FULL COMMITTEE HEARING ON EVALUATING THE IMPACT OF PENDING FREE TRADE AGREEMENTS UPON U.S. SMALL BUSINESSES

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FULL COMMITTEE HEARING ON EVALUATING THE IMPACT OF PENDING FREE TRADE AGREEMENTS UPON U.S. SMALL BUSINESSES

Thursday, November 1, 2007

U.S. House of Representatives,
Committee on Small Business,
Washington, DC.

The Committee met, pursuant to call, at 10:05 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia M. Velázquez [Chairwoman of the Committee] Presiding.

Present: Representatives Velázquez, González, Cuellar, Altmire, Clarke, Ellsworth, Johnson, Sestak, Chabot, and Akin.

OPENING STATEMENT OF CHAIRWOMAN VELÁZQUEZ

ChairwomanVelázquez. I am very pleased to call to order this morning's hearing on pending trade agreements.

This hearing will provide an opportunity to evaluate the impact of the Peru, Colombia, Panama and South Korea trade commitments on the small business sector. It is a critical time to engage in this discussion, as Congress is currently considering the ratification of these four treaties.

Given the resources expended to promote cross border commerce, it is important to determine whether these agreements should serve as models for future international commitments.

Today, we will focus on three issues affecting small firms and their contribution to the U.S. Economy in an integrated world. The role these firms play in the development of trade agreements, international regulations impacting entrepreneurs and Federal infrastructure supporting small businesses, American U.S. Businesses in a global economy.

The beneficiaries of trade agreements are largely determined during the negotiation process. Unfortunately, small business involvement in the development has been limited. As I have voiced concerns before, the USTR continues to lack a formal delegate as well as staff representing the small business sector at the negotiation table. This may explain why the pending agreements lack a small business focus.

Given the opposition in some of the entrepreneurial community, particularly to provisions in the Korean agreement, their needs should have been more fully incorporated at the initial stage of the process. If small businesses had a seat at the table, I believe the current agreements would have been stronger.

The agreements also impact smaller firms through their modifications to non tariff barriers. I wholly support inclusion of trade facilitation, particularly their harmonization of Customs requirements. This allows small businesses to more affordably access the newly opened markets.

The elimination of technical barriers, particularly those impacting the livestock industry, is critical for U.S. Producers to expand their customer base. However, other regulatory barriers continue to hinder growth, including the maintenance of physical presence requirements, which benefit only those firms able to relocate abroad.

Further, the procurement process lacks protection for small firms. For the agreements to help small businesses, regulations must not unfairly benefit the corporate competitors.

While reducing regulation is critical for small businesses, they must also have access to expert financing alternatives, technical assistance and intellectual property protections. Lending programs are crucial for firms exporting to Latin America due to transactions fluctuations. Similarly, since the Korean government significantly supports its businesses, we must take steps to ensure our firms remain competitive in domestic and global markets.

Overall, these agreements can significantly enhance small business global market share by decreasing barriers to cross-border commerce. With increased small business involvement in the negotiation process, I believe many of the lingering concerns will have been addressed.

We can have trade agreements that open new markets and also benefit our Nation's small businesses. It is my hope that future agreements will accomplish this and incorporate the interest of the smaller firms more broadly.

I look forward to today's hearing and would like to thank all of the witnesses for their testimony.

I now recognize the ranking member, Mr. Chabot, for his opening statement.

OPENING STATEMENT OF MR. CHABOT

Mr.CHABOT. Thank you, Madam Chairwoman, for holding this vital and timely hearing on the proposed free trade agreements and their impact on small businesses. I want to welcome our distinguished panels of witness, including Ambassador Veroneau and Gary Ellerhorst, who is on the next panel, who is a constituent of mine from Harrison, Ohio.

This Committee's oversight jurisdiction encompasses problems of all types of small businesses. This includes firms wanting to export, as well as those competing with imports. Today we will examine the proposed free trade agreements and hear the testimony of the Deputy U.S. Trade Representative and a panel of distinguished witnesses from various sectors of the economy. I want to thank them for being with us and sharing their perspectives.

Free trade boosts our economy, eliminates worldwide barriers, and strengthens our global and regional ties with other nations. Trade also creates new opportunities for American workers and farmers and ranchers and businesses, including small businesses, which obviously is the focus of our hearing this morning. September was America's forty-ninth consecutive month of jobs creation, the longest uninterrupted period of job growth on record.

Yesterday, the Department of Commerce reported that the economy grew faster than expected in the third quarter, lead in part by a surge in exports. Greater exports translate into more and higher paying jobs. In the United States, approximately 95 percent of all direct exporters are small businesses and small firms account for roughly 29 percent of the exports, totaling $614 billion.

Trade benefits can be seen in every State, according to the Department of Commerce, over 10,000 companies exported from my home State of Ohio in 2005. Of those, 89 percent were small and medium-sized firms with less than 500 employees. Since the U.S.-Chile and U.S.-Singapore free trade agreements were implemented in 2004, Ohio's exports to Chile have grown by 55 percent, and exports to Singapore have risen by 99 percent. But challenging barriers such as Customs issues and high tariffs still exist. We in Congress must do all that we can to make it easier for small businesses to compete and to prosper in the global marketplace.

Free trade agreements provide important protections such as transparency in a stable, legal trade framework for all businesses large and small. The stability and transparency lead to exports growing at twice the rate to FTA partners than to countries where the U.S. Has no agreement. The jobs supported by exports pay 13 to 18 percent more than those not supported by exports.

Today Peru, Colombia and Panama enjoy duty free access to U.S. Markets. Yet when U.S. Goods are shipped to those markets, our products are tagged with significant tariffs. Free trade agreements with those countries will knock down many of these barriers and offer U.S. Exporters, many of whom are small businesses, the chance to compete fairly. Peru's economy is among the fastest growing in South America so there are significant mutual benefits from the free trade agreement.

The Free Trade Agreements are not sole magical exert to increase exports by small businesses. Technical assistance from Federal programs can help if it reaches small business. However, in our very tight environment, I am skeptical about funding increases for Federal programs. So I look forward to hearing from our distinguished panel about innovative ways we can expand trading relationships and keep our small businesses competitive.

Again, I want to thank the chairwoman for holding this timely hearing. And I thank the Ambassador and other witnesses for being with us today, and I think we all look forward to the testimony. I yield back.

ChairwomanVELÁZQUEZ. Thank you. Now I welcome Ambassador John Veroneau. Is that how you pronounce your name?

AmbassadorVERONEAU. Madam Chairman, Veroneau, John Veroneau.

ChairwomanVELÁZQUEZ. Veroneau. Ambassador Veroneau serves as Deputy U.S. Trade Representative. His portfolio at the Office of the U.S. Trade Representatives includes trade relations with Europe and Eurasia, the Middle East and America as well as matters involving the World Trade Organization. He also oversees USTR's functional offices handling intellectual property, telecommunications, pharmaceuticals, services and market access. Welcome, sir.

STATEMENT OF AMBASSADOR JOHN K. VERONEAU, DEPUTY TRADE REPRESENTATIVE, OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

AmbassadorVERONEAU. Great, thank you very much. Thank you, Madam Chairwoman. Thank you for holding this hearing and thank you, and Mr. Chabot and others on the Committee, for your leadership in assuring that small business is taken care of and their interest don't fall through the cracks. So thank you, it is good to be here to talk about the four FTAs.

We have negotiated agreements with Peru, Colombia, Panama and Korea. Peru will soon be considered by you on the House floor, we expect next week, so this hearing is very timely and we appreciate it.

The USTR's mission is quite simple, we are in the business of reducing tariffs and non tariff barriers. In that sense, I think what we do benefits small businesses more than large corporations. Frankly, large corporations have the resources to find their way around and manage complex trade barriers and high tariffs. Small businesses have a much harder time. So in that sense, I would like to think that the band of negotiators, which are the heart and soul of USTR, their job every day is to do what is in the best interest of small businesses. I think that in that sense, USTR is different than other government agencies.

We are not a regulatory agency where as we regulate, we need to make sure that we are doing so in a way that doesn't hurt small businesses. Similarly, we are not a procuring agency such as the Department of Defense where we need to make sure that our procurement strategy doesn't leave out small businesses. Our mission is quite simply to eliminate these barriers and the benefits, as I said, believe accrue mostly and most importantly to small businesses.

We are benefited from having a small business advisory Committee, which I am pleased to report has endorsed each of the Free Trade Agreements. [Ambassador Veroneau was permitted to modify this statement in a letter to the Committee dated November 14,2007, which is included in the Appendix.]

Exports equal jobs. Is this microphone on by the way? Exports accounted for over 40 percent of the economic growth in the past year. Exports are growing at twice the rate of imports and 95 percent of the world's consumers live outside of United States. One in six manufacturing jobs relies on exports, one in three acres of farmland is planted for export. Export-related jobs pay 13 to 18 percent higher than non export-related jobs. Our Free Trade Agreements accelerate exports and create jobs even faster. In fact, our exports to FTA countries, free trade partners have increased at a rate of 60 percent or faster than the rate of exports to other countries.

The pending FTAs, the Peru, Colombia, Panama and South Korea agreements each provide an opportunity to level the playing field for U.S. Exporters, small businesses and others. There is currently a significant gap between the tariff that U.S. Companies face in those markets and the tariff that those exporters from those countries enjoy in the United States. Each of these agreements serves U.S. Interest, and respectfully suggests they deserve the support of each and every one in this Committee.

I would like to now briefly discuss each of them in the order in which they were negotiated. The Peru Free Trade Agreement, I am pleased to say, passed the Ways and Means Committee yesterday by a vote of 39:0, which is a tremendous credit to Chairman Rangel, and Chairman Levin and Mr. McCrery, so we are grateful for that and look forward to floor action next week.

Our bilateral trade with Peru has doubled in the past 3 years. Ninety-eight percent of the goods from Peru come to the United States duty free. The average tariff that U.S. Exporters face in Peru is 10.2 percent. The average tariff that Peruvian exporters face in the U.S. Is 2.2 percent. So this free trade agreement provides an opportunity to level that playing field at zero tariffs.

I would finally note that small business, small- and medium-size enterprises account for 81 percent of our exporters to Peru, accounting for 35 percent of our goods going to Peru.

I now return to the Colombia Free Trade Agreement. Colombia is the largest export market in Latin America for U.S. Agricultural products. Ninety-two percent of the Colombian goods coming to the United States enter duty free. The average tariff on U.S. Goods going to Colombia is 12.5 percent. The average tariff on Colombian goods coming here is 2.2 percent.

Last June this Congress, by an overwhelming majority, voted to renew the Andean trade preferences program, which is a terrific program that has helped to solidify economic growth in that part of the world. It is time that these countries, Peru and Colombia, have stepped up to say we appreciate the unilateral trade benefits, but what we really want is a partnership, we want a free trade agreement that helps lock in duty-free access for both sides and provide other benefits such as assuring better protection of intellectual property rights and other benefits. But again, the Colombian Free Trade Agreement provides the opportunity to level that playing field at zero tariffs.

Small- and medium-size enterprises account for 85 percent of the exporters to Colombia accounting for 35 percent of the goods. From an economic and regional stability perspective the Colombia Free Trade Agreement is the most important of the three Latin FTAs. Colombia, as many of you may know, has suffered in recent decades through effectively a civil war. It has been a country that has had more than its share of turmoil and violence. And to President Clinton's credit in the late 90s, he proposed Plant Colombia, which this Congress has supported initially when President Clinton proposed it and during President Bush's term here to advance and promote Plant Colombia.

Plant Colombia in a nutshell has been a success in helping that country move back from a brink of chaos and implosion to a point now where speaking of business, Colombia was on the front cover of Business Week this summer as one of the critical emerging markets in the world. And that is a remarkable testament to the changes that have taken place in that country. And it is a far, far better place today than it was 5 or 10 years ago.

I had an opportunity to meet recently with General Barry McCaffrey, who many of you may know, he was President Clinton's drug czar. And he was recently in Colombia and he summarized his assessment of it as being night and day from what he saw in the late

1990s. There has been a remarkable turnaround in that country, and to reject their offer, their entreaty to have a bilateral trade agreement, would be a very serious debacle in U.S. Foreign policy, and it is my hope and my belief at the end of the day, this Congress will give its support to that important agreement.

The Panama agreement, equally important to the United States in terms of leveling the playing field, 90 percent of the goods from Panama come to the U.S. Duty free. There is a tariff differential of 7.3 of U.S. goods to Panamanian goods coming to the U.S. Only a 2 percent tariff, again, this is an opportunity to level the playing field.

Lastly, let me mention the Korea Free Trade Agreement. Economically this is the most important agreement in 15 years, it is our seventh largest trading partner. The International Trade Commission, which is obliged by statute to do a study of each of these free trade agreements, produced its report in September, and it concluded that in goods alone, not counting services, in goods alone, it will increase exports to Korea from the United States of $10 billion a year, $10 billion a year, which is a tremendous amount of job growth and good job growth in the United States.

Again, the Korean tariffs, U.S. goods going to Korea, average tariff 12.1 percent. Average tariff on Korean goods to the U.S. 3.5 percent. Again, this free trade agreement provides an opportunity to level the playing fields in a way that I think small businesses and large businesses will benefit.

Lastly, if we do not move with dispatch to approve these agreements, we will not only miss an opportunity to level the playing field as quickly as possible, but we need to be mindful that the playing field will get more unlevel. The world will not wait while we contemplate whether to have these bilateral trade agreements. Europe, Canada, other trading partners of ours and competitors in these markets are moving forward with trade agreements. And it is important that we not find ourselves in a situation where we are facing tariffs, our small businesses are facing tariffs in these markets and our competitors are not facing tariffs. Thank you very much.

ChairwomanVELÁZQUEZ. Thank you, Mr. Ambassador.

[The prepared statement of Ambassador Veroneau may be found in the Appendix on page 48.]

ChairwomanVELÁZQUEZ. Mr. Ambassador, it is really fascinating to hear you representing the administration and the previous administration under President Bill Clinton, and to come here before this committee and talk about the important role and the benefits for small businesses on any of these trade agreements.

My question to you is, if this is so important for small businesses where they can benefit, American small businesses, why is it that throughout the negotiation process on any of these trade agreements, we don't have a formal delegate representing small businesses?

AmbassadorVERONEAU. Well, I think, Madam Chairwoman, I would say we have a small business advisory committee, so we routinely consult with them, they have the same access to everybody that we do. And I would say that it would be artificial, honestly, to have a negotiate—USTR is the heart and soul of negotiators, so you have a negotiator at the table. The interest that negotiator is pursuing is unavoidably and necessarily the interest of small businesses.

It is not as though we would be sitting there saying, well, this is a good proposal and a good outcome for large businesses, but not good for small business. What we do is eliminate tariffs, that will be good for everybody. What we do is eliminate non tariff barriers, that will be good for everybody. So it would be artificial, honestly, to disaggregate from the negotiators perspective small business interest from other interests.

ChairwomanVELÁZQUEZ. Can you explain to me why the Small Business Trade Advisory Committee to the USTR does not support the career FTA in its totality? I have the report right here.

AmbassadorVERONEAU. There have been concerns about some of the non tariff barriers in Korea, they have been significant. And we have a major focus of that agreement, it was not simply eliminating the tariffs, but focusing on the non tariff barriers and having mechanism to address that. I think some of the members of the Small Business Advisory Committee were concerned that notwithstanding the provisions in the agreement, that they were still not confident that all those non tariff barriers would be eliminated.

And my response to that would be, I believe, that they will be, and that the administration, and I am sure any future administration enforcing this agreement will put an extremely high priority on assuring that those non tariff barriers come down.

ChairwomanVELÁZQUEZ. What is really disappointing is the fact that the Small Business Trade Advisory Committee to the USTRs is not allowed to raise formally their concerns only after the agreements are finalized; isn't that true?

Mr.VERONEAU. Actually, it is not, Madam Chairwoman, because they have the same access and input in the process as we go through these negotiations. Before we have a negotiating round, we reach out to our advisory committees, share text with them.So there is access to our negotiating process and throughout our negotiating process of the same level that all other advisory groups have.

ChairwomanVELÁZQUEZ. If they were included in the process, then why is it that they are opposed?

AmbassadorVERONEAU. Well, much to my chagrin, there are some times where other groups, other advisory committees are not pleased with the outcome and don't support it. So I would not equate tepid support or opposition as synonymous with being shut out of the process. They just wanted a better outcome and I respect that, but I believe that over time we will demonstrate that these non tariff barriers will come down in a way that will provide opportunities for U.S. Companies.

ChairwomanVELÁZQUEZ. So you are correcting your statement that you gave when you were reading or giving us your testimony saying that the Small Business Trade Advisory Committee was supported for all the agreements, and that is not correct?

AmbassadorVERONEAU. That is not correct, I overstated it.

ChairwomanVELÁZQUEZ. Mr. Ambassador, with fewer resources to protect their enterprises from unfair trade practices, small businesses require effective enforcement of regulations and agreements. Currently, many small firms are being harmed by inadequate enforcement. For example, small U.S. Mills are increasingly reporting losing orders to companies that claim inaccurately to be based in the U.S. What is the USTR doing to help small businesses from falling prey to unfair trade practices as new trade legalization efforts are introduced?

AmbassadorVERONEAU. One of the recent actions that we have taken to address that is we took a WTO case against China for export subsidies that it provides. We have taken other WTO cases that helped small businesses, ranchers, farmers and businesses. So I think the USTR, the primary tool that we have, is bringing WTO cases as formal enforcement actions.

Obviously, the Department of Commerce has authority to take countervailing and antidumping actions against companies that are subsidized.

ChairwomanVELÁZQUEZ. How many complaints have been filed with WTO regarding practices, unfair practices?

AmbassadorVERONEAU. Well, every case that we filed obviously is based upon a country in our belief not living up to its obligations. We have taken, I think, 23 WTO cases in recent years, which puts us at the top of the list. The United States has taken more WTO cases than any other country, Europe is a close second. But we took the first WTO cases against China, we have taken the largest case ever in the WTO in dollar terms in our case against Airbus, frankly, which helps a lot of small businesses who support Boeing.

ChairwomanVELÁZQUEZ. Given all of these trade agreements and the fact that unfair practices, trade practices can happen, and we might foresee that it will happen, how does USTR work with U.S. Customs? In terms of personnel, are you going to hire more personnel? What is your interaction with U.S. Customs to make sure that you have the personnel necessary to make in terms of enforcement?

AmbassadorVERONEAU. Well, we work closely with Customs in a number of ways. They are the primary enforcers obviously. We are not a direct enforcement agency.

ChairwomanVELÁZQUEZ. I understand that. My question is, do you have any interaction with U.S. Customs, any discussion in terms of the implementation of trade agreements and what it will require?

AmbassadorVERONEAU. We have constant dialogue with them. Our agreements don't go into effect without Customs understanding what the new terms are. In fact, that is why there is usually a 6-month lag between the ratification of an agreement and its entry into force. We need all that time to work with Customs to make sure they understand what the new obligations are of these agreements.

ChairwomanVELÁZQUEZ. Mr. Chabot. Thank you.

Mr.CHABOT. Thank you very much, Madam Chair.

Mr. Ambassador, relative to your goals and these free trade agreements, correct me if I am wrong, my understanding is essentially what you are trying to do is lower the tariffs on our goods going over to other countries so we can export more, and our tariffs have been traditionally lower, and therefore, our interests are adversely affected by that lack of parity, so to speak.

So the idea with the trade agreements is to lower both, which should benefit both large businesses, medium businesses, small businesses. Everybody should benefit from that is my understanding.

Are there any natural adverse interests that small businesses and big businesses would have in this whole process or historically have they both benefited?

AmbassadorVERONEAU. Well, I would say, virtually all the time their interests are synonymous and our goals would equally serve both small and large businesses to the extent that we are eliminating tariffs. Different companies will, depending upon their capabilities, will take advantage of that new market access, but I would submit that to the extent a tariff is eliminated, or more importantly, a non tariff barrier is eliminated or a sector telecommunications, or insurance is opened up, I would submit that it is the small and medium-size enterprises that stand the most to gain because they are less likely to have an Army of lawyers and trade experts who can to find their way around otherwise complex trade barriers.

Mr.CHABOT. Relative to free trade agreements, I think, historically, the goal was to do it on a broader basis, if you look at NAFTA, if you look at the African free trade, the Caribbean Basin, Doha, that whole idea was to lower. And we have run into difficulties in that area, so it seems like more and more we are having a country to country, U.S. With Panama, U.S. With Peru, South Korea, Colombia, et cetera, Singapore.

Does that seem to be the trend that is politically the most realistic to anticipate in the future?

AmbassadorVERONEAU. Well, we certainly would like to see trade liberalization occur on a global basis as well. The Doha negotiations have been going on for a while now. We are still hoping we can achieve success, and there happens to be a lot of activity right now on that front. But I would envision that there would continue to be, in addition to global efforts, more bilateral efforts, and I think Europe is clearly on this track, Canada is and others.

And in Asia there has been a proliferation of these bilateral trade agreements. I would envision you will see a continuation of not only WTO global trade liberalization efforts, but also these bilateral agreements for a number of reasons, including you can do more a lot more in a bilateral agreement.

You can eliminate tariffs completely and open up sectors completely, you can assure higher protections of intellectual property in a bilateral agreement far more than you can in a global agreement where you have to get the consent of 150 WTO members.

Mr.CHABOT. It seems to me this is one member of Congress that has been following this for the last 13 years since I have been here, it seems, unfortunately, the political realities of Congress are it will be more and more challenging to get one that deals with the whole region in the United States as opposed to individual countries, it is just tougher and tougher, unfortunately.

I think we benefit from trade agreements and I would like to see them broader, but that just doesn't seem politically to be double in

Congress any time in the near future, so it looks like you would see more of country to country.

Could you comment on Fast Track, which was the old name and now trade promotion authority and how important that is in actually accomplishing these trade agreements in a way that is favorable to the U.S.?

AmbassadorVERONEAU. The Fast Track, or as we call it now, trade promotional authority, I think the best way to think of it is from the perspective of the negotiator. You are at the negotiating table and you are negotiating with your counterpart, and ultimately, they will want to know are you the ultimate authority? Is this the end of the negotiations? Can you deliver, or are we going to get a deal here and then it will come back to Congress to change the agreement and modify a series of provisions as opposed to saying, all right, in its totality, we think this is a good agreement, or we think it is a bad agreement.

I think there is a tremendous amount of power that you give a negotiator, and a negotiator has to have in order to drive the best deal for U.S. Interest. And without Fast Track, or TPA, it is much more difficult to get that best value, best deal for the United States.

Our view has been and continues to be that every President of whatever party has fast track trade promotion authority. It is just so essential to driving the best bargain for U.S. Companies, I think they should always have it, it is unfortunate that it has lapsed. It is our hope that we can reclaim and renew this authority so that for the balance of this administration and for the next President. The next President should have this authority, regardless of what party that President is from.

Mr.CHABOT. Thank you. Before I yield back, I just want to make one point and emphasize something you said in your testimony. And that is, relative to the Free Trade Agreement with Colombia. This was essentially begun under the previous administration under President Clinton, and it has been carried on through the Bush administration, and I think it is very important to recognize that this country is critical to the interest of the United States and South America when one considers Chavez in Venezuela and others in that region who certainly don't have the interest of the United States in mind. I think we ought to be very careful to harm the relationship that we have with the government in Colombia right now, because they are really critical to U.S. Interest.

And I would yield back my time, thank you.

ChairwomanVELÁZQUEZ. Ms. Clarke.

Ms.CLARKE. Thank you very much, Madam Chair, to Ranking Member Chabot. This is certainly a very timely issue for a new member here. Just sort of wrapping my brain around what is in the best interest of our trade, which is a necessity, it is something we have been doing since the establishment of this Nation. It is really about how we can do that and not adversely impact on the reputation we have as a Nation, 1. And 2, what happens to communities around this Nation as we pursue globalization in a very proactive way.

Chairwoman Velázquez asked a question that I want to revisit with you, and what she was essentially asking was what is the level of collaboration that the USTR have with the Customs and border protection to produce a seamless process for enforcement against trade breaches? Could you clarify USTR's efforts to establish such protocols, whether they have been established or not.

AmbassadorVERONEAU. Certainly. We collaborate regularly. We need the Customs in so many ways, technical ways. Let me give you one example where let's take section 337 is legal authority to block imports that infringe upon U.S. Patents, that is USTR has a role in that, the ITC has a role in that, but at the end of the day, it is the Customs Enforcement Authority that give effect to give an order to block an import. So that is one example of many where we obviously rely upon the Customs authorities to enforce these agreements, we are not an enforcement agency in that sense.

Ms.CLARKE. Right.

AmbassadorVERONEAU. I mean, we enforce WTO laws, we are the litigators and we are the ones who bring those cases, but at the ports, USTR has no presence.

Ms.CLARKE. I recognize that, but when you are looking for basically the green light from representatives of people of this Nation, and you know how critical it is to present a very strong and focused, I guess, front, for lack of a better term, it would seem to me that there would be a much more proactive role that the USTR would play and would demonstrate so that even dealing with section 337 and the breach of patent of imports.

I come from New York, it is very evident there that there have been breaches. And at some point, we are going to have to account for that. And I think we have reached that point in this Nation where folks really want to know do we have strong protocols in place that make it possible for U.S. Businesses to benefit as much as those who are importing to our nation through trade agreements are benefiting.

China we know is the ultimate example right now. So I just want to leave that with you, because I think that is really important. It may take moving out of the realm in which we currently operate in order to achieve that goal.

I also just learned that the Peruvian President, Alan Garcia, is planning and broadening the number of businesses that would qualify as small business enterprises which many say can offer workers in that country less pay, fewer vacation days than workers in larger firms.

How does the USTR plan to address this labor rights dilemma?

AmbassadorVERONEAU. I am not familiar Congresswoman with the example you just gave, but I would say that the trade agreement that you will soon have an opportunity to consider has the strongest labor provisions of any trade agreement ever considered. And the United States is clearly in the forefront of having trade agreements with strong labor provisions, we are the only ones frankly, that have provisions of this nature.

So I would say that your colleague Chairman Levin, as you know, feels very strongly about the intersection of labor and trade, and he has been satisfied through his direct discussions with President Garcia and his administration about the status of Peruvian labor law and their plans for enforcement. I am pleased to follow up on the specific concern that you raised, but there has been a tremendous amount of dialogue between Chairman Levin and Peruvian officials, and I think to Chairman Levin's satisfaction, he is quite happy with the status of the Peruvian labor law and its enforcement plan.

Ms.CLARKE. Thank you Mr. Ambassador. Thank you, Madam Chair.

ChairwomanVELÁZQUEZ. Mr. Akin.

Mr.AKIN. Thank you, Madam Chair. From just looking the example of Colombia here and many of us are concerned about Chavez and his destabilizing influence in various nations and certainly it seems to be in our overall interest to have good relations with some of these countries and good relations through trade and all.

I guess my question is, if Colombia is putting a 12 percent tariff on the majority of our goods that are going down there and we are putting 2 percent tariff on their goods coming up here. I guess my question is, and it seems to me it is a good deal for America if we drop the tariffs down so we get closer to a free trade kind of situation.

Is that going to destabilize Colombia not to have the tariffs on the goods that we are sending down there, will it, all of a sudden, create a situation where their businesses can compete with the better quality and lower cost products we are sending down there? Are we, in a sense, doing them a disservice by doing this? And do we inadvertently destabilize Colombia rather than helping them?

AmbassadorVERONEAU. That is an excellent question. I think the short answer is no. Obviously we have to defer to President Uribe and his administration, they are the elected representatives, they belive this is in their best interest. And I think, frankly, they are right on that. And I think they look to their neighbor of Chile. And Chile is a great example of a country that had high protective tariffs and decided a decade or so ago to open itself up and the results have been quite impressive.

Our free trade agreement with Chile has been a tremendous success for them and for us. Our agreement is one of 57 trade agreements that Chile has. So I think countries like Peru and others look to Chile and say, that is the model they want for themselves. And yes, whenever you open yourself, your economy up more, there are some transitional adjustments, there is no question about that. Some sectors will flourish and others will have a harder time in that competitive environment. But overall, the World Bank studies and every other study has demonstrated pretty compellingly that countries that are more open grow faster. If you look around the world at those countries that are doing the worst, it is no coincidence that they are also the ones that are the most closed.

Mr.AKIN. So Colombia could look at Chile and say, it worked over there and so they can have that sense of confidence in trying to just drop the tariff barriers.

AmbassadorVERONEAU. Yes, sir.

Mr.AKIN. From America's point of view, Colombia is not a major sector of our economy. Politically, we can make a big deal about it, but practically speaking, we are talking fractions of a penny or something.

AmbassadorVERONEAU. Yes. I would certainly not want to suggest that I think this trade agreement with Colombia is going to drive the U.S. Economy, but you are advocates of small businesses and I think they would be the first to say every sale counts. And I think opening up this market, 44 million consumers is not insignificant. It may not drive the U.S. Economy, but it is not insignificant.

Mr.AKIN. I thank you for your testimony. Thank you Madam Chair.

ChairwomanVELÁZQUEZ. Mr. Sestak.

Mr.SESTAK. Thank you, Madam Chair.

I thought about what you said about President Clinton was true, and I worked in the White House during that period of time on the NSC, but I worked closely with NEC. I thought his principals approach to free trade were spot on. But it always came down to the enforceability had kind of been raised a bit here. I always thought the Jordanian FTA was quite a model in '99, except for the enforceability of it.

The reason I bring that up is I do think this bodes something for small businesses, but ultimately businesses about jobs and wages while we may have lost 3.2 million jobs, manufacturing jobs the first 3 years of the Bush administration, he regained those back recently. But the real wages median level of income came down about 18 percent. While the guy might have gotten his job back, it wasn't in the same amount of real income as he had before.

Three quick questions for me on the enforceability is we are supposed to have this enforceable, reciprocal obligation on both Peru's side and our side to have within law the ILO standards.

My second question is we are all supposed to enforce not just domestic law, but also have to have and maintain within the law WTO environmental standards.

My third question which I will hold off for a moment will have to do with more on the cooperation of the regulatory issues, but can you talk a bit about is it in law in Peru and if it is in law how are we to enforce it in this case? What is different about this than the Jordanian one? Because of the WTO cases you brought 23, how many have been successful, not that just that you brought them, but they have been successful? And so those are my two over arching questions of the enforceability even if it is in law.

AmbassadorVERONEAU. Thank you. The number of manufacturing jobs has clearly declined over the past 20 years.

Mr.SESTAK. It is due to different reasons, if we can get to the question because I only have 5 minutes.

AmbassadorVERONEAU. The enforceability, the key difference is in the Jordan agreement, the essence, the labor and environment commitment was that each country agreed to enforce its own laws. So regardless as to what those laws were as long as you were enforcing your own laws, you were fine.

What is historic about these agreements and that were reflected in the May 10 bipartisan agreement that we reached was that for the first time we established an objective standard, not a subjective standard, but an objective standard on labor revolving around the international labor organization core principals. So that is really what is new, it is not enough to enforce your own, you have to meet this objective standard.

On the environment similarly there is no global standard on environment in a way that there is for ILO for labor, the agreement does require you to enforce your own labor laws and follow through and abide by the multi lateral environmental agreements that you do have.

Mr.SESTAK. Of the WTO?

AmbassadorVERONEAU. It is not of the WTO.

Mr.SESTAK. I thought it was.

AmbassadorVERONEAU. No.

Mr.SESTAK. Are you sure?

AmbassadorVERONEAU. Yes.

Mr.SESTAK. All right. So how do you enforce them? That is good, it is a nice mechanism, how do you enforce them? You set an objective, now the enforcement.

AmbassadorVERONEAU. On the enforcement you bring a dispute.

Mr.SESTAK. So it is back to bringing it up.

AmbassadorVERONEAU. It is back to bringing a dispute.

Mr.SESTAK. So really we have set a nice objective, now what we have to is if they don't bring it up to an international body.

AmbassadorVERONEAU. We bring it up to a bilateral body.

Mr.SESTAK. And if they disagree.

AmbassadorVERONEAU. Well, a panel adjudicates it. We appoint the panel and they adjudicate it. But I would say that—

Mr.SESTAK. That is enforceable then, the agreement says the adjudication is what will be followed?

AmbassadorVERONEAU. Yes. There are remedies, there is a panel, there is a finding, the finding, let's say, the country is not living up to its obligations, then we have rights to withdraw some of the benefits that we have extended.

Mr.SESTAK. I understand. But if the arbitration panel says U.S. Was right, does Peru have to follow that, or if it doesn't, we then have the right to withdraw benefits and all?

AmbassadorVERONEAU. Right, if it doesn't, we have the right to withdraw benefits.

Mr.SESTAK. My last question is on regulatory issues. My understanding is ours and Peru's is supposed to converge, but there is no adherence to any international standards. Have we left that all by itself out there sanitary and all that? In other words, it is kind of their domestic interpretation of what sanitary or health is. That is my understanding in perusing this agreement. There is no objective standard, there is no international standard set for this area.

AmbassadorVERONEAU. I would say the core commitment is that these regulations have to be science based. In the food safety area, as you can imagine, every country, including ours obviously, we have a strong right that we want to say, look, we want to be able to decide when is safe, safe? But we have to balance that with the reality that a lot of countries use these safety regulations as protectionist measures.

So the core, the essence of what we achieve in these agreements is a requirement that if you want to have a food safety regulation, it has to be science-based. We have the right to challenge whether that is science-based. That is a critical benefit of these agreements that commitment exists in principle in the WTO agreements, but it is very difficult to—

Mr.SESTAK. If we do disagree on this area, we can bring it up to this arbitration panel?

AmbassadorVERONEAU. Yes.

ChairwomanVELÁZQUEZ. Your time has expired.

Mr. González.

Mr.GONZÁLEZ. Thank you very much, Madam Chair. I always think if I am a small businessman or woman in the audience who are listening, they must wonder why we ask questions about the environment or labor. I want to make it perfectly clear that it impacts their ability to compete. I think you may have pointed that out.

It is an unfair advantage to those in another country if they have a regulatory scheme that does not add cost to operating their businesses as we have in the United States; which is admirable. We have many conditions regarding the rights and benefits to an employee, as well as to the obligations of a business when it comes to an array of regulatory scheme relating to the environment, for instance.

So I am hoping everybody understands the relevancy of these questions. I know they want us to get to more nuts and bolts, meat and potatoes. How do these agreements benefit a small businessman or woman?

I think Mr. Chabot brought up a very important point, and that is in today's environment and Congress, I think it will be more difficult to get free trade agreements out, on both sides of the aisle, actually, for many, many reasons.

Now the encouraging news is the Peru Free Trade Agreement, and we put a lot of effort in this was reported out of committee, I think, 39-0. Yesterday the trade adjustment assistance legislation passed by 264-157. I would like to think we are laying the groundwork not just for Peru, but everything that will follow thereafter.

How important is legislation, such as Mr. Rangel's TAA legislation is to this whole process, in your opinion?

AmbassadorVERONEAU. Well, I think the maintaining political support for trade, I am certainly aware of the difficult environment that we all preach about the benefits of trade, but I am certainly mindful of the political environment in which we try to do that and it is difficult at times.

I think having TAA and other safety nets for those that are temporarily and adversely affected by trade is critically important. President Bush supports reauthorization of TAA. We obviously have some differences about how it should be reauthorized, but I think having a strong program to help individuals adjust is critical to maintaining political support for open trade.

Mr.GONZÁLEZ. And TAA, would you agree, also addresses small business concerns, expanding that safety net, making sure we take care of those individuals and assist them to make those adjustments when they may be displaced or adversely affected by free trade agreements, that is incredibly important, wouldn't you agree?

AmbassadorVERONEAU. Yes. There is currently as you know, Congressman, a program for firms, an adjustment for firms. In its broadest sense, I think the most important thing we can do to help individuals and firms adjust to competitive pressures from imports is by having a pro-business, pro-job creation environment, because as we found over the past 50 years, especially one of the great strengths of the U.S. Economy is its dynamism. Some of the biggest companies in the world and the United States today didn't exist 20 years ago. It is having an environment that while jobs may be shrinking in some sectors, there is an environment of entrepreneurship to create jobs in other areas, and that is to me the most important that we can do to help firms adjust, but in addition to that we clearly need specific programs to help individuals and firms make adjustments.

Mr.GONZÁLEZ. Well, in some of the handouts as we considered TAA, the bill includes a package of tax incentives designed to encourage the redevelopment of areas that suffered substantial reductions in manufacturing employment. The proposal authorizes Secretary of Treasury to designate a group of manufacturing redevelopment zones. Under the bill, the areas designated its manufacturing redevelopment zones would be eligible for the special work opportunity tax credit classification and now applies to empowerment zones.

I think we are trying to set the stage, I just hope that we will be receiving the support and assistance of the administration that it is going to be required in order to not just pass Peru, but those free trade agreements that will follow in due course.

Thank you for your testimony, and I yield back.

ChairwomanVELÁZQUEZ. Mr. Cuellar.

Mr.CUELLAR. Thank you, Madam Chair, and thank you ambassador for being here with us.

One thing we are missing here is that all we are trying do with the free trade agreement is to allow our exports to go out to those countries, because Peru, Colombia, Panama, 90 percent of their goods are coming into our country duty free. So all we are doing, Members, is allowing our exports to go to those countries. It is not a regular trade agreement where we are opening up our country to those imports because we have been doing that for years and years.

For example, the CBI, Caribbean Initiative in the 1980s, because what was happening in Central America we decided to help those countries by opening up our country to those imports. So the TAA and those other bills that we have been working on, they are more aimed for imports coming into the United States, and I supported that yesterday.

But again, we have to keep in mind, Members, that this trade agreement simply deals with our exports going into those countries. In fact, when you look at it, and I know you went over this already, under CAFTA, Bahrain, Chile, Singapore, Australia, Morocco, all of those trade agreements have shown that the exports from the United States have increased. As you know, for every dollar we create or have for exports, it means we will have jobs created here in the United States.

If you look at example for, and I have—I don't have copies for the members, but if you look at the exports or you look at the trade between Colombia and the United States, 90 percent of the Colombian industrial products are coming into the United States duty free. When you look at the duty free ag products coming from Colombia, they are coming in duty free to the United States. When you talk about our industrial products going into Colombia, there are literally zero.

I don't have enough copies, but you can see all we are talking about, Members, is to allow our exports to go. We are not talking about imports coming in, because we have been doing that for years and year and years. I would ask you, Members, to look at this, and I can understand the arguments that Charlie made and the regulations and assistance. And I can understand this, but bottom line, Members, what we are talking about here, it is not a regular free trade agreement where you are allowed imports to come in and you negotiate what imports come in like NAFTA. NAFTA was different because we negotiated with Canada and Mexico. This is a very, very different topic. All we are talking about is talking about exports going into those countries.

Let me say one more thing on—I don't know how much time I have.

ChairwomanVELÁZQUEZ. You have time.

Mr.CUELLAR. Let me say this, on CAFTA, the pre CAFTA trade we were in the deficit with those countries, $1.9 billion. The year that we go into CAFTA, those 2 years, 2006 and 2007 our trade balance went up, it went into a surplus. Immediately we went into a surplus with those countries.

So, Members, again, CAFTA and the Free Trade Agreement are just simply to look at the bottom line it is simply allowing our exports to go into those countries, and that is basically what we are talking about, especially when you talk about it, most people think it is big companies are talking about going to those countries, but it is really, what was it, 89 percent in CAFTA when we talk about CAFTA as an example, 89 percent or so are small, medium-size businesses, which what we are talking about here. It is not the big multi corporations like most people make it sound. It is 89 percent small and medium-size businesses.

Members, we can go into different type of discussions, but I ask you to look at the bottom line, all we are talking about is sending our exports to those countries.

Mr.CUELLAR. That was not a question. That was a statement.

AmbassadorVERONEAU. Well-put, Congressman, well-put.

ChairwomanVELÁZQUEZ. Mr. Ellsworth?

Mr.ELLSWORTH. Thank you, Madam Chairwoman.

Thank you, Mr. Ambassador, for being here. Sorry I was late.

I really only have one question. People are very leery, after CAFTA and NAFTA, about trade agreements, back in Indiana. They realize it is a global economy, they know we want to trade with others, but they are nervous about that. And I have to go back and reassure them, when I vote for these agreements, that they are a good deal.

I noticed that, when I was reading your testimony, you said on page 11 that these countries will have to take any steps necessary to bring them into compliance with the FTA obligations as of day one. And can you expound on that a little bit, what you mean by that?

Because I guess what I see, as a new Member, is, so many times, Federal Government goes into things with really good intentions, and then we can't quite get a ride out on the other end, like the enforcement that Charlie was talking about.

So how far along in the process toward labor, environment protections—are they going to be 100 percent?

And then reassure me and my folks back home that, if we find these violations, that we are going to enforce them with some teeth, something that really means something. Don't drag it out for years. You know, it is the old hot stove theory. A kid only touches a stove one time when it is hot. You hit them fast, you hit them every time, and you hit it—that is what I think people want to see.

And if you can help me with that, I am willing to look at these.

AmbassadorVERONEAU. Certainly, Congressman. What I was referring to in that part of the testimony is that, under the statute, under Trade Promotion Authority, the President must certify, before he signs the essential paper that enters these agreements into force, that the other country has met the obligations that it agreed to; it has changed its laws in various ways to meet this obligation.

So we take that process very seriously. A majority of people at USTR are lawyers. The legal staff spends an enormous amount of time poring over the legislative changes that our trading partners have presented to say, "Here is how by complied with this obligation." And it is a very long process. In fact, our process with Oman, Congress approved that agreement 2 years ago, and we are still going through that process. So we do not gloss over or whitewash that process. We take it very seriously, and as we should, to make sure that the countries on day one have met those agreements.

Now, after that, there is still, obviously, vigilance required to make sure that they continue to live up to those agreements, and that we do. And there will inevitably be disputes. We have had them in the WTO; we have had them in NAFTA. We have been sued under NAFTA for not abiding by some commitments. We have sued others for not abiding by commitments.

So invariably these things will happen, but I would not want to give the impression that these are scofflaws. I mean, compliance is extremely high in these agreements. It is the rare case where there is not compliance. And in those cases, we don't hesitate to bring actions. I mean, from our perspective, there is every incentive to bring an action substantively, and politically frankly, to show that we are serious about upholding these agreements.

Because we know that if we are seen as not serious about upholding these agreement, then we lose political support for them. If we are seen as just an agency that negotiates deals and then puts them in the safe and moves on to the next deal, we are not helping ourselves. And I assure you that is not the posture in which we operate.

Mr.ELLSWORTH. Thank you very much. I appreciate that.

Then, my only caution is, again, that the public sees us, this Government, as not moving very fast, and when we get these countries that find loopholes—for instance, changing the placement of a license plate on the bumper so it doesn't comply with American standards—whatever that might be, that they find a loophole to get around our agreements, that we then go after that. And I will refer back to the hot stove theory: Do it fast, do it fierce and make it count.

Thank you. I yield back.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Johnson?

Mr. JOHNSON. Thank you, Madam Chair. I wish to commend you for holding this hearing, and I apologize for being late.

Ambassador, your testimony makes a convincing case for supporting these agreements. But, as you know, trade remains a controversial issue simply because there are winners and losers. Both sides make a compelling case either for or against trade agreements.

