STATEMENT OF CALMAN COHEN, PRESIDENT OF THE EMERGENCY COMMITTEE FOR AMERICAN TRADE (ECAT) ON THE PROBABLE ECONOMIC EFFECTS OF THE PROPOSED TRANS-PACIFIC PARTNERSHIP TRADE AGREEMENT BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

March 2, 2010

Chairman Aranoff, Vice Chairman Pearson, Commissioners. I welcome the opportunity to be hear today on behalf of the Emergency Committee for American Trade – ECAT. ECAT is an association of the chief executives of leading U.S. business enterprises with global operations that was founded more than four decades ago to promote economic growth through expansionary trade and investment policies. Today, ECAT's members represent all the principal sectors of the U.S. economy – agriculture, finance, high technology, manufacturing, merchandising, processing, publishing and services. The combined exports of ECAT companies run into the tens of billions of dollars. The jobs they provide for American men and women – including the jobs accounted for by suppliers, dealers and subcontractors – are located in every state and cover skills of all levels. Their collective annual worldwide sales total over $2.7 trillion, and they employ more than 6.4 million persons. ECAT companies are strong supporters of negotiations to eliminate tariffs, remove non-tariff barriers and promote trade liberalization and investment worldwide, all of which promote America's economic growth and prosperity, create good-paying jobs and help increase the standard of living for all Americans.

ECAT is also one of the founding members of a newly formed business coalition in support of the TPP negotiations – the U.S. Business Coalition for TPP.

Since the U.S. market is largely open, the main effect of trade and investment agreements is to eliminate foreign trade barriers and open other countries' markets to our goods and services and provide a more stable, transparent and fair legal environment for the protection of U.S. property and interests. Bilateral, sub-regional and regional agreements also act to give an advantage to the United States by establishing preferential terms for U.S. manufactures, farm products and services, compared to our competitors in foreign countries.

ECAT strongly supports the negotiation of a comprehensive, high-standard and commercially meaningful trade agreement with the Trans-Pacific countries of Australia, Brunei Darussalam, Chile, New Zealand, Peru, Singapore and Vietnam and believes that this negotiation provides an enormous opportunity for expanding U.S. economic engagement and improving U.S. competitiveness in the Trans-Pacific corridor. While the United States already has trade agreements with several of these countries separately (Australia, Chile, Peru and Singapore), the TPP could have substantial additional benefits, by opening new markets, harmonizing key rules and providing important strategic advantages.

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For the United States, negotiating and entering into a commercially meaningful TPP will enhance U.S. engagement with the economically and strategically important Asia-Pacific corridor. Rather than remaining on the sidelines, the TPP is a much-needed response to the proliferation of preferential trade agreements in the Asia Pacific that do not include the United States. The completion of the EU-Korea free trade agreement, the ASEAN-Australia-New Zealand free trade agreement, and the China-New Zealand free trade agreement are just three examples. Perhaps even more important are recently completed agreements between ASEAN and China and ASEAN and India, reflecting the deepening of commercial ties between key emerging-market partners across Asia, which leave the United States at risk of being excluded from these vital growth markets.

A high-standard TPP would create the basis for the United States to seek partnerships with these and other countries at some later date. Indeed, from ECAT's perspective, the TPP should be viewed as a building bloc that could eventually bring other major trading nations, including Canada, Japan, Mexico, Korea and others, into a common set of rules and market opening that will provide even greater benefits for the United States.

Finally, the TPP represents an important opportunity to strengthen alliances with each of these countries. In turn, these alliances will aid the United States as it seeks to advance other important priorities that are beyond the scope of a trade agreement.

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To achieve these benefits, ECAT is urging U.S. negotiators to work for a TPP to:

- Promote liberalization throughout all key economic sectors.
- Harmonize and set new rules to promote trade facilitation and the effective use of supply chains to promote U.S. international competitiveness.
- Ensure effective protections for investment and intellectual property rights.
- Address key and growing challenges to trade and investment globally, including regulatory barriers and challenges posed by government preferences for national champions, including state-owned enterprises.
- Promote non-discriminatory and transparent government-procurement rules.
- Provide for efficient dispute-resolution procedures and effective implementation.
- Provide mechanisms for other Trans-Pacific nations to be able to join quickly and easily once they have adopted the TPP's commitments.

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Now, I would like to turn to the specific issues of tariff elimination and the other sets of rules that the TPP should achieve.

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With regard to tariffs, tariffs on U.S. imports have already been substantially eliminated as a result of the trade agreements in force between the United States and Singapore, Chile, Australia and Peru. One area that is not substantially covered by these trade agreements is sugar as sugar imports were fully excluded from coverage in the Australia FTA and substantially excluded from coverage in the Peru TPA. Elimination of U.S. barriers on sugar would create a more open market for sugar, allowing the U.S. sugar-consuming industry to compete more effectively with foreign industries which do not similarly face such high input costs or import restrictions.

Imports from Brunei, New Zealand and Vietnam are currently subject to standard U.S. tariffs, although petitions have been filed seeking duty-free treatment for imports from Vietnam through the Generalized System of Preference program. Combined, imports from these three countries equal approximately $16 billion or 0.76 percent of total U.S. imports in 2008. As a result, the additional tariff elimination on U.S. imports from these countries alone is expected to have relatively minor effects on the U.S. economy. There may be some additional competition in the area of apparel and footwear from Vietnam and some additional competition in agricultural products from New Zealand, but given the relatively small size of these imports compared to the U.S. market and other major foreign suppliers, duty-free treatment will likely have relatively minor effects on either competing U.S. industries or U.S. consumers.

