

Doubling Exports In Five Years: What Will It Take

Joint Statement

Of the American Farm Bureau Federation, the Coalition of Service Industries and The National Association of Manufacturers on the National Export Initiative

Our three organizations, whose sectors collectively represent almost all U.S. exports of goods and services, support the goal of increasing U.S. exports through a comprehensive National Export Initiative. We believe that actions to increase exports are crucial to U.S. economic growth and job creation.

Achieving this goal will require a fundamental change in the policies and programs affecting exports. Incremental changes will not enable the United States to reach the ambitious target set by the President's National Export Initiative. Only major changes in our approach will generate a much stronger public and private export orientation that enables the United States to compete effectively in growing world markets for agricultural goods, manufactured products, and services. Our competitors and their governments continue to advocate for their sectors aggressively and we must respond.

Each of our organizations has prepared its recommendations on how best to expand exports in its sector. While many of the individual recommendations differ from sector to sector, the organizations' sector-specific ideas for the National Export Initiative contain several common elements that each believes are essential to achieving this goal.

Enact the Pending Trade Agreements with Colombia, Panama and South Korea

The pending FTA's with Colombia, Korea, and Panama must be passed by Congress for U.S. products and services to reap the benefits of increased access to these markets. These agreements will contribute to expanded U.S. export levels. We encourage the Administration to quickly advance these agreements for Congressional action.

Pursue New Trade Agreements

Nations around the world are concluding agreements with each other, without the participation of the United States, that reduce our ability to compete in foreign markets. The United States must pursue an agenda of negotiating ambitious new trade agreements that will enhance the opportunity to grow our exports, particularly to rapidly expanding country markets. We cannot afford to cede the field to our trade competitors.

Reduce Non-Tariff Barriers

U.S. agricultural, manufacturing and services exports face an array of non-tariff barriers (NTBs). Many believe these NTBs frequently pose more significant obstacles than tariffs. An effective National Export Initiative that will grow U.S. exports must include an expanded emphasis on reducing these non-tariff barriers and enforcing international standards.

Improve Competitiveness by Investments in Infrastructure and Trade Facilitation

A modern transportation infrastructure is vital to the continued competitiveness of U.S. exports. Continuing investment in the improvement of our highway, rail, inland waterway, seaport and airport resources are key to maintaining and expanding a competitive advantage in international markets. Trade facilitation improvements are critical to growing exports by achieving new efficiencies in the movement of goods and services.

Pursue a Doha Round Agreement That Expands World Trade

The United States must work to achieve a commercially meaningful and ambitious outcome to the Doha negotiations. Advanced developing countries such as Brazil, China and India must fully participate in the market access expansion necessary for the Doha Round to reach a trade liberalizing outcome that will stabilize economic recovery and generate growth and development.

Expand Export Promotion Efforts

The expansion of promotion efforts will have an immediate benefit in sales of U.S. products and services. An emphasis on market information services and an increased focus on trade promotion efforts in rapidly growing developing country markets will result in increased exports.

Improve Export Financing

Improvements in trade financing policies are needed in order to encourage increased trade and economic growth. Present policies place American exporters at a competitive disadvantage relative to their foreign counterparts, and need to be reevaluated.

Manufacturers: Blueprint to Double Exports in Five Years

The Obama Administration has recognized the importance of exports as a source of economic growth and has set a national goal of doubling exports in the next five years. Virtually all forecasts indicate that the global economy will grow considerably more rapidly than the U.S. economy, and increased U.S. exports are essential both for U.S. economic expansion and for rebalancing U.S. and global current accounts.

The National Association of Manufacturers (NAM) endorses the goal of doubling exports in five years. Achieving the goal would put American manufacturing on a much stronger growth path and, based on Commerce Department export/employment ratios, would generate an additional 2 million jobs. Manufactured goods are 60 percent of all U.S. exports of goods and services and will have to provide the bulk of the needed export increase. Manufactured goods exports were \$900 billion last year; doubling them in five years means they would have to reach \$1.8 trillion in 2014. Based on long-term growth rates, however, exports of manufactured goods normally would be expected to rise only to about \$1.5 trillion in 2014—\$300 billion short of the goal.

Based on input from NAM members of all sizes and data on export trends, the NAM believes reaching the goal is possible, but only with a radical shift in policies and programs affecting U.S. exports. The NAM's analysis shows that America exports only half as much of its manufacturing production as the world average.¹ The disincentives to manufacturing in America and to American competitiveness must be eliminated, and the global playing field must be leveled in terms of market access and support for America's exporters.

The Administration's actions under the National Export Initiative (NEI) so far—some added export promotion and financing, negotiation of new market openings and others—are a beginning, but much more needs to be done to double exports, particularly in a period in which a disproportionate share of the world's economic growth will be in developing Asia, where U.S. exporters have a small and falling share of the market. Doubling exports will require gaining share in those markets and reversing our share losses globally. The declining U.S. share of world markets has cost U.S. manufacturers \$200 billion in lost exports in just the last five years.²

In this analysis, the NAM presents its blueprint for doubling manufactured goods exports. Where possible, we provide order-of-magnitude estimates of the export-expansion

effect of some of the policy and program changes. These estimates add up to more than the \$300 billion needed to meet the Administration's goal. Subsequent NAM analyses will provide greater detail on recommendations for consideration by the Administration and the Congress.

Export Policies and Programs

Free Trade Agreements (FTAs) (+ \$100 billion)—NAM members—particularly smaller members—believe the most important trade policy shift for doubling exports is an immediate change in the U.S. aversion to concluding market-opening bilateral trade agreements. As competitors race to negotiate barrier-reducing trade agreements for their companies, the United States is frozen by the widespread misperception in Congress that trade agreements are harmful to the U.S. economy. The truth is that NAFTA, CAFTA and other U.S. FTAs have never been a significant factor in the U.S. manufactured goods deficit. They have given the United States a manufactured goods surplus for the last two years.

Only 40 percent of U.S. exports benefit from FTAs; the other 60 percent face trade barriers, particularly in fast-growing emerging nations. The Administration needs to quickly resolve the outstanding auto and beef issues with the Korea agreement and the remaining issues with the Colombia and Panama agreements, and then submit these pending trade agreements for congressional approval. The Administration should also press for the expansion and rapid conclusion of the Trans Pacific Partnership negotiations. Delay hurts U.S. exports and jobs. Also, the Administration must move rapidly to negotiate FTAs with all major partners, including developed countries as well as the advanced developing markets.

The United States is already a very open market, with manufactured goods tariffs averaging less than 2 percent and 70 percent of imports already entering the United States duty-free. Tariffs on U.S. exports to other countries are significantly higher than U.S. tariffs. In virtually every case analyzed by the NAM involving manufactured goods tariffs, new FTAs would lower foreign tariffs more than U.S. tariffs. Future trade negotiations must also include greater emphasis on non-tariff barriers, subsidies, raw material export restrictions and other trade-distorting practices. Given the misperceptions about existing FTAs, the Administration should call new agreements "bilateral trade agreements" or "trade promotion agreements."

¹ The NAM's analysis benchmarking U.S. manufacturing and exports with other major manufacturers is at www.nam.org/NEI.

² The NAM's data on the 2003-2008 U.S. share of world markets for manufactured goods is available at www.nam.org/NEI

Using the U.S. International Trade Commission (USITC) methodology for estimating the export expansion effect of existing trade agreements, and extrapolating to the major markets where the United States does not have FTAs, the NAM estimates that a robust program of FTAs with significant trading partners could generate as much as an additional \$100 billion in U.S. exports by 2014—accounting for one-third of the \$300 billion increase needed to reach the export goal.³

Export Controls (+\$60 billion)—The U.S. export controls system has become dangerously obsolete, both in terms of protecting national security and permitting the export expansion of high-technology U.S. goods in line with their potential. President Obama has said the U.S. export control system “is rooted in the Cold War era of over 50 years ago and must be updated to address the threats we face today and the changing economic and technological landscape.” According to Defense Secretary Gates, “The U.S. export control system itself poses a potential national security risk... impeding cooperation... with allies and partners.”⁴ The NAM concurs fully and has offered recommendations for short-term and fundamental reform to make the system more predictable, efficient and transparent while still safeguarding sensitive U.S. technologies. The system is causing foreign firms to “design out” U.S. content in their product development to avoid the onerous and complex regulations.

The majority of our short-term proposals can be implemented by the Administration without any changes to existing legislation. Fundamental reform will require the Administration to work with Congress and our partners in the multilateral regimes. The NAM’s proposals deal with organizational changes, process improvements, new licensing mechanisms, better regulatory interpretation and policy clarity, among others.⁵

A study conducted by the Milken Institute and sponsored by the NAM calculates that modernization would increase exports by \$60 billion.⁶ This estimate is only for market share losses where goods and technologies are widely available from other countries. It does not take into account the dynamic effect the current system has on innovation—resulting in a further decline to U.S. security and competitiveness. Tomorrow’s military superiority and commercial competitiveness require accelerated U.S. innovation.

Export Promotion (+\$60 billion)—Small and mid-sized enterprises (SMEs) account for one-third of the value of U.S. manufactured goods exports, or about \$300 billion annually. Efforts to double exports in five years must include a significant increase in export promotion resources dedicated to SMEs.

U.S. export promotion programs for manufactured goods are dwarfed by those of our major competitors and by U.S. programs to promote agricultural exports. Although agricultural exports are one-tenth the size of manufactured goods, the Agriculture Department’s (USDA’s) export promotion program is twice the size of the Commerce Department’s. Proving the efficacy of export promotion, the USDA’s promotion programs are a key reason why one-third of U.S. farm production is exported, but only one-fifth of manufacturing production is.

As part of the NEI, the Administration is seeking an additional \$60 million for export promotion in the 2011 budget. This is a good start but is not adequate to the task. A doubling or tripling of export promotion funding is needed to reach the export goal. The World Bank’s analysis indicates that about \$40 in new exports are generated for every additional dollar of export promotion—implying that a \$300 million doubling of the promotion program could generate \$12 billion of additional exports a year—or \$60 billion over the five-year period.

In addition to new funds, a shift in the nature of the support is needed. More commercial officers need to be deployed to the rapidly growing emerging markets. There should be new programs to provide the same type of marketing support to U.S. SMEs in manufacturing as foreign governments and USDA provide—e.g., developing new markets through participation in trade shows, paying part of the cost of transportation, show fees, materials production, etc.