In the case of NAFTA, for example, I know that there were 24,500 manufacturing jobs lost in the Atlanta area from 1995 through 2006, or nearly one out of six manufacturing jobs. Those were clearly losers. Others might cite the ballooning trade deficit and say all Americans are losers because of that.

What is your response to these critiques of past free trade agreements? And how have these critiques been addressed in the four pending agreements before us?

Ambassador VERONEAU. Thank you, Congressman.

I mentioned in my testimony earlier, 40 percent of the economic growth of the past year has been as a result of exports. So exports are a key part of our economy. I mean, we import, we export, but unfortunately, a lot of time, the attention is on imports, that imports cost jobs. The reality is imports are good for consumers, including small businesses, who have seen a lot of their costs moderated because of global competition. But exports are a tremendous source of job growth, as I said, 40 percent.

As far as manufacturing, there is a myth out there that the U.S. has lost its manufacturing prowess, and it is simply not true. We produce 50 percent more today in manufactured goods than we did 10 years ago. We produce 30 percent more cars today in the United States than we did in 1980—30 percent more. There are fewer people making them, and that is a function not of trade policy but a function of technology.

Mr. JOHNSON. So you are disagreeing with the job-loss statistics that I cited?

Ambassador VERONEAU. I would. I am not knowledgeable enough, Congressman, to know if that number is wrong. But what my point, I think, goes more to is, if there has been loss of manufacturing jobs in Atlanta or elsewhere, it is probably unfair to attribute them to trade policy.

I would say the vast majority of job losses in manufacturing in the United States and globally—I mean, even China—most people don't realize this—China has lost millions of manufacturing jobs, millions, because of improvements in technology. And I hate to say it, but that is a good thing. The same reason that, you know, a third of us used to farm, a third of us used to farm. In this country today, only 2 or 3 percent of us farm.

Mr. JOHNSON. Point well-taken. Point well-taken.

Ambassador VERONEAU. That is progress.

Mr. JOHNSON. Let me ask you this question. Have there been any lessons that we have learned from the NAFTA and CAFTA agreements?

Ambassador VERONEAU. Well—

Mr. JOHNSON. Or have they just been roaring successes and we just want to build on them? Have there been any negative consequences, in your eyesight?

Ambassador VERONEAU. Honestly, I think the lessons that I would say are: We need to liberalize and open up these markets more, not less. And, in that sense, I think there is—I have learned no lesson that suggests, gee, maybe we should not have pursued these agreements or opened up the markets. If anything, I would say we need to do a better job, those of us in Government, those of us in the business community who support trade, frankly, need to do a better job to explain to people why open trade is a good thing.

And I think, in that sense, we are not helping ourselves because the political environment, as you know better than I, for trade is getting more complicated, not less. And in that sense, I would say a lesson learned for me has been not so much with the agreements, but with our advocacy for them, and stepping up to explain to people why these are good for America.

Mr. JOHNSON. Let me ask you this question. In your testimony, you mentioned that trade agreements give American small businesses access to foreign-government procurement contracts.

Isn't it true that foreign companies in Peru, Colombia, Panama, et cetera, will be afforded that same opportunity for U.S. Government contracts? And that being the case, what would stop a Chinese company, for instance, from incorporating in Peru and then competing with our small businesses for U.S. Government contracts.

Ambassador VERONEAU. Well, to take advantage of those procurement opportunities, the goods have to be made in the country. So it wouldn't be enough that a foreign company, Chinese or otherwise, simply purchased the Peruvian company. The goods have to be made there. There is no opportunity to simply transship goods through a Peruvian company.

But I would say that, you know, we already have a very open system, frankly. Our procurement system is quite open. So, again, I see these agreements as a way to level the playing field. It is other countries around the world that have much more closed systems on their procurement.

So, to me, we are not to giving up anything. We are gaining access that we don't currently have. In the same way that, on the terror side, our markets are already open, and this is an opportunity to get equal access to their market.

Chairwoman VELÁZQUEZ. Time has expired.

Ms. Hirono?

Ms. HIRONO. Thank you very much, Madam Chair.

Mr. Ambassador, did you say that 40 percent of economic growth in the United States has been due to exports?

Ambassador VERONEAU. Yes, ma'am.

Ms. HIRONO. How much of that was due to exports based on FTAs?

Ambassador VERONEAU. I don't have that figure.

What I do know is that our exports to FTA countries over the past year have been growing 60 percent faster than exports to non-FTA countries. And couple that with the fact that our FTAs account for almost 50 percent—or our FTAs, including the ones I am testifying today, account for almost 50 percent of our exports, I would say that, of that 40 percent, a not-insignificant amount of that is attributable to our free-trading partners.

Ms. HIRONO. That is really—

Ambassador VERONEAU. Sorry for those—I think I did four extrapolations. I apologize. I can—

Ms. HIRONO. Thank you for the clarification, because I didn't realize that our FTAs accounted for almost 50 percent of our exports. That is an astoundingly high number. My understanding was that most of our trade with other countries are done pretty much outside of FTAs.

Ambassador VERONEAU. My staff is double-checking. My recollection is, including these four FTAs—Korea, et cetera—the figure will be—that, obviously, Canada, a major trading partner of ours, and Mexico. So our exports to our FTA partners, including these pending FTAs, is, I believe, almost 50 percent. I will confirm that number for you.

Ms. HIRONO. And the reason I ask these questions is that I would like to get an understanding of really how much of our trade is really done through FTAs, as opposed to just the fact that we are trading with all of these countries and have been for decades.

I have a question about—perhaps you have already gone through this, and I apologize for being late. For a lot of us, the environmental and the labor standards that are relatively new to the new round of trade agreements is really an important part of us moving forward in the kind of trade agreements that we would want to see. Now, that is great, but my question really is around enforcement. Because if you have all these requirements and standards but we are not enforcing them, what good are they? That is my view.

So what kind of enforcement is our country doing to make sure that the countries with whom we have these trade agreements are living up to their part of the bargain, particularly in reference to labor and environmental requirements?

Ambassador VERONEAU. Well, I would say that enforcement is very high. I mean, compliance with these trade agreements is extremely high. I mean, as one would expect, attention is paid to those instances where there is noncompliance. But compliance is very high. So I wouldn't want to leave here with the impression that enforcement is a systemic problem, because that has not been my experience in my current capacity or my prior capacity as a general counsel.

The agreements provide for dispute-settlement mechanisms, basically panels to be established to adjudicate cases. We have had a number of NAFTA panels, some that we have been the plaintiff, so to speak, and others we have been the defendant. But these are panels that I think do a very good job of sorting out disputes.

So I would expect that certainly this administration and any future administration would take seriously any charges that a country is not living up to its commitments. And if you can't find your way to resolve those short of bringing a formal action, then you bring the formal action. I have detected no resistance to bringing formal actions in the face of noncompliance.

Ms. HIRONO. Madam Chair, if I could just request that you provide to the Committee the list of actions that have been taken by our country to enforce trade agreements, the provisions of trade agreements. Because I don't have that kind of information. And you indicate that the enforcement part has been a very active part of what—

Chairwoman VELÁZQUEZ. Ms. Hirono, will you yield?

Ms. HIRONO. Yes.

Chairwoman VELÁZQUEZ. And I would like for the Ambassador to also—you say compliance is high. What about the area of intellectual property and textile?

Ambassador VERONEAU. I think on intellectual property, again, if you look around the world, some of our biggest problems have been with partners that we don't have bilateral trade agreements with. China and Russia are the two countries that we are having the major problems with on intellectual property. And in that sense, frankly these FTAs that are the subject of this hearing today provide mechanisms to address intellectual property that we don't have with those other countries to the same fullness.

But I would be pleased to provide information about enforcement actions, but I think it is important to be clear that enforcement actions encompass much more than bringing formal disputes. I mean, every day, I or someone at USTR is on the phone with a foreign government to say, "Hey, you have to live up to this obligation." So the vast majority of enforcement is not through a formal dispute mechanism, but through pressuring and jaw-boning and putting pressure on countries to meet their obligations.

Chairwoman VELÁZQUEZ. Time has expired.

Mr. Buchanan?

Mr. BUCHANAN. Thank you, Madam Chair.

I know we have votes, but, Ambassador, real quick, my interest is in, as all of this Committee, is small business. How do you define small business as it relates to these relationships and various trade agreements? Do you have a definition for small business?

Ambassador VERONEAU. Well, I think we have used the SME, small and medium-size enterprise's definition of 500 companies or less. But—

Mr. BUCHANAN. You mean 500 employees?

Ambassador VERONEAU. Yes, 500 employees. But, as I was saying earlier, what we do, to oversimplify, is we are in the business of eliminating tariffs and nontariff barriers. And I think that mission benefits small companies, frankly, more than big companies, because big companies have the resources to find their way around and navigate these barriers, where small companies don't.

Mr. BUCHANAN. Let me mention, just in terms of that, there is a lot of—I mean, that is one way to define small companies. But I know in the State of Florida and all throughout the United States, a lot of small companies, we—I was chairman of the State chamber. In those businesses, we defined a lot of our companies as small companies that were 20, 50 or 40 employees or less.

What are you doing, and how does it affect those groups?

Ambassador VERONEAU. Well, again, I would say whether I am a company with 10 employees or 10,000, my interest is seeing a tariff eliminated or a nontariff barrier eliminated. So, from our perspective, from the mission of USTR, my goal and interest in eliminating this barrier is the same for you as a small company as it is for a large company. And in that sense, our mission does not split, I think, in the following way of small-business interests versus big-business interests. We are interested in eliminating these barriers, and small and large can take advantage of that.

Mr.BUCHANAN. Well, on the record, I would just like to say I would just love to see us do more in any of these trade representative meetings to help companies 50 employees or less. Because that is a lot of what we represent here.

Thank you. And we have—I know we have to leave.

ChairwomanVELÁZQUEZ. Mr. Ambassador, thank you for your participation this morning.

We still have some more questions. We will be submitting them in writing.

You are excused. But before you leave, I would like for the record to reflect who will be the person or persons from your staff that will stay here to listen to the next panel.

AmbassadorVERONEAU. Our Congressional Affairs Office will stay here and enjoy the rest of the hearing.

ChairwomanVELÁZQUEZ. Thank you very much.

AmbassadorVERONEAU. Thank you very much.

ChairwomanVELÁZQUEZ. The Committee stands in recess, and we will resume right after this vote.

[Recess.]

ChairwomanVELÁZQUEZ. The Committee is called to order. And we are going to start with our second panel.

I want to thank you all for being here this morning.

Our first witness is Mr. Stephen Ubl. He is the president and CEO of AdvaMed. He oversees all internal and external operations for the organization, which is the world's largest association representing manufacturers of medical devices, diagnostic products and medical information systems.

Mr. Ubl, you have 5 minutes to either talk to us or summarize your testimony.

And every statement will be submitted to the record, without objection. So ordered.

And you have 5 minutes.

STATEMENT OF MR. STEPHEN J. UBL, PRESIDENT AND CEO, ADVANCED MEDICAL TECHNOLOGY ASSOCIATION (ADVAMED)

Mr.UBL. Thank you, Madam Chairwoman and Ranking Member Chabot, for inviting me to testify this morning. I am Steve Ubl, president and CEO of AdvaMed. And we thank the Committee for holding this important hearing today on pending free trade agreements between the United States and some of our trading partners.

As you mentioned, AdvaMed represents over 1,600 of the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and health information systems. Importantly, over 70 percent of our members are small companies with sales under $30 million in revenue.

AdvaMed members are devoted to the development of new technologies that allow patients to lead longer, healthier and more productive lives. Our members manufacture 90 percent of the $94-billion U.S. Health-care technology market and nearly half the $220-billion market globally. In 2006, U.S. exports in medical devices and diagnostics totaled over $29.4 billion.

The medical technology industry is fueled by intensive competition within the innovative energy of our small companies, firms that drive very rapid innovation cycles amongst our products, in many cases leading to new product iterations every 18 months. Our industry succeeds most in a fair, transparent global market where products can be adopted on their merits without excessive regulatory hurdles or inappropriate reimbursement policies.

We strongly support the efforts to expand market access for U.S. products abroad through FTAs, the World Trade Organization, as well as oversight of market access barriers in countries with which we have strong trading relationships. We believe U.S. leadership in international trade is crucial to the health of our industry and the future success of the U.S. economy. There is really no credible alternative to engaging fully in the global marketplace. Congressional approval of solid FTAs is an important cornerstone in advancing a strong U.S. Trade agenda.

The Korea-U.S. FTA is an excellent example of such an agreement. In 2006, U.S. medical technology exports to Korea exceeded $673 million, an increase of 8 percent over 2005. Korea currently imposes tariffs in the range of 6.5 percent to 13 percent on U.S. medical technology compared to almost no tariffs on U.S. imports from Korea. The elimination of tariffs on all medical technology under the FTA will save the U.S. industry about $25 million per year.

The FTA also offers important benefits specifically addressed to medical technology. In fact, it is the first FTA to have a specific medical technology chapter, including recognition of innovation; commitments to fair, transparent and nondiscriminatory rules on reimbursement and regulatory decisions. We urge Congress to pass the legislation to implement this FTA.

The Latin American FTAs would also provide benefits to AdvaMed members, including tariff elimination, thereby leveling the playing field with countries that enjoy duty-free access to our market and provisions addressing a range of nontariff barriers.

We also hope that the administration and Congress will work together on a bipartisan approach to U.S. trade policy. Many other countries are concluding FTAs with our trading partners. As an American and as a representative of the medical technology industry, I do not want to see us left behind.

Thank you, again, for holding this hearing and for seeking our input on the pending FTAs. We look forward to working with you and the rest of the Committee on these important issues. Thank you very much.

[The prepared statement of Mr. Ubl may be found in the Appendix on page 59.]

ChairwomanVELÁZQUEZ. Thank you very much, Mr. Ubl.

Our next witness is Mr. Doug Wolf. Mr. Wolf is a board member of the National Pork Producers Council and a pork producer from Lancaster, Wisconsin. He owns and operates Wolf L&G Farms, a farrow-to-finish operation marketing 20,000 hogs per year.

Welcome, sir.

STATEMENT OF MR. DOUG WOLF, OWNER, WOLF L&G FARMS LLC, LANCASTER, WISCONSIN, ON BEHALF OF THE NATIONAL PORK PRODUCERS COUNCIL

Mr.WOLF. Thank you very much, Madam Chairman, members of the Committee. I am Doug Wolf, a board member of the National Pork Producers Council and a pork producer from Lancaster, Wisconsin. I do own and operate Wolf L&G Farms, a farrow-to-finish operation marketing 20,000 hogs a year.

The National Pork Producers Council is a national association representing 44 affiliated State organizations and the Nation's 67,000 pork producers. We annually generate approximately $15 billion in farm gate sales, support an estimated 550,000 domestic jobs, generate more than $97.4 billion in total U.S. economic activity and contribute $34.5 billion to the U.S. gross national product.

Madam Chairwoman, I strongly believe that the future of the U.S. pork industry and the future of livelihood of my family operation depends in large part on further trade agreements, including the pending agreements with Peru, Colombia, Panama and South Korea.

Past trade agreements have fueled export growth in the U.S. pork industry. Total U.S. exports of pork and pork products have increased by more than 433 percent in volume terms, 401 percent in value terms, since the implementation of NAFTA in 1994 and the Uruguay Round agreement in 1995. Without the NAFTA, there is no way that U.S. exports of pork products to Mexico could have reached such heights. In 2006, Mexico was the number-one volume market and the number-two value market of U.S. pork exports.

Thanks to a bilateral agreement with Japan on pork that became part of the Uruguay Round, U.S. exports to Japan have soared. In 2006, U.S. Pork exports to Japan reached over $1 billion. Japan remains the top-value foreign market for U.S. pork.

U.S. pork exports to Korea have increased over 2,000 percent, as a result of concessions made by Korea in the WTO Uruguay Round in 1995. More recently, U.S. exports of pork have expanded because of bilateral deals with Russia, Taiwan, China and the U.S.-Australia Free Trade Agreement.

As U.S. pork experts grow, so do U.S. jobs. In 2006, the United States exported 15 percent of its domestic pork production. International trade contributed approximately 82,500 U.S. jobs to the pork industry alone. The majority of these jobs are located in rural America. In my home State of Wisconsin, about 14,200 jobs are involved in various aspects of the pork industry. Using 15 percent share, Wisconsin receives 2,130 jobs and $90 million in personal income from exporting pork products to foreign markets.

Wolf L&G Farms is a small, family owned, independent hog operation in southwest Wisconsin. I run the business with my 30-year-old son, Shannon. Between 1998 and 2002, we faced tough financial times. It wasn't until 2002 that we started to recover and became financially stable and actually expanded our production.

In September of 2007, we replaced an old sow facility and increased our capacity from 800 to 1,400. Due to this expansion, we will be able to increase the number of hogs marketed significantly, from 20,000 to 30,000 annually. We have also erected new feed processing, increased competitiveness with new modern technology, and purchased more energy-efficient equipment.

Increased pork exports over the last 5 years have contributed significantly to the profitability of our operation. Wolf L&G Farms markets hogs to the Waterloo and Columbus Junction, Iowa, Tyson pork-processing plants. These plants export pork all over the world, including loins and tenderloins to Japan, bellies and butts to South Korea, hams to Mexico, picnic and trimmings to Russia, and a variety of meats indirectly to China. Wolf L&G Farms is very proud to supply the world with our homegrown Wisconsin pork and pork products.

It is absolutely critical that U.S. pork exports continue to grow. Right now, though high tariffs, the average global tariff on pork is a staggering 77 percent. The technical barriers to trade are stifling that growth and affecting the industry.

The four free trade agreements currently pending in Congress can help change that. I am very excited about that. Each agreement aggressively cuts tariffs, and all tariffs are eventually phased out completely.

Additionally, the Governments of Peru, Colombia, Panama and South Korea have agreed to accept pork from all USDA-approved facilities. This ensures my product will not be stopped from entering these markets because of non-science-based restrictions.

The potential impact of the pending free trade agreement on Wolf L&G Farms is very substantial. According to an Iowa State University economist, once fully implemented, the Peru agreement will add 83 cents per head to each hog. The Colombia trade agreement will add $1.63. Panama will add 20 cents. And Korea will add a phenomenal $10 per animal. Assuming our current level of production, these agreements, respectively, would mean an additional $16,600; $32,600; $4,000; and $200,000 in additional income than otherwise would have been the case without these deals. That is more than $250,000 that will add to our farm receipts. Remarkably, these estimates are based on current levels of production, and we are expanding our production.

The added income from the pending FTAs will allow our small operation to grow, develop and ensure a future in hog production for my son and his family. We eventually would like to invest resources in the methane digestive technology, which helps supplement profits and generate electricity. It also helps us support the environmental concerns. Given the proper resources, this could be a reality.

Free trade agreements spur exports, which, in turn, drive our profits upward. I would strongly urge you to support the pending free trade agreements with Peru, Colombia, Panama and South Korea.

Thank you very much.

[The prepared statement of Mr. Wolf may be found in the Appendix on page 66.]

ChairwomanVELÁZQUEZ. Thank you, Mr. Wolf.

Our next witness is Mr. Cass Johnson. Mr. Johnson is the president of the National Council of Textile Organizations. The National

Council of Textile Organizations represents the entire domestic textile industry, including producers, manufacturers and suppliers of these products.

Welcome, sir.

STATEMENT OF MR. CASS JOHNSON, PRESIDENT, NATIONAL COUNCIL OF TEXTILE ORGANIZATIONS, WASHINGTON, D.C.

Mr.JOHNSON. Thank you.

Chairwoman Velázquez and Congressman Chabot and distinguished members of the Committee, thank you for the opportunity to appear today and outline the textile industry's perspective on the pending free trade agreements.

My name is Cass Johnson. I am the president of the National Council of Textile Organizations. First of all, I would like to thank you for holding this hearing on trade. It is very important, as you have noted, to small- and medium-sized business. I believe this is the second hearing the Committee has held this year, and I urge you to continue to hold these hearings. It is very important.

I would like to state at the outset that our companies, almost all of which are small- and medium-sized businesses, need a trade policy that concentrates on retaining jobs in this country and that exacts penalties for those countries that break the rules.

The U.S.-China Economic and Security Review Commission estimates that Chinese bad-playing has cost the United States over 1.5 million manufacturing jobs during the last 10 years. Many of these were good-paying textile jobs. And yet our members are very concerned that China continues to get virtually a free pass by the Congress and by the Government. While our industry is supportive of free trade agreements, if we were to ask you today to do one thing for the U.S. manufacturing sector, it would be to pass a bill that holds China accountable for its currency manipulation and subsidy schemes. We hear that such bills are being prepared, and we look forward to those moving through Congress quickly.

Regarding the Peru and Colombia and Panama FTAs, NCTO members have examined these agreements carefully and have been strongly supportive. In terms of textiles, these agreements contain the gold standard for textile agreements, a pure-yarn foreign rule of origin, with none of the free-riders that have been in past agreements. This means that only textile apparel companies in the free trade areas get the benefits and that nonparticipants, particularly China, are technically shut out.

You may have noticed I said the word ″technically.″ I use the word, because, while Customs regulations in these agreements are very strong, Customs itself has been back-pedaling furiously on commitments made to the textile industry when the CAFTA agreement was being debated. These commitments are one of the primary reasons that our members voted to support the CAFTA agreement.

But today, instead of a reinvigorated customs effort that we were promised, textile customs enforcement is now at a crisis point. The Government has stopped sharing data on seizures and detentions with both the industry and the Congress. Special operations regarding textiles enforcement have been virtually halted, and textile enforcement staff has been leaving in droves.

The result is that the cheaters are now winning. U.S. textile mills are reporting a sharp upswing in shipments lost to illegal trade. This is because the rules in CAFTA are being broken by unscrupulous importers who know there is virtually no chance, in this current customs environment, that they are going to get caught.

The industry has done its homework on this issue. We have traced the roots that illegal shipments take from China and elsewhere. We know which ports the boats dock at. We know which companies are falsely claiming U.S.-origin goods, and yet we watch as U.S. mills close, as a spinning mill closed 2 weeks ago down in North Carolina. And their workers become unemployed, because Customs is no longer keeping its word and making textile enforcement a priority in free trade agreements.

This turnaround by U.S. Customs is all the more infuriating because Customs' own records show that fraud and cheating occurs more in textile trade than in any other manufactured good. In fact, nearly 50 percent of all customs fraud involves textile products.

Our industry's patience is nearing an end. We have made many appeals to Customs to restore the program, but we have yet to see Customs respond in a meaningful way.

So while we support the Peru and Colombia and Panama agreements, there is no reason for the industry to continue to support these or future agreements if Customs has decided it will not bother to enforce them. Rules are great, but they have to been enforced. If they are not being enforced, then we are in more danger having an agreement than in not having an agreement.

Finally, regarding the Korea FTA, we believe the textile portions need to be renegotiated. In the agreement, USTR reversed a decades-old policy when it agreed to give Korea duty-free treatment immediately on the vast majority of its textile products. In addition, Korea continues to manipulate its currency, and the chaebol system continues to give its manufacturers additional unfair advantages. Finally, Korea has been a major transit point for textile fraud with China for over 30 years and has shown no willingness, to date, to enforce its borders.

This concludes my verbal remarks. I would like to thank the Committee once again for holding this hearing and for turning its attention to the issue of trade and its impact on small- and medium-sized businesses.

[The prepared statement of Mr. Johnson may be found in the Appendix on page 78.]

ChairwomanVELÁZQUEZ. Thank you, Mr. Johnson.

Our next witness is Ms. June Ling. Ms. Ling is the associate executive director of Codes & Standards for the American Society of Mechanical Engineers. Founded in 1880, the organization promotes the arts, science and practice of mechanical and multidisciplinary engineering and allied sciences.

Welcome.

STATEMENT OF MS. JUNE LING, ASSOCIATE EXECUTIVE DIRECTOR, CODES & STANDARDS, AMERICAN SOCIETY OF MECHANICAL ENGINEERS, NEW YORK, NEW YORK

Ms.LING. Thank you, Madam Chairman, and thank you, Ranking Member.

This morning I would like to cover standards, their impact on trade and small- and medium-sized enterprises, and I would also like to highlight the importance of language within trade agreements when addressing international standards and their implementation through regulatory adoption.

So what is a standard? What is a technical consensus standard? Basically, it is a set of rules or guidelines developed under a disciplined process of well-defined characteristics. And when applied, standards achieve a common objective. That objective may be a baseline for public safety, from toys to home heating boilers to safe operation of nuclear power plants. It can achieve better utilization of new technological advances, and it can also cover interchangeability and interconnectivity of products and services. So standards are basically a set of rules or guidelines.

Standards have two significant results: One is they enable a transfer of technology to a broad base of users, and, two, they create a level playing field for competition and, thus, enter into new markets. Both technology transfer and market access are especially important benefits to small businesses, as most would not have the means of achieving these results independently.

Today the United States enjoys a well-established and vigorous process for development of technical consensus standards by the private sector in partnership with Government. This partnership has become ever more important in ensuring U.S. competitiveness in the global market. The USTR and Department of Commerce have actively worked in concert with the private sector, including the standards-developing community, to safeguard U.S. interests through ensuring international standards used by U.S. companies are not unfairly blocked.

Free trade agreements and texts regarding standards in free trade agreements are essential to ensuring businesses are able to export goods. So why is text in trade agreements important?

Well, under the WTO Technical Barriers to Trade Agreement, signatory nations are obligated to provide, quote, ″preferential treatment″ to, quote, ″relevant international standards.″ As such, how international standards are defined within the context of the TBT Agreement became a major item of debate.

A significant milestone occurred during the second tri-annual review of the TBT Agreement. At that time, there was an effort by other nations to define international standards as limited to standards developed by organizations whose membership structures consisted only of national bodies. Under this interpretation, the open membership of U.S.-domiciled international standards-developing organizations, such as ASME, would not qualify, and the products made in the United States that were engineered to these international standards would effectively be restrained from trade.

But through the strong and able efforts of USTR, support by Commerce and the private sector, the U.S. prevented this threat through sustained efforts, and it led to the decision of the TBT committee not to specify or name organizations developing international standards but, rather, to define the principles for international standards development that any standards developer could follow. The principles of transparency, openness, impartiality and consensus, effectiveness and relevance, coherence and development are met by ASME and other U.S.-domiciled standards organizations.

It is important that the U.S. remain vigilant, however. We need to ensure that any text within trade agreements which address international standards is inclusive of those standards utilized by U.S. Businesses and Government. In addition, treatment of conformity assessment in the WTO TBT Agreement and implementing text in free trade agreements can add to the complexity of fair and open access to the market. Here, too, vigilance is needed.

A few years ago, ASME and three other organizations formed a consortium, and we opened an office in Beijing using a manufacturing development cooperative program grant provided by the Department of Commerce International Trade Administration. With Commerce ITA support and their engagement on a Government-to-Government basis, this consortium of four organizations successfully gained greater understanding on use of our standards in China, which, in turn, facilitated greater acceptance of products and technology produced to those standards.

So, in conclusion, standards and related conformity assessment are an underpinning of U.S. competitiveness and trade promotion. It can carry a greater impact for small businesses, as small businesses do not have the resources for independent research nor participation in the international standards activity. Effective export trade promotion would not be achievable without continued acceptance and use of international standards, many of which are developed and maintained by ASME.

Thank you.

[The prepared statement of Ms. Ling may be found in the Appendix on page 92.]

ChairwomanVELÁZQUEZ. Thank you, Ms. Ling.

And the Chair recognizes the ranking member for the purpose of introducing our next witness.

Mr.CHABOT. Thank you, Madam Chairwoman.

I am pleased to welcome a constituent of mine, Gary Ellerhorst, who is president and CEO of Crown Plastics Company, Inc., which is located in Harrison, Ohio, which is in my congressional district. He happens, also, to be a graduate of one of the more distinguished high schools in our district, Elder High School, who happens to be playing my son's high school in the State playoffs this week and one of the rivals of my high school as well. So football in Cincinnati is a big deal, and we always talk about that back home.

But Crown was cofounded in 1973 by Gary's father, Bob Ellerhorst. Gary began as a second-shift machine operator, worked his way up to sales manager, and today he and three of his brothers manage the company, which now employs 52 people.

Crown manufacturers plastics material and resin and is the world leader in the manufacture of ultra high molecular weight polyethylene, which is used in the manufacture of high-quality snowboards and which lined the bottom of four American gold and silver medal-winning snowboarders in the 2006 Winter Olympics.

Gary is a two-term past president of the Main Street Harrison Downtown Revitalization Program.

And I want to thank him for adding his perspective to the hearing, and I think we all look forward to his testimony.

Mr. Ellerhorst?

STATEMENT OF MR. GARY ELLERHORST, PRESIDENT AND CEO, CROWN PLASTICS, HARRISON, OHIO

Mr.ELLERHORST. Madam Chairwoman, Congressman Chabot and esteemed Committee members, I would like to thank you for the honor of speaking before you today on the subject of small business and free trade agreements.

Unlike many who come before you, I have no charts or graphs, no reams of data, no results of exhaustive research. I am here with nothing but 30 years of experience of working in, growing with and managing a small manufacturing business in the Midwestern region of the United States.

Like every other company in America, we are challenged by the ever-changing landscape of the global market we find ourselves in. The acceleration of market changes for our company over the past 5 years, and the necessary adaptation that goes along with it, has exceeded that of our first 30 years in business.

Explosions in technological advancement and the massive shift in manufacturing throughout the world has created the scenario where over 50 percent of what Crown Plastics now produces either involves the use of materials from outside the U.S. or is exported in the form of finished products or components. We currently export product to approximately 15 countries throughout North and Central America, Asia, Europe, the Middle East, as well as Australia and New Zealand.

Much of our growth in exports are in areas of the world that have developed through trade with the United States, such as Mexico, Canada and China. We have found that open trade policies have not only encouraged economic cooperation to reduce costs and red tape, but that economic growth experienced by our international trade partners has also led to increased demand for additional U.S. products. In other words, investment in trade is an investment in the American economy.

Crown Plastics' future strategy has part of its focus in Central, Latin and South Americas, several of these countries, again, being currently considered for additional free trade agreements. Again, I am sure you have received data from both sides of the issue, but my experience tells me that enacting these proposed agreements will, in the long term, prove to be economically, politically and socially beneficial.

As a parent and a CEO of a small business, I completely understand the natural tendency to want to help when we see an issue with things or people we care about. But I also see that, in some cases, we have tried so hard to protect our children from everything that they are now susceptible to anything. If we raised an animal in the protected environment of our homes and then later released it into the wild without the necessary developed skills and instincts needed to survive, our actions would rightly be admonished as cruelty. Why, then, do we insist on doing the same to our own businesses?

While artificial supports and protections are usually well-intentioned, in the short-term reality they only benefit the small portion of the economic population they are designed to help, while actually creating additional difficulties for the rest. More importantly, in the long run, they only serve to artificially prop up outdated, antiquated and inefficient policies and practices and provide a false sense of security and success to those they are intended to help.

Meanwhile, the global marketplace continues to shift and grow around us. The end result, as we see with so many of these programs, is a lifetime of continued addiction to such support, as we are no longer able to fend for ourselves in the wilds of the marketplace, or, if finally forced to deal with the realities of an open market, a massive investment of time and money to impose a greatly accelerated process of adjustment which may or may not succeed. In either case, we are the weaker for it.

Businesses, like everything else, need to constantly be able to adjust to the changing environment or risk extinction. Besides our competitors, we are in a constant battle with economic forces such as interest rates, energy cost, currency fluctuations, technological advances, health-care costs and so on. On top of that, we have national and international political issues, environmental issues and people issues. And when we finally think we have it all figured out, along comes 9/11 or Katrina or wildfires.

And we continue to survive and to succeed. Is it difficult? Absolutely. Is it painful sometimes? You bet. But what in life is not?

And we in America have got to quit looking for the painless fix that does not exist. When faced with a problem, we demand that somebody fix it, but just don't let the solution affect me. Or we waste our efforts putting Band-Aids on symptoms and ignoring the disease, the category in which artificial supports and trade restrictions fall.

We have economic cancers that require chemo-therapeutic treatment. During the process, we will feel sick and our hair will fall out. But when we are past it, we will be stronger, and the alternative is far less desirable. The longer we waste time trying to avoid discomfort, the more intrusive and painful the cure becomes.

I understand that when it comes to free trade agreements like those being considered, many across the political spectrum have legitimate human rights, environmental and economic fair-play concerns. But unlike some issues that require sanctions and trade barriers, most socioeconomic issues are best addressed through economic engagement. Having a vested economic stake is the best way to ensure proactive cooperation. And one need only to look at recent changes in China for proof. There are still many, many problems, but a whole host of issues are moving rapidly in the right direction.

But I suspect the biggest issue with protectionism is fear: fear of the future, fear of uncontrollable forces in the marketplace, fear of the unknown. Well, I am here to represent all of those who are not afraid of the uncertainties of the global marketplace but rather revel in their opportunities. Why do we feel this way? Because we have two huge advantages over many of our foreign competitors. The first is us—me, those sitting at this table with me, and millions of men and women like us who have grown up with the American, entrepreneurial, competitive spirit etched into our very being. The second is you, all you honorable representatives working in the Government based on a Constitution which allows people like us to strive to be all we wish to be. Working together, there is not a country on earth that can compete with us.

Circling the wagons may at times seem like a good idea, as it might help you to defend yourself. But the only thing it actually guarantees is that you either move in a circle or stop moving all together. But all this requires a third factor, and that is trust: a trust and faith and confidence in and between the people and the Government, as well as in the global free-market economy; a trust and understanding that, as with nature and the U.S. Constitution, the free-market system always works best when not tampered with, despite our best intentions. And with that trust and understanding, I guarantee you that we will not fail.

Again, as a mere small-business man with no Ph.D. In economics, no studies or data or anything else to back me up, except the nonpolitical common-sense opinion, how can I be so sure? Simple: Because I am an entrepreneur in the greatest country this world has ever known. And we, the American business men and women, will simply not allow ourselves to fail.

I will grow Crown Plastics. I will be successful. And I will make bigger profits for myself and my family in the near future. And at that time, I will be thrilled to come back to Washington to meet with you nice people once again and discuss the issue of how much of it you will allow me to keep.

Thank you, again, for allowing me the honor of addressing you here today.

[The prepared statement of Mr. Ellerhorst may be found in the Appendix on page 97.]

ChairwomanVELÁZQUEZ. Thank you. Thank you very much, Mr. Ellerhorst.

Let me just say that I love real people, and it is really refreshing when we are able to bring people from our own districts to come here and talk to us about your own stories. Definitely.

Something that really got my attention is the statement that you made about the best tool that we have to deal with human rights and environmental violations is through economic engagement. So that is why I support for this Government to do commercial trade with Cuba.

Will you support that?

Mr.ELLERHORST. I believe that there are, outside of the free trade, there are political and governmental decisions that are made by our Government for what it deems to be in the best interest of our national security. At that point, I feel we need to defer to our representatives to make those decisions. I would like to see free trade opened with Cuba, but under the proper circumstances.

ChairwomanVELÁZQUEZ. Sure. Well, we did it with Vietnam.

Mr.CHABOT. Will the gentlelady yield?

ChairwomanVELÁZQUEZ. Sure.

Mr. CHABOT. I would just like to comment, that was a pretty impressive answer, I think, Mr. Ellerhorst.

Chairwoman VELÁZQUEZ. Definitely. He dodged that one, huh?

Mr. ELLERHORST. I want to grow up to be just like you, Mr. Chabot.

Chairwoman VELÁZQUEZ. This question I would like to invite every one of the witnesses to answer it.

Could you tell this Committee what you see as the top provisions in the pending FTAs to aid small businesses in your industry access, newly opened markets?

Mr. Ubl?

Mr. UBL. Sure. I will—

Chairwoman VELÁZQUEZ. And a second question: What provisions would you recommend for inclusion that would further facilitate cross-border commerce with consumers in these countries?

Mr. ELLERHORST. I will focus mostly on Korea, because, again, as we look at the pending FTAs as a matter of economic development of those partners, our exports to Korea are far more material. They are about six times greater than Colombia and about 20 times greater than the other two FTAs.

But the two things that the FTA focuses on, I think, are emblematic of the two barriers that our companies face most frequently and should be incorporated in FTAs going forward. And that is eliminating high border tariffs and including mechanisms to address nontariff barriers.

In our industry, nontariff barriers can take many forms. It can be slow or corrupt Customs processes. It can be nontransparent regulatory processes. The U.S. medical technology industry is the leading sector. There is no indigenous market in many of these countries that we deal with. So sometimes it is very easy to take discriminatory pricing decisions, reimbursement decisions or regulatory decisions that are focused slowly on our industry.

So, in terms of what we can do to further commerce, I think a greater focus, perhaps, on the nontariff barriers, and including mechanisms for dispute resolution and committees, for example, that allow for a dialogue on nontariff barriers.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Wolf?

Mr. WOLF. I am not certain I can give you the best answer at all, but I can give you the one that comes to mind with us today.

Number one is reducing our tariffs. It is 77 percent. We definitely need to get that down to be fair.

And some of the other issues that we could use help with are in the phytosanitary concerns, that our products are safe and that we do not go beyond scientific means to determine that, that everything that we do today is backed up scientifically and it makes it fit across all borders.

So that would be our health areas. Thank you.

Mr. JOHNSON. Regarding textiles, I think the certainty that these free trade agreements bring that tariff rates will remain at zero and that you can build trade is probably the best portion of the agreement.

The areas that the free trade agreements, particularly Korea, do not get into—and I think trade policy in the United States needs to start getting into this—is the fact that governments, through nontariff barriers and through subsidies, wipe out the notion of free trade.

Free trade is a great thing, and we can compete and export all over the world when it really occurs. But when governments such as China target a sector, such as the textile industry—we are now being targeted with their 11th 5-year plan; 73 different subsidies offered to the Chinese textile industry; we don't get any of them—I think the Government needs to go after those.

It is not appropriate, necessarily, to protect U.S. industry, but it is appropriate for the U.S. to go after the bad players who are breaking the rules and get them to stop. And that is what we have not seen happen enough.

ChairwomanVELÁZQUEZ. Before I go to the next two witnesses, Mr. Johnson, what type of domestic trade assistance programs do you think are necessary in order to help the textile industry?

Mr.JOHNSON. Domestic assistance programs?

ChairwomanVELÁZQUEZ. Uh-huh. Are there any Federal programs that exist right now that you think it would be—

Mr.JOHNSON. Well, I think our industry is concerned about a number of things that many manufacturers are—that is, the cost of health care; the fact that we control our environmental output, and other countries do not, and they can benefit from that and charge lower prices.

On the export side, I think the Government could do a better job in terms of supporting industry and getting out there, small- and medium-sized industry in particular, giving them the resources to do trade missions around the world. I mean, our members have done export missions through the Department of Commerce, but they are actually very expensive, very expensive to do. And there is only a limited number of people who can do them, only a limited number of trips. And they find them helpful, but I think that is another area where small- and medium-sized businesses could get a big benefit.

ChairwomanVELÁZQUEZ. Okay.

Ms. Ling?

Ms.LING. I would like to address standards and the need to assure the text of FTAs carefully address international standards and the use of international standards.

Standards are not a sexy topic. They are not overt. They are not as overt as tariff or tariff barriers. But the inappropriate restrictions on use of standards can very easily convert into a nontariff barrier.

So within any free trade agreement, the recommendation would be that language be open and inclusive of all international standards, not just those that are developed by groups such as ISO or IUC or ITU. ASME had a recent example where that did occur. It would have affected many small businesses, mom-and-pop welding shops, fab shops, manufacturers of compressors and home heating appliances and all, in which there was an effort by the Europeans to block out ASME and other U.S.-domiciled standards. And it took a concerted effort of private sector and Government to defuse that threat.

So the treatment of international standards and also conformity assessment in trade agreements is key.

Chairwoman VELÁZQUEZ. Mr. Ellerhorst?

Mr. ELLERHORST. Yes, with regards to enforcement, I think it is critical, whether it is a political negotiation or economic one, they work when both parties have a common goal of reaching some sort of common ground, not when one is going to use what they negotiated as a weapon because they know you intend to keep their word and they don't intend to keep theirs. So I think enforcement becomes critical.

As far as what the Government can actually continue to do is—I am in a relatively high technological environment. Some of the tax incentives for technological investment have been very, very helpful, as far as us. People who copy can do what you do today, but they can't do what you do tomorrow, because they don't know what you did yesterday. And so, investment in what makes us different, which is our technological know-how and advancement, I think is where we can stay out in front. If I focus all my time on protecting my IP, I am not really focusing on my business.

So anything that can enhance small businesses, especially their creative talents and abilities, to improve the technological advancements is where I think we will stay ahead the curve. And I think that would be the safest way for my industry that the Government can help.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Ubl, in your statement you mentioned the need to maintain oversight of existing trade agreements. And which one or two, in particular, are of top concern for your industry?

Mr. UBL. I would say, right now, we are very much focused on the bilateral relationship with Japan, as well as China.

Japan continues to have probably the most expensive and slow regulatory-approval process for new technologies anywhere in the world. And that is coupled with, in our view, a discriminatory pricing practice, where they compare our prices in Japan to those prices in other markets, which tend to ignore the real differences in the marketplace in Japan.

Similarly, in China, we have a proposed price-control regulation that the Chinese Government is contemplating, particularly focused on medical technology. And there are, in some cases, agencies serving the same functions, so we have duplicate inspection regimes that are conducted both by customs and by regulatory agencies. So that redundant regulation is a very high nontariff barrier for many of our small companies.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Chabot?

Mr. CHABOT. Thank you, Madam Chair.

Mr. Ellerhorst, I will begin with you, if I can. I think you stated that about 40 percent of your business is export-related. How important is trade to the bottom line, and especially with respect to the number of employees? I think you have about 52 right now.

Mr. ELLERHORST. Yes, sir.

Mr. CHABOT. If you didn't have the export trade opportunities that you have now because we were more protectionist or whatever, how would that impact your ability to hire more people? Is that one of the critical aspects of all this?

Mr.ELLERHORST. Yes. We probably, if we didn't export, we would be maybe half of the people currently that we have at this point.

It is kind of unique because it didn't start as export. That is the other thing. If we create business here, and then as that shifts within the marketplace, things that didn't used to export, as companies move, then our business has to move with it. So it is critical.

And the free trade agreements, from the aspect of making things less—I am not as intelligent as the people sitting to my right, when it comes to all the exportation and the issues involved. So the simpler it is for somebody like me, the more time I can spend on growing my business and less time on dealing with how I am supposed to get this material out of the country.

So exports right now are huge, and I think in the next 5 years it will even become more critical for us as a company.

Mr.CHABOT. I imagine with winning of the gold medals and the silver medals in the Olympics, that must have been kind of a—your employees must have gotten a pretty big rush out of that, I would think. Is that accurate?

Mr.ELLERHORST. Yeah, there are posters all over the place. When they are on the gold medal stand and they turn their board over, they like to see what it is they make. And they probably garnish 53 more people watching every snowboard event in the Olympics.

Mr.CHABOT. I will bet. Thank you.

