

Introduction to Free Trade Agreements

What is a Free Trade Agreement (FTA)?

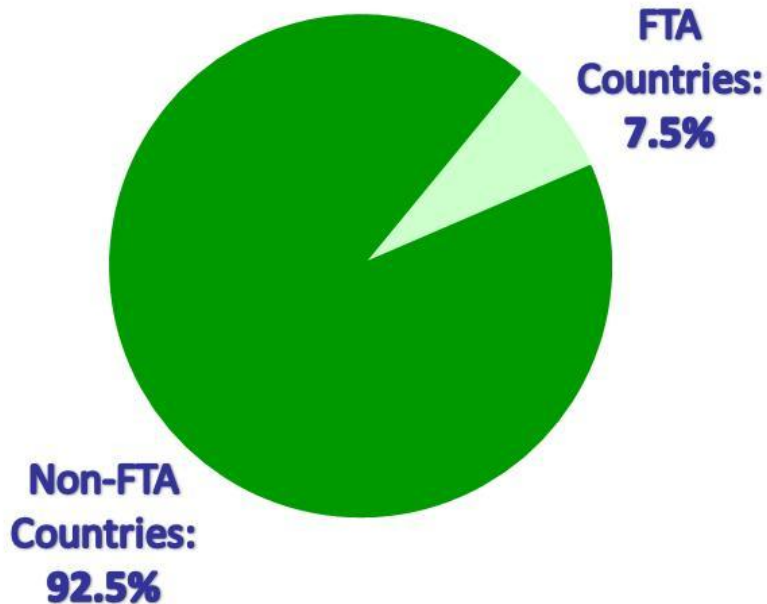
- Reciprocal agreements between countries that eliminate or reduce tariffs and trade barriers
- Tool for promoting fair competition
- 283 Free Trade Agreements around the world

Current US FTAs

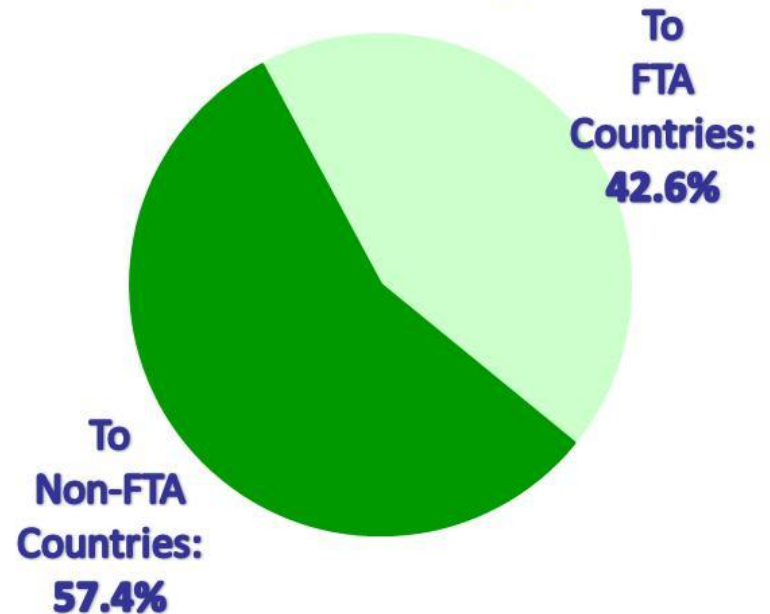
- US has negotiated FTAs with 17 countries
 - These countries in 2009 purchased more than 40% of US exports
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- US is world's largest exporter, with exports valued at \$1.8 trillion
 - Jobs supported by exports pay as much as 18% above the national average
 - 97% of US exporters are small to medium-sized businesses
 - One in three acres of US agricultural production is exported

US Exports (2006)

Percent of World GDP, 2006



Percent of U.S. Exports, 2006



17 US FTAs in force

- 1985 - Israel: US-Israel Free Trade Agreement (incl. Palestinian Authority)
- 1994 - NAFTA
- 2001 - Jordan: US-Jordan Free Trade Agreement
- 2004 - Australia: Australia-United States Free Trade Agreement
- 2004 - Chile: United States-Chile Free Trade Agreement
- 2004 - Singapore: US-Singapore Free Trade Agreement
- 2005 - CAFTA-DR
- 2006 - Bahrain: United States-Bahrain Free Trade Agreement
- 2006 - Morocco: United States-Morocco Free Trade Agreement
- 2006 - Oman: US-Oman Free Trade Agreement
- 2007 - Peru: United States-Peru Trade Promotion Agreement

Trade Promotion Authority (TPA)

- “Fast track” authority
- Stipulates mandatory congressional consideration, limited debate, no amendments
- Vote taken 90 days from time brought to Congress
- Expired on July 1, 2007

Trade and California

- In 2008, California exported \$145 billion in manufactured goods, which supported over 1,066,000 manufacturing jobs
- In 2008, California exported over \$13.6 billion in agricultural products, which supported over 157,500 agricultural jobs
- 95% of the 55,878 California companies that exported goods in 2007 were small and medium-sized enterprises with fewer than 500 employees.