We urge the Administration to immediately undertake a careful analysis of the size and effectiveness of competitor nation promotion programs as the basis for deciding how best to expand and improve U.S. programs—and to obtain the concurrence of the Office of Management and Budget (OMB) that the USDA’s best practices can be a model for the Commerce Department to follow. Additionally, more priority should be given to commercial advocacy. Ambassadors of other countries do much more to promote the exports of their countries than U.S. ambassadors do.

Export Financing (+\$50 billion)—Export financing is an important part of being globally competitive and takes on renewed importance in today’s turbulent financial environment. Exporters have more difficulty in obtaining credit and working capital, and overseas customers are financially stretched—placing a higher priority on exporters who can provide better financial terms.

The principal U.S. export credit agency, the U.S. Export-Import Bank (ExIm), operates at a scale far below major U.S. competitors. In 2009, ExIm provided \$21 billion in loans and guarantees, while Export Development Canada (EDC) financed \$80 billion and Japan’s export credit agencies

³ Export Expansion Estimates for Additional Trade Agreements, www.nam.org/NEI.

⁴ Quadrennial Defense Review Report, February 2010, U.S. Department of Defense, p. 84.

⁵ See the Export Controls section available at www.nam.org/NEI.

⁶ Milken Institute, Jobs for America: Investments and policies for economic growth, www.nam.org/media.

financed \$130 billion. Additionally, the ExIm Bank is capped at supporting a total portfolio of \$100 billion—less than Japan’s agency supports every year.

Among NAM members, large exporters report that ExIm’s limited ability to provide financing is a major factor hampering their ability to compete for the important capital goods market globally. Their most significant concern, however, is that the ExIm Bank is too risk-averse and has a lengthy processing time. Recently a U.S. manufacturer lost a \$2 billion contract for communications satellites because the French competitor was able to obtain quick assurances of a loan guarantee from the French export credit agency, while the ExIm Bank was unable to come to a decision in time as it pondered the risk.

ExIm is also saddled with non-export objectives its competitors do not face. A recent case involved rejecting financing for U.S. earthmoving equipment for an Indian coal mine, citing that the Administration did not want to promote the use of coal for electric power. The net result of this decision would have been a \$600 million loss and over a thousand jobless Americans—without any effect on the environment as the mine turned to foreign suppliers for the equipment.

The NAM’s smaller exporters appreciate the Bank’s renewed interest in working more closely with smaller firms but say ExIm’s processes have to be simplified. This is especially important for SMEs who report difficulty finding banks that are willing to do ExIm’s paperwork for smaller sales.

Many of ExIm’s provisions that impair exports are congressionally mandated, and the Administration and Congress need to recognize these policies do not work in today’s highly competitive global economy. Requiring use of U.S. shipping, economic impact tests and other requirements not faced by our competitors need to be examined carefully for their effect on export competitiveness. Increased use of the “tied aid war chest” to counter foreign subsidized financing is needed. The infrequent use of this funding puts U.S. firms at a significant disadvantage in emerging markets. Additionally, as new competitors enter the large civil aircraft market, it is imperative they join traditional exporters in adhering to the Home Market Rule to ensure a level playing field.

If ExIm’s overall resources were tripled, providing an additional \$40 billion in loans and guarantees annually (which would still place it below Canada), U.S. exports would be nearly \$50 billion higher.⁷ NAM members also support an increase in the Trade Development Agency’s (TDA) funding for additional feasibility studies for projects in middle-income countries. These studies put U.S. companies in a strong competitive position as the ultimate project moves forward. Companies also would like to streamline the process of working with TDA.

Global Standards—Foreign product standards, both multilateral and unilateral, increasingly serve as barriers to U.S. exports. The European Union is particularly active in shaping standards and working with international bodies to ensure the adoption of EU standards. The United States is under-represented in these bodies, and we lack a national policy to promote U.S. standards globally. U.S. agencies need to be engaged better with manufacturers in understanding how foreign standards affect global markets and how to promote the use of U.S. standards.

Non-Tariff Barriers (+\$20 billion)—In too many foreign markets, especially in some very large and fast-growing countries, U.S. manufacturers face complicated, non-transparent non-tariff barriers (NTBs). Many NTBs are attributable to foreign government abuses of product standards, regulations, labeling requirements, or conformity testing requirements to shut out safe, proven American products without any scientific basis whatsoever. Some of these NTBs impose unreasonable delays or costs simply to make U.S. and other foreign products non-competitive.

Many NTBs violate the spirit of international agreements, including the most basic World Trade Organization (WTO) intent. It is essential that the U.S. Trade Representative (USTR) and the Commerce and Agriculture Departments defend the market access we negotiated and step up their attack against NTBs through the WTO and other channels. USTR and other key agencies need to devote significantly more resources to wage this campaign and include manufacturers as full partners with the U.S. government in this enhanced effort.

NAM members particularly mention China’s testing requirements—some of which require revealing production techniques and data that could be used to reverse-engineer products or seem designed to keep foreign products out of China—as a key area for the Administration to act on. China is not the only problem, however. For example, Turkey issued a regulation that will deny recognition of Good Manufacturing Practice certificates from countries that do not have mutual recognition agreements on inspections with Turkey. The policy is a de facto import ban given the small number of Turkish inspectors available to review facilities worldwide.

Argentina and others maintain a differential export tax system that distorts trade patterns and costs at least \$400 million a year in lost exports of U.S. oilseeds, according to the Oilseed Processors Association. Another example is the EU’s REACH chemical certification program that has so raised costs and difficulties that some exporters have restricted their exports to Europe to remain below the tonnage levels that would subject them to costlier procedures.

⁷ Because ExIm does not finance more than 85 percent of a transaction, \$40 billion of additional resources actually support nearly \$50 billion of added exports.

NAM members believe that NTBs are a greater trade barrier than tariffs. If we assume the same \$100 billion cost for NTBs as for tariffs in FTAs, and if we could achieve a one-fifth reduction in NTBs through stronger negotiation and policing of agreements, U.S. exports could increase by \$20 billion—or more if there could be even more effective elimination of NTBs.

Business Visas (+\$25 billion)—Business visas also hamper the expansion of U.S. exports—particularly to China and the Middle East, but also to Brazil, India, Russia and other countries. Prospective buyers who want to visit U.S. companies or come to U.S. trade shows or scientific conferences have to plan far in advance and go through a considerable expenditure of time for a face-to-face meeting with a U.S. consular officer. Too many legitimate visa applicants are denied or so delayed that they give up and spend their money in competitor countries where their applications are quickly approved.

While there has been progress, more has to be done to remove this impediment to exports—increasing staffing at key consular posts, issuing longer validity and multiple-entry visas for trusted business travelers, increasing use of risk-management techniques and streamlining interview procedures. A 2004 survey found that over a 15-month period, \$25 billion in business was lost because of visa policy.⁸ Even if the negative effect of visa policy has been cut in half since 2004, that is still over \$800 million in losses a month. If that amount could be cut in half again, sales would be almost \$25 billion larger over the five-year period to 2014.⁹

Intellectual Property Protection (+\$15 billion)—Strong intellectual property rights (IPR) protection, both at home and around the world, is vital to American export success and the ability to create good manufacturing jobs here at home. The United States is the low-cost producer of few, if any, basic, “commoditized” manufactured products. U.S. manufacturers are high-end producers, relying on IPR-intensive quality, cutting-edge design, brand loyalty, innovation and high technology.

We face serious problems in many key markets. USTR’s Special 301 Report and the just-released first-ever National IP Enforcement Strategy effectively lay out the problems and some important paths forward. It is critical that U.S. industry, with manufacturers at the front of that group, be full partners with the Administration and Congress in the design of U.S. policies, programs and priorities in this war against IP counterfeiting and piracy.

When patent, copyright and trademark enforcement is inadequate in developing countries, the result is the expro-

priation of U.S. IP. Both the loss of IP and a growing tendency to impose compulsory licensing pose very serious risks to U.S. export growth and must be resisted through strong steps, including consideration of terminating preferential tariff treatment for imports from those countries. High priority should go to concluding and implementing the **Anti Counterfeiting Trade Agreement (ACTA)** now under negotiation.

Customs and Border Protection (CBP) also needs to ensure the enforcement and interdiction of counterfeit goods at U.S. borders. Legislation may be needed to provide the effective tools needed by CBP. The U.S. government must also play a stronger role in WIPO and other international organizations to defend valuable IP rights. Based on a recent OECD study of global counterfeiting, the NAM estimates that if current trends continue, trade in counterfeit goods may be about \$425 billion in 2014, of which about \$60 billion may be knockoffs of U.S. goods. If by then, ACTA and other strong steps can be taken to reduce counterfeiting by only one-fourth, that would be worth an extra \$15 billion in U.S. exports.¹⁰

Multilateral Development Banks (MDBs) (+\$10 billion)—The United States does not do nearly as much to help companies obtain business financed by the World Bank and other development banks as do other countries. The Commerce Department resources devoted to this endeavor are considerably smaller in comparison to the dedicated efforts of other countries and, as a result, America has a relatively small share of this business. Fixing this situation could bring about a large increase in exports with a relatively small increase in skilled resources. The amount of business being financed by MDBs is estimated by some at \$500 billion over the next five years – an average of \$100 billion annually. If the U.S. share of that business could grow by 10 percent, U.S. exports in 2014 could be at least \$10 billion larger than otherwise.

Small and Medium-sized Enterprises (SMEs)—About 95 percent of all U.S. exporters are SMEs, accounting for one-third of manufactured goods exports. About \$100 billion of the estimated \$300 billion gain needed to reach the export goal will have to come from smaller firms. They particularly need more assistance in finding customers overseas through U.S. export promotion programs, but many are either unaware of these programs or find them too expensive. Experienced NAM SMEs point out that their competitors receive financial support to enter into foreign trade fairs, while U.S. companies receive none—and even have to pay for Commerce Department overhead. Commerce’s new emphasis on helping smaller exporters find new markets is the right approach, but the requisite programs need to be developed in consultation with the SMEs that will use them.

⁸ See www.nftc.org/default/visasurveyresults%20final.pdf.

⁹ If \$800 million a month is being lost, that would total \$48 billion for the 60 months in the five-year goal period. Half of that amount would be \$24 billion.

