S. HRG. 112–727

U.S.-KOREA FREE TRADE AGREEMENT

HEARING

BEFORE THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MAY 26, 2011

Printed for the use of the Committee on Finance

U.S. GOVERNMENT PRINTING OFFICE

79–457—PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
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THURSDAY, MAY 26, 2011

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:13 a.m., in room SD–215, Dirksen Senate Office Building, Hon. Max Baucus, (chairman of the committee) presiding.

Present: Senators Kerry, Wyden, Carper, Cardin, Hatch, Grassley, Snowe, Thune, and Burr.

Also present: Democratic Staff: Russ Sullivan, Staff Director; Gabriel Adler, Senior International Trade and Economic Advisor; Amber Cottle, Chief International Trade Counsel; Ayesha Khanna, International Trade Counsel; and Michael Smart, International Trade Counsel. Republican Staff: Everett Eissenstat, Chief International Trade Counsel; David Johanson, International Trade Counsel; and Maureen McLaughlin, Detailee.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

Confucius said, "The journey of a thousand miles begins but with a single step." Today's hearing marks the beginning of the end of our long journey towards implementing the U.S.-Korea Free Trade Agreement, or FTA. It is a journey that began with a single step more than a decade ago.

In November 1999, I introduced a bill to authorize the negotiation of the U.S.-Korea FTA. At the time, Korea was emerging from the Asian financial crisis. It was fighting a faltering economy, high unemployment, falling wages. Yet I believed then—and I believe now—that it was essential for the United States to cement our alliance with this vital partner in the Asia-Pacific region. I believed a free trade agreement was the best way to do just that.

We took another step on our journey when we formally launched the FTA negotiations in 2006. In that year, Korea was on its way to becoming one of the most highly developed countries in the world. Today, it has the world's 15th-largest economy. U.S. goods and services exported to Korea in 2010 totaled over $55 billion. Last year, my home State of Montana exported more products to Korea than to any other country except Canada.

Because of the potential the Korean market holds for U.S. jobs in our economy, I strongly supported taking the next step toward a free trade agreement. But, even when the negotiations began, we knew it would be difficult, and we stressed that Korea would need to abide by world scientific standards by opening its market to U.S. beef and allow U.S. autos to compete on a level playing field.

Later that year, I welcomed the United States and Korea negotiating teams to my home State of Montana. Over a Montana T-bone steak in Big Sky, I reiterated my support for the agreement, but I conditioned that support on Korea's acceptance of safe and delicious Montana beef.

The United States and Korea concluded our FTA negotiation in 2007, but the agreement fell short in important respects. It failed to provide additional market access for U.S. beef and it failed to secure better access and better protections for United States auto manufacturers.

Many of my colleagues on both sides of the aisle and in both Houses of Congress joined me in expressing strong concerns. Unfortunately, our two countries were unable to make progress addressing these concerns at that time, so our journey faltered.

But late last year, our two countries took an important step to put us back on the path to implementation. In December, the United States and Korea announced an agreement that will help U.S. auto manufacturers increase their auto sales to Korea. Thanks to the persistence of Ambassador Kirk and you, Ambassador Marantis, the administration recently agreed that it would do what it takes to secure better market access in Korea for U.S. beef, and we identified two concrete steps to ensure continued progress.

First, the administration agreed to increase funding for U.S. beef promotion in Korea. It will provide an additional $1 million this year for that purpose. The administration also welcomed the U.S. meat industry's request for an additional $10 million in funding to promote U.S. beef sales to Korea over the next 5 years, and agreed to favorably consider that request when it makes its 2012 awards later this year.

Second, the administration agreed to request consultations with Korea on fully opening the Korean market to U.S. beef. The administration will request these consultations as soon as the FTA enters into force, and, pursuant to the terms of our 2008 protocol governing beef imports with Korea, those consultations will take place within 7 days of the request.

We are still working towards breaking down all of Korea's barriers to U.S. beef, but the administration's commitments are important steps on this path. With these commitments and with this hearing, we are several steps closer to implementing the U.S.-Korea Free Trade Agreement. Once implemented, the FTA will increase U.S. exports to Korea by more than $10 billion annually and support at least 70,000 American jobs.

As we move forward with the Korean FTA, as well as our FTAs with Colombia and Panama, we have a duty to help American workers meet the challenge of global competition. To do so, we must enact a robust, long-term extension of Trade Adjustment Assistance, or TAA, together with these FTAs.

In the spirit of Confucius, let us work together to successfully conclude this journey. Let us reauthorize the Trade Adjustment Assistance program, and let us approve the U.S.-Korea Free Trade Agreement.

[The prepared statement of Chairman Baucus appears in the appendix.]

The CHAIRMAN. Senator Hatch will be here shortly to give an opening statement, but in the interim let me introduce our witnesses.

First, we have Ambassador Demetrios Marantis, Deputy U.S. Trade Representative for Asia and Africa. Demetrios served as my Chief Trade Counsel for several years, and he has been a strong advocate for American ranchers, farmers, and workers. Welcome back, Demetrios. It is always a pleasure to see you. I think you are one of the best public servants in our whole country. You work hard, and you are very effective. You do a great job. If all of America knew of what you do, they would be very proud of you.

Next, we have Errol Rice, the executive vice president of the Montana Stockgrowers. Errol, you have been a great advocate as well of Montana ranchers. Thank you for traveling all the way from our hometown of Helena and joining us here today.

Next, we have Thea Lee, deputy chief of staff with the AFL–CIO. Thea has testified before this committee several times—I would say many times—and we are happy to see you, Thea. Welcome back. You are very sharp, intelligent, and you have a great perspective.

Finally, we have Timothy Guertin from Varian Medical Systems. Welcome, Timothy. I have been to your company several years ago and was very impressed with what I saw, all the products you manufacture.

I would also like to give special welcome to Korea's ambassador, Han Duk-soo, who is with us in the audience. Welcome, Mr. Ambassador. We are glad you are here for these hearings.

According to our usual practice, I will have each witness introduce his statement for the record and each speak about 5 minutes.

Ambassador Marantis?

STATEMENT OF AMBASSADOR DEMETRIOS MARANTIS, DEPUTY U.S. TRADE REPRESENTATIVE, EXECUTIVE OFFICE OF THE PRESIDENT, WASHINGTON, DC

Ambassador MARANTIS. Thank you. Good morning, Senator Baucus and members of the committee. It is a real honor for me to be back here to testify today about the U.S.-Korea Trade Agreement.

We are here at a unique moment. Our economy is recovering, and exports of goods and services are up 17 percent. This export growth has already supported hundreds of thousands of additional American jobs. Within our grasp is the most economically significant trade agreement the United States has negotiated in nearly 2 decades. This agreement will strengthen our trade and investment ties to Korea's $1 trillion economy, and it will bind a key strategic ally closer to us and help us keep our edge over international competition.

Most importantly, the U.S.-Korea Trade Agreement will create substantial export opportunities, establish strong enforcement provisions, and support tens of thousands of additional goods and services export-related jobs.

When President Obama took office, many in this Congress had serious concerns about this agreement, especially relating to autos and beef. This administration shared those concerns. We heard you, and we took action. We leveled the playing field by addressing nontariff barriers in Korea's automotive safety and environmental regulations. We encouraged green technologies by accelerating tariff reductions on electric cars. We negotiated a tariff structure that will give American auto companies and their workers a chance to build more business in Korea before U.S. tariffs come down, and we negotiated a new special motor vehicle safeguard.

On beef, U.S. exports are steadily increasing to Korea, but we share your concern, Senator Baucus, and those of your colleagues and our ranchers, about science-based access to South Korea's beef market. That is why Ambassador Kirk sent a letter on May 4 stating the administration's intent to request consultations under the 2008 Beef Protocol, to discuss that protocol's full application once the U.S.-Korea Trade Agreement enters into force. Like you, we welcome the U.S. Meat Federation's plans to spend an additional $10 million in South Korea to promote U.S. exports to that market.

With this important work behind us, today the administration and Congress are together poised to unlock the enormous economic potential and the enormous strategic benefits of that agreement. Under this agreement, South Korea, which is already our fifth-largest agricultural market, will eliminate tariffs on two-thirds of U.S. agricultural products immediately. Within 5 years of entering into force, this agreement will remove tariffs on over 95 percent of U.S. industrial and consumer goods products.

This agreement will strengthen the United States' role as an export powerhouse in services, guaranteeing access for our information and communications technology, express delivery, financial, and other services exports to South Korea's enormous $580 billion services market.

Underpinning these new export opportunities are the Korea agreement's state-of-the-art provisions to protect and enforce intellectual property rights, reduce red tape, and eliminate regulatory barriers to U.S. exports. This agreement contains the highest standards for protecting labor rights, promoting the environment, and ensuring that key domestic labor and environmental laws are enforced.

