



**U.S. House of Representatives
Committee on Small Business
Hearing on
“Evaluating the Impact of Small Business Trade Policy
on Job Creation and Economic Growth”**

**Wednesday, April 28, 2010
1:00 p.m.
2360 Rayburn House Office Building**

**Testimony by
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Thank you Chairwoman Velázquez, Ranking Member Graves, and distinguished members of the House Small Business Committee. My name is Drew Greenblatt, and I am the President of Marlin Steel Wire Products, LLC, based in Baltimore, Maryland. I am testifying today on behalf of the U.S. Chamber of Commerce, which is the world's largest business federation, representing the interests of more than three million businesses and organizations of every size, sector, and region. I testified to this committee five years, to the day, on the need for simpler regulations and tax policies, to make it easier for small companies like mine to prosper. Today I want to speak about the need for trade agreements to help all companies,

Marlin Steel Wire Products is a leading manufacturer of custom wire baskets, wire forms, and precision sheet metal fabrication assemblies. We cater to clients from the pharmaceutical, medical, industrial, aerospace, and automotive industries all over the world. With a full-time team of engineers and industry-leading technology, Marlin Steel Wire is able to produce a world-class product entirely in the United States. We have been exporting for six years, with exports now going to more than 20 countries.

Over the years, Marlin Steel Wire Products (www.MarlinWire.com) has grown its business, created jobs through exporting. Today we continue to look for new markets, bringing our products to customers all over the world. I am pleased to be before you today to discuss the opportunities that small businesses would like to see made more available, so we can grow even more.

Trade Can Bring Growth and Prosperity

What is unique about Marlin Steel Wire is our ability to provide a highly customized product to our clients with little production time. This has allowed Marlin Steel Wire to stand out in its industry and receive orders from companies in nations such as Australia, New Zealand, Ireland, Singapore, Brazil, Hungary, Poland, Israel, Canada, Mexico and Taiwan.

While most Americans tend to regard international trade as the domain of large multinationals, more than 250,000 small and medium-sized companies like ours export, and their overseas sales represent nearly a third of U.S. merchandise exports. In other words, small companies like ours play a critical role in creating jobs here at home.

Today we are selling to over 20 countries around the world and we continue to expand our market as we develop long-term relationships within the countries and communities we service. America cannot have a growing economy or lift the wages and incomes of our citizens unless we continue to reach beyond our borders and sell products, agricultural goods, and services. After all, 95% of the world's population lives outside the United States. We want to sell to them.

Why? Trade sustains millions of American jobs. More than 50 million American workers are employed by firms that engage in international trade. This sum represents about 40% of the private sector workforce. One in four factory jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas.

As global demand for Marlin Steel Wire's products has increased, so too has the effect of global sales on the work force. We employ only 28 people, which means that seven people, one-fourth of our employees, are employed as a direct result of the company's export business. And it is not just the extra employees we have. Studies show that firms that export tend to grow faster, hire more, and pay better wages than those that do not. We want more of that growth.

As the president of the firm, I truly understand the importance of international trade and the impact it can have on small business. It's simple: we want to ship to more countries, grow our client base, and create more jobs. The more we diversify our client base the more stable we will be.

Standing in the way, however, is a complex array of foreign barriers to American exports. Those barriers are alive and well, and they pose a major competitive challenge to U.S. industry and agriculture and the millions of U.S. workers whose jobs depend on exports.

From a business perspective, the **foremost** goal of U.S. trade policy should be to tear down those barriers so companies like mine can start exporting to new markets. Free trade agreements have helped us accomplish this in the past, and will help our business grow in the future.

American workers and businesses are facing one of the harshest economic storms we've seen in years. Over eight million Americans have lost their jobs since the recession began, and we need to put Americans back to work. Recognizing that 95% of the world's consumers living overseas, I applaud President Obama's goal to double U.S. exports over the next five years. I urge Congress to move swiftly to make export growth and job creation a reality.

Pending Free Trade Agreements Would Boost Exports

An efficient way to promote U.S. exports would be for Congress to pass the pending trade agreements with Colombia, Panama, and South Korea. These pro-growth trade agreements will create good American jobs, bolster important allies, and confirm that America is not ready to cede its global leadership role in trade. They will generate billions of dollars in new American exports within a few short years.

