Business Roundtable℠

Understanding Trade

Key Issues and Facts

2007

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Business Roundtable (www.businessroundtable.org) is an association of chief executive officers of leading U.S. companies with $4.5 trillion in annual revenues and more than 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock market and represent over 40 percent of all corporate income taxes paid to the federal government. Collectively, they returned more than $112 billion in dividends to shareholders and the economy in 2005.

Roundtable companies give more than $7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with $90 billion in annual research and development spending — nearly half of the total private R&D spending in the U.S.

Business Roundtable

The Benefits of Trade Liberalization

Trade Liberalization Is Good for the U.S. Economy, U.S. Workers and U.S. Consumers

Trade liberalization creates jobs, fosters economic growth in the United States, and improves consumer choice and the standard of living of American families.

- Exports accounted for about 25 percent of U.S. economic growth in the 1990s and 15 percent in the last decade. In the last 10 years, freer trade has helped raise U.S. gross domestic product by nearly 40 percent and has helped add 16 million jobs.
- In the future, participation in the global economy will be even more critical to economic growth. Ninety-six percent of the world's consumers live outside the United States. U.S. producers must be able to reach those consumers to expand the U.S. economy and to create jobs.
- Trade liberalization helps grow U.S. exports. In 2005, U.S. goods and services exports accounted for 10.4 percent of gross domestic product. U.S. exports in 2005 were up 11 percent over 2004. Manufacturing exports have increased 82 percent in the last decade, and services exports have doubled.
- If remaining global trade barriers are eliminated, U.S. annual income could increase by $500 billion. To the typical American household, that means an additional $4,500 a year.
- The benefits of liberalized trade are apparent from our past trade agreements. The North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) agreements increased U.S. gross domestic product (GDP) by $40 billion to $60 billion a year. When that is combined with lower prices on imported products, the average American family gained $1,000 to $1,300 a year from these two agreements.
- Today, U.S. annual income is $1 trillion higher — $9,000 per household — due to trade liberalization since 1945.
- About 97 percent of exporters are small or medium-sized companies, which create three out of four new jobs. Those companies account for 30 percent of all U.S. merchandise exports.

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FAST FACTS

Exports were responsible for 25% of U.S. economic growth in the 1990s and 15% in the last decade.

Removing trade barriers results in:

- $500 billion boost to U.S. economy
- $4,500 boost to annual income for U.S. families

WTO and NAFTA resulted in:

- $1,000 to $1,300 boost to annual income for U.S. families

97% of U.S. exporters are small or medium-sized companies.

10% of U.S. jobs depend on exports.

$1 billion exports = 15K new jobs

continued

Trade liberalization spurs growth in overseas markets for American-made products and generates opportunities for American workers by creating new and higher-paying jobs.

- Ten percent of all U.S. jobs (approximately 12 million) depend on exports. One in five factory jobs depends on international trade. Jobs that depend on trade generally pay about 13 to 18 percent more than the average U.S. wage.
- Trade creates U.S. job growth. Every $1 billion in exports of manufactured goods creates an estimated 15,000 new jobs; two to three times that number of additional jobs are created to support the new export-driven products and personnel.
- U.S. plants that export increase employment 2 to 4 percent faster annually than plants that do not export. Exporting plants also are less likely to go out of business.

Restricting trade stifles economic growth, slows the creation of high-paying jobs, and harms consumers by driving up prices for goods and services.

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Answering the Critics

The Myths and Realities of Trade Liberalization

An honest and intelligent debate about the impact of trade and investment liberalization on the United States requires the separation of fact from fiction.

MYTH: Liberalization undermines environmental protection laws and harms the environment.

TRUTH:

- Trade agreements do not dictate U.S. environmental law or undermine U.S. environmental laws. International trade agreements require the United States only to apply the same standards to imported products that it applies to domestic products. Trade agreements do not prevent other countries from applying the same environmental standards to U.S. goods that they apply to their own goods.
- To achieve environmental sustainability, countries need good environmental laws and effective enforcement of those laws. Liberalized trade produces higher incomes and economic growth that make it possible for countries to improve their environmental laws and law enforcement.
- U.S. trade agreements with Australia, Bahrain, Central America, Chile, Jordan, Morocco, Oman and Singapore all require the United States and our trade partners to (1) effectively enforce environmental laws, (2) ensure that they do not weaken their environmental laws to encourage trade or investment, and (3) ensure that violations of their respective environmental laws are subject to sanctions by legal procedure.
- Liberalized trade helps improve environmental protection by lowering the barriers to the sale of environmental technologies; enabling new investments in environmental infrastructure; and making it easier for environmental scientists, engineers and technicians to provide services to developing countries.

continued

FAST FACTS

Liberalized trade results in:
- higher incomes
- improved environment laws and law enforcement

32 of 44 developing countries had stronger labor standards after trade liberalization.

0 of 44 developing countries had worse labor standards after trade liberalization.

No international body can make or change U.S. law.

The United States had trade deficits before WTO.

10% of U.S. jobs are export dependent.

Trade-related jobs pay 13% to 18% more.

U.S. exporting plants increase employment faster.

$50K = average pay at U.S. firms with worldwide markets
$35K = average pay at U.S. firms without worldwide markets

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MYTH: Liberalization undermines protection for labor.

TRUTH:

- Trade agreements do not require the United States to change its labor laws or undermine U.S. laws protecting labor rights.
- Trade liberalization does not undermine worker rights. In fact, the opposite is true. In a study of 44 developing countries that engaged in significant trade liberalization, the Organisation for Economic Co-operation and Development (OECD) found that "there was notably no case where the trade reforms were followed by a worsening of association rights" and that freedom-of-association rights improved in 32 of the countries after trade liberalization.
- U.S. trade agreements with Australia, Bahrain, Central America, Chile, Jordan, Morocco, Oman and Singapore require the United States and our trade partners to (1) effectively enforce labor laws, (2) work to ensure that International Labour Organization (ILO) principles are protected by their domestic laws, (3) ensure that they do not weaken their labor laws to encourage trade or investment, and (4) ensure that legal proceedings are available to sanction violations of labor laws.

MYTH: Trade agreements undermine U.S. sovereignty by giving international bureaucrats the power to strike down U.S. laws.

TRUTH:

- Only the U.S. Congress and the U.S. president can make U.S. law. No international institution or foreign country can change U.S. laws.
- Decisions by World Trade Organization (WTO) dispute panels cannot override U.S. law. Those panels can only issue recommendations, and these recommendations have no force in the United States. Only the Congress and the president can decide whether to implement a panel recommendation. They can (1) revise U.S. law, (2) compensate a country harmed by a U.S. law through reductions in tariffs or other trade barriers, or (3) do nothing — and accept the risk that the other country may retaliate by raising tariffs or other barriers to U.S. exports.
- The United States may withdraw from the WTO, NAFTA, free trade agreements and all other trade agreements at any time.

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MYTH: Trade liberalization increases U.S. trade deficits.

TRUTH:

- The United States had trade deficits before the WTO existed and would have them if there were no WTO. The merchandise trade deficit generally grows when the economy grows and shrinks when the economy shrinks.
- The trade deficit is a result of American prosperity. The strength of the U.S. economy means U.S. consumers are able to purchase a wide variety of goods and services, including imports.
- Imports help keep inflation low by ensuring that U.S. consumers have access to a variety of competitively priced goods and that producers have access to low-cost inputs.

MYTH: Trade liberalization causes good U.S. jobs to move overseas.

TRUTH:

- Trade creates good jobs in the United States. Ten percent of all U.S. jobs (approximately 12 million) depend on exports. One in five factory jobs depend on international trade. Jobs that depend on trade generally pay about 13 to 18 percent more than the average U.S. wage.
- U.S. plants that export increase employment 2 to 4 percent faster annually compared to plants that do not export. Exporting plants also are less likely to go out of business.
- U.S. firms that are deeply integrated in worldwide markets are more likely to succeed in generating good jobs in the United States. Such jobs pay an average wage in the United States of $15,000 more than jobs in firms that are less globally integrated, or $50,000 versus $35,000.
- Contrary to the predictions of a "giant sucking sound," NAFTA has created good jobs in the United States. In the first eight years of NAFTA, the number of U.S. jobs supported by merchandise exports to Mexico and Canada grew from 914,000 to 2.9 million. Between 1993 and 2006, U.S. employment grew by 22 million. Real hourly compensation in the U.S. manufacturing sector increased by 14.4 percent in the 10 years following NAFTA implementation, as compared to 6.5 percent in the 10 years prior to NAFTA. The U.S. unemployment rate in the 11 years before NAFTA averaged 7.1 percent; in the 11 years since NAFTA, it has averaged 5.1 percent.

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Trade and Jobs

Why Trade and Investment Liberalization Creates More and Better Paying Jobs

FAST FACTS

U.S. jobs:

- 1 in 5 factory jobs depends on trade
- 1 in 10 depends on exports

Foreign companies have invested $1.5 trillion in the United States since 1990.

BENEFITS OF TRADE

Exports are an important source of U.S. economic growth and job creation.

- In the past decade, exports accounted for roughly one-quarter of U.S. economic growth and helped increase our gross domestic product by 40 percent.
- Ten percent of all U.S. jobs (approximately 12 million) depend on exports. One in five factory jobs depends on international trade.
- Job creation in the United States considerably outnumbers jobs lost due to import competition. The 35 million jobs created in the United States in the past 10 years have offset the 2 million jobs lost to import competition over the past 20 years.
- Over the past 20 years, the unemployment rate has fallen significantly despite a steady increase in imports over the same period. In the 11 years prior to the beginning of major trade liberalization in 1993, U.S. unemployment averaged 7.1 percent; in the 11 years since, it has averaged 5.1 percent.
- Foreign investment in the United States creates U.S. jobs. Foreign companies employ more than 6 million U.S. workers in the United States.

Firms that participate in a global economy grow faster and pay more than those that do not.

- Increases in export demand lead to more job growth than do comparable increases in domestic demand. A 10 percent increase in American exports leads to a 6.9 percent increase in domestic employment. By comparison, a 10 percent increase in domestic demand creates just a 4.2 percent increase in U.S. employment. Similarly, increased sales by foreign affiliates of U.S. companies produce U.S. employment gains at the U.S. parent.
- Jobs that depend on trade generally pay about 13 to 18 percent more than the average wage.
- U.S. firms with global operations generate better domestic jobs at home. Such firms pay an average wage in the United States that is $15,000 greater than that paid by firms that are less globally integrated.

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BENEFITS OF TRADE

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Trade and Business

FAST FACTS

From 1992 to 2001, the number of small businesses that export grew by 250%.

Small businesses account for:

- 90% of U.S. high-tech exporters

Increased market access benefits U.S. small and medium-sized business enterprises (SMEs).

- As international trade has liberalized, SMEs have increased exports markedly. Increased market access for SMEs is critical to continued SME success and to the overall health of the domestic economy. From 1992 to 2004, the number of small businesses that exported grew more than 100 percent.
- SMEs comprise 97 percent of all exporters, yet fewer than 1 percent of small businesses export. Of the SMEs that do export, nearly two-thirds of them sell into only one foreign market.
- Expanding market access through free trade is essential for SMEs. Unlike big multinational companies that can afford to establish foreign affiliates to avoid trade barriers, exports are often the only way for SMEs to sell into these markets.
- In 2001, SMEs accounted for more than 90 percent of U.S. high-technology exporters. Small firms employ more than a third of the total U.S. high-technology employees and produce more than half of the new innovations in the United States.

For most SMEs, export markets present an opportunity for significant growth.

- Between 1992 and 2004, the number of SMEs that exported increased by more than 100 percent — double the growth rate of large-firm exporters over the same period. During the same time, the number of SMEs exporting to China increased by a whopping 511 percent, compared to a 128 percent increase for large-company exporters.
- SMEs represented 99 percent of all growth in the exporter community between 1992 and 2004 and 90 percent of all U.S. exporters to China in 2004 alone. Many other SMEs export indirectly as suppliers and subcontractors for large exporting firms.

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- SMEs are responsible for more than one-third of total U.S. exports to China.
- In 2004, SME exports totaled $79.1 billion to Western Hemisphere countries, $58.1 billion to NAFTA countries, $30.3 billion to Canada, $27.7 billion to Mexico, $15.4 billion to Japan and $11.4 billion to China.

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Trade and Consumers

Trade Provides a Wide Variety of Affordable Products for U.S. Families

Removing barriers to imports makes goods and services less expensive for U.S. consumers and operates as a tax cut for American families.

- If remaining global trade barriers are eliminated, U.S. annual income could increase by $500 billion, which means an additonal $4,500 a year for the average household.
- The successful completion of the Doha Round negotiations could translate into an additional $2,000 of purchasing power for an average family of four.
- Imports of goods and services help to keep inflation down. Lower inflation means low interest rates, which is a real benefit for consumers, homebuyers and businesses seeking to finance growth.

Trade liberalization allows Americans to shop the world for the best prices and highest-quality goods.

- Trade provides U.S. consumers with access to a wider variety of goods at reasonable prices, including items not produced domestically.
- Liberalized trade brings competition to the marketplace, helping to keep consumer prices down and quality high. From automobiles and electronics to clothing and foodstuffs, an open trade policy gives American consumers their choice of the best and most competitively priced products in the world. Low-cost consumer goods particularly benefit low-income Americans who can least afford rising prices.
- Capacity for innovation is the single most important factor determining a country's rate of economic growth. Liberalized trade and open markets accelerate innovation by intensifying competitive pressures to come up with new products and new ways of doing business and by providing companies and workers access to new products and production methods.

continued

FAST FACTS

Increased trade results in:
- affordable prices
- inflation control
- access to a variety of high-quality products

Eliminating trade barriers could:
- increase U.S. income by $500 billion
- result in an additional $4,500 for the average household

Completing Doha Round negotiations could result in an additional $2,000 of purchasing power for an average family of 4.

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Trade and the Poor

Liberalized International Trade and Investment Raise Global Standards of Living

Trade liberalization increases a country's wealth overall and reduces tariffs that burden the poor.

- The World Bank estimates that reducing trade barriers by 75 percent could increase the global middle class by 13 percent and reduce the number of people with less than middle class incomes by 231 million. Trade reform of this kind also could lift 100 million people out of poverty.
- Increased trade increases the wealth of countries as wholes, allowing governments to allocate more resources to antipoverty and other social programs.
- Free trade in all goods, including agricultural products, would result in a world income gain of $832 billion, of which $539 billion would go to developing countries.
- Developed countries provide assistance to developing countries that liberalize trade. The United States, for example, offers developing countries capacity-building assistance and preferential market access in trade agreements.
- Between 1980 and 2003, trade liberalization and foreign investment lifted more than 400 million people out of poverty in China alone.

Trade liberalization offers important opportunities for economic growth and poverty reduction.

- Increased trade raises average incomes and reduces tariffs, resulting in more affordable and available basic consumer goods, such as food and medicine.
- Free trade leads to economic growth, including increased employment and real wages. Trade liberalization has a positive overall effect on the employment and income of the poor.
- Trade liberalization facilitates the exchange of necessary technologies, such as water and food sanitation. New trade opportunities in Lesotho, for example, led to more than $120 million in new investments.

continued

FAST FACTS

Free trade in all goods would result in:

- $832 billion gain in world income
- $539 billion gain in developing country income

Reducing trade barriers could increase global middle class by 13%.

The greatest reductions in poverty have been in nations that have liberalized trade.

Trade and the Poor

Liberalized International Trade and Investment Raise Global Standards of Living

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Trade and Political Reform

Liberalized Trade Strengthens Democracy and Empowers Citizens

Trade encourages open and transparent government institutions, improves the lives of individuals, and fosters democratic governance.

Trade liberalization brings about structural changes that are essential to democracy.

- Increased trade encourages the elimination of corruption and the establishment of the rule of law. Strong, transparent legal and regulatory regimes are necessary to attract investment and encourage economic exchange, and they also serve as the building blocks of free societies.
- Increased trade facilitates the exchange of new ideas and exposure to different ways of thinking and organizing — economically, civilly and politically.
- Free trade agreements promote the rule of law, government transparency, increased citizen participation in the political process and freedom from central state regulation.
- According to Daniel T. Griswold of the Cato Institute, "The most economically open countries today are more than three times as likely to enjoy full political and civil freedoms as those that are relatively closed. Those that are closed are nine times more likely to completely suppress civil and political freedoms than those that are open."

Economic reforms can lead to the emergence of an economically independent and politically aware middle class.

- Trade liberalization raises incomes and creates a larger middle class of citizens who enjoy new opportunities, more choices and more control over their daily lives.
- Increased trade opens societies to new technologies, communications and democratic ideals. In China, for example, an estimated 150 million people now have access to the Internet.

continued

FAST FACTS

Trade liberalization encourages the rule of law and the elimination of corruption.

Economically open countries enjoy more political and civil freedoms.

Trade and the Political Reform

Liberalized Trade Strengthens Democracy and Empowers Citizens

continued

- According to *The 9/11 Commission Report,* an expanded middle class increases the voices for democracy. Economically empowered members of the middle class have a stake in political society and in their future.
- In China, an emerging middle class is benefiting greatly from China's recent economic growth. Chinese citizens are now becoming independent homeowners, traveling internationally, studying abroad and engaging in international commerce.
- Governments that grant citizens the right to engage freely in commerce find it difficult to simultaneously deprive citizens of political and civil liberties.

Countries that open their economies and eradicate trade barriers also increase transparency and citizen participation in their government institutions.

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Trade and National Security

Liberalized International Trade Promotes National Security

FAST FACTS

Between 1987 and 2001, the "poor" category throughout the Middle East and North Africa increased by 11 million.

Unemployment in the Middle East exceeds 15%.

The 9/11 Commission Report calls for policies to encourage open societies and economic growth to combat terrorism.

Free trade integrates important regions of the world into the global economy and creates opportunities for youth.

- High levels of poverty and poorly performing economies lead to violence and political instability.
  - Due to rapid population growth and economic stagnation, 11 million people were added to the "poor" category throughout the Middle East and North Africa region between 1987 and 2001.
  - Unemployment rates in the Middle East exceed 15 percent region-wide, including a rapidly growing population of youth. For example, 48 percent of the population in Egypt and 37 percent of the population in Yemen are under the age of 18.
  - Forty-two percent of all Indonesians live on $1–2 per day. Youth unemployment in Indonesia stands at 25.2 percent.
- Liberalized trade and investment raises global standards of living and is key to self-sustaining growth in developing countries.
  - Increased trade creates job opportunities for youth, who may otherwise feel disenfranchised and become targets for extremist recruiting.
  - The World Bank estimates that free trade in all goods, including agriculture, would result in a net global income gain of $830 billion — enough to lift nearly 300 million people out of poverty in developing nations around the world.
  - Increased trade and investment help developing countries grow and support a vibrant and economically independent middle class and an engaged civil society.

continued

BENEFITS OF TRADE

continued

In addition to forging solid economic relationships, trade agreements build lasting partnerships based on freedom and democracy.

