



**Statement of Business Roundtable for the Record
Committee on Ways and Means
Hearing on President Obama's Trade Policy Agenda
February 29, 2012**

**The Honorable John M. Engler
President, Business Roundtable**

Business Roundtable respectfully submits for the written record of this hearing the attached international trade and investment policy section of its March 2012 *Taking Action for America* report. That report provides a comprehensive plan for U.S. economic growth and job creation. The entire report is available at www.brt.org/takingaction.

Business Roundtable (BRT) is an association of chief executive officers of leading U.S. companies with over \$6 trillion in annual revenues and more than 14 million employees. BRT member companies comprise nearly a third of the total value of the U.S. stock market and invest more than \$150 billion annually in research and development – nearly half of all private U.S. R&D spending. Our companies pay \$163 billion in dividends to shareholders and generate an estimated \$420 billion in sales for small and medium-sized businesses annually.

OPEN MARKETS FOR INTERNATIONAL TRADE AND INVESTMENT

Fast Facts

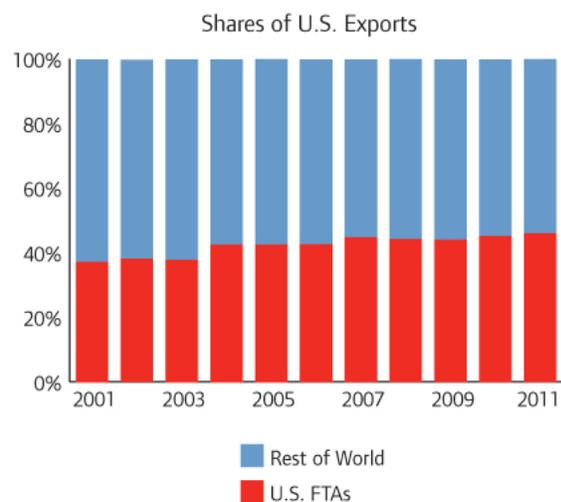
- In 2008, more than 38 million jobs in America — more than one in five — depended on international trade — exports and imports.ⁱ
- In 1992, a year before the implementation of a series of U.S. bilateral, regional and multilateral trade agreements, the total of trade-related jobs in the United States was only 14.5 million.ⁱⁱ
- The growth of 24 million new trade-related jobs for U.S. workers in two decades demonstrates clearly that trade is an important engine for economic growth and job creation.
- In 2009, more than 275,000 U.S. companies exported merchandise to customers abroad, and nearly 180,000 U.S. companies imported raw materials, components and finished products for U.S. manufacturers, services providers and consumers.ⁱⁱⁱ
- Exports also support higher-paying jobs. Positions in the manufacturing sector linked to the export of goods pay on average 18 percent more than other jobs.^{iv}
- Trade agreements are essential to creating economic and strategic benefits for the United States.

U.S. exports represent a significant share of U.S. GDP and have increased over time, showing the importance of exports to U.S. economic growth and job creation.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Existing U.S. trade agreements represent a large share of U.S. exports, and there is room for more agreements.



Source: Bureau of Economic Affairs, Foreign Trade Division, Exports to Foreign Countries, U.S. State Department

- The Uruguay Round of multilateral trade negotiations, which resulted in the creation of the World Trade Organization (WTO), was projected to add at least \$70 billion to global economic output. More than a quarter of this gain — \$19.8 billion — was estimated to accrue to the United States.^v
- About 40 percent of U.S. exports now go to the nation’s Free Trade Agreement (FTA) partners, and U.S. exports to FTA partner countries are growing faster than U.S. exports to countries that do not have FTAs with the United States. In 2011, the United States had a roughly \$50 billion manufactured goods trade surplus with its 17 FTA partner countries combined.^{vi}
- The U.S. FTAs in effect in 2008 (before the global recession) generated \$305 billion in U.S. output (2.1 percent of GDP), expanded U.S. exports of goods and services by \$463 billion, and supported 5.4 million U.S. jobs.^{vii}
- The recently approved FTAs with South Korea, Colombia and Panama are expected to increase U.S. exports by more than \$10 billion and reinforce important national security and foreign policy relationships.^{viii}
- Investment in the United States is also essential to economic growth and job creation.
- U.S. affiliates of foreign companies employed 5.3 million Americans in 2009 — 4.7 percent of private-sector employment.^{ix}
- In 2007, more than 63 million^x Americans worked for U.S. multinational companies — either directly or through their supply chains — and U.S. multinational companies have accounted for nearly one-third of the growth of real private-sector GDP since 1990.^{xi}
- With more than 95 percent of the world’s population^{xii} — representing 80 percent of the world’s purchasing power^{xiii} — outside the United States, U.S. economic growth and job creation depend on expanding U.S. trade and investment opportunities, so U.S. companies can sell more American products and services to these customers.