Taken together, these additional export opportunities mean more jobs for Americans. The tariff reductions on goods exports alone will lead to significant increases in U.S. exports to Korea that will support over 70,000 additional American jobs. More services exports will support tens of thousands of additional jobs, and fewer nontariff barriers and stronger rules will support even more.

This administration is ready to move the U.S.-South Korea agreement forward as part of a comprehensive trade agenda that invests in our workers and invests in our economy. As we have stressed repeatedly, we must keep faith with our workers by renewing Trade Adjustment Assistance consistent with the objectives of the 2009 law.

TAA is a key component of President Obama's trade policy and has been integral to Democratic and Republican trade agendas for nearly half a century. We look forward to working with this committee to renew TAA, as well as to reauthorize expired trade preference programs and to unlock the benefits of this historic trade agreement with South Korea.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Mr. Ambassador, very, very much. As I said, you have done a great job.

[The prepared statement of Ambassador Marantis appears in the appendix.]

The CHAIRMAN. Mr. Rice, thank you. I see you have brought your family back here.

Mr. RICE. Absolutely. Thank you, Chairman Baucus.

The CHAIRMAN. That is great.

STATEMENT OF ERROL RICE, EXECUTIVE VICE PRESIDENT, MONTANA STOCKGROWERS ASSOCIATION, HELENA, MT

Mr. RICE. Good morning, Chairman Baucus and members of the committee. Thank you for the opportunity to speak to you on behalf of the members of the Montana Stockgrowers Association regarding the U.S.-Korea Free Trade Agreement. My name is Errol Rice, and I am a 5th-generation Montana rancher. I currently serve as the executive vice president of the Montana Stockgrowers Association, one of the Nation's oldest and historically significant cattle ranching organizations, established in 1884.

Ranchers must have access to the additional demand for beef from consumers that live outside of the United States. Ninety-six percent of the world's population lives outside the borders of the U.S. A global economic system is a fundamental reality that must be met with a rural American consensus in support of free trade, which we believe is a central pillar to this country's economic and geopolitical strength.

Exports create jobs. According to Cattlefax, fed steers have been selling near $115 per 100-weight, or roughly $1,495 per head. Of that, Cattlefax estimates that exports have added a minimum of $145 per head in value as opposed to not having exports. Our competitiveness depends on profitability and attracting the next generation of ranchers back into the business. Today, Korea is one of the largest export markets for Montana and American beef.

In 2010, we exported nearly $518 million worth of our product, which is a 140-percent increase in sales over 2009. This added $25 in value to each of the 1.3 million head of steers and heifers grown and marketed from Montana in 2010. This agreement achieves a major breakthrough in phasing out Korea's 40-percent tariff on our wholesome beef cuts. In 2010, we were met with over $200 million in tariffs on our beef being exported to Korea.

The Korea-U.S. Free Trade Agreement, upon implementation, would lend $15 million in tariff benefits to our product in the first year alone, and roughly $325 million in tariff reductions annually once fully implemented. According to the U.S. International Trade Commission, annual exports of U.S. beef could increase by as much as $1.8 billion once the agreement is fully implemented.

While Korea is a strong export market for U.S. beef, we have also faced unscientific restrictions. Montana ranchers believe that our trading partners should abide by sound science and international standards. That is why we appreciate very much the efforts by you, Chairman Baucus, to move us toward that goal. Under the agreement that he negotiated with the administration, the U.S. Department of Agriculture will consider favorably a $10-

million request from the U.S. Meat Export Federation to educate Korean consumers about the safety, quality, and value of U.S. beef. He secured a commitment from Ambassador Kirk to hold consultations with Korea on the full application of the 2008 U.S.-Korea Beef Protocol.

Recognizing international science-based standards such as those set by the OIE is very important. It not only creates less market volatility, but it also encourages the safest and most prudent production practices.

Montana is leading the way to provide technologically advanced traceability solutions for northern tier high-quality ranch-level certified calves. Two hundred and fifty thousand Montana calves were uniquely certified beneath our private Verified Beef Traceability Solutions in 2010. Nearly 50,000 Montana calves were exported in the form of high-quality beef to Korea.

China is the only major market still closed to U.S. beef and represents one of the largest potential growth markets for ranchers. We think a public and private sector approach to beef traceability can drive market expansion opportunities in China much faster.

Last week, MSGA was fortunate to be able to participate in the 2011 Asia-Pacific Economic Cooperation Trade Ministers meeting in Big Sky, MT. This was a tremendous opportunity to offer thought leadership and to discuss our cutting-edge approaches to global beef innovation to meet demand. It spawned greater information sharing and interconnectedness as a definite outcome that will bond together more effective trade partners who are committed to a rules-based trading system.

Our ranch families' livelihoods depend on exports, which are the most dynamic and vibrant opportunities for long-term sustainability.

I appreciate the opportunity that we have been granted to present our testimony today, and we look forward to working with you throughout the course of this process to secure passage of this crucial agreement.

The CHAIRMAN. Thank you, Mr. Rice, very much.

[The prepared statement of Mr. Rice appears in the appendix.]

The CHAIRMAN. Ms. Lee?

STATEMENT OF THEA LEE, DEPUTY CHIEF OF STAFF, AFL–CIO, WASHINGTON, DC

Ms. LEE. Good morning, Chairman Baucus, members of the Finance Committee. Thank you very much for the invitation to testify today on behalf of the 12.5 million working men and women of the AFL–CIO on the very important topic of the U.S.-Korea Free Trade Agreement.

I agree with Ambassador Marantis that the Korea Trade Agreement is potentially the most economically significant U.S. trade agreement negotiated since NAFTA, but I disagree somewhat on the exact kind of economic significance that it is likely to have.

South Korea is a dynamic, industrial export powerhouse and a major trading partner for the United States, with a well-developed industrial strategy and a domestic market that is highly protected from imports through a variety of measures, including both tariff and nontariff barriers.

We run chronic and large trade deficits with Korea, mainly in autos and advanced technology products. Last year's deficit was about $10 billion, with our deficit in autos actually exceeding our overall deficit and the deficit in advanced technology products at $6.4 billion.

The Korea FTA commits both countries to reducing their tariffs and some nontariff barriers over a period of several years, but it also contains major new protections for multinational corporate investors in the areas of investment policy and services.

It is our view that the combination of increasing investment protections for multinational corporations, locking in lower tariffs while, despite the best efforts of our negotiators, leaving in place many nontariff barriers—or at least leaving open the possibility that new ones will be put in place and will be hard to address through the measures that are included in the trade agreement—those, taken together with a weak rule of origin that is included in the agreement, will likely lead to the loss of tens of thousands of good jobs in the United States, mainly in the manufacturing sector.

The Economic Policy Institute has estimated that the loss of jobs could be on the order of 159,000 jobs, if in fact the post-FTA trade trends that we have had with past trade deals apply in the case of the South Korea trade agreement. We know that the ITC has a different view, has put forward different estimates, but we also have a lot of experience with ITC projections in the past, and in our view they have not been accurate. If you look back at NAFTA in particular and China's accession to the World Trade Organization, the ITC projections were wildly inaccurate and in the wrong direction.

Given the precarious state of our economy and our labor market in particular, this seems to us like bad timing and a bad idea, and we call on Congress to oppose the Korea trade agreement. We appreciate and very much welcome the Obama administration's important initiative to renegotiate the auto market access provisions of the agreement to address the lopsided bilateral trade in assembled autos between the United States and South Korea.

While the newly negotiated auto provisions certainly represent a significant improvement over the earlier version of the agreement, they do not by any means address all the concerns we had raised with respect to market access more broadly, or with other parts of the agreement, namely the investment provisions and the rule of origin.

Passage of the Korea trade agreement is often urged as part of the Obama administration's plan to boost job creation through increasing exports. While the AFL–CIO strongly supports the goal of increasing net exports, we do not believe that passage of the Korea trade agreement is likely to serve this end. As Paul Krugman, Nobel laureate, and others have pointed out, bilateral trade agreements do not in general lead to large, 1-sided increases in outward net exports, but rather growth in 2-way trade. This deal, in our view, is even more likely to result in a growing bilateral trade deficit.

There are additional concerns that are addressed in my written testimony in much more detail. The need for a labor action plan as was negotiated with Colombia to bring Korea's labor laws into compliance with ILO standards prior to implementation of the agreement—and, if you read my testimony, there are some very significant areas in which Korea's labor laws fall short of international standards. These are areas that are very important to our Korean counterparts, the unions there, and that we would like to see addressed prior to implementation of the agreement.