Mr. Ubl, you stated that the medical technology industry jobs pay about 30 percent more than the average U.S. Salary. How important is it, opening new markets, to keeping those high-paying jobs in this country?

Mr.UBL. Oh, it is just incredibly important. We are very proud in our sector of that statistic. And we actually just had the Lewin Group take a look at the economic impact of the medical technology sector, both in the direct that you mentioned, but the indirect, in terms of other jobs that they stimulate and economic activity.

I mean, if you consider two States where we have a high concentration of companies you will get a better sense, but in Massachusetts one in five jobs in medical technology is dependent on free trade; in California, one in seven jobs are dependent on just trade with Asia.

So trade is an incredibly important aspect, and the typical medical technology company has around 50 percent of their sales outside of the United States.

Mr.CHABOT. Thank you.

Mr. Wolf, relative to the pork industry, I understand it is really experiencing record growth and that the U.S. Is one of the world's leading pork-producing countries and it is the second-leading pork exporter. And the consumer demand is really high worldwide.

With the current trade environment, did you envision a continued growth for the industry?

And I don't know if you happened to see this, but I think it was on one of the "Good Morning America"-type shows, they were referring to some new survey out there talking about people living longer and getting cancer. And the gist of what I got is you are not supposed to eat anything. And as long as you don't eat anything, you are probably safe. And they particularly bashed bacon. They were commenting about—

Chairwoman VELÁZQUEZ. I saw that, yes.

Mr. CHABOT. Did you see that, too?

Chairwoman VELÁZQUEZ. Yes.

Mr. CHABOT. Now, I happen to consider bacon to be nature's perfect meat, myself. But they said don't eat it. And I think you should have this forum to defend bacon and other products. So go ahead.

Mr. WOLF. Thank you very much. I appreciate your comments. On bacon, I feel the same.

Chairwoman VELÁZQUEZ. What is this, free advertisement here?

Mr. CHABOT. Hey.

Mr. WOLF. The check is in the mail.

Mr. CHABOT. He is just kidding. Right?

Mr. WOLF. Yes, of course. I am sorry. I didn't realize that.

Mr. CHABOT. That is all right.

Mr. WOLF. No, we feel that we are in the best place to produce pork in the world. We can do it—we have the resources, we have the technology, the ability to do it. And we have a very healthy animal, our product that we produce.

Our biggest thing is competing and getting the tariffs down, of course, and, as I said earlier, the nontariff barriers that they put up to prevent us, because nobody can compete with us on a cost-production-wise. So that is where we feel that we can continue to do it on a long-term basis.

And I appreciate you bringing up the report, because we discussed that a little bit just a few minutes ago. I think everything has to be taken in moderation. If you sit down and eat 10 pounds of bacon a day, you will probably get sick, as well as any other food out there.

Mr. CHABOT. Oh, man.

Mr. WOLF. As well as any other food out there. So I think the report has to be looked at very, very closely before it goes any further. But thank you.

Mr. CHABOT. Thank you.

Mr. Johnson, you mentioned particularly, as a problem, China. And I know we are all very familiar and we hear a lot about the currency-manipulation aspects of what China is doing that is counterproductive. And you mentioned about the textile customs enforcement, how it is really either nonexistent or isn't where it ought to be.

Other than the currency manipulation, would you tell us, again, what is China doing to get around the rules and just creating a non-level playing field that we ought to be aware of and that Congress perhaps should act to counterbalance that?

Mr. JOHNSON. Well, I think enforcement, here, again, is key. We did a review of the subsidies that China is giving to its textile industry, 73 subsidies. I think 23 of those were export-related, which is a banned, on its face, subsidy by the WTO. And China has been doing this since it joined the WTO. And we have forwarded these to USTR, to go after them in the WTO.

But our experience with the current structure of the trade administration in this country is that the resources go too heavily toward negotiation and too little toward enforcement. And that enforcement is not seen as a strong career path, either within Commerce or within USTR. If there is a way to make the enforcement of these agreements, the investigatory ability of the Commerce Department and USTR, if there is a way to enhance that and to also help small- and medium-sized businesses bring cases when they find them to the groups—we had to do a lot of digging and a lot of searching. We are an association with a lot of members; we could afford to do that. Most small companies can't.

I would suggest those three areas.

Mr.CHABOT. Okay. Thank you.

And finally, Ms. Ling, you referenced the establishment of market-accepted international standards. Could you describe the efforts that are under way to do so currently?

Ms.LING. Within ASME, we have what we call a Boiler and Pressure Vessel code. It is about 85 years old. It began purely as a U.S. Code, accepted by State law and cities. It is now accepted in over 100 countries around the world.

The importance of, again, the right language in the text is to ensure that the U.S. Businesses that use the ASME standards can get their products accepted in other nations without going through the unnecessary hoops and loops based on technical regulations and technical requirements. So that is an example of the international standards that organizations such as ASME has developed.

As far as the U.S. Technical consensus standards, I would estimate there is probably tens upon tens upon tens of thousands of standards, impacting every sector represented here today at this table and every other sector that is not. Standards, again, are a non-sexy product developed by organizations such as ASME, but they underpin every product that goes out.

Mr.CHABOT. Thank you very much, Ms. Ling.

And I yield back the balance of my time.

ChairwomanVELÁZQUEZ. Mr. González?

Mr.GONZÁLEZ. Thank you very much, Madam Chair.

And my apologies to the witness. I missed all of your testimony. Of course, the good thing is you have your written states, which greatly benefits us as we read through them with staff.

I want to commend the Chairwoman for what she has been doing in this Committee. You probably have picked up that our mission and our goal is the interest of the small-business man and woman in this country when it comes to governmental policies and such. And it has been my experience that we really never dealt to the extent that we have in all the different areas.

But the shocking thing, of course, is that, many times, small business is kind of an afterthought as we go through huge policy considerations and programs and agendas. And I will give you two real quick examples.

We have actually had hearings with the FCC Chairman, regarding the sale of spectrum and such—no one ever heard of that—but in the context of, what does that mean for small business? And I think what we learned was small business can't compete in the auction for spectrum. And so it was interesting. So, then we have to start figuring out, how do we get small-business men and women at the table after the fact?

Then we go in for the Centers for Medicaid and Medicare on competitive bidding. Was that just yesterday? I can't even remember. But we had these hearings. Huge changes, and the whole intent is to reduce the number of vendors. Well, you know who is going to go first; it is going to be the smaller businesses. So then we have to figure out how we are going to address that.

Now, when it comes to trade, it is really difficult. And I know that we hear from our trade representatives that small businesses are being looked at and cared for and such. But the truth is that, unless we are all really vigilant—and I want to thank you for your contribution that you are making—regarding, for instance, enforcement, making sure that the regulatory scheme in another country doesn't really prohibit, now that we have the reduction or elimination of tariffs, from you actually doing business. I mean, that is important. We have to start figuring out how to become your advocates.

The good news is that you have got an incredibly aggressive Chairwoman. And I am not trying to just butter her up; she doesn't need it, believe me.

But that is the interesting thing. And so, I think we need to get that message out there.

And, again, I just apologize, because what I gathered here in your testimony is that you will throw things out that are actually tangible, that we can promote your interest.

And so, I guess if there was—again, and you probably went over it—but to each of the witnesses, one small, incremental but important thing that we can do for you in the context of free trade agreements, because they are going to be pretty contentious. Now, we have labor out there; it is pretty well-represented. We have the environmentalists are pretty well-represented. We have big, big businesses and manufacturers and producers that are represented.

What is the one thing that you could say, just keep an eye out for us and that is truly meaningful?

Mr.UBL. Well, first, let me applaud you for the hearing yesterday. We had a witness who testified.

And if I could attempt to try to combine the two, what you are doing with this hearing and bringing attention to transparency around nontariff barriers—you know, competitive bidding happens in all the foreign markets that we operate in, but they do it without proposed rule-making, without transparency, without congressional oversight, in many cases. So, you know, nontariff barriers and addressing nontariff barriers in these agreements is just critical for our members. So if you ask me one thing.

I guess the other one thing, I am tempted to say, is just keep them moving. You know, trade agreements work; they work for our sector. Work in a bipartisan way to keep them moving, because they are working. They are creating jobs in our space. And jobs in our space, as we talked about while you were away, pay 30 percent more, on average, than the U.S. Jobs. So it is a job creator. And just keep them moving.

Mr.GONZÁLEZ. Mr. Wolf?

Mr.WOLF. I would probably have to agree with everything Mr. Ubl just said. It was very appropriate. Mainly to just keep the trade moving, keep increasing, if we can. Thank you.

Mr.JOHNSON. I would add, make sure they are enforced. Mr. Veroneau, a very insightful question, what does USTR do to make sure that Customs enforces the agreement? Well, we have gone back to USTR and we have said, ″Customs is not enforcing this agreement. What are you going to do?″ and they say, ″Well, we will pass on your concerns,″ and we believe they do, but they have no control over Customs. And Customs, if it doesn't want to, it just doesn't.

And so I don't know how you go back and you say, ″Is this agreement being enforced or not, and what is being done about it?″, but there needs to be some kind of a review or an increased emphasis in manpower on how are these agreements being implemented and enforced.

Mr.GONZÁLEZ. Thank you.

Ms. Ling?

Ms.LING. Again, text of trade agreements, but in this area, in addition to international standards, it would be conforming assessment, and that includes the testing and inspection that can create nontariff barriers to trade.

It would be important that text agreements currently in the future include language that provide national treatment within the TBT Agreement context. And that means that U.S. Manufacturers are not treated unfairly within the testing and inspection protocols of a nation.

Thank you.

Mr.GONZÁLEZ. Thank you.

Mr. Ellerhorst?

Mr.ELLERHORST. We are very a small business. We don't really have a full-time import-export person on our staff. It is very, very easy, in running your own business, to get so inwardly focused that you really don't have a good idea of the changes that are happening, other than when you start feeling them in the marketplace.

I would say an effort to work with the U.S. Trade organizations and things, to come up with ways of identifying the opportunities and the things that you are offering to small businesses. Because a lot of times, I don't think people, businesses our size, really know—we don't really get the information. We read on the news that this happens, but we don't know how that really impacts us, what opportunities it provides.

Because, in the global marketplace shift, the smaller companies are the ones that must reinvent themselves, and do it quickly. Sometimes we are so wrapped up in doing that, we really get closed off from looking up, coming up for air a little bit and finding out, really, what opportunities the Government is providing us. There is help out there that we don't even know exists, a lot of us, already. And I think if we could get word to the small, small businesses that, ″Hey, you can play in the global market; it is not just for the big companies anymore,″ I think that would be helpful.

Mr.GONZÁLEZ. And I do believe you need that advocate. You know, we work with the Small Business Administration and others and maybe small-business development centers. There has to be a way that they will have that personnel out there that you can't have on staff that puts you on notice regarding certain issues that are coming, how they impact you, or if you have a question about it. We have to do that.

And just one last thought, Madam Chair, and that is I think we are all, really, for free trade, especially when it is the other country that has had tariffs and so on. But I don't think we can have such a simplistic attitude, saying, "Look, let's just go for it because they are dropping all their tariffs. This is a great windfall for the United States." We have to really look at the potential impact of the competition and who will benefit by it. And, again, where is the small business in America going to, in any way, reap any of the benefits that should be out there.

So, again, just, thank you very much.

And, again, my apologies, Madam Chair. I yield back.

ChairwomanVELÁZQUEZ. Sure.

Mr. González and to the witnesses and Mr. Ellerhorst, there are programs under the Department of Commerce. And when people come here and say, "But we don't know about it"—so it seems like they have to do a better job at doing the outreach, providing information.

We have the Agriculture Marketing Service under the Department of Agriculture. There is the Manufacturing Extension Partnership and the Advanced Technology Partnership. But there is a role for the Federal Government to play. We are not asking, here, for handouts for small businesses, but when they do well, the American economy does well too. And then we create the jobs that are important and are necessary.

I would like to follow up on what Mr. González was talking about, to ask each one of you if you—well, during the whole negotiation process of this trade agreement, do you feel that there was participation with small businesses? Do you feel that you have some input into those trade negotiation processes?

Mr.UBL. I would say we felt we did, but maybe not for the reason you might suspect, in that we felt we had very good collaboration with USTR and Commerce as a trade association, as these negotiations proceeded. Inside the trade association, we have a small-business or emerging-growth entity that is comprised of the CEOs of our small companies. So we used that as a feedback mechanism as we engaged with USTR and Commerce.

But I must say, with regard to USTR in particular, they spent hours with our companies as these negotiations were proceeding. And there is a specific chapter on medical technology in the Korea FTA dealing, as I mentioned in my testimony, with many of our critical concerns.

Mr.WOLF. Yes, as far as the National Pork Producers Council, we did have representation on the trade agreements with Mr. Giordano.

ChairwomanVELÁZQUEZ. Let me just—yes, Mr. Johnson?

Mr.JOHNSON. We did, but as part of the Textile Apparel Advisory Committee, in good consultation.

ChairwomanVELÁZQUEZ. Ms. Ling?

Ms. LING. There is also another advisory committee under USTR with Commerce, and that is the Advisory Committee on Standards. And we had input through that advisory body.

Mr. ELLERHORST. I am unaware of any direct, but we have international plastics associations and things, and I am sure—

Chairwoman VELÁZQUEZ. Sure.

All right. I think that basically, if Mr. González has no further questions—

Mr. GONZÁLEZ. Nothing further.

Chairwoman VELÁZQUEZ. Look, I think the timing of this hearing is very important, since we are going to be dealing with Peru probably next week?

Mr. GONZÁLEZ. I think so.

Chairwoman VELÁZQUEZ. And then Colombia, Panama and Korea. And there are some important issues that continue to be out there. But let me just say that, in the sense that this Committee—we do not have jurisdiction over trade agreements, but we do have influence over the decision-making process, especially since the jurisdiction of this Committee was expanded. And since Democrats, the different chairmen, we meet every Tuesday, we discuss and we go over legislation. So I share many of the things that we hear in these hearings. So it is very important for you to come to us and spend some time and discuss the issues that are important to you.

We hope that, as this legislation moves forward, that we feel more comfortable, in the sense that we feel provisions that are needed to be included as part of the trade agreements representing small businesses, that will be there, that the Department of Commerce, also, and USTR will provide the tools and the resources that are needed to make sure that, yes, laws are good, they look good on paper, in the books, but it is important—enforcement is important.

And, Mr. Johnson, I hear you loud and clear.

So, to all of you, thank you.

And members have 5 legislative days to submit statements and other materials for the hearing record.

This hearing now is adjourned. Thank you.

[Whereupon, at 1:03 p.m., the Committee was adjourned.]

STATEMENT
of the
Honorable Nydia Velázquez, Chair
Committee on Small Business
Hearing: "Evaluating the Impact of Pending Free Trade Agreements upon U.S. Small Businesses"
Thursday, November 1, 2007

I am very pleased to call to order this morning's hearing on pending trade agreements.

This hearing will provide an opportunity to evaluate the impact of the Peru, Colombia, Panama, and South Korea trade commitments on the small business sector. It is a critical time to engage in this discussion as Congress is currently considering the ratification of these four treaties. Given the resources expended to promote cross-border commerce, it is important to determine whether these agreements should serve as models for future international commitments.

Today, we will focus on three issues affecting small firms and their contribution to the US economy in an integrated world. They are – the role these firms play in the development of trade agreements; international regulations impacting entrepreneurs; and federal infrastructure supporting small US businesses in a global economy.

The beneficiaries of trade agreements are largely determined during the negotiation process. Unfortunately, small businesses' involvement in the development has been limited. As I have voiced concerns before, the USTR continues to lack a formal delegate as well as staff representing the small business sector at the negotiation table. This may explain why the pending agreements lack a small business focus.

Given the opposition among some in the entrepreneurial community – particularly to provisions in the Korean agreement – their needs should have been more fully incorporated at the initial stage of the process. If small businesses had a seat at the table, I believe the current agreements would have been stronger.

The agreements also impact smaller firms through their modifications to non-tariff barriers. I wholly support the inclusion of trade facilitation, particularly their harmonization of customs requirements. This allows small businesses to more affordably access the newly opened markets. The elimination of technical barriers, particularly those impacting the livestock industry, is critical for US producers to expand their customer base.

However, other regulatory barriers continue to hinder growth, including the maintenance of physical presence requirements, which benefit only those firms able to relocate abroad. Further, the procurement process lacks protections for small firms. For the agreements to help small businesses, regulations must not unfairly benefit their corporate competitors.

While reducing regulation is critical for small businesses, they must also have access to export financing alternatives, technical assistance, and intellectual property protections. Lending programs are crucial for firms exporting to Latin America, due to the higher risk nature of the transactions. Similarly, since the Korean government significantly supports its businesses, we must take steps to ensure our firms remain competitive in domestic and global markets.

Overall, these agreements can significantly enhance small businesses' global market share by decreasing barriers to cross border commerce. With increased small businesses involvement in the negotiation process, I believe many of the lingering concerns would have been addressed.

We can have trade agreements that open new markets and also benefit our nation's small businesses. It is my hope that future agreements will accomplish this and incorporate the interests of these smaller firms more broadly.

I look forward to today's hearing and would like to thank all of the witnesses for their testimony. I now recognize Ranking Member Chabot for his opening statement.

Opening Statement

Hearing Name	Evaluating the Impact of Pending Free Trade Agreements on U.S. Small Businesses
Committee	Full Committee
Date	11/1/2007

Opening Statement of Ranking Member Chabot

"Thank you, Madam Chairwoman, for holding this vital and timely hearing on the proposed free trade agreements and their impact on small business. I want to welcome our distinguished panels of witnesses, including Ambassador Veroneau and Gary Ellerhorst, a constituent from Harrison, Ohio, who I will introduce later.

"This Committee's oversight jurisdiction encompasses problems of all types of small businesses. This includes firms wanting to export as well as those competing with imports. Today, we will examine the proposed free trade agreements and hear the testimony of the Deputy U.S. Trade Representative and a panel of distinguished witnesses from various sectors of the economy. I thank them being with us and sharing their perspectives.

"Free trade boosts our economy, eliminates worldwide barriers, and strengthens our global and regional ties with other nations. Trade also creates new opportunities for American workers, farmers, ranchers, and business – including small businesses.

"September was America's 49^{th} consecutive month of job creation – the longest uninterrupted period of job growth on record. And yesterday, the Department of Commerce reported that the economy grew faster than expected in the third quarter, led in part by a surge in exports. Greater exports translate into more and higher paying jobs. In the United States, approximately 95% of all direct exporters are small businesses, and small firms account for roughly 29% of exports, totaling $614 billion.

"Trade benefits can be seen in every state. According to the Department of Commerce, over 10,000 companies exported from my home state of Ohio in 2005. Of those, 89% were small- and medium-sized firms with less than 500 employees. Since the U.S.-Chile and U.S.-Singapore FTAs were implemented in 2004, Ohio's exports to Chile have grown by 55%, and exports to Singapore have risen by 99%.

"But challenging barriers, such as customs issues and high tariffs, still exist. We in Congress must do all that we can to make it easier for small businesses to compete and to prosper in the global marketplace.

"FTAs provide important protections, such as transparency and a stable, legal trade framework, for all businesses – large and small. The stability and transparency lead to exports growing at twice the rate to FTA partners than to countries where the U.S. has no agreement. The jobs supported by exports pay 13 to 18 percent more than those not supported by exports.

"Today, Peru, Columbia and Panama enjoy duty-free access to U.S. markets. Yet when U.S. goods are shipped to those markets, our products are tagged with significant tariffs. FTAs with those countries will knock down many of these barriers and offer U.S. exporters – many of whom are small businesses -- the chance to compete fairly. Peru's economy, for example, is among the fastest growing in South America, so there are significant mutual benefits from the FTA.

"Yet FTAs are not the sole magic elixir to increase exports by small businesses. Technical assistance from federal programs can help if it reaches small businesses. However, in our very tight budget environment, I am skeptical about funding increases for federal programs. So, I look forward to hearing from our distinguished panel about innovative ways we can expand trading relationships and keep our small businesses competitive.

"Again, I want to thank the Chairwoman for holding this timely hearing, and I thank Ambassador Veroneau and the other witnesses for being with us today. I look forward to the testimony."

STATEMENT OF
AMBASSADOR JOHN K. VERONEAU
DEPUTY U.S. TRADE REPRESENTATIVE
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
BEFORE THE
HOUSE COMMITTEE ON SMALL BUSINESS
November 1, 2007

Madam Chairwoman, members of the committee, thank you for inviting me to be here with you today and for providing me with the opportunity to speak about our free trade agreements, in particular, the four trade agreements with Peru, Colombia, Panama and South Korea, that Congress will be considering for approval.

Introduction

The Office of the U.S. Trade Representative (USTR) is responsible for developing and coordinating U.S. international trade policy. Our primary mission is to ensure that U.S. workers, farmers, ranchers, businesses and investors can benefit from international trade. We do that by providing market opportunities for U.S. exports through expanding market access for American goods and services abroad, and by securing a level playing field for Americans through the establishment of fair and enforceable rules for trade. We also enforce U.S. trade agreements and resolve trade problems utilizing bilateral discussions, negotiations, and formal dispute settlement. USTR achieves these goals through negotiations with foreign governments and strategic use of the trade tools that Congress has placed at our disposal. We work closely with the other agencies, with Congress, and with numerous other stakeholders in this effort.

Under the leadership of Ambassador Schwab, the Office of the U.S. Trade Representative has pursued an agenda of market opening that makes possible significant new opportunities for U.S. business, while advancing a fair, consistent and enforceable set of rules for the world trading system. This agenda is crafted to meet the challenges of globalization, honing American competitiveness by ensuring access to foreign markets for our goods and services and by giving our manufacturers access to the world's inputs and our consumers access to the world's products.

USTR has pursued this agenda on three, mutually reinforcing tracks, including global negotiations at the World Trade Organization (WTO), regional and bilateral free trade negotiations, and stewardship of the multilateral trading system through establishment and enforcement of agreed-upon sets of rules.

Today, I will focus my remarks on our trade agreements with Peru, Colombia, Panama and South Korea. First, I will briefly describe USTR's bilateral and regional Free Trade Agreement (FTA) agenda. Second, I will talk about this agenda's broad benefits for U.S.

small business. Finally, I will discuss the specifics of the four free trade agreements, which will significantly boost small business prospects in these respective markets.

The Benefits of Trade

Before turning to our bilateral and regional agenda, I would first like to highlight the importance of trade to American prosperity. As the world's largest economy and largest exporter and importer, the United States has increased both its productivity and the real wages of its workers, while at the same time expanding consumer choice and purchasing power. In 2007 to date, U.S. exports have grown at more than twice the rate of U.S. imports. And U.S. jobs supported by goods exports pay 13 to 18 percent more than other jobs.

Today, U.S. annual incomes are $1 trillion higher, or $9,000 per household, due to increased trade liberalization since 1945. Moreover, around the world, trade has helped lift hundreds of millions of individuals out of poverty.

Ultimately, USTR's goal is to continue to make the benefits of trade available to Americans by achieving greater access for American farmers, manufacturers, and service providers to the 95 percent of the world's customers who live outside the United States. To do this, we will continue to work diligently to achieve significant new increases in market access for American products and services in a multilateral agreement in the World Trade Organization Doha Development Round and through bilateral and regional agreements, including our free trade agreements with Peru, Colombia, Panama and South Korea.

The Bilateral and Regional Agenda

Currently, the Administration is seeking Congressional approval of four free trade agreements that we have signed with Peru, Colombia, Panama and South Korea.

These four FTAs, and other FTAs that Congress has already approved, provide for the best market access and conditions for doing business that are found in trade agreements. These agreements not only level the playing field for American farmers, ranchers, manufacturers and service providers, they also strengthen intellectual property rights; promote transparency and the rule of law; and safeguard labor and environmental standards. Importantly, they make it easier for small business to compete in global markets.

This approach has resulted in agreements close to home in Latin America. Since 2001, we have put agreements in effect with Chile, 4 countries in Central America and the Dominican Republic. We have signed agreements with Peru, Colombia, and Panama.

This Administration has also provided enhanced access for U.S. companies into the Asia-Pacific region through agreements with Singapore and Australia. U.S. companies also anticipate significant benefits when Congress approves our free trade agreement with South Korea, our 7th largest goods trading partner.

The Administration has also moved toward creating a strategic Middle East Free Trade Area, through putting agreements into effect with Jordan, Morocco, and Bahrain. We hope to soon add Oman to that list.

In sum, the Administration has added eleven new FTA partners since 2001, and two more will be added to this list when Costa Rica and Oman complete their domestic procedures for entry into force of their FTAs with us. When Congress approves the Peru, Colombia, Panama and South Korea agreements, we will have gone from three (Israel, Canada, and Mexico) FTA partners to twenty at a critical time, giving an important boost to the competitiveness of U.S. business in some of the fastest-growing markets in the world.

Market-opening efforts with FTA partners are clearly bearing fruit. U.S. exports to all FTA partners up to 2006, has increased 60 percent faster than the rest of the world (21% to 13%). FTAs implemented between 2001 and 2006 produced a $13 billion U.S. trade surplus with those trade agreement partners last year.

- CAFTA-DR - U.S. exports to the four Central American countries under the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2006 were up 18 percent last year. Exports to El Salvador were up 16 percent, Nicaragua up 20 percent, Honduras up 13 percent, and Guatemala up 24 percent.

- Bahrain – U.S. exports to Bahrain grew 35 percent to $474 million in 2006, as the FTA entered into force on July 1.

- Chile - U.S. exports to Chile have risen by 150 percent since 2004, and the United States is Chile's largest trading partner.

- Singapore - The U.S. trade surplus with Singapore tripled after the first year of the United States-Singapore FTA, reaching $4.2 billion, and rose to $6.9 billion in 2006. Building on an already healthy trade relationship, U.S. exports to Singapore have risen by over $8 billion (49 percent) since entry into force of our FTA.

- Australia - Since the United States-Australia FTA went into effect, the U.S. trade surplus with Australia has grown to $9.6 billion, with U.S. exports increasing by $3.6 billion to reach $17.8 billion after only two years. In percentage terms, U.S. exports to Australia have risen 25 percent since the agreement entered into force.

- Jordan - U.S. exports to Jordan have risen by 92 percent since the United States – Jordan FTA went into effect in December 2001.

- Morocco - U.S. exports to Morocco increased by 67 percent in the first year after entry into force of the FTA, growing from $525 million in 2005 to $878 million in 2006.

Notably, small and medium-sized enterprises, or SMEs, account for substantial U.S. export shares in many of these markets. Central America stands out in this respect. In 2005, SMEs accounted for 46 percent of U.S. exports to the CAFTA-DR countries, well above the overall SME export share. Central America and the Dominican Republic represent the second largest market for U.S. SME exports in Latin America, behind only Mexico. Eighty-nine percent of U.S. exporters to Central America in 2005 were small- or medium-sized companies.

FTAs and Small Business

Whether in Central America or anywhere else around the world, trade is important to small business and small business employees. The number of SMEs that exported merchandise more than doubled from 1992 to 2005, increasing from 108,026 in 1992 to 232,612 in 2005.

Despite this small business success in overseas markets, and the tremendous potential for expanded export sales, the cost of doing business overseas is often too high for small firms. For those companies that wish to take advantage of the international market place, the fixed costs to begin exporting can be so high as to be prohibitive in many cases.

This is where U.S. free trade agreements help. Small business needs markets to be open and easy to navigate. A very simple way to describe our agenda for small business would be to say that we are seeking to replicate the same conditions of openness, transparency and predictability in foreign markets that the sector enjoys here in the United States.

Our key task is to break down trade barriers so that all U.S. businesses have the opportunity to participate effectively in the global marketplace. Basic trade barriers such as tariffs and quotas affect large and small businesses alike. But many types of non-tariff barriers are particularly obstructive to small business.

USTR is committed to reducing these trade barriers so that American small business has the opportunity to succeed in the world's markets. Our trade agreements are uniquely attuned to addressing these barriers. They help small business by lowering the costs of selling to customers overseas, minimizing risks in foreign markets, insisting on intellectual property rights protection and enforcement, and promoting the rule of law, thus, providing certainty and predictability for small business exporters.

Obstacles such as tariffs and quotas may not discriminate between multinational corporations and small business, but other, more insidious, barriers do. A non-tariff barrier might be a speedbump for a multinational with teams of legal and customs advisors, but a roadblock for a small company:

- **Non-Tariff Barriers:** Inconsistent/unpredictable customs procedures, lack of transparency and burdensome paperwork can make trade difficult. U.S. trade agreements eliminate the kind of non-tariff barriers that have a greater effect on smaller companies because these conditions usually add to the fixed costs of doing business, and they are often unforeseeable. In addition to our FTAs, the United States is leading efforts in the WTO to help enhance transparency, promote efficiency and reduce the costs of trade. Our FTAs are out ahead of this process, setting important benchmarks for future application at the multilateral level.

- **Fixed and Transaction Costs:** Multiple and overlapping licensing and inspection requirements can add costly processes and time-consuming steps that can make exporting impossible for small business. While a licensing fee may be a nuisance for larger companies, it can be prohibitive for smaller ones. Smaller companies, with lower sales and profits than larger companies, have less revenue across which to spread fixed costs. U.S. trade agreements are particularly useful to American small businesses because they lower transaction costs in overseas markets. Lower transaction costs mean more small businesses will find sales that are profitable.

- **Services:** U.S. trade agreements also create valuable opportunities for the service sector – a part of the U.S. economy that abounds with efficient and innovative small business firms that are potentially world-class exporters. Services account for over two-thirds of the U.S. economy. For American small business, e-commerce and the Internet reduce transaction costs significantly, while increasing the pool of potential customers around the globe. Through the WTO and FTAs, the United States is working to reduce non-tariff barriers across all service regimes, including financial services, telecommunications, computer and related services, express delivery, distribution and energy services.

- **Strengthening Intellectual Property Rights -** Our FTAs all contain chapters intended to strengthen the IPR legal frameworks of our trading partners, and to ensure that IPR laws are effectively enforced. These provisions encompass emerging areas of technology such as the Internet, helping to ensure that small business is able to sell products on-line and more easily combat on-line piracy in overseas markets.

- **Government Procurement:** Our trade agreements give American small business access to foreign government procurement contracts and provide for fair and transparent procurement procedures. Bidding opportunities in our FTA partners offer invaluable opportunities for the U.S. small business sector. What's more, these contracts benefit our trading partners by putting American innovation and expertise to work building an infrastructure for economic growth and development.

- **Transparency:** One of the most significant obstacles to small U.S. companies seeking to do business overseas is the complicated web of differing rules, standards and business cultures they must negotiate. Corrupt government officials present a particularly vexing problem. U.S. trade agreements are increasingly focused on creating transparent business environments, so that U.S. companies know what the rules are and that they will be applied fairly and consistently. Trade agreements are our single best tool for creating a level playing field for U.S. small business.

Our FTAs have many common features that facilitate trade among the United States and our FTA partners. The CAFTA-DR agreement is the clearest example of this. In addition to common provisions applied among the Parties to this Agreement, the CAFTA-DR shares the same approach to rules of origin and other provisions as the North American Free Trade Agreement (NAFTA) and our agreements with Peru, Panama, and Colombia. This consistency is of course valuable for all companies, large and small. It is especially valuable for the small business sector, where companies may lack the legal and consulting resources and the economies of scale that are often necessary to penetrate foreign markets with complex rules and regulations or costly barriers to entry. To make a rational decision to enter a foreign market, a company needs to know what the rules are, how they will be applied, and that they will be applied consistently.

<u>The Four FTAs – Peru, Colombia, Panama and South Korea</u>

It is in the context of this record of success that we are now seeking Congressional approval of the FTAs that have been negotiated and signed with Peru, Colombia, Panama and South Korea. Each of these agreements is discussed in turn below.

Promoting Reciprocal Trade Access in Latin America

Peru, Colombia and Panama have a combined population of over 76 million consumers, with a combined GDP of almost $590 billion (based on purchasing power). As in Central America, the small business export share to these countries is well above average, ranging between 35 percent and 40 percent.

Currently, small business is operating at a disadvantage vis-à-vis these countries, because 90 percent of products from these three countries already come in duty-free through unilateral preference programs. In 1991, the U.S. Congress voted to authorize duty-free tariff benefits to Peru and Colombia through the Andean Trade Preference Act, or ATPA. ATPA was designed to help expand economic opportunities in the Andean region and encourage our Andean neighbors to move away from the production, processing and shipment of illegal drugs and to move toward legitimate products. ATPA was expanded under the Trade Act of 2002, through the Andean Trade Promotion and Drug Eradication Act, or ATPDEA. ATPDEA was renewed by a strong bipartisan vote in Congress this past June.

ATPDEA has served its intended purpose well, while providing a solid foundation for a more mature economic relationship with the United States. Both Peru and Colombia have sought FTAs with the United States in order to create a partnership in trade and economic development. Our FTAs with both countries will allow us to move beyond the one-way preferences and bring our commercial relationship to full partnership and reciprocal commitments under an FTA.

Peru, Colombia and Panama also benefit from our general trade preference program for developing countries known as the Generalized System of Preferences (GSP). In addition, Panama has duty-free access to the U.S. market through our Caribbean Basin Initiative (CBI) trade preference program. Like Peru and Colombia, Panama has sought to build an economic partnership with the U.S. through an FTA.

Congressional approval of our agreements with Peru, Colombia and Panama will give U.S. exporters reciprocal market access for the first time. Eighty percent or more of tariffs on U.S. products and services will be eliminated on day one of the implementation of these free trade agreements.

United States-Peru Trade Agreement

America's two-way trade with Peru doubled over the last three years to $8.8 billion in 2006, with U.S. goods exports to Peru reaching $2.9 billion. In 2006, 98 percent of U.S. imports from Peru entered the U.S. duty-free under our most-favored nation tariff rates and various preference programs. As shown in the first attachment to my testimony, in 2006, Peru's average applied tariff rate on U.S. imports was 10.2 percent, while the U.S. average applied tariff rate on imports from Peru was 2.18 percent.

Under the terms of the United States-Peru trade agreement, eighty percent of U.S. exports of consumer and industrial products to Peru will become duty-free immediately, with remaining tariffs phased out over 10 years. Key U.S. exports will gain immediate duty-free access to Peru, including more than 90% of current U.S. farm exports. Tariffs on most of the remainder of U.S. farm products will be phased out within 15 years, with all tariffs eliminated in 17 years. Peru has also agreed to eliminate its price band system on trade with the United States, and resolved a number of significant sanitary and phytosanitary (SPS) and technical regulation issues that had impeded or stopped U.S. exports of beef, pork, poultry, and rice. In addition, the agreement will remove barriers to U.S. services, provide a secure, predictable legal framework for investors, and strengthen protection for intellectual property, workers, and the environment.

Peru is already a significant market for U.S. SMEs and the trade agreement will be of particular benefit to small business. In 2005, U.S. SMEs exported $774 million in merchandise to Peru, representing 38 percent of total U.S. exports to Peru – well above the 29 percent SME share of U.S. exports to the world. More than 81 percent of U.S. companies that export to Peru are SMEs.

A free trade agreement with Peru will strengthen our partnership with an important democracy in South America. Peru was the first Andean nation to conclude a free trade agreement with the United States and the first to ratify the agreement. The Peruvian legislature – representing the will of the Peruvian people – passed the U.S.-Peru trade agreement by an overwhelming margin. Approval and implementation of the U.S.-Peru free trade agreement will demonstrate strong U.S. support for a country and a people who share our values of economic freedom and democracy.

United States-Colombia Trade Agreement

Colombia is the United States' fifth largest trading partner in Latin America and our largest export market for U.S. agriculture products in South America. In 2006, 92 percent of U.S. imports from Colombia entered the U.S. duty-free under our most-favored nation tariff rates and various preference programs. As shown in the second attachment to my testimony, Colombia's average applied tariff rate on U.S. imports was 12.5 percent, while the U.S. average applied tariff rate on imports from Colombia was 2.18 percent.

Our trade agreement with Colombia will open this dynamic and growing economy further by providing immediate market access for over 80 percent of U.S. industrial and consumer products. U.S. farmers and ranchers will benefit particularly with the immediate elimination of duties on high quality beef, cotton, wheat, soybeans, and many fruits and vegetables including apples, pears, peaches, and cherries. In addition, the agreement will remove barriers to U.S. services, provide a secure, predictable legal framework for investors, and strengthen protection for intellectual property, workers, and the environment.

U.S. total goods exports to Colombia in 2006 totaled $6.7 billion. In 2005, SME merchandise exports to Colombia were $1.7 billion, accounting for 35 percent of total U.S. exports to Colombia that year – again, well above the average SME share. Eighty-five percent of U.S. companies that export to Colombia are SMEs.

A free trade agreement with Colombia will help bolster one of our country's strongest allies in the region. Through Plan Colombia, the Colombian Government has taken courageous steps to stop drug trafficking, rein in paramilitary groups, and enforce the rule of law. Since 2000, the security situation has improved significantly, with kidnappings down by 76 percent, terror attacks by 61 percent, and homicides by 40 percent. In addition, violence against trade unionists, among other groups, has dropped significantly. In 1999, the Colombian government instituted new programs to provide protection to roughly 10,000 members of vulnerable groups. The largest of these programs provides protection to almost 7,000 individuals, including over 1,300 trade unionists.

The Colombian legislature expressed overwhelming support for the U.S.-Colombia trade agreement. Approval and implementation of the U.S.-Colombian trade agreement will be a critical signal of America's support for the Colombian people, who have chosen to overall growth and development of their nation. I urge Members of Congress to visit Colombia to see the extraordinary progress made by the Colombian Government and to hear first-hand from the Colombians the importance of the U.S.-Colombia trade agreement to building upon this progress.

United States-Panama Trade Agreement

America's two-way trade with Panama totaled $3.1 billion in 2006, with U.S. goods exports to Panama totaling $2.7 billion. In 2006, approximately 96 percent of U.S. imports from Panama entered the U.S. duty-free under our most-favored nation tariff rates and various preference programs. As shown in the third attachment to my testimony, Panama's average applied tariff rate on U.S. imports was 7.3 percent, while the U.S. average applied tariff rate on imports from Panama was 2.04 percent.

Under the agreement, 88 percent of all consumer and industrial products from the U.S. will immediately receive duty-free treatment, along with more than half of current U.S. farm exports, including high quality beef, cotton, wheat, soybeans and many fruits, vegetables and processed food products. The agreement will also provide fair and transparent opportunities for American firms to compete in the $5.25 billion Panama Canal expansion project, spur vital reform of Panama's domestic legal and business environment, and strengthen protections for workers and the environment.

In 2005, U.S. SMEs exported $775 million in merchandise to Panama, representing 40 percent of total U.S. exports to Panama – one of the highest shares of any significant U.S. export market. Eighty one percent of U.S. companies that export to Panama are SMEs.

A free trade agreement with Panama would open the fastest growing economy in Central America– with a growth rate of more than 8 percent last year -- to our exporters. Our nations have had strategic ties dating back to the construction of the Panama Canal. The Canal remains a vital U.S. security and commercial interest as two-thirds of its 14,000 annual transits are bound to/from U.S. ports.

United States-South Korea Trade Agreement (KORUS FTA)

South Korea is a trillion-dollar economy (based on Purchasing Power Parity)-- the world's 11th largest--and the United States' seventh largest trading partner. Considering that SMEs account for 33 percent of all U.S. exports to that market and 89 percent of U.S. businesses exporting to South Korea are SMEs, South Korea has already shown itself to be a promising market for U.S. small business exporters. In fact, U.S. SMEs exported $8.2 billion in merchandise to South Korea in 2005.

The KORUS FTA is the United States' most commercially significant FTA in the past 15 years. Nearly ninety-five percent of bilateral trade in consumer and industrial goods will be duty-free within three years after the agreement enters into force, and more than half of U.S. farm exports will immediately enter South Korea duty-free. This is particularly important given the large discrepancy between current U.S. and South Korean tariffs. As shown in the fourth attachment to my testimony, in 2006, South Korea's average applied tariff rate on U.S. imports was 12.1 percent, while the U.S. average applied tariff rate on imports from South Korea was 3.5 percent. In fact, South Korea's non-agriculture tariffs are nearly two times greater than the United States' (7 % for South Korea vs. 3.7% for the U.S.), and its agriculture tariffs are four times greater (52% for South Korea vs. 12% for the U.S.) than those in the United States.

In addition, the KORUS FTA addresses non-tariff barriers across a wide-range of sectors; streamlines customs procedures, making them easier and less costly to navigate; and provides commitments related to transparency and regulatory due process that are more far-reaching than in any previous U.S. FTA. Further, the agreement contains a state-of-the-art IPR Chapter that includes specific provisions that will make it easier for small business to protect intellectual property. For example, the agreement provides for an on-line system for the registration and maintenance of trademarks, as well as a searchable database. The KORUS FTA also includes new market access commitments in services sectors of particular interest to SMEs, including research and development, maintenance and repair of equipment, accounting, and environmental services. Finally, the FTA goes beyond the WTO Government Procurement Agreement by expanding the number of South Korean entities that are covered, lowering the threshold for covered contracts by nearly half, and streamlining procurement processes – all of which will make it easier for U.S. small business to access this market.

The KORUS FTA will strengthen America's critical strategic partnership with South Korea by boosting economic ties and broadening and modernizing our long-standing alliance. The agreement will also demonstrate the United States' strong and clear commitment to continual deepening of our economic and trade relationships with key partners in the Asia-Pacific region.

May 10 Bipartisan Agreement

Finally, these FTAs incorporate the terms of the May 10 Bipartisan Agreement between the Administration and Congressional leadership. Subsequent to the May 10 Agreement, each of these FTA partners agreed to incorporate stronger enforceable labor and environmental standards into the trade agreements, putting them at the cutting edge of efforts to improve labor and environmental conditions through trade.

<u>Enforcement a Critical Component of USTR's Agenda</u>

Before closing, I would be remiss if I did not touch for a moment on enforcement of trade agreements. The Administration's trade agenda recognizes the pressure created from a growing and increasingly competitive global economy. Such pressures are often magnified for small business. Our agenda addresses these pressures in three positive and effective ways by: creating new opportunities in global markets, setting fair rules for trade, and enforcing those rules using every available tool. Enforcement has been and continues to be a critical piece of our trade agenda, and Ambassador Schwab has made it a personal priority.

As we negotiate new agreements, monitoring and enforcement of existing agreements is also essential. This is true even before our agreements enter into effect. With each free trade agreement the United States negotiates, Congress requires the President to determine that the FTA partner has taken the steps necessary to bring it into compliance with its FTA obligations as of day one of the agreement's entry into force. Only then will we agree to have the FTA with that country enter into effect. Once our FTAs are in effect, we remain vigilant, using all the tools we have to ensure that our trading partners honor their commitments. Our commitment to monitoring and enforcement of our rights and obligations is evident in the multilateral arena. We have been a party in over 70 WTO cases - on everything from high fructose corn syrup to biotechnology, to aircraft subsidies.

As an example of our commitment to enforcement, just last week, Ambassador Schwab announced the launch of an Anti-Counterfeiting Trade Agreement (ACTA). Participants in this effort, including FTA partners Canada, Mexico and South Korea, as well as the EU, Japan, New Zealand and Switzerland, will negotiate a new agreement addressing three main areas: (1) strengthening international cooperation, (2) improving enforcement practices, and (3) providing a strong legal framework for IPR enforcement.