Most importantly, these are "fair trade" agreements that promise a level playing field for American workers and farmers. Many Americans don't know that the U.S. market is already wide open to imports from these countries, with most imports from Colombia, Panama, and South Korea entering our market duty free. However, these countries impose tariffs on U.S. products that often soar into the double digits, limiting our competitiveness overseas. These agreements would knock down those barriers, opening the door for American companies like mine to sell to these 120,000,000 consumers. They all need more baskets and hooks, in my opinion.

For background, consider this. Over the past 25 years, the United States has negotiated free trade agreements (FTAs) with 17 countries around the globe. While those 17 countries represent just 7.5% of global GDP, in 2009 they purchased more than 40% of U.S. exports.

Some of these countries are small, but Free Trade Agreements make big markets even out of small economies. In fact, the United States has a trade surplus with its 17 FTA partners in manufactured goods, services, and agricultural products. For those worried about the U.S. trade deficit, trade agreements are clearly the solution—not the problem. In fact, we need three more of these agreements. We are helping to create the trade surplus by exporting wire baskets and wire forms (www.marlinwire.com/custom_wire_forms.htm) to countries all over the world. We need more USA factories exporting.

And it is not just the level of the monetary tariffs in these countries. These agreements will open the door to new opportunities for smaller U.S. firms in ways that go far beyond just cutting tariffs:

Non-Tariff Barriers: NTBs are especially harmful to smaller companies because they add to the fixed costs of doing business. A \$10,000 permit to sell product or services in a foreign country is a nuisance for a big firm to deal with; it can be a show-stopper for a smaller one. When I sell \$5,000 of wire hooks to a Colombian distributor, can I afford a \$10,000 permit?

Intellectual Property: Trade agreements also protect the innovation and creative content captured in so many U.S. exports; in fact, these agreements will oblige Colombia, Panama, and South Korea to give protections for intellectual property similar to those in U.S. law.

Services: These agreements will also open up service sector sales by American companies, expanding the opportunities for a part of our economy that's humming with efficient and innovative smaller companies.

Government Procurement: These agreements will give American small business expanded access to international government procurement contracts. Those contracts for roads, schools, clinics, and the like are often too small for major American companies to perform profitably. But they are just the kinds of contracts that our smaller construction companies, distance learning companies, and medical equipment companies (to mention just a few) can fulfill beautifully.

Delaying approval of these agreements only means American workers and farmers will continue to face steep tariffs in these important markets—taxes, in fact, paid into those countries' treasuries. But that's just part of the price of inaction. 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 don't want any of those lost jobs to be my seven employees. I want to hire seven more people off the streets of Baltimore to make wire baskets for our neighbors around the world.

If the U.S. agreements are not implemented, American workers and farmers will be put at a competitive disadvantage in Colombia and Korea. For example, Canadian wheat farmers will

be able to sell their crop to Colombians at a steep discount, and European manufacturers will easily undercut their American competitors in the Korean market. (See www.uschamber.com/trade)

A Closer Look at the Agreements

When examining President Obama's admirable goal of doubling U.S. exports in the next five years, it's plain that approval of the negotiated agreements with Colombia, Panama, and Korea is critical to success.

Colombia: We very much want to increase trading with Latin America. Marlin Steel is so aggressively going after the Spanish speaking market that we have translated our website into Spanish (www.es.stainlesssteelwirebaskets.com) to make our website more friendly to foreign wire basket and wire form manufacturing engineers.

We need USA policies also to be more friendly to trading with our Spanish-speaking prospects. For example, the U.S.-Colombia Trade Promotion Agreement (TPA) is also a critical component to both increasing exports, and a step in U.S. efforts to promote sustainable economic growth in the Western Hemisphere through trade rather than aid. The agreement resembles highly successful trade agreements that have already been enacted with countries such as Chile and Morocco. Its provisions are virtually indistinguishable from those in the U.S.-Peru Trade Promotion Agreement, which Congress approved by an overwhelming bipartisan majority in 2007. Like the agreement with Peru, the U.S.-Colombia TPA is a comprehensive agreement that will accelerate Colombia's progress as a resilient and strong democracy and a committed ally of the United States.

