

Colorado

Office of Economic
Development and
International
Trade

John W. Hickenlooper, Governor
Kenneth W. Lund, Executive Director

MEMORANDUM

TO: Joint Finance Committee

FROM: Sandi Moilanen, Colorado International Trade Office (ITO)

DATE: April 30, 2012

SUBJECT: Update on International Trade Developments

CC: Ken Lund, Executive Director, OEDIT

In accordance with C.R.S. 24-47-101 (2)(g), which states:

The Colorado International Trade Office shall inform the General Assembly about ongoing trade negotiations, trade developments, and the possible impacts on Colorado's economy and laws.

The Colorado International Trade Office has prepared this memorandum to bring the legislature up-to-date on the above noted issues.

I. International Trade Developments

International Trade volumes expanded in 2011 by 5%, a sharp deceleration from the 2010 rebound of 13.8%, and according to the World Trade Organization, trade volumes will slow further to 3.7% in 2012. The rate of world output growth fell to 2.4% in 2011 from 3.8% in the previous year, weighed down by the ongoing sovereign debt crisis in Europe, supply chain disruptions from natural disasters in Japan and Thailand, and turmoil in Arab countries. This pace of expansion was well below the 3.2% average over the 20 years leading up to the financial crisis in 2008.

U.S. exports of merchandise goods, commodities and agricultural products increased 16% in nominal US dollar terms in 2011 and Colorado's exports increased approximately 9%. Please see the attached fact sheets for more details on Colorado's exports for 2011.

Federal-Level Trade Policy Initiatives

President Obama's 2012 trade policy agenda supports American jobs by opening markets and creating opportunities for U.S. farmers, ranchers, manufacturers, and service providers to export more "Made in America" products to customers around the world. Policy priorities include:

- entry into force and implementation of trade agreements with **Korea, Colombia, and Panama;**
- conclusion of negotiations for a high-standard **Trans-Pacific Partnership (TPP)** regional trade agreement;

- enhanced trade enforcement efforts to investigate unfair trading practices in countries like China and hold our trading partners accountable for their commitments to comply with World Trade Organization (WTO) obligations;
- extension of permanent normal trade relations to Russia so that American producers can compete on a level playing field as Russia joins the WTO rules-based global trading system; and
- continued American leadership at the WTO and in other forums toward greater international trade liberalization

II. Trade Agreement Implementations and Priorities

A. Implementing Trade Agreements with Korea, Colombia, and Panama:

In 2011 the U.S. approved trade agreements with Korea, Colombia, and Panama. In 2012, the Obama Administration is working to secure swift entry into force and implementation of these trade agreements to quickly enhance American competitiveness in these markets.

United States.-Korea Trade Agreement: The most economically significant U.S. trade agreement to be approved in 17 years, with legislation receiving the highest affirmative recorded vote in the U.S. Senate on a trade pact, the United States-Korea trade agreement is expected to increase U.S. goods exports by an estimated \$11 billion based on tariff cuts alone, and support at least an estimated 70,000 jobs in America once it is fully implemented. The additional automotive commitments agreed to in 2010 will level the playing field for U.S. automotive companies and workers, by addressing ways Korea's system of automotive safety standards have served as a barrier to U.S. exports, increasing regulatory transparency, and establishing a special motor vehicle safeguard to ensure that the American autoworkers do not suffer from potential harmful surges in Korean auto imports due to this agreement. Adjustments made to auto and truck tariffs will give U.S. auto companies and American workers the opportunity to increase sales in Korea before U.S. tariffs on Korean autos come down. The agreement will also create new opportunities for even more U.S. exports as it opens South Korea's \$580 billion services market to more American companies-supporting additional jobs for American workers in service sectors such as express delivery, engineering, education, health care, and professional services.

For Colorado: Computers and electronics products, a leading export sector for Colorado will become more competitive with agreement. Processed foods will benefit from the elimination of tariff and non-tariff barriers to trade-some immediately and others over a five-year period. Machinery manufacturers will receive duty-free treatment immediately on products including refrigeration compressors, water filtering and purifying equipment. Close to two-thirds of agricultural exports will be immediately duty-free upon the implementation of the FTA with Korea.

