10 Stories

How New Trade Deals Will Help Foreign Consumers "Buy American"

by

Ed Gerwin

third way
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Florida orange juice . . . or Brazilian OJ? A bulldozer built in Peoria . . . or Japan?

Every day consumers and businesses in foreign markets make millions of decisions about what to buy. Often, their decision comes down to a choice between a "Made in the USA" product and one made somewhere else.

This collection of 10 stories illustrates how the proposed trade agreements with Colombia, Korea and Panama can help support increased U.S. exports and American jobs. These trade deals would help foreign buyers "Buy American" by eliminating high duties and other foreign trade barriers that make U.S. goods and services too expensive or too hard to get. Our stories highlight how—from wheat to wine, dredges to medical devices and FedEx deliveries to French fries—these deals would make key American goods and services more competitive in foreign markets. They are also cautionary tales that show starkly the sales that America stands to lose if we fail to act on these agreements while our foreign competitors continue to open up foreign markets for their exports.

CHAPTER ONE

Dredging Up New Business in Korea

Ellicott Dredges, a 200-employee Baltimore manufacturer, has been recognized as one of the 100 fastest-growing inner-city headquartered companies in America. Since its founding in 1885, Ellicott has built more than 1,500 dredges, serving customers in 80 countries. Ellicott has been active in Korea for decades. **The U.S.-Korea Free Trade Agreement (KORUS) would make Ellicott's high-quality dredges more competitive in Korea by eliminating Korea's 5-15% duties on dredges and related equipment from the United States.** For a multi-million dollar sale, this would save Ellicott's Korean customers hundreds of thousands of dollars in import fees, and make Ellicott dredges an even more attractive choice.

Korea is eliminating its duties on dredges and related equipment from Europe under its trade deal with the European Union that went into effect on July 1. **If America fails to act on KORUS, duty-free treatment for EU products would potentially give European dredge manufacturers a 5-15% price advantage over Ellicott's equipment in Korea.** Ratifying KORUS would help Ellicott win Korean sales based on quality, rather than losing sales to European manufactures who no longer face Korea's high import duties.

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Ellicott Dredges LLC (2011), Embassy of the Republic of Korea.

CHAPTER TWO

"M'mm, M'mm Good"— Souping Up American Soup Exports to South Korea

Soups are popular with Korean consumers. But imported brands can be expensive in South Korea because of Korea's high import duties, and these duties rob American soup producers of opportunities to increase their sales to Korea. Campbell's has estimated, for instance, that Korean import duties on various types of canned soups block up to $50 million annually in additional U.S. exports to Korea.

The U.S.-Korea Free Trade Agreement (KORUS) would soup up American exports to Korea by phasing out Korea's duties on American soups, including its 18% duties on meat and vegetable soups and its 30% duty on seafood soups. For Korean shoppers, eliminating the 30% duty could slash the price of can of Campbell's Clam Chowder from $5.36 to $4.12, making it more competitive in Korean supermarkets.

Korea is similarly phasing out its duties on soups from Europe under its trade deal with the European Union went into effect on July 1. **If America fails to act on KORUS, this would eventually give European soup producers a significant price advantage in Korea over American soup imports.** After all, if you were a savvy Korean shopper choosing between Campbell's Clam Chowder priced at $5.36 and a European brand for $4.12, which would you buy?

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Sources: USTR (2010), Embassy of the Republic of Korea (2011). Lower prices assume proportional reduction in supplier markups.

CHAPTER THREE

Building Exports of Construction Equipment to Colombia

Colombia is a significant market for American construction machinery, importing almost $435 million in U.S. excavating equipment alone in 2010. Over the next decade, Colombia's demand for heavy equipment will continue to surge, as it mines its abundant resources and embarks on $40 billion in new infrastructure projects to eliminate serious deficiencies in its roads, rivers, railways, and airports.