- According to *The 9/11 Commission Report,* a national strategy to combat terrorism should include economic policies that encourage open societies and increased opportunities for individuals to improve their lives and the prospects for their children.
- Trade builds lasting relationships between individuals and nations. People who trade and invest in each other's countries have a greater stake in global peace and security. For example, Qualifying Industrial Zones in Egypt and Jordan have strengthened the free trade ties and political alliance with Israel.
- The U.S.-Middle East Free Trade Initiative, for instance, is aimed at combating terrorism by advancing economic growth and freedom throughout the Middle East region. Through free trade agreements, the United States has already forged strategic trade relationships with Israel, Jordan, Morocco, Oman and Bahrain.

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Trade and Foreign Investment Improve Labor Conditions

Trade liberalization creates more and better jobs in the United States while also protecting U.S. labor standards.

- Trade creates good jobs in the United States. Ten percent of all U.S. jobs (approximately 12 million) depend on exports. One in five factory jobs depends on international trade. Jobs that depend on trade generally pay about 13 to 18 percent more than the average U.S. wage.
- U.S. plants that export increase employment 2 to 4 percent faster annually than plants that do not export. Exporting plants also are less likely to go out of business.
- U.S. firms that invest abroad are more likely to succeed in generating good jobs at home. Such jobs pay an average wage in the United States of $15,000 more than jobs in firms that are less globally integrated.
- The North American Free Trade Agreement (NAFTA) is an example. Real hourly compensation in the U.S. manufacturing sector increased by 14.4 percent in the 10 years following NAFTA implementation, as compared to 6.5 percent in the 10 years prior to NAFTA.
- Recently negotiated trade agreements require the signatory countries to effectively enforce their own labor laws and not derogate from internationally recognized standards.

Trade liberalization improves worker rights and labor standards in developing countries.

- In 44 developing countries that engaged in significant trade liberalization, there was "no case where the trade reforms were followed by a worsening of association rights," according to the Organisation for Economic Co-operation and Development. In addition, freedom-of-association rights *improved* in 32 of the countries after trade liberalization.
- Liberalized trade creates economic opportunities that give workers the freedom to choose to work for employers offering better pay and better working conditions. Liberalized trade also contributes to rising standards of living, which economic studies suggest is key to raising labor standards.

continued

FAST FACTS

10% of all U.S. jobs (approximately 12 million) depend on exports.

1 in 5 factory jobs depends on international trade.

U.S. plants that export increase employment 2% to 4% faster annually than plants that do not export.

32 of 44 developing countries improved labor rights after trade liberalization.

BENEFITS OF TRADE

continued

- Recently negotiated trade agreements contain provisions designed to safeguard internationally recognized worker rights such as the right of association; the right to organize and bargain collectively; a prohibition on the use of forced labor; a minimum age for the employment of children; the elimination of the worst forms of child labor; and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

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Trade and the Environment

How Trade and Foreign Investment Improve Environmental Protection

Trade liberalization can improve environmental protection and lead to better enforcement of environmental laws.

- Countries with higher national incomes tend to have stronger environmental protections and lower rates of pollution.
- To achieve environmental sustainability, countries need good environmental laws and effective enforcement of those laws. Liberalized trade produces higher incomes and economic growth that make it possible for countries to improve their environmental laws and law enforcement.
- Liberalized trade can help improve environmental protection by lowering the barriers to the sale of environmental technologies; enabling new investments in environmental infrastructure; and making it easier for environmental scientists, engineers and technicians to provide services to developing countries. Drinking water supply, wastewater treatment and solid waste management are subsectors where foreign direct investment and cross-border services are particularly important for improved public health and environmental protection.

Trade liberalization does not lead to increased pollution or lower environmental standards.

- Contrary to popular myths, trade agreements do not prevent national governments from taking steps to protect the environment. The World Trade Organization (WTO) agreements, the North American Free Trade Agreement (NAFTA) and the more recently negotiated free trade agreements take environmental, health and safety concerns into consideration and recognize the right of all governments to take measures to protect the environment. Trade agreements only require that such measures must be applied without discrimination.

continued

FAST FACTS

U.S. free trade agreements require the parties to:

- effectively enforce environmental laws
- ensure they do not weaken their environmental laws to encourage trade or investment
- ensure that violations of environmental laws are subject to sanctions by the dispute settlement process

Trade agreements lower barriers to environmental technologies, including clean water supply, wastewater treatment and solid waste management.

Trade and the Environment

How Trade and Foreign Investment Improve Environment Protection

continued

- Recently negotiated free trade agreements include explicit safeguards for environmental protection. U.S. free trade agreements with Singapore, Chile, Australia, Morocco, Bahrain, Central America, Oman, Colombia, Peru and Panama require the parties to (1) effectively enforce environmental laws, (2) ensure that they do not weaken their environmental laws to encourage trade or investment, and (3) ensure that violations of their environmental laws are subject to sanctions by legal procedure.
- NAFTA established institutions and a formal process through which the public may raise concerns about environmental law enforcement through the North American Commission on Environmental Cooperation. Under the auspices of the commission, NAFTA partners have undertaken a wide range of cooperative programs and technical exchanges aimed at protecting species and ecosystems.

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Business Roundtable

Trade and the Public

The American Public Understands and Supports Liberalized Trade and Investment

The American public generally supports international trade and globalization.

- Sixty percent of Americans believe globalization is good for the United States. A majority of Americans also think globalization is good for American companies, consumers, the U.S. economy and their own standard of living.
- More than 60 percent of Americans think that globalization strengthens the economies of poor countries and improves human rights and democracy abroad.

The American public supports free trade agreements.

- Fifty-eight percent of Americans approve of agreements to lower barriers to trade.
- A substantial majority of Americans support the World Trade Organization (WTO) and U.S. participation in the WTO, and 69 percent think the United States should comply with WTO rulings against the United States.
- Fifty-nine percent of Americans support a Free Trade Area of the Americas (FTAA) that includes all democratic countries in the hemisphere.

A clear majority of Americans supports the inclusion of labor and environment standards in trade agreements.

- Ninety-three percent of Americans believe countries that are parties to international trade agreements should be required to maintain minimum labor standards.
- Ninety-one percent believe countries that are parties to international trade agreements should be required to maintain minimum standards for environmental protection.

continued

FAST FACTS

60% of Americans believe globalization is good for the United States.

69% of Americans believe the United States should comply with WTO rulings.

The American Public Understands and Supports Liberalized Trade and Investment

SOURCES

Chicago Council on Foreign Relations, "Global Views 2006: Comparative Topline Reports," October 11, 2006.

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Providing a Trade Safety Net

Increased Trade Adjustment Assistance and Private Programs Assist Displaced Workers

More money is being dedicated to empower workers displaced by imports.

- The Trade Adjustment Assistance (TAA) program provides training and benefits to workers dislocated by trade liberalization. These workers also may be entitled to receive a Health Coverage Tax Credit covering 65 percent of the premium for qualified health insurance. Workers over age 50 may be eligible to receive Alternative Trade Adjustment Assistance, which provides half the difference in any lost income due to new employment for up to two years and $10,000.
- Forty-four programs in nine different federal agencies focus principally on employment training. There are numerous programs for dislocated workers, including adjustment assistance for trade-related dislocations. These programs are designed to improve worker skills and mobility.
- In addition, creative ideas are emerging — from wage insurance to a human capital investment tax credit to personal lifelong learning accounts — to strengthen existing programs and ensure that U.S. workers are ready to be hired for the next generation of jobs.

U.S. businesses are creating opportunities for workers affected by trade.

- U.S. employers, especially large companies, spend more than $70 billion each year on worker training and education benefits.
- Many U.S. employers who face foreign competition provide a range of services to assist their employees. For example, at IBM, each employee spends an average of 55 hours each year in formal training. IBM recently created a $25 million Human Capital Alliance Fund dedicated to helping employees who are concerned about competition from off-shore technical experts to sharpen their skills.

continued

FAST FACTS

$1.1 billion will be spent on the TAA program in fiscal year 2005 for training and benefits to dislocated workers.

U.S. employers spend more than $70 billion each year on worker training and education benefits.

Providing a Trade Safety Net

Increased Trade Adjustment Assistance and Private Programs Assist Displaced Workers

SOURCES

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Business Roundtable

Foreign Investment Is Critical to the U.S. Economy

Foreign Investment Creates Jobs and Spurs Economic Growth

Foreign investment is a significant part of the U.S. economy, as it creates jobs for U.S. workers, contributes to research and development, and spurs economic growth. The United States offers a stable investment climate that facilitates investment and protects investor rights.

- The U.S. economy is the largest source of and destination for foreign direct investment.
- Foreign investment in the United States promotes U.S. exports and results in increased employment and productivity. Foreign companies invest significantly in research and development, capital goods, and new technology in the United States.
- Foreign direct investment in the United States was $96 billion in 2004. Foreign companies with investments in the United States support an annual U.S. payroll of $318 billion, and U.S. affiliates of foreign companies employ 5.3 million U.S. workers.
- U.S. subsidiaries of foreign companies pay higher wages than U.S. companies and reinvest a significant portion of their profits in the United States. In 2003, U.S. subsidiaries reinvested $38.6 billion into the U.S. economy.
- Approximately one-third of foreign direct investment in the United States is in the manufacturing sector.

The United States invests significantly in countries around the world. U.S. foreign investment benefits U.S. companies, U.S. workers and their families, and the U.S. economy.

- Trade and investment liberalization benefits U.S. industries, which in turn stimulates economic growth and raises standards of living.

continued

FAST FACTS

The United States is the largest source and destination for foreign direct investment.

In 2004, foreign direct investment in the United States was $96 billion.

U.S. subsidiaries of foreign companies employ 5.3 million American workers.

Foreign Investment Is Critical to the U.S. Economy

Foreign Investment Creates Jobs and Spurs Economic Growth

continued

- American companies with foreign operations make significant contributions to the U.S. standard of living. These companies accounted for a significant portion of U.S. research and development expenditures, capital investments, and exports.
- U.S. companies with foreign investments employ more than 22 million U.S. workers and in 2002 produced more than $1.8 trillion in goods and services.
- U.S. multinational companies invest abroad to get closer to their markets and enhance their global competitiveness. This allows companies to continue to expand their business overall and create more jobs in the United States. The vast majority of U.S. multinational jobs are located in the United States.

SOURCES

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Business Roundtable

Trade Deficits and the Economy

Protectionism Is Not the Solution to the U.S. Trade Deficit

The trade deficit is not a measure of the competitiveness of U.S. industry or labor.

- A trade deficit exists when an economy is consuming more goods than it is producing and is funding the consumption with foreign capital. The U.S. economy attracts foreign capital because it is growing and provides a high rate of return on investments and because the dollar is the safest currency in the world. Thus, it is not surprising that the United States has run an annual trade deficit in goods and services with the rest of world every year since 1976.
- Expanding trade deficits are almost always a sign of economic expansion and robust investment. Bigger trade deficits go hand in hand with faster growth, falling unemployment, higher industrial output and declining poverty. For example, the U.S. trade deficit increased nearly 400 percent between 1991 and 1999, a time of rapid economic expansion and declining unemployment. In contrast, the United States had a trade surplus during the Great Depression.
- Increased imports do not harm the U.S. economy. Imports keep inflation low, give U.S. consumers access to a variety of competitively priced goods and give producers access to low-cost inputs.

The trade deficit is not caused by increased trade liberalization, nor is it an indicator of unfair trade practices by other countries.

- Trade deficits are not the result of protectionism by foreign countries. For example, Canada and Mexico, two countries that are very open to U.S. exports, are among the countries with which the United States has the largest bilateral trade deficits.
- The United States is one of the most open economies in the world, with an average tariff on goods of 1.7 percent. Free trade agreements with other countries bring our trading partners' tariffs down more than ours, creating markets for more U.S. exports.

continued

FAST FACTS

The United States has run trade deficits since 1976.

From 1991 to 1999:
- U.S. trade deficit up 400%
- rapid economic expansion
- declining unemployment

Great Depression = trade surplus

Imports = lower consumer prices

ANSWERING THE CRITICS

continued

The United States should develop and implement well-designed policies to reduce the trade deficit.

- The United States should encourage private savings by American citizens to help finance new domestic investments without increased foreign borrowing and to reduce the risk of personal financial crisis.
  - Encourage individual savings through expanded tax-free savings accounts, such as IRAs and college tuition programs.
  - Facilitate workplace retirement programs through enhanced employer-sponsored retirement plans.
  - Enhance financial literacy among American citizens to help them understand the need to save.
- The United States should reduce the federal deficit to ensure that less foreign borrowing is necessary. In particular, reform is needed to control long-term growth in entitlement spending, which will otherwise result in significant future budget imbalances.
- To help eliminate the trade deficit, the United States should also promote economic growth and consumer demand abroad. We should encourage our trading partners to adopt policies that stimulate domestic growth and consumption.
- Opening overseas markets to U.S. exports of goods and services will also help reduce the U.S. trade deficit. The United States should continue on the path of negotiating bilateral and multilateral agreements that achieve meaningful market opening for U.S. exports and ensuring that these agreements are enforced.

The United States should not pursue protectionist policies to reduce the trade deficit.

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Business Roundtable

Trade with Low-Wage Countries

Domestic Manufacturers Can Compete with Cheaper Labor Abroad

MYTH: Domestic manufacturers need to lower their wages and benefits to remain competitive with manufacturers in developing countries.

TRUTH:

- Developing countries pay lower wages primarily because of low labor productivity. U.S. manufacturers pay U.S. workers high wages and benefits because of their high productivity. The high productivity of U.S. labor makes the labor cost per unit of U.S. goods very competitive in the global economy.
- China and Mexico are the only important U.S. trading partners with unit labor costs that are considerably lower than U.S. labor costs. Rapid economic development in both countries is causing their wage rates to increase dramatically (roughly 16 percent per year since 1991 in China), and this trend will continue.

MYTH: The cost of labor in a finished product determines whether the product will or will not be competitive in the global economy.

TRUTH:

- For most manufacturers, direct labor costs represent only a small portion of total manufacturing costs. The modern concept of "manufacturing" incorporates a broad group of activities, from design to finance to production to sales and marketing to after-sales service.
- Overhead costs, such as corporate taxes, actual or threatened tort litigation in the United States, and complex regulatory compliance, add nearly $5 per hour worked to the unit labor costs of U.S. manufacturers. These overhead costs have a far greater impact on U.S. manufacturers' cost competitiveness than do foreign wage rates.

continued

FAST FACTS

China's wage rates have been up 16% per year since 1991.

Taxes, torts and regulations add $5 per hour worked to U.S. labor costs.

High-wage countries, the United States and Germany, are the largest world exporters.

ANSWERING THE CRITICS

WHAT OTHERS SAY

"U.S. manufacturers can compete even more successfully when the international playing field is fair. While competing against low-wage foreign labor rates is fair (for many countries, low wages are their comparative advantage), competing against trade barriers, injurious subsidies and other home-market protection is not."

◗ *Senator Joseph Lieberman*

continued

MYTH: High-wage manufacturers cannot compete against low-wage foreign labor.

TRUTH:

- Despite paying comparatively higher wages and benefits, the United States and Germany are the world's two largest exporters of manufactured goods. As the United States makes up only 4 percent of the world population, trade provides domestic manufacturers access to 96 percent of the world's consumers.

SOURCES

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Senator Joseph Lieberman, "Making America Stronger," September 2003.

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Business Roundtable℠

Worldwide Sourcing

Worldwide Sourcing Is a Net Creator of Jobs

MYTH: Domestic and foreign companies no longer invest in the United States.

TRUTH:

- Between 2003 and 2005, U.S.-owned assets abroad grew by $2.4 trillion. In the same period, foreign-owned assets in the United States grew by $2.9 trillion.
- Dollars invested abroad help the domestic economy. One dollar of worldwide sourcing generates $1.45 of benefit, $1.12 of which accrues to the United States.
- U.S. subsidiaries of foreign companies outsource 5.4 million jobs to the United States.

MYTH: Worldwide sourcing is negatively affecting all sectors of the U.S. economy.

TRUTH:

- Innovation and deep business expertise will continue to be delivered predominantly onshore.
- According to a Global Insights study, worldwide sourcing of IT jobs generated 257,042 net new U.S. jobs in 2005; by 2010, net new jobs will total 337,625.
- Services account for 68 percent of the U.S. economy, and the sector is thriving. The United States maintains a positive services trade balance, and exports of services have been growing at a faster rate than imports of services.

MYTH: The U.S. economy cannot adjust to worldwide sourcing.

TRUTH:

- Trade will help create 22 million new jobs between 2001 and 2010. While some U.S. workers will be displaced as a result of worldwide sourcing, the creation of new jobs through trade will more than make up for the temporary loss.

continued

FAST FACTS

$1 worldwide sourcing results in:
- $1.12 benefit to the United States
- $0.33 benefit to the rest of the world

U.S. subsidiaries of foreign companies outsource 5.4 million jobs to the United States.

Services = 68% of U.S. economy

Services have a positive trade balance.

From 2001 to 2010:
- 22 million new jobs created by trade

WHAT OTHERS SAY

"Innovation and deep business expertise will continue to be delivered predominantly onshore."

◗ *International Data Corporation*

continued

- Trade Adjustment Assistance plays a critical role in making worldwide sourcing successful by providing U.S. workers the training and skills they need to enable them to participate in the changing global economy.

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Business Roundtable

Foreign Investment and Labor/Environment Regulations

There Is No "Race to the Bottom"

MYTH: Countries weaken regulation of the environment and labor to attract investors seeking low standards.

TRUTH:

- Nations with low labor and environmental standards do not attract additional foreign investment or increase export markets.
- Multinational companies often adopt uniform global standards to lower their costs, and they conform these standards to the environmental regulations in their most important markets, which typically have the highest, not lowest, environmental standards.
- Foreign-owned plants in developing countries tend to pollute less than domestic plants in the same industry.

MYTH: Labor and environmental standards are overlooked consistently when governments negotiate increased foreign market access.

TRUTH:

- By law, a "principal negotiating objective" in every U.S. trade negotiation is to ensure each of our trading partners "does not fail to effectively enforce its environmental or labor laws."
- U.S. international trade agreements encourage our trading partners to enforce their domestic labor laws. For example, the U.S. trade agreements with Chile, Jordan, Morocco, Singapore, Central America, Bahrain, Oman and Australia encourage compliance with the fundamental conventions of the International Labor Organization, which include freedom of association, the right to collective bargaining, the abolition of child labor and forced labor, and equality of treatment and opportunity. The proposed U.S.-Peru, U.S.-Colombia and U.S.-Panama Free Trade Agreements have similar provisions.

continued

FAST FACTS

Foreign-owned plants in developing countries tend to pollute less.