¹⁰ The OECD study, “Magnitude of Counterfeiting and Piracy of Tangible Products,” November 2009, estimated counterfeit goods at \$250 billion in 2007, growing \$25 billion annually—which would be \$425 billion by 2014. The U.S. share of industrial nation exports is 14 percent. If the same held true for the share of counterfeits, that would be \$60 billion. A one-fourth reduction would be \$15 billion.

Smaller companies also are in need of a better relationship with export finance agencies. Many smaller exporters do not provide financing or open account services for their customers and also will sell only for U.S. dollars in advance of shipment, placing the exchange risk and financing responsibility on their customers. Exports could be expanded quickly if companies sold to foreign customers in their own currency, provided 60-day financing terms and translated their brochures and instructions into their customers' languages. Other key actions could result in further large increases in SME exports, including harmonizing standards as much as possible, eliminating duplicate testing and certification requirements by accepting U.S. test lab results, and simplifying shipping and customs compliance procedures.

The Doha Round—The NAM supports an effective WTO Doha Round that significantly reduces trade barriers, particularly in the higher-tariff advanced developing countries. The current Doha texts on manufactured goods are inadequate, and the market access terms for manufactured goods and supporting services must be greatly improved. However, even if the Round were concluded tomorrow, it would have only a minor effect by 2014: under current provisions, most tariffs in advanced developing nations would not be cut until 2019.

Authoritative estimates are that the current texts would generate only an additional \$7 billion of exports for the United States.¹¹ That is only about half of what U.S. manufacturers would gain upon implementation of the pending Colombia, Korea and Panama agreements. Advanced developing countries, especially Brazil, China and India, must offer much more market access in the Doha Round and be part of strong agreements to eliminate tariffs in major industrial sectors.

Not everything in the Doha Round has to wait 10 years for implementation. Pressing for an “early harvest” for an Environmental Goods and Services Agreement (EGSA) could provide a near-term boost for U.S. exports and promote greater worldwide conservation of energy and use of renewable energy sources.

Government Procurement—The Administration should increase efforts to bring advanced developing countries into the WTO Government Procurement Agreement. Brazil, India and others are expanding their government procurement markets but are not obligated to provide bidding and other rights to U.S. exporters. China, while negotiating access to the agreement, is moving much too slowly and offering too little. As these countries' government procurement expands relative to industrial countries, U.S. exporters are at an increasing disadvantage when they do not have transparent and rules-based access to those markets.

Trade Facilitation—The Administration should seek to identify trade facilitation (customs clearance) difficulties and bilateral arrangements to streamline exports. The trade facilitation agreement as part of the Doha Round should also be explored as a possible “early harvest.” As one example of trade facilitation difficulties, the UAE requires invoices to be approved physically by the UAE embassy in Washington before imports will be accepted in the UAE. An NAM member reports it takes 7 to 11 days to receive such approval, adding significantly to the costs and difficulties of exporting to the UAE. Other exporters report they can airship exports to India in 14 hours and then have the goods sit in Indian customs for weeks.

Reducing the Cost of Inputs—Considerable gains in efficiency can be had from improved customs procedures to simplify and speed the import of components for U.S. manufacturing. The Commissioner of Customs and Border Protection recognizes this and has reached out to industry for recommendations that will facilitate trade while ensuring national security. Important steps could be taken, particularly in terms of better treatment for trusted low-risk shippers. Additionally, taxing essential manufacturing inputs that are not available domestically raises U.S. production costs and reduces competitiveness.

Congress has long recognized this and has sought to suspend import duties on such products by periodic passage of a Miscellaneous Tariff Bill, but the process has become too uncertain. At the time this paper was written, all tariff suspensions had expired—raising production costs in the United States.

The European Union, Brazil and other countries have administrative processes for suspending or eliminating import duties on inputs not available in their countries. The Administration and Congress should immediately call for an examination of those programs with a view toward the possible adoption of a similar approach in the United States, with Congress granting requisite tariff-cutting authority to the Administration for a carefully-managed program.

Logistics—Companies, especially SMEs in the Midwest, are having great difficulty in finding containers for their current exports. Addressing this immediate problem should be a top priority. The Federal Maritime Commission (FMC) is expected to provide recommendations to Congress soon, and the NAM encourages the FMC to undertake greater urgency in resolving shipper and carrier disputes as well as supporting policies to assure vessel capacity to exporters and to better align containers with exporters. An FMC action program is welcome, but with every passing week, more export orders are being cancelled. Priority must be given to finding a solution quickly.

¹¹ [Figuring Out the Doha Round](http://figuring_out_the_doha_round). Hufbauer, Schott and Wong, Peterson Institute for International Economics, June 2010, bookstore.piie.com/book-store/5034.html.

Infrastructure Investment—Reliable transportation services and the supporting network infrastructure such as highways, rails, inland waterways, seaports and airports are essential to ensure manufacturers reach export customers. One major exporter stated “the state and condition of the transportation infrastructure supporting our supply chain is exceptionally important” to delivering a competitive advantage. Freight distribution patterns, intermodal connectors, port inefficiencies, harbor draft limitations, truck weight limitations, interstate highway bottlenecks and other capacity constraints, rail infrastructure and aging, undersized locks along the nation’s inland waterway system must be addressed to support national productivity and competitiveness. Exporters who operate in overseas markets and see “the world integrating and modernizing their infrastructure” note our failure to take a comprehensive approach to infrastructure investment.

Investment—Exports follow investment. Contrary to widely-held views, the United States exports mostly to countries where it also invests, because investments in manufacturing, distribution, marketing, finance and other facilities create a pull effect on exports. Companies tend to manufacture products for local consumption and supplement these with U.S. exports. One-third of U.S. manufactured goods exports go to U.S.-owned affiliates overseas.

The fastest-growing areas of the world are the advanced developing countries, and U.S. exports have been performing poorly in those markets. A major factor is the small amount of U.S. investment and commercial presence in those markets. Increasing U.S. investments will require strong bilateral investment treaties (BITs), but the Administration needs to resolve the stalemate over the model BIT language and agree on language providing strong guarantees for American investors. The language must also avoid burdening negotiations with social objectives so strict that other nations will not accept them—continuing to hamper U.S. investment and exports.

Proposed changes to U.S. international tax laws would make U.S. companies even less competitive in foreign markets and reduce the potential for job growth at home. The Administration and Congress should instead reduce the U.S. statutory corporate tax rate and revisit rules on taxing foreign earnings to allow U.S. manufacturers to compete more successfully with their competitors in global markets. U.S. policy stands alone among industrial nations in taxing corporate earnings on a global basis rather than a territorial basis.

Sanctions—Foreign policy objectives can impede exports needlessly by being overly broad or imposing costs and restrictions on U.S. exporters that are not imposed in a similar fashion by the governments of their competitors. The Administration needs to be very careful in implementing congressionally-mandated restrictions. While well-meaning, provisions in sanctions legislation can have a strong effect on eliminating U.S. exports by prohibiting them or

by significantly raising their cost. It is critical for legislators to work with manufacturers to draft legislation that is narrowly tailored to address the problem at hand without unduly burdening U.S. exports.

International Nuclear Liability Regime—The global nuclear power market is likely to expand rapidly in the coming years. U.S. nuclear component suppliers could see rapid export gains once the international nuclear liability regime goes into effect. U.S. suppliers cannot export if there is a lack of certainty of jurisdiction for lawsuits and unlimited potential for legal liability. The regime will provide that certainty, but more countries must sign on before it can go into effect. NAM members say Japan alone, or any two of Canada, Korea and Ukraine would be sufficient. The Administration should seek to have that happen quickly.

Foreign Trade Compliance—Ensuring foreign country compliance with both WTO rules and obligations and with bilateral agreements is critical to helping achieve the U.S. export goal. The WTO’s Dispute Settlement Body has prevented countries from taking actions that would distort markets and curtail U.S. exports. In cases such as those involving European subsidies for large commercial aircraft, attempts to curb the benefits to U.S. exporters negotiated in the Information Technology Agreement, Chinese steps to limit access to various parts of their market and others, enforcing the WTO rules has been vital. The Administration should ensure bilateral and multilateral tools are used expeditiously to preserve the market access negotiated in trade agreements or guaranteed under the rules-based trading system.

Complying with Obligations and Avoiding Retaliation on U.S. Exports—All nations should live up to their obligations under the rules-based trading system, including the United States. When the United States fails to comply with its obligations, U.S. exports face retaliation. One quick action that could be taken is to comply with U.S. trucking obligations in NAFTA. After years of U.S. inaction, Mexico imposed tariffs on \$2.4 billion of U.S. exports. The Administration has come up with answers to all safety questions and should now insist that Congress put into place the necessary support to allow the United States to come into compliance.

Agriculture Department and Food and Drug Administration Certificates—One immediate action the Administration could take to increase exports is to provide foreign-demanded certificates of Good Manufacturing Practices and phytosanitary certificates for processed plant materials. As global concerns for food safety increase, foreign governments are increasingly demanding such certificates—but the U.S. government will not provide them. This should be changed immediately. One NAM member says this failing prevents the company from selling herbal products or protein powder to Mexico and Russia – costing millions of dollars of lost exports.

Manufacturing Competitiveness—Finally, it is important that the Administration and Congress understand no

amount of foreign market access or export support can double exports unless the United States manufactures quality products at attractive prices, backed up by reliable service. That requires a highly productive, innovative and competitive manufacturing sector that will only result if America has an effective manufacturing strategy. The NAM unveiled its "Manufacturing Strategy for Jobs and a Competitive America" in June 2010. The entire report is available on the NAM website.¹² In addition to specific trade policies, a manufacturing strategy must:

- Create a pro-manufacturing tax climate.
- Encourage a dynamic labor market.
- Implement a common-sense, fair approach to legal reform.
- Create a regulatory environment that promotes economic growth.

- Enact tax provisions that will stimulate investment and recovery.
- Encourage the federal government's continued critical role in basic research and development.
- Defend IP at all levels.
- Attract the best talent from around the world.
- Create a comprehensive approach to energy independence.
- Promote policies to protect the environment while encouraging investment.
- Invest in infrastructure that will support manufacturing.
- Encourage innovation through education reform.
- Support health care reform that drives down costs.

