



IMPACT ANALYSIS

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Dear Friends:

Trends in the U.S. workforce are causing concern. In fact, the availability of skilled labor, as well as less skilled labor, appears to be decreasing in various sectors. As a result, employers will need to be more creative in attracting and retaining workers, and willing to spend more money on training and education (p1-2).

The Chinese are adopting European standards for various types of products. Being aware of this is essential. Absorbing the costs is another matter (p3).

The U.S.-Colombia trade agreement is likely to be one of the most controversial Congressional votes this year. The result will impact more than the bottom line (p4-6).

I hope you find this issue informative and, as always, we welcome your comments.

Sincerely,

Cheryl M. Marty
Deputy Director
World Trade Center Saint Louis

The Skilled Labor Shortage Is Here

Employers need to invest more in upgrading employee skills and draw on previously untapped human resource potential

By John Manzella

As the pace of change accelerates in our age of information, few things remain the same. And like product cycles, skills cycles have been shortened. For example, "A skill cycle that once ran for three years now lasts just nine months," says Manpower Inc., a leader in the employment services industry. Plus, finding the right employees with the appropriate skills in the first place is proving more difficult than ever. What does this mean for your business?

U.S. Labor Trends

The U.S. Bureau of Labor Statistics (BLS) says that during the period of 2006 through 2016, "growth in the labor force is projected to slow significantly for two reasons: the baby-boom generation is aging and retiring, and the labor force participation rates of women have peaked." As a result, "The labor force is expected to

grow at an annual rate of 0.8 percent during 2006-2016, compared with a rate of 1.2 percent from 1996-2006." Although BLS does not project an outright labor shortage, several other organizations do, especially with regard to highly skilled workers.

As early as 2004, Deloitte Research said "Despite millions of unemployed workers, there is an acute shortage of talent: science educators to teach the next generation of chemists, health care professionals of all stripes, design engineers with deep technical and interpersonal skills, and seasoned marketers who understand the Chinese marketplace."

In 2005, the National Association of Manufacturers (NAM) said 81 percent of surveyed recipients face a moderate or severe shortage of qualified workers. And more than half of all manufacturers surveyed said 10 percent or more of their positions



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were unfilled due to lack of the right candidates. The shortfall was reported greatest in skilled trades.

A 2007 survey by Manpower Inc. found that 41 percent of U.S. companies said they had difficulty filling positions. This mirrored the global average, which involved nearly 37,000 employers in 27 countries and territories.

In December 2007, a report published by the Peterson Institute for International Economics, a Washington, D.C. think tank, said "America rose to economic prominence on the shoulders of the most highly skilled workforce in the world. However, during the last 30 years, skill levels in the U.S. workforce have stagnated. In the coming decade, America could face broad and substantial skill shortages."

Blue-collar jobs and middle-skilled jobs, such as carpentry, also are becoming harder to fill. Even bank positions remain vacant in some cities. In the coming years it is clear: the ability for employers to find qualified workers will worsen.

Not Well Prepared

Trends in secondary education suggest that schools may not be delivering globally competitive educations. According to the Alliance for Excellent Education, a national policy and advocacy organization in Washington, D.C., only 70 percent of U.S. high school students graduate, one of the lowest rates among industrialized nations; of these, however, only half are academically prepared for postsecondary education.

Furthermore, the interest of American students in science and technology has eroded over time. Thus, NAM noted "by 2001, less than one in 10 of all degrees awarded in the United States were in engineering, mathematics or the physical sciences. This constitutes more than a 50 percent decline from 1960." As we entered the 21st century, NAM said "China graduated



3.5 times the number of engineers as the U.S., and Korea — with an economy less than 10 percent the size of ours — was graduating roughly the same number of engineers."

Education Is Key

According to Federal Reserve Chairman Ben Bernanke, "Education fundamentally supports advances in productivity, upon which our ability to generate continuing improvement in our standard of living depends." Education also leads to greater happiness and personal fulfillment. Plus,

of future jobs, the agency says.

Upskill Your Workers

It's argued that more and more manufacturing jobs will move out of talent-poor developed countries and into lower-wage developing economies. On the other hand, Manpower Inc. says there is growing evidence that fast-rising wages in India, China and other developing countries are an indication of talent shortages there. Consequently, offshoring by U.S. firms could incur new problems.

Nevertheless, to remain competitive, U.S. employers will need to invest more in employee training programs, continually refresh and upgrade employee skills, and work

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the economic returns to employees are substantial.

Bernanke states "In 2006, the median weekly earnings of college graduates were 75 percent higher than earnings of high school graduates. In turn, workers with a high school degree earned 42 percent more than those without any diploma." He also indicated that the supply of educated workers has not kept pace with the demand.

