



Insight

Trade Agreements: A Jobs Bill That Doesn't Add to the Deficit

MICHELE DAVIS | MARCH 19, 2010

We are suffering through the worst recession in 75 years and it has cost our nation more than 8 million jobs. Politicians are talking about all kinds of measures to create jobs, except for one. Why is no one talking about trade?

Businesses across America don't have enough demand for their products to be able to hire more workers. You'd think politicians would be looking at every lever they might pull to boost demand for goods and services so businesses can hire. They've already passed one stimulus bill to spend tax dollars buying things. And now they are passing another bill to spend tax dollars to incentivize hiring.

But there are people around the world who want to buy US goods and services – we should look to them, too, to boost our economy and US hiring. Instead, we are maintaining trade barriers that make it more expensive for people and businesses abroad to buy our goods and services.

Just one example – the US-Colombia Free Trade Agreement was signed into law in 2006. But because it is not yet in force, goods exported to Columbia have carried \$2.6 billion in tariffs. Higher prices for goods exported to Columbia mean they buy fewer US products – and US exporters can hire fewer workers.

And that's just one of the pending FTAs. The US –Panama agreement has also been left pending for too long. Together, more than 15,000 US companies export to Colombia and Panama. If they could export tariff- free, they'd sell more products and hire more workers.

The US also signed a Free Trade Agreement in 2007 with Korea, the 10th largest economy in the world, and a huge potential market for US export growth. It too is not yet ratified. Under that agreement, important U.S. exports such as electronic machinery, auto parts, power generation equipment, chemicals, medical equipment, and motorcycles will have tariffs removed within three years. More than fifty percent of U.S. agriculture exports to Korea will become duty free. Eliminating tariffs means lower prices for these goods – and Koreans would buy more of them, creating jobs in these sectors and across the US economy.

In his State of the Union Address, President Obama laid out a goal of doubling US exports over the next 5 years, asserting that will create more than 2 million US jobs. And last week he said that every \$1 billion increase in exports supports more than 6,000 additional jobs.

So when the nation is desperate for a real jobs plan, why aren't we putting these free trade agreements into practice? Instead, the President's budget proposes to spend more of our tax dollars to promote exports.

Instead of relying on taxpayers to foot the bill for job creation, we should be finalizing these trade agreements and welcoming other people's money to buy US products and create US jobs.