Vibrant and open markets for international trade and investment are a necessary prerequisite for generating new economic growth and job creation opportunities for U.S. businesses and workers. Increased use of bilateral and regional trade and investment agreements with like-minded countries and a strong system of multilateral agreements and rules under the WTO create these opportunities by eliminating trade and investment barriers and preventing discriminatory treatment of foreign goods, services and investment. In contrast, measures that close off markets from competition or are discriminatory quickly dampen international commerce and undermine

economic growth and job creation. International trade and investment agreements are also essential to ensuring fair and competitive business practices across countries. They provide the rules under which the United States and its businesses and workers can enforce their rights to open markets and prevent discriminatory treatment.

“Open markets are essential for U.S. economic growth and job creation, and international trade and investment agreements are critical tools to open markets and keep them open.”

*- Douglas R. Oberhelman,
Chairman and CEO,
Caterpillar Inc., and Chair,
Business Roundtable
International Engagement
Committee*

The United States initially led the way in using bilateral and regional trade agreements to expand trade quickly by opening markets more deeply and setting strong rules for international commerce. Given that 95 percent of the world’s population lives outside the United States and the rapid rise of the middle class in China, India, Brazil and other emerging markets, the United States needs to lead the way again. Today, all our major trading partners have aggressive bilateral and regional negotiating strategies to compete more effectively for these customers and grow their own economies. For instance, according to the WTO, 297 bilateral and regional trade agreements are currently in force internationally, with another 192 announced or under negotiation.

Until this year, the United States had only 11 regional and bilateral trade agreements in force. The recent passage of trade agreements with South Korea, Colombia and Panama and the ongoing Trans-Pacific Partnership negotiations will help U.S. companies and workers keep pace with their foreign competitors in opening markets for U.S. businesses and workers. However, they are not enough to help U.S.

businesses and workers be competitive in world markets and to ensure that high U.S. standards for trade are adopted globally.

For U.S. companies and workers to grow their exports, maintain and create jobs, and improve their international competitiveness, the United States needs an active trade and investment policy designed to open foreign markets and keep them open. For many U.S. exporters — both small and medium enterprises and larger companies — and their workers, U.S. export credit financing from the U.S. Export-Import Bank is a critical piece of such a policy. The U.S. Export-Import Bank enables them to sell their goods and services to foreign customers in today’s highly competitive international marketplace, where many foreign competitors enjoy strong export credit support from their own countries. For example, in FY2011, the bank facilitated roughly \$41 billion in U.S. export sales by more than 3,600 U.S. companies, supporting nearly 290,000 U.S. jobs.^{xiv}

To succeed, a robust strategic trade policy requires U.S. domestic policies that will build a highly skilled workforce, strengthen America’s leadership in research and development, enforce and

protect U.S. intellectual property rights around the world, and institute globally competitive corporate tax policies. In addition to leveling the playing field for U.S. companies and workers competing abroad, improved access to foreign markets will spur domestic output and the creation of high-paying jobs in America. These benefits do not merely flow to large multinational companies. Indeed, as U.S.-based multinationals expand, they source more inputs from small businesses and the local communities that depend on them.^{xv}

Competition breeds innovation, and one of America's greatest comparative advantages is its ability to generate new ideas, products and services. Supporting the nation's entrepreneurs, global companies, local businesses and their workers will require a strong and proactive commitment from political leaders to pursuing a forward-looking and sustained trade and investment agenda.

Solutions

- Develop and implement active international trade and investment initiatives to help U.S. companies and workers increase their competitiveness in international markets and ensure that U.S. and foreign markets remain open for investment:
 - Provide the President with new and updated international trade and investment negotiating authority;
 - Aggressively pursue strategic bilateral and regional initiatives like the ongoing Trans-Pacific Partnership and a proposed Trans-Atlantic Partnership;
 - Revitalize multilateral and plurilateral negotiations at the WTO;
 - Vigorously enforce U.S. rights to open markets and nondiscriminatory treatment under existing and future international agreements; and
 - Grant permanent normal trade relations status to Russia.
- Constructively engage China and other emerging growth countries:
 - Target the elimination of market access barriers and discriminatory treatment of exporters and investors through more dynamic bilateral, regional and multilateral initiatives, including investment treaty negotiations;
 - Enforce U.S. rights under international trade and investment rules to ensure that U.S. companies and workers are not disadvantaged by discriminatory foreign policies, such as indigenous innovation and other local preference requirements, and that countries comply with those rules; and