Manufacturers: Blueprint to Double Exports in Five Years

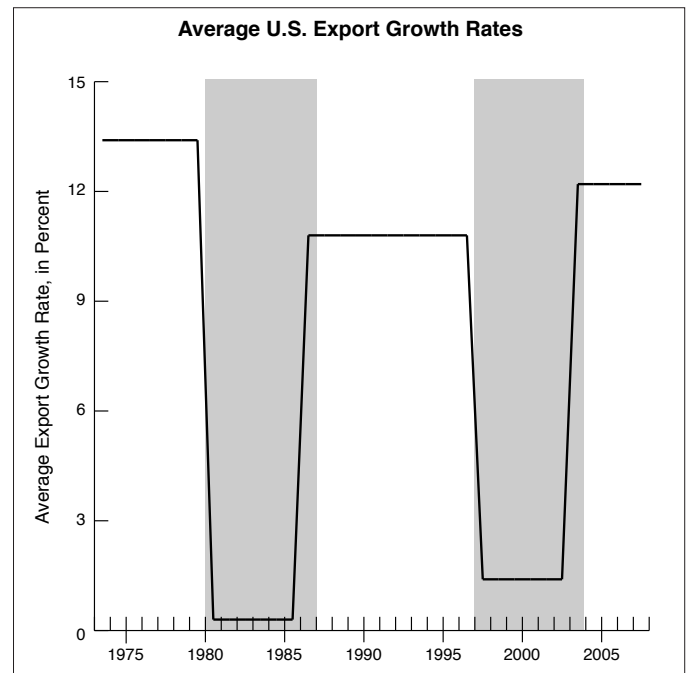
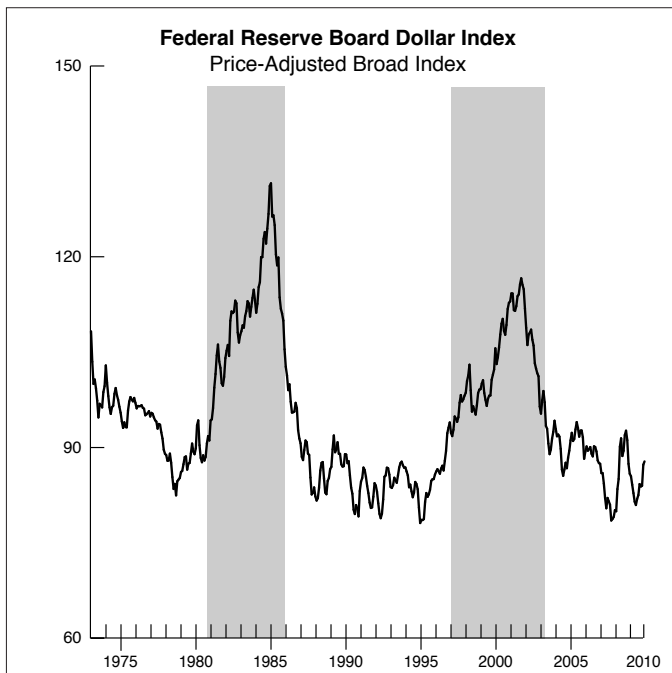
Prerequisite: Currencies Must Reflect Economic Fundamentals

There is one basic prerequisite for rapid export growth: the U.S. dollar must not be allowed to become overvalued relative to foreign currencies. The NAM is not advocating dollar devaluation. Debasing the currency is not a way to prosperity. It is key, however, that the Administration spare no effort to see that other currencies are market-determined and free of government intervention and that other major economies' currencies reflect economic fundamentals.

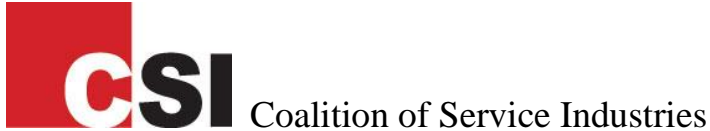
The five periods illustrated since 1972 (see graphs) show that when the dollar was in a normal range with other currencies,

U.S. exports grew in double digits. During the periods when the dollar was greatly overpriced relative to other currencies, there was no appreciable export growth.

The excessive valuation of the dollar simply prices U.S. exports out of the market. NAM members, especially smaller manufacturers, have made it clear that the number-one factor affecting their exports is the value of the dollar. If the dollar is allowed to become overvalued, there is virtually no chance of doubling U.S. exports in five years—or even seeing any amount of significant growth.



¹² "Manufacturing Strategy for Jobs and a Competitive America," National Association of Manufacturers, June 2010, www.nam.org.



**Statement by the Coalition of Service Industries
Request for Public Comment To Inform Development of National Export
Initiative Plan**

Docket number 100624279-0279-01

July 26, 2010

INTRODUCTION

The Coalition of Service Industries (CSI) is pleased to submit comments in response to the Federal Register notice of June 30, 2010, on the National Export Initiative (NEI) Plan. CSI welcomes and supports the NEI, and looks forward to working with the Administration to develop and implement it. The Administration has rightly identified exports as a key source of future U.S. economic growth.

The United States is more dependent than ever before on exports, which accounted for 12.7% of private GDP in 2009. International trade in services, in particular, holds great potential for the United States economy. Services account for 31% of total U.S. exports, and the United States is the world's largest supplier of services. We believe the service sector can make a very substantial contribution to meeting the goals of the NEI.

U.S. services companies and their employees comprise over 80% of the American private sector workforce, and this dynamic sector accounts for nearly 80% of U.S. private sector GDP. The sector is important not only in and of itself, but is a "force multiplier" for all other sectors. That is, efficient services multiply the efficiency and global reach of other activities including manufacturing and agriculture, and enable greater productivity in those sectors. For example, no manufacturing company could operate without the services of express delivery, banking, insurance, software, retailing, and telecommunications.

Services providers enable U.S. companies of all sizes and types to reach customers and markets throughout the world. They have enabled not just big but small- and medium-sized companies to participate in the global economy. Services companies play a critical role in efficient trade facilitation, thereby enabling new levels of outreach and market participation. CSI members and other large U.S. companies have a major role in creating markets and jobs for small- and medium-sized enterprises, and in providing the infrastructure for such enterprises to compete in the global marketplace.

America can grow these exports and create better and higher-paying jobs here in the United States if there is a level playing field with competitors in other markets. This is especially true for the six million small and medium sized enterprises (SMEs) in the United States which make

up the bulk of existing and new U.S. jobs. These companies are a major force in job creation, and often expand abroad and increase their exports by following their larger multinational customers into foreign markets. Many of these companies are partners with CSI Members and integral parts of their respective ecosystems.

U.S. private services exports totalled \$483 billion in 2009, with a surplus of nearly \$150 billion. Although this was a drop from the all-time high of \$525 billion in 2008, the trend of consistent services trade surpluses demonstrates the resilience and competitiveness of this sector. Through the first five months of 2010, U.S. crossborder exports of private services were \$214 billion, and on are on track to slightly exceed the 2008 figure.

Meeting the President’s Goal to Double Exports of Goods and Services in Five Years

In spite of this excellent track record, the challenges to realizing the Administration’s goal of doubling services exports in the next five years are daunting, as the projections in the table below indicate. Based on the GDP projections in the President’s budget, if the 2009 figure for services exports as a percentage of GDP holds constant, U.S. services exports would reach \$621 billion in 2014, far short of the figure of \$960 billion needed if the United States is to double services exports.

Growth of U.S. Private Services Exports Through 2014 (figures in US\$ billions)						
	2009	2010	2011	2012	2013	2014
US GDP	\$14,252	\$14,768	\$15,514	\$16,444	\$17,433	\$18,446
Private Services Exports	\$480.29	\$497.68	\$522.82	\$554.16	\$587.49	\$621.63
Share of GDP	3.37%	3.37%	3.37%	3.37%	3.37%	3.37%
Administration's 2014 Goal						\$960.58
Shortfall						\$338.95

Source: Projections based on the President’s budget.

While services account for 80% of the U.S. economy, they account for only about 31% of U.S. exports, in part because of the prevalence of barriers to services trade around the world. If the President’s goal of doubling exports is to be realized, the U.S. government must create a supportive trade policy environment that addresses discriminatory barriers erected by many of our trading partners. CSI and its membership are ready to partner, but leadership must come from the U.S. government.

As requested in the June 30, 2010 Federal Register notice, this paper discusses Federal government programs or regulations that impede the ability of U.S. companies to export, steps that the Federal government could take to improve its programs to support U.S. exports, and ways in which the Federal government could better help U.S. businesses export. It focuses particularly on reducing barriers to trade and on services export promotion. It then discusses timetables and benchmarks for realizing the NEI goals.

Many Members of CSI are also participants in the Business Roundtable and the Business Council. On June 21, these organizations provided to OMB Director Orzag “examples of pending legislation and regulations that have a dampening effect on economic growth and job creation.” CSI respectfully suggests that many of the descriptions of government initiatives identified by the private sector that will cause slower rather than faster growth are worth considering in the context of this solicitation of public comments. Rather than repeat all the elements in this report, CSI has flagged some of the issues that are most relevant to this submission.

HOW THE FEDERAL GOVERNMENT COULD BETTER HELP U.S. BUSINESSES EXPORT: REDUCING BARRIERS TO TRADE

The United States needs to reinvigorate its program of negotiations to expand opportunities for securing market access and building a 21st century economy. Below CSI identifies major areas of interest to the membership as part of the medium to long-term strategy that the United States can adopt to secure a doubling of exports and renewed confidence in the global economy.

Multilateral Negotiations

Conclude the WTO Doha Round. A Doha Round that provides new commercial opportunities and binds existing liberal practice in key markets is the best near-term way to expand business opportunities for U.S. service providers, increase our competitiveness in the sector, and promote renewed economic growth and job creation. CSI Members are interested in the range of issues on the table in the Doha negotiations, from negotiations to expand services market access and national treatment for services providers to the expansion of trade rules covering issues such as trade facilitation and reinforcing the importance of the rules-based trading system of the World Trade Organization (WTO).

Unfortunately, the offers to date from trading partners in the Doha services negotiations fall far short of providing the substantial and meaningful improvements in market access and national treatment, especially by the large emerging countries, that are needed to create the new business opportunities essential for economic growth and job creation. The Round’s services negotiations must be reenergized to substantially expand their market opening commitments in all sectors and modes of supply.

