On Second Thought
With Jerry Cook

Capturing trade facilitation's low-hanging fruit

In my first column of 2013, I wrote about the emergence of large, highly efficient integrated global supply networks that incorporate companies of all sizes and at all stages of production in the value chain. International components and inputs are key links in the supply chain for U.S. manufacturers, and effective trade facilitation will increase a U.S. operation's manufacturing activities, as well as its ability to export, import and invest. As I noted in that column, the success of U.S. companies in the global economy is undeniably linked to U.S. economic growth and job creation. Millions of viable and sustainable American jobs are created when companies engage in growing global markets via international trade and investment.

A recent report by Edward Gresser of Progressive Economy, *Trade Facilitation as a Growth Tool,* observes that almost five years after the financial crisis of 2008, 12 million Americans remain unemployed, growth remains sluggish, and recovery remains weaker than in the years after earlier recessions. Gresser says basic economics shows that one surefire way to address slow growth and high unemployment is to tap foreign demand by exporting more.

U.S. economic growth and job creation increasingly hinge on the success of American companies in the global economy. Recognizing this, President Obama, in his 2010 State of the Union address, called for a doubling of U.S. exports between 2009 and 2014. We have made progress toward this goal, but not enough. Gresser notes that growth in exports, despite a brief post-crisis rebound, has slowed since 2012. There are still many steps that can be taken to achieve greater trade facilitation — reducing the uncertainty, time, and lack of transparency that companies often face when shipping products to customers around the world. I would like to focus on two steps that the administration and Congress can take this year: pass the Customs Reauthorization Bill, and conclude the World Trade Organization Trade Facilitation Agreement.

The last overhaul to our core trading practices came with the Customs Reauthorization Bill in 2000. Since then, the Sept. 11, 2001 attacks have forced a refocusing on security, and we have made great strides in technology. While Customs and the Department of Homeland Security have done what they can without legislation, we are long overdue for a Customs bill that would authorize and fund many new programs to support our exports — such as the International Trade Data System, which would ensure that all exporters can file cargo manifests and other paperwork online, and create a "single window" for exports as well as imports. All these are elements of the current Customs bill.

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The bill would also increase the *de minimis* value — the value below which goods can be imported duty free — from $200 to $800, allowing smaller companies more freedom to engage in international markets. At present, many SMEs are deterred from selling to customers overseas because of the regulatory hurdles and costs associated with offering returns to international customers as a result of the low U.S. *de minimis* value. Another deterrent is the inconsistencies in application of Chapter 98 of the Harmonized Tariff Schedule, which allows duty-free treatment of returned goods — yet another regulatory burden that would be addressed by a Customs bill.

Congress has recognized the importance of these issues this year. The House has two solid draft bills with great trade facilitation provisions, identical but for crucial differences in Title III on enforcement of U.S. trade remedy laws. The Senate has a fully bipartisan bill with many of the same trade facilitation provisions, and the hope is that the Senate Finance Committee will move on the bill this fall.

The moment is ripe for the United States to lead the charge and set an example for the rest of the world on eliminating regulatory burdens on trade. Passing the Customs bill would be a strong demonstration of leadership as we head toward the WTO Bali Ministerial in December, where WTO members aim to conclude the long-awaited Trade Facilitation Agreement. This agreement will create binding commitments across more than 150 countries to expedite movement, release and clearance of goods, and improve cooperation among WTO members on Customs matters. Ultimately, the biggest winner is the U.S. economy and U.S. exports.

As I noted back in that first column, practical steps by governments such as a Customs Reauthorization Bill and a Trade Facilitation Agreement can have a real and immediate impact on trade growth. A joint World Bank/World Economic Forum study titled *Enabling Trade* issued earlier this year asserted that reducing supply chain barriers to trade, such as high *de minimis* values and duplicative requirements at the border (among many others), could increase global GDP by nearly 5 percent and trade by nearly 15 percent. The facts are undeniable. We must take the steps that we can now to address the critical need for greater economic growth and job creation.

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