U.S. exports to Colombia have more than tripled since 2003, exceeding \$11 billion in 2008. We estimate that since the agreement's signing, those exports have been penalized by the imposition of over \$2 billion in tariffs that could have been eliminated by the implementation of the agreement (*see* [Colombia Tariff Ticker](http://www.latradecoalition.org) — www.latradecoalition.org). The benefit from U.S. exports to Colombia has been widespread both in terms of industry sectors and geographic diversity. A wide range of industries — including food and other agricultural products, chemicals, computers and electronic products, electrical equipment and appliances, and motor vehicles to name just a few — have seen exports grow into the hundreds of millions of dollars each year. On a local level, in 2008, 40 states plus Puerto Rico enjoyed at least \$10 million in exports to Colombia; 18 states surpassed the \$100 million export mark; and, exports from three states, Louisiana (\$1.4 billion), Florida (\$2.4 billion), and Texas (\$3 billion) reached ten figures. As of 2006 (latest available figures), more than 8,500 U.S. small and medium sized businesses were selling to Colombia, totaling 85% of all U.S. companies exporting their products to Colombia.

Notwithstanding the success of U.S. exporters, the trade relationship with Colombia has been fundamentally imbalanced from a market access standpoint. In 1991, Congress overwhelmingly approved the Andean Trade Preference Act (ATPA), which has been renewed by bipartisan majorities several times in recent years. ATPA allows 90% of all imports from Colombia into the U.S. market duty free. By contrast, Colombia's average duty on imports from

the United States is 14% for manufactured goods and much higher for key agricultural exports such as corn and wheat. In short, Colombia enjoys nearly free access to the U.S. market while U.S. access to Colombia's remains limited. The U.S.-Colombia TPA will put the U.S.-Colombia trade relationship on an even footing.

The U.S.-Colombia TPA will eliminate all Colombian tariffs on U.S. products, ushering in a mutually beneficial, reciprocal partnership. The day the agreement enters into force, four-fifths of U.S. consumer and industrial products and more than half of current U.S. farm exports will enter Colombia duty-free. Remaining tariffs will be phased out, most in just a few years. Consider the following examples:

| Without the U.S.- Colombia TPA | | Products | With the U.S.- Colombia TPA | |
|---|-----------------|--------------------------------|--|-----------------|
| We Pay | They Pay | | We Pay | They Pay |
| 35% | 2.5% | Automobiles | 0% | 0% |
| 20% | 0% | Furniture | 0% | 0% |
| 5-15% | 0-3.9% | Audiovisual (film and DVDs) | 0% | 0% |
| 5-15% | 0% | Mineral fuels and coal | 0% | 0% |
| 10% | 0% | Cotton | 0% | 0% |
| 5-15% | 0-3.9% | Copper, gold, silver products | 0% | 0% |
| 5-21% | 0-1.9% | Cereals (oats, corn, soybeans) | 0% | 0% |
| 10% | 0% | Computers & related products | 0% | 0% |

The inequities in our trade relationship with Colombia mentioned previously are especially profound in the agricultural sector. Over 99% of food and agricultural products exported by Colombia to the U.S. already enter duty free. Our exports to Colombia, on the other hand, face applied tariffs that range from 5% to 20% with WTO bound rates as high as 388%. With the U.S.-Colombia TPA, we will receive immediate duty free treatment on 77% of all tariff lines accounting for more than half of our total agricultural exports, and Colombian import duties on all other farm products will ultimately be phased down to zero. Colombia has also committed to immediately eliminate the "price band" scheme that has obstructed imports of many U.S. agricultural products and it will immediately recognize the inspection system for U.S. meat and poultry as equivalent to its own.

However, despite these clear benefits that stand to accrue from the implementation of the agreement, at present it appears equally likely that the outlook for U.S. agricultural, manufacturing, and service exporters in Colombia is poised to deteriorate significantly. This is because while U.S. implementation of the agreement has been delayed, other important trading partners are moving ahead. Canada's parliament is poised to give final approval to the Canada-Colombia FTA within weeks, and the European Union and Colombia will sign an FTA in May. If these agreements with major trading partners and competitors go through ahead of the U.S. agreement, not only will U.S. producers have lost the competitive advantage that would have applied from a preferential tariff margin, they will actually be at significant disadvantage to European and Canadian competitors.

Unfortunately, this scenario is already unfolding. Following implementation of a new trade accord between Colombia and Mercosur (the large South American free-trade grouping), the U.S. share of Colombia's market for yellow corn, wheat, and soybean meal dropped by 53%, 37%, and 67%, respectively, in 2008-2009. Large gains by Argentine and Brazilian farmers mirror losses for U.S. producers. Only urgent action can arrest the loss of U.S. producers' market share.

