

“Perspectives on the U.S.-Korea Free Trade Agreement”

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to the

Global Business Dialogue/Korea Economic Institute

July 26, 2007

Thank you Judge [Morris]. And let me thank the Global Business Dialogue and Korea Economic Institute for inviting me to join you all at today’s program on what I believe is one of the most important trade initiatives before the country today – the U.S.-Korea Free Trade Agreement (KORUS FTA).

I plan to keep my remarks brief this morning. You’ve got a great panel of speakers this morning, and I’ve spoken a fair amount recently about KORUS. I really want to make just one point, and that is: I believe that the debate over the KORUS FTA is changing.

For several months, discussion of the KORUS FTA ... at least in the media ... has been defined by two issues – beef and autos. That is no longer the case. Increasingly, the discussion about KORUS is coming to reflect breadth and depth of the agreement itself. Indeed, just looking at the panel of speakers today – representing the express delivery, banking, pork producer, and recording industries – is evidence of the scope of interest in this agreement.

And the broadening of the debate is great news. The fact of the matter is that the KORUS FTA has strong support among a wide array of business sectors who increasingly recognize the importance of the agreement. The Business Coalition supporting KORUS FTA today consists of over 150 American companies and trade associations. They include an incredibly diverse array of industries ranging from corn growers to the electronics industry ... from telecommunications to insurance ... from the dairy industry to publishers – and I could go on and on. There is strong support from agriculture, from the service industries and from manufacturers too. The agreement is supported by almost all of America’s leading business associations. And this support is just at its beginning. I am confident that, as more and more companies – including small and medium size businesses – and their workers become aware of the economic benefits to be derived from greater access to the Korean market, support is going to grow and grow.

Debate in the editorial pages is also starting to coalesce solidly in support of the agreement. Over the past four months, editorial boards at the Washington Post, the Wall Street Journal, the New York Times, the Los Angeles Times and the Washington Times have all written editorials urging Congressional approval of the KORUS Free Trade Agreement. There are not, I would guess, too many other issues on which these five publications all agree. Nor is

support limited to these five. If you run a Lexis search, you will see an increasing number of editorials and op-eds, in papers across the country, arguing for the KORUS FTA -- from the Kansas City Star, to the Seattle Times, to -- yes -- the Detroit Free Press.

I think the debate on KORUS is changing for several reasons. First, is that the facts about the terms of the agreement are getting out. Facts like:

- This is our country's most commercially significant bilateral trade deal in the past 15 years.
- Nearly 95% of bilateral trade in consumer and industrial products -- currently facing an average Korean tariff of over seven percent -- becomes duty-free within three years of entry into force.
- More than half (\$1.6 billion) of current U.S. farm exports go duty-free immediately, with other agricultural exports getting increased market access through tariff phase outs or expanded tariff rate quotas.
- The agreement includes unprecedented commitments by Korea on market access for services, including in the areas of financial services, telecommunications, and express delivery, among others.
- This gold standard FTA boasts state-of-the-art rights and protections for investors, new strong competition law provisions, substantial new protections for intellectual property rights, and, indeed, stronger labor and environmental safeguards than we have included in our previous FTAs.
- Despite what some critics contend, the Agreement contains unprecedented provisions that level the playing field for U.S. automakers in a market in which their ability to compete fairly has long been thwarted.
- We are looking forward the International Trade Commission's report on the economic impact of the agreement, due to be completed in late September. But studies that have been conducted so far have estimated that, all told, KORUS will add between \$17-\$43 billion of income to the U.S. economy -- or \$230 to \$580 per American family of four.

Second, KORUS's importance -- beyond simply its bilateral economic benefits -- is beginning to be appreciated. In foreign policy circles, KORUS's significance to U.S.-Korea relations and to the U.S.'s strategic interests in North Asia are starting to grow. To quote my colleague, Assistant Secretary of State and former Ambassador to Korea Chris Hill: "the impact of this FTA will go far beyond bilateral commercial benefits. The KORUS FTA is a powerful symbol of the U.S.-South Korea partnership, augmenting our longstanding bilateral security alliance and the robust ties between the South Korean and American people. It will create a new dynamic, reflecting both the growing sophistication of our relationship, and the Republic of Korea's (ROK) increasingly positive global role. It will strengthen our relations with one of our most important and reliable allies, serving as a pillar for the alliance in the 21st century as the mutual defense treaty did during the last half century. And it will

decisively anchor the U.S. presence in the most dynamic and rapidly-growing economic region on the globe.”

Chris’ view is not an isolated one. Foreign policy thinkers in the United States and abroad are, I think, increasingly unified in their view that approval of the FTA would strengthen the critically important U.S.-Korea alliance at a critically important time.

Third, I think the broader economic significance of KORUS to U.S. trade position in the region is increasingly recognized. KORUS is a genuinely historic undertaking -- a cementing of ties between two of the world’s most significant industrial economies and a bellwether of the United States’ economic role in East Asia.

In remarks that I gave earlier this week about KORUS, I noted that the United States’ relative position in the region is being challenged. Of 34 Asian countries surveyed for which we have data, U.S. market share has decreased in 27 since 1990. If this troubling development is to be addressed, the United States has got to be actively engaged in the region, breaking down barriers to U.S. exports. We’ve got to be competing actively with our other major trading partners, all of whom are working day-in, day-out to enhance their own competitive position in the region. We’ve got to show our Asian trading partners that we’re committed to the region, and that we’re prepared to support those that are willing to make tough reforms.

If unable to effectuate a strong and comprehensive FTA that so clearly benefits the United States, U.S. credibility in Asia will be seriously compromised, as trading partners will be left to question our commitment to vital relationships in the region. Fearing U.S. disengagement from the region, Korea and other emerging-market economies of the region will approach more willing trading partners and establish preferential agreements with them. Rather than being at the forefront of trade in the region, shaping developments, the United States will run the risk of lagging further and further behind.

On the other hand, approval of the KORUS FTA promises substantial benefits for years to come, as other Asian countries will look to follow Korea’s lead, in building a stronger relationship with the United States and reforming its own economy. U.S. credibility in the region will grow, and with it, our economic position.

Ultimately, it is for these reasons that I am confident that Congress will see the critical importance of KORUS, and it will be ratified. I believe that the KORUS FTA is simply too important to be allowed to fail.

Which is not to say – emphatically not to say – that we can afford to rest on our laurels. We have a long, hard process of education ahead of us. Congress must understand what this agreement is all about and why it is so clearly in our national interest to approve it.

What proponents of the KORUS FTA must do in the months to come is answer our critics with facts and make sure that small but vocal minority do not derail an agreement on which so many benefits rest.

If a handful of vocal critics, together with a broader protectionist network, can sink the KORUS FTA, millions of American workers with export-dependent jobs will lose. We cannot – and we will not – let American workers and companies continue to compete on an un-level playing field.

Thank you.