THE VALUE OF FREE TRADE AGREEMENTS

HOW MANY FREE TRADE AGREEMENTS DOES YOUR COUNTRY HAVE? YOU MIGHT WANT TO FIND OUT AS THEY DO HAVE VALUE.

Free trade agreements, from the original NAFTA agreement which includes Canada-Mexico-United States, have produced more trade than would have happened without that agreement in place.

According to Professor Trace Miller of Pennsylvania's Grove City College, those countries with free trade agreements with the United States purchased nearly 13 times more goods per capita from the U.S. than countries without such agreements. New trade agreements will continue to produce more economic growth.

As an example, in the state of Pennsylvania, from 2004-2011, international trade-related employment grew seven times greater than general employment. Average wages in manufacturing plants that export are as much as 18 percent higher than in those that only sell within the domestic market. In addition, nine out of 10 Pennsylvania exporters are defined as small to medium size companies. In the past decade, exports from Pennsylvania have increased by 12 percent per year even with the Great Recession.

The original NAFTA agreement between Canada-Mexico-United States ignited an explosion in cross-border activity. These countries not only sell more to one another, they also make more things together. As a result, cross border investments have soared.

Expanded economic collaboration has also led to an increase in interregional travel for both pleasure and for business. Cooperation has also increased on energy, security and climate change. This has also brought about a number of student exchange programs.

A review of the major trading partners with the United States is as follows: These are given as a percentage of total exports and imports for the United States.

This economic integration of the NAFTA partners has made this region one of the most competitive in the world. In the process of not only increasing employment, it has created a very competitive supply chain to the world which can now compete with Asia and Europe.

This first experience in developing a free trade agreement has led the U.S. to completing a number of other trade agreements between the

U.S. and 18 other countries, in addition to Canada and Mexico.

The U.S. now has 20 Free Trade Agreements. This list, including Mexico and Canada, includes the following countries: Australia, Bahamas, Chile, Columbia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, S. Korea, Nicaragua, Morocco, Oman, Panama and Peru.

In addition, other free trade agreements such as The Transpacific Agreement and the Transatlantic Agreement, are now being negotiated, which will include many more countries in those two areas of the world. In the meantime, the United States is attempting to negotiate bi-lateral agreements with many of these individual countries.

Countries that have free trade agreements not only offer benefits in terms of lower tariffs on imports but also allow these countries to become partners in other activities. It boosts employment as well as incoming investments for each country. Today, Mexico is an international trading country with 40 free trade agreements in the world.

The question now is, what should any one company do about this? In the case of a U.S. or any foreign company, it is now time to do some serious research on those countries in which these agreements exist.

1. Evaluate each country in order to profile certain factors about that country. The first question is to determine what is it that you want to know about that country. Sources of information include:

- Export.gov – This is the U.S. Dept. of Commerce website which will give you a large amount of information focusing on that specific country, e.g., import statistics, type of products being imported, etc.
- Another source is to go into a targeted country's Economic Development Plan to see what type of issues, objectives and programs they will be creating in the future.
- Lists of importers and distributors are published under the individual country.
- Identify whether not that country has a foreign trade office in the United States. South American countries often have a trade office in Miami while numerous countries have trade offices in New York and Chicago.
- Use the internet to see what types of business associations, manufacturing associations, retailers, etc., are located in that foreign country.
- Plan a trip to that country to personally try to identify an opportunity. Find out about the various needs, problems, etc., within that country.
- Identify any associations in your local area that may have connections in the targeted countries and get to know some people in those associations. Eventually, join one of those associations in your home market. These individuals usually have connections back in their home country.
- Attend a trade show that is being held in that country which has some relationship to your product line. Do not necessarily go their to sell your product but, do see who your competitors are and what they are selling as well as to meet some prospective customers or distributors in that market. Use that trade show to do some market research. If going to a trade show, always go a few days earlier and stay a few days longer to get to better know that market.

2. Prioritize those markets in which you believe there is an opportunity.

Countries that have Free Trade Agreements usually offer a greater deal of potential than most other countries for many companies, but certainly not all. For companies looking at this opportunity for improving their sales through exports, it might be a bit easier to enter these markets. At the same time, your pricing may be a bit more affordable for individuals or companies in these markets.

It has also been suggested that you begin to undertake some analysis of those countries in which your home country has a free trade agreement. Do give someone in your firm this type of project. If you have absolutely no time or no one in your firm that can undertake this type of analysis, it is recommended that you check with your local university business school as they will probably have some type of intern program on their campus. This can be a great source of help to you as the charges for an intern should be quite reasonable.

Time spent on looking at those countries in which your home country has a free trade agreement might open some new export doors for your business. **mt**

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