Panama: Similarly, the U.S.-Panama TPA is a front-loaded, ambitious, and comprehensive agreement, with considerable benefits to both the United States and Panama. The day the agreement enters into force, 88% of Panama's tariffs on U.S. consumer and industrial goods and a majority of the tariffs on U.S. farm exports will be eliminated. The fastest-growing product categories among U.S. manufactured exports to Panama have been sophisticated machinery; organic chemicals; and sound equipment. The American Farm Bureau Federation expects export gains in excess of \$151 million per year by 2027 in items such as wheat, rice, corn, cotton, soybean products and livestock products.

The agreement will substantially improve market access for American farm products, consumer and industrial goods, and services in Panama, and it will bolster the rule of law, investor protections, internationally recognized workers' rights, and transparency and accountability in business and government. The agreement's strong intellectual property rules and related enforcement provisions will help protect and promote America's dynamic innovation-based industries and creative artists. The opportunities created by lowering tariff and non-tariff barriers to U.S.-Panama trade and investment promise to expand two-way trade opportunities and lift living standards in both countries.

Looking forward, 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 North America and South America. U.S. total exports to trade agreement partners in the Western Hemisphere reached \$471 billion in 2008. This region represents a significant and growing market that has largely avoided the worst of the current economic crisis.

Panama is also an important market for U.S. small business. Nearly 6,000 U.S. companies exported their products to Panama. Of this total, 4,748, or 81%, are small and medium-sized enterprises. These SMEs exported \$775 million worth of merchandise to Panama in 2005. This represented 40% of all U.S. merchandise exports to these countries, well above the 29% share of U.S. exports that our smaller companies contribute globally.

The U.S.-Panama TPA further opens Panama's market to products and services made by American workers, farmers, and companies. Panama's purchases of U.S. manufactured goods and farm products reached \$4.6 billion last year, and the \$4.2 billion U.S. merchandise trade surplus with Panama in 2008 was among the largest with any country. The United States is far and away Panama's largest trading partner, with a 33% share of Panama's imports, and purchasing 36% of all Panamanian exports. The \$5.25 billion expansion of the Panama Canal is now moving ahead and presents significant opportunities for U.S. companies to provide goods and services to the government of Panama as they embark on one of the largest public works

project since the Three Gorges Dam in China. Projects like this require a tremendous amount of wire baskets (www.MeshBaskets.com) that we want to sell to the contractors and vendors that are awarded the bids. We will hire more people in Baltimore City to keep up with this demand.

U.S. export success in Panama comes despite a fundamental imbalance in the playing field. The United States unilaterally opened its market to Panama and its neighbors through the Caribbean Basin Initiative in 1983 and expanded that access through successive acts with the support of strong bipartisan majorities in Congress. Currently, under the Caribbean Basin Trade Partnership Act, fully 96% of all imports from Panama already enter the U.S. market duty-free. By contrast, Panama's average applied duty on imports of manufactured goods is 10%, and agricultural products face even higher tariffs. In other words, Panama enjoys virtually free access to our marketplace, while U.S. products continue to be taxed at steep rates when entering Panama.

When considering the role of services, these commitments and improvements in Panama's services regime will allow U.S. firms to take full advantage of the benefits of the agreement across all sectors, including express delivery, logistics, energy, audiovisual, computer, construction, wholesaling, health, education, and environmental services. The agreement will strengthen protection and enforcement of U.S. trademarks, patents, and geographic indicators, internet domain names and copyrighted works, creating new opportunities for U.S. innovation-based and creative industries in Panama. In specific terms, the Panama TPA includes strong intellectual property enforcement mechanisms and penalties provisions, including the criminalization of end-user piracy and counterfeiting and the authority to seize and destroy not only counterfeit goods but also the equipment used to produce them. The agreement also provides necessary mechanisms to fight the problem of trans-shipment of counterfeit goods with specific provisions that are aimed at goods-in-transit.

Korea: Currently we sell to Japanese automotive suppliers (www.jp.stainlesssteelwirebaskets.com) in the USA and in Japan. However, over the last decade the Korean automotive market has surged and we want to sell to them as well. The extent of trade and investment between the United States and Korea makes the U.S.-Korea FTA one of the most commercially significant trade agreements for the United States. This agreement will stimulate new demand in Korea for U.S. goods and services which are affected by these trade barriers. Increased U.S. exports to Korea under the agreement, in turn, will generate new U.S. jobs and economic growth.

U.S. small and medium enterprises play an important role in exporting goods and services to Korea, and these firms accounted for 89% of all U.S. companies exporting in Korea in 2007 and \$10.8 billion of total U.S. exports to Korea that year. These exports in every category are expected to grow significantly once the agreement is passed.