The second piece, the weak rule of origin, allowing, in the case of autos—which is one of our most important bilateral trade sectors—up to 65 percent of autos exported from either Korea or the United States to be foreign content. In the case of Korea, that is likely to be, a large part of it, from China. We think that on principle, the benefits of free trade agreements should go to the parties of the agreement that have signed the commitments on labor rights, intellectual property rights, investment, market access, reciprocal market access, and not to third parties, so we object to the weak rule of origin.

We are concerned about the Kaesŏng Industrial Complex, the processing zone which is on the border between North and South Korea. I know there are provisions in the agreement to prevent products from Kaesŏng entering into the United States, but in my testimony I outline some of the concerns, because this is of enormous significance to us because the working conditions in Kaesŏng are among the worst in the world.

Fourth, there are concerns with investment services, and also timing. I think it was just in the paper today that it is possible that the Korean parliament is not going to act on the Korea FTA for quite some time, and we think that is important.

So let me just say in closing that we are concerned about doing anything that would put at risk good jobs in the manufacturing sector after so many years of devastating losses. We do look forward to working with the Congress, with this committee, with the administration to put forward a new trade model that would address these issues, and we also urge you, as you said, Chairman Baucus, in your opening remarks, to act expeditiously to pass the Trade Adjustment Assistance before the FTAs are put into place.

I thank you for your time. I look forward to your questions.

The CHAIRMAN. Thank you, Ms. Lee, very much.

[The prepared statement of Ms. Lee appears in the appendix.]

The CHAIRMAN. Senator Hatch has arrived. Senator, would you want to give your statement now?

Senator HATCH. I will be happy to wait until after Mr. Guertin.

The CHAIRMAN. All right.

Mr. Guertin, you are next. Then we will turn to Senator Hatch.

STATEMENT OF TIMOTHY GUERTIN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, VARIAN MEDICAL SYSTEMS, PALO ALTO, CA

Mr. GUERTIN. Well, let me begin by thanking you, Senator Baucus, Ranking Member Hatch, and the members of the Finance Committee, for holding this hearing today on the U.S.-Korea Free Trade Agreement. My name is Tim Guertin. I serve as president and CEO of Varian Medical Systems. We at Varian strongly support the efforts to expand market access for U.S. medical device products abroad through new trade agreements.

I am happy to summarize my written testimony, which has already been submitted to the committee.

Varian Medical Systems is the world's leading producer of medical technology and software for treating cancer with radiation therapy, radiosurgery, proton therapy, and brachiotherapy. Varian's technology provides hospitals and clinics around the world with the tools they need to treat tens of thousands of cancer patients each day. We focus on three main areas of production: oncology systems, X-ray products, and security and inspection products.

Varian manufactures 90 percent of our products in the United States—specifically in Utah, California, and Nevada—and invests significantly in research and development in these States. Varian employs more than 3,000 people here in the U.S. and more than 5,500 people globally. The jobs created here in the U.S. are high-paying, high-quality jobs that depend on access to foreign markets. Often our technology is developed in conjunction with leading cancer institutes, such as the Huntsman Cancer Institute of the University of Utah, to create breakthroughs in cancer treatment.

The advances we have created in cancer treatment and the superiority of our technology have spurred the demand for our products internationally. As a net exporter, 53 percent of our $2.4-billion business is exported. In addition, Varian's X-ray products business, headquartered in Salt Lake City, UT, is the premier independent supplier of X-ray tubes and flat-panel image detectors in the world.

Nearly 700 employees in Utah work to produce X-ray products for many major diagnostic equipment manufacturers to be used for mammography and CT scanning, as well as industrial security screening and inspection equipment that helps facilitate trade through our ports and our land borders.

While on a recent trade mission to the Republic of Korea, Commerce Secretary Locke and several members of Congress devoted time to seeing Varian's technology, treating cancer patients at Seoul National University Hospital. SNUH, a long-time partner of Varian, provides some of the most cutting-edge cancer treatments available to those stricken with this terrible disease. The Varian linear accelerators that perform radiotherapy treatments at SNUH were manufactured in California and Utah, and then installed and serviced by a team of technicians in Seoul, providing jobs on both sides of the Pacific.

Korea is an extremely important market for Varian, as well as other United States medical technology exporters. In fact, last year Varian had more than $34 million in orders from Korea. We were able to place Varian technology in the hands of oncologists in Seoul thanks to the existing beneficial trade relationship between the United States and Korea. Varian is very supportive of KORUS and the potential for an increase in exports and the related U.S. jobs it could sustain and create by expanding our market in Korea.

We applaud the agreement for being the first free trade agreement to specifically address issues related to the medical device industry in distinct provisions of the agreement. KORUS outlines processes and procedures related to transparency in both the regulatory approval process and pricing of medical devices.

Varian and other U.S. medical device companies will also benefit from the elimination of the existing tariff barriers that are currently in place for our technology. KORUS, when implemented, will eliminate an 8-percent tariff on Varian's exports.

Without the KORUS FTA, U.S. medical device manufacturers are at a distinct disadvantage with respect to our foreign competitors, as other nations establish free trade agreements with Korea. This agreement also recognizes the importance of U.S.-developed intellectual property. Varian supports KORUS's provisions that set forth high standards for intellectual property protection. We are often disadvantaged in countries where the patent enforcement rules do not reflect the standards of protection found under U.S. law.

It is my hope that patients in Korea and all over the world will continue to benefit from the collaborative innovation that occurs due to our mutually beneficial trade relationship. KORUS helps us in this effort by further opening the Korean market to U.S. exports of innovative medical technologies such as ours.

Thank you. I would be pleased to answer any questions you might have.

The CHAIRMAN. Well, thank you, Mr. Guertin, very much.

[The prepared statement of Mr. Guertin appears in the appendix.]

The CHAIRMAN. Senator Hatch?

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM UTAH

Senator HATCH. Well, thank you, Mr. Chairman. I welcome all of the witnesses here today. Today is the last of three hearings on our pending trade agreements. I want to thank Senator Baucus and his staff for the steadfast leadership that helped to get these agreements to where they are today.

With today's hearing, we are one step closer to seeing our trade agreements with Colombia, Panama, and Korea become a reality. In many ways, the Korea FTA is the gold standard for trade agreements. This agreement levels the playing field for American goods and services in an economy worth over $1 trillion. The FTA incorporates state-of-the-art intellectual property rights protections, significantly expands service sector market access, opens the large agriculture market, and offers new market access for American manufacturers.

Now, this FTA adopts the most advanced regulatory nontariff barrier and investment provisions of any FTA and champions the rule of law which is so critical to an effective and fair rules-based trading relationship. The Korea FTA provides an impressive foundation upon which to build our future FTAs, including the Trans-Pacific Partnership.

The administration has set a goal of doubling exports in 5 years. Quick approval of this agreement will help us reach that goal. For Utah, South Korea is already an impressive market, importing more than $294 million of goods from Utah in 2009. Implementation of the agreement will help boost Utah's exports even more, as over two-thirds of our exports to Korea will become duty-free immediately, and it will help all other States as well.

The sectors that will immediately benefit from the agreement's tariff cuts reflect Utah's economy, including computers and electronics, metals and ores, machinery, agriculture, and services. But the benefits of this agreement for Utah go far beyond just reducing tariffs. By adopting the strongest intellectual property rights, regulatory reforms, investment protections, and transparency provisions, the Korea FTA will ensure that Utah's companies, farmers, and workers realize the full potential of the South Korean market, as will every other State in the United States,

By protecting the ideas of Utah's and other entrepreneurs in our society and providing a level playing field, Utah will be in a good position to double our State's exports again over the next 5 years.

Now, I am very pleased that Tim Guertin would join us this morning. Tim is the CEO of Varian Medical Systems, a world leader in manufacturing medical devices and software. By protecting Varian's intellectual property rights as well as reducing tariffs and other barriers that inhibit Varian from selling its products in Korea, this FTA will strengthen Varian and its workforce. Varian employs workers around the world, including almost 700 in my home State of Utah, so I am especially interested to hear about how this agreement has impacted your company. I have been very interested in your testimony here today.

As I noted earlier, today is our last hearing on the three pending trade agreements. Although the Korea FTA is certainly the most economically significant, it is critically important that the President submit all three agreements. Achieving approval of all three agreements remains my number-one trade priority. Why that has not yet happened remains a mystery to me. I do not understand the President's excuses for further delay.

Lack of support is not the issue. Once submitted to Congress, these agreements will gain strong bipartisan support. Economic concerns are not the issue. We all agree that these agreements will provide a sorely needed economic boost to the economy and that, if we do not act, other nations will take these markets away from us.

Foreign policy is not the issue. We all agree that Colombia, Panama, and South Korea are key regional allies and that approving these agreements will help strengthen our alliances. Yet, the President will not submit these agreements to Congress. Now, let us be clear. Failure to submit the agreements cedes foreign markets to our competitors. Failure to submit these agreements sends a chilling signal around the world that the United States may not be a trusted ally on trade.