United States-Colombia Trade Promotion Agreement :

Once fully implemented, the United States-Colombia trade agreement is expected to increase U.S. goods exports by over \$1 billion dollars annually and support thousands of additional American jobs. At the same time, to assess progress in the continued implementation of the Colombia Action Plan Related to Labor Rights, during 2012 the Administration will maintain intensive engagement with the Colombian government in support of its efforts to provide better protection of workers' rights in Colombia, to prevent violence against unionists, and to ensure the prosecution of perpetrators of such violence.

For Colorado: Colorado exports to Colombia that will receive immediate duty-free treatment include high quality beef, wheat, fruits and vegetables and many processed foods. Apparel will be duty-free and quota-free immediately under rule of origin requirements. Computers and electronic products currently subject to import duties generally between 5 – 10 percent, will receive duty-free treatment immediately. Exporters of chemical and related products, including pharmaceuticals, cosmetics, fertilizers and agro-chemical would benefit from tariff reductions.

United States-Panama Trade Promotion Agreement : The Obama Administration also secured strong support from Congress on legislation approving the United States-Panama trade agreement after working with stakeholders and the Government of Panama to address concerns related to tax transparency and labor rights. Once fully implemented, the United States-Panama agreement will remove barriers to U.S. exporters, investors, and service providers doing business between the United States and Panama.

For Colorado: Colorado will benefit from the elimination and reduction in tariffs on computers and other information technology equipment, construction and agricultural machinery, and chemical products (including pharmaceuticals, cosmetics, fertilizers and agro-chemicals). The FTA assures competitiveness for U.S. service providers for the Panama Canal expansion as well as other service providers (telecommunications, financial services and other professional services). The elimination and phase out of tariffs on agricultural products, including beef, dairy and wheat will benefit Colorado farmers.

B. Other International Trade Agreements/Resolutions Being Considered: There are a number of other resolutions also being considered at the Federal level. A few are highlighted below:

1. Trans-Pacific Partnership: In 2012 the United States will seek to conclude a landmark Trans-Pacific Partnership agreement. The TPP is a regional trade agreement with like-minded partners including **Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, and Vietnam**. The U.S. will also decide with TPP partners on the entry of additional countries that have expressed interest in joining the negotiations, including Canada, Japan, and Mexico. In 2010, U.S. goods exports to the eight other TPP negotiating partners collectively totalled \$89 billion, which supported an estimated 500,000 jobs in America. In Colorado, exports to TPP partners totalled \$625 million.

Participants in the TPP negotiations are also addressing 21st-century trade issues, including many that have not been addressed in previous trade agreements: cross-cutting issues like increasing regulatory coherence, integrating small- and medium-sized exporters more fully into regional trade, and promoting development. TPP participants are also seeking to enhance supply chain connectivity, competitiveness, and business facilitation, and to promote the growth of the digital economy by ensuring the free flow of cross-border data and related services. TPP negotiating partners are also considering new ways to address enhanced food safety, environmental protection and conservation, and state-owned enterprises. These efforts, along with commitments to achieve high standards for market access across all major sectors, put TPP in the vanguard of the Administration's efforts to advance forward-thinking, comprehensive trade policy that supports additional U.S. exports and jobs.