Korea, with a \$1 trillion economy, is the United States' eighth-largest trading partner in terms of two-way trade, which reached nearly \$83 billion in 2008. Korea is a major market for U.S. producers across numerous sectors. Over 80% of U.S. merchandise exports to Korea are manufactured goods. Korea is the sixth-largest market worldwide for U.S. agricultural goods, with U.S. agricultural exports totaling \$5.6 billion in 2008. In addition, Korea is the second-

largest market for U.S. services in Asia, and U.S. cross-border exports of services to Korea totaled \$12.5 billion in 2007. Korea boasts the highest broadband internet penetration levels in the world, making it an important growth market for U.S. companies in the information and communications technology sector.

The U.S.-Korea FTA will create substantial new opportunities and economic benefits for U.S. businesses and farmers by eliminating high tariffs and restrictive non-tariff market access barriers in Korea. Under the agreement, almost 95% of bilateral consumer and industrial goods trade will become duty-free within three years, with almost all remaining tariffs on goods eliminated within ten years. Korean average applied tariffs on U.S. goods are now 11.2%, as compared to the average U.S. applied tariff of 3.7%. The elimination of these tariffs on almost all goods will significantly benefit U.S. producers and exporters by making their products more price-competitive in the Korean market.

In agriculture, the agreement will eliminate immediately 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. At present, U.S. agricultural goods face an average applied tariff in Korea of 52%. The U.S. Chamber expects the elimination of these tariffs to boost significantly U.S. agricultural exports to Korea and to create important new growth opportunities for U.S. ranchers and farmers.

The timing of implementing the U.S.-Korea FTA is crucial for the United States to realize the maximum possible economic benefits of the agreement. Korea is rapidly expanding its network of bilateral trade agreements, including with major U.S. global competitors. In particular, Korea concluded FTA negotiations with the European Union in July 2009, and the accord will be signed in May. If the EU-Korea FTA enters into effect before the U.S.-Korea FTA, it will likely generate significant trade diversion in the Korean market away from U.S. exports as Korean consumers turn towards more price-competitive EU member country goods and services by virtue of benefits under the EU-Korea agreement. A comparison of leading U.S. and EU exports to Korea reveals the significant degree of overlap between them—indicating the competitive disadvantage that U.S. manufacturers, farmers, and ranchers could be placed in under an EU-Korea FTA without implementation of the U.S.-Korea FTA. Korea also concluded a Comprehensive Economic Partnership Agreement with India in August 2009, and it has ongoing negotiations with Canada, Australia, Peru, New Zealand, the Gulf Cooperation Council, and Japan and is exploring the possibility of FTA negotiations with China.

Conclusion

It is worth noting that the commercial benefits of recent free trade agreements have surpassed all expectations. Consider the U.S.-Chile FTA, which was implemented on January 1, 2004, and immediately began to pay dividends for American businesses and farmers. While the U.S. International Trade Commission (USITC) had forecast total export growth of 18-52% over the first 12 years of the agreement's implementation, U.S. exports to Chile leapt by 34% in 2004, 43% in 2005, 31% in 2006, 22% in 2007, and more than 50% in 2008. All told, U.S. exports to Chile quadrupled in just five years.

This outcome is five times as robust as the USITC's most cautious scenario and nearly twice as robust as its most optimistic scenario. Given the similarities between the pending trade agreements and the U.S.-Chile FTA, we may surely expect impressive benefits from these new agreements as well.

Other recent FTAs have borne similar fruits.

- Trade with Jordan has risen nearly 600% from \$300 million in 1999 to \$2.1 billion in 2009. These commercial flows have fostered the creation of tens of thousands of jobs in a country that is a close ally of the United States.
- Implemented in January 2005, the FTA with Australia (which is a buyer of our products www.marlinwire.com/global-clients.htm) helped boost U.S. exports down under by over 60% in four years.
- The U.S. trade surplus with Singapore rose nearly 10-fold over the first five years of implementation of the U.S.-Singapore FTA (2004-2008), reaching nearly \$13 billion.

On trade, if America stands still, we fall behind. That is why I urge Congress to support the pending trade agreements and seek a more effective trade policy that opens foreign markets, boost exports, and creates jobs. In the end, U.S. business is quite capable of competing and winning against anyone in the world when markets are open and the playing field is level. These trade agreements can provide just that.

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

Thank you very much.