Failure to submit these agreements is tantamount to a failure in leadership. Further delay imperils the recent gains made toward consideration of the pending trade agreements. If we do not have the opportunity to vote on these agreements this summer, I am afraid we never will.

So, Mr. Chairman, please do not let the summer slip by—or Mr. President. And the chairman, too. But Mr. President in particular, do not let the summer slip by before sending these agreements to Congress. The American people and our allies, I do not think they can wait any longer. So, we need to do this.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. We will do our best to make sure they do not slip by. That could be very unfortunate.

Senator HATCH. I know you will.

The CHAIRMAN. This is the opportunity that we are looking for.

[The prepared statement of Senator Hatch appears in the appendix.]

The CHAIRMAN. Ambassador Marantis, as you well know, I condition my support on the Korea FTA on our getting better access for American beef in Korea. I worked hard to get that. I thought it was very important, for several reasons. One is because, at an earlier date, Korea did agree to much greater access, but then backed off. Second, our beef is safe. It meets scientific standards. If Korea agrees to take more beef, then that means we might have more leverage on China, Japan, and other countries to also take American beef, which meets scientific standards.

So could you tell us, please, the degree to which you think this agreement will help U.S. beef exporters in Korea?

Ambassador MARANTIS. Thank you, Chairman Baucus. A lot of us here ate a lot of delicious Montana beef last week at Big Sky at the APEC conference. This agreement is terrific for U.S. beef in that it will reduce the 40-percent tariff progressively over a period of 15 years and will allow, as Errol said, our ranchers and our exporters to build on the impressive growth in sales to Korea of U.S. beef, which grew by 140 percent last year.

But we share the concern, Senator Baucus, that you raised with respect to achieving full access, not just in Korea, but also throughout the region, including in China and Japan. That is why Ambassador Kirk sent you a letter committing to request consultations with Korea under the 2008 protocol to discuss its full application once the FTA enters into force. We thank you for all of the work that you have done and look forward to our continued cooperation together.

The CHAIRMAN. Thank you.

I want to also thank Mr. Rice and the Montana Stockgrowers, because not all organizations were as vigorous and as forward-leaning as the Montana Stockgrowers in getting agreement by the administration to pursue greater access through both seeking the consultations once the agreement is admitted into force—looking toward full access, all ages, all cuts—and also the roughly $11 million in beef promotion. So I would just be interested in your reaction of the degree to which you think this is going to help American beef producers. I am also interested in your point about traceability, perhaps marketing and getting a brand, of course of Montana beef, in Korea.

Mr. RICE. Well, again, Chairman Baucus, I would echo the sentiments of Ambassador Marantis in thanking you for your tenacious insistence on getting a beef deal as we move this agreement forward. The importance of this beef deal really benefits me as a 5th-generation rancher. It benefits all the Montana ranchers that you are very well-acquainted with in investing in Korean consumers to showcase the healthfulness and the quality of our high-quality Montana and U.S. beef products.

As the ambassador had articulated, the phasing out of the 40-percent tariffs on our products allows us to now take that $200 million that we were paying in tariffs and allows us to reinvest that back into the Montana family farms and ranches to ensure long-term sustainability for meeting this global food security challenge, which was a very evident theme at the recent APEC conference in Big Sky, MT. As you are well-aware, Chairman Baucus, the average age of the rancher in Montana is 57.8 years old, and we have to find opportunities to reinvest back into the next generation, into the fabric of rural Montana.

With regards to the traceability comments, we believe that we have private sector solutions that can help us move this traceability discussion forward as we continue negotiations with China. We believe that this, in the form of a public/private partnership, can really move us forward, and we would be eager to work with you and your staff on some ideas that we had in moving that forward.

The CHAIRMAN. That sounds pretty interesting. As a matter of fact, it sounds exciting. When you mentioned that I thought, hey, this is something new, something great. I think it would really advance the ball. I want to work with you to help make that happen.

Mr. RICE. Absolutely. Absolutely.

The CHAIRMAN. Thank you very much.

Ms. Lee, I know you are opposed to this agreement. Are there some good points to this? What about the labor provisions? Are they not a little stronger? Don't they have to be negotiated out before the agreement is fully entered into force? Does that help?

Ms. LEE. Thank you, Chairman Baucus, for the question. We certainly did support the improvements in the labor and environment chapters that were incorporated into the Korea agreement, the May 10th deal, which did strengthen the commitments that both countries made to meeting the ILO standards, making sure that they are enforcing their labor laws effectively and that they are not weakening their labor laws in order to increase trade or attract investment.

So those are important provisions. However, we also have said, and we said at the time that those were negotiated, that it is important that countries bring their labor laws into compliance by ILO standards prior. The labor chapter is not that powerful a mechanism; it is not going to completely change or overhaul a country's labor laws unless we want to be bringing challenges on day one of entering into the agreement.

So we would like to see good faith on the part of the Korean government to address some of the concerns, particularly with respect to irregular workers and with the jailing of workers who exercise their right to demonstrate or to strike under obstruction of business penalties. So there are certain key issues that are problematic that we would also like to see our government build on and strengthen the May 10 provisions, particularly with respect to enforceability and dispute resolution.

The CHAIRMAN. All right. But, as with Mr. Guertin—my time is up and I am not asking for a response—these FTAs do help, say with respect to Varian, enforcement of intellectual property provisions compared with no FTA, for example. I would assume the same is also true of the labor provisions. If we did not have these labor provisions compared with no FTA, workers' rights in Korea would be less protected than they are with the agreement. I assume that is correct?

Ms. LEE. Yes. It is an improvement over the status quo.

The CHAIRMAN. The status quo. Yes.

Ms. LEE. But it comes in a package with market access and——

The CHAIRMAN. And it could be better. All right. Thank you.

Senator Hatch?

Senator HATCH. Well, thank you, Mr. Chairman.

I appreciate all of you and your testimony here today.

Ambassador Marantis, I hope you would agree with me that the deficit and our Nation's debt pose a fundamental risk to American prosperity and our future. I hope you would also agree with me that our dire fiscal picture demands sacrifices across programs and across the government so that we as a country can again live within our means. I think you would agree with that.

Ambassador MARANTIS. Yes.

Senator HATCH. All right.

I also hope you would agree with me that, unlike in 2009 when a Democratic Congress and the Obama administration were focused on stimulus programs and increased spending, today the Congress and the administration recognize that we have a spending problem, although we may disagree on the solution.

So, as we wrestle with getting our spending under control and approach the debt ceiling limit, all programs and all spending, it seems to me, have to be examined carefully to protect the taxpayers and to ensure that every program achieves its purpose in the most cost-effective manner or be considered for elimination.

Now, should the TAA program be treated differently than the rest of the government spending programs? Should it not be subject to restraint of growth and cuts as well?

Ambassador MARANTIS. Senator, the TAA program has been an incredibly cost-effective program for helping workers manage the transition to globalization and helping workers train to be able to take advantage of the opportunities presented in the new economy.

Senator HATCH. Well, fine. But don't you think that that should be a subject of examination and restraint of growth and cuts if necessary, just like everything else has to be?

Ambassador MARANTIS. The administration strongly supports renewal of the 2009 TAA program which, when it was negotiated, was designed to address many of the concerns that the GAO and others had raised about the 2002 program. So the administration is very comfortable working with Congress to seek renewal of the 2009 program.

Senator HATCH. Well, Ambassador Kirk is fond of reminding us that extending a robust TAA program keeps faith with the American workers. Which American workers? Exactly which workers is Ambassador Kirk talking about, and how does piling on more debt keep faith with American workers, all of whom are going to be taxed more? And what about the workers who lose their jobs due to lost export opportunities caused by further delay in implementing the Korea agreement? Does such a delay keep the faith of those workers, farmers, and ranchers and others who will benefit from this free trade agreement?

Ambassador MARANTIS. Sir, regardless of whether or not we pass or do not pass a trade agreement, globalization continues. Trade marches on, and employment patterns shift. That is why it is important that we have a robust TAA program in place, because it helps workers manage that transition should their jobs move or should they lose their jobs because of increased imports.

It has been an integral part of the bipartisan trade consensus since 1963, over successive Republican and Democratic administrations and successive Republican and Democratic Congresses, and we are anxious to work with you and Chairman Baucus to ensure renewal of TAA consistent with the objectives of the 2009 program.

Senator HATCH. Well, it seems to me that TAA has nothing to do with these free trade agreements. These three agreements are going to produce jobs in this country, and they are going to produce wealth in this country, and they are going to help us to do better in this country. People have opportunities because of them.

Ambassador MARANTIS. Senator, these agreements are incredible job-creating and job-producing agreements.

Senator HATCH. Right.

