

Colorado

Office of Economic
Development and
International
Trade

John W. Hickenlooper, Governor
Dwayne Romero, Executive Director

MEMORANDUM

TO: Joint Finance Committee

FROM: Sandi Moilanen, Colorado International Trade Office (ITO)

DATE: March 8, 2011

SUBJECT: Update on International Trade Developments

CC: Dwayne Romero, Executive Director, OEDIT

In accordance with C.R.S. 24-47-101 (2)(g), which states:

The Colorado International Trade Office shall inform the General Assembly about ongoing trade negotiations, trade developments, and the possible impacts on Colorado's economy and laws.

The Colorado International Trade Office has prepared this memorandum to bring the legislature up-to-date on the above noted issues.

I. International Trade Developments

International trade has been a major factor underpinning the economic recovery in 2010. Global trade volumes began recovering in the second quarter of 2009, and continued growing rapidly for four consecutive quarters, expanding at an 11.9 percent annualized pace during the first ten months of 2010. It is estimated that the volume of global trade expanded by 15.7 percent over 2009, regaining pre-crisis levels. U.S. exports of merchandise goods, commodities and agricultural products increased almost twenty one percent in nominal US dollar terms in 2010 and Colorado's exports increased approximately fourteen percent. Please see the attached fact sheets for more details on Colorado's exports for 2010.

Federal-Level Trade Policy Initiatives

President Obama's 2011 trade agenda recognizes that trade is a key tool in creating jobs. The administration will focus on the largest opportunities for increasing American exports and jobs, on opening markets and boosting innovation, and is based on the principles that a rules-based global trading system can contribute powerfully to the President's economic agenda for America. The goal is sustainable economic growth that brings home the benefits of trade – including well-paying jobs – while also maintaining American values, including the rights of workers, environmental sustainability, and political accountability.

The National Export Initiative (NEI) is a major component of the Obama administration trade agenda. President Obama set the goal of doubling U.S. exports in five years in his State of the Union address in January 2010. Exports need to grow from \$1.57 trillion in 2009 to \$3.14 trillion by 2015, which will support two million jobs. Reported outcomes of the NEI the first year include:

- *An unprecedented level of advocacy efforts on behalf of U.S. exporters.* U.S. Dept of Commerce coordinated 20 trade missions in 25 countries with more than 250 companies participating. Participating companies expect \$2 billion in increased exports from these missions. The U.S. Trade Advocacy Center in close cooperation with other agencies has assisted U.S. companies competing for international contracts and other U.S. export opportunities, supporting an estimated \$11.8 billion in U.S. export content, and an estimated 70,000 jobs.
- *Bringing more U.S. sellers and foreign buyers together.* The Department of Commerce has recruited nearly 8,800 foreign buyers to visit major U.S. trade shows in the United States, facilitating over \$660 million in export successes.
- *Expanding small business export engagement and success.* The Small Business Administration (SBA) identified more than 2,000 potential exporters. The Department of Commerce helped over 3,000 individual companies achieve a new export success.
- *Increased access to export financing.* The Export-Import Bank (Ex-Im Bank) increased its loan approvals nearly 20 percent in 2010. Small business approvals increased from \$3.6 billion to \$4.1 billion. The estimated total number of U.S. jobs supported by Ex-Im Bank financing has increased from 170,000 to 200,000.
- *Reinforced efforts to remove trade barriers.* The Commerce Department's Trade Agreements Compliance Program has successfully addressed 50 different barriers to trade affecting U.S. businesses in 33 different markets, and has initiated action on behalf of U.S. exporters and investors in 120 different cases.
- *Stepped up enforcement of trade rules.* In August, the United States achieved an important victory when the WTO announced that the European Union had violated its WTO tariff commitments by imposing duties on certain high-tech products. USTR also delivered two new reports on barriers to trade to help guide the efforts to address problematic trade practices abroad.

State Level: Colorado International Trade Office Export Promotion Programs

The International Trade Office saw the number of export client inquiries increase 10 percent in 2010, as many more Colorado companies were looking to grow domestically through exporting. ITO assisted 221 exporters in calendar year 2010. The ITO offers the following programs to assist Colorado exporters:

- *Export Counseling:* The ITO staff counsel Colorado companies in areas of marketing, sales and market selection, partner selection and the fundamentals of exporting.
- *Tradeshows:* The ITO participates in domestic and foreign tradeshows for the dual purposes of export- and investment-promotion.
- *Foreign Missions:* The ITO organizes foreign missions to strategic markets to help exporters increase their international sales and to promote Colorado as a place to invest. Common features of trade missions include: customized appointments for Colorado companies with potential partners in industry and government, customized industry briefings and networking opportunities.
- *Incoming Buyer Delegations:* The ITO arranges business-to-business appointments for visiting international buyers and delegations with Colorado companies, in order to assist foreign buyers with sourcing goods and services from Colorado companies.
- *Colorado Export Development Grant (CEDG):* The CEDG provides financial support to Colorado companies to assist them in developing new export markets. Grantees can receive up to \$2,000 to apply towards direct expenses for developing a new target market. The ROI for the CEDG is \$58.

