The Bottom Line

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TAKING ADVANTAGE OF FREE TRADE AGREEMENTS

Summary

Being aware of existing free trade agreements can assist an importer or exporter enter and compete more easily in the global marketplace through reduced trade barriers.

Background

A Free Trade Agreement (FTA) is an agreement between two or more countries where the countries agree on certain obligations that affect trade in goods and services, and protections for investors and intellectual property rights, among other topics. For the United States, the main goal of trade agreements is to reduce barriers to U.S. exports, protect U.S. interests competing abroad, and enhance the rule of law in the FTA partner country or countries. The United States-Israel Free Trade Agreement (FTA) entered into force in 1985 and represents the United States' first FTA. It continues to serve as the foundation for expanding trade and investment between the United States and Israel by reducing barriers and promoting regulatory transparency.

Current Status

The United States has 14 FTAs in force with 20 countries:
Australia; Bahrain; Chile; Colombia; DR-CAFTA (Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, & Nicaragua); Israel; Jordan; Korea; Morocco; USMCA (Canada & Mexico); Oman; Panama; Peru; and Singapore.

These trade deals are about a lot more than just trade. They are one of the major ways the world hashes out the rules of the global economy. While reduced duty rates are an obvious focus, other topics covered include market access, intellectual property rights, fair labor and wage laws, environmental protections, and currency policy.

Rules of origin (ROOs) are used to determine if products are eligible for duty-free or reduced duties under the FTA rules even if they contain non-originating (non-FTA) components. The rules determining country of origin can be very simple if a product is wholly grown or manufactured and assembled primarily in one country. However, when a finished product includes components that originate in many countries, determining origin can be more complex. Rules of origin can be very detailed and specific and vary from agreement to agreement and from product to product.

At the end of his administration, President Obama was negotiating two multinational agreements – The Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership:

- The Trans-Pacific Partnership is a trade agreement among countries bordering the Pacific Ocean, including the United States, Japan, Vietnam, Australia, and Chile. Negotiations on the treaty were completed in October 2015, and the treaty was released to the public in early November.
- The Transatlantic Trade and Investment Partnership (T-TIP) was an ambitious, comprehensive, and high-standard trade and investment agreement being negotiated between the United States and the European Union (EU).

Upon taking office, President Trump withdrew the United States from both opportunities.

Impact

If you are looking to export or import a product or service, the United States may have negotiated favorable treatment through an FTA to make it easier and cheaper for you. Accessing FTA benefits for your product may require more record-keeping but can also give your product a competitive price advantage in the marketplace.
This FTA Tariff Tool allows users to find tariff information on all products covered under the U.S. Free Trade Agreements (FTAs).

RESOURCES:
Free Trade Agreement Overview (International Trade Administration)
Identify and Apply Rules of Origin (International Trade Administration)
U.S. Free Trade Agreements (export.gov)