Ambassador MARANTIS. But again, regardless of whether or not the FTAs go into force, the forces of globalization and the forces of job churn exist. That is why it is so important that we get TAA renewed to help workers manage the transition that happens.

Senator HATCH. Well, I would appreciate it if we could get some exact figures of who is going to be hurt by these three trade agreements. I do not see anybody going to be hurt. I think we only benefit from these trade agreements. It seems to me, to hold them up because of TAA—now, it may be very important to pass TAA. It may be that you can make a tremendous case for that, and that labor can make a tremendous case for that. I do not know.

But it does not appear to be a reason to stop these three trade agreements, other than you would use these three trade agreements as leverage. That is a heck of a way to treat our allies, these hemispheric partners of ours who are so important, especially when you consider there is as much as $13 billion in positive trade through these three trade agreements.

So it is hard for me to understand why the big fight over these three trade agreements. That does not mean that you could not make a case that we are losing jobs, but we are going to lose a heck of a lot of jobs if these agreements do not go through. I think the administration ought to take that into consideration.

Ambassador MARANTIS. Senator, we are as anxious as you are to move these agreements as quickly as we can, given the great job——

Senator HATCH. But you are holding them up because of the TAA, and TAA does not seem to apply in these three instances. Now, why would we not go after American jobs and worry about TAA, if it is legitimate, at a later date? Then I think you might be able to make a pretty good case. Why do we not work on that separately? I am not against that. I am certainly against it with regard to these three free trade agreements. Why would we not do that?

Ambassador MARANTIS. Senator, we are anxious to move forward on a comprehensive trade agreement, a trade package, as quickly as possible, that includes the FTAs, TAA, and renewal of our expired trade preference programs as well, and we are anxious to work with you as quickly as possible to accomplish all of those goals which are fundamental to the President's trade agenda.

Senator HATCH. But you cannot do it if we do not pass these free trade agreements. You cannot get there.

Ambassador MARANTIS. I think we can work together and work on all of these issues, and do so in tandem. As we proceed on the trade agreements, we can proceed on TAA, and we can proceed on renewing our expired trade preference programs. We hope to work very closely with you and Senator Baucus, congressional leadership, and the Ways and Means Committee to accomplish those objectives.

Senator HATCH. My time is up, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

And I might say, my view is that, either they all pass, or none of them passes. That is because we have Republicans and Democrats, we have the House and the Senate, and it is a compromise, I think, that is necessary. It is going to be all or nothing. I am not going to get into the sequence yet because that has to be worked out, but I do think generally, generically, they all have to pass this year.

Senator Carper?

Senator CARPER. Thanks, Mr. Chairman.

To our witnesses, welcome. You have all done an exceptional job in presenting your testimonies today. Thank you so much for those testimonies and for being here.

I just want to say, in response to the comments raised by our ranking Republican, Senator Hatch, the reason why, Senator, I think it is important for us to more or less do these together is, there is a fair amount of job creation that is going to inure to us in this country from the adoption of an agreement like this. There are going to be some people who are going to be displaced, and there are going to be some people whose economic future will not be brightened.

In the spirit of the Golden Rule, treating other people the way we want to be treated, I think we have an obligation to those people to say, we are not forgetting you. We are not going to throw you under the bus; we are going to take your interests and your families' interests in consideration to make sure we look out for you, too. So, I would just lay that at your feet.

A friend of mine, a guy named Clyde Prestowitz, who is actually from Elsmere, DE, a trade economist—some of you know him—spoke to a group of us a couple of years ago about free trade agreements. He told us a story of talking to one of his counterparts in South Korea who was complaining about some of the provisions in the then-agreed to free trade agreement between the U.S. and South Korea. And Clyde Prestowitz, my friend, said to his South Korean friend, "What are you complaining about? You will find a way to get around these provisions anyway." The guy from South Korea thought about this for a minute, and he said, "Yes, you are right." That is what he said: "Yes, you are right." How can we make sure he is not right?

Mr. Ambassador, take it away.

Ambassador MARANTIS. Senator Carper, he is not right. The trade agreement has extensive and robust provisions on dispute settlement that are designed to deal with any instance of non-compliance. We negotiated—it was a difficult negotiation—with the Koreans, and they negotiated this agreement in good faith.

I have every expectation that the Korean government will live up to the obligations that it committed to, and that, should there be a problem, we will enforce and we will use the provisions of the Korea-U.S. Trade Agreement's dispute settlement provisions to ensure that what we sign, those provisions are enforced and we get the benefit of the bargain.

Senator CARPER. All right. Thank you.

Our chairman, Senator Baucus, focused a lot of his questions and comments on beef. Now, the old question, "Where's the beef?"—in Delaware and in Maryland and the Delmarva Peninsula, the beef is in poultry houses. The beef are in poultry houses. For every person who lives in Delaware, there are over 300 chickens. The same is true on the Maryland side of Delmarva.

You mentioned in your testimony, Mr. Ambassador, immediately upon entry into force, the U.S.-South Korea Free Trade Agreement eliminates tariffs on two-thirds of American agricultural exports to South Korea. I am not going to ask about the beef, but I would certainly like to ask about the poultry.

Ambassador MARANTIS. Sure, Senator Carper. The agreement is great for poultry. For, I think, our more important export to South Korea, frozen leg quarters, the agreement eliminates the 20-percent tariff in 10 annual increments over a period of 10 years.

Senator CARPER. All right.

How about the necks?

Ambassador MARANTIS. Necks?

Senator CARPER. I am kidding. [Laughter.]

It is the necks we are trying to sell. But people buy the claws, they buy the beaks, the feathers. We still have a hard time moving the necks. So, if you can find somebody around the world who wants that, we will say, God bless you. [Laughter.]

I have a serious question. Not that poultry is not serious. A question on intellectual property. U.S. innovation is critical to keeping our business competitive and to creating jobs. In our global economy we face intellectual property challenges, as you know, which come at the expense of innovation and job creation.

For this reason, many of us support high protection standards for intellectual property. I view the standards set forth in the U.S.-Korea Free Trade Agreement and U.S. law as the foundation for intellectual property and trade agreements going forward. Many believe that the Trans-Pacific Partnership is a regional platform that could potentially expand to include China and India, making it critical that you continue to seek the highest intellectual property standards during the course of these negotiations.

Just take a moment to explain for us what the U.S. Trade Representative is doing to ensure the negotiations for the Trans-Pacific Partnership agreement build off the intellectual property standards in the Korea-U.S. agreement.

Ambassador MARANTIS. Thank you, Senator Carper, and thanks for pointing out the tremendous advances that the U.S.-Korea trade agreement makes in the area of intellectual property. It provides extraordinarily strong protections for all of our industries and should boost exports of our creative industries—agriculture, chemicals, pharmaceutical products, our famous brands—and there are a number of provisions in there that would do that.

Going forward, with respect to the Trans-Pacific Partnership, we expect that whatever we negotiate in the TPP will be able to stand proudly alongside what we have done in the Korea agreement and in the Peru agreement, and in other of our trade agreements that have very high standard intellectual property protections.

Senator CARPER. All right. Well, stick with it.

I want to say in closing, really, there was a time, I think, many years ago when, in all seriousness, the export of poultry was not a big deal. The poultry we raised on Delmarva was later exported around the country, later around the hemisphere. Now, one out of every five chickens that is raised in this country is exported, so it is a big deal for all of us. It is a lot of scratch, as we say in Delmarva.

Thank you.

The CHAIRMAN. Senator Kerry, your timing is perfect.

Senator KERRY. Oh, Senator Cardin. All right. Senator Cardin, you are next.

Senator CARDIN. I thank Senator Kerry for allowing me to go so I can continue on the poultry industry in Delmarva.

The CHAIRMAN. Why are you two down on the end like that? My gosh.

Senator CARDIN. Chickens of a feather flock together. [Laughter.]

It is always wonderful to have my colleague promote Maryland poultry, so thank you very much. [Laughter.]

I want to follow up. I want to talk a little bit about human rights, basic rights, and labor rights, because one of the only times that we can get the attention of our government officials on international labor issues is when we have an agreement before us. It seems like all of a sudden then there is a lot of interest.

So let me follow up on the Kaesŏng Industrial Complex, because the labor practices there are horrible. As I understand it, money is paid to the North Korean government, and they pay a very small sum to the actual workers, and the conditions within the industrial complex are certainly not meeting any type of international standards.

There is concern that products that are produced from the Kaesŏng Industrial Complex will end up coming into South Korea and then to the United States through this agreement. As part of the agreement, there is annex 22(b), I think it is, which allows a committee to establish these outward processing zones. What protection do we have in the agreement, and how do you see this being implemented, to prevent products made from the Kaesŏng Industrial Complex entering into the American market?