This rules-based approach to trade extends to every component of our agenda, and it is critically important to the ability of U.S. small business to compete fairly and effectively in international markets.

Conclusion

To conclude, we have important goals still before us, building on a record of success. The important Bipartisan Agreement on Trade reached in May offers a clear and reasonable path forward for Congressional approval of all four FTAs – with Peru, Colombia, Panama, and South Korea. Each of these agreements has outsized benefits for small business.

Trade is good business for American small business. Working with Congress, the small business community and other stakeholders, we are committed to continue leveling the playing field abroad with an active trade agenda, setting fair and enforceable rules, and providing new opportunities so that U.S. small business can continue to succeed in the global marketplace.

Thank you and I look forward to your questions.

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Advanced Medical Technology Association

HOUSE SMALL BUSINESS COMMITTEE

HEARING ON

PENDING FREE TRADE AGREEMENTS (FTAs)

November 1, 2007

STATEMENT BY

STEPHEN J. UBL

PRESIDENT AND CEO

THE ADVANCED MEDICAL TECHNOLOGY ASSOCIATION (AdvaMed)

We thank the Committee for holding this important Hearing today on the pending free trade agreements (FTAs) between the United States and some of our trading partners. We strongly support the efforts to expand market access for U.S. products abroad through new FTAs, as well as oversight of market access barriers in countries with which we have strong trade relationships.

AdvaMed represents nearly 1,600 of the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. AdvaMed is proud to represent an industry that brings new hope to patients around the world. U.S. companies are still benchmark manufacturing leaders in terms of total production, innovation and highest quality products. Our member companies manufacture nearly 90% of the $94 billion U.S. health care technology market, and nearly 50% of the $220 billion of medical technology products that are purchased globally each year. In 2006, U.S. exports in medical devices and diagnostics totaled over $29.4 billion. The medical technology industry directly employed 357,700 workers in the U.S. and paid $21.5 billion in salaries.

The medical technology industry is a critical component of the U.S. health sector. In addition to the profound contributions of medical technology to the health and well-being of our populace, in 2006 the industry employed 357,700 workers; paid $21.5 billion in salaries; and shipped $123 billion worth of products. The national impacts of this industry were even more substantial. Taking into account the national multiplier impacts, the industry created (direct plus indirect plus stimulated impacts): 1.96 million jobs; payrolls that totaled $93 billion; and $355 billion in shipments/sales.

The size of AdvaMed member companies span the full spectrum from large multinationals to very small start-ups. About two-thirds of AdvaMed members are small in size but are among the most dynamic in terms of innovation. Indeed, the medical technology industry is fueled by intense competition and the innovative energy of small companies – firms that drive very rapid innovation cycles among products, in many cases creating new product iterations every 18 months. Accordingly, our US industry succeeds most in fair, transparent global markets where products can be adopted on their merits without excessive regulatory hurdles or inappropriate reimbursement policies.

Global Challenges

Innovative medical technologies offer an important solution for industrialized nations, including Japan and European Union members that face serious health care budget constraints and the demands of aging populations. Medical technologies also provide a way for emerging market countries, like Korea and Peru, to improve healthcare to their people, who are increasingly expecting substantially better healthcare to accompany rapid economic development. Advanced medical technology can not only save and enhance patients' lives, but also lower health care costs, improve the efficiency of the health care delivery system, and increase productivity by allowing people to return to work sooner.

To deliver this value to patients, our industry invests heavily in research and development (R&D). Today, our industry leads global medical technology R&D, both in terms of innovation as well as investment. The level of R&D spending in the medical devices and diagnostic industry, as a percent of sales, more than doubled during the 1990s – increasing from 5.4% in 1990 to 8.4% in 1995 and over 11% last year. In absolute terms, R&D spending has increased 20% on a cumulative annual basis since 1990. Our industry's level of spending on R&D is more than three times the overall U.S. average.

Despite the great advances the medical technology industry has made in improving patient quality of life and delivering considerable value for its innovations, patient access to critical medical technology advances can be hindered by onerous government policies. Patients and health care systems experience much less benefit from our industry's R&D investment when regulatory procedures are complex, non-transparent, or overly burdensome – all of which can significantly delay patient access and drive up costs. In the future, patients will be further disadvantaged if reimbursement systems fail to provide appropriate payments for innovative products – which will subsequently affect the availability of R&D funds and the stream of new technologies.

The medical technology industry is facing these challenges around the world as governments enact more regulations or look to short-term decreases in health care expenditures without accurately assessing the long-term implications. We believe international trade agreements can be a vehicle for addressing the way governments implement these policies.

U.S. Leadership in International Trade

AdvaMed strongly supports a trade agenda that seeks to open and protect foreign markets for U.S. goods and services. We believe U.S. leadership in international trade is critical to the health of our industry and the future success of the U.S. economy. AdvaMed member companies produce the medical devices, diagnostic products and health information systems that are transforming healthcare around the world through earlier disease detection, less invasive procedures and more effective treatments.

The medical technology industry is one of the few remaining manufacturing sectors of the U.S. economy with a positive net balance of trade, and the people who work in the U.S. medical technology industry depend on trade to ensure security, growth and new opportunities. In fact, medical technology industry salaries are nearly 30% higher than the average U.S. salary because the industry employs so many highly skilled workers in the areas of research and development, manufacturing, sales and management. Opening markets and ensuring a level playing field are essential to the future growth of the U.S. medical technology industry.

Recently Concluded FTAs

Congressional approval of solid FTAs is very important in advancing a strong U.S. trade agenda. The Korea-U.S. FTA (KORUS FTA) is an excellent example of such an agreement.

- **KORUS FTA**. Korea is an important export market for the U.S. medical technology industry. In 2006, U.S. medical technology exports to Korea exceeded $673 million, an increase of 8% over 2005.

  Korea currently imposes tariffs in the range of 6.5%-13% on U.S. medical technology, compared to almost no tariffs on U.S. imports from Korea. The elimination of tariffs on all medical technology under the FTA will save the U.S. industry about $25 million per year.

  The KORUS FTA is especially important to the medical technology industry not only because of the size of the market but because of provisions that would directly and specifically benefit our industry. The KORUS FTA is the first U.S. free trade agreements with specific provisions for the medical technology industry, including:

  - recognition of the importance of competitive markets, the need to promote innovation, and support for R&D;
  - commitments to fair, reasonable and non-discriminatory reimbursement rules;
  - assurances of market-driven prices or procedures to apply for increased reimbursement rates based on evidence;
  - strong transparency provisions for rules, regulations, and procedures for reimbursement and regulatory decisions; and
  - creation of a medical devices committee to monitor implementation.

  In addition, one of the substantial benefits of a free trade agreement is a binding dispute settlement process. Under the KORUS FTA's strong dispute settlement provisions, the medical technology industry will gain very important procedural safeguards against arbitrary and non-transparent reimbursement and regulatory decisions by the Korean government.

- **LATIN AMERICA FTAs**. Congress is also considering recently concluded FTAs with Peru, Panama and Colombia. AdvaMed members export to these countries and view them as growing trading partners. Because of the level of economic development of these countries compared to Korea (which, for example, is a member of the Organization for Economic Cooperation and Development) and the relative size of the markets, AdvaMed did not participate as actively in the advisory process for the FTA negotiations with the Latin American countries as we did for Korea.

However, we believe the elimination of tariffs in the three Latin American FTAs would benefit our members. Improved access to medical technology would benefit patients in those countries. It would be difficult for our members to understand why Congress grants unilateral duty-free treatment for nearly all products entering the U.S. from these countries but fails to implement agreements that provide reciprocal duty-free treatment for U.S. products.

The Potential of New Bilateral and Multilateral Trade Agreements

AdvaMed supports continued progress on international trade initiatives, including bilateral, regional and global trade negotiations. We support new efforts with our other trading partners to provide U.S. exports of medical devices duty-free treatment and to address non-tariff obstacles.

We commend the Administration's efforts to ensure global access to medicines and medical products in the WTO. While all economies seek to provide high quality, cost effective healthcare products and services to their citizens, they should also ensure timely access to state-of-the-art, life-saving equipment and implement compliance procedures that are efficient and effective. To further expand patient access to safe and effective medical devices and ensure cost effective regulatory compliance, USTR should seek to ensure that economies around the world make their policies and practices conform to the relevant and appropriate international trading rules established by the WTO.

We recognize the need for the U.S. to also focus on FTAs. We believe the U.S. is falling behind other countries concluding and implementing FTAs. Approximately 96% of America's $800 billion trade deficit last year came from countries with which the U.S. does <u>not</u> have free trade agreements. Securing additional trade agreements will help address this imbalance as well as improve patient access for our products globally. Without a clear demonstration of U.S. commitment to free trade, we are concerned that our trading partners might erect additional barriers, and that US companies will lose out on FTA benefits to other nations that are quickly working to broker agreements of their own. A list of such trade agreements would show that countries in Europe, Asia and Latin America have entered into far more FTAs than has the U.S.; and the situation will only get worse if the U.S. fails to engage.

Virtually all U.S. states gain from trade, including those with the heaviest concentration of medical technology companies. For example, trade supports 1 in 5 jobs in Massachusetts. In California, trade with Asia alone supports 1 in 7 jobs. Healthcare in Minnesota and Indiana is a major driver of their exports, which are $14.7 and $21 billion, respectively, on an annual basis. Florida is the fifth highest among all states in terms of exports.

Bilateral and multilateral free trade agreements open foreign markets and help level the playing field for our members throughout the world. The healthcare sector initiative in the World Trade Organization (WTO) Doha Development Agenda (DDA) could save our industry an estimated $200 million in tariff expenses alone. FTAs with other countries and regions that maintain higher tariffs on medical technology than in the U.S. would result in significant trade and economic gains for US medical technology companies. Additionally, FTAs can facilitate improvements in market access.

Active and strong U.S. engagement in the global trading system provides added leverage to keep markets open. Such involvement is necessary for continued oversight of trade relations with key trading partners like China, Japan and Korea and is important to help address the import obstacles we face in those countries, particularly the growing number of government-mandated price controls on U.S. manufacturers of medical devices. We are hopeful that future bilateral agreements can also include directives to knock down tariff and non-tariff barriers for medical technologies.

AdvaMed looks to the U.S. government to pursue trade liberalization throughout the Asia-Pacific region -- including in China, India, Taiwan and Korea – and Latin America. AdvaMed and its member companies have identified a number of real and potential barriers to doing business in these countries. While most of the barriers pertain to unnecessary or redundant regulatory requirements, there are increasing concerns in the areas of reimbursement and intellectual property.

Beyond FTAs – Oversight with Existing Trading Partners and Regulatory Principles

In addition, the U.S. Government should continue to pursue trade liberalization in the medical technology sector with our major trading partners outside of formal trade agreements. AdvaMed believes the USTR, Department of Commerce (DOC) and Congress should monitor regulatory, technology assessment and reimbursement policies in foreign health care systems and push for the creation or maintenance of transparent assessment processes and the opportunity for industry participation in decision making. We look to the Administration and Congress to actively oppose excessive regulation, government price controls, foreign reference pricing schemes, and arbitrary, across-the-board reimbursement cuts imposed on foreign medical devices and diagnostics.

In addition, the Administration should pursue and active agenda to gain support for a set of core principles. Countries should agree to make their medical device regulatory regimes conform to these guiding principles:

- Acceptance of International Standards;
- Transparency and National Treatment;
- Use of Harmonized Quality or Good Manufacturing Practice Inspections;
- Recognition of Others' Product Approvals (or the Data Used for Those Approvals);
- Development of Harmonized Auditing and Vigilance Reporting Rules;
- Use of Non-Governmental Accredited Expert Third Parties for Inspections and Approvals, where possible.

Similarly, many countries require purchases of medical technologies to take place through centralized and/or government-administered insurance reimbursement systems. To ensure timely patient access to advanced medical technologies supplied by foreign as well as domestic sources, member economies should agree to adopt these guiding principles regarding the reimbursement of medical technologies:

- Establishment of clear and transparent rules for decision-making;
- Reasonable time frames for decision-making;
- Data requirements that are sensitive to the medical innovation process;
- Reimbursement rates that are based on conditions in each country;
- Balanced opportunities for the primary suppliers and developers of technology to participate in decision-making, e.g., national treatment;
- Meaningful appeals processes.

Conclusion

AdvaMed appreciates the shared commitment by Congress and the President to expand international trade opportunities and encourage global trade liberalization. We look to the U.S. Government to aggressively combat barriers to trade throughout the globe, especially through the pending FTAs. AdvaMed is fully prepared to work with Congress to monitor, enforce and advance multilateral, regional and bilateral trade agreements, particularly with our key trading partners. The medical technology industry is committed to working with Congress and the Administration on upcoming trade policies and agreements to ensure patients throughout the world have access to medical products.

Statement Of

the

National Pork Producers Council

Before the

U.S. House of Representatives Committee on Small Business

On the

Pending Free Trade Agreements

November 1, 2007

Madam Chairwoman and Members of the Committee:

I am Doug Wolf, board member of the National Pork Producers Council (NPPC) and a pork producer from Lancaster, Wisconsin. I own and operate Wolf L & G Farms, a farrow-to-finish operation, marketing 20,000 hogs per year.

NPPC is a national association, representing 44 affiliated state organizations and the nation's 67,000 pork producers, who annually generate approximately $15 billion in farm gate sales, support an estimated 550,000 domestic jobs, generate more than $97.4 billion in total U.S. economic activity and contribute $34.5 billion to the U.S. gross national product.

Madam Chairwoman, I strongly believe that the future of the U.S. pork industry and the future livelihood of my family's operation depend in large part on further trade agreements, including the pending agreements with Peru, Colombia, Panama and South Korea.

As U.S. pork exports grow so do U.S. jobs. In 2006, the United States exported 15 percent of its domestic pork production. International trade contributed approximately 82,500 U.S. jobs in the pork industry alone, and a majority of those jobs are located in rural America. In my home state of Wisconsin, about 14,200 jobs are involved in various aspects of the pork industry. Using the 15 percent share, Wisconsin receives 2,130 jobs and $90 million of personal income from exporting pork products to foreign markets.[1]

Pork is the world's meat of choice, representing 40 percent of total world meat consumption. (Beef and poultry each represent less than 30 percent of global meat protein intake.) As the world moves from grain-based diets to meat-based diets, U.S. exports of safe, high-quality and affordable pork will increase because economic and environmental factors dictate that pork be produced largely in grain surplus areas and, for the most part, imported to grain deficit areas. However, the extent of the increase in global pork trade – and the lower consumer prices in importing nations and the higher quality products associated with such trade – will depend substantially on continued agricultural trade liberalization.

Potential FTA Impacts on Wolf L&G Farms LLC

Wolf L & G Farms is a small family-owned independent hog operation in south western Wisconsin. I run the business with my 30-year-old son, Shannon. Between 1998 and 2002, we faced tough financial times. It wasn't until 2002 that we started to recover, became financial stable and actually expanded our production. In September 2007, Wolf L & G Farms replaced an old sow facility and increased our sow capacity from 800 to 1,400. Due to this expansion, we will be able to increase the number of hogs we send to market significantly, from 20,000 to 30,000. We have also erected a new feed processing facility, increased competitiveness with new modern technology and purchased more energy-efficient equipment.

Increased pork exports over the last five years have contributed significantly to the profitability of our operation. Wolf L & G Farms markets hogs to the Waterloo and Columbus Junction, Iowa, Tyson pork processing plants. These plants export pork all over the world, including loins and tenderloins to Japan, bellies and butts to South Korea, hams to Mexico, picnic and trimmings

[1] Daniel Otto and John Lawrence, Extension Economists. "The Wisconsin Pork Industry 2006: Patterns and Economic Importance." Iowa State University, Ames, Iowa. January 2007.

to Russia and variety meats indirectly to China. Wolf L & G Farms is very proud to supply the world with our home-grown Wisconsin pork and pork products.

It is absolutely critical that U.S. pork exports continue to grow. Right now, though, high tariffs – the average global tariff on pork is a staggering 77 percent – and technical barriers to trade are stifling that growth and affecting the industry.

The four free trade agreements currently pending in Congress can help change that, and I am very excited about that. Each agreement aggressively cuts tariffs, and all tariffs are eventually phased out completely. Additionally, the governments of Peru, Colombia, Panama and South Korea have agreed to accept pork from all USDA-approved facilities. This ensures my products will not be stopped from entering these markets because of non-sciences based restrictions.

The potential impact of the pending free trade agreements on Wolf L & G Farms is very substantial. According to Iowa State University economist, once fully implemented, the Peru agreement will add 83 cents to the price I receive for each hog, the Colombia Trade Promotion Agreement will add $1.63, the Panama deal will add 20 cents, and the South Korea FTA will add a phenomenal $10 per hog. Assuming our current level of production, those agreements, respectively, would mean an additional $16,600, $32,600 and $4,000 and $200,000 in income, than otherwise would have been the case. That's more than a quarter million dollars in additional revenue to Wolf L & G Farms. Remarkably, these estimates are based on our current levels of production. However, we are expanding production and soon will be marketing 50 percent more hogs.

The added income from the pending FTAs will allow our small pork operation to grow and develop and will ensure a future in hog production for my son and his family. We eventually would like to invest resources in methane digester technology, which would help supplement profits by generating energy. It is also very important to continue to protect our environment. Given the proper resources, this could be a reality. Free trade agreements spur exports, which in turn drive our profits upward.

I strongly urge you to support the pending free trade agreements with Peru, Colombia, Panama and South Korea.

PORK PRODUCERS ARE BENEFITING FROM PAST TRADE AGREEMENTS

In 2006, U.S. pork exports totaled 1,262,499 metric tons valued at $2.9 billion, an increase of 9 percent by volume and 9 percent by value over 2005 exports[2]. U.S. exports of pork and pork products have increased by more than 433 percent in volume terms and 401 percent in value terms since the implementation of the NAFTA in 1994 and the Uruguay Round Agreement in 1995.

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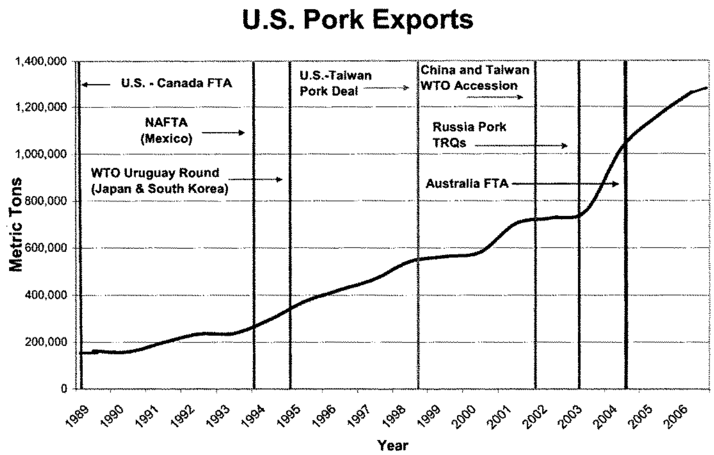
[2] All export data is from Foreign Agricultural Service's U.S. Trade Internet System. http://www.fas.usda.gov/ustrade/USTHome.asp?QI=

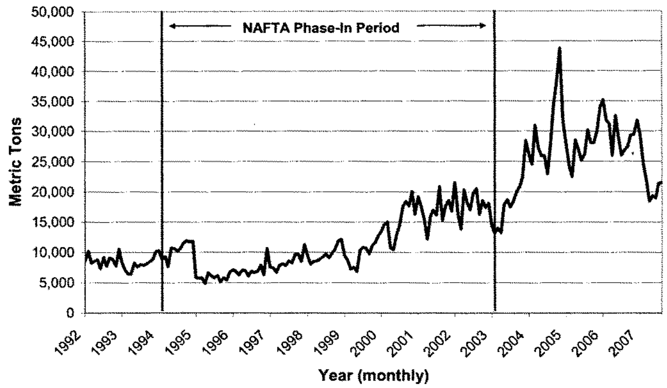


The following eight export markets in 2006 are all markets in which pork exports have soared because of recent trade agreements.

Mexico

In 2006, U.S. pork exports to Mexico totaled 356,418 metric tons valued at $558 million, an increase of 8 percent by volume and 9 percent by value over 2005 exports. Exports in 2005 were 331,488 metric tons valued at $514 million. Without the NAFTA, there is no way that U.S. exports of pork and pork products to Mexico could have reached such heights. In 2006, Mexico was the number one volume market and number two value market for U.S. pork exports. U.S. pork exports have increased by 274 percent in volume terms and 398 percent in value terms since the implementation of the NAFTA, growing from 1993 (the last year before the NAFTA was implemented), when exports to Mexico totaled 95,345 metric tons valued at $112 million.

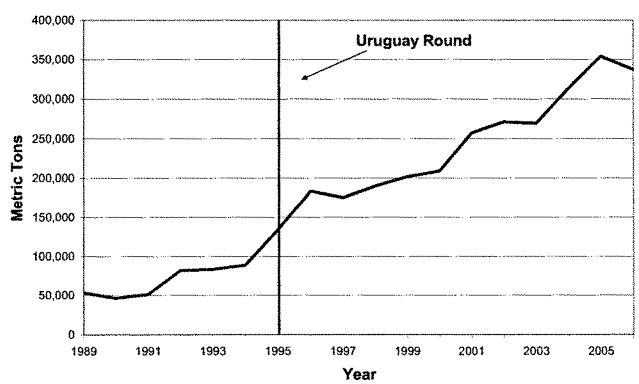
U.S. Pork Exports to Mexico



Japan

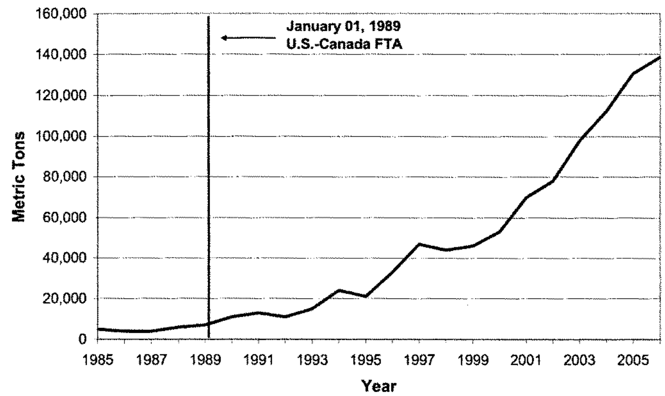
Thanks to a bilateral agreement with Japan on pork that became part of the Uruguay Round, U.S. pork exports to Japan have soared. In 2006, U.S. pork exports to Japan reached 337,373 metric tons valued at just over $1 billion. Japan remains the top value foreign market for U.S. pork. U.S. pork exports to Japan have increased by 279 percent in volume terms and by 178 percent in value terms since the implementation of the Uruguay Round.

U.S. Pork Exports to Japan

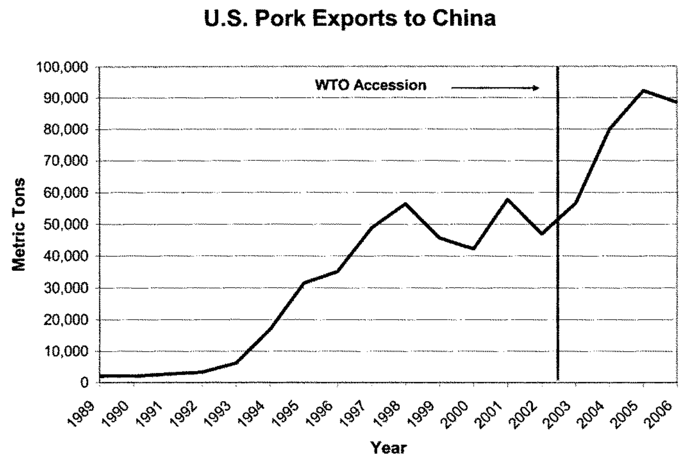


Canada
U.S. pork exports to Canada have increased by 1,933 percent in volume terms and by 2,689 percent in value terms since the implementation of the U.S.-Canada Free Trade Agreement in 1989. In 2006, U.S. pork exports to Canada increased to 138,564 metric tons valued at $437 million, a 6 percent increase by volume and an 11 percent increase by value over 2005 exports.

U.S. Pork Exports to Canada

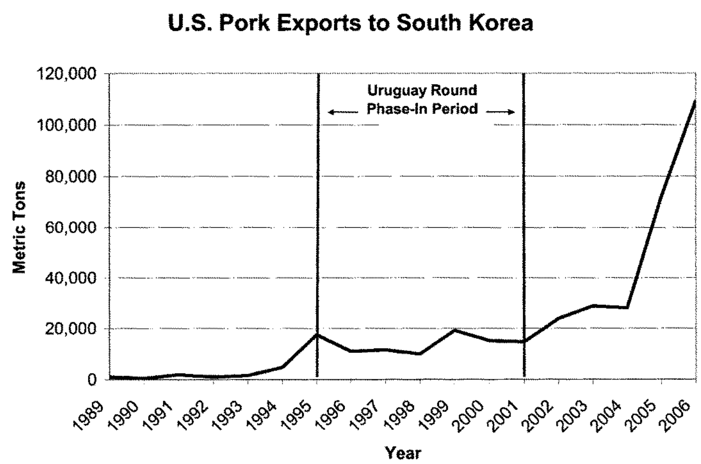


China
From 2005 to 2006, U.S. exports of pork and pork products to China increased 13 percent in volume terms, totaling 88,439 metric tons valued at $126 million. U.S. pork exports have exploded because of increased access gained from China's accession to the World Trade Organization. Since China implemented its WTO commitments on pork in December 2001, U.S. pork exports have increased 53 percent in volume terms and 90 percent in value terms.



Republic of Korea

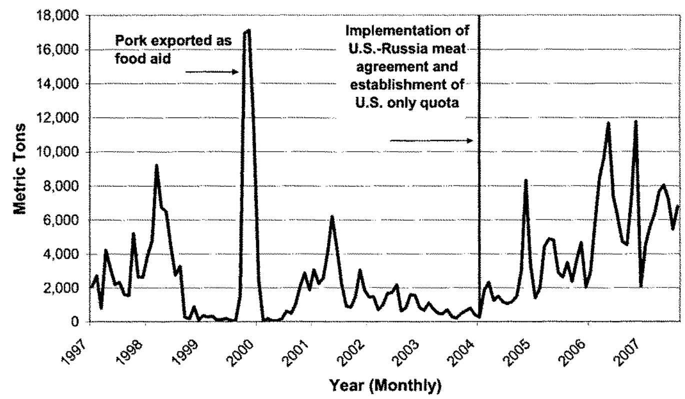
U.S. pork exports to Korea have increased as a result of concessions made by Korea in the WTO Uruguay Round. In 2006, exports climbed to 109,198 metric tons valued at $232 million, an increase of 2,217 percent by volume and 2,606 percent by value since implementation of the Uruguay Round in 1995. Pork exports to South Korea in 2006 increased by 52 percent in volume terms and 50 percent in value terms over exports in 2005.



Russia

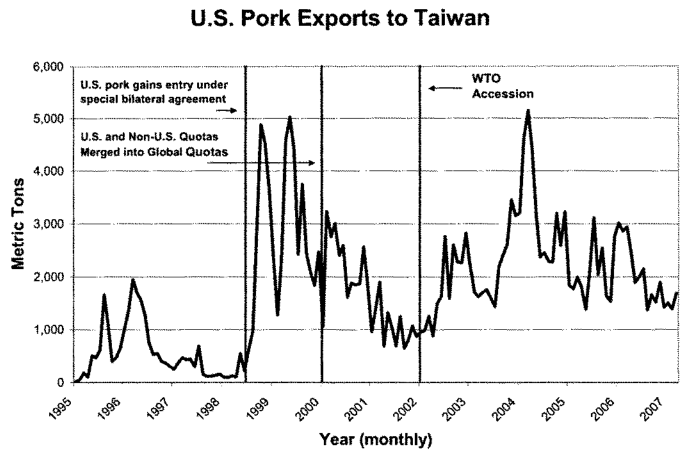
In 2006, U.S. exports of pork and pork products to Russia totaled 82,677 metric tons valued at $164 million, a 105 percent increase in volume terms and 127 percent increase in value terms over 2005. U.S. pork exports to Russia have increased largely due to the establishment of U.S.-only pork quotas established by Russia as part of its preparation to join the World Trade Organization. The spike in U.S. pork export to Russia in the late 1990s was due to pork shipped as food aid.

U.S. Pork Exports to Russia



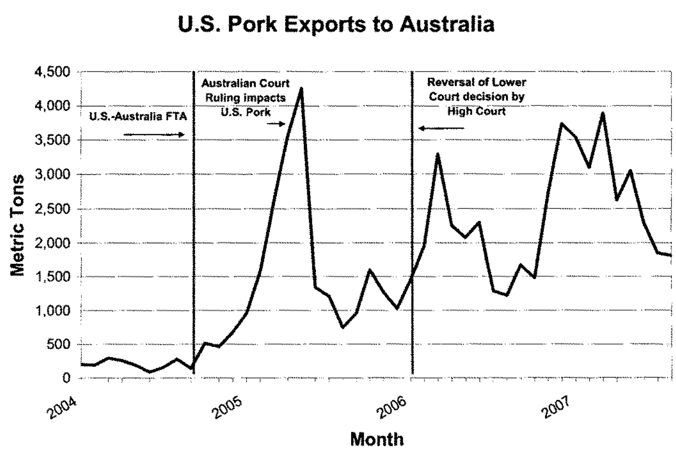
Taiwan

In 2006, U.S. exports of pork and pork products to Taiwan increased to 25,198 metric tons valued at $38 million. U.S. pork exports to Taiwan have grown sharply because of the increased access gained from Taiwan's accession to the World Trade Organization. Since Taiwan implemented its WTO commitments on pork, U.S. pork exports have increased 99 percent in volume terms and 103 percent in value terms.



Australia

The U.S. pork industry did not gain access to Australia until the recently implemented U.S.-Australia FTA. U.S. pork exports to Australia exploded in 2005 despite a legal case over Australia's risk assessment of pork imports. Australia is currently one of the top destinations for U.S. pork, with 2006 exports totaling 25,486 metric tons valued at $62 million.



Benefits of Expanding U.S. Pork Exports

Prices – The Center for Agriculture and Rural Development (CARD) at Iowa State University has calculated that in 2004, U.S. pork prices were $33.60 per head higher than they would have been in the absence of exports.

Jobs – The USDA has reported that U.S. meat exports have generated 200,000 additional jobs and that this number has increased by 20,000 to 30,000 jobs per year as exports have grown.

Income Multiplier – The USDA has reported that the income multiplier from meat exports is 54 percent greater than the income multiplier from bulk grain exports.

Feed Grain and Soybean Industries – Each hog that is marketed in the United States consumes 12.82 bushels of corn and 183 pounds of soybean meal. With an annual commercial slaughter of 105.3 million animals in 2006, this corresponds to 1.34 billion bushels of corn and 9.63 million tons of soybean meal. Since approximately 15 percent of pork production is exported, pork exports account for approximately 201 million bushels of corn and 1.44 million tons of soybean meal.

As the benefits from the Uruguay Round and NAFTA begin to diminish because the agreements are now fully phased in, creation of new export opportunities becomes increasingly important.

The United States currently has four pending free trade agreements: U.S.-Korea FTA and the Colombia, Peru and Panama Trade Promotion Agreements. Each of these agreements will significantly benefit U.S. pork producers.

KORUS FTA

- U.S. pork exports to Korea have increased as a result of concessions made by Korea in the Uruguay Round. In 2006, exports climbed to 109,198 metric tons valued at $232 million, an increase of 2,217 percent by volume and 2,606 percent by value since implementation of the Uruguay Round. Exports to the Republic of Korea in 2006 grew aggressively over 2005 exports, increasing by 52 percent in volume terms and 50 percent in value terms. South Korea currently is the fourth largest export market for U.S. pork.

- The United States is the largest foreign supplier of pork to South Korea. Major competitors include the EU, Canada, Chile and Australia. The U.S.-Korea FTA will give U.S. pork preferences in this lucrative market over other foreign competitors.

- U.S. pork products currently face significant tariffs in South Korea. The current South Korean duty on bellies, a high demand pork product, for example, is 25 percent. Under the terms of the U.S.-Republic of Korea FTA, tariffs will be eliminated on all frozen and processed pork products by 2014. Fresh chilled pork will be duty free 10 years after implementation with a safeguard.

- In addition to ambitious market access gains, the Republic of Korea has agreed to accept all pork and pork products from USDA-approved facilities. This provision ensures trade will be possible without onerous technical or sanitary barriers.

- The U.S.-Republic of Korea FTA will add hundreds of millions of dollars to the U.S. pork industry through additional pork exports. Exports positively affect the price of live hogs and, therefore, the agreement will benefit all U.S. pork producers. According to Iowa State University economist Dermot Hayes, the Korea agreement, when fully implemented, will cause live U.S. hog prices to be **$10.00** higher than would otherwise have been the case.

Colombia Trade Promotion Agreement

- The Colombia Trade Promotion Agreement (CTPA) negotiated between the United States and Colombia, once fully implemented, will significantly benefit U.S. pork producers. Under the terms of CTPA, the tariffs on some pork and pork products will be eliminated immediately, while the tariffs on others will be phased out over a five-year period.

- In addition to the favorable market access provisions, significant sanitary and technical issues have been resolved. In a Feb. 26, 2006, letter, the Colombian government confirmed that it shall recognize the meat inspection system of the United States as equivalent to its own meat inspection system.

- Live hog prices are affected positively by the introduction of new export markets. According to Iowa State University economist Dermot Hayes, the Colombia agreement, when fully implemented, will cause live U.S. hog prices to be $1.63 higher than would otherwise have been the case. That means that the profits of the average U.S. pork producer will expand by 14 percent, based on 2005 data.

Peru Trade Promotion Agreement

- The free trade agreement negotiated between the United States and Peru, when implemented, will create important new opportunities for U.S. pork producers. U.S. pork exports to Peru currently are restricted by duties as high as 25 percent. The Peru Trade Promotion Agreement (PTPA), if implemented, will establish immediate tariff reductions on all pork products. Some pork products will receive unlimited duty-free access upon implementation of the agreement. Tariffs on most pork items will be phased out within five years. All pork tariffs will be completely phased out in 10 years.

- In addition to the favorable market access provisions, significant sanitary and technical issues have been resolved. In a Jan. 5, 2006, letter, the Peruvian government confirmed that it shall recognize the meat inspection system of the United States as equivalent to its own meat inspection system. The aggressive market access provisions coupled with the agreement on equivalence make the Peru agreement a state-of-the-art agreement for pork producers to which all future FTAs will be compared.

- Live hog prices are affected positively by the introduction of new export markets. Recent price strength in U.S. pork markets is directly related to increased U.S. pork exports. Mexico continues to be a strong and growing export market for U.S. pork. The same competitive advantage that has resulted in expanded U.S. pork exports to Mexico will also facilitate an expansion of U.S. pork exports to 28 million new consumers in Peru.

- According to Iowa State University economist Dermot Hayes, when fully implemented, PTPA will cause hog prices to be 83 cents higher than would otherwise have been the case. That means that the profits of the average U.S. pork producer will expand by 7 percent.

Panama Trade Promotion Agreement

- The Free Trade Agreement negotiated between the United States and Panama, when implemented, will create important new opportunities for U.S. pork producers. U.S. pork exports to Panama are currently restricted by a very limited quota and by out-of-quota duties as high as 80 percent. The Panama Trade Promotion Agreement, if implemented, will provide immediate duty-free treatment on pork variety meats and will expand market access for U.S. pork through tariff-rate quotas.

- In addition to the favorable market access provisions, significant sanitary and technical issues have been resolved. In a Dec. 20, 2006, letter, the Panamanian government confirmed that it shall recognize the meat inspection system of the United States as equivalent to its own meat inspection system. This technical agreement ensures U.S. pork producers will benefit from the Panama Trade Promotion Agreement without being blocked by unnecessary sanitary barriers.

- U.S. pork competes in Panama with pork from Canada and the EU. The Panama Agreement, if implemented, will give U.S. pork products a competitive edge in the market.

- According to Iowa State University economist Dermot Hayes, the Panama agreement, when fully implemented, will cause hog prices to be 20 cents higher than would otherwise have been the case. Therefore, exports to Panama will be worth approximately $20.6 million to the U.S. pork industry in additional revenue than otherwise would have been the case.

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NATIONAL COUNCIL of TEXTILE ORGANIZATIONS

WITNESS STATEMENT OF
MR. CASS JOHNSON
PRESIDENT
NATIONAL COUNCIL OF TEXTILE ORGANIZATIONS

HOUSE COMMITTEE ON SMALL BUSINESS

NOVEMBER 1, 2007

Chairwoman Velazquez, Congressman Chabot, and distinguished members of the Committee, thank you for the opportunity to appear today and outline the U.S. textile industry's perspective on the pending free trade agreements (FTAs) with Peru, Colombia, Panama and Korea.

My name is Cass Johnson, and I am President of the National Council of Textile Organizations (NCTO). NCTO is a not-for-profit trade association established to represent the entire spectrum of the United States textile sector, from fibers to yarns to fabrics to finished products, as well as suppliers in the textile machinery, chemical and other such sectors which have a stake in the prosperity and survival of the U.S. textile sector. NCTO is headquartered in Washington, D.C., and also maintains an office in Gastonia, North Carolina.

In this testimony, I would like to touch on a number of issues, including the make-up of the U.S. textile industry, the impact that free trade agreements with Peru, Colombia, Panama and Korea will have on U.S. textile manufacturers and the need for a trade policy agenda that delivers benefits to manufacturers that produce in the United States and employ millions of workers here at home.

About this last point, I would like to make one initial observation. The 2006 elections demonstrated clearly that most Americans believe that trade policy has been headed in the wrong direction and needs to reverse course. As we debate what changes might be made, I implore you to keep your attention focused on rebalancing the playing field to make sure that American jobs stay here. U.S. workers are the most productive, creative and highest-skilled workers in the world, but our trade policy has tilted the playing field against them. Our goal should be to rebalance the field so that they can keep their jobs.

Given that Congress is considering the reauthorization of the Trade Adjustment Assistance (TAA) program this week, I would like to emphasize that after visiting many textile plants across this country and talking with textile employees about their hopes for the future, I can say with confidence that workers in the U.S. textile industry would prefer Congress advocate policies that help preserve their jobs rather than compensate them for lower paying jobs they must take once their jobs are gone. While there is certainly a need for trade adjustment assistance in today's environment, Congress continues to hold-up the TAA program as the cure for all of our trade woes while refusing to address the underlying problem, which is a poorly crafted trade policy framework that is eroding our middle class, deepening the divide between the haves and have nots and a hollowing out of the U.S. manufacturing base.

Far more than implementation of more FTAs, U.S. workers need a trade policy that concentrates on retaining jobs in this country and exacts penalties on those countries that break the rules. The biggest example is China. As NCTO recently testified before the International Trade Commission, China

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gives its textile and apparel sector 73 different subsidies. On top of that, China manipulates its currency, which gives China an additional estimated 20-40 price advantage against U.S. producers. The U.S. Economic and Security Commission determined that China's bad practices have cost the U.S. more than 1.5 million manufacturing jobs over the last ten years. Through its institutionalized effort to dominate world trade in manufactured goods, China has become the most predatory, protectionist power the modern world has ever seen. And yet China continues to get a virtual free pass, both from the Administration and the U.S. Congress. This is unconscionable and is one of the primary reasons that U.S. trade policy is consistently given a failing grade by the American people. While we are supportive of a number of upcoming free trade agreements, if we were to ask Congress to do one thing on trade for the U.S. manufacturing sector, it would not be to pass another free trade agreement but instead to pass a bill that holds China accountable for its currency manipulation and subsidy schemes[1]. This one step would yield more benefits to U.S. manufacturing than a dozen well crafted Free Trade Agreements.

While the focus of this hearing is not trade policy in general, we have appended nine action items that we feel Congress should consider implementing in order to restore faith in U.S. trade policy and to rebalance the trade equation with countries such as China.

U.S. Textile Industry Background

First, I would like to debunk some commonly held beliefs about the U.S. textile industry. I have often heard members of Congress and numerous retailers and importers refer to our industry as not prepared to meet the challenges of manufacturing in the 21st Century. In fact, these comments are not true.

The U.S. textile sector continues to be one of the largest manufacturing employers in the United States. The overall textile sector employed 900,000 workers in 2006.

Our industry is the third largest exporter of textile products in the world exporting more than $16 billion in 2005. These exports went to more than 50 countries, with 20 countries buying more than $100 million a year.

The U.S. textile sector is a very important component of our national defense and supplies more than 8,000 different textile products a year to the U.S. military. The industry spends enormous resources on research and development each year to ensure that our military continues to be the most well-equipped and technologically-advanced military in the world.

From 1994 to 2004, the U.S. textile industry invested more than $33 billion in new plants and equipment and has increased productivity by 49 percent over the last ten years. This investment has secured our second place ranking among all industrial sectors in productivity increases over the past ten years.

As you can see, the U.S. textile industry is an innovative, productive industry that can compete against anyone in the world.

Unfortunately, our industry, as well as much of manufacturing, has been hamstrung by decades of trade policy initiatives that have created a disincentive to invest in this country and to employ workers

[1] Specifically, NCTO strongly supports HR 2942 because it is the only bill before Congress that gives companies in the United States the ability to fight back on currency manipulation. This is principally because it allows U.S. firms to bring countervailing duty cases against China for currency manipulation.

in this country. The free trade agreements I will discuss today are a mixed bag when it comes to the policy goals achieved under the frameworks of these agreements and the impact this will have on the U.S. textile industry.

U.S. Textile Industry FTA Guidelines and Objectives

Generally speaking, the textile industry as a whole has consistently urged that the benefits of free trade agreements must accrue only to those countries who are actual parties to the agreement. In a simple phrase, there must be no third party "free riders" who realize benefits without making any sacrifices of their own. As such, our industry has identified four key policy tenets that must be effectively addressed as part of any free trade agreement in order for these agreements to benefit U.S. textile manufacturers. These include a strong yarn-forward rule of origin, fair and balanced short supply procedures, tariff phase-out schedules that reflect fair market principles, and effective customs enforcement rules and regulations are the primary objectives for the domestic industry in all FTA negotiations.

Rules of Origin:

Specifically, the yarn-forward rule of origin should be uniform and simple for all FTAs. The rule of origin should not provide for exceptions including tariff preference levels (TPLs) and/or cumulation. TPLs and cumulation are exceptions to the rule of origin which allow third-party free-riders, such as China, India and others, who are not party to the agreement and therefore have made no sacrifices or concessions under the agreement, to reap the benefits of the FTA at the expense of U.S. textile manufacturers and textile and apparel manufacturers in the FTA partner country.

This occurs because when TPLs and/or cumulation are included in a FTA, third-party countries, like China and India, can sell yarns and fabrics to the FTA partner country for assembly into apparel and this apparel still enters the U.S. duty-free under the FTA. Under such a procedure, the U.S. textile industry is effectively cut-out of this market.