The U.S.-Colombia Trade Promotion Agreement (Colombia TPA) would help American companies like Peoria-based Caterpillar to tap into Colombia's strong demand for construction equipment. The Colombia TPA would eliminate Colombia's 5% duty on Caterpillar's U.S.-made bulldozers and its 15% duty on Caterpillar's heavy trucks. For a $2 million Caterpillar D11 bulldozer, this would save Colombian customers some $100,000. For a $2 million Caterpillar truck, the savings would be $300,000.

Eliminating Colombia's duties on bulldozers and construction trucks would give Caterpillar and its 47,000 U.S. employees a leg up in Colombia on aggressive competitors from China and Japan—countries that would not enjoy this duty-free treatment. But to gain these benefits for Caterpillar and other American exporters, America must ratify the Colombia TPA.

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The Colombia TPA would increase American exports of goods alone by over $1 billion, create thousands of new jobs, and benefit producers and workers in a wide range of sectors across America, all while strongly promoting vital reforms in Colombia. But to lock in these benefits for the United States, we must ratify the Colombia TPA. If we delay or fail to act, our foreign competitors will use their improving access to Columbia to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Census (2011), Reuters (2011), Bloomberg Government (2011), Caterpillar (2011).

CHAPTER FOUR

Keeping American French Fries "Cooking" in South Korea

In 2009, the United States exported $41 million in frozen potato products to Korea, accounting for some 80% of Korea's imports. **The U.S.-Korea Free Trade Agreement (KORUS) would drive increased exports for U.S. potato growers, processors, and workers by immediately eliminating Korea's 18% duty on American frozen fries.** For Korean shoppers, eliminating the 18% duty could slash the price of a 500 g. bag of Lamb Weston frozen fries from $3.40 to $2.88.

Korea is eliminating its 18% duty on frozen french fries from Europe under its trade deal with the European Union that went into effect on July 1. **As the world's largest potato processor, Europe is poised to grab Korean sales from U.S. french fry producers—especially if America fails to act on KORUS and U.S. fries still face Korea's 18% duty.** After all, if you were a budget-conscious Korean shopper choosing between American Lamb Weston fries priced at $3.40 and a European brand for $2.88, which would you buy?

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Sources: CRS (2011), USDA, FAS (2010), Embassy of the Republic of Korea (2011). Lower prices assume proportional reduction in supplier markups.

CHAPTER FIVE

Ensuring Opportunity for American Insurers

When Americans think of exports, they usually think of cargo ships laden with American goods sailing for foreign ports. But exports of services—including finance, transport, IT, travel, and professional services—also make vital contributions to the U.S. economy. Indeed, **America is the world's largest services exporter, exporting over $540 billion in services, and accounting for a services trade surplus of almost $150 billion in 2010.**

South Korea's $580 billion market for services offers tremendous opportunity for America's world-class services firms, who are often much more innovative and productive than their sheltered Korean competition. For example, **Korea's $65 billion insurance market is the world's eighth largest,** and Korea's aging and increasingly affluent population purchases insurance products at high rates. **But it can be hard for U.S. insurers to compete when state-owned firms like Korea Post play by different rules, and when American insurers are often the last to know about new regulations.**

The U.S.-Korea Free Trade Agreement (KORUS) would level the playing field in Korea for American insurers. It would require Korea's state-affiliated insurers to comply with the same regulatory requirements and would mandate a more open regulatory system that would enable U.S. firms to compete on an equal basis with Korean insurers. Fairer rules would lead to new business for U.S. insurers like New York-based MetLife, and would expand job opportunities for MetLife's largely U.S.-based product development, investment and risk management professionals, as well as the U.S.-based administrative, research, and IT staffs who support them.

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KORUS would increase American exports of goods alone by over $10 billion, create at least 70,000 new jobs, and benefit producers and workers in a wide range of product and service sectors across America. But to lock in these benefits, the United States must ratify KORUS. If we delay or fail to act, competitors from Europe and elsewhere will use their improving access to Korea to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Census (2011), USTR (2011), OECD (2008), Coalition of Service Industries (2009), House Ways & Means Committee (2011).

