



The Case for the U.S.-Korea Free Trade Agreement *Strengthening Partnerships for Prosperity*

“Our trade agreement [with Korea] is an opportunity to help a key democratic ally in a rapidly changing Asia to lock in economic reform and the rule of law. It is an opportunity to anchor our trans-Pacific vision of peace and prosperity for the 21st century.”

-- Secretary of State Condoleezza Rice, May 9, 2007

The United States and Korea annually exchange nearly \$83 billion worth of goods and more than \$15 billion in services – that is more than 70 percent of the total bilateral trade that the United States enjoys with all 10 trading partners with whom we have implemented FTAs since 2000.

Source: U.S. Department of Commerce figures

1. Open a major export market. America’s two-way goods trade with the Republic of Korea was valued at nearly \$83 billion in 2007, making Korea our 7th largest trading partner. Korea is the world’s 13th largest economy and the largest with which the United States has negotiated a free trade agreement in 15 years. According to the U.S. International Trade Commission, U.S. GDP will increase by \$10 - \$11 billion as a result of full implementation of the KORUS FTA. The Agreement will provide benefits for U.S. manufacturers by eliminating Korea’s duties on 95 percent of consumer and industrial products within three years of entry into force, and farmers and ranchers by eliminating Korea’s duties on more than half of current agriculture exports immediately upon entry into force of the FTA. U.S. services exporters will benefit from increased market access in key sectors, as well as from provisions designed to level the playing field for U.S. services suppliers.

2. Level the playing field for American businesses, farmers and workers. The KORUS FTA will provide unprecedented opportunities for U.S. businesses, workers, farmers, and ranchers not only through the elimination of Korea’s average tariff of 6.6 percent on industrial goods and 47.8 percent on agricultural products, but also by addressing a wide range of non-tariff barriers to U.S. goods and services. For example, the KORUS FTA contains state-of-the-art intellectual property rights protections and unprecedented transparency and regulatory due process provisions. It also includes strong labor and environment protections based on the May 10 Agreement with Congress. Finally, the Agreement contains an unprecedented package of provisions related to autos, including a unique dispute settlement mechanism; these provisions will level the playing field for U.S. automakers in this important market.

3. Strengthen economic reform. Korea is one of the world's great success stories in achieving broad prosperity through trade, economic reform, and hard work. Korea went from being one of the world's poorest at the end of the Korean War to a vibrant democracy and OECD member with a per-capita annual income over \$20,000 today. The FTA will further accelerate and anchor Korea's economic reforms through strong provisions that will protect investment and intellectual property, and open Korea's services sector to increased competition.

4. Promote America's competitive position and economic leadership in East Asia. Korea is pursuing free trade agreements with numerous other countries. For example, Korea is in active negotiations with Canada and the European Union, and is studying the feasibility of negotiating an FTA with China. If the KORUS FTA is not approved and implemented in a timely manner, American firms could be put at a competitive disadvantage as businesses, farmers, and workers in other major trading nations would receive preferential access to Asia's 3rd largest market, while those in the United States would not. The KORUS FTA is particularly important to support U.S. economic growth in the region in the face of rising competition from China.

5. Anchor longstanding ties with a vital regional ally. Korea is a vital force for stability at a time of great challenge and change on the Korean peninsula and the broader Northeast Asia region. The FTA will strengthen America's critical strategic partnership with Korea. By boosting economic ties and broadening and modernizing our longstanding alliance, it promises to become the pillar of our alliance for the next 50 years, just as the Mutual Defense Treaty has been for the last 50 years.

For more information, visit the State Department's FTA webpage
at <http://www.state.gov/e/eeb/tpp/c22883.htm>

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