As I mentioned earlier, the U.S. textile industry is dependent upon exports for its very survival. When important export opportunities are destroyed because of loopholes that are rigged against us, then the industry will strongly oppose those FTAs.

Short Supply:

In addition to rule of origin, ensuring an effective short supply process is included in the agreement is also paramount. NCTO, with very few exceptions, does not object to the inclusion of short supply procedures in an FTA nor the inclusion of items already approved under the short supply provisions of NAFTA, AGOA, ATPDEA, or CBTPA. I cannot emphasize enough, however, that NCTO can only continue to support these mechanisms if they are structured in a way that reflects the true nature of textile production in the United States. Unnecessary loopholes and broad rules that allow for significant third-country inputs through manipulation of the short-supply process will undermine the spirit of FTA agreements as well as threaten the viability of the U.S. textile industry and other trade preference programs. As such, NCTO has consistently urged the development of meaningful rules on short supply, cut-and-sew and knit-to-shape that reflect a realistic assessment of the commercial availability of textile products in the U.S.

In furtherance of this objective, NCTO, along with three other textile trade associations, recently submitted a letter to the Committee for the Implementation Agreement (CITA) outlining our concerns regarding a "new" short-supply process that was initiated under the CAFTA agreement.

During the CAFTA negotiations, offshore apparel and importing interests sought a major revamping of the "NAFTA" short supply model. The revamped model included in CAFTA clearly benefits importing, retailing and offshore interests by substantially expediting the process and incorporating new concepts that facilitate approvals such as restricted-quantity short supply designations. Compared to the NAFTA-type provisions in previous free trade agreements, the CAFTA commercial availability process also significantly weakens the standards by which petitions are evaluated, making it much easier for products to be granted short supply designations. As a result, the CAFTA process represents a major concession on the part of the domestic textile industry and one which was agreed to in good faith in an effort to maximize benefits under the CAFTA.

During the CAFTA negotiations, all parties expressed concerns about efforts by unscrupulous parties to file or contest future short supply petitions for spurious reasons. To address this problem, negotiators devised a system that would essentially equate petitions to effective offers to buy and responses to effective offers to supply. This system was aimed at replicating normal business transactions between actual apparel makers and textile producers. However, with more than a year of practical experience, we have seen the process devolve into a mechanism for undermining the basic intent of the commercial availability process through gerrymandered fabric constructions and a superficial due diligence process.

In its submission to CITA, the industry identified several areas of concern and asked CITA to develop a system that sustains the original intent of the CAFTA commercial availability process. Going forward, if the integrity of the short supply process is to be upheld, CITA will need to revise its procedures to ensure that:

1. A company has conducted extensive due diligence including direct meetings with potential suppliers before filing a formal petition;
2. Petitions are submitted and decided upon based on the major characteristics of the product in question;
3. Petitions are based on the component item that may be in short supply as opposed to downstream products; and
4. Petitions based on unenforceable specifications and production techniques are rejected from the outset.

A copy of the letter to CITA outlining our concerns and objectives regarding the CAFTA short supply model is attached.

Tariff Phase-Out Schedules:

With respect to tariff phase-out schedules, the U.S. textile industry has always maintained that these schedules must reflect fair market principles. You are probably asking what does this mean? What this means is that under FTAs, tariffs should be phased out in a manner which ensures U.S. industry is not placed at a competitive disadvantage against manufacturers in the FTA partner country because of government subsidization including no-cost or low interest loans, export tax credits, currency manipulation, and transportation and energy subsidies to name a few.

The textile industry is a capital intensive industry and it takes U.S. manufacturers years to pay down and write off the costs of these investments. When competitors in FTA partner countries do not face the same cost structures and pressures because of government assistance, then we believe this should be accounted for in the tariff treatment of their products in order to give U.S. manufacturers time to adapt and adjust to the new competitive environment. When government subsidies are prevalent and without such consideration, any benefits intended for the U.S. textile industry will be lost.

Customs Enforcement:

Finally, but most importantly, as the U.S. continues to pursue trade liberalization through free trade agreements, it is vitally important that customs enforcement programs, especially those focused on textiles where fraud is a major challenge, be given priority consideration. As you know, NCTO has worked closely with Congress to ensure adequate funding is provided to the textile division within U.S. Customs and Border Protection. It is equally important that the necessary tools to adequately enforce these agreements be provided for under the provisions of the FTA as well.

Unfortunately, despite increased funding by Congress to Customs and Border Protection for textile enforcement activities and the inclusion of strong customs enforcement provisions in many of our FTAs, <u>the textile enforcement program is in chaos</u>.

Given the implementation of a myriad of new FTAs and expansion of unilateral preference programs, in early 2006 U.S. industry met with Customs to forge a new partnership aimed at rebuilding a strong textile enforcement program capable of meeting the new challenges posed by these programs. As part of this meeting Customs committed to working with industry to build a strong textile enforcement program, that the industry would have regular input and feedback on textile enforcement efforts and that both the industry and Congress would receive quarterly reports on those efforts. True to that commitment, the lines of communication between Customs, industry and Congress were strengthened and information regarding textile enforcement activities was shared regularly. Indeed, as part of this effort, we were pleased to report that Customs made significantly increased seizures of illegal textile imports.

Unfortunately, during the past twelve months, the cooperation and communication framework that we worked so hard to develop has broken down and textile enforcement efforts have become a "black box" for the industry. Much of this problem stems from a Customs decision made approximately one year ago to move the textile enforcement division from Field Operations to a new Office of International Trade. This decision was made without any opportunity for our industry to provide input, despite the fact that we had the most to lose by such a transition. This decision also occurred despite the fact that nearly half of all illegal fraud concerning Customs is textiles related and clearly an enforcement issue as opposed to an international trade policy issue.

Once this transition took effect, we met with the new Customs officials to express our concerns about the transition, particularly regarding its potential impact on seizures and detentions and the textile division's ability to mount special operations. We recalled the bureaucratic nightmare that a similar move (into a Strategic Trade Division) caused back in the late 1990's; a move that was eventually reversed.

Unfortunately, shortly after this meeting, Customs halted its quarterly reporting of textile seizure and detention information to the industry and reported to the industry and the Congress that CBP would be cutting back on seizure and detention efforts in favor of auditing, a practice which the industry and many members of Congress have strongly opposed because it has repeatedly been shown to be ineffective in deterring fraud with production-based rules of origin.

We are also concerned that vital special operations which target China transshipments and illegal trade through our free trade and trade preference regions have been curtailed as well. It is concerning that the textile manufacturing sector and the U.S. Congress is having information withheld from it about vital enforcement efforts paid for with U.S. taxpayer dollars and specifically designated by Congress. To put this in context, Customs operates a regular avenue of communication with the importing community through the Commercial Operations Advisory Committee (COAC) but has shut the information door on the domestic industry.

This anti-enforcement approach is occurring during a period of time when the industry is more dependent than ever on proper enforcement of our trade agreements. As trade agreements have proliferated, China and others have sought to illegally ship products through these trade areas at an increasing rate to gain the benefits of duty-free access. And unfortunately, they are being increasingly successful thanks to the lack of effective enforcement measures within CBP. For example:

- Last year, the U.S. Census reported that more combed carded yarn was exported to the CAFTA region in 2005 than was actually produced in the United States. China and others are shipping containers to U.S. ports and then sending them to the CAFTA region and then claiming CAFTA preferences.

- US mills are increasingly reporting losing orders to companies that claim to have facilities in the United States but, upon investigation, those facilities turn out to be non-existent but instead are conduits for Chinese-made textile products.

- Despite very limited resources, we understand that Customs is increasing inspections of companies in trade preference areas with proven compliance records while decreasing inspections of high risk companies. Such practices increase pressure on good players to move their operations to Asia while increasing incentives for bad players to move to trade preference areas.

From our perspective, effective textile enforcement efforts are essential if the U.S. textile industry is to continue its support for a trade liberalizing agenda and also for its very own survival in this competitive climate. At the same time, given the high fraud rates within the textile and apparel sector, this sector should carry a priority for national security reasons as well.

I know this Committee understands that the industry's support for future trade agreements is impossible without faith and confidence that the rules will be effectively enforced; for these reasons, recent actions by Customs management are all the more puzzling because they come at a time when the Administration and Congress are trying to build support for trade policy, but has encountered increasing opposition because U.S. workers and companies no longer believe that these agreements will be enforced. With public concern over imports from China at an all time high, we think it is a terrible mistake for Customs to reduce its enforcement efforts and resources regarding textile enforcement.

<u>Peru, Panama and Colombia Free Trade Agreements</u>

Generally speaking, the Peru, Panama and Colombia Free Trade Agreements are solid agreements that adhere to the general principles outlined earlier -- strong rules of origin with limited exceptions; short supply procedures that are intended to be fair and balanced, tariff phase-out schedules which reflect fair market principles, and strong customs enforcement rules and regulations

On paper, these agreements are VERY GOOD agreements that should provide significant opportunities for the textile and apparel industries in the United States and the FTA partner countries. At the end of the day, however, these agreements are only as good as the rules and regulations written to enforce them, and the day-to-day activities which actually bring these mechanisms to life and give meaning to the FTA concept. If recent history is to serve as a guide, the U.S. textile industry has great justification for concern as to whether these agreements can actually live up to the potential opportunities embodied in the framework of these FTA models. The opportunity is there, but there are now serious concerns about whether the U.S. government is committed to ensuring that this opportunity is actually achieved. At this time, NCTO supports passage of these agreements, but if our members feel that Customs will not effectively enforce these programs, as well as much larger existing agreements, then that support could well be jeopardized.

The reality is that the U.S. textile industry depends on exports for its very survival. As mentioned earlier, the U.S. textile industry is the third largest exporter of textile products in the world exporting more than $16 billion in 2005. Without export markets, especially in the Western Hemisphere, our industry would simply not exist.

As the apparel industry has migrated out of the country and our industry has adapted and worked aggressively to build markets in other parts of the world, primarily the Western Hemisphere where we maintain a competitive advantage in the apparel trade due to speed to market. If the U.S. textile industry is to remain competitive against Asia, especially China, it must have a predictable and stable duty-free trading platform in this hemisphere that is aggressively enforced. The Peru and Colombia FTAs are key components in developing and growing this platform.

For instance, since 2002, U.S. textile exports to Peru have grown from $9.8 million to almost $24 million in 2006. While Peru is still a small market compared to the NAFTA/CAFTA regions, this growth represents an almost 150 percent increase in the value of our exports to Peru in only three short years. With respect to Colombia, in the Andean region, Colombia accounts for 80 percent of U.S. textile exports and U.S. yarn and fabric exports to Colombia have increased by 84 percent since 2002 and now total $167 million.

Unfortunately, both of these countries, and the Andean region as a whole, have recently experienced declines in qualifying apparel imports to the U.S. as well as its share of the U.S. import market. These declines are primarily due to competition from low-cost Asian imports, especially China.

The same holds true for the U.S. textile industry. Since China joined the WTO in 2001, the U.S. textile and apparel industries have lost 365,000 jobs, this represents a 38 percent decrease of our entire workforce. In fact, the industry lost 44,500 from 2005 to 2006 alone. The current environment is unsustainable long term, and not just for us, but for the more than two million textile and apparel workers throughout the U.S./NAFTA/CAFTA/ANDEAN region.

Members of Congress and the Administration continue to emphasize the importance of these agreements from a national security perspective, and we agree that these FTAs have important national security implications. However, if the U.S. government fails to enforce these agreements then the national security concerns will only be exacerbated rather than enhanced by these proposals as hundreds of thousands of workers in Peru and Colombia are left without jobs and are forced to resort to the drug trade or to illegally migrate to the U.S. for work. Under both scenarios, the lack of a comprehensive enforcement policy with respect to these agreements carries grave consequences for the United States.

The potential for increased trade and cooperation among the textile and apparel industries of the U.S. and Peru and Colombia as a result of these FTAs is significant. Our industry is at the mercy of the U.S. government when it comes to reaping these benefits. These agreements can and should work – both for U.S. manufacturers as well as for manufacturers in Peru and Colombia. We implore this Committee to exercise its oversight and due diligence in ensuring that the government lives up to its end of the bargain and that a win-win scenario is created for all parties.

U.S. Korea Free Trade Agreement

As an overall concept, the notion of an FTA with Korea has been problematic for the U.S. textile industry. Since Korea is a large textile-producing country with a vertically integrated industry that has historically enjoyed extensive support from its government, NCTO members have repeatedly stated they do not expect significant new export business to be generated from an FTA. In addition, portions of the U.S. industry are very concerned that an FTA could significantly harm existing U.S. business and trade flows, particularly from the CAFTA, NAFTA and ANDEAN regions.

The Korean Federation of Industries confirmed these suspicions when it concluded that it expects Korean textile exports to increase by 25% or $400 million during the first year of the agreement. The Congressional Research Service cites an ITC study[2] delivered to USTR before the negotiations began which concurred that Korean textile producers, not U.S. producers, are expected to be big winners if this agreement is enacted into law.

As a point of context, the U.S. textile industry has experienced large-scale plant closures and employment declines since the Asian currency crisis in 1998 and the resulting proliferation of undervalued government managed currency regimes throughout Asia, including China and Korea. These sharp declines in Asian currencies, which average around 40 percent, have enabled Asian apparel prices to fall by 34 percent. These artificially low prices have led to the worst crisis in the industry's history. Furthermore, the removal of quotas beginning in 2002 only exacerbated the impact of these mercantilist currency policies.

The U.S. textile industry is concerned that Korea, as a top supplier to the U.S. market in more than 20 sensitive textile and apparel categories, poses a significant threat. These concerns are magnified by the fact that Korea has a proven history of both dumping man-made fiber textile products in the U.S. market (as well as elsewhere) and of transshipping goods from China, a country with which it shares a common border and in which Korean textile firms have made significant investments. Also, the development of large joint industrial zones with North Korea which offers a supply of labor reportedly even cheaper than Vietnam and which specializes in textile production, raise additional concerns for the U.S. industry.

It is in this context that NCTO asked that sensitive textile and apparel products, including but not limited to products under safeguard with China, receive the maximum tariff phase-outs allowed in an agreement with Korea. This request follows historic precedence. Tariff phase-outs in sensitive products under the NAFTA agreement were ten years long and covered 75 percent of textile tariff lines. The phase-out period is particularly important as textile and apparel tariffs are relatively high and therefore the impact of tariff reductions needs to be spread out in as long of a timeframe as possible. Unfortunately, as we will see, USTR chose instead to give Korea immediate duty-access to almost 90 percent of all textile and apparel tariff lines.

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[2] "The Proposed South Korea-U.S. Free Trade Agreement (KORUS FTA)", Updated April 23, 2007, Congressional Research Service, p. 30.

In view of South Korea's history as a major transshipment center, NCTO also asked the government to include the strongest customs enforcement language possible as well as sufficient customs resources to effectively enforce the agreement. Other key requests included a yarn forward rule of origin with no loopholes and the inclusion of a regional pocketing requirement. I will now briefly review the textile results of the negotiations.

U.S. - Korea Textile Negotiation Results:

Regarding the industry's key requests, the government was able to include a number of them. These include a yarn forward rule of origin with no loopholes and strong customs enforcement language, which is an essential element in deterring illegal transshipments.

Even with these elements, there remains widespread concern among NCTO member companies that a Korean FTA will, when fully in force, cause significant damage to the U.S. textile industry. U.S. producers are particularly concerned about potentially damaging exports of Korean man-made fiber yarns and fabrics, knit fabric, socks, sweaters, shirts and trousers in addition to transshipments of many sensitive apparel items from China.

This concern has several root causes. These include overexpansion of the Korean textile industry by the Korean government that has resulted in the development of excess manufacturing capacity. As a result, many Korean textile manufacturers now see a duty-free U.S. market as an inviting target for excess supply. This concern is particularly strong in the man-made fiber sector which reports that Korean textile conglomerates frequently resort to predatory pricing in export markets. In addition, the ability of South Korean textile conglomerates or chaebols to use their allies in the banking sector to absorb losses over long periods of time also raises concerns and appears to remain unaffected by this agreement.

In addition, with intense competition in the global textile industry and the prevalence of very low margins, U.S. textile companies believe that the removal of significant U.S. tariffs (some as high as 25 percent) will mean the difference between some U.S. companies staying in business and closing their doors. The fact that South Korea's government practices a mercantilist currency policy that keeps the won at artificially low levels raises additional concerns[3].

Also of strong concern is the likelihood that China, as well as manufacturers in the North Korean Kaesong industrial zones, will use the FTA to transship products duty-free to the United States. Rigorous Customs enforcement lies at the very heart of free trade agreements, particularly in sectors such as textiles where unscrupulous importers can save hundreds of millions of dollars by evading duties.

China's ability to underprice garments made in the CAFTA, NAFTA and Andean regions, which the U.S. textile industry relies upon for the majority of its exports of its yarns and fabrics, has been well demonstrated in the past. In categories where China has had quotas permanently removed, Chinese market has rapidly increased from around 10 percent to around 66 percent. (The next highest supplier is Thailand at 3 percent.) As a result, CAFTA, NAFTA and Andean market share has fallen by half or two thirds. Despite importer claims that they will retain significant business in the CAFTA, NAFTA and Andean region for quick turnaround purposes, the truth is that this business represents only a fraction of the production currently being sourced out of the region.

[3] NCTO notes that while TPA authority requires the U.S. government to take into account currency manipulation in FTA negotiations, KORUS is yet another in a string of FTAs that ignores this issue.

Customs Enforcement:

Industry concerns over whether Customs management has the willingness and determination to properly enforce textile agreements have been growing over the past several years and were outlined extensively earlier in my testimony.

CBP' retreat on textile enforcement is especially troubling in regards to Korea because Korea has been the target of serious Customs inquiries during the recent past and has been a major transshipment point for Chinese products since almost the time when China was first put under quota over twenty years ago. Last year U.S. Customs and Border Protection conducted two Special Operations – Seoul I and Seoul II – targeting Korea. This was the first time the agency conducted two operations within the same year focused on the same country. The agency was so concerned with the high levels of fraud and transshipment found during the first operation that it conducted another operation several months later.

Textiles have the highest fraud rate of any industrial commodity, accounting for 40 percent of all commercial fraud and South Korea has proven to be an epicenter of such activity. For Customs to pull back its commitment to the textile enforcement program on the eve of signing a new FTA with Korea sends an unmistakable signal to the domestic industry that textile enforcement will be minimal if this agreement becomes law.

Again, I cannot emphasize strongly enough how the recent actions by Customs to pull back from a proven and effective enforcement regime have raised serious concerns within the industry, particularly in regards to this agreement. If textile manufacturers do not have confidence that effective enforcement programs will continue to exist in the future then even beneficial FTAs will lack value and importance for the industry.

Tariff Phase-outs Schedules:

Regarding tariff phase-outs, the NCTO member companies were angered to learn that, contrary to past agreements, 87% of textile and apparel tariff lines, covering more than 50% of 2006 trade were given immediate duty phase-outs under the U.S.-Korea FTA. Many sensitive textile and apparel lines were included on this list. This was done despite the fact that USTR knew full well, both from USITC reports and from industry advisors, that Korea posed a real and immediate threat in these product areas.

To understand our dismay, imagine that you are a business and the U.S. government has just enabled one of your biggest competitors to cut prices 18% overnight. This is exactly what will happen under this Agreement if you make socks in this country. Korea shipped $80 million worth of socks to the U.S. last year with duties averaging 18%. On day one of this agreement, those duties go to zero. How are U.S. companies going to adjust to this hit? The answer is they can't, they will simply close their doors and go out of business.

Socks are not the only example. This list includes many sensitive items for which the industry requested the longest possible tariff reductions. These include sweaters, brassieres, swimwear, man-made fiber shirts, certain man-made fiber filament and staple yarns and fabrics (including elastomerics) and carded cotton yarn.

In reviewing the impact of this free trade agreement, it is also important to understand how tariff phase-outs will work. Duties on goods in Basket D are scheduled for a 5-year duty phase-out and goods in Basket G are scheduled for a 10-year duty phase-out. In fact, these phase-outs will occur, respectively, during the first four and nine years the agreement is in effect. With a five-year phase-out, the first 20 percent duty reduction occurs the day the agreement goes into effect. A year later, the next 20 percent reduction occurs. The net result is a 40 percent reduction in duties during the first 12 months. Further reductions occur in equal installments over the next three years to completely eliminate the duty in a four-year period. The same process applies with the 10-year phase-out: there is a 10 percent duty reduction the day the agreement takes effect, with the next phase occurring 12 months later. Duties are completely eliminated after nine years.

Other points of concern:

While the government did not allow goods from the Kaesong industrial zone to gain access under the U.S.-Korea FTA, the agreement allows for consultations with South Korea on future access. Any such access would require additional legislation but, as the industry has seen occur time and again with "troubled" regions, Congress would likely grant access for North Korean industrial zones once there is a diplomatic breakthrough on the Korean peninsula. As noted earlier, textile production is a major component of the Kaesong project and South Korea projects that over 300,000 workers will be operating in these zones within five years of an FTA passing. Even if these zones were never granted duty-free access, the likelihood of significant transshipments from these zones into the United States remains.

In conclusion, NCTO member companies are worried and concerned about a number of aspects of the Korean FTA and the impact it will have on an industry that is already under enormous pressure in the global marketplace, particularly by countries who refuse to abide by international obligations and pursue trade policies that destabilize global trade in this sector.

Conclusion

In closing, I would like to once again emphasize that the U.S. textile industry is supportive of trade; in fact, our livelihoods now depend on it. But a trade at any cost policy that is more about achieving foreign policy and social objectives than it is about creating an open, transparent and enforceable trade environment means that U.S. manufacturers will continue to lose.

People in America are worried. They are worried about how they will pay their mortgage and send their kids to college. They are worried about their spouses and children who are serving in Iraq, Afghanistan and many other places around the world. These are unsettling times. Despite this fact, many Americans have demonstrated a willingness to sacrifice some of their own economic security in the name of national security and the greater democratic good. I would posit, however, that without economic security, we cannot have national security. Therefore, it is up to Congress to ensure that effective trade policies like those embodied in the Peru and Colombia FTAs are advanced and that the U.S. government fulfills its commitment to U.S. industry through effective enforcement of these agreements.

On the other hand, Congress also should ensure that poorly developed trade frameworks like the one incorporated under the U.S.-Korea FTA is carefully evaluated and, where necessary, renegotiated, before giving it the congressional seal of approval.

But even more importantly, Congress must re-right the trade equation with China so that U.S. workers, not just U.S. consumers, win as well. Congress must pass a strong currency bill that includes the ability of U.S. companies to defend themselves against China's currency manipulation through filing countervailing duty cases.

This House is supposed to be the body of the people, and as such, the people of these United States, especially those who work in the U.S. textile industry, expect their elected officials to look out for what is in their best interest when considering whether or not to lend your support to these agreements. We strongly encourage you to carefully consider the concerns we have outlined in our testimony today when making this difficult decision.

Thank you.

Addendum:

NINE STEPS TO A FAIRER, MORE EQUITABLE TRADE POLICY

1. **Pass Strong Currency Legislation:** The Congress should pass and the President should sign into law meaningful and effective legislation that allows U.S. manufacturers to offset the benefits of the undervalued Yuan. In our opinion, the most effective legislation currently before the U.S. Congress is a bill introduced by Representatives Ryan and Hunter – the Currency Reform for Fair Trade Act or H.R. 2942. This legislation would allow U.S. industry to file countervailing duty cases against China's currency manipulation. This is a reasonable, targeted approach that provides impacted industries with a means of defending themselves without penalizing unaffected parties. Other legislation, such as bills recently passed by the Senate Finance and Banking Committees are too weak because they do not address the subsidy component of currency manipulation and provide numerous escape clauses that would allow the administration to "opt out" even when action is justified.

2. **Extend or Replace the Current China Safeguard:** Congress and the Administration should ensure that the textile safeguards currently in place against China are either extended or replaced until China fulfills all of its WTO-accession commitments. The textile safeguards that have helped to prevent China from monopolizing the U.S. textile and apparel markets in key product categories will expire on January 1, 2009, and they cannot, under WTO law, be renewed.

   In addition, the U.S. government should expand third-country dumping provisions to grant apparel producers in the NAFTA/CAFTA regions the right to bring anti-dumping actions against Chinese apparel exporters who damage their own vital export markets in the United States. Since the passage of NAFTA and CAFTA, textile and apparel sectors in the region have become integrated with the U.S. supplying most of the yarns and fabrics and the NAFTA/CAFTA regions providing the apparel assembly. Ample precedent exists in the WTO for granting apparel producers in the entire region the right to seek redress for dumped goods.

3. **Create a Comprehensive Subsidy Database:** Establish a comprehensive subsidy database on China at the Department of Commerce that can be utilized by government and industry. The U.S. government still refuses to create a database of the subsidies the Chinese government provides to its industry. Instead, the government relies primarily on what China itself has notified as subsidies, a list that is laughably small and incomplete. And even then the Commerce Department's database is not up to date – the government's subsidy review page on the Commerce Department's website has not been updated since 2004[4]. The most noteworthy observation here is that according to the Commerce Department website, China is not listed as employing a single subsidy!

[4] Commerce countervailing duty websites by country and type of subsidy:

4. **Increase Dumping and CVD Assistance to Small and Medium-Sized Manufacturers:** The government should increase assistance to small and medium-sized manufacturers so that they can afford to pursue dumping and countervailing duty (CVD) cases. CVD cases cost several hundred thousand dollars to file and dumping cases typically cost more than one million dollars; costs that are too steep for most small and medium-sized businesses to pay, particularly when those businesses are already losing money because of dumping. The Commerce Department should follow the lead of the European Union by shouldering more of the administrative and financial burden in complying with the complex rules and regulations that the Department imposes.

5. **Increase Enforcement Efforts at USTR and the Department of Commerce:** Today, trade enforcement is seen as a career dead end within the U.S. government; instead, negotiating new agreements rather than enforcing existing agreements is the best way to advance within the ranks. Commerce and USTR need to be restructured to give trade enforcement a higher priority and more status within the agencies. On top of enhanced focus on enforcement, these efforts also need to be greatly expanded. The U.S. government should be conducting ongoing reviews of Chinese government subsidy and support programs and taking action at the WTO and through U.S. trade remedies when warranted.

6. **Review China's Government Support of Its State-Owned Industrial Sectors, Including Textiles, and Penalize Illegal Transactions:** Over the past five years, China's government has forgiven tens of billions of dollars of debt in its state-owned manufacturing sector. This practice has salvaged countless unprofitable enterprises that would not have survived in a free market system. These enterprises, which comprise roughly half of China's textile assets, are notorious for suppressing prices to absurd levels, often below the cost of raw materials. Last year, China announced that it was liquidating almost $600 million in debt to a major Chinese textile manufacturer that it had previously stated had been privatized.[5]

   These state-supported enterprises essentially operate as state employment agencies rather than market-based companies and their pricing practices have caused more damage to legitimate textile producers in the United States and elsewhere than anything else. Because of financial support from the Central Government, textile manufacturers in China can offer whatever price necessary to make the sell and grow its market share, a practice against which no other producer in the world can compete.

   In addition, China continues to effect privatization schemes that appear to transfer huge state-owned industrial enterprises to the private sector at virtually no cost. All of these actions are in direct conflict with China's WTO commitment to treat state-owned enterprises as if they were market entities."

7. **Increase and Reform Customs Enforcement Efforts Targeting China:** Recent newspaper headlines regarding widespread recalls of Chinese food and consumer products are yet another symptom of major enforcement issues involving China – primarily that U.S. Customs has become a trade facilitation, rather than trade enforcement, agency. With respect to textiles, this fact recently became all the more evident when the textile enforcement branch was transferred from the Operations Division into a trade facilitation office. This reorganization occurred despite strong opposition from U.S. industry and in direct conflict to the fact that more than half of all Customs fraud occurs in the textile and apparel sector. CBP needs to intensify its enforcement efforts, particularly in the textile area. As with the Commerce Department and USTR, enforcement has

[5] 12/1/2005: http://www.ncto.org/newsroom/pr200539.asp

now become a dead-end career path within Customs and this is not likely to change without a change in priority.

8. **Develop a More Effective Enforcement System that Holds U.S. Importers and Consignees Responsible for the Products They Import and Provides for Stronger Penalties for Those Who Violate the Law:** U.S. importers and consignees should and must be held responsible for the products they import.

   With respect to the recent spate of product recalls from China, fault does not lie with the Chinese manufacturer; rather, the fault lies with the U.S. company responsible for importing that product to the U.S. market. If the public at large and U.S. policymakers fail to recognize this important point, then any solutions will only be temporary band-aids that address a symptom but the not the underlying disease.

   U.S. laws and regulations can only be applied to entities operating within U.S. borders. U.S. law enforcement and product safety officials do not have the authority to arrest someone in China or to levy fines on a business in China for poor practices. What they do have authority to do is to hold individuals or businesses operating in the U.S. to account when the products they import are found in violation of U.S. laws and regulations. These violations can be safety-related, but in the case of textiles and apparel could also include violations of rules of origin claims.

   With respect to textiles and apparel, rules of origin are the cornerstone of our free trade agreements and preference programs. In the history of the textile program, un-enforced rules have been a proven access point for large-scale fraud that displaces legitimate production both in the U.S. and in the beneficiary country(s) involved. NCTO and our member companies have seen time and again how unscrupulous actors have knowingly violated rules and regulations governing U.S. preference and free trade programs to gain duty-free access to the U.S. market, with China being the worst offender. In fact, the textile and apparel trade has the highest fraud content of any manufactured good. Therefore, it is imperative that the rules and regulations governing this trade are effectively enforced and the only way to do this is through the importer or consignee.

   U.S. regulations governing the importers, however, are weak and often times these importers will appear, disappear and then reappear under new names to avoid penalties and fines and the U.S. government does nothing about it. In considering future FTAs and other trade programs, Congress and the Administration should ensure that these agreements are written in a way that provides for meaningful and effective customs enforcement by requiring the ultimate consignee of the product, i.e. the retailer or the company owning the brand name responsible for rule of origin violations. In the 2005 ITC case U.S. v. The Pan Pacific Textile Group[6], the Court ruled that liability could be extended to the consignee when the consignee has direct input into how the transaction is structured. If the goal is to ensure that safety standards and rules of origin are adhered to then the law should be broadened to ensure that the consignee is also responsible for the products its sells or that bears its brand name.

9. **Develop a System for Penalizing Companies Importing Products Which Were Made by Companies Who Pollute the Environment:** A recent front page Wall Street Journal expose on the Chinese textile industry revealed that continuing demands by U.S. importers for lower prices are playing a key role in the environmental catastrophe that is now unfolding across China. The Journal notes that "one way China's factories have historically kept costs down is by dumping waste water directly into rivers."

[6] United States Court of International Trade. U.S. v. Pan Pacific Textile Group. Slip Op. 05-107. Court No. 01-0122

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U.S. House of Representatives Committee on Small Business
Testimony of the American Society of Mechanical Engineers (ASME)
June Ling
Associate Executive Director,
ASME Codes & Standards

November 1, 2007

Good morning, it is my pleasure to provide testimony at this morning's hearing of the U.S. House of Representatives Committee on Small Business. This morning, I will focus on Standards – technical consensus standards – their impact on trade and more specifically their impact on small and medium size enterprises. Of importance, within the context of trade agreements, is the language that is used when addressing international standards and their implementation through regulatory adoption.

My name is June Ling. I am Associate Executive Director, Codes and Standards for the American Society of Mechanical Engineers – ASME. Founded in 1880, ASME is a not-for-profit professional organization promoting the art, science and practice of mechanical and multidisciplinary engineering and allied sciences. ASME develops standards that enhance public safety, and provides lifelong learning and technical exchange opportunities benefiting the engineering and technology community.

What is a Standard?

What is a Standard, what is a technical consensus standard? In a broad sense, it can be any set of rules or guidelines which, when applied by many and any, achieves a common objective – whether that objective be a common baseline for public safety (from toys to home heating boilers to operating nuclear power plants); use of new technological advances; or interchangeability and interconnectivity of products and services. It is the principles and characteristics of standards development and a standard's reach within a nation's economy and infrastructure, and the global economy, that determines their impact on small and medium size enterprises (SMEs).

For over 100 years, ASME has developed technical consensus standards which, when are referenced by State and local laws and federal regulations to meet public safety needs, become mandatory requirements. ASME standards began when states, manufacturers, and the insurance industry came to ASME during the industrial revolution to solve the problems of increasing explosions of boilers and pressure vessels, public safety concerns, property and casualty losses, and the growing complexities of meeting divergent state technical regulations. In parallel with providing a framework for all interested parties to meet and reach consensus on technical standards, the standards development process enabled all interests – of any size – to participate on an open, transparent, and equal basis

Level Playing Field
At the end of the process, technical consensus standards provide a level playing field for SMEs to compete in the market. By providing a set of common criteria established and accepted by a broad base of knowledgeable and involved parties, a small business gains the benefit of being able to enter and compete in a market on the same basis as larger entities by following the publicly available and generally accepted rules of standards.

ASME also conducts product and personnel certification conformity assessment programs for manufacturers, organizations, and people who meet the technical specifications and criteria established through ASME standards. ASME certifies over 3000 U.S. manufacturers of pressure equipment; most are small and medium size enterprises that face the challenges of competing in a global environment. These manufactures demonstrate the ability to comply with the quality and technical requirements set forth by ASME standards, and are then certified by ASME. By having its standards and marks accepted in over 100 countries throughout the world, ASME assists these enterprises in exporting their products to other nations.

Technology Transfer
During the process of standards development, new technological advances are continuously considered and incorporated, and through standards such advances are effectively transferred to all users on an open and equal basis. Today, the United States enjoys a well established and vigorous process for development of technical consensus standards by the private sector, in partnership with government. Through standards, ASME and a host of other standards developing organizations, continue to provide the benefits of technology transfer among industry, government, and ultimately the public.

Hearing - U.S. House of Representative Committee on Small Business
So what do Standards have to do with the scope of the hearing today?

U.S. industry, including and especially small and medium sized enterprises, rely on standards such as those developed by ASME and rely on their acceptance by relevant governmental and regulatory agencies both here in the US and abroad. In many cases the importance of acceptance by other nations may not be apparent to a manufacturer, i.e. while their first tier purchaser may be domestic, their product could be incorporated into products that serve both a domestic and international market. As such, this small business may not fully realize the ramifications of ongoing changes and trends until late in the process.

This was true for the compressor industry. These SMEs were supplying compressors for tractors, and were caught by surprise when the European Commission (EC) simple pressure vessel directive was put into force and tractor manufacturers began imposing compliance with an unknown set of technical requirements. These manufacturers had been using ASME standards that resulted in high integrity pressure vessels, but were faced with a new set of technical requirements. The EC standard raised a non-tariff trade barrier that added cost without commensurate benefits.

Public-Private Partnership
For decades, the U.S. has reaped the benefits of an effective public-private partnership. The consensus standards process is a prime example of the most rapid market and technically relevant process in the world for disseminating and implementation of technology advancements.

This partnership has become ever more important in ensuring US competitiveness in a global market. The United States Trade Representative (USTR) and Department of Commerce have actively worked in concert with the private sector, including the standards developing community, to safeguard U.S. interests through ensuring international standards used by U.S. enterprises are not unfairly blocked.

Free trade agreements, and text regarding standards, are central to ensuring small and medium size businesses are able to export goods.

Export Trade Promotion
A few years ago, ASME and three other organizations formed a consortium and opened an office in Beijing, China using Manufacturing Development Cooperative Program grant money provided by the Department of Commerce, International Trade Administration (ITA). With Commerce ITA's support, and their engagement on a government to government basis, this consortium of four organizations (ASME, ASTM International, American Petroleum Institute, and CSA America) successfully gained greater understanding and use of their international standards in China, which in turn facilitated greater acceptance of products and technology produced to these standards. The support and assistance of Commerce ITA, including its standards attaches and foreign commercial services, have proven invaluable in advancing U.S. standards and thus market access for small businesses in other nations.

WTO Technical Barriers to Trade Agreement (TBT)
Under the WTO Technical Barriers to Trade Agreement, signatory nations are obligated to provide preferential treatment to relevant international standards; as such, how international standards are defined became a major item of debate. A significant milestone occurred during the second triennial review of the TBT Agreement. At that time there was an effort by other nations to define international standards within the context of the TBT Agreement as limited to standards developed by organizations whose structures consist of national member bodies (ie. Countries). Under this interpretation, the open membership of U.S. domiciled international standard development organizations (SDO's) would not qualify and the products made in the US that are engineered to meet international standards developed by U.S. domiciled SDOs would effectively be restrained from trade.

The U.S., through the strong and able efforts of the USTR, with support from Commerce and the private sector, prevented this threat through sustained efforts which led to the decision of the TBT Committee not to specify organizations developing international standards but rather to define the principles for international standards development (Decision of the Committee on Principles for the Development of International Standards, Guides and Recommendations with Relation to Articles 2, 5 and Annex 3 of the Agreement.) that any standards developer could follow.

These principles of transparency, openness, impartiality and consensus, effectiveness and relevance, coherence, and development dimension are met by ASME and other U.S. domiciled standards organizations.

In national member based standards organizations, the U.S. has one vote compared to numerous votes of economic regions such as the European Union. In setting standards, this rigid voting system enables, for whatever reasons, one regional economy and its industrial interests to dominate the setting of technical specifications for all. ASME has had experiences with this inequity, and through sustained efforts among the standards community, affected industries and the U.S. Dept. of Commerce, was able to prevent exclusion of

U.S. technology in international standards being set by ISO (International Organization for Standardization) based in Geneva. This imbalance will continue; and the value of utilizing a national based member body system for highly technical standards development remains questionable.

It is important that the U.S. remain vigilant to attempts to unduly disadvantage U.S. enterprises through restriction on use of U.S. based international standards developed by U.S. domiciled standards developers. We need to ensure that any text within the trade agreements which address international standards is inclusive of those standards utilized by U.S entities and government. One means to achieve this goal is to reference the principals of international standards development which were established by the WTO TBT committee, rather than singling out an organization simply because of their national member body structure.

Conformity Assessment

In addition to international standards, treatment of conformity assessment in the WTO Technical Barriers to Trade Agreement and implementing text in free trade agreements can add to the complexity of fair and open access to markets. Also, the blurring of geographic market boundaries and supply chains increases the need to ensure that market and technical relevance are considered. Once standards and conformity assessment are set for the global market and community, these will be the same standards and conformity assessment requirements with which SMEs will need to comply.

Conclusion:

In conclusion, standards and related conformity assessment are an underpinning of US competitiveness and trade promotion. In a sense, they carry greater impact for small businesses as small businesses do not have the resources for independent research nor participation in international standards activities.

Effective export trade promotion would not be achievable without continued acceptance of use of international standards, many of which are developed and maintained by U.S. domiciled standards organizations.

Recommendation:

Support inclusion of appropriate text within trade agreements regarding use of international standards and regulatory adoption of such standards.

ASME

ASME is the premier organization for promoting the art, science and practice of mechanical engineering throughout the world. The Society is incorporated as a not-for-profit educational and technical organization and serves a worldwide membership of 120,000.

ASME's mission is to promote and enhance the technical competency and professional well being of its members and, through quality programs and activities in mechanical engineering, better enable its practitioners to contribute to the well-being of humankind.

ASME conducts one of the world's largest technical publishing operations, holds numerous technical conferences and hundreds of professional development courses each year. As a pioneer in the development of codes, standards and related conformity assessment programs, ASME aims to enhance reliability as well as industrial, manufacturing and public safety.

The strength of ASME is reflected in its core assets – knowledge, community and advocacy – and is carried out through its strategic focus on key markets, including young engineers, industry, government, globalization and new product development.

ASME remains technically connected to breakthrough technologies such as bioengineering, nanotechnology, and micro-electro-mechanical-systems, while constantly contributing to the education and professional development of existing fields including pressure technology, energy, gas turbine and off-shore technology, manufacturing and design engineering and more.

For over 125 years, ASME has been *Setting the Standard* in engineering excellence.

"A Small Business Perspective on Free Trade and the Global Marketplace"

Testimony by Gary R. Ellerhorst
President / CEO of Crown Plastics Company
Before the House Small Business Committee Hearing on
"US Trade Policy and Small Business"
November 1, 2007

Madam Chairwoman, Representative Chabot and esteemed Committee Members;

I would like to thank you for the honor of speaking before you today on the subject of Small Business and Free Trade Agreements. Unlike many who come before you, I have no charts or graphs, no reams of data, no results of exhausted research. I am here with nothing but 30 years experience of working in, growing with and managing a small manufacturing business in the midwestern region of the United States.

Like every other company in America we are challenged by the ever changing landscape of the global market we find ourselves in. The acceleration of market changes for our company over the past 5 years and the necessary adaptation that goes along with it, has exceeded that of our first 30 years in business. Explosions in technological advancement and the massive shift in manufacturing throughout the world has created the scenario where over 50% of what Crown Plastics now produces either involves the use of materials from outside the US or is exported in the form of finished products or components. We currently export product to approximately 15 countries throughout North and Central America, Asia, Europe, and the Middle East, as well as Australia and New Zealand.

Much of our growth in exports are in areas of the world that have developed through trade with the United States such as Mexico, Canada and China. We have found that open trade policies have not only encouraged economic cooperation through reduced costs and red tape, but that economic growth experienced by our international trade partners has also led to increased demand for additional US products. In other words, investment in trade is an investment in the American economy.

Crown Plastics' future strategy has a part of it's focus in Central, Latin and South Americas, several of these countries being currently considered for additional free trade agreements. Again, I am sure that you have received data from both sides of the issue, but my experience tells me that enacting these proposed agreements will, in the long term, prove to be economically, politically and socially beneficial.

As a parent, and the CEO of a small business, I completely understand the natural tendency to want to help when we see an issue with things or people we care about. But I also see that in some cases we have tried so hard to protect our children from everything, that they are now susceptible to anything. If we raised an animal in the protected environment of our homes, and then later released it into the wild without the necessary developed skills and instincts needed to survive, our actions would rightly be admonished as cruelty. Why then do we insist on doing the same to our our own businesses?

While artificial supports and protections are usually well-intentioned, in the short-term reality they only benefit the small portion of the economic population they are designed to help while actually creating additional difficulties for the rest. More importantly, in the long run they only serve to artificially prop up outdated, antiquated and inefficient policies and practices, and provide a false sense of security and success to those they are intended to help. Meanwhile, the global marketplace continues to shift and grow around us. The end result, as we see with so many of these programs, is an lifetime of continued addiction to such support as we are no longer able to fend for ourselves in the wilds of the marketplace, or if finally forced to deal with the realities of an open market, a massive investment of time and money to impose a greatly accelerated process of adjustment which may or may not succeed. In either case we are the weaker for it.

Businesses, just like everything else, need to constantly be able to adjust to the changing environment, or risk extinction. Besides our competitors we are in a constant battle with economic forces such as interest rates, energy costs, currency fluctuations, technological advances, health care costs and so on. On top of that we have national and international political issues, environmental issues and people issues. And when we finally think we have it all figured out, along comes 9/11...or Katrina...or wildfires. And we continue to survive. And to succeed.

