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Estimated Impact of the U.S. Trade Agreements with Colombia, Panama and South Korea for U.S. Merchandise Exports

KEY FINDING: The trade agreements with Colombia, Panama and South Korea are projected to boost U.S. merchandise exports to those markets by \$42.6 billion per year within five years of entry into force.

What Are the New Trade Agreements? Since Congress restored Trade Promotion Authority in 2002, the United States has entered into new free trade agreements with 10 countries (Chile, Singapore, Australia, Morocco, El Salvador, Honduras, Nicaragua, Guatemala, Bahrain, and the Dominican Republic). The pending trade agreements with Colombia, Panama, and South Korea are comprehensive, high-standard agreements that will open markets bilaterally; in many respects, they are similar to these earlier agreements.

How Was the Analysis Conducted? The U.S. Chamber of Commerce prepared an analysis of data from the U.S. International Trade Administration at the U.S. Department of Commerce for U.S. merchandise exports. We first determined the annual average percentage increase in U.S. merchandise exports to the 10 countries identified above dating back to the year prior to entry into force of the trade agreement. We compared these findings with the global rate of growth in U.S. merchandise exports.

What Were the Results from Earlier Agreements? The U.S. Chamber found that U.S. merchandise exports under these new trade agreements have been rising by an annual average of 32% since their entry into force. This compares with an annual average increase in U.S. merchandise exports globally of 16.5% in the 2003-2008 period. In short, U.S. merchandise exports to these 10 countries have been rising roughly twice as rapidly as such exports globally. Table 1 shows these findings (attached).

How Were Projections Made for Colombia, Panama, and South Korea? To be conservative, we projected a "premium" in U.S. merchandise export growth to the three countries of 8.5%. That is, we estimated annual average growth of 25% rather than the 32% growth actually seen in U.S. merchandise exports to the 10 new trade agreement partners. We compared the effects of 25% annual growth in U.S. merchandise exports over a five-year period with a baseline rate of 16.5%.

What Were the Findings? As Table 2 shows (below), we project that the trade agreements with Colombia, Panama, and South Korea will boost U.S. merchandise exports to those markets by \$42.6 billion per year within five years.

Table 1: U.S. Merchandise Exports (millions of U.S. dollars)

New Trade Agreement Partners	2003	2004	2005	2006	2007	2008 (proj. based on Jan.-June figures)	Average Annual % Change since Entry into Force
Entry into force in 2004							
Chile	2,719	3,625	5,198	6,790	8,311	12,959	75.3%
Singapore	16,576	19,601	20,646	24,683	26,284	31,555	18.1%
Entry into force in 2005							
Australia		14,271	15,771	17,782	19,205	22,658	14.7%
Entry into force in 2006							
Morocco			528	876	1,343	1,696	73.9%
El Salvador			1,846	2,157	2,313	2,532	12.4%
Honduras			3,244	3,693	4,462	5,041	18.5%
Nicaragua			620	755	890	983	19.5%
Guatemala			2,813	3,518	4,076	4,799	23.5%
Bahrain			351	491	591	786	41.4%
Entry into force in 2007							
Dominican Rep.				5,348	6,091	6,587	23.2%
Average							32.0%
World	723,743	817,936	904,380	1,037,143	1,162,708	1,321,538	16.5%

Note: The figure for the average annual percentage change in U.S. merchandise exports to the world (16.5%) is for the 2003-2008 period.

Table 2: Projecting U.S. Merchandise Exports to Colombia, Panama and South Korea (millions of U.S. dollars)

	2007	2008	2009	2010	2011	2012
Projecting 25% export growth						
Colombia	8,560	10,700	13,374	16,718	20,898	26,122
Panama	3,740	4,675	5,843	7,304	9,130	11,412
South Korea	34,703	43,379	54,223	67,779	84,724	105,905
TOTAL	47,002	58,753	73,441	91,801	114,752	143,440
Projecting 16.5% export growth						
Colombia	8,560	9,972	11,617	13,534	15,767	18,369
Panama	3,740	4,357	5,076	5,913	6,889	8,025
South Korea	34,703	40,429	47,100	54,871	63,925	74,473
TOTAL	47,002	54,758	63,797	74,318	86,581	100,867
Export "premium" under trade agreements						42,573

How Conservative is this Estimate? In addition to “lowballing” our estimate for the rate in export growth, it is noteworthy that the effective duties that Colombia, Panama, and South Korea apply to imported U.S. manufactured goods are significant at 14%, 7%, and 9%, respectively. These figures are high by global standards, and they are high compared to those of some of the recent trade agreement partner countries (such as Chile) prior to the entry into force of the trade agreements with the United States. The swift elimination of these tariffs under the trade agreements is very likely to lead to growth in U.S. merchandise exports comparable to the growth rate seen in recent trade agreement partner countries.