



SUBMISSION OF COMMENTS TO  
THE U.S. INTERNATIONAL TRADE ADMINISTRATION  
TRADE PROMOTION COORDINATING COMMITTEE

DEVELOPMENT OF THE NATIONAL EXPORT INITIATIVE

July 26, 2010

The Council of the Americas appreciates the opportunity to provide the U.S. International Trade Administration with our comments concerning the National Export Initiative. The Council is a business organization representing almost 200 member companies invested in and doing business throughout the Western Hemisphere. Since 1965 the Council has been dedicated to the promotion of democracy, open markets, and economic and social development based on the rule of law, and we are widely recognized for our policy and commercial leadership throughout the Americas.

The Council of the Americas strongly supports the Obama Administration's initiative to double U.S. exports by 2015. This is a bold vision, and bold actions will be required to achieve it. In order to realize the President's stated goal, existing markets must be expanded and new markets must be developed. At the same time, even as the United States has de-emphasized the promotion of trade expansion agreements, other nations have promoted trade expansion, and traditional U.S. markets are being eroded by global competition in the relentless search for export-led growth to drive economic recovery.

In our shared hemisphere alone, U.S. reluctance to move ahead with free trade agreements with Colombia and Panama - two agreements which would guarantee an expansion of net U.S. exports given the unilateral access those nations already have to the U.S. market - has allowed countries like Canada to begin to displace U.S. exports in those markets. Of even greater economic significance, our inability to pass and implement trade agreements with two of our closest hemispheric friends, neither of which poses any challenge whatsoever to the U.S. economy or to existing U.S. jobs, has tangibly signaled to other potential partners that the United States does not have the capacity to conclude additional trade agreements at this time, for example in ongoing global trade negotiations at the WTO. Stalemate internationally will continue to be the predictable outcome until concrete steps are taken domestically to pass the pending trade agenda.

The practical implications are that the United States may be unilaterally, and unnecessarily, taking off the table the very best tools we have to promote exports and trade-led economic growth, to say nothing of the promotion of strategic U.S. interests. A broader, more comprehensive approach is required, which includes trade expansion agreements. Unfortunately, the longer we wait, the longer it will take to re-establish or gain leadership in certain foreign markets. Once supply relationships are established, they are doubly difficult to change. The rest of the world is moving quickly ahead without us; they are not encumbered by the U.S. electoral calendar or U.S. domestic politics.

With this in mind, the Council of the Americas strongly recommends that the Administration and Congress prioritize the following initiatives to support efforts to achieve President Obama's call to double U.S. exports by 2015.

*Pass pending agreements with Colombia and Panama and consolidate existing hemispheric trade agreements, and fully meet treaty obligations.*

The agreements with Colombia, signed November 22, 2006, and Panama, signed July 11, 2007, remain at an impasse. These agreements should be transmitted by the President to Congress immediately. Both nations concluded negotiations in good faith, and both are ready to move forward. U.S. credibility is at stake, and other nations have taken notice. In the context of the National Export Initiative, speedy passage of the pending agreements would open new markets to U.S. exporters, even while our market is already open to imports from both Colombia and Panama. As well, the longer we delay, the larger market share U.S. producers lose, as Canadian and other producers fill the void. It's time to move forward with these long-stalled, export enhancing agreements. At the same time, establishing a pathway to stitch together existing agreements in the Western Hemisphere would further simplify trade relations and support the President's goals for export expansion, and should be actively considered. The Pathways for Prosperity Initiative initially supported this effort but has since been refocused. A new effort is required. At the same time, the United States must honor its own commitments under trade agreements. In particular, implementing the cross-border trucking provisions of NAFTA is long overdue. The United States Department of Transportation's cross-border trucking demonstration project – recently cancelled by the United States – was an important step toward enhancing North America's competitiveness and promoting economic growth. A revamped program is necessary to resolve the cross-border trucking issue between Mexico and the United States so that NAFTA provisions are fully implemented, providing maximum benefits to the North American economies. Meeting our NAFTA trucking obligations would also eliminate the need for Mexico to retaliate against U.S. exports with higher tariffs, thus, by definition, encouraging higher levels of U.S. exports and contributing directly to the President's National Export Initiative.