CSI supports the recent “Cluster” proposals that have been put forward in Geneva, by which the requests for liberalization in key services sectors will be consolidated and distilled, in order to

build a larger base of support for liberalization among target countries. We strongly encourage the U.S. Administration to work with its trading partners to further these proposals, and ultimately to reach agreement to reduce trade and investment barriers in those and other sectors in key markets around the world. For these clusters of services to generate new exports, however, will require participation by the key services economies, including Brazil, China, India, the ASEAN countries, and others, and commitments to bind and open new market opportunities across a series of interrelated GATS services schedules.

Sectoral and Modal Agreements. The U.S. should explore agreements among willing groups of key countries to liberalize trade in services on a sector-by-sector and/or mode-by-mode basis, either within or outside of the context of the Doha Round. This effort could build on past successes, such as the 1997 WTO Basic Telecom Agreement or the 1997 WTO Agreement on Financial Services, the Doha Round “plurilateral” requests, and the more recent "Cluster" effort. A sector-focused approach may circumvent some of the obstacles that have hampered more comprehensive negotiations.

Bilateral and Regional Free Trade Agreement (FTA) Negotiations

Pass the Pending FTAs with Korea, Colombia and Panama. U.S. free trade agreements have proven to be extremely effective in opening services markets. U.S. services exports to both Mexico and Canada have doubled in the past decade; services exports to Chile and Singapore are up 68% and 61%, respectively, since FTAs with those countries took effect in 2004. Since the enactment of the U.S.-Australia free trade agreement, services exports to that country are up by 57%.

U.S. free trade agreements provide a wide range of important benefits, including market access and non-discriminatory treatment for U.S. service providers, and badly-needed regulatory transparency and due process. These Agreements, with their provisions that support U.S. manufacturing, agricultural and services interests will create new opportunities for services providers well beyond the provisions directly related to services.

Passing the pending FTAs with Korea, Colombia, and Panama is an essential first step towards growing U.S. service exports and supporting the NEI’s goals. The United States must avoid a situation where U.S. exporters are less competitive and are put at a competitive disadvantage vis-à-vis other competitors. Reducing tariffs on goods, expanding opportunities for trade in digital products in any form and enhancing regulatory and IPR protections are all part and parcel of creating new opportunities for services providers from express delivery and retail services to banking and information/ telecommunications providers.

All three agreements contain strong services provisions that will reduce foreign trade barriers, enhance U.S. prosperity, and create jobs. Passing these agreements would ensure that market access, investment protection, and regulatory reform benefits will be realized by U.S. exporters. Passing the agreements expeditiously will secure these benefits before EU, Canadian, and other competing exporters dilute these benefits by entering into agreements with Korea, Colombia, and Panama before the United States. Once market share is lost to our competitors, it will be difficult to claw back.

Pursue new Opportunities. CSI strongly supports the Administration’s negotiation of a Transpacific Partnership Agreement (TPP). An agreement that maintains and builds on the high standards of previous U.S. free trade agreements would bring both the practical benefit of ensuring access across all sectors, and could provide the core for building a larger trade bloc in the Asia Pacific region (Canada and Malaysia have expressed interest in joining the TPP, and others may follow suit). In particular, the focus on a series of horizontal issues that have a dramatic impact on market access and competitiveness of U.S. Services exporters in Asia present some unique opportunities.

By including issues such as supply chain, regulatory coherence, SMEs, competition, IPR protection, and other “21st century” issues, the TPP is a platform upon which to design a truly regional trade agreement that facilitates the movement of goods, services, and investment among the parties. U.S. services companies play a critical role in moving these goods, services, and investments – and will reap significant benefits if a new standard of trading and investing across a region can be established. Moreover, by establishing a high-standard framework that other Asia-Pacific countries could join, the TPP offers a unique opportunity to strengthen market access and level the playing field throughout the region. CSI encourages bringing more countries into the TPP when the core agreement has been adopted.

Many believe that an even larger grouping, the Free Trade Area of the Asia Pacific (FTAAP) should be pursued. The Asia-Pacific is certainly a vital market for U.S. service providers. U.S. exports of services to the region totaled \$129 billion in 2008, with a U.S. services trade surplus of \$38 billion. When services exports to NAFTA partners Canada and Mexico – who are also APEC members – are added, the total rises to \$199 billion.

Services-Only FTAs. Where FTAs are impractical, the United States should explore services-only trade agreements such as a services-only FTA between the U.S., EU and Japan. Such an agreement would set high standards in services trade and investment, which could provide a template for negotiating future trade agreements with other countries.

Investment Leads to More Exports

Negotiate High-Standard Bilateral Investment Treaties (BITs) with Key Markets. Direct investment is an imperative for many U.S. services companies to operate in foreign countries, and is one of the principal ways by which U.S. services companies compete in the global marketplace.

When U.S. companies expand their employment abroad, they generally tend to expand domestically; it is not a simplistic matter of “exporting jobs,” as is often assumed. Viewed over the longer term, the data demonstrates that rather than being substitutes for one another, the domestic and foreign operations of U.S. companies have been complementary, and can generate exports from the U.S. to the foreign subsidiary. U.S. companies’ presence in foreign markets has contributed strongly to productivity growth in the United States, and thus to higher living standards.

U.S. bilateral investment treaties (BITs) protect such investments, and encourage the adoption of market-oriented domestic policies that treat private investment in an open, transparent, and non-discriminatory manner. BITs can enhance U.S. competitiveness, as U.S. companies are often at a disadvantage in cases where our competitors from other countries already have BITs in key markets. For example, the United States has fewer than half the number of BITs that competitors such as France, Germany, and the UK have, and the lack of these treaties substantially undermines U.S. companies' opportunities to compete on a level playing field.

Enhancing the Environment for Exports of Goods and Services

Trade Facilitation. One of the most significant costs to exporters is that of moving goods and services to foreign markets. Many Service companies – whether express delivery, energy, transportation, retail, IT, telecommunications, financial services and others – provide the means by which goods and services move across the world. Unfortunately a host of services, investment, and regulatory barriers hamper this movement. Benefits from trade are lost if goods are held up at borders as a result of burdensome and inefficient customs procedures. The Administration is engaged in a variety of initiatives, including Doha, APEC, and the innovative horizontal focus on Supply Chain and other Trade Facilitation provisions in the TPP, all of which are aimed at improving trade facilitation between the United States and key markets around the world. These initiatives reduce the costs of exporting, and thus improve the competitiveness of U.S. agricultural, manufacturing, and services exports. The Commerce Department is uniquely situated to make a difference in creating an environment which expands trade.

The pending FTAs, the Trade Facilitation negotiations in the Doha Round, and the U.S. hosting of APEC in 2011 provide opportunities for the Administration to achieve significant improvements to trade facilitation which can generate substantial new export opportunities for all U.S. exporters.

Moreover, the United States should encourage its trading partners to modernize their customs systems and adopt best practices in customs procedures. While trade facilitation is included in the WTO Doha Round and other free trade negotiations, it is generally seen as a non-controversial issue and one which most countries recognize as being in their own self-interest. This creates opportunities for countries to implement customs reforms unilaterally, outside of the context of trade negotiations. The U.S. government and the private sector should encourage this.

At home, the Automated Commercial Environment (ACE) program, which ensures both the physical and economic security of the United States, should be updated and modernized. The ACE interface is a model for the world to follow and we encourage its full implementation. Customs and Border Protection (CBP) should also work closely with industry to develop the harmonization and automation of multiple reporting systems. Too often, businesses are required to use multiple sources of data entry for multiple departments, agencies and countries. Creating a single, user-friendly electronic filing database for all government documentation requirements would result in a safer, faster and more cost-efficient process for international shipments. By establishing a high standard for customs modernization, the U.S. can set an example for its trading partners, ultimately facilitating the flow of U.S. exports and supply chain operations around the world.

Train and Educate American Workers for the Jobs of Tomorrow. The foundation of U.S. global competitiveness is its human capital. As the economy has become more knowledge-intensive, demand has grown for the workers and services to support knowledge industries. Maintaining U.S. competitiveness and generating economic growth requires that we encourage policies and initiatives to improve the skills of the U.S. workforce, to facilitate greater workforce mobility and to provide adequate adjustment assistance when needed.

For instance, a recent Georgetown University study entitled “Help Wanted: Projections of Jobs and Education Requirements through 2018” published in June 2010 by the Center on Education and the Workforce, concluded that the United States will need 22 million new college degrees by 2018, but will fall short of that number by at least 3 million. In addition, the United States will need at least 4.7 million new workers with postsecondary certificates. Shortfalls in these areas will mean lost economic opportunity for millions of American workers.

In addition, the Department of Labor has projected that by 2014, the U.S. will have more than 2 million job openings in high paying Science, Technology, Engineering and Math (STEM) fields. Yet the current pipeline will only be able to meet about 50 percent of the demand for new graduates in STEM disciplines.

Regulatory Coherence. Regulatory barriers are some of the biggest problems for U.S. service companies and their workers trying to conduct business in foreign markets. While domestic regulations serve legitimate purposes, they may unintentionally or intentionally also restrict trade and unfairly protect domestic suppliers. There are many examples of useful efforts to improve regulatory cooperation and address regulatory barriers to trade, including the APEC-OECD and U.S.-Japan initiatives on regulatory reform and due process, and the Transatlantic Economic Council. The increasing complexity of divergent regulatory regimes around the world presents tremendous challenges to U.S. services exporters. The Administration should put a new emphasis on regulatory coherence in trade and other negotiations.

Enforcement of Current and New Trade and Regulatory Agreements. CSI shares the concerns that the support for new trade agreements is directly linked to the effectiveness of existing agreements and their enforcement. The Administration and Congress must deploy sufficient enforcement resources to ensure that our trading partners live up to their current and future services commitments. To be effective, the enforcement agenda will require using all available tools, including dialogues, negotiations, and formal dispute resolution. Increasingly, efforts by some governments to develop strategies to create national champions by imposing regulations that favor domestic providers, manipulating product standards or empowering state-owned enterprises in ways that discriminate against foreign providers are all concerns that CSI members face in emerging markets.

