



Statement of the U.S. Chamber of Commerce

ON: Hearing: “Help Wanted: How Passing Free Trade Agreements Will Help Small Businesses Create New Jobs”

TO: U.S. House of Representatives Committee on Small Business

BY: Jason Speer, Vice President, Quality Float Works, Inc., Schaumburg, IL

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The Chamber’s mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

More than 96 percent of the Chamber's members are small businesses with 100 or fewer employees, 70 percent of which have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business manufacturing, retailing, services, construction, wholesaling, and finance — is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. It believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 115 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Thank you Chairman Graves, Ranking Member Velázquez, and distinguished members of the House Small Business Committee. My name is Jason Speer, and I am the Vice President of Quality Float Works Incorporated, based in Schaumburg, Illinois. I am testifying today on behalf of the U.S. Chamber of Commerce, the world's largest business federation, representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. Thank you for the opportunity to share Quality Float Works' strong support for the pending Free Trade Agreements with South Korea, Panama, and Colombia, and to discuss how passing these agreements will help small businesses like mine create new jobs.

Quality Float Works, Inc. is the premier manufacturer of hollow float metal balls and float valves in the nation. Our floats are used to level liquid controls in a wide variety of industries including gas, plumbing, oil and agricultural applications. Many products you see and use every day, from gas pumps to air conditioners, could not be operated without float balls. We currently have 23 employees between our primary facility in the suburbs of Chicago and a branch office in Dubai, UAE.

Quality Float Works, Inc. is a family-owned small business that has experienced record growth in recent years due to overseas exports. In 2001, exported goods accounted for only 3% of our total sales. Since that time, we have seen foreign sales rise steadily as a result of proactive engagement with progressive markets. Last year, international trade accounted for a third of our total sales. The passage of additional free trade agreements would further expand the opportunity for my business to enter untapped markets that could benefit from our products.

While our domestic sales felt the effects of the recession, international sales have continued to flourish. In developing countries with lacking infrastructure, our products have proven invaluable in purifying water and our foreign partners are eager to do business with an American business. These foreign customers have found that it is often more cost-effective to purchase Quality Float Works' products and ship them overseas than to buy from local competitors. In this vein, the benefits of free trade have been fundamental to the growth of our company and our ability to provide quality jobs to American workers. However, tariff and market access barriers in overseas markets continue to present challenges to us and other American exporters. Despite this fact, the United States has not implemented a bilateral trade agreement since Congress approved the U.S.-Peru FTA in December 2007.

As the pending trade agreements with South Korea, Colombia, and Panama have languished, our trading partners have moved forward rapidly to negotiate their own market opening agreements. For example, on July 1st of this year, a free trade agreement between South Korea and the European Union will enter into effect. Implementation of this agreement without the U.S.-South Korea trade agreement in place will immediately place U.S. businesses and farmers at a competitive disadvantage as South Korean consumers turn towards more price-competitive EU member country goods and services. This is a standard illustration of the crisis facing American companies while we delay action on such agreements.

The three pending trade agreements with South Korea, Colombia, and Panama will reduce barriers to U.S. exports to these countries far more than any concessions on incoming goods made by the United States. U.S. tariff rates are considerably lower than those of almost any other nation, and we are open to foreign investment, so any free trade agreement we sign benefits American exporters to a far greater degree than those that export to the United States. The U.S. International Trade Commission estimates these three completed agreements would increase U.S. exports by at least \$13 billion. This growth will drive U.S. employment and economic growth, just as past agreements have demonstrated the ability of new market access and reduction of market barriers to transform U.S. export revenues.

Curbing Restrictions to Success in International Markets

In 2003, Quality Float Works expanded into the dynamic Asian market. Since then, our company's international sales have grown eightfold. Quality Float Works, through various distributors, has sold equipment to numerous South Korean-based industries. However, our products face an 8% tariff when entering the South Korean market. Passage of the U.S.-South Korea FTA would eliminate these tariffs and give our company an edge over foreign competitors in the growing South Korean market. It would also offer new opportunities for Quality Float Works to connect with Korea's shipbuilding and repair industries, along with various agricultural uses. Expansion of the company's business in Korea would support opportunities for our company as well as our suppliers to create new jobs here at home.

South Korea is now a \$1 trillion economy, the fifteenth largest in the world. It is the seventh largest U.S. trading partner and seventh largest U.S. export market, with \$38 billion in U.S. goods exported in 2010. South Korea is also the fifth largest market for U.S. farm goods, exports of which totaled nearly \$5 billion last year. U.S. small and medium enterprises play an important role in exporting these goods and services to South Korea, and accounted for 89% of all U.S. companies exporting there in 2008.

The U.S.-South Korea FTA will eliminate tariffs on almost 95% of the products these companies export within five years, with almost all remaining tariffs on goods eliminated within ten years. In agriculture, the agreement will immediately eliminate Korean tariffs on nearly two-thirds of U.S. agricultural exports to Korea. It will phase out over 90% of all Korean tariffs on major U.S. agricultural exports, including beef, pork, poultry, and oranges, over 15 years. Removing these tariffs will make U.S. products more price-competitive in the South Korean market, creating important new growth opportunities for U.S. businesses at home. As the South Korean market continues to grow, an even playing field will increase opportunities for export and sale of American goods, benefiting our own economy as well.

