

International Trade Agreements and Emerging Markets

***Discussants: Tim Bennett, Paul Bonicelli and Evelyn M. Suarez
For 2015 Hampton Roads Global Business Conference
September 30, 2015***

Why are we talking about trade liberalization and emerging markets?

- **Case in point: Trade Agenda Will Benefit Nebraska, Iowa**
<http://www.wowt.com/home/headlines/Trade-Agenda-Will-Benefit-Nebraska-and-Iowa-299040501.html>
- **Market access means more jobs in the U.S.**
- **Export jobs pay well (18% more than domestic jobs)**
- **Two major trade agreements being negotiated which reduce tariff & non-tariff barriers among other things**
 - **Trans-Pacific Partnership**
 - **Trans-Atlantic Trade & Investment Partnership**
- **Cuba**
- **Emerging markets (AGOA renewal, Trade Africa, GSP)**
- **What do these developments mean for Virginia companies and the Port of VA?**

Trade is hot!

- But Trade is also controversial!
 - Stiff opposition by labor and many Democrats in Congress, as demonstrated by the recent fight over Trade Promotion Authority (TPA)
 - Opposition by groups in Europe
 - Free Trade Agreements have faced negative public opinion since NAFTA and it has only gotten worse.
- But TPA passed and we are off to the races!
- 'Free Trade Doesn't Take Jobs. It Makes Them,' Says BHP Billiton CEO





What the heck is TPA?

- TPA is a **legislative procedure** written by Congress, through which Congress defines U.S. negotiating objectives and priorities for trade agreements and establishes consultation and notification requirements for the President to follow throughout the negotiation process.
- At the end of the negotiation and consultation process, **Congress gives the agreement an up or down vote, without amendment.**
- TPA does not provide new power to the Executive Branch, but rather it reaffirms Congress's overall constitutional role in the development and oversight of U.S. trade policy.
- New fast track (TPA) not only sets out a process for Congress but also provides for an **economic analysis by USITC**. USITC Chairman predicts that would take 5 months.
- **Consideration of trade agreements under fast track is designed to take up to 90 legislative days, which can amount to 5 or more calendar months.**
- **Why did we need TPA?** To implement free trade agreements being negotiated.

Why does TPP matter?

- **Trans-Pacific Partnership (TPP):** A 21st Century trade agreement which is the cornerstone of U.S. policy with Asia. Gives U.S. companies greater market access while providing protection for intellectual property and safeguards for labor and the environment.
- Countries include: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.
- **According to Joshua Meltzer at Brookings, “this agreement is highly significant, as the total gross domestic product (GDP) of the current TPP parties is approximately \$27.7 trillion—comprising 40 percent of global GDP and one-third of world trade.”**
- Over the last two decades, the region's middle class grew by 2 billion people, and their spending power is greater than ever. That number is expected to rise by another 1.2 billion by 2020.
- According to the IMF, the world economy will grow by \$21.6 trillion over the next five years, and nearly half of that growth will be in Asia.



Why TPP is viewed as a 21st Trade Agreement? Some Key Features

- Comprehensive market access, eliminating tariffs and non-tariff barriers to goods and services trade and investment
 - Streamline customs procedures
 - Strengthen intellectual property protection
 - Promote e-commerce
 - Develop more efficient and transparent regulatory regimes
- Fully regional agreement to facilitate the development of production and supply chains among TPP members
- Cross-cutting trade issues to promote trade between TPP countries
 - Regulatory coherence
 - Competitiveness and business facilitation to promote domestic and regional competitiveness
 - Encouragement for small-and medium-sized enterprises to trade (first ever chapter to address particular challenges for SMEs)
 - Capacity building for lesser developed countries to help countries realize full benefits
- New trade challenges: to promote trade and investment in innovative products and services, including those related to the digital economy and green technologies
- Living agreement to update and address emerging trade issues as well as the expansion of agreement to include new countries



So why is TPP good for Virginia business?

- According to a 2013 Business Roundtable report:
 - Free trade agreements (FTAs) have helped fuel **rapid export growth from Virginia** to partner countries. In 2013, \$6.3 billion of Virginia’s exports, or 38 percent, went to FTA partners. This represents a 85% increase since 2003.
 - International trade, including exports and imports, supports **1.1 million jobs** –more than 1 in 5.
 - **Virginia exported \$16.4 billion in goods and \$16.2 billion in services in 2013**, including resins & synthetic fibers, semiconductors & components, pulp & paperboard products and travel services. Of Virginia's 7,626 exporters, **86 percent are small- and medium-sized companies with less than 500 workers**.
 - **Customers in 210 countries** and territories buy Virginia-made goods and services, including billions of dollars in annual exports to top markets like Canada, China and! Mexico. Virginia's goods exports have grown 47 percent faster than state GDP since 2003.
 - **Foreign direct investment creates jobs in Virginia.** Foreign-owned companies invest and build facilities and employ 154,400 workers in Virginia.
 - **Imports lower prices and increase choices** for Virginia companies and families. This helps Virginia companies remain competitive.
- Chairman and CEO of Caterpillar and Chair of Business Roundtable’s International Engagement Committee Doug Oberhelman urged negotiation of TPP in 2013, stating:
 - “Given the significant potential of the TPP to help increase U.S. exports and support American jobs by removing trade barriers, improving intellectual property protection and creating new 21st century trade rules, we urge negotiators to press ahead and complete a high-standard agreement.”

So why weren't the negotiations closed in late July?

- Sticking points in the negotiations
 - **auto rules of origin** (differences between, U.S., Japan, Canada & Mexico. Canada and Mexico find the rule too liberal. U.S.-Japan deal has threshold of 45% for autos and 30% for auto parts and NAFTA set 62.5% for autos and light trucks and 60-% for auto parts)
 - **Dairy** (at issue is Canadian supply management system on dairy and poultry)
 - **Sugar** (concern that access granted to Australia might undermine U.S. sugar program)
 - Monopoly protection for **biologic drugs** (U.S. demanding 12 years of exclusivity while Australians say they can't go past 5 years)
- But we're back on track again!
 - Chief Negotiators meeting taking place Sept. 26-30 in Atlanta
 - Ministerial to wrap things up Oct. 1-2