Trade growth results in:

- increased per-capita income
- improved environmental quality

ANSWERING THE CRITICS

continued

MYTH: International trade exacerbates worldwide pollution and labor-rights violations.

TRUTH:

- Trade helps developing countries reach the middle-income level where, history demonstrates, environmental protection will improve in tandem with increased economic development.
- Trade increases per-capita income, and the higher a country's per-capita income, the better the quality of its environment.
- Efforts by developing countries to use weak labor standards as a competitive advantage have been associated with low productivity; have undermined the rule of law; and have discouraged, not attracted, foreign direct investment.

SOURCES

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Business Roundtable℠

Benefits of Temporary Entry

Temporary Entry of Skilled Professionals Promotes U.S. Economic Growth, Fosters Innovation, and Complements the Talent and Skill of America's Workers

The United States benefits economically from the temporary entry of skilled professionals.

- Liberalizing temporary entry of foreign business professionals into the United States facilitates the establishment of new enterprises that create jobs for U.S. citizens. Skilled foreign employees help produce cutting-edge technologies, products and exports.
- Temporary employment of foreign professionals complements the U.S. workforce by contributing unique skills and filling critical gaps in high value-added sectors of the U.S. economy when qualified domestic workers are in short supply.
- Temporary entry is precisely that — temporary. The United States does not have to rework its immigration policy to allow temporary entry of skilled professionals that spur economic growth.

U.S. businesses benefit from temporary entry privileges granted to U.S. citizens by our trading partners.

- Service providers, which now account for 76 percent of the U.S. private-sector gross domestic product, cannot expand efficiently or effectively in foreign markets without the temporary on-site assistance of key U.S. personnel.
- U.S. companies frequently need to transfer personnel across borders on a short- or medium-term basis, but existing visa procedures can be expensive and time consuming. Temporary entry commitments from our trading partners solve this problem. Such commitments are particularly important for providers of professional services, such as accountants, architects, engineers, lawyers and health care personnel.

continued

FAST FACTS

1/3 of the scientists and engineers in Silicon Valley are foreign born.

1/5 of Silicon Valley firms were founded by people born outside of the United States.

ANSWERING THE CRITICS

Benefits of Temporary Entry

Temporary Entry of Skilled Professionals Promotes U.S. Economic Growth, Fosters Innovation, and Complements the Talent and Skill of America's Workers

WHAT OTHERS SAY

"Sun Microsystems' non-native employees produced both the Java computer language and the SPARC microprocessor, technological breakthroughs that led to the creation of thousands of new company jobs."

◗ *Kenneth Alvares, Vice President of Human Resources at Sun Microsystems*

"About one-third of all scientists and engineers in Silicon Valley are foreign born and about one in five of the Silicon Valley firms were founded by immigrants. This high-tech engine of growth would not exist as it does today without immigrant talent."

◗ *Steven Moore, Cato Institute*

SOURCES

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Kenneth Alvares, Vice President of Human Resources at Sun Microsystems, testimony before the U.S. Senate Committee on the Judiciary, February 25, 1998.

Steven Moore, Cato Institute, "Immigration Reform Means More High-Tech Jobs," 1998.

Business Roundtable

Trade and Sovereignty

International Trade Agreements Do Not Undermine the Ability of the United States To Determine Its Own Trade, Labor, Environment and Foreign Policy

The U.S. government alone makes U.S. law and policy, including U.S. trade law and policy.

- Congress and the president make U.S. law. No international organization or foreign country can change U.S. laws, either today or in the future.
- Decisions by the World Trade Organization (WTO) panels cannot override U.S. federal, state or local laws. Those panels may only make recommendations. The Congress and the president decide whether or not to implement a panel recommendation. Congress can (1) revise U.S. law; (2) keep U.S. law unchanged and compensate a country harmed by that law through reductions in tariffs or other trade barriers; or (3) do nothing (and accept the risk that the other country may retaliate by raising tariffs or other barriers to U.S. exports).
- International trade organizations have no enforcement authority. They cannot impose fines, levy sanctions, modify tariff rates or change the laws of any country. The only sanction for a violation of WTO rules is that countries damaged by the violation may, in some cases, impose retaliatory measures on the trade of the country that violates the rules.
- The WTO agreement permits the United States to regulate and even stop trade to protect U.S. national security, public health and safety, natural resources, and human rights.

International trade agreements can enhance the freedom and prosperity of Americans.

- Trade agreements provide Americans greater freedom to buy, sell and invest in the international marketplace by lowering barriers to trade.
- The United States uses trade agreements effectively to promote U.S. exports. From 1995 through the present day, the United States has prevailed in 51 of the 54 concluded cases that it has filed, either by winning a WTO panel ruling or through an out-of-court agreement.

continued

FAST FACTS

Congress and the president make U.S. law.

WTO panels cannot override U.S. federal, state or local laws.

International trade organizations have no enforcement authority.

Since 1995, the United States has won 44 of the 47 trade cases it filed at the WTO.

continued

- WTO member countries, including the United States, implement panel decisions not because of the coercive power of the WTO, but because they think that their people will benefit in the long run from rules that promote mutual economic gains through trade liberalization.

Negotiating trade agreements that create jobs, foster growth and give consumers more choices at better prices is a wise exercise of U.S. sovereignty.

SOURCE

Office of the United States Trade Representative, "Snapshot of WTO Cases Involving the United States; United States as Complaining Party," August 22, 2006.

Business Roundtable℠

Free Trade Agreements (FTAs) Are Good for the U.S. Economy

FTAs Help Open Markets and Create Export Opportunities for U.S. Companies and Jobs for American Workers

U.S. free trade agreements (FTAs) have a strong record of increasing U.S. exports by opening foreign markets to U.S. goods and services.

- In the first 10 years of the North American Free Trade Agreement (NAFTA), U.S. exports to Canada and Mexico grew from $142 billion to $263 billion.
- U.S. exports to Jordan have increased by 90 percent since the U.S.-Jordan FTA was signed in 2001.
- From just prior to implementation of the U.S.-Chile FTA in 2003 to 2005, exports from the United States to Chile increased by 90 percent to $5.2 billion. This increase represented a reversal of a trend in which U.S. exporters lost market share in Chile to competitors with FTAs, such as the European Union and Mexico. With the implementation of the FTA, U.S. import share in Chile once again has begun to climb.
- In the first year of the FTA between the United States and Singapore, the U.S. trade surplus with Singapore tripled, growing to more than $4.3 billion in 2004. The United States ran a $5.5 billion trade surplus with Singapore in 2005 as a result of this FTA. Exports to Singapore increased by 24 percent.
- In the first year of implementation of the U.S.-Australia FTA, U.S. exports to Australia grew by $1.6 billion, helping the United States maintain an $8.4 billion goods trade surplus with Australia.
- The recently signed Central America Free Trade Agreement (CAFTA) will open the vast markets of Central America and the Caribbean to U.S. exporters under favorable terms. The CAFTA region represents the second largest U.S. export market in the Americas, and total U.S. exports to this region are larger than those to Russia, India and Indonesia combined.

continued

FAST FACTS

U.S. exports to Mexico and Canada grew by $143 billion in the first 10 years of NAFTA.

Jordan FTA = 90% increase in U.S. exports

U.S.-Chile FTA = 90% increase in U.S. exports

U.S. trade surplus with Australia = $8.4 billion

NAFTA = $930 increase in annual income for an average family

continued

FTAs benefit American consumers and families by increasing wealth and improving access to a wide variety of affordable products.

- Lower prices on goods and manufacturing inputs as a result of FTAs help keep U.S. inflation low. Low inflation means low interest rates, making homeownership and business loans more affordable for Americans.
- FTAs help keep down the price of U.S.-produced goods due to a greater supply of inputs at lower prices, enabling U.S. businesses to produce more affordable products while remaining competitive.
- Economists estimate that NAFTA alone resulted in a $930 annual increase in household income for the average U.S. family as a result of lower tariffs and increased economic growth.

FTAs create new opportunities for American businesses, workers and consumers.

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Business Roundtable℠

Trade and Labor

Domestic Manufacturers Can Compete with Labor Abroad

The high productivity of U.S. labor makes the labor cost per unit of U.S. goods very competitive in the global economy.

- U.S. manufacturers pay their workers high wages and benefits because those workers are more productive and efficient. High labor productivity allows domestic manufacturing firms to pass on their costs savings to employees in the form of higher wages and more benefits.
- Unit labor costs for manufacturers are lower in the United States than they are in Germany, the United Kingdom, Canada or France. Unit labor costs in the United States are on par with those in South Korea. Unit labor costs in Japan and Taiwan are not considerably lower than U.S. manufacturing unit labor costs.
- China and Mexico are the only important U.S. trading partners with considerably lower unit labor costs. Rapid economic development in both countries is causing their wage rates to increase dramatically, roughly 16 percent per year since 1991 in China, and this trend will continue.

For most manufacturers, direct labor costs represent only a small portion of total manufacturing costs.

- The modern concept of "manufacturing" incorporates a broad group of activities, such as design, finance, production, sales, marketing and after-sales service.
- Overhead costs, such as corporate taxes, actual or threatened tort litigation in the United States, and complex regulatory compliance, add nearly $5 per hour worked to the unit labor costs of U.S. manufacturers. These overhead costs have a far greater impact on U.S. manufacturers' cost competitiveness than do foreign wage rates.

Highly productive U.S. workers can and do successfully compete with lower-cost foreign labor in global markets.

continued

FAST FACTS

Production/labor cost = unit labor cost

U.S. high productivity allows for high wages but also competitive unit labor costs.

Unit labor cost:
United States < Germany
United States < United Kingdom
United States < Canada
United States < France
United States = South Korea

If wages rise without a rise in productivity, unit labor costs rise.

China wages have risen at 16% per year since 1991.

Overhead costs (e.g., taxes and torts) add $5 per hour worked to unit labor cost in the United States.

SOURCES

Jeremy A. Leonard, National Association of Manufacturers, "How Structural Costs Imposed on U.S. Manufacturers Harm Workers and Threaten Competitiveness," 2003.

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Business Roundtable

Trade and Domestic Standards

Liberalized Trade and Investment Do Not Create a Race to the Bottom for Labor or Environmental Standards

Trade and investment liberalization does not weaken labor standards or drive investors to seek the country with the lowest labor standards.

- Nations with low labor standards do not attract increased foreign investment or increased export markets.
- By law, U.S. trade negotiators are required to ensure that each trading partner effectively enforces its environmental or labor laws. In addition, our trading partners must commit to not lowering their own standards to increase trade or attract investment.
- U.S. international trade agreements encourage our trading partners to enforce their domestic labor laws. For example, trade agreements with Australia, Bahrain, Central America, Chile, Jordan, Morocco, Oman and Singapore encourage compliance with the fundamental conventions of the International Labour Organization, which include freedom of association, the right to collective bargaining, the abolition of child labor and forced labor, and equality of treatment and opportunity. The proposed U.S.-Peru, U.S.-Colombia and U.S.-Panama Free Trade Agreements have similar provisions.

Trade and investment liberalization raises global environmental standards.

- Multinational companies often adopt uniform global standards to lower their costs, and they conform these standards to the environmental regulations in their most important markets, which typically have the highest, not lowest, environmental standards.
- Foreign-owned plants in developing countries tend to pollute less than domestic plants in the same industry.
- Trade and investment help developing countries reach the middle-income level. When countries reach this level, history demonstrates that environmental protection will improve in tandem with increased economic development.

continued

FAST FACTS

Per-capita income ↑ results in environmental protection ↑

Multinationals usually set their corporate standard at the highest national standard under which they operate.

Foreign-owned facilities in developing countries tend to pollute less than domestic facilities.

continued

- Trade and investment increase per-capita income, and the higher a country's per-capita income, the better the quality of its environmental protections.

SOURCES

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Business Roundtable™

Trade and Agriculture

U.S. Agriculture Has Much To Gain from Liberalized Trade

Agricultural exports are essential for American farmers and ranchers.

- American farmers and ranchers are the most competitive and technically advanced in the world. With 96 percent of the world's population living outside U.S. borders, American farmers depend on being able to export their products and crops to the rest of the world.
- U.S. agriculture is two-and-a-half times more reliant on trade than other sectors of the economy. One in three acres of U.S. agricultural land is planted for export, and 49 percent of American food grain production, 16 percent of feed grain production and 35 percent of oilseed production is grown for export.
- U.S. agricultural exports totaled $63.1 billion in 2005, the highest dollar amount on record. In 2006, numbers are expected to exceed $68 billion.
- Commodities, such as corn, soybeans, rice, cotton and wheat, rely on overseas markets for more than one-third of their total sales. Many high-value products, such as almonds, cattle hides, walnuts and many types of fruit, are extremely reliant on overseas markets.

Agricultural trade is an important part of the U.S. economy.

- In 2004, total U.S. agriculture exports were $61.4 billion. These exports produced more than $90.8 billion in supporting economic activity, as agricultural producers purchased inputs such as fuel, fertilizer and transportation services.
- American agricultural exports create good U.S. jobs. In 2004, agricultural exports created 825,000 full-time civilian jobs, including 437,000 in the nonfarm sector.
- Agricultural imports benefit American consumers and families by increasing variety and keeping food affordable.

continued

FAST FACTS

United States:
- largest agricultural exporter
- second largest agricultural importer

1 in 3 U.S. agricultural acres is planted for exports.

Exports:
- 25% gross cash farm receipts
- support 750,000 U.S. agriculture-related jobs

U.S. agriculture is 2.5 times more reliant on trade than other economic sectors.

Corn, Soybeans, Rice, Cotton, Wheat — more than 1/3 sales outside United States

Global average tariff on agricultural products = 62%

Global average tariff on nonagricultural products = 4%

Agricultural exports to FTA partners grew twice as fast as non-FTA exports.

continued

Trade negotiations offer the best hope for persuading our trading partners to move toward free trade in food.

- America is consistently the world's largest agricultural exporter and the world's second largest importer of agricultural products.
- U.S. agricultural exports face substantial barriers to trade. The global average tariff on agricultural products is 62 percent, while the average tariff on nonagricultural products is just 4 percent. Elimination of distorting subsidies and tariffs on trade in agricultural products will help U.S. farmers gain market access and make food more affordable for everyone, including American families.
- Trade agreements help American farmers access markets. U.S. agriculture exports to free trade agreement (FTA) partners in Latin America, Africa and the Middle East have grown twice as fast as exports to the rest of the world.
- Successful completion of the Doha Round of multilateral trade negotiations will eliminate export subsidies and domestic support programs that make it difficult for U.S. farmers to compete on a level playing field with farmers in other countries, particularly those in the European Union and Japan.

Elimination of our trading partners' distorting tariffs and subsidies helps level the playing field for America's highly competitive farmers.

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Business Roundtable℠

Trade and Services

Services Industry Is a Powerful Engine of Growth for the U.S. Economy

The services industry is the fastest growing sector in the U.S. economy.

- U.S. companies increasingly provide foreign firms with financial, professional and information services to meet their business needs. The United States is the largest producer and exporter of financial services.
- U.S. services exports have increased by 90 percent since 1994, reaching $380 billion in 2005. This represents 30 percent of the value of all U.S. exports.
- Services cover an enormous range of industries, including banking and insurance, travel, entertainment, legal and other business services, and professional services. This large and diverse sector accounted for 83 percent of all nonfarm payroll employment in 2005 and is projected to account for nearly 86 percent by 2014.
- The services industry is the largest component of the U.S. economy, employing eight out of 10 Americans and accounting for more than half of the total gross domestic product.
- The U.S. services industry is growing rapidly and creating new jobs. From 1940 to 2005, 91.3 million net new jobs were created in the services sector of the economy, compared to 9.8 million in the manufacturing sector. U.S. employment growth over the next 10 years will be concentrated in the services industry.

U.S. trade policy correctly focuses on liberalizing trade and investment in services through multilateral and bilateral cooperation.

- The United States has a competitive advantage in the high-value, high-skilled services industry, which results in more jobs for Americans and contributes to the growth of the U.S. economy.
- In 2005, U.S. exports of financial, professional, business and technical services were $380 billion, while U.S. imports of services were $323 billion, resulting in a $57 billion trade surplus in services.

continued

FAST FACTS

United States = largest exporter of financial services

U.S. services exports have increased 90% since 1994.

U.S. services industry:
- largest component of economy
- employs 8 out of 10 Americans
- half of gross domestic product

Between 1940 and 2005, the services sector created 91.3 million net new jobs.

$57 billion trade surplus in services in 2005

continued

- The United States should pursue open trade policies that expand export markets for U.S. services and build on the strength of the services sector in the United States.

The U.S. economy will benefit greatly from liberalized trade in services.

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Business Roundtable

Trade and Telecommunications

Trade Liberalization Creates Opportunities for U.S. Telecommunications Companies

Trade liberalization and enforcement of trade rules help ensure a level playing field and market access for U.S. telecommunications companies.

Growth in the telecommunications sector has been fast, and continued openness in the sector will fuel further development of the global economy.

- Global revenues for telecommunications services are expected to reach $1.3 trillion by the end of 2007 and are predicted to reach $1.56 trillion by 2011.
- Emerging market customers now account for more than 50 percent of global telecommunications subscriptions. Six percent of telephone customers will be located in emerging markets by 2010.
- Countries must continue to implement the core principles of the World Trade Organization (WTO) reference paper on telecommunications — including requiring dominant service providers to allow all service providers to interconnect to their transmission networks and promoting the independence of government regulators.

The United States needs to ensure, through dispute settlement if necessary, that foreign markets remain open to U.S. telecommunications service providers.

- The U.S. telecommunications sector is essential to the U.S. economy, national productivity and the global economy. The United States should continue to press its trading partners to eradicate the discriminatory and trade-stunting use of single technology standards.
- Trade negotiations have secured more open competitive markets for U.S. telecommunications companies.
  - Every recent free trade agreement, including those signed with Australia, Bahrain, Central America, Chile, Colombia, Morocco, Oman, Peru and Singapore, contains specific provisions to ensure access to public networks and prohibit the use of exclusionary standards in the telecommunications sector.

continued

FAST FACTS

2007 global telecommunications revenues reach $1.3 billion.

U.S. Trade Representative actions ensured that China and South Korea did not implement discriminatory policies.

continued

– As the result of bilateral negotiations, China recently shelved plans to implement a mandatory wireless encryption standard that unfairly favored Chinese companies. China also agreed to support multiple-use technology that will allow market access for all third-generation wireless phone service providers.

– After U.S. prompting, South Korea opted not to implement a mandatory standard regarding downloads from the Internet to cell phones that would have shut out competing U.S. systems.

- Trade rules and dispute settlement also ensure access to a level playing field for U.S. telecommunications companies. A recent WTO decision requiring Mexico's dominant telecommunications supplier to provide U.S. companies with fair, cost-oriented interconnection rates should provide future annual savings of several hundred million dollars for U.S. industry.