Leading California Export Markets

(In \$ U.S. Billions)

Partner	2006	2007	2008	2009
World Total	127.771	134.319	144.800	120.080
Mexico	19.627	18.346	20.472	17.473
Canada	14.247	16.273	17.850	14.314
Japan	13.984	13.457	13.061	10.901
China	9.970	10.566	10.981	9.744
South Korea	7.045	7.408	7.746	5.912
Hong Kong	4.822	4.918	5.688	5.799
Germany	4.540	5.559	5.758	4.441
Taiwan	5.637	5.786	5.149	4.119
United Kingdom	5.063	5.216	5.537	3.916
Netherlands	4.041	4.076	4.348	3.565
Australia	2.809	2.821	3.175	3.444
Singapore	4.605	4.283	4.084	3.221

Foreign Investment Creates Jobs In California

California's exports to free trade agreement partners have surged

North American FTA	196% increase since 1993*
U.S.-Chile FTA	626% increase since 2004*
U.S.-Australia FTA	28% increase since 2005*
U.S.-CAFTA-DR	77% increase since 2006*
U.S.-Morocco FTA	73% increase since 2006*

*Year of Implementation

Public opinion of free trade

Most Say Trade Agreements Lead to Job Losses

<i>Impact of free trade agreements on...</i>	Total %	Rep %	Dem %	Ind %
Jobs in U.S.				
Create jobs	8	5	12	6
Lead to job losses	55	58	47	63
No difference	24	24	27	22
Wages in U.S.				
Make wages higher	8	5	11	8
Make wages lower	45	45	42	49
No difference	34	37	33	35
Nation's economy				
Lead to growth	19	17	22	18
Slow economy	43	48	34	49
No difference	24	22	26	26
Prices in U.S.				
Make prices higher	31	31	28	33
Make prices lower	31	30	31	32
No difference	25	26	23	26
People of developing countries				
Good	54	55	51	57
Bad	9	7	10	11
No difference	23	23	24	21

Support for Increased Trade...

<i>Increased trade with ___ would be ...</i>	Good for Bad for		
	U.S. %	U.S. %	DK %
Canada	76	14	9=100
Japan	60	30	10=100
EU countries	58	28	14=100
India	55	32	12=100
Brazil	53	31	17=100
Mexico	52	37	11=100
South Korea	45	41	14=100
China	45	46	9=100

PEW RESEARCH CENTER Nov 4-7, 2010. Q63a-e.

Poll in Nov. 2010 from Pew Research Center



US Korea FTA

Trade Volume

- Korea is the US' 7th largest trading partner and 8th largest export market
- In 2009, US exports to Korea reached \$29 billion and bilateral trade reached \$67 billion
- US exports to Korea have increased 100% since 1990
- Korea is CA's 5th largest exporting partner

Investment

- The US is the single largest foreign investor in Korea

Tariffs

- Korea's average tariff rate on all products is 12%
- US average tariff rate is 4%
- Korea's average tariff rate on agricultural goods is 49% (compared to 12% for US)

Exports

- For every \$1 billion in exports, 6250 manufacturing jobs are created or supported (acc. to US DOC)

US Korea FTA provisions

- More than half of current US agricultural exports to Korea will become duty free immediately
- Almost 95% of all bilateral trade in consumer and industrial products will become duty free within three years, with the rest becoming duty free in 10 years
- Implementation of the FTA will create 70,000 new jobs in US (acc. to US DOC)
- Failure to implement FTA will lead to loss of market share to other countries and lose over 345,000 US jobs
- FTA will increase US exports to Korea by \$11 billion and reduce the US deficit by \$4 billion



US Colombia FTA

- Over 9000 US companies export products to Colombia, more than 85% are small/medium sized companies
- In 2009, CA exported over \$328 million to Colombia- the state's 35th largest export market
- Colombia is our fifth largest trading partner in Latin America



US Panama FTA

- In 2009, US had a trade surplus with Panama, with exports totaling \$4.4 billion and imports slightly under \$305 million
- California exports to Panama totaled \$228 million, making it US' 43rd largest export market
- Panama's strategic location as shipping route shows its' importance
- If FTA passes, 88% of US consumer and industrial exports to Panama will become duty free immediately
- 60% of agriculture products will become duty free immediately

Drumbeat of support for pending FTAs

The Washington Post

Time to act on free trade

By Editorial

Sunday, March 13, 2011; 9:09 PM

THE HILL

GOP says all or nothing on trade deals

By Ian Swanson - 03/10/11 07:04 AM ET

YAHOO! NEWS  **REUTERS**

**Bush and Clinton aides prod Obama
on Latam trade deals**

By Doug Palmer Wed Mar 2, 4:25 pm ET

Status of pending FTAs

- US Korea FTA- possible vote by Spring 2011
- US Colombia FTA- pending
- US Panama FTA- USTR working to resolve issues about labor and tax in 2011