

THE NEW ENGLAND COUNCIL

Trade in New England

The majority of the world's consumers - 95 percent - can be found beyond America's borders. While interstate commerce among the states remains a significant avenue for business prosperity among our members, The New England Council believes that foreign markets must be cultivated to tap into the buying power of this vast consumer base. Indeed, as the table below shows, many companies across our region take advantage of foreign trade, creating jobs and growing the economy. Trade stimulates innovation in our region and makes New England companies more globally competitive.

New England State	Exporting Companies (2013)	Export-Supported U.S. Jobs (2014)	Merchandise Exports (2015)	Leading Manufacturing Export by State (2015)
Connecticut	5,728	75,292	\$15.3 billion	Transportation equipment: \$7B
Maine	2,264	17,120	\$2.7 billion	Paper: \$461M
Massachusetts	10,709	124,016	\$25.2 billion	Computer/Electronic Products: \$7.3B
New Hampshire	2,625	20,048	\$4.0 billion	Computer/Electronic Products: \$1.525B
Rhode Island	1,790	13,459	\$2.1 billion	Chemicals: \$333M
Vermont	1,270	14,728	\$3.2 billion	Computer/Electronic Products: \$2.08B
Totals	24,386	264,663	\$52.5 billion	\$18.7 Billion

Source: USTR & US Department of Commerce

Key Trade Partners and Sectors - The United States has long been a leader with regard to free and open trade, and New England possesses trade relations with a number of key trading partners. It is no surprise that our northern neighbor Canada leads all nations with respect to export trade in the region however New England also has key relations with Germany, France, and the United Kingdom across the Atlantic, China and Japan across the Pacific, the UAE in the Middle East, and Mexico along the nation's southern border. Just these eight nations accounted for nearly \$31.5 billion in export trade in goods with our region in 2015.

Among the leading product-types exported from the New England region in 2015 were computer and electronics products (\$12.5 billion), non-electrical machinery (\$5.9 billion), chemicals (\$4.8 billion), and miscellaneous manufacturing and electrical equipment (\$5.2 billion). Exports of transportation equipment were also key for our region (\$7.3 billion), with Connecticut alone accounting for approximately \$7 billion in exports.

As New England's economy continues its recovery, even greater trade benefits are anticipated. Part of that opportunity will no doubt occur as a result of expanded growth for companies in the region's traditional business facets. However, with the greater implementation of tools that help facilitate trade, companies throughout the region will experience the chance to see non-traditional export avenues flourish as well. As regional business growth is enhanced, New England will remain competitive with global actors, making New England a destination of choice for traditional and innovative business alike.

The New England Council's Principles on Trade for the Region

Free Trade and Trade Agreements - The New England Council supports free trade to allow New England businesses to buy and sell goods and establish direct investments in markets around the world without impediment. To access consumers outside of the United States as their buying power grows, the U.S. must ensure that it is pursuing every course of action possible to get American goods and service exports into the world's expanding marketplace. The New England Council supports several policy items and trade principles that ensure our members can compete freely and fairly on a global scale. The New England Council supports free trade agreements entered into by the United States government that will expand trade opportunities in New England, provide standards and reliability across borders and increase trade relationships with our partners. The Council supports ongoing efforts to forge additional trade agreements around the globe such as the Trans-Pacific Partnership (TPP) and current negotiations related to the Transatlantic Trade and Investment Partnership (TTIP), Trade in Services Agreement (TiSA) and World Trade Organization (WTO).

□ Trade Promotion Authority

Trade Promotion Authority (TPA), also known as “fast track” negotiating authority, allows the President to negotiate international trade agreements that Congress can approve or disapprove on a simple “up-or-down” vote, without the ability to amend or filibuster. TPA is granted to the President by legislation passed by the Congress. It expired for new agreements in July 2007, but continued to apply to agreements under negotiation until they were eventually passed into law in 2011. With President Obama's focus on trade, congressional leaders indicated a desire to vigorously pursue TPA authorization legislation. Indeed, Congress wrapped-up consideration of a TPA bill, the Bipartisan Congressional Trade Priorities & Accountability Act, in June of 2015, and it is now law. The New England Council is pleased that Congress voted to grant the Administration TPA authority so our trading partners can confidently enter into negotiations and agreements with the U.S. that will continue to create business opportunities for New England companies around the world. Without such authority, it would be difficult to advance trade partnerships in a free and fair manner.

