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Pass Pending Trade Agreements with Colombia, Panama, and South Korea in 2009

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In 2009, the Obama Administration will be faced with the need to decide the fate of three pending trade agreements the U.S. has signed with Colombia, Panama, and South Korea. While the status of these agreements will be but one facet of the President-elect's overall trade policy agenda, the choice he makes will have a tangible impact on America's bilateral relations and on the role the U.S. plays in international markets. A decision to delay, renegotiate, or shelve the agreements as part of an isolationist strategy to make U.S. trade policy "fairer" for special interest groups will have a different result than one based on a commitment to open markets. By establishing a firm public commitment to free trade, the President-elect can be a champion for all, rather than just the privileged few.

Trade liberalization has opened markets around the world to U.S. goods and services and has created a level of competition that leads to innovation, better and less expensive products, higher-paying jobs for Americans, and the investment needed for long-term economic recovery, growth, and continued prosperity. The best approach to ensuring that America continues to reap the benefits of international commerce is one that is based on a solid commitment to advancing trade liberalization—a goal that would be advanced with the passing and implementation of pending trade agreements.

Pending Agreements. If enacted, the agreements with Colombia and Panama will result in significant new market access and lower tariffs for America's businesses and farmers; most Colombian

and Panamanian products already enter the U.S. duty-free under various preference programs. Because these countries already have preferential access to U.S. markets, any impact on U.S. jobs has already occurred. Instead, these agreements will result in new economic opportunity for America's exporters and the U.S. businesses that support them, opportunity that will grow over time as these countries continue to develop through trade and mature into larger, more sophisticated markets more closely integrated with the U.S. economy.

Similarly, America stands to gain more from expanding what is already a rich trade relationship through an FTA with South Korea than without one. The agreement resolves many of the problems currently thwarting the full economic potential of U.S.–South Korea bilateral trade and establishes formal channels through which ongoing trade concerns can be addressed.

Colombia. The U.S.–Colombia Trade Promotion Agreement was signed in November 2006 and later amended to include provisions stemming from the Bipartisan Agreement on Trade. While more than 90 percent of Colombian exports enter duty-free into the U.S. under the Andean Trade Preference Act

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(ATPA) and the Generalized System of Preferences (GSP), U.S. agriculture, manufacturing, and services exports to Colombia face tariffs and other barriers to trade. The U.S.–Colombia Free Trade Agreement will promote a more balanced economic relationship: Over 80 percent of U.S. manufacturing exports to Colombia will enter duty-free immediately upon entry into force of the agreement. An additional 7 percent will be duty-free within five years, and all remaining tariffs will be eliminated within 10 years.¹

U.S. agricultural exports will benefit from the agreement as well: More than half of current U.S. farm exports to Colombia will become duty-free immediately, and remaining tariffs will be phased out within 15 years.² Fully implementing the agreement would boost U.S. exports overall by an estimated \$1.1 billion.³ The agreement would help lock in Colombia's continued economic reform and promote investment, developments essential for the U.S.–Colombia relationship to reach its economic potential. Moreover, by forging stronger economic ties with U.S. allies in Latin America, America strengthens its strategic position vis-à-vis countries in this important but turbulent region while promoting economic prosperity and opportunity.

Panama. The U.S.–Panama Trade Promotion Agreement (TPA) was signed in June 2007. Like Colombia, Panama also enjoys preferential access to U.S. markets via the Caribbean Basin Initiative and GSP, with approximately 96 percent of Panama's exports entering the U.S. duty-free.⁴ The U.S.–Pan-

ama TPA would open Panamanian markets to U.S. firms and farmers: More than 88 percent of U.S. manufacturing exports will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years.⁵ More than 60 percent of current U.S. agricultural exports to Panama will receive duty-free treatment, and remaining tariffs will phase out within 15 years.⁶ Approval of the U.S.–Panama trade deal would also support further improvements to Panama's economic development and help keep the momentum behind economic reforms high. Panama is yet another important U.S. ally in the Americas, one more than worthy of a trade deal that strengthens its relationship with the U.S.