- Enhance multilateral efforts to address currency issues, and resist counterproductive unilateral currency-related sanctions.
- Reauthorize the U.S. Export-Import Bank on a long-term basis before its current short-term extension expires, with a sufficient increase in its lending cap, so it can continue to help U.S. exporters compete for sales abroad and support the U.S. jobs that depend on those sales.
- Eliminate U.S. regulatory impediments to exports, including through export control reforms.
- Modernize and reform U.S. domestic policies along the lines proposed in the other sections of BRT’s March 2012 *Taking Action for America* report to help U.S. companies and workers better compete globally to expand the U.S. economy and support jobs in America.

ⁱ Baughman, L., & Francois, J. (2010). *Trade and American jobs: The impact of trade on U.S. and state-level employment: An update*. Washington, DC: Business Roundtable. Retrieved from <http://businessroundtable.org/studies-and-reports/trade-and-american-jobs>

ⁱⁱ Baughman, L., & Francois, J. (2007). *Trade and American jobs: The impact of trade on U.S. and state-level employment: An update*. Washington, DC: Business Roundtable. Retrieved from <http://businessroundtable.org/studies-and-reports/trade-and-american-jobs-the-impact-of-trade-on-u.s.-and-state-level-employ/>

ⁱⁱⁱ U.S. Census Bureau. (2011). *A profile of U.S. importing and exporting companies, 2008-2009*. Washington, DC. Retrieved from www.census.gov/foreign-trade/Press-Release/edb/2009/

^{iv} Riker, D. (2010). *Do jobs in export industries still pay more? And why? Manufacturing and services economics brief*. Washington, DC: U.S. International Trade Administration, Office of Competition and Economic Analysis. Retrieved from <http://goo.gl/UpHaq>

^v Brown, D., Deardorff, A., & Stern, R. (2002). *Computational analysis of multilateral trade liberalization in the Uruguay round and Doha development round*. Ann Arbor, MI: University of Michigan. Retrieved from <http://goo.gl/pPiBj>

^{vi} Calculated based on tariff and trade data from the U.S. Department of Commerce and the U.S. International Trade Commission. Retrieved from the U.S. International Trade Commission “Dataweb” on February 10, 2012

^{vii} Baughman, L., & Francois, J. (2010). *Opening markets, creating jobs: Estimated U.S. employment effects of trade with FTA partners*. Washington, DC: U.S. Chamber of Commerce. Retrieved from www.uschamber.com/reports/opening-markets-creating-jobs-estimated-us-employment-effects-trade-fta-partners

^{viii} U.S. International Trade Commission. (2007). *U.S.-Korea Free Trade Agreement: Potential economy-wide and selected sectoral effects*. Washington, DC. Retrieved from <http://goo.gl/ycDhP>; and U.S. International Trade Commission. (2006). *U.S.-Colombia Trade Promotion Agreement: Potential economy-wide and selected sectoral effects*. Washington, DC. Retrieved from <http://goo.gl/CkRTI>

^{ix} Anderson, T. (2011). *U.S. affiliates of foreign companies: Operations in 2009*. Washington, DC: U.S. Department of Commerce, Bureau of Economic Analysis. Retrieved from <http://goo.gl/98noK>

^x Business Roundtable. (2011). *Taxation of American companies in the global marketplace: A primer*. Washington, DC. Retrieved from <http://businessroundtable.org/studies-and-reports/taxation-of-american-companies-in-the-global-marketplace-a-primer/>

^{xi} McKinsey Global Institute. (2010). *Growth and competitiveness in the United States: The role of its multinational companies*. Washington, DC. Retrieved from www.mckinsey.com/Insights/MGI/Research/Productivity_Competitiveness_and_Growth/Growth_and_competitiveness_in_US

^{xii} United Nations, Department of Economic and Social Affairs. (2011). *World population prospects: The 2010 revision*. New York, NY. Retrieved from <http://esa.un.org/unpd/wpp/>

^{xiii} International Monetary Fund. (2012). *World economic outlook database*. Washington, DC. Retrieved from www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx

^{xiv} Export-Import Bank of the United States. (2011). *2011 annual report*. Washington, DC. Retrieved from www.exim.gov/about/reports/ar/2011/index.html

^{xv} Slaughter, M. (2010). *Mutual benefits, shared growth: Small and large companies working together*. Washington, DC: Business Roundtable. Retrieved from <http://businessroundtable.org/studies-and-reports/mutual-benefits-shared-growth-small-and-large-companies-working-together/>