy and trademark counterfeiting. Both the pirated or counterfeited goods are to be destroyed, as well as the equipment used to produce them.

Importantly, customs enforcement will be provided against goods in transit, including in free trade zones. Additionally, customs officials can bring IPR enforcement actions without having to wait for formal complaints from right-holders, who may not even know their goods have been counterfeited.

However, the NAM must again note our opposition to the specific language contained in the May 10th Agreement on intellectual property related to pharmaceuticals. We believe this language could prove severely detrimental to the medical sector members of the NAM and would encourage this Committee to carefully consider including that language in future trade agreements.

Remanufactured Goods Trade

Remanufactured goods are products that have been disassembled, cleaned, repaired, had components replaced as necessary, and rebuilt. This process is usually performed by the original manufacturer or by a licensed independent party, and the remanufactured good is covered by a new warranty or product protection. Many products – auto parts, medical devices, electrical components, computers, printer cartridges – are commonly remanufactured. The process can be complex, but also is environmentally friendly (saving space in landfills, requiring fewer raw materials and less energy). The 3 pending agreements commit Colombia, Korea and Panama to allow trade in remanufactured goods. This will provide significant export and investment opportunities for U.S. firms involved in remanufactured products such as machinery, computers, cellular telephones and other devices.

The Future: Far More Trade Agreements Are Needed

NAM members—particularly smaller members—believe the most important trade policy shift for doubling exports is an immediate change in the U.S. aversion to concluding market-opening bilateral trade agreements. As competitors race to negotiate barrier-reducing trade agreements for their companies, the United States is frozen by the widespread misperception in Congress that trade agreements are harmful to the U.S. economy. The truth is that NAFTA, CAFTA and other U.S. FTAs have never been a significant factor in the U.S. manufactured goods deficit. They have given the United States a manufactured goods surplus for the last three years, in fact.

Rapid passage of the three pending FTAs will barely get the United States back into the race. Our competitors around the world have spent the last three years rushing to negotiate and sign new FTAs with rapidly growing economies. We need to embrace the same enthusiasm and redouble our efforts. I commend the Obama Administration for pursuing the Trans-Pacific

Partnership (TPP) agreement, which will lead to critical new market openings in key economies like Malaysia, New Zealand and Vietnam. If negotiations on the TPP are successful, it could form the foundation of a larger Asia-Pacific Free Trade Area that could grow to include the most dynamic and rapidly growing economies on earth.

The TPP model should form the basis of new initiatives. It is time for the Obama Administration to propose and pursue a re-opening of the Free Trade Area of the Americas (FTAA) as well. The strong success of NAFTA, as well as that of CAFTA-DR, shows that we must link the entire Western Hemisphere together in a tariff-free economic zone. Economies like Brazil, Argentina and others are key growing markets and by removing their tariff and non-tariff barriers for U.S. exports, we will tap into important new avenues of growth.

In a similar vein, it is time to pursue a NAFTA-EU free trade agreement. Canada and the EU are negotiating an FTA right now, and the EU-Mexico FTA has been in place for years. The United States and the European Union have a tremendous bilateral trading relationship, and a NAFTA-EU FTA would offer valuable opportunities not just in removing tariffs, but in establishing new levels of cooperation on regulatory and standards issues, which can be major barriers to increased trade.

Only 40 percent of U.S. exports benefit from existing FTAs. The other 60 percent face trade barriers, particularly in fast-growing emerging nations. Using the USITC methodology for estimating the export expansion effect of existing trade agreements, and extrapolating to the major markets where the United States does not have FTAs, the NAM estimates that a robust program of FTAs with significant trading partners could generate as much as an additional $100 billion in U.S. exports by 2014—accounting for one-third of the $300 billion increase needed to reach the President's stated goal to double exports by that point.

Conclusion

The National Association of Manufacturers strongly supports swift Congressional approval and implementation of the U.S.-Colombia, U.S.-Panama, and U.S.-Korea Free Trade Agreements. U.S. manufactured goods exports are strong generators of economic growth and employment both directly and indirectly, and U.S. exports benefit substantially when a free trade agreement is put into place.

The record shows beyond a doubt that removal of tariff and non-tariff barriers increases U.S. exports of goods and services. U.S. manufactured goods exports are the vast majority of exports to Colombia, Korea and Panama, and the U.S. manufacturing sector will be among the largest and most immediate beneficiaries.

In summary, American manufacturers will see immediate reductions in average industrial tariffs on exports of fourteen percent to Colombia, seven percent to Panama, and nine percent to Korea. Colombia and Panama's exports enter the United States duty-free, and Korean exports to the United States already benefit from America's very low tariff treatment on manufactured goods. U.S. exports of manufactured goods will also benefit from other aspects of the agreement, which will facilitate and support U.S. export growth.

The United States must move swiftly to avoid trade diversion to the European Union, Canada and other industrial competitors, who have utilized the United States' three-year timeout on trade to forge dozens of preferential trade agreements that threaten to leave America's manufacturers far behind. The NAM believes the time has come to level the playing field for American manufacturers,