



U.S. DEPARTMENT of STATE

## Seize the Opportunity of a U.S.-Republic of Korea Free Trade Agreement

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Seoul, Republic of Korea  
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A new, exciting chapter is opening for the U.S.-Korea relationship, as we prepare to begin negotiations soon with the aim of concluding a Free Trade Agreement (FTA) by April 2007. This FTA will be one of the largest and most significant in the world.

Given the size and complexity of our bilateral economic relationship, this negotiation will be a monumental undertaking. We also face time constraints in light of the July 2007 expiration of the U.S. law that creates the special procedures for implementing free trade agreements.

Nevertheless, this is a challenge our two countries must take on, for the overwhelming benefits of a U.S.-Korea FTA justify the effort. The latest Korean Government research predicts that a U.S.-Korea FTA would increase Korea's real GDP by as much as 2%, boost exports to the United States by 15%, and raise manufacturing employment by 6.5%.

An FTA between our two countries also stands to have a profoundly positive impact on foreign investment in Korea, which can provide Korea with more advanced jobs, technology transfer, and introduction of new, internationally-proven management practices that eventually benefit all firms in the market. All previous American FTA partners have witnessed a significant increase in U.S. direct investment. For example, U.S. investment in Mexico jumped from \$4.4 billion pre-NAFTA to \$13.2 billion after NAFTA. Our Asia-Pacific FTA partners Singapore and Australia also experienced increased exports to the United States and increased inward foreign investment.

Finally, the benefits to the Korean consumer must not be overlooked, for they will be the true winners of this deal. As a result of the FTA, the prices Korean consumers pay for their daily purchases will fall. As one example, Koreans -- whose food bill as a percentage of income is higher than for citizens of almost all other OECD members -- will enjoy lower food prices and a greater selection of fruits and vegetables. Money saved on food can be invested in education, leisure, and cutting-edge IT services -- exactly the type of sectors that need to grow to provide future generations with well-paying jobs. The FTA, in other words, will improve the lives of the vast majority of Koreans and assist in Korea's ongoing economic modernization.

I hope the decision to move forward with U.S.-Korea FTA negotiations also finally puts to rest the allegations that U.S.-Korea relations are troubled, or that our alliance is drifting apart. Let me be clear, if that were the case, we would not be taking this step. The United States is enthusiastic about this move to upgrade our relationship precisely because the United States recognizes that Korea is an indispensable ally, a major trading partner with an advanced economy, and a good friend. It is a vote of confidence in the enduring strength of our ties, and a further step in the ongoing modernization of our relationship towards a true partnership of equals. I am very pleased that I will be here to do my part to ensure the negotiations are successful and that we are able to seize this tremendous opportunity.

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