Ambassador MARANTIS. Thank you, Senator Cardin, for that question. There has been, I think, a lot of confusion with respect to Kaesŏng. Let me be very clear: there is nothing, absolutely nothing, in this agreement that would allow products from Kaesŏng to enter into the United States. For that to change with respect to the annex that you talked about, Congress would have to pass a law, and the President would have to sign a law to change any tariff treatment that we would give.

Senator CARDIN. Why could the committee that is established under the annex not establish products coming in from this industrial zone as being part of the agreement?

Ambassador MARANTIS. It can make a recommendation to both the United States and South Korean governments, and the two governments can make a recommendation, but, in order for that to be operationalized, Congress would have to pass a law. Congress has the final word here, and that is very clear.

Senator CARDIN. To make it clear, if we find any products that originate from the Kaesŏng Industrial Complex, it would violate the terms of this agreement, and you are prepared to take action under the agreement?

Ambassador MARANTIS. Correct. It would not only violate the terms of this agreement, but it would violate the sanctions that we have against North Korea. We have very robust sanctions against North Korea that prohibit the direct or indirect importation of any good, technology, and service coming from North Korea unless there is a license granted by the Treasury Department.

Senator CARDIN. I know that agreement. I am familiar with that. You are saying, if we find any products that come in here from any zone with North Korea, it would violate the agreement and you are prepared to take action——

Ambassador MARANTIS. Correct.

Senator CARDIN [continuing]. And that the annex does not change that at all?

Ambassador MARANTIS. Correct.

Senator CARDIN. Fine. Thank you.

Let me go to autos for one moment, because I looked at the numbers on autos today. The United States exports 6,100 cars and light trucks to Korea. They did that in 2009. Korea exported 475,000 cars to the United States. We are concerned with the point that Ms. Lee raised about content. Can you tell me, what do we anticipate the changes in the free trade agreement will mean for U.S. manufacturers in export access to the Korean market?

Ambassador MARANTIS. Senator, we worked hard and concluded this agreement in December to address the key barriers that have obstructed the access of our auto makers into the Korean market, and we did so in a number of ways, including by addressing standards, by including provisions on safeguards, et cetera, and I am happy to go through that in detail.

Senator CARDIN. Have you been able to estimate what type of a market share you think the U.S. auto manufacturers would be able to export to?

Ambassador MARANTIS. Yes, sir. The ITC, in response to a request from Chairman Camp of the Ways and Means Committee, has estimated that U.S. exports, as a result of what we did in the December 2010 agreement, would increase by 41 to 56 percent. I think what we did——

Senator CARDIN. Forty-one percent over the 6,100 cars?

Ambassador MARANTIS. Correct.

Senator CARDIN. That is not very many cars.

Ambassador MARANTIS. That is correct, sir. We have faced a number, a web, of tariff and nontariff barriers in the Korean market in the past. This agreement will open up that market, and we will be able to build our sales in that market. The Big Three are already planning their new sales and distribution networks in that market. What we did in the agreement, Senator, was so significant——

Senator CARDIN. Well, what period of time are we talking about, just so we have the time frame?

Ambassador MARANTIS. What period of time?

Senator CARDIN. In what time are we going to get these increases in market share?

Ambassador MARANTIS. We are going to start as soon as the agreement enters into force. It is not going to happen overnight. It is going to be a progressive increase in exports. I also want to make the point, Senator Cardin, that because of what we did in December, three unions—the United Auto Workers——

Senator CARDIN. I know they support it. But I am trying to figure out, if our expectation is that we are going to go from 6,100 cars to about 9,000 cars and trucks, that is not very great.

Mr. Chairman, with your indulgence, just for 30 seconds more, can Ms. Lee respond? Because I see she is anxious.

Senator HATCH [presiding]. Go ahead.

Senator CARDIN. Thank you.

Ms. LEE. I just wanted to say that, in terms of the increases, as you say, there is an increase in U.S. auto exports to Korea—about $194 million according to the ITC's study—but they also project that U.S. imports of autos from Korea will rise by $907 million. So, even with the improvements in the auto sector, there is a projection by the ITC—which is often overly optimistic and does not take into account the light trucks, which is where you could actually see some real job losses—of a $713-million increase in our net deficit in autos.

Senator HATCH. Senator Kerry?

Senator KERRY. Thanks very much, Mr. Chairman. I appreciate it.

Ambassador Marantis, sort of picking up on the concern about the impact of this agreement and the potential impact on some of our workers, it is accurate, is it not, that if we did not proceed forward with this agreement, the Korea-E.U. agreement will take effect this summer, and won't the Korea-E.U. agreement taking effect disadvantage American workers if we do not ratify this agreement?

Ambassador MARANTIS. Absolutely, Senator Kerry. The Korea-E.U. agreement takes effect on July 1. Once that agreement goes into effect, many of the advantages that would go to our manufacturing sector, our service providers, our farmers and ranchers, the E.U. will start to benefit from. The longer it takes for us to ratify this agreement, the longer our E.U. competitors will have a competitive access to Korea's market.

Senator KERRY. So, bottom line, if we are going to try to help American workers, we want to help them to be able to export and to get into the market. If we do not, I think American workers are going to be disadvantaged.

Ambassador MARANTIS. I agree, Senator Kerry.

Senator KERRY. Now, let me get to a second point with respect to that. I think Senator Hatch and others—I am not sure about Senator Hatch, but I know that there are others on the other side of the aisle who have expressed concerns about the trade assistance money being linked to this agreement and others.

Now, I have supported trade agreements, recognizing that the changes in the marketplace also do create dislocations. I think you have to be blind if you do not acknowledge that, whether it is a call center or some other kinds of manufacturing efforts. While we open up markets and while we are able to create more net jobs, you have to acknowledge that, whether it is textiles in some parts of the country or other things, some workers suffer a dislocation, which is why we created Trade Adjustment Assistance in the first place. Is that a fair statement? Ms. Lee, you would agree with that.

That said, I would say to my colleagues, the reason that it is so important to do the Trade Adjustment Assistance, and the reason that 19 Republican Governors have joined with Governors in writing to say we should do it, is just an honest recognition that it is to our benefit as a country to help those people who are suffering from that dislocation to be able to move into retraining, reeducation, further education, whatever it is that allows them to manage that dislocation and enter the marketplace.

The reason, I would say to Senator Hatch and other colleagues, that that is so important is that the consensus that has existed in this country for doing trade and having these agreements has frayed somewhat. It has frayed because of the dislocation, but accompanying the dislocation has been a growing inequity in the market in America in terms of income and opportunity.

So, if we are going to keep the consensus that says, yes, we benefit net by creating more jobs and we will export more and we will adjust our balance of payments and we will get all those benefits, we have to address that broad consensus and hold it together. That, it seems to me, is part of why Trade Adjustment Assistance is so important. I would like both you and Ms. Lee to sort of address that.

One thing. I heard some people try to suggest that it is a union boondoggle. The money does not go to unions. Unions are representing workers, people, Americans. The money goes to those Americans to help them go to a school, or get vocational training, or something that helps them to go back and get a job.

So I would like to put this into its proper perspective, if we can.

Ambassador MARANTIS. Yes. Thank you, Senator Kerry. Building on that, two-thirds of the workers who benefit from TAA are non-union workers as well. But we agree. The administration fundamentally agrees that TAA is an integral part of the trade consensus. It has been since the program was created in 1963. It has evolved over the years to take into account developments in the economy.

That is why, in 2009, TAA was extended to cover service workers and to deal with offshoring not just to our FTA partners, but to countries like China and India. We are committed to moving forward with a comprehensive trade agenda this summer. That includes our trade agreements, that includes Trade Adjustment Assistance, renewal consistent with the objectives of the 2009 program, as well as renewing our trade preference programs. We look forward to working with you and the committee to do so.

Senator KERRY. Ms. Lee?

Ms. LEE. Thank you, Senator Kerry. I totally agree with you that the whole point of Trade Adjustment Assistance is to deal with the churning that happens in the labor market as a result of globalization, and that, even if you believe that these trade agreements will, on net, create jobs, most economists—every economist, I think—would agree that there are some workers who will lose their jobs and will be disadvantaged and who need the new skills to succeed in the global economy.

And so, failing to renew TAA is, in fact, both morally wrong, but it is also economically inefficient, because we would squander one of our most precious resources as a country, which is our human capital, that we want every worker to be at his or her potential to be able to have the skills to compete, to look for new jobs, possibly to move to new parts of the country. That is what TAA has been. It has always been a bipartisan program. It has always had the support of business and labor.

In fact, I just think it is unconscionable that TAA was not renewed several months ago, and we would not have to have it tied to the discussion of the trade agreements. It is something that any industrialized country, any civilized society, should put in place as a way of making sure that workers have every opportunity to fulfill their potential. Thank you.

Senator KERRY. Thank you very much.