The skills shortage is very troublesome, especially since the U.S. Department of Labor says 85 percent of future U.S. jobs will require advanced training, an associates degree, or a four year college degree. Minimum skills will be adequate for only 15 percent

with local universities and community colleges to ensure courses are offered that satisfy market demands. In addition, through automation, employers will need to reduce the number of jobs where talent is limited, draw on previously untapped human resource potential, and create more attractive working conditions to entice and retain workers. And this very much applies to older workers, the largest available untapped workforce segment. Americans are living longer healthier lives and able to contribute well after their first retirement. ■

John Manzella is president of Manzella Trade Communications (www.ManzellaTrade.com) and author of "Grasping Globalization."

Chinese Standards and Regulations Are Evolving

A strict European model is being adopted

By Tony DiBiase

China is aggressively implementing regulatory compliance legislation in an attempt to protect its environment, conserve natural resources, and safeguard the health and welfare of its citizens, its government says. To gain access to this market, U.S. manufacturers must satisfy these regulations. Doing so, however, may not be easy.

IT Standards and Regulations

The Chinese manufacturing sector is producing increasing quantities of high technology electronics. As a result, the government has accelerated efforts to establish a regulatory compliance system that controls electromagnetic compatibility and product safety attributes of electronic equipment. When satisfied, China's Compulsory Certification (CCC) mark of approval will be given. This process applies to designated imports, and products produced in China, but not to Chinese exports.

China was admitted to the World Trade Organization in December 2001.

The CCC mark system was put into effect in August 2003 and initially covered 19 categories of product groups and 132 product types. It now has been expanded to more than 22 product groups and 160 product types.

In the process, China has adopted the European Union (EU) International Electrotechnical Commission standards. Chinese standards now are prefixed with the GB (Guo-Biao) designation, and its CCC mark replaced China's "Great Wall" certification mark.

Testing Required in China

For U.S. manufacturers exporting to China, the CCC mark system creates new issues. For example, to obtain certification, information technology products must be tested in a Chinese certified laboratory. Additionally, in-factory quality control system evaluations and periodic quality assurance audits at annual intervals are required. Importantly, the regulatory compliance system contains stringent surveillance, inspection and quarantine measures to support its enforcement effort. Consequently, the costs associated with obtaining the CCC mark are not insignificant.

Hazardous Substances, Electronic Waste and Product Quality

China is implementing its own version of the EU's RoHS Program that restricts certain chemical use. A key similarity between the two pro-

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grams involves substances targeted. But the similarities nearly end there, and the EU does not require in-country testing.

Chinese specifications also call for mandatory pre-market testing certification of IT electronic products. If not satisfied, a Chinese operating license may be withdrawn or production and distribution facilities could be closed.

The Chinese RoHS compliance program states that producers must use due diligence, maintain an effective data management system



and testing program, and abide by compliance certification. Thus far, the Chinese government has issued various documents only in Mandarin.

China also announced new compliance regulations affecting electronic waste and product quality. This is included in China's Administration Measures on the Control of Pollution by Electronic Information Products.

Monitor Events

The increasing importance of international trade dictates that U.S. manufacturers

must stay abreast of product regulatory compliance requirements in China, as well as other markets. For more information, contact the U.S. Chamber of Commerce or various other commercial entities that provide accurate global product regulatory requirements. ■

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U.S. Free Trade With Colombia: Strengthening Democracy and Progress in Latin America

By Daniel Griswold and Juan Carlos Hidalgo

The most important and contentious trade vote in Congress this year will probably be the free trade agreement the United States has signed with its South American neighbor and ally, Colombia. In his January 28, 2008, State of the Union speech, President Bush called on Congress to approve the agreement this year.

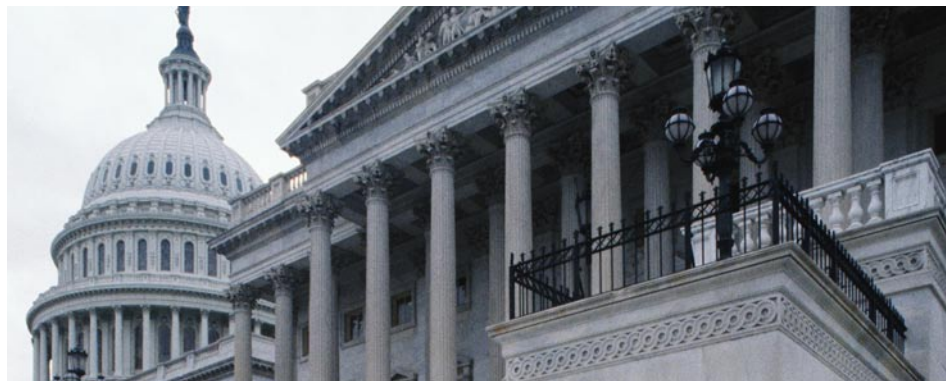
Calling Colombia “a friend of America that is confronting violence and terror, and fighting drug traffickers,” the president warned Congress that “if we fail to pass this agreement, we will embolden the purveyors of false populism in our hemisphere. So we must come together, pass this agreement, and show our neighbors in the region that democracy leads to a better life.”