Is it difficult? Absolutely. Is it painful sometimes? You bet! But what in life is not? And we in America have got to quit looking for the painless fix that does not exist. When faced with a problem, we demand that somebody fix it, but just don't let the solution affect me. Or we waste our efforts putting band aids on symptoms and ignoring the disease, the category in which artificial supports and trade restrictions fall. We have economic cancers that require chemo-theraputic treatment. During the process we will feel sick and our hair will fall out. But when we are past it, we will be stronger...and the alternative is far less desirable. The longer we waste time trying to avoid discomfort, the more intrusive and painful the cure becomes.

I understand that when it comes to Free Trade agreements like those being considered, many across the political spectrum have legitimate human rights, environmental and economic fair-play concerns. But unlike some issues that require sanctions and trade barriers, most socioeconomic issues are best addressed through economic engagement. Having a vested economic stake is the best way to ensure a proactive cooperation, and one need only to look at recent changes in China for proof. There are still many problems, but a whole host of issues are moving rapidly in the right direction.

But I suspect the biggest issue with protectionism is fear. Fear of the future...fear of uncontrollable forces in the marketplace... fear of the unknown. Well, I am here to represent all those who are not afraid of the uncertainties of a global marketplace, but rather revel in their opportunities. Why do I we this way? Because we have two huge advantages over any foreign competitor. The first is us, me, those sitting at this table and millions of men and women just like us who have grown up with the American entrepreneurial competitive spirit etched into our very being. The second is you. All you honorable representatives working in a government based on a Constitution which allows people like us to strive to be all we wish to be. Working together, there is not a country on earth that can compete with us. Circling the wagons may at times seem like a good idea, as it MIGHT help you defend yourself. But the only thing it really guarantees is that you either move in a circle or stop moving all together.

But this all requires a third factor, and that is TRUST. A trust, a faith and a confidence in and between the people and the government, as well as in the global free market economy. A trust in understanding that as with nature and the U. S. Constitution, the free market system always works best when not tampered with, despite our best intentions. And with that trust and understanding, I guarantee you that we will not fail. Again, as a mere small businessman with no Ph.D. in economics, no studies or data or anything else to back me up except a non-poliltical, common sense opinion, how can I be so sure? Simple. Because I am an entrepreneur in the greatest country this world has ever known. And we, the American businessmen and women will simply not allow ourselves to fail. I will grow Crown Plastics, I will be successful and I will make bigger profits for myself and my family in the near future.

And at that time I will be thrilled to come back to Washington to meet with you nice people once again and discuss the issue of how much of it you will allow us to keep.

Thank you again for allowing me the honor of addressing you here today.

EXECUTIVE OFFICE OF THE PRESIDENT
DEPUTY UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

November 14, 2007

Chairwoman Nydia M. Velázquez
2361 Rayburn House Office Building
Washington, DC 20515

Dear Madam Chair:

Thank you for the opportunity to testify before your committee on the pending trade agreements for small business.

In my testimony, I stated that the Small and Minority Business Industry Trade Advisory Committee ("ITAC 11" or the "Committee") had expressed support for each of the FTAs. As you later pointed out, the Committee had not fully endorsed the Korea agreement. I want to clarify the Committee's position. In its report on the U.S.-Korea Free Trade Agreement, the Committee expressed its "general support for the texts as proposed," but went on to report that the Committee could not "support the Agreement, in totality, as proposed."

ITAC 11 took the position that with respect to Korea's reservations to the Services and Investment Chapters, Korea's "prohibitions against foreign investments in Korean farms are discriminatory against small, medium and minority U. S. farmers and will restrict their opportunities under the FTA," and furthermore that, "Korea's prohibition of investment in Korean law firms or Korean accounting firms by other than Korean licensed lawyers or accountants, respectively, is also discriminatory and will restrict [small, medium and minority business] opportunities under the FTA." Notwithstanding these conditions, the Committee expressed its general support for the texts of the Services and Investment Chapters.

Again, thank you for your interest in the impact of global trade on small business.

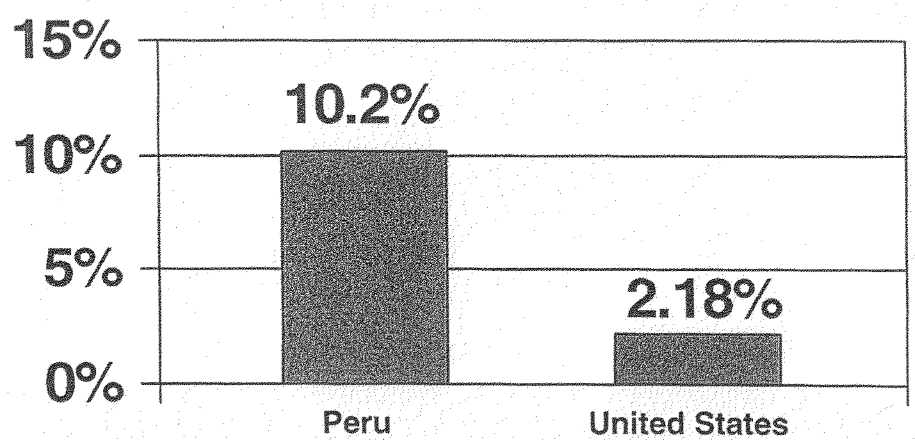
Best Regards,

John K. Veroneau

Attachments to USTR Testimony

U.S.-Peru FTA will Level the Playing Field By Lowering Tariffs to Zero

Average Applied Tariffs (Simple Average)

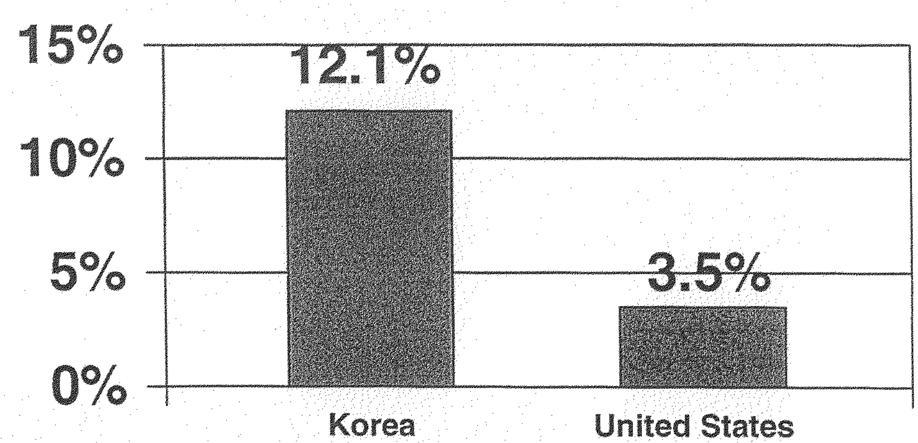


U.S. average duty includes preference programs. U.S. trade weighted average tariff rate on imports from Peru was 0.1%.

Source: WTO; ITC

U.S.-Korea FTA will Level the Playing Field By Lowering Tariffs to Zero

Average Applied Tariffs (Simple Average)

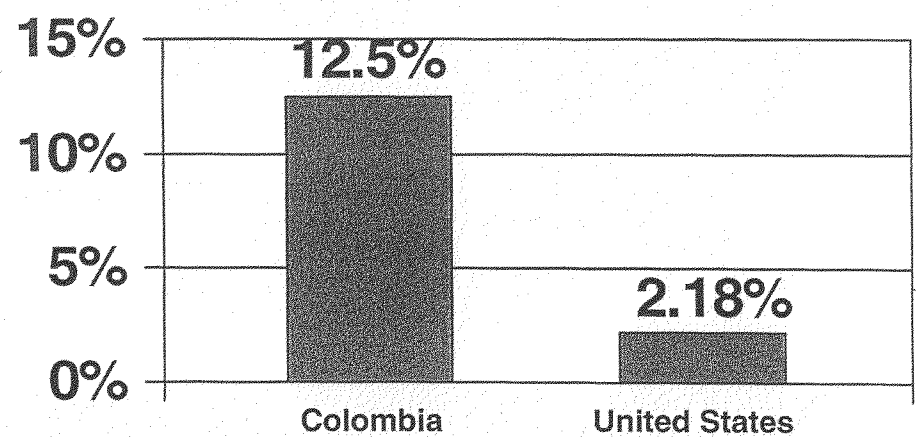


U.S. trade weighted tariff rate on imports from Korea was only 1.8%.

Source: WTO

U.S.-Colombia FTA will Level the Playing Field By Lowering Tariffs to Zero

Average Applied Tariffs (Simple Average)

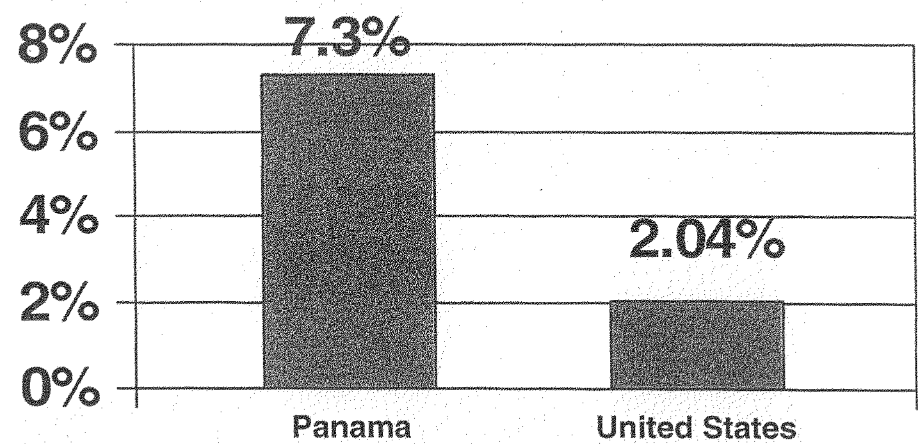


U.S. average duty includes preference programs. U.S. trade weighted tariff rate on imports from Colombia was 0.1%.

Source: WTO; ITC

U.S.-Panama FTA will Level the Playing Field By Lowering Tariffs to Zero

Average Applied Tariffs (Simple Average)



U.S. average duty includes preference programs. U.S. trade weighted tariff rate on imports from Panama was 1.0%.

Source: WTO; ITC

EDITORIALS

Bullying Latin America (Baltimore Sun - MD)

August 2, 2007

"But at least Peru and Panama can see a way clear to a vote, possibly this summer but more likely in autumn. Unfortunately, opponents of the Colombia agreement have positioned it as a 'reward' that Colombia does not 'deserve,' rather than what it truly is: a critical vehicle to assist the Colombian people to defeat the scourges of narcotics trafficking and the vicious violence of unreconstructed guerrillas....Importantly, the Colombia free trade agreement would also open a market to U.S. exports that has been closed, despite the fact that the U.S. market is open to Colombian goods. Rather than a reward for Colombia, this deal is a critical building block of U.S. strategic interests in the region."

Mr. Rangel's Tour (The Washington Post)

August 5, 2007

"Peru is one of three Latin American countries -- the other two are Panama and Colombia -- with which the Bush administration has recently negotiated free-trade agreements. The dollar value of these deals is infinitesimal in comparison to the $13 trillion U.S. economy. Total U.S.-Peru trade was $8.8 billion in 2006. But to U.S. friends in a region increasingly challenged by the anti-American populism of Venezuela's Hugo Chávez, the pacts mean a lot, economically and politically. And that should mean a lot to Congress."

Trading Without America (The Wall Street Journal)

August 7, 2007

"By defeating the Korean FTA, Congress would be pushing Seoul further into China's orbit and diminishing American influence....More broadly, as the Doha multilateral trade round sputters, the rest of the world is pursuing FTAs whether or not the U.S. joins the party. We'd prefer a world with everyone trading by the same open-market rules. But if Doha is going to fail, it makes no sense for the U.S. to sit on the sidelines and let other countries give their companies and workers an edge over Americans in growing economies."

Democratic Congress Endangers Free Trade (San Antonio Express-News - TX)

August 11, 2007

"America is sending the wrong message to allies about free trade and losing share in the global marketplace as it does so. There's room to improve the safety net for U.S. workers displaced by competitive forces. But that's no excuse for Congress to let trade prospects die a slow death — something Democratic leaders seem content to do."

Politicians Play Loose With Free Trade Fact (The Detroit News - MI)
August 12, 2007

"Open trade will benefit America as much or more as its trading partners as long as the country takes advantage of its technological and intellectual advantages. The world wants what we have to offer, and free trade should be seen as an opportunity, not a threat....In the end, protectionism will lead to fewer jobs for American workers and higher prices for American consumers."

Stabilizing Colombia (The Washington Times)
August 13, 2007

"While Colombian President Alvaro Uribe has proven himself a vigorous advocate for narcotic eradication who has made overseen major improvements to the economic and political stability of his nation (particularly when compared to predecessors), there is undoubtedly much room for improvement. Congress must continue its trajectory for improving Plan Colombia and approve the Colombia free trade agreement."

No More Excuses (Orlando Sentinel- FL)
August 13, 2007

"Our position: Congress should move ahead on lucrative free-trade deal with Peru....Products from Peru already enjoy duty-free access to the United States under preference programs....The free-trade deal would give U.S. products reciprocal access. That's especially important for Florida, because Peru is among the state's leading export destinations....The deal would strengthen U.S. ties with an ally against drug trafficking and terrorism. It would counter the anti-American influence of Venezuela's Hugo Chavez."

Politics As Local Or Plumb 'Loco' (Washington Times)
August 14, 2007

"By refusing to consider the U.S.-Colombian free trade agreement, Democratic leaders in Congress pervert local U.S. politics and are acting loco, as they put America's best friend in Latin America in grave danger, thereby seriously threatening the stability of Latin America, accurately described as the United States' backyard, geographically and strategically."

Approve Trade Deals Around The Pacific (Seattle Times - WA)
August 15, 2007

"Washington's delegation in Congress should support the trade agreements that have been signed with Peru, Colombia, Panama and South Korea."

Lying About Trade (San Diego Union Tribune - CA)
August 16, 2007

"What's particularly perverse about America's lurch toward economic know-nothingism is that it comes even as the rest of the world comes around to the wisdom of the free-market U.S. approach. After watching the United States create 10 times as many private sector jobs in the 1980s and 1990s – 40 million vs. 4 million – Europe now has similar job-creation numbers, thanks to its moves away from statism."

Defective Good Shouldn't Deter Free Trade Policy (Portland Press Herald – ME)
August 18, 2007

"But our current free-trade pacts are adding jobs, not taking them away....Trade does cause disruption, but to focus on that disruption and not on the overall benefits would be poor policy."

Pandering On Trade Policy Bad For Business (The Denver Post -CO)
August 20, 2007

"The trade pacts now pending before Congress are designed to knock down existing barriers to U.S. exports. Congress should approve these job-creating trade pacts when it returns from its August vacation."

How Free Trade Boosts Illinois (Chicago Tribune - IL)
August 25, 2007

"Globalization is contributing to a lot of paychecks in Illinois. President Bill Clinton once persuaded the Democratic Party to recognize that, and to take a modern, aggressive view of the benefits of the global economy and international trade. But Democrats have retreated to their old, protectionist tendencies. That's bad news for Illinois workers."

Counter Chavez's Mischief (Orlando Sentinel - FL)
August 26, 2007

"What is important now for the U.S. is to establish a strong network of friends in the region to counter Mr. Chavez's growing influence....That's another reason why the U.S. should secure pending free-trade deals with Panama, Peru and Colombia....Strengthening ties between the U.S. and these three countries will boost their economies and provide a strong ideological influence to counter the power play in Venezuela."

The Doors To South Korea (San Francisco Chronicle - CA)
August 28, 2007

"The United States has dropped to third among South Korea's trading partners, falling behind China and Japan. While no free-trade deal is without pain, this one certainly improves the status quo by breaking down barriers to South Korea's trillion-dollar economy."

W.Va. Benefits From Free Trade (Charleston Daily Mail - WV)
September 3, 2007

"West Virginians like the fact that their little piece of heaven is a welcome respite from a busy world. But make no mistake. West Virginia is thoroughly enmeshed in a booming global trade, and its fortunes are increasingly linked to expanded trade opportunities....Economies are dynamic. Things change. The truth is, the state will benefit more from free trade than it could ever preserve with protectionist measures."

Putting Trade Ahead Of Politics (The Birmingham News – AL)
September 04, 2007

"The four trade agreements would open more markets and customers in these countries to U.S. businesses, which already trade with them. The new agreements would remove or lower many of the punishing tariffs that have limited exports to those countries....Unfortunately, politically fueled - and misguided - protectionism may carry the day....Inaction by the Congress this year would be a shame for the country and for Alabama. Foreign trade is important to this state and could become even more so with trade pacts with the four countries....Even as they open and expand markets, they will lift up the poor by creating more good-paying (by their standards) jobs in Colombia, Panama, Peru and South Korea."

Lift barriers (Orlando Sentinel – FL)
September 10, 2007

"More agreements to lower barriers to trade and investment will create more jobs and economic opportunities in Florida and across the country, while lowering prices and expanding choices for consumers. Increased trade has helped the U.S. economy grow more than 40 percent over the past decade."

U.S. back-sliding on Americas trade deals (The Miami Herald – FL)
September 10, 2007

"Pushed by organized labor, congressional Democrats seem increasingly protectionist. But spurning trade partners in Latin America and elsewhere is self-defeating. Shutting out the world won't grow U.S. jobs or improve income equality. The better way is to approve smart trade deals that mitigate ill effects."

Progress on Trade? (Washington Post)

September 24, 2007

"The agreement with Peru is worthy of support both in economic terms and as a political gesture to a pro-U.S. country in a region plagued by Venezuelan President Hugo Ch¿vez's populist anti-Americanism....So far, Democrats on Capitol Hill have been content to let the anti-trade forces call the tune for their party. The revival of the Peru deal is a promising sign that Democratic protectionism can be tamed. But if the party wants to be taken seriously on trade policy, it must still change course on Colombia and South Korea."

Required Reading (Wall Street Journal)

September 24, 2007

"Start first with the conclusion: If 'fully implemented,' the deal is expected to boost U.S. GDP by $10 billion to $12 billion annually, it says, and the impact on American employment would be 'negligible.' In exchange, consumers in both countries would enjoy lower prices and a wider range of goods."

Democrats Talk Sense to Democrats (New York Times)

October 9, 2007

"At home, the trade pacts would provide opportunities for American exporters and help create jobs. In Latin America, the pacts would contribute to economic growth, shake off dependence on the narcotics trade and cement relationships in a region where Washington's influence is increasingly trumped by the well-oiled diplomacy of Venezuela's Hugo Chávez."

Free-trade pacts worth fighting for (Miami Herald – FL)

October 12, 2007

"Anything that strengthens the bonds between the United States and Latin America is anathema to the enemies of democracy. This is why it is imperative for Congress to approve three pending free-trade agreements with Peru, Panama and Colombia. Failure would strengthen the hand of anti-American forces in the region and undermine efforts by the leaders of those three countries to bolster democratic institutions....Negotiators have made a sincere effort to deal with the most pressing concerns of critics by improving provisions dealing with the environment and workers' rights. President Bush should keep pressing the case until he carries the day."

Let's make deal to guard free trade (Indianapolis Star –IN)

October 17, 2007

"The Peru agreement is good for Indiana. Even more important, congressional approval of the pact would help stem the rise of protectionism, a trend that if unchecked could dramatically undermine the nation's economy."

Trade agreements with the Americas should not be put off until 2009 (South Florida Sun-Sentinel)

October 17, 2007

"While it will fall to the United States' 44th president to re-energize U.S.-Latin American diplomacy, the free trade agreements ought not to be put on hold until January 2009. There's much that can be gained by continuing to improve commercial relationships in the hemisphere."

Protectionism wins cheers, but open markets provide jobs (The Plain Dealer – OH)

October 21, 2007

"Though protectionism resonates on the campaign trail, it is of vital importance to Americans that markets be open. Though protectionism resonates on the campaign trail, it is of vital importance to Americans that markets be open.... Open markets breed open minds. That's good for America and Ohio."

Rejecting trade treaty with Colombia won't bolster its stability (South Florida Sun-Sentinel)

October 29, 2007

"For Congress to now say that it is disgusted by the violence, particularly against one sector of the Colombian population, and to use that argument to undermine a free trade treaty, is a travesty. The free trade treaty ought to be considered on its merits. If it makes sense for the United States, then it should be approved.... Florida has much to gain from this treaty, in terms of financial services and trade through our ports. Our congressional leaders ought to be championing the treaty, not dissing it. Unfortunately, there's a confused mix of economics and human rights advocacy. Shooting down a trade treaty with Colombia isn't the way to bolster stability and hasten an end to paramilitary attacks on civilians."

Courting Seoul (Wall Street Journal)

October 30, 2007

"If U.S. House Democrats think that vetoing the U.S.-South Korea free trade agreement won't have repercussions, think again. Seoul may be keen on partnering with Washington today, but there are plenty of other suitors on Korea's dance card.... Luckily for Congress, Korea values the U.S. deal so much that its negotiators are willing to put the EU deal on ice, for now. ... As the Doha Round of global trade talks stalls, countries are moving quickly to negotiate the next best thing: bilateral trade deals. Unlike the situation in previous decades, the U.S. isn't the only big player to partner up with. Congress might think hard about that as it considers the future of the U.S.-Korea FTA."

OP-EDs

Focusing On Jobs Lost To Trade Is Big Mistake (Bloomberg)

August 6, 2007; By John M. Berry

"In an article in the March/April 2006 issue of Foreign Affairs magazine, Blinder wrote, 'Thinking about adjustment assistance more broadly, the United States may have to repair and thicken the tattered safety net that supports workers who fall off the labor-market trapeze -- improving programs ranging from unemployment insurance to job retraining, health insurance, pension and right down to public assistance.'

"That's an ambitious list. It's what Congress should be thinking about instead of focusing on the loss of jobs somehow linked to trade. That focus, instead of making the public more willing to accept an economy open to the rest of the world, reinforces the notion that trade means losses rather than gains....It's time to focus on the gains and deal with the damage done to individuals who lose jobs regardless of the reason."

The Real Uribe Record (Wall Street Journal)

August 6, 2007; By Mary Anastasia O'Grady

"In the Democrats' book, the way to make Colombia more just is to deny it the chance to deepen its commercial relations with the U.S....If the party's leadership sustains this view, the outcome will not only harm Colombia but will badly damage U.S. interests in the region."

Protectionist Fever Adds To Market Turmoil (Kansas City Star - KS)

August 11, 2007; By E. Thomas McClanahan

"Today, the congressional attitude toward trade is the most hostile I can recall in more than 20 years of following the issue. Rising protectionism — voiced by members of both parties — is contributing to the anxiety in the financial markets over the past two weeks."

A Trade Barrier To Progress (National Review Online)

August 12, 2007; By Michael T. Darda

"Attention protectionist stooges: Since the implementation of NAFTA in 1994, real non-supervisory wages have grown at an average pace of 1.2 percent per annum, triple the 1971-2007 average of 0.4 percent per annum. Inflation-adjusted household net worth has jumped $22.2 trillion since NAFTA was implemented while non-farm payrolls have increased by 24.9 million. Manufacturing output, far from falling, actually stands at a record high, and is up 62 percent since 1994....While the global boom continues on the back of pro-growth policies around the world, Congress is speeding down the road to ruin with trade protectionism and a raft of untimely tax hikes."

FTA, FYI: Trading In The Past. (National Review Online)

August 13, 2007; By Michael Barone

"As you learn in Economics 101, or in Adam Smith's Wealth of Nations if you want to go back farther, free trade benefits workers and consumers in both countries. Freer trade accounts for billions in improvement of the standards of living in the United States....Approving these FTAs would open up fairly large markets to us."

Congress Should OK Trade Pact With S. Korea (San Jose Mercury News - CA)

August 14, 2007; By Alan K. Simpson

"South Korea and the United States have much to offer each other. South Korea is one of the fastest-growing economies in the world and has the 12th-largest gross domestic products in the world. The nation is already our seventh-largest trading partner, and the passage of the agreement will substantially expand U.S. access into the vibrant and modern South Korean economy....With strong protections for U.S. intellectual property rights, strong provisions pushing for greater transparency in South Korean markets, the elimination of tariff and non-tariff barriers to many U.S. exports and investment, and legal protection against unfair expropriation, the agreement is a guarantee of economic opportunity for many American sectors."

Peru Long-Term Relief (AgWeb)

August 23, 2007; Dean Kleckner

"The bottom line is that the U.S.-Peru Free Trade Agreement would increase the ability of Americans and Peruvians to exchange goods and services with each other. The only losers would be tariff collectors and economic isolationists, of which the U.S. has plenty."

Trade Fears Are All Smoke (Chicago Tribune - IL)

August 28, 2007, By Daniel Ikenson

"When Congress reconvenes, committee leaders are expected to begin marking up some of the nearly two dozen pieces of pending trade-related legislation....Most of those bills are antagonistic toward our trade partners or outright protectionist, inspired in large measure by the myth of American manufacturing decline....But U.S. manufacturing is not in decline; it is thriving....And not only is manufacturing thriving. It is thriving in large measure because of international trade. Manufacturing exports and imports hit records in 2006."

Do Not Let Detroit Derail This Fair Trade Agreement (Financial Times - UK)

September 7, 2007; By Bruce Klingner

"The FTA would also strengthen bilateral ties by broadening the US-South Korean relationship beyond the military alliance, help retain US influence in the region and counter Seoul's economic shift towards China....No FTA can guarantee higher sales. It can merely provide balanced economic rules of engagement. This FTA would enable companies from both countries to engage in the intense competition of free and fair trade on a more level playing field."

Free Trade Angst (Wall Street Journal)

September 11, 2007; By Christopher Cooper

"At a time when the European Union is negotiating its own free trade agreement with Korea, it would be very damaging for U.S. interests in Korea and trade relations between both countries if the U.S.-Korea FTA does not pass…It is now the U.S. Congress's turn to vote for open markets, U.S. jobs and the development of a stronger relationship with a key ally."

New trade deals have much to offer Ohio business (Cincinnati Enquirer -OH)

September 16, 2007; By Christopher Wenk

"If Ohio companies are going to continue their export growth, Congress must approve the four pending trade agreements with Peru, Colombia, Panama and South Korea. Ultimately, their decision will reveal whether the U.S. maintains its economic leadership in the world or slides into protectionism."

Trade agreement with South Korea: What's in it for us? (Orlando Sentinel – FL)

September 17, 2007; Allen H. Kupetz

"The U.S.-South Korea free-trade agreement will promote new opportunities for U.S. businesses, investors, farmers and consumers in the dynamic South Korean market, and further expand and strengthen this important economic relationship."

Trade pact with South Korea would benefit state (The Colombian – WA)

September 18, 2007; By Don Brunell *(president of the Association of Washington Business, Washington state's chamber of commerce)*

"However, international trade agreements can sometimes become political footballs, held hostage in Congress for partisan advantage. Hopefully, that won't happen with the free trade agreement signed June 30 by the United States and South Korea. This pact between two important allies who share many of the same values will benefit the United States in general and our state in particular. Washington's congressional delegation should support it….While the United States-South Korean trade pact is not perfect, no agreement is. But it is a big step forward and should be approved."

History will severely judge a rejection of FTAs (Miami Herald – FL)

September 20, 2007; By Carlos M. Gutierrez *(U.S. Secretary of Commerce)*

"President Bush wants to help Colombia on the road of prosperity and security. Today, we have the opportunity to do just that.Congress should pass these FTAs. Congress already allows 90 percent of their goods to enter our markets duty free. These FTAs will give our farmers and workers the same preferences Congress has given their workers. We know that open markets benefit our economy. Since 2001, our trade with FTA countries in the hemisphere has skyrocketed by 60 percent."

FTA Failure, Chavez' Gain (Latin Business Chronicle)

September 24, 2007; By John Negroponte *(U.S. Deputy Secretary of State)*

"We should be absolutely clear of the consequences of not passing these agreements. If the United States does not stand with the true democrats of the Americas, who want to better their people's lives not dominate them, then we will demonstrate exactly what the new autocrats are arguing – that democracy cannot deliver real benefits, that free markets and free trade are a road leading only to empty promises, and that the United States of America will not even stand with its best friends. Put simply: Failing to pass the FTAs with Peru, Panama, and especially Colombia would be a win for Hugo Chavez and a defeat for the forces of democracy in the hemisphere."

Pass US-Colombia FTA Now (Latin Business Chronicle)

September 24, 2007; By James M. Roberts *(a research fellow at The Heritage Foundation)*

"The U.S.–Colombia Trade Promotion Agreement serves both U.S. and Latin American interests and will create new economic opportunities for citizens in both countries. It will also strengthen U.S. national security and provide, through economic growth, additional resources for the Colombian government to fight terrorists and cocaine traffickers. Congress should immediately ratify all four trade agreements as originally negotiated and restore full funding to Plan Colombia. The Bush Administration and the U.S. business community should use the TPA agreements to begin a new era of economic engagement with Latin America."

We need Colombia more than it needs us (The Politico)

September 25, 2007; By: Representative Roy Blunt *(R- MO, House Republican Whip)*

"The adoption of a permanent trade agreement between our two nations would allow both countries free and unfettered access to each other's markets — access American exports do not enjoy today.But while opening this major new market to U.S.-manufactured goods, agriculture and services without a tariff would seem to be a 'no-brainer,' the long-term strategic imperative of establishing an economic partnership with Colombia far outweighs any economic benefits that may accrue....But in a world where trade is an essential tool of diplomacy — a tool that can be used to secure real economic and geopolitical goals — it's disappointing that members of Congress who claim to favor the use of soft power to cultivate friendships around the world nonetheless seem unwilling to pursue commerce and investment as a key element of that strategy."

Harper: US Must Support Colombia (Latin Business Chronicle)

October 1, 2007; By Stephen Harper (Prime Minister of Canada)

"In my view, Colombia needs its democratic friends to lean forward and give them a chance at partnership and trade with North America. I am very concerned that some in the United States seem unwilling to do that.... There is a lot of worry in this country about the ideology of populism, nationalism and protectionism in the Americas and the governments that promote it, but frankly, my friends, there is nowhere in the hemisphere that those forces can do more real damage than those forces in the United States itself. And if the U.S. turns its back on its friends in Colombia, this will set back our cause far more than any Latin American dictator could hope to achieve."

Uribe being driven a lot closer to Chávez (Miami Herald – FL)

October 4, 2007; By Andres Oppenheimer

"What was unthinkable until recently is beginning to be considered a likely scenario in U.S. foreign policy circles -- that Colombia's U.S.-backed President Alvaro Uribe will move increasingly closer to Venezuela's anti-American strongman Hugo Chávez.... Complicating matters further for Colombia, the Democratic-controlled U.S. Congress is unlikely to ratify the U.S.-Colombia free trade deal signed by Uribe and President Bush in 2006."

We should help Colombia (Miami Herald –FL)

October 8, 2007; By Senator Richard Lugar

"The U.S. policy in Latin America is in trouble.... Congress now has a chance to consolidate the progress and do more to stabilize Colombia by passing a recently-negotiated free trade pact, known as the Colombian Trade Promotion Agreement. This would provide new markets for U.S. exporters as well as jobs and income for hundreds of thousands of Colombians.... Republicans and Democrats want a stable Colombia and a strong U.S. role in the Americas. We should work toward those goals, together, by passing the Colombia trade legislation."

Trade with Colombia (USA Today)

October 11, 2007: By Vincent Volpi

"This past spring, as part of a delegation to Congress with the Council of American Companies to promote the free trade agreement and Plan Colombia, I was shocked at the lack of interest in Latin American affairs among the people I talked to. This is what is wrong with our foreign policy. We are fickle partners who wait for the mountain to come to us, rather than going to the mountain."

LETTER: Colombia Trade Agreement (New York Times)

October 15, 2007

"We need both free trade and continued transparency and justice to secure a brighter future for Colombia."

Latin FTAs: What Will Congress Do? (Latin Business Chronicle)

October 15, 2007; By Brian Wanko

"Congress has an opportunity to make a lasting impact on economic prosperity and development in Latin America. Support of the free-trade agreements (FTAs) with Colombia, Panama and Peru will open new opportunities for countries that have made significant social and economic progress in the last few years."

LETTER: Protectionism wrong trend for U.S. economic growth (Portland Press Herald – ME)

October 16, 2007

"International free trade promotes economic growth and wealth for all trading partners, in contrast to protectionism and trade barriers, which decrease economic wealth. The growing protectionist thinking in our country is based solely on a feel-good sentiment that any policy that is opposed to President Bush feels so good that it must be supported, no matter how destructive it may be to our well-being."

Colombia: A leader in open markets (Miami Herald – FL)

October 17, 2007; By Pamela Cox

In this context, Colombia shows great potential for sustained growth that will surely be encouraged if the country manages to gain access to new markets through free-trade expansion, just as other countries in the region have done or or will do soon.... Last year's negotiations toward a free-trade agreement with the United States are undeniable proof that the country is ready to take advantage of trade liberalization. Furthermore, the country is opening its economy based on the idea that expanded trade will improve the quality of life for its population."

LETTER: Free trade pact opens South Korean market (Detroit News – MI)

October 23, 2007; By Wendy Cutler

Wendy Cutler is Assistant USTR for Japan, Korea and Asia Pacific Economic Cooperation Affairs

"The Bush administration agrees with lawmakers that South Korea must open its market to U.S. autos. With the South Korea free trade agreement, we can achieve that goal. Without it, U.S. companies will continue to face barriers and will lack the strong tools to address them that are contained in the free trade agreement."

Free-trade deals offer a boost to the U.S. economy (The Philadelphia Enquirer – PA)

October 29, 2007; By Carlos M. Gutierrez

Carlos M. Gutierrez is U.S. secretary of commerce.

"A full 40 percent of our economic growth in the last year has been led by exports. With these results, we should seize every chance we have to increase U.S. export opportunities. Fortunately, Congress has an unprecedented chance to do just that by approving free-trade agreements (FTAs) with Peru, Colombia, Panama and South Korea.... The Bush administration wants to work with congressional leaders on a bipartisan basis to find a way forward on free trade. While we are pleased Congress has taken up the Peru agreement, it is critical that all four are approved."

An Open Letter to Congressional Democrats on Hemispheric Trade Expansion

Latin America is up for grabs. As Democrats, we are deeply concerned.

Not since the end of the Cold War has US influence in the region been so tenuous or our interests so clearly at stake. The Summit of the Americas agenda, agreed by consensus at the instigation of President Clinton and Vice President Gore, has frayed. Anti-US populism is loud and getting louder. Venezuela's leader, emboldened by high energy prices, is aggressively promoting an alternative vision for Latin America and the Caribbean. Divisions among our neighbors are deepening with serious implications for the United States. Even Castro may be back in the game.

Within this new reality, the United States Congress faces a decision of historic consequence: whether, by standing with those in Latin America who have stood with us, to build the economy and create jobs by opening markets. Along with comprehensive immigration reform, increased development assistance, and renewed support for Plan Colombia, there is nothing more important for US national and economic security interests in the region than passing trade agreements with nations whose leaders have made politically-courageous efforts to link their economies to ours.

The decision should not be in doubt. Now that a deal has been struck by Democratic leaders in Congress and the Administration on a bipartisan trade policy framework, it is time to get behind pending agreements with Colombia, Panama, and Peru. It would be the height of irony were we to talk of "losing" Latin America while refusing to take actions that would directly support fundamental relationships and interests in the region.

That is not to say everything is perfect in the countries in question. Far from it. Both proponents and opponents of the Colombia agreement have noted the high levels of violence there, as well as recent corruption and wiretapping scandals. But the level of violence in Colombia—though still too high—has steadily and significantly declined under President Uribe. Rather than hiding the scandals or minimizing them, Colombia is taking steps to root them out and cleanse the political system, even while recognizing that more must be done, including bringing to justice those who have committed crimes against unionists.

These are serious matters, and Democrats are right to bring them up and insist on progress. But walking away from the Colombia trade agreement or postponing it until conditions are perfect would send an unambiguous signal to our friends and opponents alike that the United States is an unreliable partner without a vision for cooperation in our hemisphere. Colombia would certainly re-evaluate its relationship with the United States, a process that is already underway. And the same is true with Panama, Peru, and others such as Uruguay and Brazil who are making courageous political decisions to enhance relations with the United States despite strong domestic and external political pressure.

As Democrats, we fully recognize that asking the US Congress to vote on these trade agreements is politically charged. Nonetheless, rejecting these agreements would set back regional US interests for a generation. What interests are at stake? In the first instance, US economic opportunity. Because the fact is that the United States is already virtually open to products from Colombia, Panama, and Peru through unilateral trade preference programs, *but those economies do not give reciprocal benefits to the United States*. Far from being "job killing," these trade agreements would open markets wider to US goods and services and therefore *support* jobs in the United States.

Second, for the past 15 years, the United States on a bipartisan basis has supported economic growth in the Andean region in opposition to drug traffickers and guerrilla movements. In the hemispheric fight against illegal narcotics, trade agreements with Colombia and Peru would lock in trade relations for the long-term, drawing the kind of direct foreign investment that all nations need to develop, while also opening new markets. US exports would increase, economic opportunities would be created, cooperation against illegal narcotics would be maintained, ultimately supporting democratic governance in a troubled region.

Third, US regional influence is at risk. Peru's President Garcia has stood up to Venezuela's Chavez at a time when virtually all other regional leaders have kept mum. He would be unlikely to do so again were Peru's trade agreement to go down.

As for Panama, President Torrijos has publicly welcomed US participation in the expansion of the strategically significant canal, and a trade agreement with Panama would surely improve the competitiveness of US companies bidding on the massive canal expansion project. It would also, importantly, lock in a mutually rewarding relationship even as former Panamanian dictator Manuel Noriega is set to be released from his Florida jail cell where he has served time for drug trafficking.

From the Good Neighbor Policy, to the Alliance for Progress, to a focus on human rights and the Summit of the Americas, Democratic leadership has been pivotal to the promotion of US interests in the Western Hemisphere. The time for leadership is again at hand. We must not walk away now.

Former Members of the Congress and Senate
James Bacchus, Michael Barnes, Don Bonker, Tony Coelho, Cal Dooley, Sam Gibbons, Bob Graham, Bill Hughes, Bennett Johnston, Harry Johnston, Jim Jones, Buddy MacKay, Sam Nunn, Leon Panetta

Former Cabinet Officials, Ambassadors, and Foreign and Trade Policy Advisors
Anne Alonzo, Bruce Babbitt, Harriet Babbitt, Rand Beers, Sandy Berger, Henry Cisneros, Nelson Cunningham, Stuart Eizenstat, Eric Farnsworth, Richard Feinberg, Gordon Giffin, Marc Ginsberg, Dan Glickman, Ed Gresser, Anthony Harrington, Chuck Manatt, David Marchick, Will Marshall, Mack McLarty, Robert Pastor, Peter Romero, David Rothkopf, Chris Sabatini, Ronald Scheman, Donna Shalala, Ira Shapiro, Maurice Sonnenberg, Alexander Watson, Jonathan Winer

LATIN AMERICA **TRADE COALITION**

The Latin America Trade Coalition is a broad-based group of U.S. companies and business organizations working to secure Congressional approval of the Trade Promotion Agreements with Colombia, Panama, and Peru.