- *Colorado Export of Innovative and Sustainable Technologies (CO-EXist)*: CO-EXist supports business exchanges between Colorado companies and business, government and industry leaders in China and Mexico in the targeted area of sustainable and environmental technologies and services. Companies may apply throughout the three-year program to participate in outgoing tradeshows, incoming buyer visits or to receive funding for technical assistance for Mexico and/or China.
- *International Market Analysis Partnership (IMAP) Program*: The ITO and accredited Colorado universities partner to offer international market analysis performed jointly by the ITO and graduate-level business students in the IMAP Program. Colorado companies wishing to explore new export markets can utilize the program to gain valuable market research specific to the needs of the company.

II. Trade Agreement Negotiations: pending international trade agreements and their potential impact on Colorado's economy

Free trade agreements (FTAs) have proved to be one of the best ways to open up foreign markets to U.S. exporters. Today, the United States has eleven FTAs with fourteen countries. The WTO reports 283 trade agreements are enforced around the globe today.

There are currently three bilateral trade agreements that have been signed by the United States and the respective countries but have not been brought to a vote in the U.S. Congress. The Obama administration has stated that it is a priority to work with Congress to approve three long-delayed trade agreements with South Korea, Colombia and Panama in 2011. The Obama administration in late 2010 renegotiated parts of the South Korean trade pact to address U.S. auto industry concerns and the agreement will be sent to Congress for a vote in coming weeks. The administration is still working with the Colombian government to address labor code issues and measures to address violence against labor union officials. It is also addressing worker rights and pursuing transparency in tax rules with Panama.

According to the U.S. Department of Commerce International Trade Administration, the United States Trade Representative, and the U.S. Department of Agriculture, the treaties are beneficial to many Colorado industries:

U.S. – Korea Free Trade Agreement (FTA): Computers and electronics products, a leading export sector for Colorado, would become more competitive from a reduction in Korean tariffs currently ranging between zero and 13 percent. Processed foods would benefit from the elimination of tariff and non-tariff barriers to trade—some immediately and others over a five-year period. Machinery manufacturers would receive duty-free treatment immediately on products including refrigeration compressors, water filtering and purifying equipment. Currently, tariffs for such products are as high as 8 percent. Close to two-thirds of U.S. agricultural exports would be immediately duty-free upon implementation of the FTA with Korea.

U.S. – Colombia Trade Promotion Agreement (TPA): Most Colombian products currently enter the United States duty-free under the unilateral Andean Trade Preference Act and the Generalized System of Preferences. However, U.S. exports do not receive the same treatment for entry into Colombia, and the TPA would provide reciprocity for U.S. exporters. Over eighty

percent of U.S. exports of consumer and industrial products to Colombia will become duty-free immediately. U.S. farm exports to Colombia that would receive immediate duty-free treatment include high quality beef, wheat, fruits and vegetables and many processed foods. Apparel will be duty-free and quota-free immediately under rule of origin requirements. Computers and electronic products currently subject to import duties generally between 5 – 10 percent, would receive duty-free treatment immediately. Exporters of chemical and related products, including pharmaceuticals, cosmetics, fertilizers and agro-chemical would benefit from tariff reductions.

U.S. – Panama Trade Promotion Agreement (TPA): Over 90 percent of Panamanian goods enter the United States duty free under unilateral U.S. trade preference programs. Overall, 88 percent of U.S. consumer and industrial exports to Panama would benefit from immediate duty-free status. The remaining duties will be phased out over a period of 10 years. Colorado will benefit from the elimination and reduction in tariffs on computers and other information technology equipment, construction and agricultural machinery, and chemical products (including pharmaceuticals, cosmetics, fertilizers and agro-chemicals). The FTA assures competitiveness for U.S. service providers for the Panama Canal expansion as well as other service providers (telecommunications, financial services and other professional services). The elimination and phase out of tariffs on agricultural products, including beef, dairy and wheat could benefit Colorado farmers.