Progress Still Required

Signed by the two governments in November 2006, the agreement would eliminate most tariffs and barriers to commerce between both countries.

The U.S.-Colombia free trade agreement (FTA) follows a series of similar agreements—negotiated by the Bush administration and approved by Congress—with five Central American countries, the Dominican Republic, Chile, and Peru.

The current Democratic Congress approved the Peru FTA late in 2007 after changes were made to its environmental and labor chapters, but Democratic leaders have repeatedly claimed that the FTA with Colombia will not face a vote until that country achieves as yet undefined progress in tackling violence against union lead-



ers. Rejecting a free trade agreement with Colombia because of lingering violence in that country would be a mistake by Congress.

More than its economic benefits, an FTA with Colombia would reward and institutionalize the dramatic progress made in the past five and a half years by the government of Colombian President Alvaro Uribe.

Violence is a real issue for union members in Colombia. Since 1991, more than 2,200 union members have

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been assassinated, mostly by right-wing paramilitaries. Colombia is the most dangerous country in which to be a union member, as a recent publication from the AFL-CIO points out. And the justice system has failed in most cases: out of so many murders, there have been only 37 convictions.

However, many fail to credit the Colombian government with the dramatic progress it has made against what only a few years ago seemed to be hopeless odds.

A History of Conflict

The real story in Colombia is not the current level of violence but its dramatic fall in a relatively short period, and the credit due the Colombian government for the progress. The number of assassinations of union members in Colombia has dropped sharply since 2001, a year before Colombian President Alvaro Uribe was sworn into office.

Trade unionist killings also must be seen in the context of a society that

for decades has been one of the most violence-plagued in the world. Since independence from Spain in 1819, the country has been engulfed in vio-

lulent civil conflicts that cost hundreds of thousands of lives.

In the 1960s two Marxist armed groups, the FARC and ELN, started a guerrilla war against the Colombian government. Later in the 1980s, powerful drug cartels battled the authorities and each other in the streets of important cities such as Medellin and Cali. Medellin was, until a few years ago, the deadliest city in the world.

In the early 1990s, right-wing paramilitary groups were formed by

landowners to battle the left-wing guerrillas. These groups soon became criminal forces of their own.

In the mid 1990s, once the drug cartels were dismantled, both guerrillas and paramilitary groups moved into the narcotics business. Colombia's rugged geography makes it an ideal place for growing illegal crops such as marijuana and coca. It is estimated that 90 percent of powdered cocaine consumed in the U.S. comes from Colombia. This represents a multimillion dollar business that illegal armed forces have exploited for over a decade.

A Remarkable President

President Alvaro Uribe is a rarity in Latin American politics. After five years in office, his approval ratings are still very high, currently above 80 percent.

Before Uribe's tenure, Colombia was considered on the verge of becoming a "failed state." The Marxist guerrillas who had waged a war against the Colombian government for almost 40 years controlled an area the size of Switzerland. Thousands of kidnappings and assassinations made Colombia one of the most violent countries in the world. As former U.S. Assistant Secretary of State for Western Hemisphere Affairs, Otto Reich, noted, "Barely five years ago, the big debate inside the U.S. government centered on how long the government of Colombia could survive."

Uribe's policies have changed Colombia. He adopted a tough policy against the Marxist guerrillas by strengthening the army's presence in rural zones and moving the FARC out of central Colombia. He also pushed for a controversial plan to persuade the paramilitary groups to disarm in exchange for reduced sentences and incentives to reincorporate former paramilitaries into the



workforce. This process has not been exempt from criticism. Many argue that demobilization of paramilitaries represented an amnesty to confessed criminals. Others point out that many demobilized paramilitaries have gone into regular criminal activities. However, the numbers clearly show that crime has plummeted under Uribe's watch.

Today, Medellin has a lower per capita homicide rate than Baltimore. Colombia is still a very violent country, but critics fail to see the greater picture when looking at crime data without taking into account the trends of the last five years.

Not only have crime figures improved during Uribe's presidency,

delivered better living conditions for millions of Colombians.