In addition to high tariffs, a complex range of non-tariff barriers in South Korea have also limited opportunities for U.S. small and medium sized manufacturers to compete there because they add to the fixed costs of doing business. The U.S. - South Korea FTA removes many of these barriers. It includes provisions that guarantee transparent and predictable regulatory and rulemaking procedures in Korea, and strong intellectual property rights and investment protections, among others, that will level the playing field for U.S. businesses in South Korea.

Along with the pending U.S.-South Korea FTA, thousands of companies, including ours, eagerly await passage of the Trade Promotion Agreements (TPA) with Panama and Colombia. The U.S. had more than \$34 billion in two-way trade with Colombia and Panama in 2010. Next month, I plan to visit Panama in order to identify areas in which we can provide value to the Panamanian market. While we do not currently export to Panama, implementation of the TPA figures to change this. Such newfound market access would facilitate many first time sales from small and medium-sized enterprises who could not afford the stiff tariffs previously attached to their products. The agreement with Panama is an important step in the U.S. strategy to promote trade liberalization and economic integration with the region. As well as being a gateway from the Pacific to the Atlantic, Panama is a literal and figurative bridge between the Americas. This region represents a significant and growing market that has largely avoided the worst of the current economic crisis. Further, the \$5.25 billion expansion of the Panama Canal is moving ahead and presents significant opportunities for U.S. companies to provide goods and services to the region.

Similarly, we plan to examine the Colombian market for opportunities once the U.S.-Colombia TPA removes applied tariffs currently averaging 15% for manufactured goods. Congress has repeatedly voted tariff preferences for Colombia that permit it to export duty-free to the U.S. as part of the Andean Trade Preference Act. The U.S.-Colombia TPA would provide U.S. exporters the same market access that Colombian businesses already enjoy and therefore create a reciprocal trade relationship between the two countries. Immediately upon implementation, four-fifths of U.S. consumer and industrial products will enter Colombia duty-free with remaining tariffs phased out in within three years.

The U.S.-Colombia TPA will increase U.S. exports and strengthen our partnership with a steadfast ally. As you know, the provisions of this agreement are interchangeable with those of the U.S.-Peru FTA, which was passed by an overwhelming bipartisan majority. According to the International Monetary Fund, Colombia's Gross Domestic Product grew at a rate of nearly 4.4% in 2010. In the coming year, Colombia is projected to continue to grow their market size at an average rate of 5%. This represents a great opportunity for U.S. manufacturers to increase exports in a growing market.

The best stimulus package we can receive in this struggling economy would be the elimination of foreign trade barriers. Businesses of all shapes and sizes need the opportunity to enter into new markets in a fair way and free trade agreements represent another opportunity for small businesses to maintain our global competitiveness. With the passage of the three pending trade agreements, our company and more than 250,000 small and medium-sized companies like ours will have the opportunity to gain market share and provide more jobs. Simply put, removing trade barriers with South Korea, Panama, and Colombia will level the playing field for American workers, businesses, farmers, and services providers.

Prosperity and Free Enterprise Go Hand in Hand

The most important step in revitalizing the American economy is putting Americans back to work. Nearly 10% of the U.S. workforce is unemployed — a figure that soars beyond 17% when part-time workers and those capable individuals who have given up the job search are

accounted for. It is imperative that we work to create the 20 million jobs needed in this decade to replace the jobs lost in the recession and to meet the needs of America's growing workforce. In Illinois, more than 298,000 jobs are supported by goods exports, which is 5.7% of the state's private industry. With the understanding that 95% of the world's consumers live overseas, we expect to see the capacity for U.S. businesses to reach a larger part of the world's consumers increase after implementation of the three pending FTAs.

Trade deals like those with South Korea, Panama, and Colombia are job engines for U.S. small and medium-sized enterprises, a fact that President Obama has stated on numerous occasions. Last year, the President announced his plan to double U.S. exports in five years to spur job growth. He has also stated that the U.S.-South Korea FTA alone would support 70,000 American jobs.

Just as important, delaying approval of these agreements means that American workers and farmers will continue to face steep tariffs in these important markets. A study by the U.S. Chamber entitled *Trade Action — Or Inaction: The Cost for American Workers and Companies* found the United States could suffer a net loss of more than 380,000 jobs and \$40 billion in lost export sales if it fails to implement its pending trade agreements with Colombia and Korea while the European Union and Canada move ahead with their own agreements with the two countries.

I believe Quality Float Works can compete with any company, anywhere in the world, as long as we are playing by the same rules. I am convinced of the benefits brought by Free Trade Agreements because I have seen the reduction in tariffs and government regulations improve my sales and open new markets in other countries in the past. These agreements are a win for the U.S. economy, as well as the 57 million American workers who are already employed by firms that benefit from exports. Congress needs to pass these agreements for the sake of economic vitality, both at the national level and for that of my company.

A Time for Action

My company firmly believes that international trade has a critical role in fostering economic growth for America's workers, and businesses of all sizes. The pending free trade agreements with South Korea, Colombia, and Panama will promote sustainable economic growth both here at home and in the economies of our trading partners. I can tell you with certainty that these agreements will enhance Quality Float Works' ability to grow in new markets and consequently increase our U.S. workforce. Simply put, more opportunities and a level playing field means more jobs. That is why I urge Congress to support the pending trade agreements. America cannot afford to have her businesses and her workers sitting on the sidelines while our competitors are increasing their competitive advantage in these explosive markets.

Once again, I greatly appreciate the opportunity to testify today on behalf of the U.S. Chamber of Commerce.

Thank you very much.