

## **Four Important Things to Remember about Free Trade Agreements**

More than 70% of the world's purchasing power now lies outside United States' borders, and that number is expected to grow. The global marketplace is seeing new players alongside the dominant United States and European Union. These emerging markets hold immense opportunities for U.S. businesses that are ready to take the leap, and if a free trade agreement (FTA) is in place, the first step will be easier to take. FTAs constitute pacts designed to tear down obstacles to doing business between two or more countries. Such obstacles include tariffs, import quotas and preferences on goods and services. Here are a few more things to know about FTAs.

**Fewer Duties = More Business:** In what is more a "global economy" than ever, fewer duties on products allow businesses, especially small ones new to exporting, the critical flexibility and ability to chase markets. Businesses and credit professionals should largely (and this is sometimes dependant on industry) support the idea of FTAs and voice support to federal lawmakers and trade officials who have the power to make them happen. The Obama Administration was slow to take on FTAs during its first term, but eventually signed deals with South Korea, Panama and Columbia after lengthy delays.

**Not a Silver Bullet:** FTAs do many things for businesses in the United States. However, it should be noted that FTAs are merely a start and one piece of the puzzle. Sales don't just happen because there is an FTA. Experts have noted FTA's make the "playground bigger, but not necessarily safer." The need in the approach to a new client and review of existing ones by checking financials, payment histories, maintaining relationships, etc., still very much exists. FTAs open the door, but are clearly no panacea.

**Some Better Than Others:** Not all FTAs are created equal. It is important to do one's homework to consider what is in the pact regarding the intended area of business, as there are no uniform rules. Some existing pacts are very good for both parties involved and the nations' respective businesses. But others can be poorly cobbled together, contain many hidden protectionist measures and/or be crafted more for the sake of appearances than any real functionality.

**Enforcement Not Always a Guarantee:** As with the content of an FTA, enforcement of trade pacts isn't consistent either. There are stark examples of poorly enforced agreements in places such as South American, namely Argentina. This has also been the case at times in Eastern European areas like Hungary and throughout Africa, both of which can be semi-lawless where business is concerned. Being familiar with the culture, as well as political and business climates, can go a long way in safeguarding your business.