Thank you, Mr. Chairman.

Senator HATCH. Well, thank you. Thank you, Senator Kerry.

Let me just say that one of the problems is, TAA, as I view it, is not going to pass in this Congress. What I am having trouble with is stopping these three trade agreements when you know that it is not going to pass, especially in the form that you want it to pass in—7.2 billion bucks over 10 years. With the problems that our country has, I think, yes, there are a lot of people who will support it, but there is a real question whether—because Blockbuster went broke because its business plan was not as good as Netflix's, should all those people who lost their jobs hold up this particular agreement, or should we just face that problem separately? It is a tough problem. I think, Ms. Lee, you know that we do not have the votes in this Congress to do this. So why would we still hold up these agreements that mean a lot of jobs in America? That is one of the problems.

Senator Grassley?

Senator GRASSLEY. Yes. Senator Kerry's first question on the interaction between our passage and what Europe has already done was the basis for my question, but I could follow up and ask the Ambassador and Mr. Rice if you could explain particularly the impact that it would have on agriculture if Europe would get there first.

Ambassador MARANTIS. I am happy to, Senator Grassley. This is an amazing agreement for agriculture. Two-thirds of our agricultural exports will go to zero tariffs upon entry into force of the agreement. We talked a little bit earlier about why it is a good agreement for beef. It will remove the 40-percent tariff on beef over the course of 15 years. For pork, which I know is very important to your State, 90 percent of U.S. pork exports will go duty-free in 2016; soybean exports go duty-free immediately; cotton exports go duty-free right away; wheat exports go duty-free right away. I can go on and on through many of the agricultural commodities to show why it is important.

One other thing, Senator Grassley, to note is this agreement in agriculture levels the playing field. We currently face an average 52-percent tariff in Korea, where Korean exporters in the agricultural sector face an average tariff of 9 percent. Entry into force of this agreement will level that playing field and will allow our farmers and ranchers to compete on the same playing field as their Korean counterparts.

Senator GRASSLEY. Before you answer, and for both of you as well, that is what it is when we get there. But let us suppose we get there 6 months or a year later than Europe does. Do you have any supposition that if we do not get there first, we are going to lose market permanently, or do you think it is just a temporary loss?

Ambassador MARANTIS. I think the longer we delay, the harder it becomes to regain a competitive advantage. The E.U. agreement enters into force on July 1. That is why it is imperative that we move quickly here to get this agreement done so we do not suffer any competitive dislocations in the Korean market.

Senator GRASSLEY. Mr. Rice?

Mr. RICE. Thank you, Senator. I would echo the Ambassador's statements with regard to running the risk of the E.U. getting there before us.

We are very proud in Montana that we are able to send our high-quality feeder cattle to the farmer feeders in Iowa, where we feed outstanding Iowa corn. As the ambassador had mentioned, we had been facing a 40-percent tariff on beef exports into this country. We really value that $200 million in savings on tariffs to reinvest back into the family farms and ranches in Iowa, as well as the multi-generational family farms and ranches in Montana, because we see bringing this next generation back to the ranch as being critical. Exports drive profitability, and so the timing is so critical to move this forward.

Senator GRASSLEY. I will yield back the rest of my time, Mr. Chairman.

Senator HATCH. Well, thank you, Senator Grassley.

Let me just say this. This has been a good panel. It seems to me that all U.S. workers should be offered the training needed to compete in a global economy. I do not have any problem with that, but I fail to understand why we pick some workers to help over others. It just seems fundamentally unfair. But to extend the expanded TAA benefits to all workers would be prohibitively expensive, just as expanding into a larger subset of workers would be costly as well to the taxpayers.

My problem is not so much helping people, my problem is we cannot get TAA through this Congress. You have just made a terrific case why we have to go ahead with these treaties regardless, because it means jobs, it means competitiveness, it means a United

States advantage. It means help to our economy at a time that we need help. If it is held up because of an insistence to have TAA as a precondition when we cannot pass it, it seems to me that it is penny-wise and pound-foolish, and I think it is for labor as well.

Be that as it may, I notice Senator Wyden is here. I will yield to him.

Senator WYDEN. Thank you very much, Senator Hatch.

Let me ask a question for you, Ambassador Marantis. Let me start there. It is good to see you. To better understand the impact of the agreement—and, as you know, I chair the Subcommittee on International Trade and Competitiveness—I sought the help of the staff of the International Trade Commission. In 2007, the International Trade Commission found the agreement would have a pretty limited impact on job creation because the economic landscape in 2010 is profoundly different than it was in 2007. The ITC staff helped to determine that the decree of a free trade agreement has the potential to create about 280,000 new American jobs and boost U.S. economic output by $27 billion each year.

I would ask Senator Hatch that this work by the International Trade Commission be made a part of the record.

Senator HATCH. Without objection, it will be.

[The memorandum appears in the appendix on p. 58.]

Senator WYDEN. At the same time, Ambassador Marantis, the projection showed that thousands of Americans currently employed in the manufacturing sector could lose their jobs. Obviously, with the kind of heartache all across the country in terms of working-class families and this economy, you certainly cannot ignore those projections. Just as you do not want to ignore the up-side and what is positive, you certainly cannot look the other way when you see those kinds of concerns about folks who could be harmed.

So, Mr. Ambassador, let me ask you whether you have had a chance to look at that International Trade Commission document which reflects the analysis of the staff, and particularly whether the administration would largely agree with that analysis.

Ambassador MARANTIS. Thank you, Senator Wyden. And thanks for your work with the ITC on that report. I mean, it was very heartening that, even though it is not an official ITC report, for us to see that it is consistent with our own analysis that the Korea trade agreement is going to support jobs throughout the economic sector.

What is, I think, most interesting about your report is what you just said, Senator Wyden, which is that the ITC's analysis is done in a way that more closely approximates the economic conditions that we face today, one of higher unemployment and one of underused capacity, and in doing so makes the analysis that the agreement will support an additional 280,000 jobs. That makes what the administration has been saying sound conservative, but it is indeed consistent.

But you also point out, Senator Wyden, that, even though in every sector in your report it shows the possibility of the agreement in terms of creating jobs and in the various States around the United States, there are sectors where there may be potential employment dislocation, which I think again emphasizes the point of why it is so important that we reauthorize TAA consistent with the 2009 law as quickly as possible.

Senator WYDEN. Let me ask you about some of the areas where certainly folks in my home State are going to be concerned, but I think folks nationally. As you know, we have a lot of agriculture in our State, and the numbers look pretty good there. I mean, they look pretty impressive. We also have a lot of electronics. It is something I feel very strongly about. I feel very strongly about medical technology. I have worked closely with folks in that sector.

The analysis does show that the American electronics industry in particular could suffer under this agreement. Those are folks whom I represent, Senator Merkley represents, who work hard. There has been a lot of change in that sector. What would be the administration's position about trying to help folks in that particular sector?

Ambassador MARANTIS. I think, Senator Wyden, a couple things. One, there are going to be new export opportunities in Korea as a result of the agreement. I believe that 96 percent of Korea's tariffs on electrical products go to zero upon entry into force. But there are also interesting provisions in this agreement with respect to ensuring technological neutrality so that it would forbid Korea from mandating a particular standard that our exporters would have to use to send their high-technology products into the Korean market.

So I am hopeful that the combination of removal of nontariff measures, as well as providing duty-free access to 96 percent of all electrical equipment products upon entry into force, should help.

Senator WYDEN. I think those certainly sound like constructive steps. Let us spend some additional time talking about it, because that is a very big concern for folks I represent.

I want to spend one last minute on the question of Trade Adjustment Assistance. I appreciate your indulgence, Senator Hatch. I have done everything I can to support trade, and particularly an economic philosophy that says what we ought to be doing in this country is growing things here, making things here, adding value to them here, and then shipping them somewhere. That, in a sentence, tries to kind of capture what I think we ought to be trying to do more of in the American economy.

And as part of that kind of philosophy, Trade Adjustment Assistance, to me, is absolutely key. Absolutely key. Because when we have an economy like this with constant change, which is what market economies are all about, Trade Adjustment Assistance is absolutely key. That is why I want to see Trade Adjustment Assistance locked in on the President's desk so that nothing can be done, with the way Congress works, to make it something that is put off until another day, and you have a trade agreement and no help for workers.

What is the administration's position on making sure this actually gets signed into law before the trade agreements come up so we have that in place? I would like your thoughts on that, Ambassador. Then, Ms. Lee, if we could. I know you all feel strongly about it, and rightly so.

So let us start with you on that point, Mr. Ambassador.