□ Trans-Pacific Partnership Agreement

The Trans-Pacific Partnership (TPP) is a proposed regional free trade agreement among like-minded trading partners, including Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. Other Pacific-Rim nations can join the agreement at a later date if they agree to the same level of market access commitments as the current participating nations of the TPP. The negotiations were launched in 2009, reached a conclusion in early October of 2015, and in November, the 30-chapter text was publicly released. In February 2016, all twelve TPP participant nations officially signed the TPP agreement, thus allowing each nation to begin their respective approval processes. In May, the U.S. International Trade Commission issued a key report (required by the “fast track” law) showing modest economic impact of the TPP. Congressional review is ongoing, and debate on this agreement may commence once it is formally presented in legislative form to federal lawmakers; a step which is expected to occur this year. The export of goods from New England to TPP nations accounted for nearly \$19 billion in 2014. As such, many companies throughout New England are looking to determine what extent the TPP agreement provides trade and investment opportunities to them. Now that the TPP agreement has been signed, the Council encourages Congress to exercise its due diligence in the review and consideration process of this trade agreement in anticipation of further action this year.

□ Trans-Atlantic Trade and Investment Partnership

The Trans-Atlantic Trade and Investment Partnership (T-TIP) is a proposed free trade agreement between the US and members of the European Union (EU) that was launched in July 2013 to provide “greater compatibility and transparency in trade and investment regulation, while maintaining high levels of health, safety, and environmental protection.” While the negotiations have been progressing, the TTIP has the potential to bring new issues into the realm of trade agreements which are of particular interest to New England companies, such as the information and communications technology (ICT) and biopharmaceutical sectors, including digital trade and regulatory cooperation. The parties have conducted a number of negotiation rounds thus far, and will have additional meetings to fully hash-out a means to harmonize regulatory issues in a number of relevant industries; address factors involving state-owned enterprises; ensure that net job growth in both the EU and the US occurs; enhance investment and intellectual property protections; and see to it that labor and environmental standards are equivalent. In 2014, exports of goods from New England to the European Union (EU) accounted for roughly \$17.5 billion. The New England Council believes there is growth opportunity for the region and for Council members once T-TIP is completed and ratified, and encourages progress on completing this treaty in a timely fashion.

□ Trade in Services Agreement

As a nation, the United States is the world’s largest exporter of services, covering a range of economic activity including accounting, insurance, travel, legal, banking, and e-commerce. In 2013, the export of U.S. services was \$687.4 billion – 30.15 percent of all U.S. exports – and represented a \$225.3 billion surplus relative to service imports. In early 2013, the U.S. began formal negotiations on a Trade in Services Agreement (TiSA) with like-minded World Trade Organization (WTO) nations. Designed as an upgrade on and reaction to current service agreements (and talks to update them), the TiSA is seen as a means to “modernize” the treatment of services trade and even the playing field for all participants. The Peterson Institute for International Economics estimated that “eliminating barriers to trade in services could boost U.S. services exports...to as much as \$1.4 trillion” which could add “as many as three million American jobs.” With such job and economic growth potential, The New England Council encourages a speedy conclusion to TiSA negotiations.

□ World Trade Organization

The World Trade Organization (WTO) is a multilateral trade organization that oversees and liberalizes international trade. The WTO deals with trade between participating countries, providing a framework for negotiating and formalizing trade agreements and a dispute resolution process aimed at enforcing participants’ adherence to WTO agreements. For years, WTO talks have been at an impasse, mired in disagreements between developing and developed countries. One promising development occurred in December of 2015 which saw the WTO negotiate an expansion of the Information Technology Agreement (ITA), eliminating tariffs on just over 200 IT products with an estimated value of more than \$1.3 trillion per year. The agreement reached by 53 WTO nations covers 90 percent of the world’s IT trade. There remains further hope that nations also will be able to obtain broader progress on market liberalization in goods and services. The New England Council supports a robust WTO that generates additional liberalizations across the spectrum of agriculture, manufacturing, and services, and urges all parties to continue to pursue substantial progress towards this result.

□ Bilateral Investment Treaties

Bilateral Investment Treaties (BITs) are agreements reached by two nations that establish terms and conditions allowing reciprocal private investment by nationals and companies from one state in another state. Among the benefits of bilateral agreements, investors can expect to be treated as well as any

investor from the host nation or any third country; provided a minimum standards of fair treatment; protected from direct and indirect expropriation of an investment or provided just compensation if expropriation or damage to an investment occurs; guaranteed the ability to freely transfer funds from the host nation; and granted access to dispute settlement mechanisms beyond the host nation's domestic courts. The United States currently has more than forty bilateral agreements in force and negotiations continue to take place on a proposed China-U.S. BIT as well as an India-U.S. BIT. The New England Council supports steps by the Administration to ensure that the BITs that are negotiated with these nations - and those in the future - provide fair treatment to crucial U.S. and regional industries such as pharmaceutical, technology, insurance and financial service companies.