CHAPTER SIX

Helping Florida Orange Juice Growers Squeeze the Competition in South Korea

Orange juice is the most popular juice drink in Korea, with imports exceeding $100 million annually. American companies, like Florida's Citrus World cooperative, currently export frozen orange juice concentrate to Korea, but face high Korean duties of 54%. **The U.S.-Korea Free Trade Agreement (KORUS) would immediately eliminate Korea's 54% duty, promoting additional sales for U.S. juice growers, processors, and workers. For Korean shoppers, eliminating import duties could slash the price of a six-pack of Citrus World's "Florida's Natural" juice from $22.32 to $14.49.**

Eliminating Korea's high duties would position American juice suppliers to grab Korean sales from Brazil—Korea's current leading supplier—because Brazil's juice imports would still face Korea's 54% duty. **After all, if you were a savvy Korean shopper comparing a six-pack of Florida's Natural juice at $ 14.49 and a Brazilian brand for $22.32, which would you buy?**

But to gain this significant advantage for U.S. orange juice exporters, America must act on KORUS.

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Sources: USDA, ERS (2009), Embassy of the Republic of Korea. Lower prices assume proportional reduction in supplier markups.

CHAPTER SEVEN

Recapturing Colombian Export Markets for U.S. Grain

America's farmers have long been a major suppliers to Colombia, but their share of that key market is slipping badly. Since 2008, our share of Colombia's farm imports has tumbled from almost 50% to 21%, causing $1 billion in lost U.S. exports. The U.S. share of Colombia's wheat imports has dropped from 73% to 43%, while our corn producers have lost over $500 million in exports as the U.S. share of Colombia's import market for coarse grains (corn, barley and sorghum) has plummeted from 83% to 18%.

Colombia's trade deals with other countries have contributed significantly to this lost U.S. farm trade. Argentina's wheat exports to Colombia can now enter without duties, while wheat imports from the United States must pay a duty ranging from 10-15%. U.S. corn pays Colombia's high basic duty of 15%, while corn from Argentina and Brazil pays a duty of only 6%, and will be duty-free by 2018. And duty reductions under Colombia's pending trade deals with Canada and the European Union will cause further export losses for U.S. farmers. **For instance, industry officials in Colombia predict that Canada could displace all U.S. wheat sales to Colombia following the expected implementation of the Colombia-Canada trade deal this summer.**

The U.S.-Colombia Trade Promotion Agreement (Colombia TPA) would level the playing field for America's farmers and help them to win back market share in Colombia. When the deal is implemented, U.S. wheat would enjoy duty free access to Colombia, and U.S. corn exports would enjoy duty-free treatment under large and growing quotas. But to gain these benefits for U.S. farm exporters, America must act.

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The Colombia TPA would increase American exports of goods alone by over $1 billion, create thousands of new jobs, and benefit producers and workers in a wide range of sectors across America, all while strongly promoting vital reforms in Colombia. But to lock in these benefits for the United States, we must ratify the TPA. If we delay or fail to act, our foreign competitors will use their improving access to Columbia to displace U.S. exports—and the opportunity and good jobs that these exports create for Americans.

Sources: Senate Finance Committee (2011), House Ways and Means Committee (2011), Census (2011).

CHAPTER EIGHT

Delivering New Opportunities for American Small Business

In today's interconnected global economy, an American small business with a great product or service can thrive in foreign markets with nothing more than an Internet connection and a FedEx account. Small businesses account for almost a third of U.S. exports, and small firms that export have much stronger revenue growth than non-exporters. **But only about 1% of America's 26 million small firms export, often because they are intimidated by customs red tape, complex regulations, and high duties in foreign countries.**

The U.S. Government has successfully partnered with express delivery firms like FedEx and UPS to help more U.S. small businesses sell their goods and services in fast-growing foreign markets. The U.S.-Korea Free Trade Agreement (KORUS) would make this partnership even more effective, by locking in legal certainty and market access for U.S. express firms and by expediting Korean customs clearance for their deliveries.