STEPS THAT THE FEDERAL GOVERNMENT COULD TAKE TO IMPROVE ITS PROGRAMS TO SUPPORT U.S. EXPORTS

Immigration, Travel and Tourism. For decades, since services statistics have been published, a very substantial element of U.S. exports of services has been provided by travel and

tourism. U.S. exports of travel and related services, including passenger fares, amounted to more than \$141 billion in 2008, up from \$80 billion in 2003, and the U.S. enjoys a trade surplus of \$29 billion in this segment of services trade.

Similarly the U.S. services economy and exports benefit when foreigners come here for reasons in addition to tourism. Foreigners who seek medical care and who pursue educational studies are all “buying” U.S. services, and these purchases are booked as exports. Of course airline and other travel spending builds our service sector numbers. Business travel is also important. Consistent with national security, we encourage efforts to address delays that impede the movement of legitimate business people and individuals traveling to the United States to consume U.S. services.

As noted in the BRT report referred to earlier, “immigration reform must provide companies with access to the best professional talent available – both American and foreign – in order to innovate, fuel the economic recovery, and create American jobs.” The Administration should continue to pursue comprehensive immigration reform. Temporary and permanent visa programs for highly skilled workers are vital in order for employers to access and retain the talent necessary to compete in the global marketplace, when such workers are not available in the United States.

In the BRT/Business Council report, a number of specific suggestions were made to address areas of concern such as spousal employment for a professional worker, narrowing policy through individual visa adjudications, proposed H-1B and L-1 Enforcement legislation, immigration caps and conditions for skilled workers. CSI respectfully suggests that these comments be taken into account.

Export Finance. A fifteen-year old Federal Deposit Insurance Corporation policy is handicapping the ability of second tier banks to provide export financing to small and medium-sized businesses. The Federal Deposit Insurance Corporation (FDIC) Statement of Policy Regarding Treatment of Collateralized Letters of Credit After Appointment of the FDIC as Conservator or Receiver (FDIC Statement of Policy 60 Fed Reg. 27976, May 26, 1995.) is hampering credit extension by large banks to banks such as community and regional U.S. banks, thus potentially weakening these banks' ability to provide letters of credit at a time when their stability and lending ability to SMEs and others is crucial to economic recovery and growth in trade. Notwithstanding a specific carve-out in the Policy Statement for trade letters of credit, the inconsistent application of the policy by the FDIC has required caution by counterparty banks, particularly under the risk-averse environment in which U.S. banks are operating, in extending credit to letter of credit issuance and confirmation.

The FDIC policy is affecting the willingness of banks to issue or confirm LC's on a secured basis for certain FDIC insured small and regional banks. This can result in the inability of these banks to confirm or issue LC's, thus disrupting their business for customers with certain LC needs.

We encourage the FDIC to reevaluate this policy in light of encouraging stability, economic recovery, and growth in trade.

Ex-Im Bank Policies. The Export Import Bank should be more competitive with foreign export credit agencies in order for U.S. firms to compete overseas. Current Ex-Im Bank policies, such as requirements for products to be shipped on U.S.-flagged vessels, local content restrictions, and legislative requirements to dedicate a given percentage its resources to small businesses, place American firms at a competitive disadvantage to their foreign counterparts when seeking guarantees to support export opportunities. U.S. financial services firms must compete internationally for export finance business. Reforms that improve Ex-Im's accessibility, efficiency and competitiveness will generate more export opportunities for American firms, and therefore create more opportunities for financial services providers to participate in the financing of those transactions.

Better measurement of the U.S. services economy. Data on the U.S. service sector and trade in services lags far behind that for the manufacturing sector. Insufficient data on the structural makeup of the service sector, cross-border flows of services, and the usage of services as inputs to manufacturing and agriculture may be causing understatements about the number of service jobs in the economy and about the size and extent of services exports. Given that services are such a vast part of the U.S. economy, and that good data is a requirement for good policy formulation, it is very important to improve services data collection. Specifically, CSI recommends:

- Complete the expansion of coverage of the Services Annual Survey (SAS) and the Quarterly Services Survey (QSS) through full funding of the Improved Measurement of Services Initiative. The funding has been appropriated, and when fully implemented, this initiative would extend quarterly and annual coverage to twelve service sectors, matching the coverage of the quinquennial Economic Census. The QSS coverage would increase from 17% to 55% of GDP, and the SAS coverage would grow from 30% to 55%. This expansion will provide annual and quarterly coverage of finance and insurance, real estate, utilities, educational services, and transportation and warehousing - sectors which are especially critical to policymakers now.
- Improve data sharing among key statistical agencies, as the Administration has proposed, by amending 26 USC 6103(j). U.S. statistical agencies must be able to share federal tax return information. This information would allow BEA, BLS and Census to synchronize industry lists, and improve the measurement of productivity, employment, and earnings data.
- Include more countries in the annual Survey of Current Business report on cross-border trade and affiliate services. The report provides detailed information on services trade with many, but not all countries, and many current and pending U.S. FTA partners are not included in this report. Policymakers and legislators need to have data on trade with other countries, especially FTA partners.
- Expand the coverage of the quinquennial Economic Census and expedite its data release. Currently, Economic Census data are collected only for select service sectors, and their release is significantly delayed.

HOW THE U.S. GOVERNMENT COULD BETTER PROMOTE SERVICES EXPORTS

Export Promotion Programs. The United States needs a comprehensive strategy to promote U.S. services exports. Notably, the U.S. Department of Agriculture and the Foreign Commercial service advocate for U.S. exporters. Opening markets through trade negotiations should be accompanied by a strong government-wide effort to ensure that services exports are part and parcel of the economic recovery agenda for America. Currently, there is little recognition in terms of export promotion of the role that services play in the U.S. economy, or globally.

Bilateral dialogues. U.S. government economic and commercial dialogues with other governments are an important element of any strategy going forward. For example, the dialogues with China and India have yielded a few notable results for services, but many outstanding market access issues remain, to the disadvantage of U.S. companies operating in both markets. CSI strongly supports these collaborative efforts and urges that the governments on both sides work to make the dialogues more productive. We look forward to meetings in the fall of both the US-China Joint Commission on Commerce and Trade, and the US-India Trade Policy Forum. CSI Members represent a broad array of interests, from investment to IPR protection, as well as market access. We have been engaged with U.S. officials on the issues to be considered and hope that good results are achieved in both. However, these once-a-year dialogues are not a replacement for a comprehensive government-wide strategy to address issues in emerging markets like China.

Using U.S. APEC Year Effectively. Next year, the United States will host the Asia-Pacific Economic Cooperation (APEC) meetings for the first time since 1993. As host, the United States has an important opportunity to set a regional trade agenda and undertake new trade initiatives in this vital growth market. Moreover, the APEC meetings will provide an important point at which some key “deliverables” could be put forward, including a concluded TPP agreement. Work begun during the Singapore and Japan APEC years should culminate in agreements and commitments on services and trade facilitation priorities that will enhance U.S. export competitiveness and expand market opportunities in the Asia-Pacific region.

MEASURING PROGRESS IN REALIZING THE GOALS OF THE NEI: METRICS AND BENCHMARKS

Strategies for achieving the goals of the NEI must be accompanied by time frames, benchmarks, and other metrics. CSI recommends that the Administration establish a series of reviews on a regular basis – perhaps quarterly - with more thorough reviews semi-annually, that measure and assess the work undertaken to date, and the results in terms of increased exports. A regular program of follow-up and assessment will allow for corrections and modifications, and will allow the Administration to expand resources for those programs that are working, and abandon or restructure those that are not.

We would also encourage the Administration to establish services-specific metrics of export growth. The Administration launched the National Export Initiative and announced the goal of

doubling exports as part of its economic plan to generate sustainable economic growth, create jobs, and secure future U.S. prosperity. Services represent 80% of the U.S. economy and 80% of the U.S. workforce and therefore must be a central focus of the National Export Initiative. U.S. services companies innovate, compete, and thrive throughout the world, but they have only begun to achieve their export potential.

Doubling services exports will have a big impact on the U.S. economy and jobs because of the already large share of both that are accounted for by services, and CSI therefore recommends that the Administration focus its resources and its metrics to capture better services trade data, assess and address critical services trade barriers, and achieve expanded market access, national treatment, enhanced investment protections, and IPR protections for U.S. services exports. The Department may wish to look at trends in the various services sectors and their contribution to GDP growth, and consider establishing benchmarks.

SUFFICIENT FUNDING FOR AMBITIOUS TRADE POLICY AND PROMOTION

Additional resources need to be made available to the Office of the United States Trade Representative (USTR). The current level of funding will not be sufficient for USTR to realize the ambitious goals of the NEI. Earlier this year, CSI and a number of other business groups wrote to the House and Senate Appropriations Committees, and urged a 15% increase in funding for the agency. While the current level of funding may allow USTR to continue to provide a basic level of services, it will not maximize USTR's ability to open international markets to U.S. goods and services and ensure effective enforcement of U.S. trade agreements. Unfortunately, the administration's FY 2011 budget maintains funding for USTR at the same level as prior years (\$48 million) despite an ever-expanding portfolio of trade negotiating, monitoring and enforcement responsibilities. By contrast, the budget allocates \$534 million, a 20% increase over FY 2010, for the Commerce Department's International Trade Administration. The policy elements of the NEI are no less important than its trade promotion elements, and must also be adequately funded.



ACTIONS TO INCREASE U.S. AGRICULTURAL EXPORTS

The goal of the National Export Initiative to double U.S. exports will only be achieved by completing specific actions that increase markets for U.S. goods and services. U.S. agriculture can increase its level of exports and contribute even more to reducing the U.S. trade deficit by the aggressive action of the U.S. government to expand markets and reduce barriers.

The U.S. Department of Agriculture (USDA) forecasts fiscal year 2010 agricultural exports at \$104.5 billion, with agricultural imports for fiscal year 2010 at \$76.5 billion. The resulting \$28 billion trade surplus depends on continuing strong world demand for the products from U.S. agriculture. The U.S. must act to increase its economic competitiveness and reduce foreign government barriers that hinder U.S. agricultural exports.

Efforts To Expand U.S. Agricultural Exports

The Foreign Agricultural Service (FAS) executes USDA's strategy for expanding foreign market access for U.S. agricultural products. FAS works to build new markets, reduce Sanitary and Phytosanitary Measures (SPS) barriers, improve the competitive position of U.S. agriculture in the global marketplace, and provide food aid and technical assistance to foreign countries. FAS has the primary responsibility for market development, trade agreements and negotiations and the collection and analysis of market information.

