



Los Angeles Area
Chamber of Commerce



Mid-Year Update on the Obama Administrations Trade Agenda

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Although there were some encouraging signs earlier in the spring that the Obama Administration was prepared to move the pending Free Trade Agreements with Panama, Colombia and Korea forward, it now unfortunately appears that trade has been put on the backburner until at least the fall and even next year.

After the Summit of the Americas in April, President Obama directed USTR to move the Panama and Colombia FTAs forward. There was hope that the implementing legislation for the Panama FTA would be submitted to Congress for ratification by July 1, with the Colombia FTA to follow and the KORUS FTA to be taken up before the end of this year. However, earlier this month the Obama Administration – without consulting Congressional leaders – unilaterally decided to take the Panama FTA off the agenda until after the healthcare reform legislation is taken up by the House. This will push back consideration of the Panama FTA until at least September, and the ratification for both the Colombia and KORUS FTAs possibly into next year. In addition, during his meeting with South Korean President Lee on June 16, President Obama was non-committal on the timing for moving the Korea FTA forward, and reiterated the demand that the FTA's current provisions with regard to opening up the Korean auto market must be revised to address U.S. automaker and labor union concerns. Opposition to the Colombia FTA among labor unions and Congressional Democrats also remains strong – even to the point that a budget proposal to simply fund a study by the Department of Commerce to determine the negative economic impact of the failure to ratify the Colombia FTA was struck down earlier this month in the House.

The delay in moving the FTAs forward is due primarily to political considerations and the continuing opposition to trade among a significant number of Congressional members and the public. The perception and support for trade and a proactive free trade agenda has become increasingly negative among the American public over the past few years, and the cascading loss of jobs during this economic crisis has only exacerbated the public's negative perception and lack of support for trade. This is despite the fact that:

- Exports accounted for a record 13 percent of the U.S. GDP last year, and in the three years leading up to the global recession, export expansion accounted for almost half – 47 percent – of America's overall GDP growth.
- Up until the full effect of the global recession last fall, every FTA that entered into force resulted in a significant increase of U.S. exports to the FTA partner.
- One in six American manufacturing jobs is already supported by trade, and agricultural exports support nearly a million more. Jobs supported by exports pay 13 to 18 percent more than the national average.

Among the three pending FTAs, The KORUS FTA is the most economically significant and Southern California's ports in particular would greatly benefit from the ratification of the Korea FTA. Korea is the United States' seventh-largest trading partner, with two-way trade in goods reaching \$83 billion in 2008. The ITC estimates that implementation of the FTA would increase

annual U.S. goods exports to Korea by \$10-11 billion and increase U.S. GDP by \$10-12 billion annually. The KORUS FTA includes numerous export market-opening measures that will especially benefit California and its key sectors including agriculture, entertainment, high-tech, medical device, and IP-related industries.

Trade and exports will play an integral part in any long-term economic recovery for the Southern California region and therefore, support from the Chamber, its members, as well as businesses and communities will be critical for ensuring ratification of the KORUS and other two pending FTAs. The Global Initiatives Committee will continue to monitor and provide updates on the U.S. trade agenda and serve as a conduit to build and vocalize support for free and fair trade.