2. European Union: The Obama Administration will engage with the EU through a High-Level Working Group on Jobs and Growth to deepen and enhance a strong transatlantic trade and investment relationship, which sustains several million jobs in the United States. This working group will consider options to reduce or eliminate conventional barriers to trade in goods, such as tariffs and tariff-rate quotas, as well as measures to reduce, eliminate, or prevent barriers to trade in services and investment. Also, the U.S. and EU will implement the second phase of a Memorandum of Understanding regarding U.S. beef exports to the EU, advancing a landmark 2009 agreement that has already more than doubled U.S. beef exports to EU member companies.
3. MENA: The United States will work with regional partners to develop a Trade and Investment Partnership Initiative in the Middle East and North Africa (MENA). This initiative can include a broad set of initiatives, including agreements, where appropriate, designed to increase job-supporting trade and investment between the United States and the region, as well as within the region. The goal is to focus on securing and implementing near term measures and to build on existing agreements to promote greater integration of MENA markets with U.S. and European markets. This initiative will build on specific steps taken in 2011 and early 2012, including an agreement to develop a bilateral Action Plan with Egypt and the reinvigoration of a Trade and Investment Framework Agreement (TIFA) program of cooperation with Tunisia.

III. Trade Negotiations/Developments and Impact on Colorado Law

OEDIT is not aware of any Colorado statutes that could be determined an impermissible barrier to trade under the above mentioned pending trade agreements. Additionally, OEDIT continues to review and analyze these free trade agreements to assess their impact on Colorado exports of goods and services.

IV. Colorado International Trade Office Export Promotion Programs

The International Trade Office saw the number of export client inquiries remain strong in 2011. ITO assisted 220 exporters in calendar year 2011, where 25% of the clients were categorized as New-to-Export companies. The ITO organized and led 10 export-related events, including a

trade mission to Bogota, Colombia. Colorado was the first U.S. state to lead a delegation of companies to Colombia after passage of the Free Trade Agreement in the fall of 2011. Other programs organized included two incoming buyer groups from Mexico, organization of Colorado exhibition and attendees to the environmental technologies CIEPEC tradeshow in China, and Colorado exhibition at Green Expo in Mexico City. The ITO educated approximately 48 companies on the basics of exporting and selling to international customers.

The ITO was awarded an U.S. Small Business Administration State Trade & Export Promotion (STEP) pilot program grant in October 2011. This grant funds export promotion activities for SMEs and will provide funding until September 2013. These SBA funds allow the ITO to create new stipend programs to award to small companies for international business development that will lead to increased number of small businesses exporting from Colorado and increase total export sales.

The ITO offers many programs and services to assist Colorado exporters. Please see attached OEDIT Services for Exporters factsheet.

Attachments: Colorado's 2011Export Factsheet
OEDIT's Services for Exporters

OEDIT Specific Programs and Services

Business Finance:

*Certified Capital Companies
Business Loan Funds
Venture Capital Authority
Infrastructure Assistance
Feasibility Studies
Economic Development Commission*

Business Retention, Expansion and Recruitment:

*Research, Facilitation
Incentives, Job Training
Site Selection
Community Assessments*

Council on the Arts

*Art and Organization
Development
Arts Education
Public Art*

International Trade:

*Export Assistance and Trade Events
Foreign Investment in Colorado*

Minority and Women-Owned

Business Support:

Certification and Procurement Opportunities

Small Business Development Centers:

*Counseling
Research
Training*

Tourism:

*Welcome Centers
Colorado.com
Visitor's Guide
Marketing, Advertising and Public Relations*

Exporting Supports Jobs and Sustains Colorado Businesses

- Approximately 44,242 jobs in Colorado are contributed to exporting.¹
- Export-supported jobs linked to manufacturing accounted for an estimated 3.6% of Colorado's total private-sector employment in 2011.²
- A total of 4,755 companies exported from Colorado locations in 2010 (latest year for which data is available). Of those, 4,200 (88 percent) were small and medium-sized enterprises with fewer than 500 employees.
- Small and medium-sized firms generated 29 percent of Colorado's total exports of merchandise in 2010.

Colorado Depends on Global Markets

- Colorado's product/commodity exports in 2010 totaled \$7.3 billion, up nine percent over 2010 levels.³
- Estimated \$5.76 billion service exports in 2010.⁴
- Colorado's product/commodity export strengths include medical equipment, computer technology, electronics, and beef.
- Colorado exported to 194 foreign destinations in 2010.