The United States must work to further eliminate unfair and costly regulations that discriminate against U.S. companies and limit choices for foreign consumers.

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Trade and Intellectual Property

Strong Intellectual Property Protection Is Key to Promoting Innovation and Economic Growth

Piracy and counterfeiting of intellectual property is costly and dangerous. Intellectual property protection is a foundation of sustained economic development.

- Adequate intellectual property protection is an "indispensable incentive" to increased innovation, development of new industries, technology transfer and the creation of new jobs.
- Foreign direct investment increases as foreign governments enforce intellectual property protection, particularly patent rights.
- Increased intellectual property protection in foreign markets increases the availability of medicines and other important products in those markets. For example, the intellectual property protection rules in the U.S.-Jordan Free Trade Agreement have led to a substantial increase in the rate of regulatory approval of innovative drugs in Jordan.
- Compulsory licensing of intellectual property should be used only when absolutely necessary, such as in fighting malaria, tuberculosis and HIV/AIDS. Compulsory licensing inhibits future research and development and can result in the proliferation of dangerous products that are of inferior quality because of substandard manufacturing processes.

Widespread counterfeiting causes enormous economic losses and endangers public health and safety.

- The value of counterfeit and pirated goods is estimated at more than $600 billion annually. Industries that rely on copyright, trademark and design have been hardest hit, but other affected industries include food and beverages, pharmaceuticals, electrical appliances, watches, cigarettes, and cosmetics.
- Global revenue losses from software piracy totaled $34 billion in 2005. Piracy rates in many developing countries, including China and Vietnam, exceed 85 percent.
- Reducing global software piracy by just 10 percent will create an estimated 2.4 million new jobs and $400 billion in economic growth worldwide.

continued

FAST FACTS

Value of counterfeit and pirated goods is $600 billion annually.

In China and Vietnam, there were 9 pirated installations for each licensed software installation in 2001.

continued

- Not only does the proliferation of counterfeit products undermine legitimate commerce, but it also poses a serious public health and safety risk. People are harmed and killed by consuming or using substandard counterfeit products, believing the products to be reliable and legitimately produced.

Adequate protection for intellectual property rights is essential for scientific innovation and economic growth.

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Business Roundtable℠

Trade and Unfair Competition

Strong Trade Laws and Remedies Ensure a Level Playing Field for U.S. Businesses and Workers

Under U.S. law, U.S. companies have effective remedies for unfair trade practices by exporters to the United States.

- The U.S. countervailing duty law offsets the effect of foreign government subsidies that benefit products exported to the United States. The U.S. antidumping law offsets the effect of below-cost sales or sales by an exporter whose home market is protected from competition.
- Section 337 of the Tariff Act of 1930 prevents the importation of products that infringe on U.S. patents, copyrights and trademarks to protect the value of U.S. companies' research and development (R&D) spending.
- In 2004, the U.S. Department of Commerce established an Unfair Trade Practices Task Force to make recommendations on how to eliminate unfair trade practices that harm U.S. businesses.

The U.S. government can protect the interests of U.S. exporters in foreign markets by enforcing World Trade Organization (WTO) agreements.

- The U.S. government can and does use the WTO agreement to eliminate barriers to exports of U.S. goods. For example, the agreement puts a cap on the amount of most duties, prohibits discrimination against imports (such as unfair standards requirements for imports), and requires transparent and honest customs procedures.
- The U.S. government uses the WTO dispute settlement procedures to enforce the rules when U.S. exporters are unlawfully denied access to foreign markets. From 1995 through the present day, the United States has prevailed in 51 of the 54 concluded cases that it has filed, either by winning a WTO panel ruling or through an out-of-court agreement.

All countries must trade fairly to maximize the gains from international trade.

continued

FAST FACTS

U.S. companies' R&D spending in 2001 was more than $180 billion.

Tools to ensure fairness:
- U.S. countervailing duty law
- Section 337 of the Tariff Act of 1930
- U.S. Department of Commerce Unfair Trade Practices Task Force
- WTO agreement
- WTO disputes settlement system

WHAT OTHERS SAY

"We want fair trade. We understand free trade, but we want it to be fair. We want to level the playing field in every place that we can."

Manufacturing Alliance of Connecticut

SOURCES

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Business Roundtable

Trade and High Technology

Agreements That Liberalize Trade and Protect Intellectual Property Are Critical to the Success of America's High-Technology Industry

The most rapid growth in information technology (IT) consumption is occurring outside the United States. Continued U.S. leadership in high technology requires agreements that open foreign markets to U.S. exports and strong protections for intellectual property.

International trade in high-technology products is important to U.S. business and the U.S. economy.

- As much as 65 percent of revenues for the leading U.S. high-technology companies are generated from sales outside the United States.
- Without global trade the U.S. high-technology industry would be just one-third of its current size, and the dynamic U.S. high-technology sector would employ proportionately fewer people and generate less income and tax revenue in the United States.
- The U.S. software industry alone was estimated to generate a $21.5 billion trade surplus in 2004. Without trade in high-technology products and the resulting exports, the U.S. trade deficit would be larger each year.

Trade and investment agreements that remove barriers to high-technology products and protect intellectual property are critical to maintaining U.S. leadership in the high-technology field.

- The most rapid increase in spending on IT products is expected to take place outside the United States. While growth in North American IT spending is increasing at a healthy 6.7 percent, growth in the Middle East is at more than 8 percent, in Asia at 9.3 percent and in Eastern Europe at 11.9 percent.
- Trade agreements have significantly reduced tariffs on high-technology products, allowing U.S. exporters to enter new markets and expand overseas sales.

continued

FAST FACTS

65% of revenue for leading technology companies is from sales outside the United States.

Without trade, the U.S. high-technology industry would be 1/3 its current size.

Software exports lower the U.S. trade deficit by $21.5 billion.

continued

- The Uruguay Round agreements reduced tariffs on high-technology products, and the subsequent Information Technology Agreement (ITA) removed many tariffs entirely in signatory countries.
- U.S. free trade agreements with various countries also lowered significant barriers to U.S. high-technology exports. The Central America Free Trade Agreement, for example, is estimated to save U.S. exporters $75 million a year in import duties by reducing or eliminating tariffs on technology products.

- Continued effort to reduce barriers is vital to high-technology trade. In many markets, significant barriers to high-technology products remain. For example, Brazil, one of the world's largest markets for high technology, continues to maintain significant tariffs and taxes that can add as much as 100 percent to the cost of a personal computer.
- Trade negotiations must protect intellectual property in addition to lowering trade barriers. Failure to adequately protect intellectual property is a significant deterrent to international trade in high-technology products. Global revenue losses from software piracy alone totaled $34 billion in 2005. Piracy rates exceeding 85 percent in some emerging markets, including China and Vietnam, result in significant costs and serve as a barrier to legitimate trade.

Continued trade liberalization will deliver important benefits to the U.S. high-technology industry.

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Business Roundtable

Facing the Challenges of a New Century

In the 21st century, the United States faces important new challenges to international economic success. Policymakers need to squarely face these challenges to ensure that international trade and investment continue to be a source of U.S. strength.

An array of new realities in the 21st century will test the United States and require smart policies to ensure that the United States continues to lead internationally.

- *Major new trading nations.* With the success of global economic liberalization, economic power has become more diffuse and competitive challenges more fierce. The U.S. share of world trade is still large, but it has steadily declined as major new trading nations have emerged.
- *Cumbersome negotiating vehicles.* The success of trade liberalization also has led to a rapidly expanding membership in the world trading system, which ironically makes further global liberalization difficult to achieve. The World Trade Organization now comprises 150 governments representing 4.5 billion people. A group this size will almost inevitably move slowly as the global economy rapidly changes.
- *Economic integration without the United States.* With the diffusion of economic power — and the increased difficulty of making progress in the expanded global system — other countries have aggressively pursued trade and investment arrangements that leave U.S. exporters and investors at a competitive disadvantage.
- *Lack of coherent system integrating U.S. agreements.* The United States has negotiated free trade agreements (FTAs) with more than 14 countries since 1985. Each FTA has a rationale, but U.S. FTAs are not being forged into a coherent system. This lack of integration has led to unnecessary transaction costs for businesses that deny commercial benefits and broader strategic benefits to the United States.

continued

FAST FACTS

21st century challenges:

- major new trading nations
- U.S. share of world trade has steadily declined
- WTO has 150 members
- other nations seeking bilateral and regional trade agreements
- U.S. pursuit of trade agreements not well integrated
- missing agreements with key markets
  - Brazil
  - China
  - India
- European Union more aggressive on regulatory front
- Least developed countries' expectations unmet
- U.S. workers nervous

21st century solutions:

- maximize WTO
- better approach to FTAs
- proactive approach to foreign regulatory barriers
- negotiate investment and tax agreements
- domestic policies to push U.S. competitiveness
- help least developed countries with better tools

continued

- *Missing competitive tools with some of our key markets.* Although the United States has pursued an aggressive strategy of negotiating FTAs, we still lack FTAs or similar agreements with some of our largest trading partners. In some key emerging markets, such as Brazil, China and India, U.S. businesses lack competitive tools that European and other competitors enjoy, such as bilateral investment treaties and tax treaties.
- *New regulatory challenges.* U.S. firms face no greater set of challenges internationally than in the regulatory arena. Meanwhile, the European Union is increasingly the regulatory model of choice for third countries.
- *Unmet expectations of least-developed countries.* Least-developed countries, particularly in Sub-Saharan Africa and the Middle East, have received only limited benefits from global economic liberalization.
- *Worker anxiety at home.* U.S. workers harmed by job losses due to technological innovation and changes in the global economy are frustrated by inadequate job retraining and assistance.

U.S. policymakers should explore new policies to maximize American global competitiveness.

- *Maximize the effectiveness of the WTO.* The United States and its trading partners must conclude the Doha Round and explore ways to speed trade and investment liberalization in the future, including through rolling negotiations, plurilateral agreements among smaller groups of like-minded countries, nonbinding agreements, capacity building, increased high-level political engagement and increased transparency.
- *Make bilateral and regional trade agreements work better for the United States.* The United States should build on the series of FTAs already negotiated to ensure that current and future agreements are most effectively serving the needs of U.S. business, farmers, consumers and workers by:
  - Harmonizing and integrating existing FTAs;
  - Building regional agreements on existing FTAs; and
  - Seeking agreements with major U.S. trading partners.
- *Adopt a proactive approach to foreign regulatory issues.* International regulatory issues need to be a central component of U.S. international economic policy.

continued

continued

- *Close the gaps on investment and tax protection.* The United States should embark on more aggressive negotiation of investment and tax treaties to level the playing field with foreign competitors.
- *Lay the groundwork for American competitiveness through domestic policy.* Domestic policies affect U.S. global competitiveness and need to be designed to strengthen U.S. competitiveness. This means making a serious commitment to worker training, adjustment assistance, innovation, education and job creation; narrowing the current account deficit; and identifying and eliminating disincentives to U.S. exports and investments.
- *Bring the benefits of trade and investment to the poorest countries.* The United States and other industrialized nations need to focus on providing the world's poorest countries with the tools they need to benefit from economic liberalization and lift their citizens out of poverty. The United States and its trading partners should explore steps to make the advanced developing countries fully participating members of the global economic system.

The challenges of the new century demand an energetic and creative international economic policy.

Business Roundtable

Requirements for U.S. Success in the Global Economy

U.S. businesses require a comprehensive set of conditions to grow domestically and compete successfully around the world; the absence of any one can undermine our international competitiveness. U.S. businesses need the ability to do the following:

- Export and import goods and services without high trade or other barriers in the United States or abroad.
- Invest freely in global markets and enjoy basic protections for those investments.
- Operate in fair and transparent regulatory environments that apply uniformly to foreign and domestic firms alike.
- Rely on developed legal systems and fair arbitration systems to resolve disputes.
- Export globally without having to adjust product testing or design for each market because of unique local standards.
- Operate under trade and investment rules consistent with business realities and changing technology.
- Rely on and protect their intellectual property and know-how, and be free from requirements to transfer technology.
- Compete without burdens to international competitiveness, such as mounting employee health care costs.
- Conduct business without the risk of double taxation by the country of transaction and the country of residence.
- Compete without disincentives to export or investment, such as unilateral sanctions and export controls that do not effectively advance national security interests.
- Rely on a sound U.S. research and development base and an educated workforce.

continued

FAST FACTS

U.S. businesses need:

- low trade barriers
- free flow of investment
- fair and transparent regulations
- good dispute settlement procedures
- harmonized standards
- effective IPR protections
- competitive domestic policies
- equitable international tax policies
- no unnecessary barriers to exports
- strong U.S. R&D and education

These tools can help establish conditions for success:

- multilateral trade negotiations
- regional and bilateral negotiations
- regulatory mechanisms
- investment treaties
- tax treaties
- preference programs
- domestic policies

continued

Policymakers have a variety of tools available to help establish these conditions for success:

- Multilateral trade negotiations;
- Regional and bilateral trade negotiations;
- Regulatory mechanisms;
- Bilateral investment treaties;
- Tax treaties;
- Preference programs; and
- Domestic social and regulatory policy.

U.S. policymakers must look comprehensively at the available tools to ensure they are creating the necessary conditions for U.S. international economic success.

Business Roundtable℠

Trade Promotion Authority

Renewing the Congressional-Executive Partnership

In 2007, the president's Trade Promotion Authority (TPA) will expire. The executive branch and Congress must work together to craft an enduring solution to TPA renewal that gives both branches the necessary tools for maintaining U.S. leadership in the global economy.

TPA gives U.S. trade negotiators credibility at the negotiating table and ensures congressional and public participation in shaping the U.S. trade policy agenda.

- TPA helps the United States negotiate meaningful and comprehensive bilateral and multilateral agreements by giving U.S. negotiators credibility. Because our trading partners know that Congress will not reopen carefully negotiated agreements by amending a final agreement, they are more likely to grant substantial concessions that benefit U.S. business, farmers and consumers.
- A well-crafted TPA will help Congress maintain an active and central role in trade negotiations by allowing Congress to craft U.S. negotiating objectives and requiring meaningful consultations among the president, Congress and the public before and during negotiations.
- Between 1994 and 2002, when the president did not have this authority, the United States fell dangerously behind in negotiating free trade agreements (FTAs) and investment agreements, causing U.S. businesses and farmers to lose market share in Africa, Asia and Latin America. Since TPA was renewed in 2002, the United States has been able to resume a leadership role in global trade and investment policy by negotiating new market-opening agreements.
- The need for TPA is greater today than ever before. The unfinished Doha Round and ongoing FTA negotiations with Korea and other key trading partners will require continued presidential negotiating authority. In addition, continued U.S. leadership in global trade policy necessitates a strong partnership between Congress and the executive branch on trade and investment policy.

continued

FAST FACTS

TPA helps the United States negotiate meaningful and comprehensive agreements.

TPA helps maintain an active role for Congress in crafting U.S. trade and investment policies and negotiating priorities.

TPA = keeping pace with our trading partners to ensure that their exporters and workers are not given an unfair advantage in accessing markets

continued

TPA has generated success for U.S. trade policy.

- TPA has been a vital tool for U.S. negotiators since 1974. Presidents Nixon, Ford, Carter, Reagan, Bush and Clinton had this type of authority to negotiate trade deals with our global trading partners. Using TPA-type authority, U.S. negotiators were able to negotiate the trade agreements that shaped our modern trading system, including the Tokyo Round of multilateral trade agreements, the U.S.-Canada FTA, the U.S.-Israel FTA, the North American Free Trade Agreement and the Uruguay Round of multilateral agreements that formed the World Trade Organization.
- Since TPA was re-enacted in 2002, the United States has returned to the offensive: FTAs with Australia, Bahrain, Central America, Chile, Morocco, Oman and Singapore were negotiated and approved by Congress; agreements with Colombia, Panama and Peru have been completed and are awaiting congressional approval; talks are moving forward with Korea and the United Arab Emirates. Without renewal of TPA, the United States' ability to engage in the international economic arena will be undermined.

TPA will enable the United States to keep pace with international competitors.

- Every major trading nation in the world is actively negotiating FTAs to ensure that their businesses and workers can compete successfully in a global economy and to secure strategic commercial, foreign policy and natural resource advantages. China, the European Union, India, Japan and other leading trading powers are all actively negotiating a network of ambitious agreements, with or without us.
- If the United States leaves the field to others, U.S. businesses and their workers will be competing at a disadvantage. For instance, prior to negotiation and implementation of the U.S.-Chile FTA, U.S. exporters faced an across-the-board 11 percent tariff, while Canadian exporters — by virtue of the Canada-Chile FTA — could sell to Chile duty-free. The U.S-Chile FTA now ensures that U.S. exports enjoy the best possible terms of trade.

Failure to renew TPA denies U.S. trade negotiators a vital tool and risks letting America fall behind in the global economy.

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Business Roundtable

Maintaining America's Competitiveness

Domestic Policies To Strengthen Our Economy and Ensure Our Competitive Edge in the Global Market

To maintain America's global economic leadership, the United States needs to implement aggressive new domestic policies to strengthen our competitiveness.

Global competitiveness requires scientific and technological capabilities that keep America on the forefront of innovation.

- The United States must commit to maintaining international leadership in research and development (R&D). Strong R&D has been the engine that drives U.S. economic growth. Economists estimate that up to half of U.S. economic growth in the latter half of the 20th century was due to advances in technology.
- Recently the United States has been falling behind in the innovation race.
  - Currently, our foreign competitors are filing nearly half of all technology patent applications.
  - Approximately one-third of all jobs in the United States require science or technology competency, but only 17 percent of Americans graduate with science or technology majors.
  - Forty years ago, U.S. R&D spending was about 2 percent of U.S. gross domestic product; today, it is only 0.8 percent of gross domestic product.
- Global competitiveness requires scientific and technological capabilities that keep America on the forefront of innovation. Congress and the executive branch should give high-level attention to policies that promote American innovation.
  - Policymakers should pursue efforts to increase federal investments in basic research. Federal investment in research is the foundation for many commercial advancements, yet it has been declining steadily since the 1970s when federal spending was 57 percent of all R&D spending, instead of today's 30 percent.

continued

FAST FACTS

Technology advances = half of economic growth in the second half of the 20th century

United States is falling behind on innovation:

- Half of all technology patents are filed by foreign competitors
- 1/3 of jobs require technology or science skills, but only 17% of graduates have technology or science majors
- R&D spending has fallen from 2% of gross domestic product to 0.8%

United States is falling behind on R&D expenditures.

United States ranks only 17th in college students pursuing science and engineering.

U.S. system of taxing overseas business income is at odds with most OECD countries.