South Korea. The United States–Korea Free Trade Agreement (KORUS FTA) was signed in June 2007. Given the significant levels of trade and foreign investment already occurring between the U.S. and South Korea, a bilateral trade agreement is a natural and logical step to further strengthen economic and political relations between the two countries. The U.S. International Trade Commission has estimated that the impact of the trade agreement would result in U.S. GDP increasing by \$10–11.9 billion as well as a significant expansion of two-way manufacturing, agriculture, and services trade.⁷

In general, U.S. exports to Korea face higher tariffs and tariff rate quotas than Korean exports to the U.S. The agreement will eliminate all industrial tariffs between the United States and Korea within 15 years of implementation, with most tariffs phased

1. International Trade Administration, "U.S.-Colombia Trade Promotion Agreement Sectoral Benefits: Overview of Sectoral Benefits," at http://www.export.gov/static/colombia_tpa_mrkt_accss.pdf (December 10, 2008).
2. U.S. Department of Agriculture, Foreign Agricultural Service, "U.S.-Colombia Trade Promotion Agreement: Fact Sheet," February 2008, at <http://www.fas.usda.gov/infofactsheets/Colombia/colombia1pager07.pdf> (December 10, 2008).
3. U.S. International Trade Commission, "U.S.-Colombia Trade Promotion Agreement: Potential Economy-wide and Selected Sectoral Effects," Investigation No. TA-2104-023, USITC Publication 3896, December 2006.
4. United States Trade Representative, "The Case for the U.S.-Panama Trade Promotion Agreement," August 2007, at http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2007/asset_upload_file192_13310.pdf (December 10, 2008).
5. International Trade Administration, "U.S.-Panama Trade Promotion Agreement Sectoral Benefits: Overview of Sectoral Benefits," at http://www.export.gov/static/colombia_tpa_mrkt_accss.pdf (December 10, 2008).
6. U.S. Department of Agriculture, Foreign Agricultural Service, "U.S.-Panama Trade Promotion Agreement: Benefits for Agriculture," July 2007 at <http://www.fas.usda.gov/infofactsheets/Panama/Panamaoverall0707.pdf> (December 10, 2008).
7. U.S. International Trade Commission, "U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects," Investigation No. TA-2104-24, USITC Publication 3949, September, 2007.

out within 10 years. More than 80 percent of U.S. industrial exports by value to Korea will receive duty-free treatment immediately upon implementation of the agreement.⁸ U.S. agriculture exports will also benefit: Almost two-thirds of Korean imports of U.S. farm products will become duty-free immediately upon entry into force of the agreement.⁹ Such a trade pact would generate significant economic gains and would be the second largest free trade area for the United States, in terms of dollar value, after NAFTA.¹⁰

By formalizing bilateral economic ties with South Korea through an FTA, America also solidifies its ties to northeast Asia through international trade, thereby providing a counterbalance to China's economic influence in the region. The FTA would reinforce the strong and mutually beneficial economic and strategic relationship that exists between the U.S. and South Korea and ultimately serve both countries' national interests.

In addition to winning lower tariffs on American agriculture, manufacturing, and services, U.S. free trade agreements often provide several other important benefits. For instance:

- By law, FTAs include provisions that safeguard investors from discrimination, increase regulatory transparency, combat corrupt practices, and protect and enforce intellectual property rights.
- The U.S. Trade Representative has negotiated agreements that include transparent dispute resolution and arbitration mechanisms to guarantee that the agreements are upheld along with the rights of U.S. firms and consumers.
- The May 2007 Bipartisan Agreement on Trade Policy was designed to win congressional sup-

port for pending agreements with Colombia, Panama, and South Korea by accommodating demands for more restrictive labor and environmental standards in U.S. FTAs. While the Bipartisan Agreement reduces the overall extent of comprehensive liberalization, these FTAs still generally strengthen the transparent and efficient flow of goods, services, and investments between member countries.

- FTAs open markets, protect investors, and increase economic opportunity and prosperity.

In short, free trade agreements serve to promote U.S. interests, not to weaken them or to place an unfair burden on American workers and consumers.

FTAs: Key to Weathering the Current Economic Storm. Without the lower barriers to trade that U.S. trade agreements and the more than six decades of multilateral trade liberalization has brought to bear on the world's markets, America's ability to weather the current economic storm will be weakened.

A new Administration keen on promoting America's economic well-being should turn away from trade policies that protect the few that fear competition at the expense of the consumers and businesses working hard to not only survive today's market downturn, but to prosper in the future. A trade agenda that includes timely ratification of the pending trade agreements with Colombia, Panama, and South Korea would demonstrate a solid economic and strategic commitment to America's allies and, more importantly, to America's families.

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8. International Trade Administration, "U.S.-Korea Free Trade Agreement Market Access Results: Industrial Goods Summary Report," at http://www.ita.doc.gov/td/tradepolicy/sectorreports_korea.html (December 10, 2008).
 9. U.S. Department of Agriculture, Foreign Agricultural Service, "U.S.-Korea Free Trade Agreement: Benefits for Agriculture," July 2007, at <http://www.fas.usda.gov/info/factsheets/korea.asp> (December 10, 2008).
 10. United States Trade Representative, "Trade Facts: Free Trade with Korea," June 2007, at http://www.ustr.gov/assets/Document_Library/Fact_Sheets/2007/asset_upload_file302_11035.pdf (December 10, 2008).