*Expand the Trans-Pacific Strategic Economic Partnership and view negotiations strategically for Latin America.*

The Council of the Americas applauds U.S. involvement in the ongoing negotiation within the framework of the Trans-Pacific Partnership (TPP). The TPP agreement should be developed with the mindset that it will become the standard for the negotiation and completion of future agreements. This agreement must also be seen as a driver of the broader trade agenda in the Americas. TPP, after all, is not only a U.S. arrangement with Asia. The agreement can serve as the means by which a broader U.S. trade agenda in the Americas can be regenerated, particularly if other nations including Colombia, Panama, and others, are included at an early stage of the negotiations and a critical economic mass develops. As well, opening the negotiations to other parties not currently involved will provide incentives for nations in the Americas to continue along a reformist path, while linking their economies more closely with the United States. Adding parties to the negotiations would also provide additional market openings for U.S. exports, the goal of the President's National Export Initiative, because the United States already has trade agreements with most of the current parties to the TPP negotiations. The TPP is a promising economic initiative and should be completed prior to the time that the United States hosts the 2011 APEC meetings in Honolulu.

*Promote tax treaties within the Western Hemisphere and beyond.*

The United States can better use tax treaties as a component of increasing growth by easing U.S. exporters' expansion into new markets. Currently within the hemisphere, the United States has established tax treaties with Canada, Chile, Mexico, and Venezuela. Tax treaties serve to reduce tax burdens on cross-border investment and commerce. In most cases, treaties resolve problems such as double taxation, provide for protection against tax discrimination that may give unfair advantage to domestic competitors, and provide mechanisms of dispute settlement. Moreover, tax treaties provide for established and transparent rules that can be more easily followed, making the export process less complicated, not just for large U.S. exporters but also for to small and medium sized businesses. The tax treaty with Chile, signed in February, 2010, could serve as a model. An agreement with Brazil, whose economy is the 8<sup>th</sup> largest in the world with a GDP of nearly 1.6 trillion USD - the largest economy with which the U.S. does not have a tax agreement - could have a strongly positive impact on U.S. export growth.

*Avoid protectionism and promote innovation.*

The United States can ill afford to put regulations in place designed to promote local sourcing or to discourage foreign sourcing inasmuch as such policies tend to cause retaliation from others that leads to a race to the bottom. To spur exports by keeping foreign markets open, the United States must avoid protectionist policies ourselves. As well, free and open markets not only allow access to new markets for U.S. exporters, they also provide opportunities for greater access to the U.S. market for foreign investors, encouraging capital flows into the United States that provide for economic expansion and job growth. The Administration rightly has been committed to this approach. The appropriate way to promote domestic economic growth is not to close our market to

others, but rather to focus on providing for greater domestic innovation and a more flexible, trained workforce that can better weather economic difficulties. Government assistance, some of which is provided by Trade Adjustment Assistance programs, should focus on education and reemployment services to help those adversely affected by trade.

*Focus on the elements of competitiveness.*

As exports increase, border efficiencies become critical. Better customs and border cooperation, transparent and harmonized government rules and regulations including accounting standards, and investment in supply-chain infrastructure are among many areas the U.S. government can focus on to expedite and facilitate export growth. Corruption and the lack of rule of law remain factors in discouraging trade and the United States should continue to increase its interaction with its trading partners to provide a better climate for trade and to establish standard practices that can be easily applied among partners. The United States should continue to work with trading partners on a common regulatory framework in which U.S. firms can do business throughout the globe.

In conclusion, the doubling of exports requires trade expansion and facilitation. The U.S. government should include these pivotal components in its overall strategy to boost economic growth. The Council of the Americas strongly urges the U.S. government to support and pass pending trade agreements, continue to seek and negotiate new trade agreements, and resolve issues that inhibit trade such as taxation discrepancies and regulatory obstacles. The National Export Initiative must resemble a holistic approach that includes a favorable approach to open markets, which, in turn, will result in increased exports, economic expansion, and job growth. We remain committed to working with the Administration and Congress to realize these goals.