Other International Trade Resolutions Being Considered: There are a number of other resolutions also being considered at the Federal level.

- The ON Time Act, under consideration in the House, would increase fees on both exports and imports.
- The African Investment and Diaspora Act is a bill being proposed to advance the mutual interest of the United States and Africa with respect to trade and investment.
- There is also resolution under consideration in the House of Representatives expressing that the United States should enter into a bilateral free trade agreement with Turkey.

III. Trade Negotiations/Developments and Impact on Colorado Law

OEDIT is not aware of any Colorado statutes that could be determined an impermissible barrier to trade under the above mentioned pending bilateral agreements. Additionally, OEDIT continues to review and analyze these free trade agreements to assess their impact on Colorado exports of goods and services.

Attachment: Colorado's 2010 Export Factsheet

Colorado 2010 Export Statistics

OEDIT Specific Programs and Services

Business Finance:

*Certified Capital Companies
Business Loan Funds
Venture Capital Authority
Infrastructure Assistance
Feasibility Studies
Economic Development Commission*

Business Retention, Expansion and

Recruitment:
*Research, Facilitation
Incentives, Job Training
Site Selection
Community Assessments*

Council on the Arts

*Art and Organization
Development
Arts Education
Public Art*

International Trade:

*Export Assistance and
Trade Events
Foreign Investment in
Colorado*

Minority and Women-Owned

Business Support:
*Certification and
Procurement
Opportunities*

Small Business Development

Centers:

*Counseling
Research
Training*

Tourism:

*Welcome Centers
Colorado.com
Visitor's Guide
Marketing, Advertising
and
Public Relations*

Exporting Supports Jobs and Sustains Colorado Businesses

- Approximately 70,526 jobs in Colorado are contributed to exporting.¹
- Export-supported jobs linked to manufacturing accounted for an estimated 4.8% of Colorado's total private-sector employment in 2010.²
- A total of 4,755 companies exported from Colorado locations in 2009 (latest year for which data is available). Of those, 4,200 (88 percent) were small and medium-sized enterprises with fewer than 500 employees.
- Small and medium-sized firms generated 25 percent of Colorado's total exports of merchandise in 2010.

Colorado Depends on Global Markets

- Colorado's product/commodity exports in 2010 totaled \$6.67 billion, up almost 14 percent over 2009.³
- Estimated \$5.76 billion service exports in 2010.⁴
- Colorado's product/commodity export strengths include medical equipment, computer technology, electronics, and beef.
- Colorado exported to 194 foreign destinations in 2010.

		ANNUAL 2010	%2009-2010			ANNUAL 2010	%2009-2010
	Total All Partner Countries	6,670,375,532.00	13.69				
1	Canada	1,600,089,393.00	-9.72	6	Japan	318,100,424.00	15.42
2	Mexico	589,550,855.00	0.99	7	United Kingdom	212,398,938.00	49.7
3	China	557,465,322.00	26.83	8	Philippines	210,851,096.00	39.68
4	Netherlands	333,269,810.00	90.56	9	Republic of Korea	200,831,285.00	64.52
5	Germany	320,139,160.00	45.46	10	Switzerland	185,630,877.00	16.52

Top 2010 Exported Products (ranked by U.S. dollar value, using 2-digit HS codes)

	Description	ANNUAL 2010	%2009-2010
	TOTAL ALL COMMODITIES	6,670,375,532.00	13.69
1	Optic, Photo Etc, Medic Or Surgical Instruments Etc	1,096,444,323.00	14.57
2	Industrial Machinery, Including Computers	1,001,957,357.00	11.78
3	Electric Machinery Etc, Sound Equip, Tv Equip, Pts	958,010,198.00	22.99
4	Meat And Edible Meat Offal	653,812,835.00	19.93
5	Photographic Or Cinematographic Goods	303,263,563.00	7.09
6	Mineral Fuel, Oil Etc.; Bitumin Subst; Mineral Wax	248,217,286.00	-24.37
7	Aircraft, Spacecraft, And Parts Thereof	245,058,726.00	9.36
8	Organic Chemicals	244,090,118.00	-42.55
9	Raw Hides And Skins (No Furskins) And Leather	188,989,696.00	73.68
10	Plastics And Articles Thereof	159,821,384.00	42.88

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¹ Using a Department of Commerce formula where approximately \$95,000 in export sales supports 1 job.

² International Trade Administration, [www. http://trade.gov/](http://trade.gov/)

³ WISER Trade Stats

⁴ Brookings Institute