Protectionism is not the answer to the trade deficit.

continued

- Improving the R&D tax credit will encourage American businesses to invest in R&D. The tax credit should be expanded to include more types of R&D, and the percentage of R&D eligible for the credit should be increased.
- The R&D tax credit should be made permanent. The temporary status of the credit creates unnecessary uncertainty for investors considering long-term R&D projects.

Improving education is vital to ensuring America's place as a leader in the global economy.

- Well-educated workers and outstanding universities are the cornerstone of America's ability to compete in the world economy.
- In recent years, the United States has been falling behind other countries in building and maintaining a well-educated and competitive workforce.
  - The number of engineering doctoral degrees awarded in the United States has been declining since 1995. Doctorates in all science fields also have been falling.
  - The United States now ranks only 17th in the world in the number of college students pursing science and engineering degrees.
  - In international tests of math and science skills, American high school seniors score well below those of our economic competitors.
- Congress and the president must work together for a bipartisan solution to maintain America's workforce competitiveness.
  - Steps should be taken to fully implement and expand the president's American competitiveness initiative, including steps to improve math and science education at the high school level; creating more scholarships and loan-forgiveness programs for science, technology, engineering and math students; and strengthening math and science teaching in American schools.
  - Policymakers also should pursue plans to invest more in graduate research fellowships and trainee programs to increase the number of highly trained workers.

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Tax rules must be reformed to conform to international norms and ensure that U.S. businesses are not handicapped in the global marketplace.

- The U.S. system of worldwide taxation imposes taxes on American companies for income earned in foreign countries. In contrast, most Organisation for Economic Co-operation and Development (OECD) countries impose no tax on active income earned abroad. U.S. policy places American companies at a disadvantage.
- Limitations on the deferral of active income earned abroad impose higher tax burdens on U.S. global companies than on competitors from other OECD countries.
- Congress and the president should work together to reform tax policies to eliminate the competitive disadvantage imposed on U.S. companies.

The United States must address the looming problems associated with rising energy prices and heightened competition for energy resources.

- Strong economic growth in Asia is driving up worldwide demand for energy resources and putting upward pressure on prices. Supply constraints and rising prices mean the United States cannot count on the low-cost energy that has helped drive our economy.
- Congress and the president must work together to craft bipartisan approaches to address all aspects of the energy equation by increasing conservation and energy efficiency, enhancing domestic energy supplies, and investing in new fuels and energy-efficient technologies.
- U.S. policymakers must align energy security goals with national policy objectives by strategically integrating energy and environmental policies with national security goals and building on America's historical commitment to open investment and free trade.

continued

continued

The United States should develop and implement well-designed policies to reduce the current account deficit.

- The U.S. trade deficit stands at a record level. Although this is not a sign of current economic weakness, it does potentially hinder future economic growth and productivity because it builds up large debts for future generations to repay.
- Economists agree that protectionism is not the solution to the trade deficit. Congress and the president should avoid protectionism in response to the trade deficit and develop meaningful policies to help lower the deficit.
  - The United States should encourage private savings by American citizens to help finance new domestic investments without increased foreign borrowing and to reduce the risk of personal financial crisis.
  - The United States should reduce the federal deficit to ensure that less foreign borrowing is necessary. In particular, reform is needed to control long-term growth in entitlement spending, which will otherwise result in significant future budget imbalances.
  - To help eliminate the trade deficit, the United States should promote economic growth and consumer demand abroad. We should encourage our trading partners to adopt policies that stimulate domestic growth and consumption.
  - Opening overseas markets to U.S. exports of goods and services also will help reduce the U.S. trade deficit. The United States should continue on the path of negotiating bilateral and multilateral agreements that achieve meaningful market opening for U.S. exports and ensure such agreements are enforced.

Bipartisan policies to maintain and improve America's competitive position will be essential to continued U.S. economic leadership in the 21st century.

SOURCE

Business Roundtable, "Expanding Economic Growth Through Trade and Investment: A Blueprint for U.S. Leadership in the 21st Century," September 2006.

Business Roundtable℠

Keeping Pace with Our International Competitors

The Need for Continued U.S. Trade Leadership

Every major trading nation in the world is actively negotiating free trade agreements (FTAs). U.S. economic success demands that the United States continues to match the energy of other major traders in concluding meaningful trade and investment agreements.

Our major international competitors are moving forward, with or without us.

- More than 300 FTAs have been negotiated globally, with more than half coming since 2002. In Asia Pacific alone, the number of FTAs has tripled over the past five years, from 57 in 2002 to 176 in October 2006.
- This activity is occurring across many countries — FTAs have become a regularized part of the international economic landscape, and every country in the world has entered into at least one FTA. Today, nearly 55 percent of world trade occurs through FTAs.
- The European Union (EU) has actively negotiated FTAs for years; it is party to more FTAs than any other economy in the global trading system. In October 2006, the European Commission identified a new wave of strategic FTA partners in Asia and other places where U.S. firms compete head-to-head with European companies, farmers and workers.
- Japan is negotiating or preparing for negotiations of more than a dozen FTAs after having concluded four agreements since 2002.
- China, a new player in the world trading system, has pivoted off of its 2001 entry into the World Trade Organization (WTO) to launch an active FTA diplomacy, with negotiations involving 27 countries and regions throughout the world.
- India is negotiating agreements around the world that stand to open its closed markets in selective fashion, including with the EU, MERCOSUR and South Korea.
- Brazil, through MERCOSUR and on its own, is engaged in negotiations with the EU, Mexico and South Africa.

continued

FAST FACTS

More than 300 FTAs have been negotiated globally, 1/2 since 2002.

55% of world trade occurs through FTAs.

The EU is party to more FTAs than any other economy.

China is involved in negotiations with 27 countries and regions around the world.

Failure to keep pace with negotiations puts U.S. exporters and workers at a disadvantage.

WINNING POLICIES FOR THE 21ST CENTURY

continued

If the United States leaves the field to others, U.S. businesses and their workers will compete at a disadvantage.

- When a concluded FTA excludes the United States, and the United States does not have an FTA with that economy, U.S. exporters suffer trade discrimination. For instance, prior to negotiation and implementation of the U.S.-Chile FTA, U.S. exporters faced an across-the-board 11 percent tariff, while Canadian exporters — by virtue of the Canada-Chile FTA — could sell to Chile duty-free.
- Trading powers use FTAs to set precedents for how issues should be dealt with more broadly in the international trading system. If we leave FTA leadership to others, we will risk America's ability to shape the terms of global trade.
- U.S. exports are regularly delayed or blocked because they must comply with mandatory product standards that differ from U.S. or international standards or must undergo duplicative local testing requirements. When negotiated agreements allow a competitor from the EU or elsewhere to rely on its home-country standards or regulatory procedures, U.S. exporters are handicapped.
- By virtue of FTAs or investment agreements, businesses enjoy increased investment opportunities and protection against discrimination and expropriation without just compensation. When foreign competitors enjoy such advantages and U.S. firms do not, the United States is impaired.

To keep the United States on pace with our international competitors, to not fall backward by standing still and to ensure continued U.S. international economic leadership, the work of the next two years and the 110th Congress is critical.

- Negotiated FTAs with Peru, Colombia and Panama need to be implemented in the coming year.
- Current negotiations with Korea, Malaysia, the United Arab Emirates and Thailand need to be concluded on commercially meaningful terms.
- Trade promotion authority/fast track needs to be renewed based on an open discussion among the administration, Congress and stakeholders.
- The future negotiating agenda, with attention to the most significant markets, needs to be developed, again based on close coordination between the administration, Congress and the private sector.

America's major international competitors are not standing still. We cannot afford to either.

Business Roundtable

Improving the Safety Net

Building Programs To Better Assist Displaced Workers

Open trade policies bring economic growth and jobs to the U.S. economy, but it is inescapable that some workers will be displaced by foreign competition. We cannot ignore these workers; we must develop programs to ensure that all of America's workers reap the benefits of trade liberalization.

- Despite recent improvements, problems continue to exist in programs designed to help displaced workers.
- Existing public education, training and adjustment programs are balkanized. Across the federal government, there are 44 programs in nine different agencies that focus on employment training. As a result, potential beneficiaries of the system find it difficult to access relevant information.
- Existing programs are not relevant to the 21st century economy. Programs are designed to help manufacturing workers displaced by cyclical downturns in the economy, but today's economic changes are structural, requiring a broader focus.
- Programs concentrate primarily on persons who already are out of work and so do not devote enough resources to incumbent workers who need to upgrade their skills.
- Most states discourage or prohibit unemployed persons from participating in training until they have exhausted their unemployment insurance.

Displaced worker programs need to be designed for the 21st century.

- Education, training and adjustment programs should be consolidated under more uniform and transparent eligibility requirements and should distribute benefits under a common set of criteria. Systems should be streamlined to eliminate the multiple bureaucracies in current programs.

continued

FAST FACTS

Existing education and training programs are scattered across 44 programs in 9 agencies.

Existing programs are designed for manufacturing workers.

Workers collecting unemployment are prohibited from training programs in many states.

Programs to aid displaced workers must be updated for the 21st century.

continued

- Programs should encourage early enrollment in training to accelerate a worker's adjustment. Programs should allow workers to begin retraining or education programs immediately upon losing their jobs or even before, if possible. Programs also should focus on training incumbent workers who need to upgrade their skills, in addition to assisting those who presently are in need of work.
- Programs should reflect the modernization of our economy and cover all relevant displaced workers, including services workers.
- Programs should be fine-tuned for today's modern economy, providing training in skills and fields that are critical to American competitiveness and giving workers the flexibility to participate in the changing economy.
- Policies should create incentives for business to support employee education in the skills and technology necessary for the changing economy. To remain competitive in today's environment, businesses and workers need to constantly update their skills.
- Beyond job training and education, displaced workers should be provided with the necessary safety net to allow them to adjust to changes in the economy, including portable health and retirement benefits.

Because today's students are tomorrow's workers, improvements to existing adjustment programs should be pursued in tandem with systemic educational reform.

- Trade adjustment assistance alone cannot meet the long-term challenges facing lower-skilled workers. Displaced workers disproportionately are those with a high school education or less. Improving educational opportunities for American students will help them remain competitive in a changing economy.
- Business and community leaders need to work together to develop sound education policies that prepare our students to succeed in fields that will lie at the forefront of the world economy, such as math, science and engineering.

Well-designed programs for displaced workers — not trade and investment restrictions — will ensure higher living standards and robust income growth.

Business Roundtable

Bringing the Benefits of Liberalized Trade and Investment to the Least Developed Countries

Participation in the Global Economy Will Help Developing Countries Lift Their Citizens from Poverty

Economic openness and trade liberalization have helped lift millions of people around the world out of poverty.

- Open trade policies in the 20th century helped countries as diverse as Brazil, China, India, Mexico and South Korea grow their economies, increase trade and improve standards of living for their citizens.
- Lowering barriers to imports is an important step developing countries can take to spur economic growth and reduce poverty. According to a World Bank study, developing countries that opened their economies achieved an average economic growth rate of 5 percent over a 20-year period, while those that did not liberalize saw growth rates of less than 1 percent. Liberalizing countries also achieved longer life expectancy, better schooling, rising wages and a declining number of people in poverty.
- U.S. policies that open our markets to developing countries have helped facilitate growth and eliminate poverty.
  - Under the Caribbean Basin Initiative (CBI), beneficiary countries have increased exports to the United States more than threefold since the program began in 1983. The program has helped countries diversify their economies beyond commodities; more than 60 percent of U.S. CBI imports are now manufactured goods.
  - Since the 2000 enactment of the African Growth and Opportunity Act, eligible countries have increased their exports to the United States by more than $36 billion.
- Liberalized trade and investment go hand-in-hand with improved labor rights and environmental protections as countries strengthen enforcement and multinational firms bring higher wages and global standards.

Despite global liberalization, many citizens in the world's least developed countries (LDCs), particularly in Sub-Saharan Africa and the Middle East, have not realized tangible economic benefits from the global economy.

continued

WINNING POLICIES FOR THE 21ST CENTURY

continued

The United States and other industrialized countries must take steps to bring LDCs into the global economy.

- The United States and other industrialized countries should develop and implement programs to improve trade and investment-related capacity building for LDCs. These countries often cannot reap the benefits of global liberalization because they lack resources and capacity to develop national trade policies and to negotiate and implement agreements. Inadequate regulatory and enforcement structures, poor physical infrastructure, and lack of business capacity handicap LDCs in negotiating and implementing trade liberalization.
- The United States and other industrialized countries give significant aid to LDCs through bilateral and multilateral programs. These programs should be examined and reformed to ensure that trade and investment liberalization objectives are integrated with development assistance programs.
- The United States maintains a number of trade preference programs for developing countries. These programs have helped increase imports from LDCs and pave the way for deeper liberalization in the form of free trade agreements. However, these programs should be examined carefully to ensure that benefits to LDCs are being maximized.
- The United States also should re-examine its preferences programs to ensure that proper incentives are given to developing countries.
  - Advanced developing countries should be encouraged to adopt policies that remove harmful barriers to south-south trade. A significant portion of the barriers to exports from developing countries comes from other developing countries. According to World Bank estimates, 70 percent of the tariff burden faced by developing countries is imposed by other developing countries.
  - Advanced developing countries should be given incentives to make meaningful multilateral commitments. In determining eligibility for preference programs, the United States should consider the role the country has played in negotiations of multilateral trade liberalization.

SOURCES

Business Roundtable, "Expanding Economic Growth Through Trade and Investment: A Blueprint for U.S. Leadership in the 21st Century," September 2006.

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Business Roundtable

U.S.-Peru Free Trade Agreement (FTA)

FTA Is Good For the U.S. Economy, U.S. Trade and Foreign Policy Objectives

The U.S.-Peru free trade agreement (FTA) opens a growing Latin American market to U.S. goods and services exports and provides an important building block to U.S. efforts to create a Western Hemisphere free trade area.

Peru has a rapidly growing economy that is an expanding market for U.S. goods and services.

- Peru's economy has been growing steadily since 2001. Its economic growth rate in 2005 was 6.7 percent and is estimated to be 4.4 percent in 2006 — a rate exceeding that in many other Latin American countries.
- U.S. goods exports to Peru increased 33 percent from 2003 to 2005. America's primary exports to Peru come from industries that generate well-paying jobs in the United States, such as agricultural and construction machinery, computers, and other electrical and nonelectrical machinery and plastics.
- Nearly 80 percent of the U.S. companies exporting to Peru in 2003 were small or medium-sized companies. Exports from these 4,000-plus companies accounted for 42 percent of all U.S. exports to Peru.
- Peru is also an important market for U.S. agricultural products. Wheat is one of the primary U.S. exports to Peru. Other significant and growing agricultural exports include cotton and soybean oil.

The Peru FTA will level the playing field for U.S. exports to Peru by rapidly removing barriers on a significant percentage of U.S. exports.

- Many Peruvian products already enter the United States duty-free under the Andean Trade Preferences and Drug Eradication Act. This is not true for U.S. products entering Peru. The Peru FTA helps level the playing field by removing Peruvian barriers to U.S. goods, services and agricultural products.

continued

FAST FACTS

Peru's economic growth rate was 6.7% in 2005.

U.S. goods exports to Peru grew by 33% between 2003 and 2005.

Upon implementation of FTA:

- 80% of U.S. consumer goods will be duty-free
- all information technology products will be duty-free
- 2/3 of U.S. agricultural exports will be duty-free

Peru's FTA commitments exceed WTO services commitments.

FREE TRADE AGREEMENTS

continued

- As soon as the agreement is implemented, a groundbreaking 80 percent of U.S. exports of consumer and industrial goods will enter Peru duty-free. Important U.S. exports, such as information technology equipment, agriculture and construction equipment, auto parts, and forestry products, will enter duty-free immediately upon implementation of the agreement.
- As part of the agreement, Peru will join the World Trade Organization (WTO) Information Technology Agreement, which mandates removal of all tariff and nontariff barriers on computers and other information technology products.
- More than two-thirds of U.S. agriculture exports to Peru will become duty-free upon implementation of the agreement; most additional tariffs will be removed within 15 years. Key U.S. agricultural exports, such as cotton, wheat, soybeans, apples, pears, peaches and almonds, are included in the list of products receiving immediate duty-free treatment. Immediate removal of duties also will apply to U.S. exports of significant processed food products.

Peru's commitments to liberalize its services sector will significantly improve market access for U.S. services companies.

- In the U.S.-Peru FTA, Peru has agreed to exceed its WTO commitments for services liberalization, creating increased opportunities for American companies.
- The Peru FTA improves market access across all aspects of the services sector. In addition, unlike the WTO services agreement, the FTA with Peru uses a "negative list" approach, meaning that all services are subject to liberalization except those specifically excluded. This allows greater market access in emerging services industries because new negotiations will not be necessary to liberalize those industries.
- The Peru FTA includes significant liberalization in the key financial services sector. New access for financial services providers will include the right to establish subsidiaries or branches of U.S. banks and the ability to supply insurance on a cross-border basis. The agreement also will produce significant improvements in the transparency of Peru's domestic regulatory regime for financial services.

An FTA with Peru demonstrates support for democracy and open markets in the Western Hemisphere.

- Since 2001, the government of Peru has pursued an ambitious program to strengthen its democracy and promote a market-based economy. The U.S.-Peru FTA will help strengthen Peru's commitment to democracy and open economic policies.

continued

U.S.-Peru Free Trade Agreement (FTA)

FTA Is Good For the U.S. Economy, U.S. Trade and Foreign Policy Objectives

continued

- Peru has agreed to take significant market liberalization steps, particularly in the key areas of agricultural trade and protection for intellectual property. Peru's commitments provide an important benchmark for future agreements in the Western Hemisphere. Approval of the FTA signals U.S. support for Peru's bold commitment to free trade.
- Successful trade agreements in the Andean region are important to U.S. economic strategy in Latin America. The United States has significant economic ties to the Andean region. Together Peru, Ecuador and Colombia imported more than $8 billion in U.S. goods in 2004. U.S. exports of agricultural products to Peru, Ecuador and Colombia totaled $1 billion. The stock of U.S. foreign direct investment in these countries was nearly $8 billion in 2004.
- Liberalization of trade and investment regimes in Latin America is critical to fostering economic growth, democracy and political stability in the region. Growth and stability are vital to controlling drug trafficking, narco-terrorism and the rise of antidemocratic politics in the region. Approval of the Peru agreement signals U.S. commitment to the Andean region and is critical to the success of the larger Andean trade strategy.

The U.S.-Peru FTA will help promote democracy and stability in Latin American while leveling the playing field for U.S. exporters.

SOURCES

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Ibid., "U.S. Exports to Peru: A State Perspective," May 2006.

FREE TRADE AGREEMENTS

Business Roundtable

U.S.-Columbia Free Trade Agreement (FTA)

FTA Will Help Grow U.S. Exports and Improve U.S. Economic and Political Ties to Latin America

The U.S.-Colombia free trade agreement (FTA) opens an important Latin American market to U.S. goods and services exports and provides a building block toward a Western Hemisphere free trade area.

