

President: US Supports USA/EU Free Trade Agreement

Representative Devin Nunes (R-CA), taking over the management of the Trade Subcommittee from outgoing chairman Kevin Brady (R-TX), has stated that his focus for the next two years will be on creating a Free Trade Agreement (FTA) between the US and Europe and to expand the Trans-Pacific Partnership. The **National Customers Broker and Freight Forwarder Association of America** (NCBFAA) will work with the new chairman to move customs reauthorization legislation. This paves the way for one of the biggest trade deals in history.

In the President's State of the Union address last night Mr. Obama announced US support for talks saying that a free-trade deal would "boost American exports, support American jobs and level the playing field in the growing markets of Asia." Some EU estimates value the boost to annual GDP growth being 0.05%. The deal will focus on bringing down remaining tariffs and other barriers to trade, and will standardize technical regulations, standards and certifications.

If you're not familiar with the benefits of an FTA being in place then we'll outline them here:

- members of FTAs are not subjected to import tariffs levied on goods in other countries. This results in the import costs being reduced and should equal lower prices for customers.
- if just one country imposes a tariff on imports then the price of the imported goods will increase in that particular country and demand will likely decrease. But if an entire free trade area imposes the tariff then the increased drop in demand could force the manufacturer and exporting country to reduce costs for the product which would in turn allow a reduced cost to the end consumer.
- membership in an FTA increases the size of a particular market which may result in a reduced ability to monopolize certain industries. An increase in market size means there are more companies competing for business which means there will be an increase in the supply of available goods and services. An increase in supply while demand remains steady may result in lower prices for consumers as companies vie for their business.

Pacer's compliance team is available to discuss your offshore purchasing and distribution processes to identify where Free Trade Agreements could benefit you. Please contact Georgette Lazzara (georgette.lazzara@pacer.com) for more information.