Market information, improved trade infrastructure and open access are necessary to take advantage of the opportunities for U.S. agricultural exports for farmers and ranchers. The various programs operated by the FAS, cooperators and state-regional trade groups assist all of agriculture to promote U.S. products and meet the national requirements to do business in foreign markets.

Market information is an area that offers tremendous benefit to exporters. The FAS provides a wealth of country and market specific data—this effort must continue. The successes and failures of marketing efforts should be made available to agriculture so that producers, processors and exporters may appreciate and utilize the experience to assist their businesses.

Recommendation:

USDA should work to provide more immediate international market information, including the results of trade missions and promotion efforts to U.S. agricultural producers.

The physical infrastructure supporting trade is a necessary component of U.S. agricultural competitiveness. Our transportation and port systems allow our products to move efficiently, while preserving quality, at a cost competitive price. Improvements to inland waterways, highways, ports and rail for agricultural exports must be constantly supported. Our nation has built, at considerable public cost, an efficient and effective continental transportation system across all modes. This advantage for all exports, especially commodity agricultural products, must be maintained.

Recommendation:

Increased emphasis should be placed on improving the physical infrastructure and operations of the U.S. inland waterways, highway, port and rail transportation systems that are vital to the continued competitiveness of U.S. agricultural trade.

Comments on SPS Measures

Expanding meat trade has been one of the strategic highlights of agricultural exports over the past 10 years. Nearly one in seven broilers produced at home is consumed overseas, with one in 10 hogs also moving offshore. These are industries that require considerable capital investment, that also generate a product with limited shelf life. In essence, when a chicken, hog or sheep is ready to go to market, it must move in a limited period of time. It is this short delivery window that makes the livestock sector particularly susceptible to short-term, arbitrary decisions on the part of other governments to appeal to SPS issues as barriers to trade. Overnight a foreign government can make a decision disrupting supply chains which may take months, if not years, to adjust. That adjustment process almost always entails someone going out of business. This problem is not just linked to the livestock industry, but has been particularly acute for our meat products over the last few years. The USTR report, *2010 Report On Sanitary and Phytosanitary Measures*, details the barriers to U.S. agricultural exports. The FAS, Animal and Plant Health Inspection Service (APHIS) and Food Safety and Inspection Service (FSIS) all work to overcome these barriers for U.S. farmers and ranchers and their work must be strongly supported. Special attention must be paid to removing barriers to poultry exports due to avian influenza and pathogen reduction treatment restrictions, securing access for products containing biotech-derived ingredients, restoring full access for U.S. beef, and removing restrictions on pork products due to H1N1.

Beef

The European Union (EU) has banned the use of hormones in food-producing animals since the late 1980s. The U.S. Food and Drug Administration approves the use of growth-promoting hormones for U.S. beef cattle production. Since 1996 the U.S. has pursued a case against the EU before the World Trade Organization (WTO) contesting the hormone ban as a violation of the SPS Agreement. In May 2009, the U.S. and EU

reached an agreement to allow expanded entry for U.S. “hormone-free” beef into the EU. The issue of EU restrictions on U.S. beef remains and is still operating as a barrier to exports of all U.S. beef.

Japan continues to limit U.S. beef to product from animals 20 months of age and younger. The World Organization of Animal Health (OIE) has determined that the U.S. is a “controlled risk” nation for BSE and that U.S. beef is safe for import according to OIE guidelines. Japan’s refusal to follow OIE guidelines is a significant trade barrier to U.S. beef exports. Japan was the No. 1 export market before a single BSE case in Dec. 2003 prompted the closing of the Japanese market. Sales of U.S. beef have dropped from more than \$1.4 billion in 2003 to \$380 million in 2008.

China continues to ban the import of U.S. beef with a BSE import ban instituted in Dec., 2003. China is not following its obligations under the WTO SPS Agreement or the applicable OIE guidelines.

Pork

In May 2009, China instituted a ban on the import of U.S. pork products in response to the outbreak of H1N1 virus in the U.S., despite the scientific consensus that H1N1 was not spread by the consumption of pork. China has recently assented to the reopening of its markets to U.S. pork.

Russia also instituted bans on U.S. pork due to the H1N1 virus that have since been lifted. Russia consistently acts to periodically block the import of U.S. products, on SPS grounds, by the operation of their export certificate program.

Poultry

Since 1997 the EU has maintained a prohibition on the import of poultry products that have been processed with chemical pathogen reduction treatments (PRTs) to eliminate microbial surface contamination. Scientific reports from EU agencies have concluded that the importation and consumption of poultry processed with PRT’s does not pose a risk to human health and safety. The European Commission in 2008 advanced a proposal to allow for the limited importation of poultry treated with PRTs. This proposal was rejected by the European Parliament and the EU Agriculture and Fisheries Council. Responding to these actions the U.S. brought a case against the EU before the WTO in 2009. The continued existence of this barrier keeps U.S. poultry from the EU market.

In Jan. 2010, Russia banned U.S. poultry due to the use of chlorine-based pathogen reduction treatments by U.S. poultry processors. Russia had for many years been the No. 1 export market for U.S. poultry, with more than \$700 million in sales in 2009. During a recent meeting in Washington, Russian President Medvedev and President Barack Obama announced that Russia will end its ban on U.S. poultry imports. Once U.S. processors have certified that they use other approved pathogen reduction treatments, U.S. poultry products will be able to resume their place in the Russian market.

China restricts U.S. poultry imports through the operation of a low pathogenic avian influenza program. These restrictions are inconsistent with OIE guidelines.

Tobacco

A recently enacted law in Canada, the *Cracking Down on Tobacco Marketing Aimed at Youth Act*, will affect exports of U.S. burley tobacco that are used in the production of traditional blended cigarettes. The law limits the use of flavoring in tobacco and will act to discriminate against the use of burley tobacco in cigarettes.

Burley is one of the tobaccos used in “American blend” cigarettes. Under the new provisions “American blend” tobacco will be prohibited in Canada. While the legislation was originally intended to address concerns related to candy flavored tobacco products targeted to young people, the law goes much further and effectively bans all “American blend” cigarettes. The act prohibits all flavor additives in all cigarettes, in effect banning the type of cigarette that represents a major portion of the world’s tobacco market.

The operation of this law will severely affect American tobacco producers. Additionally, we are concerned that if other nations follow Canada’s lead in banning legitimate products made with burley tobacco, the market for American tobacco could be jeopardized. This law acts as a de facto ban on the import of American blend cigarettes and runs contrary to trade obligations.

Genetically Modified Organisms (GMO’s)

The EU has failed to comply with its WTO obligations to provide for a science-based, timely and predictable process for regulatory review of agriculture and food biotechnology products. U.S. agriculture, food and biotechnology industries support the U.S. government’s efforts to resolve this dispute to normalize trade with the EU in agricultural biotechnology products. Because of the EU’s role in many African countries in particular, these actions are cutting off our trade not just with the EU but several other countries as well.

In 2006, the WTO ruled that the EU was not in compliance with its trade obligations with respect to trade in GMO’s. This ruling granted the U.S. the right to retaliate on European goods. However, U.S. industries supported the decision of the U.S. government to suspend further action, for a limited period of time, to provide the EU an opportunity to demonstrate meaningful progress toward a functioning regulatory process that will help normalize trade in biotech products.

U.S. agriculture has suffered substantial damage from the EU’s failure to abide by its WTO commitments and this damage will continue to grow as long as the EU does not comply with the WTO ruling. The inability of the EU to operate a timely and predictable regulatory process ended U.S. corn exports in 1998 and has reduced corn byproduct exports substantially. If the EU does not immediately begin to make timely, science-based regulatory decisions on pending and future applications, soybean exports also are at serious risk.

Australia

The Free Trade Agreement (FTA) between Australia and the U.S. left several unresolved issues for the application of SPMs on U.S. agricultural products. Access is limited by Australia for apples, stone fruit, raspberries and poultry products. There are continuing restrictions by Australia on the imports of U.S. whole grains and U.S. beef. Australia's regulatory process for products from biotechnology limits exports of feed grains.

National SPS barriers are having a continuing impact on U.S. agricultural exports. These barriers need to be the object of action by the USTR, the USDA and other interested government agencies. Actions by foreign governments to reduce and eliminate these SPS barriers can significantly improve export prospects and opportunities for U.S. farmers and ranchers. Continuing attention to international standards setting bodies such as the OIE, Codex and the International Plant Protection Convention, will also expand trade by reducing SPS barriers.

Recommendations:

USTR and USDA must place an emphasis on removing foreign SPS barriers to U.S. agricultural exports.

USTR should initiate a retaliation proceeding against the EU to force compliance with the WTO ruling on GMO's.

Retaining the U.S. Competitive Edge through Negotiations

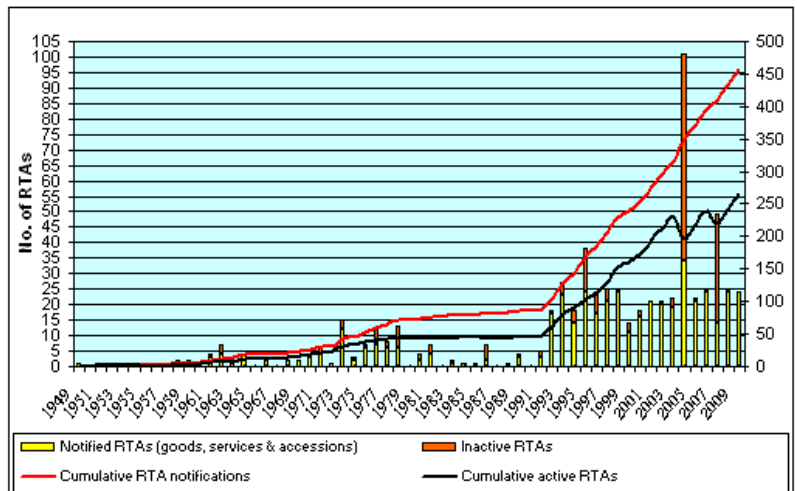
By the end of 2010, there will be more than 600 bilateral and regional trade agreements in place worldwide. These agreements are effectively replacing global agreements, such as the WTO's Uruguay Round Agreement on Agriculture, as the engine of growth in world trade. The United States is engaged in fewer than 20 of these trade agreements.