1. 3MCompany
2. A & K Railroad Materials
3. Abercrombie & Fitch
4. Accucast
5. Ace Group of Insurance & Reinsurance
6. Acme-McCrary
7. ACS
8. AESYS Technologies
9. African Chamber of Commerce of Virginia (VA)
10. AfroTrading
11. Agmark Intermodal Systems, Inc.
12. Agrotrade
13. Air Rover, Inc.
14. Alabama Development Office
15. Alabama State Port Authority
16. Albany Area Chamber of Commerce (NY)
17. Alcatel-Lucent
18. Alexander City Lake Martin Area Chamber of Commerce (AL)
19. AL-FLEX Exterminators
20. Alpine Fresh
21. Altar Produce Inc.
22. Alticor, Inc.
23. Amatrol,Inc.
24. American Apparel & Footwear Association (AAFA)
25. American Bakers Association
26. American Cast Iron Pipe Company
27. American Chamber of Commerce and Industry of Panama
28. American Chamber of Commerce of Peru
29. American Cotton Shippers Association
30. American Council of Life Insurers
31. American Electronics Association (AeA)
32. American Farm Bureau Federation
33. American Feed Industry Association
34. American Fiber Manufacturers Association
35. American Flower Importers of Florida
36. American Frozen Food Institute
37. American International Group
38. American Meat Institute
39. American Overseas Trading
40. American Soybean Association
41. American Taste Magazine
42. Amerigo
43. Andazola's Gallery
44. Animal Health Institute
45. Antelope Valley Chambers of Commerce (CA)
46. APL Limited
47. Apollo International,Inc.
48. Arkansas State Chamber of Commerce (AR)
49. Arlington Chamber of Commerce (TX)
50. Arlington Chamber of Commerce (VA)
51. Arrow Truck Sales
52. Art & Commerce Alliance (Aca)
53. Ashland Chamber of Commerce (OR)
54. Associated Industries of Arkansas, Inc.
55. Association of Colombian Flower Exporters
56. Association of Equipment Manufacturers
57. Association of Food Industries
58. Athens Area Chamber of Commerce (GA)
59. Automotive Trade Policy Council
60. Avnet Inc.
61. Axe Capoeira Arizona
62. AYCO Farms Inc.
63. AYCO Farms Inc.
64. Bahamas Accomodations and Travel Resource
65. Baltimore Dredge Enterprises, LLC
66. Bank of the West
67. Bankers' Association for Finance and Trade
68. Barrow County Chamber of Commerce (GA)
69. Bastrop/Morehouse Chamber of Commerce (LA)
70. Battle Creek Area Chamber of Commerce (MI)
71. Battle Ground Chamber of Commerce (WA)
72. BellSouth Corporation
73. Bend Chamber of Commerce (OR)
74. Berks County Chamber of Commerce (PA)
75. Berner

76. Bessemer Area Chamber of Commerce (AL)
77. Beverly Hills Chamber of Commerce (CA)
78. Birmingham Regional Chamber of Commerce (AL)
79. Blair County Chamber of Commerce (PA)
80. Blue Diamond Growers
81. Blue Star International Brokerage
82. Boeing Company
83. Bonhonest International Trade Company
84. Boston Scientific Corporation
85. BottomLine on Marketing, The
86. Bradley Arant Rose & White LLP
87. Brecht & Associates, Inc.
88. Bronz Glow Technologies, Inc.
89. Brooklyn Chamber of Commerce (NY)
90. Brown's International Enterprises, Inc.
91. Burnsville Chamber of Commerce (MN)
92. Business Authority Corp.
93. Business Roundtable
94. Butler Fitzgerald Associates,Inc.
95. CA, Inc.
96. CAFTA Group, Inc.
97. Calen Sales
98. Calhoun County Chamber of Commerce (AL)
99. California Chamber of Commerce (CA)
100. California Farm Bureau Federation
101. California Hispanic Chambers of Commerce (CA)
102. California Table Grape Commission
103. Calmetrics, Inc.
104. Campbell Hausfeld
105. Cannondale Corp.
106. Canton Area Chamber of Commerce (IL)
107. Capital Group Companies
108. CarbAmericas, Inc.
109. Cargill, Inc.
110. Carpet and Rug Institute
111. Carroll County Chamber of Commerce (GA)
112. Carson Chamber of Commerce (CA)
113. Carson City Area Chamber of Commerce (NV)
114. Case New Holland Inc.
115. Caterpillar, Inc.
116. CBH International
117. Central American Produce, Inc.
118. Cerritos Chamber of Commerce (CA)
119. CH Robinson
120. Chaffe, McCall, Phillips, Toler & Sarpy, LLP
121. Chamber of Commerce for Decatur, Indiana (IN)
122. Chamber of Commerce for Southwest Louisiana (LA)
123. Chamber of Commerce of St. Joseph County (IN)
124. Chamber of Commerce of the Borough of Queens (NY)
125. Chamber of Medford/Jackson County (OR)
126. Chamber of the Americas (CO)
127. Chaoya Toy Company
128. Chattanooga African Chamber of Commerce (TN)
129. Chattanooga Area Chamber of Commerce (TN)
130. Chester County Chamber of Business (PA)
131. Chestnut Hill Farms – Bounty Fresh
132. Chevron
133. Chiang, Patel & Yerby, Inc.
134. Chicagoland Chamber of Commerce (IL)
135. Chico's
136. Children Come First
137. Chugiak-Eagle River Chamber of Commerce (AK)
138. Church's Import & Export, Inc.
139. Cisco Systems, Inc.
140. Citigroup, Inc.
141. City of San Antonio
142. Claas Omaha Inc.
143. Clark Consulting
144. Clarksville Area Chamber of Commerce (TN)
145. Clayton Area Chamber of Commerce (NC)
146. Clear Lake Area Chamber of Commerce (TX)
147. Clifford Chance United States LLP
148. CNH Global, NV
149. Coalition of Service Industries
150. Coats North America
151. Coca-Cola Company
152. Cockpit USA
153. Coldwell Banker Commercial Real Estate
154. Colombian-American Chamber of Commerce
155. Colorado Association of Commerce &

Industry (CO)
156. Colorado Springs Chamber of Commerce (CO)
157. Combex Westhem, LLC
158. Commercial News USA
159. Commodity Markets Council
160. Computer Sciences Corporation
161. Conquistador News Public Relations
162. Consolidated Groups International
163. Consulate of Guatemala
164. Contel Fresh Inc.
165. Continental Bridges, Inc.
166. Coral Gables Chamber of Commerce (FL)
167. Corn Refiners Association
168. Council of the Americas
169. Counselors', Inc.
170. Covington Chamber of Commerce (WA)
171. Crystal Valley Foods - Coosemans
172. Customized Brokers
173. DaimlerChrysler Corp.
174. Datatel, S.A.
175. Davie County Chamber of Commerce (NC)
176. Daytona Beach & Halifax Area Chamber of Commerce (FL)
177. Del Bosque, Roncal, D'Angelo, and Associates
178. Dell, Inc.
179. Denner Group International,Inc.
180. Descalzo International
181. Detroit Regional Chamber (MI)
182. Devils Lake Chamber of Commerce (ND)
183. Diageo North America
184. Direct Selling Association
185. Discovery Exports and Imports
186. Distilled Spirits Council of the United States (DISCUS)
187. Dixon Area Chamber of Commerce & Industry (IL)
188. DJ Cargo Express
189. Dole Fresh Vegetables, Inc.
190. Donatti Translation & Interpreting
191. Doral & Airport West Chamber of Commerce (FL)
192. Drummond Company, Inc.
193. Dubis Associates
194. Dublin Chamber of Commerce (CA)
195. Dubuque Area Chamber of Commerce (MT)
196. Duluth Area Chamber of Commerce (MN)
197. Duncan's Hardware
198. EAP Lifestyle Management, LLC
199. East AL Reg. Planning & Development Commission
200. East Hartford Chamber of Commerce (CT)
201. Eastman Kodak Company
202. EDS
203. El Campo Chamber of Commerce & Agriculture (TX)
204. EL Industries
205. El Salvador Chamber of Commerce California (CA)
206. Elan International, LLC
207. Emergency Committee for American Trade (ECAT)
208. Encino Chamber of Commerce (CA)
209. Entertainment Industry Coalition for Free Trade
210. Environmental Dynamics, Inc.
211. Esna Logistics
212. Everett Area Chamber of Commerce (WA)
213. Exxon Mobil Corporation
214. Fairfax County Chamber of Commerce (VA)
215. Farmers Insurance
216. Farnsworth International
217. Federation of Credit and Financial Professionals
218. FedEx Corporation
219. Fierce Isakowitz
220. Fifth Third Bank
221. Filtration Technology Corporation
222. Financial Services Forum
223. Findlay Hancock County Chamber of Commerce (OH)
224. First Choice Corporate Housing Group,LLC
225. Fisher-Klosterman, Inc.
226. Flagstaff Chamber of Commerce (AZ)
227. Flint Area Chamber of Commerce (MI)
228. Florida Chamber of Commerce (FL)
229. Florida FTAA, Inc.
230. FloridaA
231. FMC Corporation
232. Fontheim International, LLC
233. Footwear Distributors and Retailers of America
234. Ford Motor Company
235. Fort Worth Hispanic Chamber of Commerce (TX)
236. Fratelli Group, The

237. Frazee Associates
238. Frontier Trading, Inc.
239. Fru-Veg Marketing, Inc.
240. G2 Advisors
241. Galion Area Chamber of Commerce (OH)
242. Galleria Chamber of Commerce (TX)
243. Garden Grove Chamber of Commerce (CA)
244. Gas Appliance Manufacturers Association
245. Gateway Regional Chamber of Commerce (NJ)
246. Gear for Sports
247. General Electric
248. General Mills, Inc.
249. General Motors Corporation
250. GeniCon
251. Georgia Chamber of Commerce (GA)
252. Gilbert Chamber of Commerce (AZ)
253. Givens, Inc.
254. Glendale Chamber of Commerce (CA)
255. Global Investments & Traders, LLC
256. Global Marketing and Sales, Inc.
257. Global Publishers,LLC
258. Global USA
259. Globalex, Inc.
260. GMA/FPA
261. Goodyear Tire and Rubber Co.
262. Gorbisco, Inc.
263. Gourmet Trading Company
264. Grand Island Area Chamber of Commerce (NE)
265. Grand Rapids Area Chamber of Commerce (MI)
266. Grand Rapids Area Chamber of Commerce (MN)
267. Greater Beaumont Chamber of Commerce (TX)
268. Greater Boston Chamber of Commerce (MA)
269. Greater Chamber of Commerce for Decatur and Macon County (IL)
270. Greater Dallas Chamber of Commerce (TX)
271. Greater Dallas Hispanic Chamber of Commerce (TX)
272. Greater Decatur Chamber of Commerce (IL)
273. Greater Des Moines Partnership (IA)
274. Greater Des Moines Partnership, The
275. Greater Elkhart Chamber of Commerce (IN)
276. Greater Fairbanks Chamber of Commerce (AK)
277. Greater Fresno Area Chamber of Commerce (CA)
278. Greater Haines City Area Chamber of Commerce (FL)
279. Greater Hillsboro Area Chamber of Commerce (OR)
280. Greater Irving-Las Colinas Chamber of Commerce (TX)
281. Greater Jackson County Chamber of Commerce (AL)
282. Greater Jackson County Chamber of Commerce (MI), The
283. Greater Kansas City Chamber of Commerce (MO)
284. Greater Ketchikan Chamber of Commerce (AK)
285. Greater Mankato Chamber of Commerce (MN)
286. Greater Miami Chamber of Commerce (FL)
287. Greater New York Chamber of Commerce (NY)
288. Greater Olean Area Chamber of Commerce (NY)
289. Greater Omaha Chamber of Commerce (NE)
290. Greater Pittsburgh Chamber of Commerce (PA)
291. Greater Raleigh, North Carolina Chamber of Commerce (NC)
292. Greater Rome Chamber of Commerce (GA)
293. Greater San Jose Hispanic Chamber of Commerce (CA)
294. Greater Scranton Chamber of Commerce (PA)
295. Greater Seattle Chamber of Commerce (WA)
296. Greater Tampa Chamber of Commerce (FL)
297. Greater Topeka Chamber of Commerce (KS)
298. Green Bay Area Chamber of Commerce (WI)
299. Greenberg Traurig, LLP
300. Hampton Roads Chamber of Commerce (VA)
301. Hardin County Chamber of Commerce (OH)
302. Hardin County Chamber of Commerce (TN)

303. Hardwood Flooring
304. Hariras, Inc.
305. Harlingen Area Chamber of Commerce (TX)
306. Havels, Inc.
307. HBST Enterprises, Inc.
308. Hellmann Worldwide Logistics – CLI/LIMA
309. Henderson Chamber of Commerce (NV)
310. Henderson County Chamber of Commerce (TN)
311. Hewlett-Packard Company
312. Hillsboro Chamber of Commerce (IL)
313. Hilton Head Island-Bluffton Chamber of Commerce (SC)
314. Hispanic Alliance for Free Trade (HAFT)
315. Hispanic Chamber of Commerce of Greater Kansas City (MO)
316. Hispanic Chamber of Commerce of Louisiana (LA)
317. Hitesh Gems Corporation
318. Hobbs Chamber of Commerce (NM)
319. Hormel Foods Corporation
320. Houston Hispanic Chamber of Commerce (TX)
321. IBM Corp
322. Illinois Chamber of Commerce (IL)
323. Illinois International Trade Center
324. Impact Homes
325. Impex
326. Incompasse International, Inc.
327. INDA, Association of Nonwoven Fabrics Industry
328. Indiana Business Diversity Council
329. Indiana Chamber of Commerce (IN)
330. Inland Empire International Business Association (CA)
331. InnoVest
332. Intel Corporation
333. Intel Group
334. International Business Government Counsellors (IBC)
335. International Communications Resources (ICR)
336. International Dairy Foods Association
337. International Intellectual Property Institute
338. International Law Institute
339. International Seed Federation (ISF)
340. International Titanium Corporation
341. International Trade Advisors
342. International Trade Alliance
343. International Wood Products Association
344. Interphase
345. ITW Dynatec
346. J. JP & R International Inc.
347. J.C. Watts
348. Jacksonville Regional Chamber of Commerce (FL)
349. Jacobs, Malcolm, & Burtt
350. Jasper Chamber of Commerce (IN)
351. JCM Industries
352. John E. Stillpass Co., LPA
353. Johnson City, Tennessee Chamber of Commerce (TN)
354. Johnson, Madigan, Peck, Boland, Dover & Stewart, Inc.
355. Joliet Region Chamber of Commerce (IL)
356. Kalispell Area Chamber of Commerce (MT)
357. Kanawha Scales & Systems
358. Kansas World Trade Center, Inc.
359. Kearney School of International Business
360. Kekepana International
361. Kelsun Distributors
362. Kenan Institute of Private Enterprise
363. Kentucky Chamber of Commerce (KY)
364. Keystone Fruit Marketing
365. Kimberly-Clark Corporation
366. King Electronic Packaging
367. Kingman Area Chamber of Commerce (AZ)
368. Kingsport, Tennessee Chamber of Commerce (TN)
369. Kissinger McLarty Associates
370. Kraft Foods
371. Kuehne & Nagel SA
372. Kwik Company
373. Lansing Regional Chamber of Commerce (MI)
374. Laredo Chamber of Commerce (TX)
375. Larned Area Chamber of Commerce (KS)
376. Las Vegas Chamber of Commerce (NV)
377. Latin Chamber of Commerce of U.S.A (CAMACOL) (FL)
378. Latin Chamber of Commerce of USA (FL)
379. Laurel Chamber of Commerce (MT)
380. Lima/Allen County Chamber of Commerce (OH)
381. Lincoln Chamber of Commerce (NE)
382. List-n-Sell

383. Liz Claiborne, Inc.
384. Lockheed Martin Corporation
385. Long and Foster Real Estate
386. Long Beach Area Chamber of Commerce (CA)
387. Los Angeles Area Chamber of Commerce (CA)
388. Los Angeles County Economic Development Corporation
389. Los Angeles Metropolitan Hispanic Chamber of Commerce (CA)
390. Louisiana Economic Development (LA)
391. Louisiana State Chamber of Commerce (LA)
392. Lynne Ellen, Inc.
393. Macrolingua Publishing
394. Madison County Commission
395. Manchester Trade, Ltd.
396. Manhattan Chamber of Commerce (NY)
397. Manhattan Hispanic Chamber of Commerce,Inc. (NY)
398. Mankato Area Chamber of Commerce (MN)
399. Mansfield Plumbing
400. Manzella Trade Communications, Inc.
401. Maple Companies, The
402. Marana Chamber of Commerce (AZ)
403. Marine Terminals Corporation
404. Marshall County Chamber of Commerce (KY)
405. Martin Drought & Torres,Inc.
406. Maryland/Washington D.C. District Export Council
407. McGraw-Hill Companies, The
408. MDXI, LLC
409. Meadville Area Chamber of Commerce (PA)
410. Megacom Corp.
411. Mehlman Vogel
412. Memorial Hermann Healthcare System
413. Memphis Regional Chamber of Commerce (TN)
414. MetLife
415. Metro Milwaukee Association of Commerce (WI)
416. Metropolitan Evansville Chamber of Commerce (IN)
417. Metropolitan Trenton African American Chamber of Commerce (MTAACC) (NJ)
418. Metropolitan Trenton African American Chamber of Commerce (MTAACC) (NJ), The
419. Michael Best and Friedrich
420. Michigan Chamber of Commerce (MI)
421. Micron Technology, Inc.
422. Midway Chamber of Commerce (MN)
423. Miller & Chevalier Chartered
424. Minneapolis Regional Chamber (MN)
425. Mission Produce, Inc.
426. Mobile Area Chamber of Commerce (AL)
427. MOL Industries, Inc.
428. Mom, Inc.
429. Monroe Chamber of Commerce (CT)
430. Monroe Chamber of Commerce (LA)
431. Morgan Hill Chamber of Commerce (CA)
432. Motion Picture Association of America
433. Motor & Equipment Manufacturing Association
434. Mount Vernon Chamber of Commerce (WA)
435. MWW Group
436. Naperville Area Chamber of Commerce (IL)
437. Nashville Area Chamber of Commerce (TN)
438. National Association of Manufacturers (NAM)
439. National Association of Wheat Growers
440. National Barley Growers Association
441. National Cattlemen's Beef Association
442. National Chicken Council
443. National Coffee Association of U.S.A.
444. National Corn Growers Association
445. National Cotton Council
446. National Council of Textile Organizations
447. National Enzyme Co.
448. National Foreign Trade Council (NFTC)
449. National Grain and Feed Association
450. National Grange
451. National Milk Producers Federation
452. National Oilseed Processors Association
453. National Pork Producers Council
454. National Potato Council
455. National Retail Federation
456. National Sorghum Producers
457. National Turkey Federation
458. Navivan Corporation
459. New Bronx Chamber of Commerce, Inc.
460. New Bronx Chamber of Commerce, Inc. (NY), The
461. New Ulm Area Chamber of Commerce (MN)

462. New York Life
463. News Corporation
464. N-Line Tools
465. NONWOVEN
466. Nortel Networks Corporation
467. North American Equipment Dealers Association
468. North American Export Grain Association
469. North American Millers' Association
470. North Bay Produce
471. North Carolina Manufacturers Association (NCMA)
472. North Clackamas County Chamber of Commerce (OR)
473. North Clackamas County Chamber of Commerce (OR)
474. North Clackamas County Chamber of Commerce (OR)
475. North Houston Greenspoint Chamber of Commerce (TX)
476. North San Antonio Chamber of Commerce (TX)
477. North Shore Chamber of Commerce (MA)
478. Northern Dakota County Chamber of Commerce (ND)
479. Northern Gulf Trading Group
480. Northern Kentucky Chamber of Commerce (KY)
481. Northrop Grumman Corporation
482. Northshore Chamber of Commerce (WA)
483. Northwest Horticultural Council
484. Oakland Metropolitan Chamber of Commerce (CA)
485. Occidental Petroleum Corporation
486. Office Furniture Group, Inc.
487. Ohio Alliance for International Trade (OAIT)
488. Oklahoma State Chamber (OK)
489. Oracle Corporation
490. Orange Chamber of Commerce & Visitor Bureau (CA)
491. Orchid Ceramics
492. Organization for Women in International Trade
493. Oshkosh Chamber of Commerce (WI)
494. Ositis Software,Inc.
495. Oxford Industries
496. Oxley Consulting
497. P&S Supply
498. Packaging Machinery Manufacturers Institute (PMMI)
499. Packaging Machinery Manufactures Institute
500. Palazzo Luxury Homes, LLC.
501. Papa Murphy's Pizza
502. Paramount Cosmetics
503. Patagonia
504. Patterson Fan Company, Inc
505. Paulding Chamber of Commerce (OH)
506. Payless ShoeSource, Inc.
507. PDC International
508. Penn Warehousing & Distribution
509. Pennsylvania Chamber of Business and Industry (PA)
510. Peoria Chamber of Commerce (IL)
511. PepsiCo, Inc.
512. Perishable Specialist, Inc., The
513. Peruvian American Chamber of Commerce (FL)
514. Peruvian Asparagus Importers Association (PAIA)
515. Pet Food Institute
516. Petesie Products
517. PG Enterprise
518. Pike County Chamber of Commerce (IL)
519. Pike County Chamber of Commerce (PA)
520. Ping Golf
521. Pioneer Processing Technologies
522. Plano Chamber of Commerce (TX)
523. Polyguard Products
524. Poor Man's Books
525. Port of Corpus Christi (TX)
526. Port of Long Beach (CA)
527. Porter Wright Morris & Arthur, LLP
528. Portland Business Alliance
529. Power Accessories of the Americas, Inc.
530. PowerUp, Inc.
531. PPG Industries
532. Prattville Area Chamber of Commerce (AL)
533. Prescott Chamber of Commerce (AZ)
534. Principal International, Inc.
535. Pro-Act LLC
536. Procter & Gamble
537. Produce Marketing Association
538. Progressive Marketing Group
539. Promise for the Savvy Bride
540. Prosperity Consulting Group
541. Provo/Orem Area Chamber of Commerce (UT)

542. Public Affairs Strategies,Inc.
543. Public Service Enterprise Group (PSEG)
544. Qtel Americas, Inc.
545. QUALCOMM, Inc.
546. Rancho Bernardo Chamber of Commerce (CA)
547. Rancho Cordova Chamber of Commerce (CA)
548. Rancho Cucamonga Chamber of Commerce (CA)
549. Rapid City Area Chamber of Commerce (SD)
550. Ravenswoods International Collectables, LLC
551. RD Global Trading
552. Redwood Area Chamber & Tourism (MN)
553. Regional Hispanic Chamber of Commerce/ Bank of the West (CA)
554. Regions Bank
555. Regitar
556. Restorative Medical
557. Retail Industry Leaders Association (RILA)
558. RHCC
559. Richmond-Spring Grove Chamber of Commerce (IL)
560. Righteous Clothing
561. Rim Country Regional Chamber of Commerce (AZ)
562. Robertsons' GMC Truck
563. Rogers & Brown Custom Brokers Inc
564. Rosemead Oil Products, Inc.
565. Rosemont Farms Corporation
566. Ross Manufacturing
567. Ross Valve Manufacturing and Co., Inc.
568. Sacramento Metro Chamber of Commerce (CA)
569. Saint Paul Area Chamber of Commerce (MN)
570. Salvadoran-American Chamber of Commerce (SACC) (FL)
571. San Antonio Hispanic Chamber of Commerce (TX)
572. San Blue Enterprises Private Limited
573. San Diego District Export Council (CA)
574. San Diego North Chamber of Commerce (CA)
575. San Diego Regional Chamber of Commerce (CA)
576. San Diego World Trade Center (CA)
577. San Francisco Chamber of Commerce (CA)
578. Sand Castle Home Equities
579. Sandler, Travis & Rosenberg, P.A.
580. Santa Clara Chamber of Commerce (CA)
581. Schmeltzer, Aptaker & Shepard, PC
582. Scottsdale Area Chamber of Commerce (AZ)
583. Seaboard Marine Limited
584. Security Vault Works,Inc.
585. Semiconductor Industry Association
586. Sewn Products Equipment & Suppliers of the Americas (SPESA)
587. Shook Mobile Technology, LP
588. Siemens Energy & Automation
589. Sierra Vista Chamber of Commerce (AZ)
590. Simi Valley Chamber of Commerce (CA)
591. Simon International, LLP
592. Singleton Scientific, Inc.
593. Skyway Cargo Corp.
594. Solomon Sky, LLC
595. South Carolina Manufacturers Alliance (SCMA)
596. South Charleston Chamber of Commerce (SC)
597. South Padre Island Chamber of Commerce (TX)
598. South Snohomish County Chamber of Commerce (WA)
599. Southern Specialties
600. Southwest Funding
601. Spokane Chamber of Commerce (WA)
602. Spokane Seed Company
603. Springfield Area Chamber of Commerce (MO)
604. St. Helen-Scapoose Chamber of Commerce (NY)
605. Starlight Capital, Inc.
606. Staten Island Chamber of Commerce (NY)
607. Stillwater Chamber of Commerce (OK)
608. Stuart/Martin County Chamber of Commerce (FL)
609. Summit Communications
610. SunTrust Bank
611. Sweetener Users Association
612. Sylvania Chamber of Commerce (OH)
613. Tacoma- Pierce County Chamber of Commerce (WA)
614. Tarpon Springs Chamber of Commerce (FL)
615. Team Produce International
616. Technical Support, Inc.

617. Telecom Industry Association
618. Television Association Programmers Latin America (TAP)
619. Tennessee Multicultural Chamber of Commerce (TN)
620. Tennessee State Chamber of Commerce (TN)
621. Tennessee Valley Realty
622. Tepito Electronics
623. Texarkana Chamber of Commerce (TX/AR)
624. Texas Association of Business
625. Textile Distributors Association (TDA)
626. Time Warner, Inc.
627. Titan Management Group,Inc.
628. Tradecom Interntional,Inc.
629. Tradesur, Inc.
630. Tramco, Inc.
631. Transcon Trading Company
632. Triton International
633. Tucson Chamber of Commerce (AZ)
634. TwinWest Chamber of Commerce (MN)
635. U.S. Apple Association
636. U.S. Association of Importers of Textiles and Apparel
637. U.S. Dairy Export Council
638. U.S. Livestock Genetics Export, Inc.
639. U.S.-Colombia Trade Partnership
640. Ultraliner, Inc.
641. United Chambers of Commerce of the San Fernando Valley (CA)
642. United Chambers of Commerce of the Smokey Mountains
643. United Color Manufacturing, Inc.
644. United Egg Association
645. United Egg Producers
646. United States Association of Importers of Textiles and Apparel (USA-ITA)
647. United States Chamber of Commerce (DC)
648. United States Hispanic Chamber of Commerce (DC)
649. United Technologies Corporation
650. Unlimited Distribution
651. UPS
652. US Hides, Skins and Leather Association
653. US Wheat Associates
654. USA Dry Pea and Lentil Council
655. USA Poultry & Egg Export Council
656. USA Rice Federation
657. Vail Valley Patnership (CO)
658. Vandalia-Butler Chamber of Commerce (OH)
659. Vanken
660. Velocity Group, Inc.
661. Vera Food & Wine
662. Vermont Chamber of Commerce (VT)
663. VF Jeanswear, L.P.
664. Victoria Chamber of Commerce (MN)
665. Viking Electronics
666. Villa International
667. Village of Forsyth
668. Virginia Chamber of Commerce (VA)
669. Virginia Chamber of Commerce Business Leadership (VA)
670. Vital Systems Electronics, Inc.
671. Volkan T Ltd.
672. VRF Financial Group Div. of Rocca International
673. Wallace and Wallace Associates
674. Wal-Mart Stores, Inc.
675. Warner Robins Area Chamber of Commerce (GA)
676. Washington Chain & Supply Co., Inc.
677. WBC Global
678. Wenatchee Valley Chamber of Commerce (WA)
679. West Bridge International Trade, LLC
680. West Forge Products
681. Weston Area Chamber of Commerce (FL)
682. Wheat Export Trade Education Committee
683. Whirlpool Corporation
684. Whitesboro Area Chamber of Commerce (TX)
685. Whitney National Bank
686. Wilkes Chamber of Commerce (NC)
687. Williams-Grand Canyon Chamber of Commerce (AZ)
688. Williamson & Cos Inc.
689. Williamson Group Inc.
690. WilmerHale
691. Winchester-Frederick County Chamber of Commerce (VA)
692. WineAmerica
693. Winona Area Chamber of Commerce (MN)
694. World Super Center
695. World Trade Center Delaware
696. World Trade Centers Association,Inc.
697. Worldwide Trade Connections
698. Xdepot.tv
699. Yes Fresh, L.L.C.
700. Zapata Enterprises, Inc.

Member List

U.S.-Korea Business Council
Secretariat

3M
ABB, Inc.
Abbott Laboratories
ACE Group
Advanced Medical Technology Association
Aerospace Industries Alliance
Agilent Technologies
Agmark Intermodal Systems, Inc.
Air Conditioning and Refrigeration Institute
Air Products and Chemicals, Inc.
Air Rover, Inc.
Alabama State Port Authority
Albemarle
Alfa Transformer Company
Allegheny Conference on Community Development
Allsopp & Company
Almell Products, Ltd.
Alticor, Inc.
Altria Group, Inc.
Amato Industries
Amatrol, Inc.
American Apparel & Footwear Association
American Cast Iron Pipe Company
American Chamber of Commerce in Korea
American Coatings, Inc.
American Council of Life Insurers
American Electronics Association
American Insurance Association
American International Automobile Dealers Association
American International Group, Inc.
American Seed Trade Association
American Soybean Association
American Standard Companies
Anderson Contracting, Inc.
Anderson Technologies
ANSAC
APL, Ltd.
Applied Materials, Inc.
AquaPura & Tempest Environmental Systems, Inc
Archer Daniels Midland
Arlington Chamber of Commerce
Asian Diversity, Inc.
Associated Industries of Arkansas, Inc.
Association for Manufacturing Technology
Association of Equipment Manufacturers
Association of Food Industries
Association of Washington Business
Atico International
AT&T
Avnet Inc
Avon Products Inc.
AXA Advisors
B & C Fire Safety, Inc.
Baker & McKenzie
Balch & Bingham LLP

Bank of America
Bankers Association for Finance and Trade
Barclays Global Investors
Barrow County Chamber of Commerce
Baxter International
Bechtel Corporation
Bessemer Area Chamber of Commerce
Beverly Hills Chamber of Commerce & Civic Association
BFL Associates, Ltd.
Bill Way International
Birmingham Regional Chamber of Commerce
Boeing Company, The
Boston Scientific Corporation
BottomLine on Marketing, The
BP Amoco
Bradley Arant Rose & White LLP
Brecht & Associates, Inc.
Bristol-Myers Squibb Co.
Brooks Automation, Inc.
Brown-Forman Corporation
Brown's International Enterprises, Inc.
Burlington Northern Santa Fe Railway
Business Roundtable
Business Software Alliance
Butler Fitzgerald Associates, Inc.
C & M International
Calen Sales
California Chamber of Commerce
California Table Grape Commission
Calmetrics Inc.
Campbell Soup Company
Capital Group Companies
Cargo Transport, Inc.
Case Corporation
Case New Holland
Caterpillar
Center Bank
CBOL Corporation
CCI, LLC
CH2M Hill
Chaffe, McCall, Phillips, Toler & Sarpy, LLP
Chamber of Commerce for Decatur & Macon County
Chamber of the Americas
Chamber/Southwest Louisiana, The
Chattanooga Area Chamber of Commerce
Chevron
Chicagoland Chamber of Commerce
China Leads LLC
Chubb Corporation, The
Church's Import & Export, Inc.
CIGNA
Cisco Systems
Citigroup, Inc.
Clarksville Area Chamber of Commerce
Clear Lake Area Chamber of Commerce
Cleary Gottlieb Steen & Hamilton LLP
Clifford Chance United States LLP
CMS and Consumers Energy
Coalition for Employment Through Exports, Inc.
Coalition of Service Industries
Coats North America
Coca-Cola Company, The
Combex Westhem L.L.C.
Comprehensive Market Access Coalition
Computer & Communications Industry Association
Computer Sciences Corporation
Computer Tech Marketing
Computing Technology Industry Association

Connersville Chamber of Commerce, Inc.
Consumer Electronics Association
Corn Refiners Association
Corning, Inc.
Cosmetic, Toiletry, and Fragrance Association, The
Covington & Burling
Cummins Inc.
Dakota Monument Company
Dangle Incorporated
Deloitte & Touche LLP
Denner Group International, Inc.
Descalzo International
Detroit Regional Chamber
DHL Express USA, Inc.
Diageo North America
Direct Marketing Association
Direct Selling Association
Discovery Communications, LLC
Discovery Exports and Imports
Distilled Spirits Council of the United States, Inc.
Dixon Area Chamber of Commerce & Industry
DJ Cargo Express
Donatti Translation & Interpreting
Dow Chemical Company
Dow Corning Corporation
Drummond Company, Inc.
Duberstein Group
Dubis Associates
Dublin Chamber of Commerce
Duluth Area Chamber of Commerce
Duncan's Hardware
EAP Lifestyle Management, LLC
Eastman Kodak Company
eBay, Inc.
ELAN International LLC
Elanco
Electricity Consumers Resource Council
Electronic Industries Alliance
Electronic Retailing Association
Eli Lilly and Company
Emergency Committee for American Trade
Emerson
Emsco Electrical Supply Co.
Entergy Corporation
Entertainment Industry Coalition
Entertainment Software Association
Estee Lauder
Everett Area Chamber of Commerce
Express Delivery & Logistics Association
Fairfield Enterprises
Fashion Institute of Technology
FBN Leasing and Financial
FedEx Express
Fierce, Isakowitz, & Blalock
Fifth Third Bank
Financial Services Forum
Financial Services Roundtable
Florida Chamber of Commerce
Fluor Corporation
Fonterra (USA) Inc.
Fontheim International, LLC
Food Marketing Institute
Food Products Association
Footwear Distributors & Retailers of America
FormFactor, Inc.
Foster Wheeler International Corp.
Frontier Trading Inc.
FTA Consultants

Gale International
Galilee Agency, Inc.
Gas Appliance Manufacturers Association
Gateway
GCT Services
General Electric
General Mills
Genworth Financial
GlaxoSmithKline
Global Investments & Traders, LLC
Global Publishers, LLC
Global USA, Inc.
Goldman Sachs
Goodyear Tire and Rubber Company
Google, Inc.
Gorbisco, Inc.
Gordley Associates
Grand Rapids Area Chamber of Commerce
Greater Dallas Chamber of Commerce
Greater Des Moines Partnership
Greater Haines City Area Chamber of Commerce
Greater Irving Las Colinas Chamber of Commerce
Greater Kansas City Chamber of Commerce
Greater Madison Chamber of Commerce
Greater Miami Chamber of Commerce
Greater New York Chamber of Commerce
Greater Pittsburgh Chamber of Commerce
Greater Portsmouth Chamber of Commerce
Greater Raleigh North Carolina Chamber of Commerce
Greater Rome Chamber of Commerce
Greater Tampa Chamber of Commerce
Greenberg Traurig, LLP
Grocery Manufacturers Association/FPA
Gulfstream
H.E. Anderson Company
Halliburton
HBST Enterprises, Inc.
Herbalife International of America, Inc.
Hewlett Packard
Home Depot
Horizon Law Group
Hormel Corporation
IBM
Iconics, Inc.
Illinois International Trade Center
Impact Homes
Impartia
Indiana Chamber of Commerce
Information Technology Association of America
Information Technology Industry Council
Ingersoll-Rand
Innovation Center/Pioneer Electric Cooperative
Intel Corporation
International Business-Government Counselors
International Communications Resources
International Dairy Foods Association
International Franchise Association
International Insurance Council
International Intellectual Property Alliance
International Paper Korea
International Sleep Products Association
International Titanium Corp.
International Trade Association of Greater Chicago
International Trademark Association
Internet LC.com
Jacksonville Port Authority
JCM Industries
JJP&R International, Inc.

Johnson & Johnson
Johnson City / Jonesborough / Washington County Chamber
Joliet Region Chamber of Commerce
Jones Walker
JPMorgan Chase & Co.
Kansas World Trade Center INC
Kekepana International
Kelsun Distributors
Kenan Institute of Private Enterprise
Kent & O'Connor
Kimberly Clark Corporation
King Electronic Packaging
Kissinger McLarty Associates
Korea-U.S. Consulting, Inc.
Kpartnerz, Inc.
La Kasbah
Laredo Chamber of Commerce
LASA Monroig & VEVE,LLC
LCA Sales Associates, Inc
Levi Strauss & Company
Lima/Allen County Chamber of Commerce (OH)
Lockheed Martin Corporation
Long Beach Area Chamber of Commerce
Los Angeles Chamber of Commerce
Louis Dreyfus Corporation
Lowe's Companies, Inc.
Lynxs CargoPorts
Macomb Area Chamber of Commerce
Macrolingua Publishing
Madison County Commission (Alabama)
Magnachip Semiconductor
Manchester Trade Ltd.
Manhattan Chamber of Commerce
Mannatech, Inc.
Manzella Trade Communications, Inc.
Maple Companies, The
Marshalltown Area Chamber of Commerce
Mary Kay, Inc.
Maryland/Washington D.C. Export Council
Mason City Area Chamber of Commerce
McKinney Consulting, Inc.
McGraw-Hill Companies, The
McGuire Woods Consulting
MDXI,LLC
Meadville Area Chamber of Commerce
Media General, Inc.
Medtronic, Inc.
Mehlman Vogel Castagnetti
Melaleuca, Inc.
Merck & Co., Inc.
MetLife
Metro Atlanta Chamber of Commerce
Metro Milwaukee Association of Commerce
Metropolitan Evansville Chamber of Commerce
Michael Best and Friedrich
Micron Technology, Inc.
Microsoft
Microtel International, Inc.
Milcoms
Miller & Chevalier
Milliken & Company
Mitchell Silberberg & Knupp
Mobile Area Chamber of Commerce
Motion Picture Association of America
Motorola
MWW Group
Naperville Area Chamber of Commerce
Nashville Area Chamber of Commerce

National Association of Credit Managers
National Association of Manufacturers
National Chicken Council
National Coffee Association of U.S.A.
National Confectioners Association
National Corn Growers Association
National Electrical Manufacturers Association
National Foreign Trade Council
National Grain and Feed Association
National Marine Manufacturers Association (NMMA)
National Milk Producers Federation
National Oilseed Processors Association
National Pork Producers Council
National Potato Council
National Retail Federation
National Wheat Growers Association
Navivan Corporation
Neil Adams, Inc.
Networks - Sullivan Partnership
New Balance Athletic Shoe, Inc.
New York Life
News Corporation
Nike
NKY Chamber of Commerce
Nortel
North American Export Grain Association
North San Antonio Chamber of Commerce
Northern Kentucky Chamber of Commerce
Northern Virginia Technology Council
Northrop Grumman Corporation
Novartis Corporation
Nu Skin Enterprises
Occidental Petroleum
Ohio Alliance for International Trade
Oklahoma State Chamber of Commerce
One Southern Indiana
O'Neill and Associates
Oracle
Oregon Potato Commission
Organization for Women in International Trade
Ositis Software, Inc.
Ovations
Overnite Transportation Company
Oxford
Oxley Consulting
Paramount Cosmetics
Paramount Farms
Patterson Fan International
PepsiCo
Pet Food Institute
Petroleum Equipment Suppliers Association
Pfizer, Inc.
PGENTERPRISE
Pharmaceutical Research & Manufacturers of America
PMMI
Poltvien Enterprises
Poor Man's Books
Porcelain Enamel Institute
Porter Wright Morris & Arthur, LLP.
Power Accessories of the Americas, Inc.
PPG
Prattville Area Chamber of Commerce
Pricewaterhouse Coopers
Procter & Gamble
Produce Marketing Association
Prosperity Consulting Group
Prudential Financial, Inc.
PSEG Global

Quaker Fabric Corporation
QUALCOMM, Inc.
RAMA Business Consulting
Rancho Cordova Chamber of Commerce
Rancho Cucamonga Chamber of Commerce
Rankin Equipment Company
Rapid City Area Chamber of Commerce
Raytheon Company
RD Global Trading
Recording Industry Association of America
Redwood Area Chamber & Tourism
Regions Bank
Retail Industry Leaders Association
Roche Korea
Rockwell Automation
Rogers & Brown Custom Brokers Inc
Rosemead Oil Products, Inc.
S & G Concrete, Inc.
San Blue Enterprises Private Limited
San Diego District Export Council
San Diego World Trade Center
Sandler, Travis & Rosenberg, P.A.
Schering-Plough Corporation
Schmeltzer Aptaker and Shepard
Seaboard Corporation
Seaboard Marine Limited
Securities Industry and Financial Markets Association
Security Vault Works, Inc.
Semiconductor Industry Association
Shook Mobile Technology
Sidley Austin LLP
Siemens Energy & Automation
Simon International, LLC
SKYWAY CARGO CORP
Smithfield
Soft Landing Korea, Ltd.
Software & Information Industry Association
Solomon Sky LLC
Sony America
Southwest Funding
Specialty Equipment Market Association
Spectrum 3D
Speech Phone
Springfield Area Chamber of Commerce
St. John Knits, Inc.
Starlight Capital, Inc.
Steptoe and Johnson LLP
Steve Cha & Associates
Stonebridge International
Summit Communications
Sunrider International
Sweetener Users Association
Sybase
Tabet Manufacturing Company, Inc.
Tacoma- Pierce County Chamber of Commerce
Target
TASER International
Technical Support Inc
Telecommunications Industry Association
Tennessee State Chamber of Commerce
Texas Association of Business
Textron, Inc.
Time Warner
Tradecom International, Inc.
Travel Goods Association
Tyco International (U.S.) Inc.
U.S. Association of Importers of Textiles and Apparel
U.S. Chamber of Commerce

U.S. Council for International Business
U.S. Dairy Export Council
United Airlines
United Color Manufacturing Inc.
United States Hispanic Chamber of Commerce
United Technologies Corporation
Unlimited Distribution
UPS
USA Dry Pea & Lentil Council
USA Poultry & Egg Export Council
Vail Valley Partnership
Verizon Communications
Vermilion Ventures - Investment Advisory
Vermont Chamber of Commerce
VF Jeanswear L.P.
Viking Electronics
Villa International
Virginia Chamber of Commerce Business Leadership
Vital Systems Electronics, Inc.
Volkan T Ltd.
W.L. Gore & Associates, Ltd.
Wallace and Wallace Associates
Wal-Mart Stores, Inc.
Walt Disney Company, The
Washington Chain & Supply Co. Inc.
Washington Council on International Trade
Washington State Potato Commission
WBC Global
West Bridge International Trade LLC
Wexler & Walker Public Policy Associates
Whirlpool Corporation
White & Case LLP
Williamson & Co., Inc.
Williamson Group
Wilmer, Cutler, Pickering, Hale & Dorr LLP
World Federation of Direct Selling
World Super Center
World Trade Center Delaware
World Trade Centers Association, Inc.
Worldwide Trade Connections
Wrigley
Xtreme Copy Services, Inc,
Zapata Enterprises
ZoAir Company, Inc.

July 17, 2007

Dear Representative,

The United States Hispanic Chamber of Commerce, the largest advocate for America's 2 million Hispanic-owned businesses, urges that you support the Panama, Peru, and Colombia Trade Agreements. The approval of these three trade agreements, which were formulated under a historic and precedent setting fair trade framework, and the need to negotiate similar agreements with Bolivia and Ecuador are of vital interest to securing our nation's long term economic and diplomatic strength in the Western Hemisphere.

The USHCC is encouraged by the bi-partisan cooperation of House and Senate leaders in advancing a historic framework for these and all future trade agreements. These agreements will promote the long sought and elusive concept of "fair trade" and propose a win-win scenario for businesses and workers on both sides of the border. These agreements will lower tariffs and boost U.S. exports, including exports from those industries where the United States has lost jobs to overseas production like textiles and manufacturing. Ultimately, American workers and businesses alike will benefit from lower tariffs and increased capital investments while making our country more competitive in the global market.

The primary beneficiaries of these three agreements will not be huge multi-nationals but small and medium sized companies with an average of less than 100 employees. Over 80 percent of current U.S. exporters to Peru, Panama, and Colombia are Small and Medium Enterprises (SMEs). Of the 19,513 U.S. companies doing business with Peru, Panama and Colombia, 15,961 are SMEs with exports totaling $3.023 billion and representing 41 percent of total U.S. exports to those countries. Nonetheless, many more small businesses fail to export their products or services because of licenses, fees and other non-tariff barriers; barriers that would be fixed under these agreements. Many more small businesses will also find new markets for services and find their intellectual property protected under the provisions of these agreements.

The beneficiaries of trade with Peru, Panama and Colombia are not exporters alone – it includes a host of other industries that do not traditionally engage in international business. These trade agreements provide small businesses with expanded access to government procurement contracts. Those contracts for roads, schools, clinics, and the like are often too small for major American companies to perform profitably. But they are just the kinds of contracts our smaller construction companies, distance learning and medical equipment companies – just to mention a few – can fulfill beautifully.

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http://www.ushcc.com

Furthermore, these trade agreements are crucial to reclaiming American diplomatic influence in Latin America. If diplomacy follows the dollar, we ought to be concerned that China is quickly becoming the principal trading partner to Latin America by consuming nearly 60% of the primary products and manufactured goods produced south of the border. Trade has long been considered an end in itself, but in this case advances diplomacy, spurs economic growth, and promotes environmental safeguards and ILO worker rights. Three years after passage of an FTA with Chile, per capita income rose by 83% over the same period, and unemployment fell from 8.1% in 2003 to 6% at the end of 2006 in that country. It is through trade and economic development that these countries will generate employment, ameliorate poverty, control migration, increase wealth, and strengthen the democratic institutions through which our countries can be better allies.

These trade agreements will not only help U.S. business and workers, but will ensure economic security and a reduction in the current $60 billion trade deficit while strengthening our relationships in the region. Therefore, we encourage you to approve these trade agreements, bring up the Peru bill before August recess, and schedule these agreements in whichever order will best ensure their passage. Please note that these votes may be scored by our organization.

Sincerely,

Michael L. Barrera
President & CEO

Setting Standards for Excellence

Statement by the National Electrical Manufacturers Association for the November 1, 2007 House Small Business Committee Hearing on "Evaluating the Impact of Pending Free Trade Agreements Upon U.S. Small Businesses"

Chairwoman Velazquez, Ranking Member Chabot, and Distinguished Members of the Committee:

The U.S. electrical and medical imaging equipment industry, which includes scores of small, medium and large businesses, strongly urges the Committee and House of Representatives to approve the four pending trade agreements, as well as renew Trade Promotion negotiating Authority (TPA), as soon as possible:

- **The U.S.-South Korea Free Trade Agreement**: Seoul is already one of our largest foreign trading partners, and our industry has returned to running a sectoral trade surplus with it in recent years. The overall FTA package would improve conditions for selling there by featuring the elimination—most of it immediate—of remaining tariffs on goods in NEMA's product scope. This will both open the door for increased NEMA member exports, and also provide the South Koreans with even better access to top-quality electrical equipment as they strive to take their country's post-war economic success story to a higher level.