These and other benefits from KORUS would enable U.S. businesses – small and large—to expand their sales of products and services to Korea's growing middle class. Increased trade with Korea would also create new opportunities for U.S. express delivery firms, their over 600,000 U.S. employees, and their American suppliers. UPS estimates that every 22 additional international packages per day support an additional job in its global package operation. And FedEx has recently started direct Boeing 777 cargo service from Memphis to Korea, which means more work for FedEx employees, more purchases in the local Memphis economy and, potentially, more new 777's built and supported by Boeing's 150,000 employees and 22,000 suppliers in 50 states.

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Sources: House Small Business Committee (2011), UPS (2011), FedEx (2011), Coalition of Service Industries (2009).

CHAPTER NINE

Exporting Medical Devices to Help American Workers—and Korean Patients

America is the world's largest exporter of medical devices, with 2009 exports of over $36 billion. **The U.S.-Korea Free Trade Agreement (KORUS) would increase U.S. exports to Korea's fast-growing, $3 billion medical device market by eliminating Korean tariffs and reducing Korea's regulatory barriers** through greater transparency, reduced bureaucratic duplication, and greater reliance on international standards.

KORUS would help Varian Medical Systems, a world leader in radiotherapy technologies for treating cancer, to expand its exports to Korea. Varian makes 90% of its products in the United States, employing over 3,000 American workers in states including California and Utah. **KORUS would eliminate Korea's 8% duty on Varian's radiotherapy exports, shaving $160,000 off the cost of a $2 million equipment order.** This would make Varian more competitive in Korea, while also helping to bring cutting-edge cancer treatments to more Korean patients.

Korea is eliminating its 8% duty on radiotherapy equipment from Europe under its trade deal with the European Union that went into effect on July 1. If America fails to act on KORUS, this would give Europe's highly competitive medical device firms a significant price advantage in the Korean market. **After all, if you were a Korean hospital choosing between Varian radiotherapy equipment priced at $2,160,000 and a European device priced at $2,000,000, wouldn't the price difference be a significant factor?**

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Sources: Commerce Department (2010), USITC (2007), Senate Finance Committee (2011).

CHAPTER TEN

Harvesting the Bounty of Increased Wine Exports to Korea

Wine is increasingly popular in Korea, particularly among consumers in their 20s and 30s. Between 2000 and 2008, the value of Korea's wine imports grew by almost 750%, from just under $20 million to more than $166 million.

Koreans admire American wines, but **U.S. vintners like Kendall-Jackson and Robert Mondavi face stiff competition in Korea, especially from France, Chile, and Italy.** Chile replaced America as Korea's #2 wine supplier in 2005, a year after the Chile-South Korea trade deal began the phase-out of Korea's 15% duty on Chilean wine, which was completed in 2010. Under the European Union's trade deal with Korea that went into effect on July 1, Korea is immediately dropping its 15% duty on EU wines, providing a price advantage that could help France and Italy expand their lead over the United States.

Fortunately, the U.S.-Korea Free Trade Agreement (KORUS) would level the playing field for U.S. vintners by immediately eliminating Korea's 15% duty on American wines. According to the USDA, Korean importers anticipate that KORUS would significantly increase imports of U.S. wines, bringing more of the bounty of Sonoma and Napa Valley to Korean tables. But to gain these benefits, America must act on KORUS. Otherwise, America would be the only major wine supplier that pays a tariff in Korea, and would face even tougher competition. After all, if you were a Korean consumer comparing a mid-price bottle of California wine for $34.50 with competing wines from France, Italy and Chile priced at $30, which would you buy?

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Source: USDA, FAS (2009). Lower prices assume a proportional reduction in supplier markups.

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