**Pre-Hearing Statement of Linda Dempsey,**

For the Hearing on:
"Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures, 2016 Report"
Before the U.S. International Trade Commission
Inv. 332-555

Chairman Broadbent, Members of the Commission.

I welcome the opportunity to be here today on behalf of the National Association of Manufacturers – NAM -- the largest industrial association in the United States, representing over 14,000 manufacturers small and large in every industrial sector and in all 50 states.

- Global trade in manufactured goods has already provided a vital source of growth for the U.S. manufacturing sector and provides an enormous future potential if we can level the playing field with new trade agreements and other mechanisms.

- World trade in manufactured goods jumped from just over $1 trillion in 1980 to over $12 trillion in 2014, doubling in the last 14 years alone. Indeed global trade in manufactured goods is nearly three times the size of the domestic U.S. market for these same goods.

- U.S. manufactured goods exports aided by market-opening global and bilateral trade agreements negotiated under trade authorities procedures, so-called Trade Promotion Authority, have more than quadrupled over the last 14 years as well, reaching an all-time high of $1.403 trillion in 2014.

- Yet, U.S. exports supplied only 9.5 percent of the global traded market for manufactured goods in 2014, indicating that there is much more the US should do to improve its competitiveness.

## Trade Agreement Impact

As the United States has opened foreign markets with new trade agreements, manufacturing output in the United States has grown and manufacturers in the United States have experienced particularly high levels of success in markets that have been opened by FTAs negotiated under TPA.

Overall U.S. manufacturing output has quadrupled since 1980, reaching a record high of $2.09 trillion in 2014, supported by the quadrupling of U.S. manufactured goods exports during the same period. Notably manufacturing output and exports have continued to increase after major trade agreements, such as the NAFTA, China's accession to the WTO and the most-recent U.S. trade agreement with Korea.

Binding WTO rules lowered tariffs and non-tariff barriers for manufacturers in the U.S. substantially helping to fuel huge growth in U.S. manufactured exports from 1995 onward. The market openings to which China agreed as part of its

WTO accession have helped propel China to the third largest market for U.S. manufactured goods exports.

While global agreements with WTO partners set baseline and enforceable rules, U.S. FTA in force[1] with a total of 20 countries provide much deeper, stronger and enforceable commitments by countries to level the playing field.

By eliminating barriers and setting strong standards on transparency and innovation and property protection overseas, FTAs have propelled substantial quantities of manufacturing exports: For example:

- U.S. manufactured goods exports to Canada and Mexico have more than doubled since NAFTA entered into force in 1994, from $200 billion in 1993 to $486 billion in 2014;
- U.S. manufactured goods exports to Chile have grown six-fold since the U.S.–Chile FTA entered into force in 2004, from $2.5 billion in 2003 to $15 billion in 2014;
- U.S. manufactured exports to Peru increased 58 percent since the U.S.-Peru Trade Promotion Agreement entered into force in 2009, from $5.6 billion in 2008 to nearly $9 billion in 2014.

Taken together, America's 20 existing FTA partners buy 13 times more manufactured goods compared to non-FTA partners (about 48% of total U.S. manufactured goods

[1] The United States has two multi-country FTAs: the North American Free Trade Agreement (NAFTA) with Canada and Mexico, and the Central American-Dominican Republic-U.S. Free Trade Agreement with Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua. The United States also has 12 FTAs with: Australia, Bahrain, Chile, Colombia, Israel, Jordan, Morocco, Oman, Panama, Peru, Singapore and South Korea.

exports), while they only account for six percent of the world's consumers and less than 10 percent of the global economy.

- For many manufacturers small and large, exports have been critical to sustain domestic employment in the face of reduced demand in the mature U.S. economy and exports have helped manufacturers grow jobs as access to foreign markets is increased. Exports now support more than 6 million manufacturing jobs and since the end of 2009, export-intensive sectors with substantial export growth have seen the largest job gains. Those sectors include transportation equipment, fabricated metal products, and machinery.

- Exports support higher-paying jobs, which pay, on average, 18 percent more than other jobs. Employees in the "most trade-intensive industries" earn an average compensation of nearly $94,000, or more than 56 percent more than those in manufacturing companies that were less engaged in trade.