Rank	Description	ANNUAL 2011	%2010-2011	Rank	Country	ANNUAL 2011	%2010-2011
	Total	7,334,008,213.00	9.03				
1	Canada	1,538,793,212.00	-7.28	6	Germany	314,027,045.00	-2.1
2	Mexico	754,791,958.00	28.02	7	United Kingdom	247,884,461.00	16.65
3	China	634,994,119.00	13.67	8	Switzerland	241,459,480.00	30.06
4	Japan	392,800,874.00	23.48	9	Korea	226,095,158.00	12.58
5	Netherlands	317,228,466.00	-4.27	10	Philippines	222,333,486.00	5.43

Rank	Description	ANNUAL 2011	%2010-2011
	TOTAL ALL COMMODITIES	7,334,008,213.00	9.03
1	Electronic Integrated Circuits & Microassembl, Pts	489,686,910.00	11.65
2	Meat Of Bovine Animals, Fresh Or Chilled	414,987,734.00	23.43
3	Medical, Surgical, Dental Or Vet Inst, No Elec, Pt	377,350,900.00	15.64
4	Orthopedic Appl; Artif Body Pts; Hear Aid; Pts Etc	242,178,373.00	26.6
5	Meat Of Bovine Animals, Frozen	221,557,495.00	33.34
6	Automatic Data Process Machines; Magn Reader Etc	213,893,626.00	7.6
7	Civilian Aircraft, Engines, And Parts	202,867,485.00	-15.3
8	Inst Etc Measure Or Check Flow, Level Etc, Pts Etc	193,952,406.00	28.72
9	Raw Hides & Skins Of Bovine Or Equine Animals	191,375,904.00	18.02
10	Photo Film In Rolls Sensitized, Unexposed	179,864,116.00	-11.05

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¹ Using a Department of Commerce formula where approximately \$165,000 in export sales supports 1 job.

² International Trade Administration, [www.http://trade.gov/](http://trade.gov/)

³ WISER Trade Stats

⁴ Brookings Institute



Office of Economic Development and International Trade (OEDIT) Services for Exporters

Overview

If you're a Colorado manufacturer or professional service provider looking for new markets, you can start or expand your international trade efforts with the support of the Colorado Office of Economic Development and International Trade (OEDIT). OEDIT helps to create and retain jobs in Colorado by helping Colorado companies expand and diversify their markets and by building Colorado's identity as an international business center. The OEDIT's international staff helps companies obtain the information, skills, resources and contacts they need to successfully export goods and services worldwide. Services available for Colorado exporters through OEDIT include:

Funding Programs

Colorado Export Development Grant (CEDG)

The CEDG provides financial support to qualifying Colorado companies to assist them in developing new export markets. Grantees can receive up to \$4,500 to apply towards travel expenses, trade show exhibition and/or attendance, business matchmaking services or other direct expenses for developing a new target market. Funds are available one time per year according to the grant application cycle.

Colorado Export of Innovative and Sustainable Technologies (CO-EXist)

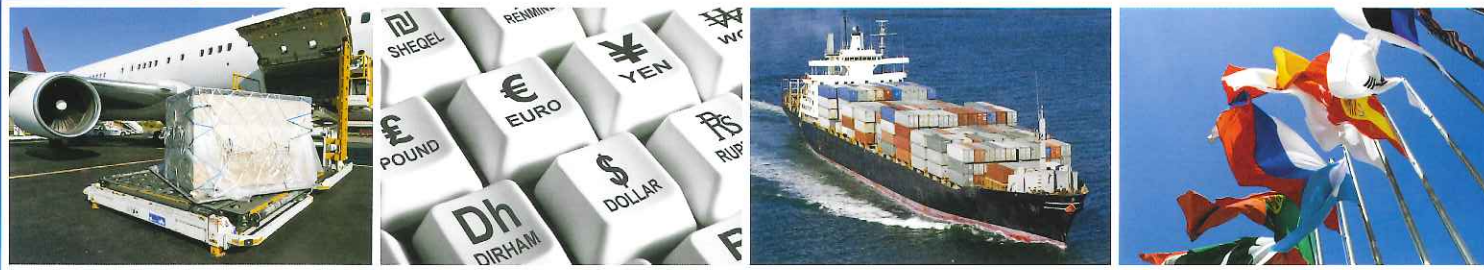
CO-EXist supports business exchanges between Colorado companies and business, government and industry leaders in China and Mexico in the targeted areas of sustainable and environmental technologies and services. Companies may apply throughout the duration of the program (2010–2012 and potentially 2013) to participate in trade shows, incoming buyer visits, outgoing trade missions or to receive funding for client development expenses (up to \$3,500) and technical assistance (up to \$5,000) for Mexico and/or China. Funds for client development expenses and technical assistance are disbursed on a reimbursement basis (with proof of receipt and assuming a \$1:\$1 company match).