Colombia's growing economy is an important market for U.S. exports.

- Colombia is the third largest country in Latin America after Brazil and Mexico. Its economy has been growing rapidly in recent years. In 2005, its gross domestic product grew by 5.1 percent; its growth is estimated to be 5.4 percent in 2006.
- U.S. exports to Colombia in 2005 were $5.4 billion, up 20 percent from 2004. Between 2001 and 2005, U.S. exports to Colombia grew 53 percent. America's primary exports to Colombia are in high value-added industries such as chemicals, industrial machinery and transportation equipment.
- Colombia is the second largest market for U.S. agricultural products in Latin America and the 14th largest world market for U.S. agriculture exports. Wheat is one of the primary U.S. exports to Colombia. Other significant and growing agricultural exports include cotton and soybeans.

The Colombia FTA will level the playing field for U.S. exporters by removing barriers to U.S. products.

- Many Colombian products already enter the United States duty-free under the Andean Trade Preferences and Drug Eradication Act. This is not true for U.S. exports to Colombia. The U.S.-Colombia FTA will level the playing field by removing barriers to U.S. exports of goods, services and agricultural products.
- Eighty percent of U.S. exports of consumer and industrial goods will enter Colombia duty-free upon implementation of the FTA. Key U.S. exports, such as agriculture and construction equipment, aircraft and

continued

FAST FACTS

Colombia is the third largest Latin American country.

Exports to Colombia grew 53 percent between 2001 and 2005.

Colombia is the second largest Latin American market for U.S. agriculture exports.

Under the U.S.-Colombia FTA:

- 80% of U.S. goods exports will immediately enter duty-free
- all information technology products will be duty-free
- important agricultural exports, such as wheat and soybeans, will immediately be duty-free

continued

parts, auto parts, fertilizers, and agro-chemicals, will gain immediate duty-free access to Colombia.

- As part of the agreement, Colombia will join the World Trade Organization (WTO) Information Technology Agreement, which mandates removal of all tariff and nontariff barriers on computers and other information technology products.
- Upon implementation of the agreement, significant U.S. agricultural exports, including high-quality beef, cotton, wheat, soybeans, soybean meal, apples, pears, peaches, cherries and many processed food products, will receive immediate duty-free treatment.

Colombia's commitments to liberalize its services sector will significantly improve market access for U.S. services exports.

- Colombia has agreed to exceed its WTO commitments for services liberalization, creating increased opportunities for American companies.
- The U.S.-Colombia FTA improves market access across all aspects of the services sector. In addition, unlike the WTO services agreement, the FTA uses a "negative list" approach, meaning that all services are subject to liberalization except those specifically excluded. This allows greater market access in emerging services industries because new negotiations will not be necessary to liberalize those industries.
- The agreement with Colombia includes significant liberalization in the key financial services sector. New access for financial services providers will include the right to establish subsidiaries or branches of U.S. banks and insurance companies.
- Colombia also has agreed to significant reforms in its telecommunications market, granting users of a telecommunications network reasonable and nondiscriminatory access to the network in Colombia. Once the FTA is implemented, U.S. phone companies will obtain the right to interconnect with Colombia's networks at nondiscriminatory and cost-based rates.

An FTA with Colombia demonstrates support for democracy and open markets in the Western Hemisphere.

- Since the 1990s, the government of Colombia has pursued an ambitious policy of opening its economy — a policy that has allowed it to maintain steady economic growth and one of the most stable inflation rates in Latin America. The U.S.-Colombia FTA will help strengthen Colombia's commitment to democracy and open economic policies.

continued

U.S.-Columbia Free Trade Agreement (FTA)

FTA Will Help Grow U.S. Exports and Improve U.S. Economic and Political Ties to Latin America

continued

- Successful trade agreements in the Andean region are important to U.S. economic strategy in Latin America. The United States has significant economic ties to the Andean region. Together Colombia, Ecuador and Peru imported more than $8 billion in U.S. goods in 2004. U.S. exports of agricultural products to Colombia, Ecuador and Peru totaled $1 billion. The stock of U.S. foreign direct investment in these countries was nearly $8 billion in 2004.
- Liberalization of trade and investment regimes in Latin America is critical to fostering economic growth, democracy and political stability in the region. Growth and stability are critical to controlling drug trafficking, narco-terrorism and the rise of antidemocratic politics in the region. Approval of the Colombia FTA signals U.S. commitment to the Andean region and is critical to the success of the larger Andean trade strategy.

The U.S.-Colombia FTA will help promote open economic policies and political stability in Latin America while leveling the playing field for U.S. exporters.

FREE TRADE AGREEMENTS

Business Roundtable

U.S.-Panama Free Trade Agreement (FTA)

An Opportunity To Expand Trade and Investment Liberalization in Central America

Panama's growing economy is an important market for U.S. exports and investment.

- Panama's economy has performed very well in the last several years, with economic growth rates of 4.2 percent in 2003, 7.6 percent in 2004, 6.4 percent in 2005 and an estimated 7.4 percent in 2006.
- In 2005, U.S. exports to Panama totaled $2.2 billion, an 18 percent increase over 2004 exports. Approximately one-third of Panama's imports are from the United States.
- In 2005, the U.S. trade surplus with Panama was $1.8 billion.

The U.S.-Panama free trade agreement (FTA) will eliminate barriers to U.S. exports and help level the playing field for U.S. businesses, farmers and workers.

- Panama currently enjoys broad access to the U.S. market through preference programs like the Caribbean Basin Initiative (CBI) and the Generalized System of Preferences (GSP). In fact, more than 95 percent of Panama's goods exports to the United States entered duty-free in 2005. U.S. exports to Panama do not enjoy the same treatment. An FTA will help level the playing field.
- Panama has negotiated FTAs with numerous other countries, including Chile, Taiwan, Singapore and El Salvador. If the United States does not implement an FTA with Panama, it risks losing market share to those countries that do have FTAs.
- Upon implementation of the FTA, more than 88 percent of U.S. exports of consumer and industrial goods to Panama will become duty-free. The remaining tariffs will be phased out over 10 years. The agreement includes immediate duty-free access for key U.S. sectors, including agricultural and construction equipment, information technology products, and medical and scientific equipment.

continued

FAST FACTS

Panama's gross domestic product growth:
- 7.6% in 2004
- 6.4% in 2005
- 7.4% in 2006

U.S. exports to Panama grew 18% between 2004 and 2005.

U.S. has a trade surplus with Panama.

Upon implementation of FTA:
- 88% of U.S. goods exports will be duty-free
- more than 1/2 of U.S. agricultural exports will be duty-free

continued

- More than half of U.S. agriculture exports to Panama will become duty-free immediately upon implementation of the agreement. Products receiving duty-free treatment include such important U.S. exports as meat and poultry products, soybeans, most fresh fruits and nuts, distilled spirits and wine, and a wide assortment of processed products. Tariffs on most remaining U.S. farm products will be phased out within 15 years.
- The U.S.-Panama FTA will significantly improve market access for U.S. services exporters. Panama agreed to eliminate measures that restrict investment in retail trade, to provide improved access in sectors like express delivery and to grant new access in professional services that previously were reserved exclusively for Panamanian nationals.
- The agreement also will improve protections for U.S. intellectual property rights in Panama, including state-of-the-art protections for digital products such as U.S. software, music, text and videos and stronger protection for U.S. patents, trademarks and test data.
- The agreement also ensures that U.S. firms will have an opportunity to participate on a competitive basis to provide goods and services, including construction for a significant modernization project Panama is undertaking on the Panama Canal.

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Office of the United States Trade Representative, "Free Trade with Panama: Summary of the Agreement," January 2007.

Business Roundtable℠

U.S.-Korea Free Trade Agreement (FTA)

A Comprehensive and Innovative Agreement Will Open a Significant Market to U.S. Products

Korea is one of our largest trading partners, but many barriers to U.S. products still exist. The U.S.-Korea free trade agreement (FTA) must ensure meaningful opening of the Korean market by addressing the unique issues faced by American exporters and investors.

Korea is a major world economy and an important U.S. trading partner.

- The United States and Korea have enjoyed more than 50 years of strong economic and political ties that have produced a mutually beneficial trading relationship. Today, Korea is a major world economy, an important American trading partner and a significant political ally to the United States.
- Korea is the 10th largest economy in the world and the third largest in Asia, behind China and Japan. Between 1994 and 2004, the Korean economy grew an average of 4.9 percent annually; its growth in trade was even more rapid, averaging 12.5 percent annually between 1994 and 2004.
- U.S. goods exports to Korea have increased by 53 percent, and services exports have grown 98 percent since 1994. Total U.S. exports of goods and services to Korea were approximately $37 billion in 2005, making Korea the seventh largest market in the world for U.S. exports.

An FTA with Korea will open its growing market and improve the position of U.S. exporters and investors.

- Korea's tariffs are three to four times higher than U.S. tariffs. In addition, Korea maintains significant nontariff barriers to imports and barriers to investment that further limit U.S. access to its market. An FTA will help level the playing field for U.S. exporters.

continued

FAST FACTS

Korea is the 10th largest economy in the world.

Korea is the seventh largest market for U.S. exports.

Korea's tariffs are 3–4 times higher than U.S. tariffs.

The Korea FTA would increase U.S. income by $20 billion/year.

The Korean regulatory regime is the largest barrier to U.S. exports and investment.

continued

- U.S. exports to Korea are growing; however, the U.S. share of the Korean market for imported goods has fallen recently. In 2002, the United States supplied 15 percent of Korea's goods imports; by 2004, that percentage had slipped to 13 percent, while the share held by other Asian exporters rose. An FTA will help the United States maintain and increase its market share in Korea's growing economy.
- A U.S.-Korea FTA will confer significant benefits on both countries. According to a study by the U.S. International Trade Commission (ITC), an FTA with Korea would increase U.S. annual income by $20 billion and Korean annual income by $3.9 billion. The ITC further estimated that an FTA with Korea would increase U.S. exports to Korea by $19 billion annually and increase Korean exports to the United States by $10 billion annually.

To ensure meaningful benefits to U.S. businesses, farmers and workers, a U.S.-Korea FTA must address real barriers to U.S. exports and investment.

- The U.S.-Korea FTA negotiations must address Korea's tariffs; however, it also must go beyond tariff reduction to address Korea's domestic laws and regulations, which impose much more significant barriers to U.S. exports and investment.
- Korea's regulatory regime is the most significant barrier to trade with Korea. According to a United States Trade Representative report, "exporters view the Korean regulatory regime as the most significant barrier to trade with Korea for nearly every product sector."
  - In many sectors, U.S. exporters face laws and regulations that impose technical barriers to U.S. imports. These laws and regulations impose rules that appear neutral, but in reality exclude or significantly restrict U.S. products.
  - Product approval, registration and safety standards constitute some of the greatest barriers to U.S. goods exports to Korea. In many sectors, Korea does not follow international norms for product standards, and in many cases, it does not accept information or documentation from foreign sources, requiring costly retesting and certification of products in Korea before they can be marketed.
  - Korea gives preferential treatment to some domestic industries by providing favorable regulatory, tax, financing and import regimes. For example, Korea's domestic tax structure creates a "tax-on-tax" system for imports by calculating the consumer tax based on the value of the product plus the insurance, freight and tariffs.

continued

U.S.-Korea Free Trade Agreement (FTA)

A Comprehensive and Innovative Agreement Will Open a Significant Market to U.S. Products

continued

- Despite recent improvements in Korea's intellectual property protection regime, regulatory procedures undermine those commitments and place U.S. intellectual property holders at significant risk of piracy, disclosure of confidential business information and loss of legally mandated patent protection.
- Merely changing current regulations is not enough. Experience teaches that new regulatory policies and procedures will emerge to hinder U.S. exports and investments. The U.S.-Korea FTA must ensure durable market access by building regulatory transparency requirement into the U.S.-Korea FTA.

The U.S.-Korea FTA promises to strengthen an already beneficial trading relationship, but the FTA must produce meaningful liberalization in Korea by addressing regulatory barriers to U.S. exports and investment.

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FREE TRADE AGREEMENTS

Permanent Normal Trading Relations (PNTR) for Russia

Opening the Russian Market and Strengthening Economic Ties

Permanent normal trading relations (PNTR) for Russia are necessary to implement the U.S.-Russia bilateral agreement.

PNTR for Russia will ensure that U.S. exporters and investors benefit from Russia's World Trade Organization (WTO) membership.

- Russia is negotiating its membership in the WTO. Once negotiations are completed, Russia will be eligible to join the WTO, and all WTO members will benefit from its membership concessions.
  - Upon joining the WTO, Russia will make significant reductions in its tariffs and nontariff barriers to goods and services exports.
  - Once Russia is in the WTO, the United States and other WTO members will be allowed to seek redress through the WTO's dispute settlement procedures if Russia violates international trade rules.
  - Russia's adherence to WTO rules will bring certainty and transparency to Russia's trade laws and regulations, enabling U.S. companies exporting and investing in Russia to plan and invest with greater confidence.
- Russia can join the WTO with or without PNTR. However, the United States must grant Russian PNTR to be able to take advantage of the commitments Russia makes as part of its WTO accession.
- If PNTR is not approved when Russia joins the WTO, the United States will be forced to accept higher tariff levels on our agricultural, manufactured and services exports while all other WTO members enjoy immediate tariff reductions and other market access concessions. American farmers, manufacturers and service providers will be at a significant disadvantage.
- Approving PNTR will allow U.S. exporters and investors to increase their access to the Russian market and will strengthen U.S. economic relations with Russia.

continued

FAST FACTS

Russian economy:
- 7% annual growth
- $2 billion U.S. goods exports
- $1 billion U.S. farm exports

Normal trade relations were extended to Russia in 1994.

Russia's WTO concessions:
- tariffs ↓
- nontariff barriers ↓
- subject to WTO dispute resolution

No PNTR = no guarantee Russia's WTO concessions will be applied to the United States

continued

PNTR does not require the United States to grant any trade concessions to Russia.

- The United States has completed a bilateral trade deal with Russia that will dictate the terms of Russia's accession to the WTO. This deal requires Russia to open its markets and agree to international trade disciplines. For example, the U.S.-Russia bilateral requires Russia to cut tariffs on manufactured goods to an average of 8 percent; open its financial service market to allow up to 100 percent foreign ownership of banks, broker dealers and investment companies; and strengthen its intellectual property protection laws.
- Unlike a free trade agreement, a WTO accession bilateral requires no commitments by the United States. The agreement is focused only on concessions by the country joining the WTO.
- Approving PNTR will not change Russia's access to the U.S. market. The United States has found Russia to be in compliance with its Jackson-Vanik commitments regarding emigration since 1994. Thus, the United States has extended normal trade relations to Russia on an annual basis since that time.

Russia's growing economy is an important market for U.S. exports and investors.

- Russia's rapidly growing economy is one of the largest and fastest growing in the world. For the last seven years, Russia has averaged 7 percent growth.
- U.S. goods exports to Russia exceed $2 billion per year. It is one of our fastest growing markets with nearly 20 percent growth in 2006 and a 33 percent gain in 2005.
- U.S. agriculture exports to Russia are nearly $1 billion per year; it is our largest export market for poultry.

Granting PNTR to Russia ensures that U.S. businesses, farmers and workers benefit from Russia's WTO accession without requiring the United States to grant any new or additional concessions to Russia.

Business Roundtable

Principles for Re-establishing a Consensus on U.S.-China Trade

There is too much at stake in U.S.-China trade — both in terms of problems to be fixed and benefits to be nurtured — to allow a frayed consensus on America's China trade policy.

Trade with China has become a proxy for larger questions regarding U.S. international economic competitiveness. These are important broader issues, but they have limited relation to China trade policy. Blurring the two sets of issues risks prescribing blunt policies that solve neither.

- Regardless of America's China trade policy, the United States will continue to:
  - Face macroeconomic challenges, including large current account imbalances;
  - Experience a transition from lower-end manufacturing to capital-intensive, higher-end manufacturing and services;
  - Compete in a globally integrated business environment; and
  - Confront an increasingly competitive Asia in which China plays a major role.
- At the same time, the United States faces key problems in our economic relations with China that warrant high-level and sustained government attention.
  - China maintains far more restrictions and barriers to U.S. trade and investment than Chinese goods and services face in the United States.
  - U.S. know-how is widely infringed in China, which has become the center of worldwide counterfeiting and piracy.
  - China maintains an artificial exchange rate that is not market based.
  - China's regulatory environment for business is opaque, often arbitrary and at times discriminatory.
  - China's government regularly intervenes in its economy to support local firms or technologies and pick winners and losers.

continued

FAST FACTS

China cannot be a scapegoat for all U.S. economic concerns.

Policymakers must focus on real benefits and challenges to U.S.-China trade.

China benefits:

- relatively open to trade and investment
- third largest importer of manufactured goods
- important player in many international business flows
- consumer choices and value
- rapidly growing U.S. export market

China challenges:

- trade and investment barriers
- ineffective IPR protections and enforcement
- nonmarket-based exchange rate
- nontransparent regulations
- excessive government intervention

continued

Trade and investment with China also serves U.S. interests in fundamental ways. Without a balanced evaluation and understanding of what's at stake, the United States risks adopting policy responses that cause more harm than good.

- China is more open to trade and investment than most developing economies, and its vast exports are fueled by vast imports. Since 2000, China has been the largest contributor to world (nonfuel) import growth; it is the world's third largest importer of manufactured goods.
- U.S. firms capitalize on open trade and investment policies in China and many other countries to build globally integrated supply chains that support high-wage, skilled jobs in the United States and allow U.S. firms to remain dynamic in a very competitive global economy. Roughly 70 percent of Chinese exports to the United States contains inputs of goods and services from the United States or other countries.
- Eighty percent of imports from China is consumer goods; this helps keep prices down, allowing U.S. consumers to stretch their dollars further and ultimately increasing Americans' purchasing power.
- China's market helps drive U.S. export growth. Since China joined the World Trade Organization (WTO) in 2001, U.S. exports have grown five times faster to China than to the rest of the world.

Key to re-establishing a consensus on U.S.-China trade is correctly defining and distinguishing among issues and proceedings based on factual, balanced accounting of our economic relations.