A Friend in a Region of Foes

The importance of Colombia has grown in recent years given the ideological battle taking place in the Andean region. With the ascendancy to power of populist left-leaning presidents in South America, President Uribe stands as the closest U.S. ally in Latin America. Even more, Colombia is now surrounded by two anti-American presidents who have friendly ties or are sympathetic to the Marxist guerrillas: Venezuela's Hugo Chavez and Ecuador's Rafael Correa. The situation is particularly troubling in

the case of Chavez. The Venezuelan president has repeatedly tried to export his "Bolivarian" (socialist) revolution to other Latin American countries, taking advantage of a windfall in oil

revenue of approximately \$300 billion since he came to power.

President Chavez has openly supported the political campaigns of left-leaning candidates in the region such as Evo Morales (Bolivia), Shafik Handal (El Salvador), Daniel Ortega (Nicaragua), Ollanta Humala (Peru), and Rafael Correa (Ecuador). Moreover, in the last four years Chavez has spent \$4 billion in armaments.

Enter the U.S.-Colombia FTA

The proposed trade agreement with Colombia grew out of America's

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economic and social indicators also show remarkable progress. The economy, which grew at an average of 5 percent in the last four years, is estimated to have grown by almost 7 percent in 2007.

Direct foreign investment ballooned from \$2.1 billion in 2002 to \$6.3 billion in 2006 (a 200 percent increase). Poverty fell by 11.9 percentage points to 45 percent during the same period, and the unemployment rate decreased from 15 percent to 11 percent. A combination of pro-growth policies and improved security has

policy engagement with Colombia since the early 1990s. In 1991, a Democratic Congress enacted the Andean Trade Preferences Act. The bipartisan law, which is up for renewal again in 2008, allows 90 percent of Colombia's exports to enter the U.S. duty free.

Since the late 1990s, in an effort instigated by then-President Bill Clinton, Congress has appropriated more than \$5 billion in aid for "Plan Colombia," a Colombian government program to battle violent insurgents and eradicate the production of illicit drugs.

The free trade agreement with Colombia was designed to both strengthen civil society in Colombia and also to open economic opportunities for U.S. producers to sell to the country's 44 million upwardly mobile, American-friendly consumers.

Like similar agreements the United States already has negotiated in the region, the agreement would

knock down barriers to U.S. exports. More than 80 percent of U.S. exports of consumer and industrial products to Colombia

would become duty free on enactment, and remaining tariffs would be phased out over the next 10 years.

For American farmers, the agreement would deliver immediate duty-free access for high-quality beef, cotton, wheat, soybean meal, and major fruits and vegetables (including apples, pears, peaches, and cherries) and many processed foods, including French fries and cookies. It would improve access for exported pork, beef, corn, poultry, rice, and dairy products.

The agreement also would strengthen investment protections for U.S. companies trying to reach Colombian consumers with a direct presence. It would guarantee the nondiscriminatory rights for U.S. com-

panies to bid on contracts for a broad range of Colombian government ministries, agencies, and regional governments and better access for U.S. telecommunication service providers. It goes further than previous bilateral agreements to meet the ever-shifting demands of trade agreement critics for enforcement of certain labor and environmental standards within Colombia.

Two-way trade between Colombia and the United States amounted to \$15.9 billion in 2006 and was on course to top \$17 billion in 2007. That is similar to the value of America's two-way trade with Chile, another FTA country, and nearly double our trade with Peru, which became an FTA partner in 2007.

Because U.S. tariffs are already low to non-existent on the large majority of imports from Colombia, the agreement should not arouse the op-

With Colombian exporters already enjoying virtually duty-free access to the American market, a trade agreement would deliver the "level playing field" that skeptics of trade always demand.

position of domestic special interests. More than half of our \$9.3 billion in imports from Colombia in 2006 were petroleum and coal. Another sixth of our imports from Colombia are agricultural products, with coffee beans and cut flowers dominating the trade. Apparel and shoes made up about 6 percent of our imports, amounting to less than half a billion dollars.

America's most competitive exports to Colombia in 2006, comprising more than 40 percent of U.S. goods sold there, were manufactured products such as drilling and oil-field equipment, excavating machinery, computers and computer accessories, telecommunications equipment, and medical equipment.



Other major categories of U.S. exports were chemicals and agricultural products, with corn being by far the top U.S. farm export.

The agreement would eventually eliminate Colombia's 11.3 percent average tariff against U.S. farm goods compared to the average U.S. tariff of 0.1 percent under existing preference programs. A December 2006 study by the U.S. International Trade Commission estimated that the agreement would boost U.S. exports by \$1.1 billion. With Colombian exporters

already enjoying virtually duty-free access to the American market, a trade agreement would deliver the "level playing field" that skeptics of trade always demand.

Approving a free trade agreement with Colombia is about supporting a market democracy in a region where liberal values are under attack. It is about being a reliable partner in turbulent times. It is also about building long-lasting institutions for economic prosperity and democracy for millions of Colombians. ■

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