Level the Playing Field for Trade

While the United States receives substantial benefits from trade, there is more than a grain of truth in the observation that the international playing field is unfairly tilted against American workers. The U.S. market is largely open to imports from around the world, but other countries continue to levy steep tariffs on U.S. exports, and foreign governments have erected other kinds of barriers against U.S. goods and services.

Americans rightly sense that this status quo is unfair to U.S. workers, farmers, and businesses. U.S. goods arriving in foreign markets face a simple mean tariff of 6.2%, according to the World Bank’s World Development Indicators 2011. That’s nearly five times the U.S. level, but tariffs are often two or three times that average in many emerging markets, particularly for key U.S. manufactures and agricultural exports. No one wants to go into a basketball game down by a dozen points from the tip-off — but that’s exactly what American exporters do every day. These barriers are particularly burdensome for America’s small and medium-sized companies.

The U.S. Chamber believes that American workers, farmers, and companies must be allowed to operate on a level playing field when it comes to trade. Trade agreements should treat American manufacturers, service providers, farmers and ranchers the same as their foreign competitors. Indeed, America’s elected leaders have a duty to look out for the trading interests of American citizens at least as carefully as those of our friends and allies overseas.

The good news is that America’s trade agreements do a spectacular job creating a level playing field — and tremendous commercial gains are the proof in the pudding. According to data from the U.S. Department of Commerce, 41% of U.S. exports go to countries with which the United States has free trade agreements (FTAs) even though they represent just 9% of global GDP. By tearing down foreign barriers to U.S. products, these agreements have a proven ability to make big markets even out of small economies.

In the past decade, the United States has entered into FTAs with 17 countries around the globe: Australia, Bahrain, Chile, Colombia, Costa Rica, the Dominican
Republic, El Salvador, Guatemala, Honduras, Jordan, Morocco, Nicaragua, Oman, Panama, Peru, Singapore, and South Korea. Agreements with Israel, Canada, and Mexico have been in force since 1985, 1989, and 1994, respectively.

To settle once and for all the debate over whether these FTAs have benefitted American workers and companies, the U.S. Chamber recently released a study entitled *Opening Markets, Creating Jobs: Estimated U.S. Employment Effects of Trade with FTA Partners*. The study examined U.S. FTAs implemented with a total of 14 countries. It employed a widely used general equilibrium economic model which is also used by the U.S. International Trade Commission, the World Trade Organization (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.

For those worried about the U.S. trade deficit, trade agreements are clearly the solution — not the problem. Taken as a group, the United States has run a trade surplus in manufactured goods with its FTA partner countries for the past four years, according to the U.S. Department of Commerce (on top of the U.S. global trade surpluses in services and agricultural products). The U.S. trade surplus in manufactures with its FTA partners reached $50 billion in 2011 — the fourth straight year of such a surplus.

If we are to put fairness at the center of U.S. trade policy, additional high-standard trade agreements must be a priority. This means clinching more agreements, including the Trans-Pacific Partnership, which is now under negotiation with eight other countries.

Given their economic potential, Brazil, Egypt, India, and Indonesia are all countries named by Chamber members as interesting potential FTA partners. However, in each case a great deal of work would need to be undertaken before negotiations could begin. For instance, Brazil’s leaders have not given a clear signal of interest in launching negotiations with the United States, though Brazilian officials have done so in the past.

With regard to Egypt, the Chamber-based U.S.-Egypt Business Council recently worked with the Center for Strategic and International Studies on a study assessing the potential benefits of a U.S.-Egypt FTA and presenting
recommendations for steps to take that could pave the way for the launch of negotiations.

In the case of India, U.S. officials are focusing — quite appropriately — on negotiations for a bilateral investment treaty. Similarly, the recently launched U.S.-Indonesia Commercial Dialogue may afford opportunities to assess Indonesia’s preparedness to negotiate a trade agreement (though the optimal path forward would be for Indonesia to join the TPP).

The history of U.S. trade policy has shown that big ideas have a long gestation, so there’s no reason to delay. Seizing these opportunities will bring real benefits for American workers, farmers, and companies.

**Chamber Recommendations**

- In a world where foreign barriers to U.S. exports remain significant, the United States must pursue additional trade agreements to ensure a level playing field for American workers, farmers, and businesses.
- Priorities include the Trans-Pacific Partnership and possible new bilateral trade agreements with large emerging markets.