- Notably, the United States maintained a $55 billion **manufacturing trade surplus** with its FTA partners in 2014, compared with a $579.2 billion deficit with non-FTA countries. For those concerned about trade deficits, FTAs can be an important part of the solution.

## New Agreements Are Needed

Despite this growth in trade and U.S. manufactured goods exports, there remain severe challenges in overseas markets, particularly in those countries where the United States has not negotiated FTAs pursuant to TPA.

- Trade barriers are substantial and in many cases on the rise around the world.
- Manufacturers in the United States face not only traditional tariff and non-tariff barriers, but also face growing challenges of forced localization, intellectual property theft, and export taxes and restrictions.
- They also face higher effective barriers as other countries negotiate trade agreements from which manufacturers in the U.S. are excluded.

On tariffs, for example, the U.S. has an average applied tariff on manufactured goods imports into the United States of 3.64 percent in 2014, the lowest applied tariff of any G20 nation. Moreover, approximately two-thirds of all imports into the United States enter tariff-free already as a result of preference programs and trade agreements already negotiated.

U.S. exporters, however, face much higher tariffs overseas Major emerging economies such as Brazil and India maintain overall tariffs three or four times higher than U.S. tariffs and have the ability to raise some tariffs even higher. These and many other economies have prohibitively high tariffs on many top U.S. manufactured goods exports, from up to 100 percent tariffs in India on transport equipment to 47 percent Chinese tariffs on some chemicals to 35 percent Brazilian tariffs on some manufactured goods.

Beyond tariffs, of course, there are a wide range of discriminatory, unfair and distortive barriers that foreign governments put in place to limit access to their markets, which the WTO rules simply do not fully address. Countries like China, India, Indonesia, Brazil, South Africa and others continue to restrict market access in ways that negatively impact manufacturers in the U.S.

As other countries negotiate trade agreements that exclude the United States, manufacturers in the United States also lose ground.

- There are over 270 free trade and similar agreements negotiated worldwide, of which the United States is only party to 14.

- On tariffs, U.S. exporters now face higher tariffs than our competitors in most major trading countries as they have been able to negotiate trade agreements that have eliminated tariffs for their producers, creating an even greater disadvantage to our own exporters. For example, Chile, Mexico, South Korea, China, Canada and every member state of the European Union face lower tariffs than the U.S. which is ranked are ranked 130 out of 134 in terms of Tariffs Faced by the World Economic Forum.

Given these continued barriers, manufacturers in the United States are looking for new and stronger FTAs and sectoral and multilateral agreements that create a more level playing field overseas and for that reason strongly supported the passage of TPA in 2015.

- The NAM is reviewing closely the just-concluded Trans-Pacific Partnership (TPP) and is strongly supportive of ongoing FTA negotiations with the European Union and sectoral negotiations on information technology and environmental goods.

- The NAM is also reviewing other potential trade agreements that would open markets and create greater opportunities for growing manufacturing in the U.S.

In addition, manufacturers recognize the importance of enforcement.

- For U.S. trade agreements negotiated pursuant to TPA to be successful, sustained attention is needed to address other governments' failure to implement their commitments fully, including where appropriate through the use of WTO and FTA dispute settlement mechanisms. Whether it is a newer agreement, such as the Korea-U.S. (KORUS) FTA or one that has been in force for decades, the United States should not hesitate to use the enforcement tools provided.

- Similarly, the United States should uphold its obligations under international agreements as the NAM is currently seeking in the ongoing COOL dispute in order to avoid retaliatory tariffs on U.S. manufacturing exports to our two largest trading partners.

- Domestically, the NAM continues to be a strong supporter of the full and fair enforcement of our trade remedy laws that help manufacturers address government-subsidized and other unfair competition. These rules too are an essential part of a robust pro-growth and pro-manufacturing trade policy.

* * *

In sum, trade agreements negotiated pursuant to TPA, particularly those that comprehensively open markets and set in place e high standards that are effectively enforced, have boosted manufacturing output and the competitiveness of manufacturing in the United States. To grow U.S. manufacturing, the U.S. should continue such trade negotiations with even stronger and more market-opening results.