- *Stay true to core U.S. principles of open trade and investment.* Open trade and investment have been key drivers of U.S. growth and prosperity since World War II. The United States should not lose confidence in its ability to compete.
- *Deal realistically with China's position.* China's economic emergence is here to stay — and cannot be legislated away. U.S. policymakers must deal with China realistically and not on the basis of wishful thinking.

continued

continued

- *Hold China accountable to international trade rules.* The United States should not hesitate to assert its rights at the WTO when China appears to be running afoul of international commitments in a way that hurts U.S. economic interests.
- *Address China intellectual property concerns comprehensively.* Policymakers need to hold China to its commitments on intellectual property, while also engaging in concrete cooperation and providing assistance where appropriate.
- *Engage more actively with China on regulatory reform.* As China removes tariff and nontariff barriers in accordance with its WTO commitments, the United States must make regulatory barriers a more central focus of government attention. The United States and China should launch a focused regulatory reform effort led at the presidential level, building on the U.S.-China strategic economic dialogue.
- *Address the trade imbalance globally, rather than through a China lens.* A re-evaluation of the yuan is important, but it will not eliminate the U.S. current account imbalance. The United States must address the issue holistically by providing strong, high-level support to the International Monetary Fund multilateral consultations and addressing low U.S. savings and investment.
- *Ensure U.S. export controls facilitate exports to China without compromising national security.* The U.S. government should not undercut U.S. market access and export promotion objectives by imposing export controls unnecessary to, or ineffective in, protecting our national security.
- *Maintain U.S. leadership in Asia.* China will continue to play a central role in Asia, but — for reasons of U.S. trade, economic and security policy — the United States should not cede its leadership position.
- *Keep the focus on job creation, not preserving the status quo.* Successful U.S. economic policy has always been about job creation and growth, not about freezing the U.S. economy at any one stage. Government policy should aim to facilitate these ongoing structural transitions and ease the accompanying short-term pain.
- *Raise America's game through an ambitious competitiveness agenda.* Policymakers should use the intense concern regarding China trade, and broader anxieties about globalization, as an opportunity to finally enact and pursue an aggressive competitiveness agenda that ensures the United States continues to have the world's leading innovation economy.

Business Roundtable

China's World Trade Organization (WTO) Membership and U.S.-China Trade Benefit the United States

China's WTO accession has facilitated increased U.S. exports to China and brought China into a rules-based multilateral trading system.

China's entry into the WTO has been one of the prime drivers of U.S. export growth, giving U.S. farmers, manufacturers and service providers access to a large and growing market.

- China's entry into the WTO required it to reduce tariffs and other barriers to U.S. exports without requiring the United States to reduce any tariffs.
- China is now an export and import powerhouse. Since China joined the WTO in 2001, U.S. exports have grown more than five times faster to China than to the rest of the world, and China has gone from being our ninth to our fourth largest export market.
- China is now the world's third largest importer of manufactured goods and has been the largest contributor to world (nonfuel) import growth since 2000.
- U.S. exports to China topped $40 billion in 2005 with lowered Chinese tariffs and growing demand for U.S. capital equipment, high-technology products, agricultural commodities and sophisticated services.
- One-third of U.S. soybean and cotton exports ($2.3 billion and $1.4 billion, respectively) went to China during 2005.
- China is predicted to be the largest market for commercial aircraft outside of the United States for the next 20 years.
- U.S. services exports to China have more than doubled since 1995, making China the United States' seventh largest services market.
- In accordance with its WTO commitments, China has made it possible for U.S. companies to ship goods to China and distribute those goods throughout China without using local middlemen, which has benefited a wide range of U.S. businesses.

continued

FAST FACTS

WTO = China tariffs ↓
= China barriers ↓
= dispute settlement
= domestic reforms
2001 = China ninth U.S. trade partner
2005 = China fourth U.S. trade partner

U.S. exports to China
= $40 billion

Restrict trade with China
= lose U.S. jobs
= raise U.S. prices
= hurt U.S. input producers

CHINA AND TRADE

continued

Entry into the WTO binds China to a rules-based trading system.

- As a result of China's entry into the WTO, the United States can use formal legal procedures to force China to comply with WTO trade rules.
- China has repealed or reformed more than 1,000 laws and regulations, reduced tariffs, and removed nontariff trade barriers to comply with WTO rules. Problems remain, but progress should be acknowledged.
- In 2004, the United States filed a WTO case against China on tax policies that discriminated against U.S. exports of semiconductors — the first WTO case filed by any country against China. The result was a settlement agreement that ended the discriminatory practice and helped level the playing field for U.S. semiconductor firms.
- In 2006, the United States, joined by the European Union and Canada, challenged certain auto tariff policies that favor local auto parts. A WTO dispute settlement panel is being formed for the dispute to be decided based on agreed international rules.
- The United States also has succeeded in using WTO consultation mechanisms to resolve disputes over China's imposition of antidumping duties against U.S. kraft linerboard and use of tariff-rate quotas on agricultural commodities, such as cotton and wheat, that are important to U.S. farmers.
- Problems remain in China's WTO compliance, most notably in the area of intellectual property rights and excessive government intervention in the economy. These problems require continued high-level U.S. government attention and enforcement attention at the WTO.

continued

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Protectionist policies against China would do more harm than good.

- If imports from China were restricted, they would primarily be replaced by other (higher-priced) imports, not U.S. production. A 27.5 percent additional tariff on imports would cost nearly 300,000 net U.S. jobs.
- Lower-cost imports from China keep U.S. prices down, allowing U.S. families to further stretch their dollars.
- The vast majority of Chinese exports to the United States (roughly 70 percent) contains inputs from the United States or other countries.

WTO rules have helped level the playing field for U.S. firms and their workers exporting or doing business with China.

Business Roundtable

Expanded Trade and Investment Brings Broader Benefits to China

Expanded trade and investment and integration into the global economy have promoted improved labor conditions, environmental protection and the rule of law in China, even as serious problems remain.

Erecting trade barriers slows economic growth and hurts labor standards in China.

- Protectionist measures exacerbate the factors that contribute to poor labor standards, including poverty and political and regulatory weakness, hindering the development necessary to raise labor standards.
- Labor standards are directly linked to economic development. For example, there is far more child labor in poor countries than in wealthier countries. Liberalized trade generates more wealth. As a country's wealth increases, labor standards also increase.
- China's economic development is putting pressure on employers to improve working conditions for Chinese workers. Companies in China are now offering higher pay and better working conditions to retain workers.

Increased economic engagement with China results in better working conditions for Chinese workers and stronger advocacy for workers' rights.

- Multinationals pay higher wages and create jobs more quickly than local firms. Multinationals also expose local workers and local companies to good corporate governance and respect for individual worker rights.
- A survey of the American Chamber of Commerce in Beijing found that U.S.-based companies in China pay an average hourly wage that is about three times higher than the hourly wage at comparable non-U.S. factories.
- Foreign corporations have adopted corporate codes of conduct that promote workers' rights, including fair and safe working conditions for workers, nondiscrimination policies, the right to association and collective bargaining, and prohibitions on child labor.

continued

FAST FACTS

Trade
= economic growth

Economic growth
= improved labor standards
= higher pay
= improved environmental protections
= civic improvements
= stronger civil institutions
= empowered citizens

CHINA AND TRADE

continued

China is taking serious steps to improve protection of its environment.

- China's leaders appear to have recognized the environmental challenges it faces and are taking steps to improve standards and increase enforcement.
- China has significantly lowered its energy intensity (defined as total energy consumption divided by gross domestic product). Energy intensity in China has declined by more than 55 percent since 1977, while it actually increased in most developing countries. Without this decline in energy intensity, China would be emitting twice as much CO_2 into the atmosphere.
- Numerous projects are under way to decrease China's reliance on coal as a source of power.

Increased trade liberalization through China's accession to the World Trade Organization (WTO) has improved access to environmental technologies.

- Bringing China into the WTO expanded its access to pollution control technology. China's environmental services commitments in its WTO accession agreement open China to sewage and solid waste management services, cleaning services for exhaust gas, noise abatement services, and sanitation services, among others. Opening these sectors to experienced firms from the United States and elsewhere ensures China's access to the best environmental services technology.
- Many other services liberalized in the Chinese WTO accession agreement have an important environmental dimension. For instance, banking helps provide investment capital to build new environmental facilities in China, such as waste disposal, and insurance improves market signals so that potential environmental costs are internalized into prices.
- American companies operating in China typically take environmental "best practices" and habits of good corporate citizenship with them. This sets a good example for Chinese companies to emulate.

continued

Expanded Trade and Investment Brings Broader Benefits to China

continued

China has strengthened its courts, promoted transparent institutions and increased citizen participation in government since it joined the WTO.

- Although serious transparency problems remain, China has taken steps to increase transparency and citizen participation in the policy- and rule-making process as part of its reforms to implement WTO commitments.
- China has taken steps to increase the independence of the judiciary and make government officials more accountable to legal standards, such as enacting the Administrative Licensing Law in 2004.
- China is unifying standards for domestic and foreign-produced goods and bringing its certification and accreditation procedures into compliance with WTO and international practice.
- The nonstate sector continues to expand rapidly in China, aided by the liberalization of the economy and WTO-related reforms.

Increased trade and investment in China have raised standards of living and empowered citizens.

- By raising standards of living, free trade nurtures the emergence of a middle class and strengthens civil institutions.
- Chinese citizens enjoy better access to information and more economic freedom than they did before China joined the WTO. For example, there were more than 100 million Internet users in China by 2006, up from only seven million in 1999.

Business Roundtable℠

The U.S. Bilateral Trade Deficit with China Is Not a Sign of U.S. Economic Weakness

The bilateral trade deficit with China is not evidence of a failure in the trading relationship between the United States and China.

- In a healthy and growing economy such as that of the United States, consumers simply have more money to buy more goods and services, including more imports. The trade deficit grows when our economy grows and shrinks when our economy shrinks.
- At its most basic level, the bilateral trade deficit reflects a difference in U.S. consumer and Chinese consumer purchasing behavior and purchasing power. For example:
  - Most imports from China are inexpensive consumer products that no longer are manufactured in significant quantities in the United States, such as low-cost apparel, footwear, radios, televisions, toys, sporting equipment and consumer electronics. These are goods that U.S. consumers desire and purchase in large quantities.
  - Leading exports from the United States are expensive, high-technology goods, such as semiconductors, computer software, aircraft and transport equipment, pharmaceuticals, and medical devices and services, but China is a developing country that cannot use or afford many of the products we export. The United States does sell large quantities of these products to other countries — accounting for our bilateral surplus with many countries — and exports of these products to China are growing.
- In the 1980s, global assembly of low-cost consumer items shifted to China from other Asian economies such as South Korea, Hong Kong and Taiwan. Growing imports from China have largely displaced imports from other Asian economies, not the United States.
- U.S. consumers benefit from lower-priced imports. Increased tariffs on imports from China would result in higher costs for clothing, footwear and toys in the United States, which would weigh most heavily on working families.

continued

FAST FACTS

The trade deficit grows when our economy grows and shrinks when our economy shrinks.

In the 1980s, global assembly of low-cost consumer items shifted to China from other Asian economies such as South Korea, Hong Kong and Taiwan.

Higher tariffs on imports from China would increase consumer costs.

The United States made no concessions when China joined the WTO.

China's WTO ascension opened markets to U.S. products.

continued

China's accession to the World Trade Organization (WTO) is not the cause of the U.S. trade deficit with China.

- The U.S. market was already open to Chinese goods before China joined the WTO. The United States did not make any new trade concessions to China when it joined the WTO. On the other hand, China did have to open its markets and reform its trade laws.
- WTO accession opened the Chinese markets to competitive U.S. exports, such as high-technology capital goods; services; and agricultural products.
- Bilateral trade balances are not an indicator of openness to U.S. products. For example, the United States runs deficits with Canada and Mexico, which are almost totally open to U.S. exports thanks to the North American Free Trade Agreement.

Protectionist measures to block imports from China will harm U.S. consumers without solving the U.S. trade deficit.

Business Roundtable℠

China's Exchange Rate Policies

Protectionism Is Not the Solution

Reforming China's exchange rate policy is important, and the United States should continue to urge China to move to a fully convertible currency. However, protectionist policies by the United States are not the solution.

Chinese currency reform requires continued high-level attention as part of a broader approach to align global currencies and address imbalances.

- The United States must address its trade imbalance globally, rather than through a China-focused policy. A revaluation of the Chinese currency is important, but it will not eliminate the U.S. current account imbalance. The United States must address the issue holistically, including by providing strong, high-level support to the International Monetary Fund multilateral consultations and addressing low U.S. savings rates.
  - Trade with China does not explain the U.S. trade deficit. China accounted for 14.6 percent of U.S. imports in 2005 and 24 percent of the sum of all U.S. bilateral deficits.
  - According to the Congressional Research Service, the U.S. trade deficit arises from a low U.S. savings rate combined with high rates of productivity growth in the United States. "As long as Americans save little, foreigners will use their savings to finance profitable investments in the United States; the trade deficit is the result." Reforming China's exchange rate policy will not end the trade deficit.
- Growing imports from China have largely displaced imports from other Asian economies, not U.S. production. Beginning in the 1980s, global assembly of low-cost consumer items shifted to China from other Asian economies such as South Korea, Hong Kong and Taiwan.

continued

FAST FACTS

Chinese currency reform is important, but it will not solve the U.S. trade deficit.

Growing imports from China have largely displaced imports from other Asian economies, not the United States.

80% of imports from China is consumer goods.

70% of Chinese exports to the United States contains inputs from the United States or other countries.

According to the Congressional Research Service, U.S. trade deficit is the result of low U.S. savings rate and high U.S. productivity.

A 27.5% additional tariff on imports from China would cost nearly 300,000 net U.S. jobs.

continued

U.S. protectionism is the wrong way to approach China's exchange rate.

- If imports from China were restricted, they would primarily be replaced with other (higher-priced) imports, not U.S. production. A 27.5 percent additional tariff on imports from China would cost nearly 300,000 net U.S. jobs.
- Eighty percent of imports from China is consumer goods; this helps keep prices down, allowing U.S. consumers to stretch their dollars further and ultimately increasing Americans' purchasing power. Protectionist measures would harm American consumers.
- Approximately 70 percent of Chinese exports to the United States contains inputs from the United States or other countries. Protectionist measures in the United States would harm the producers of those inputs.
- China is now the United States' fourth largest export market and one of the fastest growing. The United States needs to pursue actions that increase export opportunities for U.S. companies, not policies that restrict imports.

Orderly reform of China's currency policies is an important part of efforts to address global imbalances, but protectionist measures by the United States will do more harm than good.

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Business Roundtable

World Trade Organization (WTO) and U.S. Economy

The Multilateral Trading System Opens Markets, Creates Good Jobs and Protects the United States from Unfair Trade Practices

The World Trade Organization (WTO) stimulates U.S. economic growth, creates good jobs and improves living standards for Americans.

By reducing barriers to trade, the multilateral trading system benefits American businesses, farmers and workers.

- America's growth and prosperity depend on our ability to sell goods and services to consumers in foreign markets. More than 95 percent of the world's population and four-fifths of the international economy lie outside the United States.
- Under WTO rules, other countries pledge not to block U.S. exports through high tariffs and other trade restrictions. Since the creation of the multilateral trading system, average tariffs in industrialized countries have been slashed from high double digits to less than 4 percent.
- Because it is the world's largest exporter and has the most competitive and open economy, the United States gains the most from a robust WTO that continues to lower tariffs and other trade barriers to U.S products. Trade liberalization allows America's businesses, farmers and workers to maximize the economic benefits of their unique talents and creativity.

The WTO is an important engine of economic growth and job creation in the United States.

- Exports accounted for 10.4 percent of U.S. gross domestic product in 2005. In the last decade, liberalized trade helped the United States increase manufacturing exports by 82 percent and double services exports.
- Ten percent of all U.S. jobs (approximately 12 million) currently depend on exports. Jobs supported by trade pay 13 to 18 percent more than the average U.S. wage.

continued

FAST FACTS

80% of the global economy is outside the United States.

Exports = more than 10% of U.S. gross domestic product

10% of U.S. jobs depend on exports.

10% increase in U.S. exports results in a 6.9% increase in U.S. employment.

The United States has prevailed in 51 of the 54 cases it filed under the WTO.

continued

- Freer and fairer trade creates more U.S. jobs. A 10 percent increase in U.S. exports leads to a 6.9 percent increase in domestic employment. By comparison, a 10 percent rise in domestic demand creates just a 4.2 percent increase in U.S. employment.
- U.S. tariff reductions under the WTO agreements help American workers and their families increase their standard of living by giving them access to a greater variety of more affordable food products and consumer goods.

The WTO protects the United States from unfair trade practices.

- The U.S. government uses the WTO agreement to eliminate barriers to the export of U.S. goods. For example, the agreement places a cap on the amount of most duties, prohibits discrimination against imports, and requires transparent and honest customs procedures. The cumulative effect of these rules is to level the playing field for America's workers.
- The U.S. government effectively uses the WTO dispute settlement procedures to enforce these rules and advocate on behalf of U.S. exporters who are denied access unfairly to foreign markets. From 1995 to the present, the United States has prevailed in 51 of the 54 concluded cases it has filed, either by winning a WTO panel ruling or through an out-of-court settlement.

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Business Roundtable™

World Trade Organization (WTO) Builds on Historical Successes

The United States and the World Benefit from the General Agreement on Tariffs and Trade (GATT) and the Uruguay Round

The multilateral trading system has been a significant catalyst for worldwide economic growth. It has provided opportunities for Americans that have contributed to our own economic success.

- In the half century following the creation of the General Agreement on Tariffs and Trade (GATT), global trade has expanded more than 14-fold, fueling a six-fold rise in gross world product. Exports grew from 8 percent of worldwide production to more than 26 percent.
- Since 1950, countries that have liberalized their trade rules have experienced annual growth rates that were, on average, 1.5 percent higher than the preliberalization growth rate in each country.
- The resulting gains from trade of the Uruguay Round and the North American Free Trade Agreement (NAFTA) have increased the annual income of an average American family by $1,000 to $1,300.

The World Trade Organization (WTO) agreements, established by the Uruguay Round of trade negotiations, have generated new opportunities for American workers, farmers and businesses.

- The Uruguay Round, the eighth and most recently completed round of world trade negotiations, was completed in 1994. It required a one-third reduction in foreign tariffs on manufactured products, bringing manufactured good tariffs to their lowest rates in history.
- WTO rules expanded export opportunities for U.S. agricultural products by reducing tariffs, quotas, subsidies and a variety of other government restrictions that acted as barriers to foreign markets.
- The Uruguay Round widened foreign market access for U.S. services providers. As the world's leader in trade in several services, the United States especially has benefited from increased openness in sectors such as computer services, telecommunications and finance. In 2005, the United States enjoyed a surplus of services exports (over imports) of $57 billion.

continued

FAST FACTS

Since GATT:
- global trade up 14-fold
- gross world product up 6-fold
- exports are 26% of worldwide production (vs. 8% before GATT)

Since WTO:
- U.S. exports up $300 billion
- annual U.S. family income up $1,000 to $1,300 per year

The United States and the World Benefit from the General Agreement on Tariffs and Trade (GATT) and the Uruguay Round

continued

- The WTO's new rules established protections to safeguard one of America's most indispensable assets — our new ideas. Intellectual property rights protections ensure U.S. pharmaceutical producers are able to profitably research new lifesaving drugs, U.S. writers and artists are fairly compensated for their work and U.S. software developers are rewarded for producing new innovations.
- The Uruguay Round also established an effective set of rules for the prompt settlement of disputes among WTO members, which hold countries accountable for meeting their obligations. The United States has used this system to level the playing field for U.S. exporters: In 54 cases brought and concluded since 1995, the United States has prevailed in 51.