The **elimination of tariffs on U.S. exports to the TPP countries** is expected to have a positive effect. While current U.S. exports to the three non-trade agreement partners of Brunei, New Zealand and Vietnam are relatively small, equal to $5.6 billion, duty-free treatment under the potential TPP for U.S. exports will provide important new opportunities for the United States to grow its exports to these markets, particularly Vietnam and New Zealand, in comparison to other major suppliers. Vietnam is the largest trading market of these three countries, where the United States is only the 9th-largest supplier, supplying about 3.6 percent of Vietnam's 2008 total imports of $80.4 billion.[1] Similarly, with New Zealand, U.S. exports only account for approximately 7.3 percent of New Zealand's total imports of $34 billion in 2008. As a result, it is expected that the elimination of tariffs on U.S. exports will make U.S. exports more competitive in these markets and promote greater exports and opportunities.

The **elimination of tariffs on intra-TPP trade** is expected to be even more substantial given the large amount of trade between these countries and the larger Asia-Pacific region. The opportunities that intra-TPP tariff elimination will provide are also enhanced, given the dynamism of the region and its continuing growth, such that benefits from tariff elimination will promote even greater growth over time.

As a result, tariff elimination will, over time, have a strong positive effect on U.S. exports, benefitting U.S. manufacturers and farmers and their workers.

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Even more consequential than the elimination of U.S. and other TPP-partner tariffs are the probable economic effects that will flow from the many other potential parts of a final TPP agreement. Of particular note in this regard are the potential elimination of non-tariff barriers for goods and services; the protection of investment and intellectual property; the establishment of strong rules on competition policy, non-discriminatory government procurement, transparency, trade facilitation and supply chains; and the ability to enforce all rules through binding dispute settlement.

Unlike tariffs, it is much more difficult to provide an economic model on the economic effects that these other provisions will have on the U.S. economy, specified sectors, workers and consumers.

[1] Foreign import data is based on World Trade Organization 2008 statistics.

Yet, it is clear to companies engaged in the international economy, that it precisely these types of provisions that will be most critical in expanding U.S. success in these markets and globally.

One strong piece of evidence of the major effect of U.S. trade and investment agreements is the past history of these agreements. Notably, U.S. exports to the 14 countries with which the United States had an FTA in force before 2009 have increased 63 percent between 2001 and 2008 and exports with new FTA countries (excluding Canada, Mexico and Israel) have increased even faster, by over 100 percent over that time period. It is also noteworthy that U.S. exports to each of its major FTA partners have increased significantly after each FTA has entered into force, and in every case, much more significantly than estimated by the ITC or others based on modeling of tariff elimination alone. Consider:

- U.S. goods exports to the NAFTA countries almost tripled between 1993 and 2008.
- U.S. goods exports to Chile more than quadrupled between 2003 and 2008.
- U.S. goods exports to Singapore increased by 73 percent between 2003 and 2008.
- U.S. goods exports to Australia increased 57 percent between 2004 and 2008.
- U.S. goods exports to the five CAFTA-DR countries where the agreement had entered into force before 2009 increased 27 percent between 2006 and 2008.

U.S. services exports and U.S. investment have also increased, supporting greater economic growth, better-paying jobs and greater productivity here in the United States.

Imports from U.S. FTA partners have also increased significantly, expanding the variety and choice of products available to U.S. consumers at competitive prices, lowering costs to U.S. manufacturers and dampening inflationary pressures.

While we recognize the difficulties of modeling the economic effects of the potential non-tariff provisions of the TPP, I would like to highlight how each of these major types of provisions will provide substantial benefits to the United States, U.S. enterprises and farmers, workers and consumers.

- Strong **investment-protection, access and dispute-settlement rules** in the TPP will have major positive impacts throughout the U.S. economy, helping to spur U.S. exports and investments at home. The benefits will affect most, if not all, major private sectors of the U.S. economy, from farmers and manufacturers who will be able to benefit from non-discriminatory distribution networks to financial, information and communications, engineering and energy-service suppliers that will benefit from non-discriminatory access and strong guarantees of protection for major investments.

- Strong provisions **eliminating non-tariff barriers**, as well as innovative mechanisms to promote a more coherent and consistent regulatory framework, in any final TPP would provide important benefits to virtually all major exporting and globally engaged sectors of the U.S. economy.

- Strong rules **protecting intellectual property** will have major positive impacts on a major portion of the U.S. economy, from entertainment and creative industries to medical and information and communications industries.

- Strong **competition-policy rules** will have important benefits for the United States by ensuring a more-level playing field and new opportunities for a wide variety of sectors of the U.S. economy.

- Strong **government-procurement** rules will provide major new opportunities for a wide range of U.S. industries, from construction and engineering, and information and communications technologies and services to environmental services.

- **Harmonized and clear customs and trade-facilitation rules** will provide important benefits and help spur exports and greater economic opportunities for all major businesses involved in international commerce, large and small.

- Strong **transparency rules** will provide major new opportunities and fairer competition for a wide range of U.S. manufacturers, farmers and service providers, from agricultural and processed food products, consumer goods, medical and information and communications technologies and services to financial, engineering and environmental services.

- Strong **electronic-commerce** provisions will enhance the competitiveness of U.S. companies producing and consuming electronic goods and services for the benefit of the broader U.S. economy.

A comprehensive, high-standard and commercially meaningful TPP that eliminates tariff and non-tariff barriers and sets strong rules in place on investment, intellectual property, competition policy, transparency, government procurement, trade facilitation and other areas will provide substantial and important benefits to the United States, its enterprises, workers and consumers.