Next Step Program

The Next Step Program helps qualifying Colorado companies overcome challenges to exporting their goods and/or services to prospective buyers abroad. Financial assistance up to \$3,500 is provided directly to companies on a reimbursement basis (with proof of receipt and assuming a \$1:\$1 company match) to engage in the following client development activities with OEDIT's support: B2B matchmaking services; interpretation and translation of business-specific conversations and/or documents; economy-class airfare on a U.S. carrier to and from the target country to develop commercial relationships (not to include incidentals) and lodging for up to three nights for the Colorado company in the target market or for the potential buyer in Colorado. Funds are available for disbursement on a rolling basis.

Due Diligence Program

Performing due diligence on potential international buyers, distributors and agents is important for exporters. Understanding the actual capabilities, legitimacy and financial strength of a potential overseas business partner will improve the competitiveness of the exporter and lower the risks involved in developing export markets. The Due Diligence Program will grant qualifying Colorado companies up to \$600 to help offset their costs of utilizing due diligence services offered by providers such as Coface, Deloitte, D&B, the U.S. & Foreign Commercial Service, etc. Funds are available for disbursement on a rolling basis.



Events

Trade Shows

The OEDIT participates in domestic and foreign trade shows for the dual purpose of export- and investment promotion. Exporting companies benefit from OEDIT's coordination of business-to-business matchmaking, exhibition logistics and lead generation.

Foreign Missions

The OEDIT organizes foreign missions to strategic markets to help exporters increase their international sales and to promote Colorado as a place to invest. Common features of trade missions include: customized appointments for Colorado companies with potential partners in industry and government, customized industry briefings and networking opportunities.

Incoming Buyer Delegations

The OEDIT arranges business-to-business appointments between visiting international buyers and Colorado companies in order to assist foreign buyers with sourcing goods and services from Colorado.

General Services and Programs

Export Counseling

OEDIT's international staff counsels Colorado companies in the areas of marketing, sales, market selection, partner selection and exporting fundamentals.

Foreign Representatives

The OEDIT has a Trade Representative in Mexico City run by a private consultant, an Honorary Trade and Investment Representative in Tokyo and an Honorary European Trade and Investment Office in Dublin. The foreign office representation provides on-the-ground presence to assist Colorado companies with market development and to promote Colorado to potential investors.

Trade-Related Education

The OEDIT organizes and co-organizes conferences and workshops on trade-related topics, which bring experts to speak on opportunities and challenges. Staff members also speak at workshops related to international trade. Additionally, the OEDIT maintains a formal internship program that allows students and other individuals seeking experience in international trade under the supervision of the OEDIT staff.

International Market Analysis Partnership (IMAP) Program

The OEDIT and accredited Colorado universities partner to offer international market analysis performed jointly by the international staff and graduate-level business students. Colorado companies wishing to explore new export markets can utilize the program to gain valuable market research specific to their needs.

Governor's Award for Excellence in Exporting

The Governor's Award for Excellence in Exporting recognizes Colorado companies that demonstrate significant achievements in international trade. This competitive award has been given every May since 1970 in conjunction with World Trade Month. Colorado companies that are committed to exporting are encouraged to apply.

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