Trade Assistance - The New England Council supports programs that expand access for foreign markets and assist businesses as they interact in the global marketplace. International trade is beneficial to the nation and the region but carries high risks and uncertainties. Trade assistance, such as loans and loan guarantees, is crucial in this environment for our businesses to trade at the level that America needs. The New England Council supports the efforts of the Export-Import Bank and trade adjustment assistance programs that help American workers and businesses remain competitive.

□ Export Import Bank

The Export Import Bank is the official export credit agency of the U.S. government, supporting small businesses and large companies as they look to export goods and services to foreign markets. In the six New England states, the Ex-Im Bank has backed \$3.15 billion in disbursements, insured shipments, and guaranteed credit for exports since 2011. This has supported nearly \$6.6 billion in export sales related to Ex-Im Bank authorizations. Nationally, the Ex-Im Bank in fiscal year 2015 alone enabled some \$17 billion in exports from thousands of companies, supporting approximately 109,000 American jobs and returning more than \$431 million to the Treasury. These figures would have doubtless been higher, however in June of 2015, the charter of the Ex-Im Bank expired. While some wanted to keep the Bank shuttered, a bipartisan coalition on Capitol Hill rallied to its defense and in December of 2015, Congress passed and the President signed into law an extension of the charter of the Export-Import Bank for a period of four years (through September of 2019). To accommodate the concerns of detractors, the new law lowers the \$140 billion statutory cap on outstanding loans, guarantees, and insurance to \$135 billion and freezes loans should a default rate of more than 2 percent occur. In addition, the law requires steps to heighten accountability and transparency including the appointment of a chief ethics officer and a chief risk officer; raises from 20 to 25 percent the amount of lending to go to small businesses; initiates a “loss reserve” account of 5 percent of aggregate transaction amounts; and requires the Ex-Im Bank to take steps to negotiate an end to export subsidies among nations across the globe. The New England Council worked diligently to achieve a multi-year reauthorization of the charter of the Ex-Im Bank and [encouraged our House and Senate delegations](#) to also provide their backing on extending its charter.

□ Trade Adjustment Assistance

Trade Adjustment Assistance (TAA) helps American workers, firms, farmers, and communities innovate to remain competitive on a global scale. When economic changes result from the implementation of foreign trade, TAA programs support those who have been impacted here at home adjust to those changes and update their skills and business practices. The program for workers is the largest and is administered by the U.S. Department of Labor. The program for farmers is administered by the U.S. Department of Agriculture, and the Firms and Communities programs are administered by the U.S. Department of Commerce. The New England Council supports the long term authorization and reliable funding of TAA to help those Americans affected by world economic factors to regroup and keep pace with America’s expanding trade opportunities. As such, the Council was pleased that President Obama signed into law in June of 2015 a bill reauthorizing the Trade Adjustment Assistance Act. Under this new

law, the TAA program is extended through 2020 at an authorized annual funding level of \$450 million. It also makes eligibility requirement changes for groups and individuals seeking TAA benefits and services and includes coverage for service workers affected by trade.

□ Trade Missions

New England is known for its commitment to higher education, advanced technology, and a world-class infrastructure that supports the new innovation-based economy. The New England Council is a strong advocate of growing the region's economy through building partnerships among stakeholders with common interests and facilitating action on those shared interests. Building new or strengthening existing global trade partnerships will have a beneficial impact not only on individual states, but on the entire region as well. As such, trade missions represent a worthwhile opportunity for companies and institutions from across New England to expose their products and services forged from this commitment to global markets. Historically, Governors from across our region have recognized the worthwhile nature of traveling to burgeoning and established markets to engage with government and business leaders to create stronger trade relations. These trade missions have served to bring commerce and jobs to New England, and the Council encourages our region's Governors to continue in these activities. The New England Council will look for opportunities as they develop to lend the collective voice of our diverse membership in support of such endeavors and to help move our region forward on a robust, growth-based trade agenda.

Customs – The New England Council supports efforts to facilitate the ease of trade through borders and customs. While safety is paramount, many successful efforts have been made to speed the processing of goods through customs for trusted trade partners.

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