Consuming Industries
Trade Action Coalition

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CITAC Connections

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CONSUMING INDUSTRIES TO BENEFIT FROM FTAS

American consuming industries, particularly those who supply goods directly to American consumers, stand to gain from a plethora of free trade agreements (FTAs) the United States has just negotiated or is currently negotiating. While most of the information about these FTAs has focused on ways they will promote U.S. exports and intellectual property or investment rights in partner countries, not to be overlooked is their potential to reduce the costs of importing from the FTA partners. Many of these imports are sold directly to end consumers; others are used as inputs to production in the United States.

Seven FTAs are now pending. FTAs with Chile and Singapore were completed in January. Ambassador Robert Zoellick then informed Congress of the Administration's intention to negotiate FTAs with Australia, Morocco, five countries in Central America, and five countries in Southern Africa. In addition, the United States has been engaged for some time in negotiations for a Free Trade Area of the Americas.

FTAs promise to reduce and eventually eliminate U.S. duties applied to imports from partner countries. They also make some effort to eliminate or at least reduce a host of U.S. non-tariff barriers to those imports (most notably in agriculture). Focusing only on the import duty advantages, the FTAA promises the most in savings to consuming industries — not surprising given the extensive country coverage of the agreement. American consumers of apparel — and consuming industries such as retailing who service them — will benefit the most as high U.S. tariffs on these products are reduced and eventually eliminated. (It must be noted that complicated rules of origin that frequently limit tariff benefits to apparel products made with local or U.S. yarn and fabric to a large degree will reduce some of these potential duty savings.)

Given their potential to provide real, bottom-line benefits to consuming industries, countries that use products made in FTA partner countries need to become active in the negotiating process to ensure that the tariff and non-tariff reductions provide them the maximum benefit possible. Too often, consuming industries sit on the sidelines, providing little or no input to U.S. negotiators about how the agreements can be structured to best reduce the costs of U.S. manufacturing or of end products sold to American families. In addition, U.S. negotiators have demonstrated a preference for excluding changes to trade remedy laws and processes from these negotiations, a position that is harmful to consuming industries. More active participation by companies who would benefit from greater discipline in both U.S. and FTA partner trade remedy actions could have an impact on this to-date intractable U.S. position.

Pending FTAs

Country/Region	*Status*
Chile	Agreement completed, soon to be signed
Singapore	Agreement completed, soon to be signed
Australia	Negotiations to begin March 2003, likely to take two years
Central American Free Trade Agreement (CAFTA)*	Negotiations began January 8, 2003, scheduled to end 2003
Free Trade Area of the Americas (FTAA)**	Negotiations under way, scheduled to end 2005
Morocco	Negotiations began January 21, 2003, scheduled to end 2003
Southern African Customs Union***	Negotiations to begin March 2003, scheduled to end in 2004

* Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua
** 34 countries in the Western Hemisphere
*** Botswana, Lesotho, Namibia, South Africa, and Swaziland

Key Potential Tariff Savings to Consuming Industries from Pending FTAs

(Millions of Dollars)

	Total U.S. Duties Collected, 2001
FTAA	$1,147.9
Knit apparel	*401.6*
Woven apparel	*329.8*
Footwear	*81.2*
CAFTA	$475.3
Knit apparel	*266.0*
Woven apparel	*201.4*
Made up textile articles	*1.8*
Australia	$126.1
Knit apparel	*39.0*
Meat	*25.3*
Vehicles	*10.0*
Singapore	$96.5
Knit apparel	*47.7*
Woven apparel	*11.2*
Electrical equipment and parts	*7.7*

	Total U.S. Duties Collected, 2001
Southern African Customs Union	$61.2
Knit apparel	*33.2*
Woven apparel	*16.6*
Base metals	*2.5*
Chile	$19.3
Fruit and nuts	*6.9*
Beverages	*3.3*
Copper	*2.5*
Morocco	$17.8
Woven apparel	*11.9*
Knit apparel	*3.1*
Vegetable, fruit, nut preparations	*0.9*

Source: The Trade Partnership from Bureau of the Census data.