- **The U.S. Free Trade Agreements with Panama, Peru and Colombia**: Our industry already enjoys sectoral trade surpluses with each of these rapidly evolving economies, and the elimination of tariff and non-tariff barriers via these FTAs stands to improve our members' prospects even further – especially as opportunities such as the Panama Canal widening project come on stream.

- **Trade Promotion Authority Renewal**: Eliminating trade barriers and extending the benefits of free trade are good for both our country and our foreign trading partners. For our industry, electrical and medical imaging equipment exports have steadily grown as a direct result of U.S. trade legislation. Enforcement of such a groundbreaking agreement as an FTA is always an issue, even with our closest allies. But while we must do a better job there, those challenges should not impede our progress in opening new market opportunities for our exports. With the Administration having recently made full concessions on labor and the environment to address the longstanding stated concerns of many Members of Congress, now is the time for the latter to show that they actually do support trade.

National Electrical
Manufacturers Association
www.nema.org

1300 North 17th Street, Suite 1752
Rosslyn, VA 22209
703.841.3200
Fax 703.841.5900

The National Electrical Manufacturers Association is the trade association of choice for the electrical manufacturing industry. Founded in 1926 and headquartered in Rosslyn, Virginia, its 430 member companies manufacture products used in the generation, transmission and distribution, control, and use of electricity. These products are used in utility, medical, industrial, commercial, institutional, and residential applications. Domestic production of electrical products sold worldwide exceeds $120 billion.

For more information, contact John Meakem (joh_meakem@nema.org, 703-841-3243) or Craig Updyke (cra_updyke@nema.org, 703-841-3294).

PUBLIC DOCUMENT

BEFORE THE

HOUSE COMMITTEE ON SMALL BUSINESS

Washington, D.C.

November 1st, 2007

In the Matter of:

"Evaluating the Impact of Pending Free Trade Agreements Upon U.S. Small Businesses"

WRITTEN STATEMENT ON BEHALF OF EXPORAMERICA

November 1st, 2007

Carlos Mateo Paz-Soldan, Esq.
SAUL EWING LLP
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EXPORAMERICA
C/o Diego Calmet
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Lima 27 – Peru

This statement is submitted on behalf of EXPORAMERICA, an association of Peruvian apparel companies whose objective is to promote increased trade between Peru and the U.S. Exporamerica presented testimony at the public hearing conducted by the International Trade Commission (ITC) on March 15, 2006, in connection with its investigation regarding the Peru Trade Promotion Agreement (PTPA), and before the House Ways and Mean Committee's hearings.

I. U.S. – Peru Trade in Fibers, Yarns, and Apparel – A Mutually Beneficial Relationship

Since the implementation of the Andean Trade and Drug Eradication Act (ATPDEA) in 2002, trade in textiles and apparel between the U.S. and Peru has grown considerably.[1] In Peru's case apparel exports have nearly doubled since 2001 and Peru has surpassed Colombia to become the leading Andean exporter of textiles and apparel to the U.S. Although Peru supplied only 1% of total U.S. apparel imports in 2005, it was the fifth largest source of knit cotton shirts and blouses, with shipments of $644 million (equal to 78% of US textile and apparel imports from Peru) and a 5% marketshare.[2]

Peru's growth has also led to significant benefits for the U.S. as demand in Peru for raw materials has outstripped supplies. As noted by the I.T.C., U.S. cotton for use in the textile and apparel industry is a major export product to Peru,[3] and the provisions of the PTPA are likely to have a significant positive effect on U.S. cotton exports to Peru.[4] In addition, according to the ITC, tariff liberalization under the PTPA will likely result in a large percentage increase in U.S. exports of textiles and apparel to Peru. These exports consist mostly of yarns, fabrics, and garment parts.[5]

Building on the benefits of the ATPDEA (which is set to expire in February of 2008), and its predecessor the ATPA of 1991, the PTPA has been signed by executives of both countries and ratified by the Peruvian Congress, but is still pending approval of the U.S. Congress. The increasing interconnectedness of the U.S. and Peruvian textile and apparel industries, which is a direct outgrowth of the ATPDEA, is also creating a mutually beneficial trade relationship that will permit industries in both countries to face the stiff competition coming from China and other Asian producers, which largely do not use U.S. inputs in their textile and apparel production. The PTPA will allow this already thriving relationship to grow.

[1] The ATPA (1991) and the ATPDEA (2002) , although used interchangeably at times in this testimony, contain differences of importance to the textile and apparel industry. According to the International Economic Review (published ITC #3571 Nov./Dec. 2002), the ATPDEA "authorizes the extension of duty—free treatment to certain products previously excluded from ATPA preferences, including certain textiles and apparel, footwear, petroleum and petroleum derivatives, watches and watch parts (including cases, bracelets, and straps), and certain tuna in smaller foil or other flexible airtight packages (not cans). However, ATPDEA did not renew the reduced--duty provisions on certain handbags, luggage, flat goods, work gloves, and leather wearing apparel."

[2] United States International Trade Comission, "U.S.-Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects" – USITC Publication 3855, May 2006, p. 3-22.

[3] United States International Trade Commission, "The Impact of the Andean Trade Preference Act" – Eleventh Report 2004, USITC Publication 3803, September 2005, p. 2-38.

[4] United States International Trade Comission, "U.S.-Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects" – USITC Publication 3855, May 2006, p 3-7.

[5] Ibid p. 3-22.

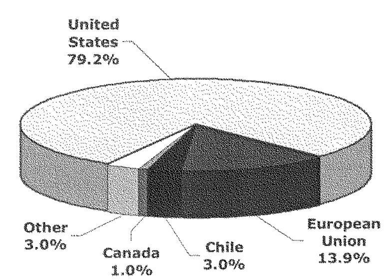
The emerging "strategic alliance" between textile and apparel industries in both countries is being replicated in other FTAs between the U.S. and its trade partners in the Western Hemisphere. This will help Peru and the U.S. to face the threat presented by Chinese and Asian competition, which in many instances depends on subsidies; artificially low exchange rates to promote exports; and labor that in many cases does not conform with minimum, internationally-recognized, labor standards, none of which occurs in Peru, a country that scrupulously observes the 71 International Labor Organization (I.L.O.) agreements to which it has subscribed.

II. Importance of the Textile and Apparel Industry to Peru's Economy

The textile and apparel manufacturing industry represents around 10% of Peru's total exports. It is one of Peru's leading industries and an estimated source of direct and indirect employment for over 500,000 Peruvians. As such, it accounts for nearly 20% of the country's manufacturing jobs and almost 10% (considering an average family size of 5) of Peru's population of 28 million depends on this industry for its livelihood.

It is also one of Peru's fastest growing export industries. In 2005, Peru exported approximately US$ 1,150 billion worth of textiles and apparels, compared to US$ 664 million in 2001. Approximately 79.2% of Peru's exports were destined to the U.S. market. This industry has become successful in large part thanks to the ATPDEA.

Target Markets
Clothing and Other Apparel
2004



Source: Aduanas (Peru Customs)

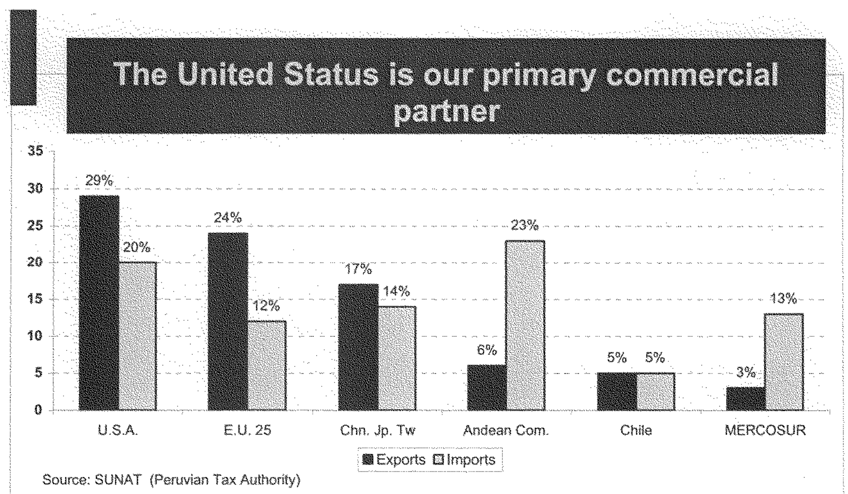
The qualitative importance of apparel exports to Peru becomes evident when considering that 70% of Peru's exports correspond to minerals (gold, copper, lead, silver, zinc, etc.) and fish meal, all of which represent commodities and have little or no value-added. In this regard, it is estimated that an article of clothing multiplies the value of the fiber approximately 12 times. Peru's apparel industry allows for substantial value added because, unlike neighboring Colombia or the Central American nations which are overwhelmingly maquila (cut & sew) oriented, its industry is vertically integrated throughout the productive chain and its niche market is the "full package" product. Approximately 80% of Peru's textile and apparel exports are represented by cotton garments and fabrics. Of this amount, about 80% are knit fabrics.

III. <u>Benefits to the U.S. Economy</u>:

A. <u>Cotton</u>

As is shown in the chart below, the U.S. is Peru's primary trade partner and the destination for nearly one third of the country's exports. As indicated earlier, Peru's growing exports also benefit the U.S. In the case of apparel, 95% of Peru's exports are manufactured from cotton fiber. Given that there is a shortfall of cotton production in Peru for use in export garments, the country must import cotton to meet the demand of its textile and apparel sector. According to the ITC, Peru imported an average of 39625 MT of cotton annually from 2000-2005, of which 27,155 MT, or more than two-thirds, were imported from the United States.[6] This growing consumption of U.S. cotton has been spurred by the ATPDEA and will be further encouraged by approval of the PTPA.

It should be noted that, at present, U.S. cotton exports to Peru are currently subject to a 12% import duty on the CIF value. Upon implementation of the PTPA, this import duty will be eliminated immediately. This will further encourage U.S. cotton exports to Peru and in turn make Peruvian apparel more competitive price-wise in the U.S. market. Moreover, Peruvian imports of a variety of synthetic fibers, demand for which has grown on a daily basis, are also likely to increase significantly. However, allowing the ATPDEA to lapse without the PTPA in place would immediately threaten this thriving relationship and hurt Peruvian apparel producers and their U.S. cotton suppliers.



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[6] ITC May 2006 report, p. 3-8.

Recognizing the benefits to the U.S. cotton industry of increasing exports of U.S. cotton to the ATPDEA countries, the Memphis, TN-based, National Cotton Council (NCC) passed a resolution supporting the adoption of the PTPA and its strong rule of origin requirements, and informed the U.S.T.R. that the NCC had determined that the agreement will be beneficial for U.S. cotton producers and for U.S. textile and apparel manufacturers.[7] The chart below shows the growth in U.S. cotton exports to Peru over the last five years.

U.S. Cotton Exports to Peru (including US Pima and US Upland)[8]

YEAR	VOLUME M.T. FIBER	CIF VALUE IN US $	TOTAL IMPORTS %
2001	23,294,206	31,640,563	58.4
2002	31,359,226	36,722,259	75.7
2003	34,032,917	48,952,961	86.0
2004	23,828,597	43,286,463	71.9
2005	34,764,482	48,665,512	75.0
2006	31,504,338	42,448,355	84.7
2007*	34,327,180	51,241,751	90.8

* January to July 2007.

B. Yarns and Fabrics

The rules of origin agreed to under ATPDEA, and the PTPA, are designed to foster the use of inputs produced in member countries (the use of yarn or fabrics from third parties – as is the case in some of the countries that participate in the CAFTA- is not allowed in PTPA except in specific cases). Once the PTPA is in place Peru is expected to increasingly meet its unsatisfied demand for yarn and fabrics with products manufactured in the U.S., because this is the only way in which apparel will qualify for duty free treatment in the U.S. under the rules of origin.

As the ITC notes, U.S. textile firms generally support the rules of origin for textiles and apparel under the PTPA because the rules ensure that the agreement benefits both parties and will further regional integration goals.[9] Under the agreement, yarns and fabrics produced in the U.S. will enter Peru duty free immediately upon implementation. This will boost imports from the U.S., which will have an advantage vis-à-vis yarn and fabric suppliers that pay a 25% customs tariff to enter Peru. Again, expiration of the ATPDEA, without the PTPA in place, will interrupt this flow and will threaten the growth in trade between both countries that would otherwise be expected from a smoother transition from the ATPDEA to the PTPA.[10]

[7] "Cotton's Week" (NCC Newsletter), February 17, 2006, referring to letter from John Maguire, NCC senior vice president, Washington Operations to Ambassador Portman.

[8] - Source : Aduanas.

[9] United States International Trade Comission, "U.S.-Peru Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects" – USITC Publication 3855, May 2006, p. 3-23.

[10] The National Council of Textile Organizations (NCTO), another major U.S. association based in Gastonia, NC, which represents numerous yarn and fabric producers throughout the U.S., but who are mostly concentrated in North Carolina, South Carolina, and

C. The Apparel Value Chain in the U.S. and Other Considerations

In addition to the direct benefits to the U.S. cotton and textile industries noted above, growing apparel imports from Peru under the ATPDEA have generated benefits to the U.S. economy across the entire transportation, distribution, and retail chain. In this regard, if for example a clothing garment has a FOB Callao-Peru value of US$ 6.00, the price at which the same garment is sold in the U.S. generally ranges from US$ 40 to 50. This price differential indicates that a greater portion of the value chain involved in Peruvian apparel exports remains in U.S. hands. These considerable benefits are distributed among U.S. sea, air, and land transporters; couriers; ports; warehouses and distribution facilities; and finally retailers. It is also safe to say that the Peruvian apparel industry supports thousands of U.S. jobs along the value chain associated with this trade. Finally, the last link of this value chain is, of course, the U.S. consumer who as a result of the ATPDEA has had access at more competitive prices to high-quality apparel containing in many instances cotton and animal fibers unique to Peru.

In this regard, it is important to mention that Peruvian apparel exports include those manufactured with wools from species in the camelid family such as the alpaca, llama, and vicuña. This uniquely Peruvian production has grown rapidly in recent years, does not compete with U.S.-produced apparel, and has resulted in concrete conservation and environmental benefits in Peru.[11]

Under both the ATPA, and its successor the ATPDEA, Peru's growing apparel industry, its capacity to generate employment, and its need for imported and domestically grown cotton and other inputs, has also contributed to Peru's success in reducing illegal coca-leaf cultivation and providing alternative, legal, employment for tens of thousands of Peruvians. This is an important U.S. strategic objective in the war on drugs, the struggle against narcotics trafficking towards the U.S., and keeping illegal drugs out of U.S. communities and neighborhoods. This is also a key reason for approval of the PTPA.

Figures from the ITC noted that net coca cultivation decreased dramatically from 115,300 hectares in 1995 to 27,500 hectares in 2004.[12] Although coca cultivation has risen slightly in Peru in the last two years, it is important to note that since 2000, coca cultivation in the Andean region as a whole has declined by nearly 30% to 158,000 hectares, according to the United Nations Office on Drugs and Crime (UNODC).[13] Given that the ATPDEA has been in place since 1991, it is clear that this program has been an invaluable tool in reducing coca cultivation by spurring the growth of the apparel and other export-driven industries in Peru.

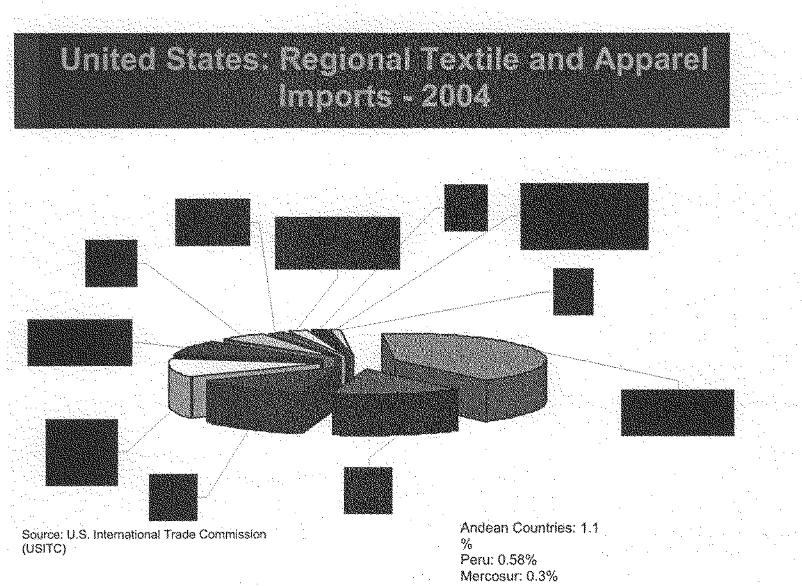
Georgia, is also pleased that the PTPA addresses all the major negotiating objectives, which significantly enhances the hemispheric supply chain and makes these improvements permanent. The structure and rules of the PTPA will benefit textile and apparel producers in both countries.

[11] Once endangered wild vicuña herds, which have some of the finest fibers in the animal kingdom, are making a comeback in the impoverished Andean highlands thanks to export markets created in the last 15 years for apparel made with their wool.

[11] United States International Trade Commission, "The Impact of the Andean Trade Preference Act" – Eleventh Report 2004, USITC Publication 3803, September 2005, p. 4-14.

[13] UN Office on Drugs and Crime, "Coca Cultivation in the Andean Region: A Survey of Bolivia, Colombia and Peru," June 2006, Preface.

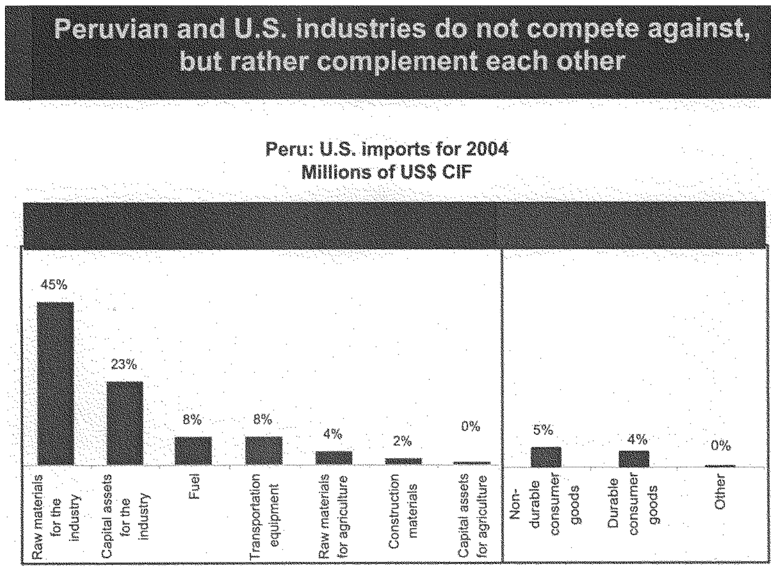
In observing the overall picture, it is also important to note that Andean apparel exports to the U.S. do not even reach 1.1% of total U.S. imports. Therefore, there is no risk of displacement or damage to the U.S. from Peruvian apparel imports.



It should be considered that, as shown in the chart below, Peruvian and U.S. economies are complementary in many aspects and barely compete against each other, and therefore, a bilateral agreement generates a win-win situation for both countries.

In this regard, it is estimated that for every dollar exported by the ATPDEA beneficiary countries to the U.S., 94 cents worth of U.S. goods are in turn imported by the ATPDEA countries, whereas by way of comparison the Asian countries only buy 14 cents out of every dollar exported to the U.S.[14]

[14] The ATPDEA beneficiary countries are Bolivia, Colombia, Ecuador and Peru.



IV. Peru TPA and Labor

The growth of globalized, export-based industries in Peru has been such that in parts of the country such as Ica and La Libertad there is full-employment year round and extreme poverty has been reduced by an astounding 36% comparable to levels experienced nationwide by countries such as Chile. The cotton, textile and apparel industries located in these regions have helped to contribute to these successes. Moreover, workers in these industries earn good wages by Peruvian standards which is helping to reduce Peru's extreme poverty levels. In recent years for example, the former Peruvian Prime Minister Pedro Pablo Kuczynski announced that extreme poverty has been reduced from 24% to 18% between 2001 and 2005.

In addition, the approval of the PTPA will also be an effective tool for providing support to Peru in light of the recent earthquake which occurred precisely in the areas south of Lima that have benefited from the ATPDEA and will benefit from the PTPA. This seismic event resulted in hundreds of deaths and up to 70% destruction of cities such as Pisco.

In terms of its commitment to global labor standards, Peru has ratified 71 ILO conventions, including the eight "core conventions." It has been praised multiple times by the ILO for its progress in improving labor laws. In addition to all of the ILO's Core Labor Rights Conventions, the PTPA's labor standards exceed those of five other previously-ratified trade agreements: Jordan, Chile/Singapore, CAFTA, Bahrain and even the ATPDEA, which does not make ILO or national standards mandatory.

The PTPA goes beyond many other free trade agreements in the enforcement of worker rights and dispute resolution. The PTPA-created Labor Affairs Council develops public participation in reporting and funding to ensure implementation of the agreement and improved cooperation and capacity-building mechanisms.

Finally, Peru approved the latest changes proposed in a letter signed by bipartisan leaders from the U.S. Congress and Administration on May 10, 2007, the considerable commitments have already been incorporated and ratified by Peru's Congress on July 28, 2007, and will be implemented by Presidential decrees.

V. Investment and Dispute Resolution

The PTPA's Investment Chapter will facilitate transactions for U.S. industries and banks, as well as commercial and service companies, among others, that have investments or are interested in investing in Peru. U.S. investors will be treated equally as local institutions. Moreover, they will have full freedom to remit investments and profits. Therefore, it is possible that U.S. textile companies will install industrial plants and trading companies in Peru, which will use supplies produced in the United States, such as state-of-the-art fibers, yarns and fabrics.

It should also be pointed out that the PTPA contemplates a dispute settlement mechanism, designed to provide security to U.S. investors in Peru given that any controversy will be resolved on a fair and equitable basis, without the intervention of political or other considerations in the settlement of disputes.

VI. Concluding Remarks

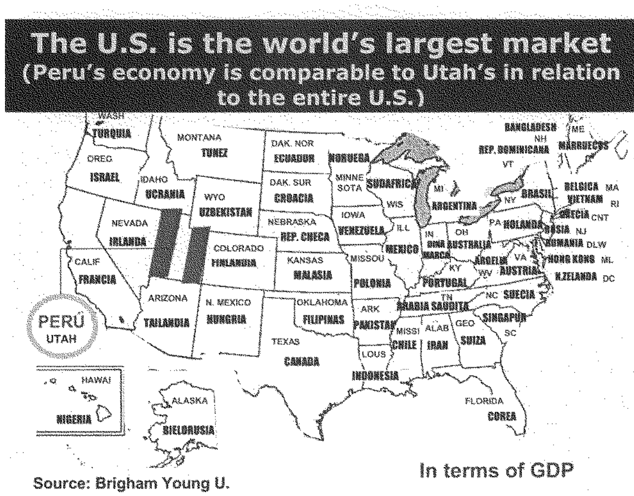
The Peruvian economy, as shown in the chart below, is clearly very small in comparison to U.S. economy. However, an emerging strategic alliance between the textile and apparel industries of both countries, and more broadly between the countries themselves, which has been made possible by the ATPA/ATPDEA, and will be enshrined by the PTPA will provide stability to the hemisphere based on the common principles shared by the U.S. and Peru, such as freedom and democracy, upon which fair and prosperous societies are based.

The ATPA/ATPDEA has brought significant benefits to the United States – progress in the "war on drugs," benefits to U.S. consumers of imports from Peru and segments of the U.S. economy from distribution and manufacturing – as well as to Peruvian economy in general and to the apparel sector in particular. The PTPA will consolidate these benefits and provide increased opportunities for small businesses to export to Peru.

Exporamerica is pleased that the United States has negotiated a free trade agreement with Peru that subject to the rules of origin would provide duty-free treatment to imports from Peru.

The PTPA is also an excellent opportunity to increase opportunities for U.S. SMES. As indicated by Deputy USTR John Veroneau, in 2005 U.S. SMES exported $ 744 million in merchandise to Peru, representing 38% of total U.S. exports to Peru – well above the 29% SME share of U.S. exports to the world. More than 81% of U.S. companies that export to Peru are SMES. In addition many of our companies that import apparel from Peru are SMES yet our activities generate many jobs and revenues for the U.S. economy, as indicated above, through the apparel value chain.

Exporamerica urges prompt consideration and approval by the U.S. Congress of the PTPA, and looks forward to working with this body to achieve this objective.



Peruvian Asparagus Importers Association

STATEMENT OF THE PERUVIAN ASPARAGUS IMPORTER'S ASSOCIATION

BEFORE THE

HOUSE COMMITTEE ON SMALL BUSINESS

Full Committee Hearing
"Evaluating the Impact of Pending Free Trade Agreements Upon U.S. Small Businesses"

Washington, D.C.

November 1st, 2007

Introduction

This statement is submitted on behalf of the Peruvian Asparagus Importers Association (PAIA). PAIA is a not-for-profit association of 29 U.S. companies and 3 Peruvian Companies that earn a living by importing fresh asparagus from Peru.[1] PAIA presented testimony at the public hearing conducted by the International Trade Commission (ITC) on March 15, 2006 in connection with its investigation regarding the Peru Trade Promotion Agreement (PTPA), and also presented a previous version of this statement at the House Ways and Means hearings.

I. <u>The Peru TPA would continue favorable economic trends begun under the ATPA for both the United States and Peru</u>

PAIA's particular area of interest in the context of trade between the U.S. and Peru is imports of fresh asparagus from Peru. Under the ATPA and its successor, the Andean Trade Promotion and Drug Eradication Act (ATPDEA), imports of fresh asparagus from Peru have been accorded duty-free treatment since 1992.[2] PAIA strongly supports the actions of U.S. and Peruvian negotiators to maintain this duty-free treatment for imports of fresh asparagus under the terms of the PTPA. The duty-free treatment accorded to imports of fresh asparagus from Peru since 1992 has resulted in pronounced economic benefits to U.S. consumers, U.S. importing

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[1] The U.S. member-companies of PAIA are: Altar Produce Inc.; Alpine Fresh; AYCO Farms Inc.; CarbAmericas Inc.; Chestnut Hills Farms – Bounty Fresh; Central American Produce Inc.; CH Robinson; Consolidated Growers International; Contel Fresh Inc.; Crystal Valley Foods; Dole Fresh Vegetables Inc.; Fru-Veg Marketing Inc.; Globalex Inc.; Gourmet Trading Company; Jacobs Malcolm & Burtt; Keystone Fruit Marketing; Mission Produce Inc.; North Bay Produce; Pro-Act LLC; Progressive Marketing Group; Rosemont Farms Corporation; Southern Specialties; Team Produce International; Triton International; YesFresh, LLC; AL-FLEX Exterminators; APL Limited; Customized Brokers;; The Perishable Specialist, Inc.; and the Peruvian are Kuehne & Nagel S.A., UPS-SCS Peru Srl and Hellmann Worldwide Logistics.

[2] The ATPDEA is currently scheduled to expire as on February 29, 2008. Imports of fresh or chilled asparagus from Peru are not currently subject to duty-free treatment under the Generalized System of Preferences.

companies, U.S. distributors, U.S. transportation companies, the many other companies in the domestic commercial chain, the Peruvian economy, and the thousands of people in Peru whose livelihood is dependent on trade with the United States. However, if the PTPA is not approved by Congress, or is implemented sometime after March 1st, 2008, and the ATPDEA is not renewed in the interim, this will surely result in discernible economic harm to both the United States and Peruvian economies. Moreover, approval of the PTPA would also be an effective tool for providing support to Peru in light of the seismic events that resulted in hundreds of deaths and up to 70% destruction of cities such as Pisco in the country's main agroexport production area of Ica.

Peru is the world's largest exporter of asparagus,[3] and that crop stands squarely at the heart of a dynamic agroexport sector in Peru.[4] As the ITC has noted in prior reports, asparagus is a perennial crop that requires substantial long-term investment. Peru's exceptional climate conditions, its favorable geographic location, and the advances made by Peru in its management of water supply for irrigation, has enabled the country to achieve the highest asparagus crop yields in the world.[5] "Peru is one of only a few countries whose favorable climate enables it to produce asparagus year round."[6] In turn, the asparagus-growing industry in Peru is estimated to employ nearly 60,000 people,[7] and has enabled regions of the country – such as Ica and La Libertad – to become models of economic development and engines of job creation.

The Asociación de Gremios Productores y Agroexportadores del Perú (AGAP) (the umbrella organization for Peru's agricultural producers and exporters) estimates that the Peruvian agroexport chain as a whole has generated 600,000 jobs, three times more than were generated in traditional agriculture sectors. [8]

According to U.S. Customs, in the past two years, U.S. imports of fresh asparagus from Peru had a value of between $100 and $110 million. That is a significant amount of foreign

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3 *World Horticultural Trade & U.S. Export Opportunities: World Asparagus Situation & Outlook*, Foreign Agricultural Service, U.S. Department of Agriculture (August 2005) at 1 (data provided for 2004). The United States "is Peru's top market, accounting for 75 percent of Peru's fresh asparagus exports in 2004." *Id.* at 3

4 *World Horticultural Trade & U.S. Export Opportunities: World Asparagus Situation & Outlook*, Foreign Agricultural Service, U.S. Department of Agriculture (July 2004) at 2 ("In 2003, asparagus became Peru's leading agricultural export, valued at a record $206 million, bumping coffee to second place.").

5 *The Impact of the Andean Trade Preference Act: Eleventh Report 2004*, Inv. No. 332-352, USITC Pub. 3803 (September 2005) at 2-20.

6 *Id.*

7 *Id.* at 3-14.

8 *See Improving Competitiveness and Market Access for Agricultural Exports Through the Development and Application of Food Safety and Quality Standards: The Example of Peruvian Asparagus*, A Report by the Agricultural Health and Food Safety Program of the Inter-American Institute for Cooperation on Agriculture (IICA), Tim M. O'Brien and Alejandra Díaz Rodríguez (July 2004) at 4-5.

AGAP discussed this finding in a report that it presented earlier this year to the Technical Working Group for the PTPA from the Congressional Agricultural Commission in Peru. AGAP's president, Felipe Llona Málaga, explained that the high level of employment generated in the agroexport sector is concentrated in crops including asparagus, artichokes, paprika, onions, grapes, and garlic, particularly in the provinces of Lima, Ica, Piura, La Libertad, and others.

exchange earnings for a country with a gross domestic product of only $67.1 billion, and with a per capita GDP of only $2,777 per year.[9] The success of Peru's agroexport industry in general, and the asparagus industry specifically, over the past decade is one of the signal achievements of the ATPA in that it has effected the creation of high-value marketable agricultural businesses at the expense of illegal coca cultivation. In its most recent report on the impact of the ATPA, the ITC noted that net coca cultivation decreased dramatically, from 115,300 hectares in 1995 to 27,500 hectares in 2004.[10]

II. Economic Benefits of the US – Peru Trade in Asparagus

While the Peruvian asparagus industry has created tangible economic benefits in that country, the U.S. has also derived a significant economic benefit from this trade. The vast majority of the value chain generated by sales of Peruvian asparagus in this market remains in this country. For example, in 2003, the value chain for imports of fresh asparagus from Peru was worth approximately $300 million. Of that total, approximately 70 percent remained in U.S. hands, including air, sea and land carriers, importers, ports, storage facilities, distributors, wholesalers and retailers. In other words, for every dollar spent by a U.S. consumer on fresh asparagus imported from Peru, 70 cents remains in the U.S. Moreover, even of the 30 percent that reverts back to the country-of-origin, a substantial portion is spent on U.S. inputs such as seeds and fertilizers.[11]

In addition, imports of fresh asparagus from Peru fuel job creation in the United States. PAIA estimates that aside from the several hundred persons employed or indirectly involved in the process of importing fresh asparagus imports from Peru, these imports result directly or indirectly in the creation of at least 5,000 U.S. jobs in companies throughout the commercial chain.

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9 *See Background Note: Peru*, U.S. Department of State (December 2005), http://www.state.gov/r/pa/ei/bgn/35762.htm (last visited March 22, 2006). Peru's asparagus exports are forecast to increase by an additional 3 percent in 2006. *World Horticultural Trade & U.S. Export Opportunities: World Asparagus Situation & Outlook*, Foreign Agricultural Service, U.S. Department of Agriculture (August 2005) at 3.

10 *The Impact of the Andean Trade Preference Act: Eleventh Report 2004*, USITC Pub. 3803 at 4-14.

11 Transcript of hearing before the United States International Trade Commission: *In the Matter of: U.S.-Peru Trade Promotion Agreement: Potential Economywide and Selected Sectoral Effects*, Investigation No. TA-2104-20 (March 15, 2006) at 33-35 (hereafter "Tr. at ___") (testimony of John-Campbell Barmmer).

For example, in 2003 (the last full year for which the complete set of following data are available), the fob value of Peruvian fresh asparagus exports to the U.S. was approximately $78.5 million. The comparable cif value was $132.7 million. The value that accrued to importers was approximately $20 million, while the value that accrued to wholesalers and retailers was approximately $90 million. In addition, other value-added in the U.S. (*e.g.*, for storage, fumigation, etc.) totaled approximately $15 million. These sub-totals sum to $258 million, which represents the approximate retail value of fresh asparagus imports from Peru sold off the U.S. supermarket shelves. In other words, approximately 30 percent of that end-value ($78.5 million out of $258 million) remains in Peruvian hands, while the remainder ($179.5 million out of $258 million) remains here in the United States.

Sources: Aduanas (National Customs Superintendency of Peru); U.S. International Trade Commission Trade DataWeb; estimates by APOYO Consultoría, and the Instituto Peruano del Espárrago y Hortalizas (IPEH).

III. <u>Peruvian Asparagus Imports are *Counterseasonal* to U.S. Asparagus Production</u>

Imports of fresh asparagus from Peru also serve a U.S. market demand that cannot be met by domestic growers alone. The most important factor here is that imports of fresh asparagus from Peru are largely counter-seasonal to the U.S. crop. As the ITC has noted, historically, the season for U.S. production has differed somewhat from that of most imports from ATPA countries, with the bulk of fresh asparagus imports from ATPA countries entered during July through the following January when overall U.S. production is low.[12]

According to official U.S. import statistics for 2005, 85 percent of total fresh asparagus imports from Peru entered the United States during the months of July through January; only 15 percent entered during the remainder of the year (February through June). In contrast, the peak production period for U.S.-grown fresh asparagus is February through June; therefore, all or nearly all U.S. production occurs during a period when the level of imports from Peru is minimal.

This is not to say that there are no imports of fresh asparagus from Peru present in the U.S. market during the peak production period for the U.S. crop; as referenced above, imports of Peru during the February – June period represent 15 percent of total annual imports from that country, or approximately 9,794 net tons (2005 data). However, even in this period, imports from Peru largely complement, rather than supplant, the U.S. crop. The vast majority of fresh asparagus imports from Peru enters the United States through the Port of Miami,[13] and are sold predominantly in East Coast markets. Because of the distances involved, the high costs for transportation – exacerbated by recent increases in gasoline prices – and the perishable nature of the product, most of the fresh asparagus produced in California and Washington are sold in West Coast and Southwest markets.

Therefore, even to the extent that there is some degree of overlap between the U.S. production period and imports from Peru, direct competition between these sources is minimal. ***Aside from Peruvian asparagus being counterseasonal to asparagus produced in the U.S., it is also marketed to regions dissimilar to those regions targeted by U.S. growers.*** Most of the imports from Peru that enter the United States during the February through June period are marketed in the East Coast and southeast United States regions which would not otherwise be served by domestic sources. Indeed, the advent of year-round availability of fresh asparagus from Peru has allowed U.S. consumers in large geographic portions of the country to gain access to this product at times when supply would simply not exist from U.S. growers. This is one reason why per capita consumption of asparagus in the United States has doubled in the last decade alone, exceeding the rate of growth exhibited by nearly all other fruits and vegetables. As the ITC recently stated, the impact of ATPA on U.S. consumers has been significant in that imports of Peruvian fresh-market asparagus, together with Mexican exports and U.S. production, have resulted in greater availability of fresh asparagus throughout the year. This extended

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12 *The Impact of the Andean Trade Preference Act: Eleventh Report 2004*, USITC Pub. 3803 at 3-12.

13 In 2005, 89 percent of imports of fresh asparagus from Peru entered the U.S. through the Port of Miami. Source: U.S. International Trade Commission Trade DataWeb (subheadings 0709.20.1000 and 0709.20.9000, HTSUS), by quantity.

availability of fresh-market asparagus, together with the overall consumer awareness of, and preference for, healthy foods, may be partly responsible for higher per capita annual consumption of fresh asparagus in recent years.[14]

Notwithstanding the seasonality and regionality aspects of supply and consumption discussed above, the fundamental fact is that since at least 1998, U.S. consumption of fresh asparagus has outpaced U.S. supply.[15] Imports are *necessary* to meet demand in the United States. In the absence of import sources – meaning, specifically, imports from Peru and Mexico – domestic production would be woefully inadequate to meet U.S. consumer demand. This would inevitably lead to a jump in prices, to the detriment of U.S. consumers, and eventually a drop in consumption, to the detriment of U.S. producers. While domestic production of fresh asparagus may have declined in recent years,[16] the decline would surely accelerate in coming years in the absence of reliable import supply.

IV. <u>Asparagus and Other Agroexports as a Weapon Against Narcoterrorism</u>

The connections between drug trafficking and terrorism are well-established worldwide. The intention of the Andean Trade Preference Act (ATPA) was to spur the development of alternative industries to assist Peru and other Andean countries in the "War Against Drugs" and the struggle against guerrillas and terrorist organizations. Thanks to the ATPA and the vision of US policymakers, the Peruvian asparagus industry was able to blossom in the early 1990's. Having become Peru's most important agricultural export, about 40% of the asparagus industry's 60,000 workers come from mountainous areas where coca production has traditionally taken place.

Coinciding with the rise in asparagus production, as noted earlier, from 1995 to 2004, the ITC reported that coca cultivation has decreased dramatically, from 115,300 hectares to 27,500 ha in 2004. This helps to reduce the presence of drugs in US communities. In a related event, Peru successfully confronted and nearly eliminated the terrorist threat constituted by the radical Shining Path narcoterrorist organization during the 1990's, a group largely funded by illegal coca production.

V. <u>Peru TPA and Labor Standards: Real Protection</u>

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14 *The Impact of the Andean Trade Preference Act: Eleventh Report 2004*, USITC Pub. 3803 at 3-12-14.

15 Total imports accounted for approximately 60 percent of the U.S. market for fresh asparagus in 2004. U.S. imports from Peru accounted for approximately 60 percent of total imports in 2004, as well. *See also* U.S. Department of Agriculture FATUS data (http://www.fas.usda.gov/ustrade/). Consequently, Peru's share of the U.S. market was about 36 percent (compared to about 40 percent accounted for by domestic production).

Indeed, the quantity of domestic production in 2004 was approximately 87,000 net tons, which exceeded the volume of imports from Peru that year (61,123 net tons) by 42 percent. About one-fourth of domestic production, or approximately 22,000 net tons, was exported.

16 According to the Commission's most recent report on the impact of the ATPA, domestic production of fresh asparagus declined 4 percent from 2003 to 2004, from 119.4 million pounds to 115 million pounds. However, the value of domestic production increased by 10 percent over that period, from $136.7 million to 150.4 million. *The Impact of the Andean Trade Preference Act: Eleventh Report 2004*, USITC Pub. 3803 at 3-12.

Peru has ratified 71 ILO conventions, including the eight "core conventions." It has been praised multiple times by the ILO for its progress in improving labor laws. In addition to all of the ILO's Core Labor Rights Conventions, the PTPA's labor standards exceed those of five other previously-ratified trade agreements: Jordan, Chile/Singapore, CAFTA, Bahrain and even the ATPDEA, which does not make ILO or national standards mandatory.

The PTPA goes beyond many other free trade agreements in the enforcement of worker rights and dispute resolution. The PTPA-created Labor Affairs Council develops public participation in reporting and funding to ensure implementation of the agreement and improved cooperation and capacity-building mechanisms.

Finally, Peru approved the latest changes proposed in a letter signed by bipartisan leaders from the U.S. Congress and Administration on May 10, 2007, the considerable commitments have already been incorporated and ratified by Peru's Congress on July 28, 2007 and are being implemented by Presidential decree.

VI. Peruvian Asparagus and Environmental Concerns

Since asparagus cultivation is undertaken almost entirely on irrigated desert lands along Peru's coast, the environmental impacts of this industry on existing habitats is negligible. In fact, by contributing to the successful reduction of coca leaf production in biologically sensitive rain forest habitats, the growth of the asparagus industry along Peru's arid coast has had, in an indirect manner, highly beneficial environmental impacts.

The growth of the asparagus industry has created a business that is a global player and as a result has adopted rigorous international standards on environmental management practices and labor standards to comply with import requirements in the U.S., the European Union, and elsewhere. The Peruvian asparagus industry complies with very exacting practices of EUREPGAP and GAP (Good Agricultural Practices) to maintain consumer confidence in the quality and safety of its product.

VII. Conclusion:

The duty-free treatment for imports of asparagus from Peru provided for in the proposed PTPA will serve a wide range of economic interests both in the United States and in Peru. In the United States, a steady, year-round demand supply of asparagus enters the U.S. and satisfies the increased demand for asparagus in the U.S that domestic production cannot meet. Asparagus also accounts for about 5,000 U.S. jobs in transportation and distribution.

In Peru, the asparagus industry, thanks to the duty-free access to the U.S. market, has been able to fight extreme poverty by employing at higher wages than other Peruvian jobs. Asparagus in Peru has also indirectly fought coca production and narcoterrorism by providing an alternative source of well-paying employment.

Peru's agroexport industry as a whole has generated 600,000 formal jobs in Peru. Asparagus composes 10% of these with its 60,000 workers. Peru's paprika industry has enjoyed export growth of 88% from 2004 to 2005, making Peru now the top world exporter of paprika, an industry which employs 15,000 Peruvians. The Peruvian artichoke industry has increased exports by 100% from 2004 to 2005, and also employs about 15,000 workers. The peppers industry employs 1,500. Asparagus has been a model for these industries and their growth is having a multiplier effect in terms of their impact on trade, job creation in both countries, and reduction of poverty in Peru.

These great changes could not have been possible without the duty-free access afforded to Peruvian industries in the ATPA and ATPDEA. PTPA is now an excellent opportunity to ensure the continued prosperity of these industries, and by extension raising the living standards in Peru.

The PTPA is also an excellent opportunity to increase opportunities for U.S. SMES. As indicated by Deputy USTR John Veroneau, in 2005 U.S. SMES exported $ 744 million in merchandise to Peru, representing 38% of total U.S. exports to Peru – well above the 29% SME share of U.S. exports to the world. More than 81% of U.S. companies that export to Peru are SMES. In addition many of our companies that import asparagus from Peru are SMES yet our activities generate many jobs and revenues for the U.S. economy, as indicated above, through the asparagus value chain. It is for this and all of the above reasons we urge the Congress to expedite the passage of the PTPA.