Congress and the president must build upon this remarkable history of success and improve U.S. prosperity in the worldwide economy by reaffirming America's participation and leadership in WTO.

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Business Roundtable℠

World Trade Organization (WTO) and the Future

A Successful Conclusion to the Doha Round Will Create New Opportunities for the United States and Extend the Benefits of Trade and Growth to Developing Countries

The United States must continue to provide leadership to ensure successful conclusion of the Doha Round.

- The Doha Round negotiations were suspended in July 2006. Despite ambitious proposals from the United States, our trading partners have not made the commitments necessary for a successful round.
- The U.S. Congress and the president should continue to provide strong, bipartisan support for a successful Doha Round and leadership to help bring the negotiations to a successful conclusion.
- The United States should not settle for a watered-down agreement. A Doha "light" agreement will not bring the promised benefits to developing countries or the United States. The United States should push for a successful conclusion to the negotiations, but the final agreement must be comprehensive and meaningful.
- Renewed Trade Promotion Authority (TPA) is critical to a successful conclusion of the Doha Round. Congress and the president should work together to ensure that a TPA is renewed so that U.S. negotiators can continue to provide the necessary leadership to conclude a comprehensive and meaningful multilateral agreement.

A successful conclusion of the Doha Round will bring new opportunities for American workers, farmers and businesses.

- Americans will reap economic rewards from bold action on market access and other initiatives.
  - WTO members have agreed to eliminate trade-distorting agricultural export subsidies, most of which are used by our foreign competitors. Successful conclusion of the Doha Round also will lead to tariff reductions and quota expansions that will significantly expand market access for U.S. farm products.

continued

FAST FACTS

Successful Doha
= expanded U.S. farm exports
= expanded U.S. manufactured exports
= expanded U.S. service exports
= improved trade flows

A one-third reduction in existing trade barriers would mean a $2,500 per year increase in the income of an average American family of four.

Half of the global economic benefit from free trade in goods would be enjoyed by developing countries.

Eliminating all trade distortions would lead to:

- $200 billion/year in increased developing country farm exports
- $400 billion/year in increased developing country nonfarm exports

continued

- – Successful conclusion of the Doha Round negotiations will significantly expand market access for U.S.-manufactured products by reducing higher tariffs and tariffs in certain sectors, eliminating low residual tariff rates ($16 billion in annual costs), reducing tariff peaks that currently still go up to several hundreds of percents, and tackling remaining nontariff barriers. U.S. companies and consumers also will benefit from improved access to developing country commodities that are often still subject to disproportionately high tariffs.
- – Negotiations among WTO members on further liberalization of services markets made significant gains in 2006, with many members submitting revised offers. Successful completion of the Doha Round will lead to increased market access for U.S. services exporters in areas such as telecommunications, entertainment, distribution, construction and engineering, professional, and computer services.
- – WTO members presented specific proposals in 2006 on issues such as customs clearance times, prearrival processing, fees and charges, and the publication and transparency of customs procedures. Further commitments on goods transit, preshipment inspections and authorized traders are being discussed. Successful conclusion of the trade facilitation negotiations will cut red tape, remove unnecessary formalities and clarify customs procedures.

- Additional trade expansion would deliver real results for American families. For instance, a one-third reduction in existing trade barriers to goods and services would mean a $2,500 per year increase in the income of an average American family of four.

continued

A Successful Conclusion to the Doha Round Will Create New Opportunities for the United States and Extend the Benefits of Trade and Growth to Developing Countries

continued

A successful conclusion to the Doha Round will help developing countries secure more rapid economic growth and reduce poverty.

- Trade liberalization helps to increase economic growth and reduce poverty in poor countries.
  - During the 1990s, income per person in "globalizing" developing countries open to trade rose more than three-and-a-half times faster than in "nonglobalizing" developing countries.
  - Newly industrialized economies such as Hong Kong, Singapore, South Korea and Taiwan have grown rapidly due in significant part to their openness to trade over the last four decades. India did not experience the significant economic growth and reduction in poverty levels it is now seeing until it started opening up its economy in the 1990s.
  - Developing countries' interest in further liberalization of agricultural trade has long been recognized and remains a concern for all. The potential gains from further liberalization and market access in areas other than agriculture often are overlooked.
- Developed countries have committed themselves in the Doha Round to ensuring that less developed countries are able to participate in the prosperity created by the world trading system.
  - Industrialized nations have agreed to eliminate trade-distorting agricultural export subsidies, reform farm support programs and increase agricultural market access. Eliminating agriculture distortions by developing and developed countries alike would deliver nearly two-thirds (63 percent) of the potential benefit to developing countries.
  - Developed countries have agreed to reduce barriers to manufactured exports from less developed countries in the Doha Round, including duty-free and quota-free access for at least 97 percent of products from the least developed countries.

continued

A Successful Conclusion to the Doha Round Will Create New Opportunities for the United States and Extend the Benefits of Trade and Growth to Developing Countries

continued

- According to one World Bank study, roughly half of global economic benefit from free trade (goods only) would be enjoyed by developing countries. Another World Bank study found that eliminating all remaining trade distortions would lead to around $200 billion per year in increased developing country farm exports and close to $400 billion per year in additional nonfarm exports.

SOURCES

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World Trade Organization (WTO) Dispute Settlement System

Under U.S. leadership, World Trade Organization (WTO) member countries have developed sound procedures to settle disputes promptly and keep trade free and fair.

World Trade Organization (WTO) members have agreed on procedures to resolve disputes that arise among trading partners over WTO agreements. Under the WTO's Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), a WTO member country must enter into the dispute process when another WTO member alleges the first member has broken a WTO rule. The United States was a chief architect of the DSU and is one of the most active users of the WTO legal system. This system protects America from unfair trade practices and levels the playing field for U.S. workers and businesses. Despite its many benefits, there are lingering misperceptions about how the WTO dispute settlement system really works.

The WTO dispute settlement system serves the shared interest of WTO member countries in promoting and enforcing the rule of law in world trade.

- The rule of law promotes certainty, predictability and stability in the world trading system.
- Dispute settlement procedures hold WTO countries accountable for the commitments they make in trade negotiations without resorting to counterproductive retaliatory protectionism.

The DSU creates a robust and efficient system for resolving trade disputes.

- Dispute settlement procedures provide a forum for WTO members to consult and try to resolve their trade disputes amicably.
- If this is not possible, a member that is party to the dispute may request formation of a WTO dispute settlement panel, which consists of independent and impartial experts who hear legal arguments and evidence from the disagreeing parties before issuing findings.

continued

FAST FACTS

WTO, DSU, DSB } have no supremacy over domestic law

DSU = WTO's Understanding on Rules and Procedures Governing the Settlement of Disputes

DSB = WTO's Dispute Settlement Body

continued

- Each of the disputing members may decide whether to appeal a panel's findings to the Appellate Body, a standing group that issues its own report and findings pertaining to only the specific WTO law issues raised on appeal.
- Panel and Appellate Body reports are delivered to the Dispute Settlement Body (DSB) for adoption. Once adopted, these findings become DSB recommendations and rulings.

Each WTO member is left to decide how it will implement the findings of a panel or the Appellate Body.

- The findings of a panel or the Appellate Body cannot force a WTO member to change its domestic laws.
- The losing party determines exactly how it will implement DSB recommendations and rulings, if at all.
  - A WTO member has 30 days to notify the DSB as to how a panel or Appellate Body report will be implemented. Members are generally given a reasonable period of time to comply (which normally should not exceed 15 months from the adoption of the report).
  - A member can choose to bring its domestic law into compliance, negotiate compensation to the complaining member country, or do nothing and permit the DSB to authorize retaliation by the affected country in the form of withdrawn WTO concessions of comparable value.

WTO dispute settlement procedures help ensure that all countries receive the benefits of the trade rules to which they voluntarily agreed.

Business Roundtable

Benefits of the World Trade Organization (WTO) Dispute Settlement System

The WTO Dispute Settlement Framework Serves U.S. Economic Interests and Protects U.S. Sovereignty

All World Trade Organization (WTO) member countries, especially the United States, benefit from the fair and effective enforcement of WTO rules.

- No country has a stronger interest in ensuring the rule of law in trade than the world's largest trading nation — the United States.
- The rule of law fosters certainty, predictability and stability in the world trading system. The presence of these features allows the United States to secure the economic benefits of trade expansion.
- American workers, farmers and businesses can expect that a WTO panel of impartial experts will enforce U.S. rights and ensure that our trading partners abide by WTO rules and keep their markets open to American products.

The dispute settlement system protects the United States from unfair trade practices.

- The U.S. government uses the WTO agreement to eliminate barriers to the export of U.S. goods. The agreement places a cap on the amount of most duties, prohibits discrimination against imports, and requires transparent and honest customs procedures.
- The U.S. government effectively uses the WTO dispute settlement process to enforce these rules and to advocate on behalf of U.S. exporters who are unfairly denied access to foreign markets. As of August 2006, the United States has filed 79 complaints against other WTO members. The United States has prevailed in 51 of the 54 cases concluded by this date, either by winning a WTO panel ruling or through an out-of-court agreement.
- The WTO dispute settlement system provides a credible deterrent that makes it more likely that U.S. trading partners will honor their WTO trade commitments and not resort to unfair trade practices.
- The cumulative effect of the WTO dispute settlement rules has been to level the playing field for American companies and workers across a broad range of sectors in the U.S. economy.

continued

FAST FACTS

United States:
- largest trader
- most to benefit from WTO system

WTO:
- caps most duties
- prohibits discrimination against imports
- requires transparent and honest customs procedures

United States had filed 79 complaints under WTO by August 2006.

United States won 51 of 54 complaints concluded by August 2006.

If a WTO decision comes down against the United States, the United States can:
- change its law
- compensate for harm
- do nothing and risk retaliation

continued

WTO decisions do not imperil American sovereignty. The U.S. federal government alone makes U.S. law and policy, including U.S. trade law and policy.

- Congress and the president make U.S. law. The WTO cannot change U.S. laws, either today or in the future.
- Decisions by WTO panels and the appellate body cannot override U.S. federal, state or local laws. WTO panels may only make recommendations. Congress and the president decide whether or not to implement a panel recommendation. They can (1) revise U.S. law, (2) keep U.S. law unchanged and compensate a WTO member country harmed by that law through reductions in tariffs or other trade barriers, or (3) do nothing (and accept the risk that the other country may retaliate by raising tariffs or other barriers to U.S. exports).
- The WTO has no enforcement authority. It cannot impose fines, levy sanctions, modify tariff rates or change the laws of any country. The only sanction for a violation of WTO rules is that affected WTO members may impose retaliatory measures on the trade of the country that violates the rules.
- The WTO agreement permits the United States to regulate and even stop trade to protect U.S. national security, public health and safety, natural resources, and human rights.

The WTO dispute settlement system serves the shared interest of WTO member countries in establishing and enforcing the rule of law in world trade.

SOURCE

Office of the United States Trade Representative, "Snapshot of WTO Cases Involving the United States," August 22, 2006.

Business Roundtable™

World Trade Organization (WTO) Decisions and the United States

The United States Derives Real Benefit from the WTO Dispute Settlement System

The World Trade Organization (WTO) dispute settlement system protects the United States from unfair trade practices.

- The U.S. government uses the WTO agreement to eliminate barriers to the export of U.S. goods. The agreement places a cap on the amount of most duties, prohibits discrimination against imports, and requires transparent and honest customs procedures. The cumulative effect of these rules is a level playing field for American workers.
- The U.S. government effectively uses the WTO dispute settlement procedures to enforce these rules and to advocate on behalf of U.S. exporters who are unfairly denied access to foreign markets. As of July 2004, the United States had filed 71 complaints against other countries. The United States had prevailed in 44 of the 47 cases concluded to date, either by winning a WTO panel ruling or through an out-of-court agreement.

The dispute settlement system has leveled the playing field for American workers, farmers and businesses across the U.S. economy. For example:

- **Semiconductors (China):** In July 2004, the United States and China agreed to settle the first U.S.-WTO call against China when China eliminated discriminatory taxation of U.S. integrated circuits (semiconductors). China is the world's fastest growing semiconductor market, worth about $2 billion to American manufacturers and workers.
- **Telecommunications (Mexico):** A WTO dispute panel ruled that the Mexican government-run telephone monopoly cannot charge more for calls into Mexico. U.S. industry estimates this ruling has saved the United States more than $1 billion in excess payments since 2000 and should save several hundred million a year in the future.

continued

FAST FACTS

As of August 2006:
- United States had filed 79 complaints under WTO
- of 54 cases resolved, 51 had been in United States' favor

United States vs. China:
- semiconductors and discriminatory taxes
- ruling worth $2 billion to United States

United States vs. Mexico:
- telecommunications and monopoly charges
- ruling saves $1 billion

United States vs. Mexico:
- hogs and dumping duties

United States vs. Mexico:
- beverage tax
- ruling removes 20% tax on U.S. beverage exports

United States vs. Canada:
- dairy and subsidies

United States vs. Japan:
- apples and health and safety standards

United States vs. Argentina:
- intellectual property (IP) and nonconforming systems

United States vs. India:
- autos and import restrictions

United States vs. Egypt:
- apparel and high tariffs

The United States Derives Real Benefit from the WTO Dispute Settlement System

continued

- **Beverage tax (Mexico):** The United States challenged a 20 percent tax imposed on beverages made with high fructose corn syrup, which most U.S. soda contains. The WTO panel and Appellate Body held that the tax was discriminatory. In January 2007, Mexico removed the discriminatory tax.
- **Hogs (Mexico):** After Mexico unfairly imposed dumping duties on hogs, the United States successfully raised the matter at the WTO. Mexico subsequently rescinded its dumping duties in May 2003.
- **Dairy (Canada):** The WTO found in January 2003 that Canada was unfairly subsidizing dairy exports. Following this ruling, Canada pledged not to export subsidized dairy products to the United States and to curtail such exports to other countries.
- **Apples (Japan):** In December 2003, the United States won a significant WTO decision against Japan's import restrictions on U.S. apples based on health and safety standards that had no scientific basis. The U.S. government is following up with Japan and the WTO to ensure full compliance with this decision.
- **Intellectual property and patents (Argentina):** Following WTO rulings issued in its favor, the United States negotiated an agreement with Argentina in April 2002 that requires that country to conform its intellectual property system to WTO requirements.
- **Autos (India):** The United States prevailed in a WTO dispute in December 2001 over India's restrictions on imports of U.S. auto parts.
- **Apparel (Egypt):** In response to a successful U.S. challenge at the WTO to Egypt's high duties on apparel products, Egypt cut its tariffs in January 2004.

The WTO dispute settlement system helps ensure American workers, farmers and businesses have opportunities to prosper in the worldwide economy.

SOURCES

Office of the United States Trade Representative, "Real Results: Leveling the Playing Field for American Workers and Farmers," July 2004.

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Business Roundtable℠

U.S. Compliance with World Trade Organization (WTO) Decisions

The United States Should Lead by Example in Complying with WTO Decisions

The United States has much more to gain from supporting the World Trade Organization (WTO) dispute settlement system than it has to lose by implementing adverse WTO decisions.

- The rule of law promotes certainty, predictability and stability in the trading system. No country has a greater stake in the rule of law in trade than the world's largest trading nation — the United States.
- The presence of these features allows the United States to benefit from trade expansion through more rapid rates of economic growth and job creation.
- The WTO protects the United States from the unfair trade practices of other countries. The United States has prevailed in 51 of the 54 concluded cases in which it filed the complaint.
- U.S. efforts to get other WTO members to follow WTO rules will be undermined if the United States fails to comply.

The United States has a respectable record of compliance, but there are a handful of high-profile problem cases.

- The U.S. record of compliance is very good when compliance can be achieved via administrative means; however, problems arise when legislative fixes are necessary.
- Congress failed to meet the deadline for compliance in a few disputes, including in the controversial Foreign Sales Corporation and Byrd Amendment cases.
- Congress' inability to enact laws needed to comply with WTO decisions can have harmful consequences for U.S. exporters. For instance, prior to the U.S. Congress' passage of legislation dealing with the Foreign Sales Corporation case, U.S. exports were subject to escalating European Union sanctions.

continued

FAST FACTS

The United States has prevailed in 51 out of 54 concluded cases.

Failure to comply with WTO rulings can undermine the system and harm U.S. exporters.

WORLD TRADE ORGANIZATION

continued

The United States benefits from a strong WTO dispute settlement system.

SOURCES

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World Trade Organization (WTO) Transparency

The United States Continues To Lead Ongoing Efforts To Improve WTO Transparency

Opening the World Trade Organization (WTO) to the public will foster better understanding and acceptance of the organization. And a more open WTO would allow the public to see how the organization works to secure the benefits of trade.

- "Greater public scrutiny of WTO dispute settlement proceedings would confirm that the procedures for resolving trade disputes are honest, fair and impartial," according to James Bacchus, former chairman of the WTO appellate body and congressman from Florida.
- An open-door policy would dispel unfounded fears and counter misinformation by those who are opposed to worldwide economic engagement and who often portray the WTO in a distorted manner.

The United States is advocating more transparency in WTO dispute settlement.

- **Opening Hearings:** The public would be able to observe all substantive panel, appellate body and major council meetings of the WTO.
- **Timely Access to Submissions:** All briefs and hearing remarks would be made public, except those sections dealing with confidential or proprietary information.
- **Timely Access to Final Panel Reports:** Final panel reports would be made available to WTO members and the public once reports are distributed to the contesting parties.
- ***Amicus Curiae* Submissions:** Guidelines to establish procedures for handling amicus submissions would be developed.
- **Openness to Stakeholders:** WTO members would consult and interact more with stakeholders, such as the private sector, civic society groups and other international organizations.

continued

FAST FACTS

U.S. transparency proposals:

- open hearings
- guarantee timely access to submissions and panel reports
- establish *amicus curiae* submission guidelines
- facilitate openness to stakeholders

WORLD TRADE ORGANIZATION

continued

These proposals build on past U.S. efforts to shine more light on WTO dispute settlement proceedings.

- In 2000, the United States was the first WTO member to make available its dispute settlement briefs on the Internet shortly after submission. A number of WTO members have followed the U.S. example and made their briefs publicly accessible following submission.
- In 1998, the United States successfully argued that amicus submissions are authorized under existing WTO dispute resolution rules.

The United States is a leader in advocating greater openness at the WTO.

SOURCES

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