

California District Export Councils



July 31, 2020

To: Members of the California Congressional Delegation (via fax)

From: Nick Grooters, Chair, California Inland Empire DEC
Tsvi Guy, Chair, Central California DEC
David Socher, Chair, Northern California DEC
Mark Ballam, Chair, San Diego & Imperial DEC
David Habib, Jr., Chair, Southern California DEC

Re: Support for International Trade Issues

Earlier today, all five California District Export Councils convened for a virtual conference. As a follow-up, we would like to thank the California Congressional Delegation, and the U.S. Congress at large, for their support in approving the **United States-Mexico-Canada Agreement**.

The objectives of the USMCA are to eliminate barriers to trade, promote conditions of fair competition, increase investment opportunities, provide adequate protection of intellectual property rights, establish effective procedures for implementing and applying the agreements and resolving disputes, and to further trilateral, regional and multilateral cooperation.

Due to California's position as a global leader in international trade, the priorities of the USMCA are important to our members and the overall economic health of the state. The provisions of the USMCA will be beneficial for our industries, agricultural enterprises, farmers, ranchers, energy companies and automakers.

District Export Councils

The over 60 District Export Councils (DEC) nationwide contribute leadership and international trade expertise to complement the U.S. Commercial Service's export promotion efforts through counseling businesses on the exporting process and conducting trade education and community outreach.

The DEC members are appointed by the Secretary of Commerce. These international trade professionals use their knowledge and international business experience to act as consultants to small and medium sized businesses who want to export their products into markets outside of the United States.

For more than 40 years, DEC's have served the United States by assisting companies in their local communities' export, thus promoting our country's economic growth and creating new and higher-paying jobs for their communities.

U.S. Department of Commerce

The California export community works closely with the USDOC. In particular, the U.S. Commercial Service, part of the U.S. Department of Commerce's International Trade Administration, offers companies a full range of expertise in international trade. Companies can find assistance locally in more than 100 U.S. Commercial Service offices nationwide and in more than 70 international offices. The five California DEC's urge continued budgetary support for these functions within the USDOC, as critical to continued export growth especially among small-and-medium sized businesses.

Export-Import Bank of the U.S.

The California DEC's would like to reiterate the importance of both maintaining a quorum on the Board and continuing authorization of the United States Export-Import Bank. Ex-Im has a proven record of success and turns a profit for the American taxpayer.

California is one of the top economies in the world with a gross state product of over \$3 trillion. In 2019, California exported \$173.3 billion to approximately 229 foreign markets. Trade offers the opportunity to expand the role of California's exports.

The United States Export-Import Bank's ability to approve transactions impacts larger exporters, thousands of smaller suppliers, and hundreds of thousands of workers all whose jobs depend on exports.

U.S.-U.K. Free Trade Agreement

The five California DEC's believe in strengthening economic ties and enhancing regulatory cooperation through agreements with our top trading partners that encompass both goods and services, including financial services, is essential to eliminating unnecessary regulatory divergences that may act as a drag on economic growth and job creation.

The United States maintains a deep trade and investment relationship with the United Kingdom, which officially left the European Union on January 31, 2020. Now that the two countries are able to enter into a formal free trade agreement, negotiations are underway.

The California DEC's are hopeful that negotiations for the U.S.-U.K. FTA will conclude in the near future. The DEC's support the goal of strengthening the trading and investment relationship between the two countries, with a focus on securing open market access. The DEC's support the following issues being discussed during negotiations:

- market access for goods;
- data protection and data transfers;
- financial services;
- intellectual property rights;
- movement of labor; and
- regulatory cooperation.

Two-way trade between the United States and the United Kingdom was \$132.33 billion in 2019 and the U.K. was the fifth largest importer of U.S. goods with a total value of \$69.15 billion.

In 2019, imports into California from the United Kingdom were approximately \$6.16 billion, with the top categories being transportation equipment, which made up almost 50% of the total, followed by computer/electronic products, used or secondhand merchandise, and reimports.

The U.S. Department of Commerce describes the U.S.-U.K. investment relationship as the largest in the world, and creating over 2 million jobs, about 1 million in each country. In California, the No. 2 country for foreign direct investment is the United Kingdom. British companies in California provide more than 111,430 jobs through 2,433 firms amounting to \$9.44 billion in wages. The top jobs by sector are professional/business services, manufacturing, wholesale trade, transportation/warehousing/utilities, and retail trade.

U.S.-Kenya Free Trade Agreement

The five California DEC's are supporters of stable and sustainable economic growth and development in sub-Saharan Africa. The DEC's are supportive of the United States seeking to facilitate market-led economic growth in, and thereby the social and economic development of, the countries of sub-Saharan Africa.

In particular, the DEC's are supportive of the United States seeking to assist sub-Saharan African countries, and the private sector in those countries, to achieve economic self-reliance. A trade agreement between the United States and Kenya would be the first agreement between the U.S. and a sub-Saharan African country. A U.S.-Kenya trade agreement would also complement Africa's regional integration efforts, which include the landmark African Continental Free Trade Area AfCFTA.

From its location on the eastern coast of Africa, Kenya serves as a gateway to the region and a major commercial hub that can provide opportunities for U.S. consumers, businesses, farmers, ranchers and workers.

U.S. – China Relations

The five California DEC's are supportive of the ongoing monitoring of the U.S. relationship with China, being hopeful the Trump administration and China will remain committed to following through with the Phase 1 trade deal, despite new tensions related to the pandemic. The DEC's are also supportive of monitoring China's Belt and Road Initiative and the continuance of the U.S.'s Indo-Pacific Initiative to strengthen partnerships in the region.

Although the business community recognizes there are serious issues with China's trade policies and practices, the California DEC's have deep concern over the impact that increased tariffs have on international trade and the state's economy. Increased tariffs have adverse consequences and fail to consider the impact on U.S. allies and trading partners.

Tariff/Non-Tariff Barriers

Tariffs

The five California DEC's call for an easing of existing tariffs and moratorium on future tariffs. To be clear, we wholeheartedly support efforts to ensure our trading partners adhere to fair and

transparent trade practices and are held accountable when they violate international rules. Our call should not be seen otherwise. Instead, this is an opportunity to lift our own domestic industries in a time when it is needed most.

Raising tariffs result in higher prices to the consumer for the specific product protected and in limited choices of products for consumers. Further, they cause a net loss of jobs in related industries, retaliation by U.S. and California trading partners, and violate the spirit of our trade agreements.

One of the major challenges generally facing American exporters is the duty rates or tariffs and other assessments charged by other countries when goods are imported into those countries. The U.S. has the lowest average duty rate at 4.5%. As a group, the DECs urge Congress to continue to support the lowering of duty rates with short phase-out periods as one means to support the expansion of American exports as free trade agreements are enacted.

Non-tariff Barriers

The DECs also urge Congress to continue to support the reduction and eventual elimination of non-tariff barriers, whether due to sanitary or phytosanitary certificates, lack of streamlined regulatory procedures, quotas, embargos, assessments, and similar monetary and other challenges imposed to limit imports into the country.

In closing, the five California DECs express our support for free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business. We further support trade agreements which ensure that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans.

Thank you for your consideration on these important international issues.

Sincerely,

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Attorney



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