

THE U.S.-SOUTH KOREA FREE TRADE AGREEMENT: MORE AMERICAN JOBS, FASTER ECONOMIC RECOVERY THROUGH EXPORTS

In December 2010, President Obama announced the successful resolution of the outstanding issues with the U.S. – Korea trade agreement, setting the stage for the ratification of an agreement estimated to support 70,000 American jobs from increased goods exports alone, with additional jobs potential from the further opening of Korea's large services market to American firms, and other measures. The U.S.-South Korea agreement is an integral part of the President's efforts to increase opportunities for U.S. businesses, farmers and workers through improved access for their products and services in foreign markets, and supports the President's National Export Initiative goal of doubling of U.S. exports in 5 years. The agreement will promote the further integration of the U.S. and Korean economies and enhance the competitiveness of U.S. businesses in the world's 12th largest economy. The agreement is an important demonstration of the Administration's advancement of free and fair trade, and will complement the Obama Administration's efforts to expand business opportunities for the United States in Asia, including through such initiatives as the Trans Pacific Partnership.

Real Opportunities

The U.S. International Trade Commission has estimated that the tariff cuts alone in the U.S.-Korea trade agreement will increase exports of American goods by \$10 billion to \$11 billion. The Obama Administration is moving this agreement forward to seize the 70,000 American jobs expected to be supported by those increased goods exports alone – as well as the additional American jobs that will come from breaking down non-tariff barriers keeping U.S. exports out of Korea, and by requiring stronger protection and enforcement of intellectual property rights in Korea. Just as importantly, the U.S.-Korea trade agreement will also open Korea's \$580 billion services market to highly competitive American companies – supporting jobs for American workers in sectors ranging from delivery and telecommunications services to education and health care services.

Agreement Eliminates and Reduces Tariffs on U.S. Exports

The Agreement would eliminate tariffs on over 95 percent of industrial and consumer goods within five years.

Autos: The United States and Korea have reached an agreement that makes more job-creating export opportunities in a more open and fair Korean market for America's auto companies and auto workers. The agreement improves market access for U.S. auto companies by addressing ways Korea's system of automotive safety standards have served as a barrier to U.S. exports. Similarly, the agreement addresses new Korean environmental standards so they do not serve as a barrier to U.S. exports – striking a balance that respects our shared desire to reduce the environmental impact of automobiles, while taking into account the difficulties such regulations could place on American auto companies importing smaller volumes into Korea. Progress was made in several additional areas of automotive policy including on regulatory transparency and an acceleration of tariff reductions on electric cars that will encourage the development of green auto technologies. A special motor vehicle safeguard levels the playing field for American auto workers, ensuring that the American industry does not suffer from harmful surges in Korean auto

imports due to this agreement. Further adjustments to general auto and truck tariffs will give U.S. auto companies and American workers the opportunity to increase sales in Korea before U.S. tariffs on Korean autos come down.

Manufacturing: The U.S.-Korea trade agreement creates new opportunities for U.S. manufacturers seeking to export to Korea in two ways: first, it eliminates tariffs, or duties, charged when U.S. exports come into Korea; and it addresses non-tariff barriers to U.S. exports – whether by eliminating barriers that are in place today, or by establishing a framework to prevent non-tariff barriers from arising in the future. Under the agreement, U.S. exports of aerospace, automotive, consumer goods, electrical/electronic goods, metals, scientific equipment, and shipping and transportation equipment will gain duty-free access to the Korean market. Beyond tariffs, the agreement establishes strong new rules on how Korea will develop regulations applied to U.S. exports, and contains state-of-the-art protections on intellectual property rights (IPR). Strong protection for intellectual property is critically important for U.S. industry’s knowledge-based manufactured goods.

Services: Korea has agreed to match the high level of openness provided by the United States in a host of services sectors, ranging from energy and environmental services to financial services and distribution. The agreement’s provisions on cross-border services, telecommunications, and electronic commerce offer particular advantages to the information and communications technology service sector – an area where the United States excels – benefitting small- and medium-sized American enterprises without the resources to establish an office in every market they serve. The agreement also discourages Korea from setting technology standards or other requirements in a way that would give domestic producers an advantage over American service suppliers. And the agreement addresses all service sectors in the Korean market, and all modes of supply, and will apply to new and innovative services that may develop as markets evolve.

Agricultural Products: The United States is already Korea’s top supplier of agriculture products, including of a broad variety of farm products such as almonds, fresh cherries, hides and skins and corn. The U.S.-Korea trade agreement creates new opportunities for U.S. farmers, ranchers and food processors seeking to export to Korea’s 49 million consumers, giving American agricultural producers more market access in two ways – by getting rid of tariffs charged when U.S. exports come into Korea, and by laying out a framework to tackle other barriers to U.S. exports –even those that might arise in the future. American beef volumes have increased by more than 120 percent in just a few years under the existing protocol – helping producers to regain much of the market share they lost earlier. Tariff eliminations on Korea’s existing 40 percent tariff will further boost beef exports, saving an estimated \$1,300 per ton of beef imported to Korea – savings that would total \$90 million annually for U.S. beef producers at current sales levels.

Investment: The U.S.-Korea trade agreement increases investment opportunities for U.S. companies in Korea by providing them access to the market, strong investor protections, and a way for investors to enforce their rights. The agreement does not provide Korean investors in the United States any more investment protections than U.S. law gives American investors here, and it ensures that the U.S. government and our state and local governments can continue to regulate in the public interest, including protecting public health, public safety, and the environment.

Financial Services: The financial services chapter in the U.S.-Korea agreement provides significantly improved market access into Korea for American financial services firms – supplementing and modifying the agreement’s rules on investment and services to allow American companies to provide financial services in the Korean market. At the same time, the agreement preserves the right of U.S. financial regulators to take action to ensure the integrity and stability of financial markets or address a financial crisis. Under the agreement, Korea also commits to treat U.S. financial institutions comparably to their competitors in the Korean market.

Government Procurement: The U.S.-Korea agreement expands U.S. firms’ access to the \$100 billion Korean government procurement market, creating new opportunities for exporters, and ensuring that U.S. firms will get to bid on contracts on a level playing field with Korean firms. At the same time, the agreement’s government procurement rules ensure that certain American business sectors – such as small businesses or textile companies bidding on Department of Defense procurement – continue to receive the same protections they have in other agreements, and also ensure that American environmental and labor safeguards will be maintained.

Labor Rights: The agreement sets high standards for protection of workers’ rights in trade agreements – including obligations for Korea to respect fundamental labor rights, not to weaken the laws that reflect those rights in any way, and to effectively enforce labor laws designed to ensure a level playing field for American workers to compete. The agreement contains groundbreaking labor elements that were first outlined on May 10, 2007, in a bipartisan, Congressionally-led initiative to incorporate high labor standards into America’s trade agreements. The Korean government, which has already demonstrated a significant commitment to labor rights, will be held to the same level of accountability for meeting labor commitments as it is for meeting other commitments in the agreement.

Environmental Commitments: The Environment Chapter of the U.S.-Korea agreement contains groundbreaking environmental elements that were first outlined in the bipartisan, Congressionally-led May 10 initiative to incorporate high environmental standards into America’s trade agreements. Under the agreement, the Korean government – which has already demonstrated a significant commitment to environmental protections – will be held to the same level of accountability for meeting environmental commitments as it is for meeting other commitments in the agreement.