WTO members are required to notify trade agreements in which they participate to the WTO. Nearly all of the WTO's 153 members have notified participation in one or more trade agreements; some members are party to 20 or more agreements.

As of February 2010, 462 trade agreements had been notified to the WTO. Between 1948 and 1994, the WTO (then the GATT) received 123 notifications of trade agreements. Since 1995, more than 300 additional agreements covering trade in goods and services have been notified. This, and the accompanying graph, illustrates the rapid expansion of bilateral and regional trade agreements; a rapid expansion of which the U.S. is not a part.

Potential FTA Partners

The United States signed free trade agreements with Colombia (the



Colombia Trade Promotion Agreement or CTPA) on Nov. 22, 2006; Panama (the Panama Trade Promotion Agreement or PTPA) on June 28, 2007; and South Korea (the KORUS FTA) on June 30, 2007. Congress has not yet taken up any of these agreements. Our competitors, however, are not waiting for passage of these preferential U.S. agreements and are in the process of negotiating agreements with Colombia and Korea.

Colombia-Canada FTA – On Nov. 21, 2008, Canada and Colombia signed a free trade agreement. Upon implementation, the FTA will result in lower barriers to trade between the two countries, with faster tariff elimination for those products that are of greatest importance in Canada, including Canada's main agricultural exports to Colombia. In June 2010, the government of Canada approved the Colombia-Canada Free Trade, Labour Cooperation and Environment Agreements. This agreement will now enter into effect before the CTPA and Canadian exporters will gain a significant competitive advantage over the United States in the Colombian market for products such as beef, pork, wheat, barley, pulses, and non-tropical fruits such as apples, peaches and berries.

Colombia-European Union FTA – After holding nine rounds of trade negotiations, the EU has concluded free trade agreements with Peru and Colombia. The trade deal is expected to boost exports of European products to the Latin American countries. The agreement could be implemented as early as 2012.

Colombia-Mercosur FTA – On Dec. 30, 2005, Colombian President Uribe signed a law that ratified a free trade agreement between Colombia and Mercosur (Southern Common Market, a South American regional trade group that includes Argentina, Brazil, Paraguay and Uruguay). The agreement allows Colombia to import agricultural products and other goods from Mercosur at lower costs due to reduced tariffs resulting from the agreement. For example, Mercosur partners are now able to export corn to Colombia at a tariff rate of 7 percent; the United States currently is assessed a tariff of 15 percent. Under the CTPA, U.S. corn exports would immediately face a tariff of 0 percent, putting U.S. farmers and exporters at an advantage over other South American suppliers.

U.S. agricultural exports to Colombia dropped in 2009 largely because Colombia's FTA with Mercosur went into effect. With the elimination of agricultural tariffs between these South American countries, the U.S. share of Colombia's grain imports fell by 57 percent. This market was filled by Brazil and Argentina.

Panama-Canada Free Trade Agreement – On Aug. 11, 2009, Panama and Canada completed negotiation of a free trade agreement. According to the Canadian government, the agreement will “help level the playing field for Canadian exporter's vis-à-vis competitors that are seeking preferential access to the Panamanian market (e.g. the United States).” If this agreement enters into effect before the PTPA, Canadian exporters will gain a significant competitive advantage over the United States in the Panamanian market for products such as beef, frozen potato products, beans, lentils, pork, malt and other processed foods.

South Korea-European Union FTA – In Nov. 2009, the EU signed a free trade agreement with Korea. This agreement mirrors the stalled deal Korea reached with the U.S. in June 2007. Most observers are convinced that the U.S. did the “heavy lifting” in negotiations, creating a “gold standard free trade agreement” for the EU to copy. Much like the KORUS-FTA, the Korea-EU FTA is a comprehensive agreement that excludes rice. The Korea-EU FTA will immediately eliminate 82 percent of Korea’s tariffs; in five years, the agreement will eliminate 94 percent of Korea’s tariffs. In contrast, the KORUS-FTA would eliminate 94.5 percent of Korea’s tariffs in three years; virtually all tariffs will be eliminated in 10 years. If this agreement enters into effect before the KORUS FTA, European exporters will gain a significant competitive advantage over the United States in the Korean market. For example, the EU currently exports more pork to South Korea than the U.S. In 2008, the EU exported roughly \$360 million of pork to South Korea while the U.S. exported roughly \$280 million. With an FTA in place, the United States could increase pork exports to South Korea and take market share from the EU. However, if the Korea-EU FTA is implemented before the KORUS FTA, American producers would lose that competitive advantage and U.S. pork exports would likely not achieve the same level they would have seen with European pork producers experiencing a first mover’s advantage.

South Korea-Mercusor FTA – In Nov. 2004, Korean President Lee Myung-bak called for the launch of negotiations on a free trade agreement between South Korea and Mercusor. Several rounds of talks have been held and feasibility studies have been conducted. On July 23, 2009, Korea and Mercusor signed a memorandum of understanding (MOU) for the “Establishment of a Joint Consultative Group to Promote Trade and Investments between the Republic of Korea and Mercusor,” indicating some progress on the negotiations.

While negotiations through the WTO and its 153 members offer considerable opportunity to expand agricultural exports, those negotiations appear to be stalled. In the meantime, bilateral and regional free trade agreements offer a good opportunity to expand agricultural exports.

Bilateral/Regional Trade Agreements

The United States has FTAs in place with 13 countries: Israel, Jordan, Singapore, Chile and Australia, as well as Canada and Mexico through the North American Free Trade Agreement (NAFTA) and the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR).

The NAFTA is probably the best known FTA in which the United States participates. As with any trade agreement, there have been some adjustments that have affected jobs and production in all three member-countries. U.S. agricultural exports to Canada have increased by 75 percent and have more than doubled to Mexico since the agreement’s implementation. Imports of agricultural products, such as processed snack foods, fresh and processed fruits and vegetables and some meats, have increased from both countries. NAFTA has helped American farmers expand export markets and increase farm cash receipts and income.

Opportunities/Challenges

There are countless opportunities and challenges facing the U.S. related to FTAs. They are easier to negotiate than WTO agreements, as negotiators work only with a handful of other countries instead of 153 WTO members. However, the agreements are time-consuming, as negotiations must be held separately with each region or country. FTAs generally oblige participating countries to open markets fully to other members once the agreement is fully implemented, while WTO agreements make small steps toward free trade during each round of negotiation. However, despite these challenges, the United States must remain involved in the negotiation and implementation of bilateral and regional free trade agreements or lose the opportunity to develop trading relationships like those upon which other countries, such as the EU and Japan, are capitalizing.

Trans Pacific Partnership FTA - The Trans-Pacific Partnership Free Trade Agreement (TPP) offers U.S. agriculture some potential for long-term gains; however, it presents challenges in its current form. With the notable exception of Vietnam, gains for U.S. agriculture as a sector appear minimal; the potential benefits for U.S. agriculture would accrue only from expansion of the TPP to include additional trading partners.

The United States has already implemented bilateral trade agreements with four of the partner countries: Singapore, Chile, Australia and Peru. Under these existing agreements, U.S. agriculture will receive duty free access at full implementation. Opening the agriculture chapter and related items like rules of origin and safeguards of these agreements would put at jeopardy the sensitive agriculture packages being implemented.

New Zealand and Brunei Darussalam are minor markets for U.S. agricultural exports. While the New Zealand market is different than that of Brunei, its population, economic growth and consumer consumption limit the potential for export growth to these markets.

As the TPP currently stands, there is little new opportunity for market expansion to attract U.S. agriculture. We recognize the strategic and economic benefits of the TPP if further expanded. The potential for agricultural export growth in Asia could provide meaningful benefits with the inclusion of additional countries, however, there is little guarantee that other countries will join.

Recommendations:

The administration must present to Congress and work to secure passage of the Colombia, Panama and South Korea Trade Agreements.

The administration must engage in negotiations with nations to secure trade agreements that will benefit the U.S. economy.

World Trade Organization Agricultural Negotiations

The current round of WTO trade negotiations was launched in Doha, Qatar, in Nov. 2001. The goals for this negotiation are substantial improvements in market access; reduce and ultimately eliminate all forms of export subsidies; and substantially reduce trade-distorting domestic support.

Little substantive progress has been made in either the agriculture or industrial negotiations since the ministers meeting of July 2008. The July 2008 dispute over the operation of an agricultural special safeguard mechanism (SSM) for developing countries was where the negotiations broke down but it was not why they ended. Other issues in the agriculture sector such as Trade Rate Quotas (TRQs) and cotton, along with the dispute over sectoral initiatives in the Non-agricultural market access (NAMA) area, were unresolved and remain unsettled at this time.

Market Access

This has been the most difficult area in which to achieve progress since every nation has tariffs and products that it wishes to protect. There is agreement that the highest tariffs will be reduced the most but the level and scope of tariff reductions has not been agreed to. The level of a tariff cap and the number of sensitive products, which are shielded from tariff reductions, remains to be settled. For developing countries decisions need to be made regarding special products to be protected and a special safeguard mechanism to deal with import surges.

Domestic Support

Agreement has been reached that trade-distorting support will be reduced with the EU at the top level for reductions, the U.S. and Japan in the middle level and all other countries that use trade-distorting domestic support programs at the lowest level for reductions. Issues to be negotiated include the amount of reductions and the criteria for recognition of the U.S. countercyclical programs as less trade-distorting. U.S. agriculture believes that reductions in support levels must be related to gains in market access.

Export Competition

Direct export subsidies, primarily used by the EU, are to be eliminated by the end of 2013. Export credit programs will have repayment periods no longer than 180 days. The U.S. will accept disciplines to help lessen the commercial displacement of locally produced products by U.S. food aid programs but is opposed to cash only requirements.

Recommendations:

The U.S. must work to achieve a commercially meaningful and ambitious outcome to the Doha negotiations.

The advanced developing nations must fully participate in the market access opening necessary for the Doha Round to reach a trade liberalizing agreement.

Conclusion

The U.S. must continue to pursue trade agreements that will expand overall markets for U.S. agricultural products through tariff reduction and by the elimination of SPS barriers. The pending trade agreements with Colombia, South Korea and Panama, along with the ongoing Doha Round, all provide opportunities for the growth of U.S. agricultural exports. The focus of the U.S. government must expand to encompass both the trade challenges and the trade opportunities currently before U.S. agriculture.