Ambassador MARANTIS. Sure, Senator Wyden. As Ambassador Kirk said about a week, a week and a half ago, the administration does not intend to submit the implementing bills until we have a deal with Congress on renewing TAA consistent with the goals of the 2009 law. This is an integral part of the President's comprehensive trade agenda. We hope that we are able to move quickly on the FTAs, the pending FTAs, on Trade Adjustment Assistance, and on renewal of our trade preference programs, and are eager to work with you and members of this committee to do so quickly.

Senator WYDEN. My time has expired. I would only say on that point, what I am concerned with, and I note that your statement is a good-faith one, is, if we have a deal and one chamber passes it and another chamber does not, then we are sitting there with the workers unprotected and everybody says, oh, we ought to pass the agreement. So I want to give the last word to Ms. Lee, but I just think we have to have this iron-clad, and it has to be signed into law so we do not play Russian roulette with the well-being of those workers who deserve those protections.

If Ms. Lee could just answer, then I yield back. I thank you, Senator Hatch, for the time.

Senator HATCH. Thank you.

Ms. LEE. Thank you, Senator Wyden. And I completely agree with you that it is essential, before moving forward on the FTAs, that we make sure that TAA is done and is passed.

I understand the point that you are raising, Senator Hatch, that there is not a lot of support for it this time. There has always been support in the past, and I would hope that, with the strong leadership of both the Republican and Democratic party, there will be enough support for a really great program like TAA, one that has served millions of workers over the years, to pass before it goes through.

Just one last point on the ITC. We have had a lot of experience over the years, and I have had a lot of experience with the projections that have been made by various economists about the trade agreements. There are often odd things that happen, that there are shifts between trade with different sectors and trade with different countries. Even the ITC reports, I think, have a lot of oddities in them, so we do not put a lot of faith in those projections overall. Thank you.

Senator HATCH. Well, let me just say this. I am one of the authors originally of the Job Training Partnership Act, and a whole raft of other bills that are supposed to take care of workers who lose their jobs and need retraining. One of the big problems why I do not think it will pass is because they want $7.2 billion, at a time when this country is basically broke, for additional programs that may be duplicative.

Let me just put it in real terms, then I will turn to Senator Thune. That is, if one worker loses his job because his factory burns down and another worker loses his job because a domestic rival company out-performs his company, and a third worker loses his job because of a relocation of a factory abroad to serve rising demand in a foreign market, which worker deserves more training, more income support, and more generous health care credits than the other two? If you had to pick, it would be pretty hard to do.

The point I am making is, if we cannot get TAA through because it is too expensive under current circumstances, why hold up three agreements that are going to mean all kinds of jobs to America?

I mean, it just does not make sense. You have made a tremendous case that these agreements are critical to jobs. It just does not make sense to me. But that does not mean we should not work to help those who are in need, those who need training and so forth. But we have programs already in existence. Now, some of them apply perfectly, others do not.

But the fact is, some people think you are holding up—the administration is holding up—these trade agreements that could mean so much to workers in this country and to this country's economy at this time, to world affairs, just because the left wants you to do so. Well, that is a real problem to me because I think we ought to get these agreements through no matter what and then work on these other problems as we go along.

Senator Thune, you are next.

Senator THUNE. Thank you, Mr. Chairman. I could not agree more with what you just said. I will associate myself with those comments. These trade agreements are critical to the economy, they are critical to jobs and export markets, which is something that is important—very important—to my State of South Dakota.

South Dakota is the Nation's sixth-largest exporter of wheat and eighth-largest exporter of soybeans, and, under this agreement, an unlimited amount of U.S. wheat for milling can enter Korea duty-free immediately upon implementation. Korea also would immediately eliminate its 5-percent tariff on food-use soybeans.

The American Farm Bureau Federation estimates that U.S. agricultural exports are increased by as much as $1.8 billion every year due to this agreement. It has been almost 4 years since this U.S.-Korea agreement was signed, and we just cannot afford to wait any longer. So, I would echo what you have said, Mr. Chairman, in your comments and just urge the administration to work with us here to get this ball rolling.

There was a letter recently signed by 25 Governors, a bipartisan letter to the President, in support of these pending trade agreements and TAA authorization, but it also included a call for TPA authority. I am wondering if, in a trade package, whether some of these other things should be included and accompanying these free trade agreements, with the administration's support, including Trade Promotion Authority.

Ambassador MARANTIS. Hi, Senator. Thanks for that question. At this point the administration has been pretty clear that we support moving forward quickly with the pending trade agreements, with Trade Adjustment Assistance, and with renewal of several of our expired trade preference programs.

Senator THUNE. But not TPA.

Ambassador MARANTIS. Not at this point.

Senator THUNE. Is TPA important to the administration's stated goal of doubling exports in 5 years?

Ambassador MARANTIS. I am sorry. Can you repeat that?

Senator THUNE. Well, I just say, is Trade Promotion Authority important to the administration's stated goal of doubling exports over the next 5 years?

Ambassador MARANTIS. At some point we are going to have to take a very close look at how we deal with Trade Promotion Authority as we advance our negotiations in the Trans-Pacific Partnership, but right now we are really focused on getting these three FTAs done, as well as Trade Adjustment Assistance and our expired trade preference programs.

Senator THUNE. I have a question that has to do with a company in my State. But South Korea has a $580-billion services sector, including financial services. I understand the one aspect of this agreement that is new and ground-breaking relates to cross-border data processing. For example, Citigroup, whose credit card operations are based in Sioux Falls, SD, has commented that these rules allow data processing support for Citigroup's operations in Korea to be based outside Korea, perhaps back in the United States. Can you comment on the importance of ensuring that our trade rules keep up with the ever-changing technology, and these data processing provisions in particular?

Ambassador MARANTIS. Yes. I mean, the services commitments in this agreement are pretty incredible in that, as you said, they will really provide new market opening to Korea's $580-billion services market in the financial services sector, in the express delivery sector, for information and computer services. As you have said, Senator Thune, we try to keep up with developments in the economy by ensuring that the commitments that we negotiate in our trade agreements do do things that are important to our businesses to be able to compete in the 21st-century economy.

Senator THUNE. All right.

Mr. Rice, your testimony notes that Korea is already one of the largest export markets for American beef and that this agreement will result in $325 million in tariff reductions once the agreement is fully implemented. But of course, tariff reductions will not be of much use if our exports are kept out of the Korean marketplace due to regulations that are not based on sound science. I know that ensuring that Korea's beef regulations are based on sound science has been a high priority for Chairman Baucus. It is also something that is important to a lot of us who represent livestock-producing States.

Could you expound upon your testimony regarding some of the innovative approaches that the U.S. beef industry has undertaken to deal with some of the requirements that are imposed by nations such as Korea?

Mr. RICE. Yes. Absolutely. Thank you for your question, Senator Thune. And, among the other many high-quality commodities that come from your State of South Dakota, cattle is also one of them. The ranchers I represent in Montana enjoy a plentiful exchange in interstate commerce with South Dakota in feeder cattle and high-quality seed stock as well. So I appreciate your question. In my testimony, you are right, these exports have estimated adding $145 per head to South Dakota farmers and ranchers, as well as Montana farmers and ranchers.

While we will see exceptionally good phasing out of the 40-percent tariffs and the added value in dollars that we feel we can save in what we are paying in tariffs right now on beef, we can reinvest that back into South Dakota farmers and ranchers, as well as Montana farmers and ranchers, and the fabric of rural America. It also speaks to the sound science, which Chairman Baucus has been insistent on, putting forth a deal that will have consultations on the science involved that are based upon international standards so that we can get to a rules-based system.

One of the things that I also mentioned in my testimony is the element of traceability. When we were locked out of a number of the Pacific Rim markets after BSE in 2003, traceability really emerged as a market force to qualify cattle under age and source conditions that would provide a steady flow of cattle to enter those expanding markets as we began to grow back into South Korea, back into Japan. Those technologies are still very real today. They are putting more premiums in producers' pockets, and we feel very strongly that those technological innovations can help to expand other market access opportunities like China, where traceability is a hang-up right now for beef.

Senator THUNE. All right. Good. Thank you.

Mr. Chairman, my time has expired. I want to thank our panel for their good comments.

Senator HATCH. Well, thank you so much.

I just have one last question for you, Mr. Guertin, and then we will close down the hearing.

Now, it is clear to me that Varian's medical and security products are highly complex, they are scientific, technical, and of course very precise types of equipment. And you said, if we do not pass these free trade agreements—specifically Korea is the one you mentioned. Let us say that we do pass them. Would these types of jobs that you are talking about, would we increase the number of jobs at Varian?

Mr. GUERTIN. Thank you for the question, Senator. Yes. Our hope is that these kinds of agreements will increase our ability to do business with countries like South Korea that will offer us protections, will enable us to compete with other nations. It has been mentioned, a number of our competitors are E.U.-based competitors, so we do not want to be disadvantaged versus those competitors. If we have a level playing field, we will be able to sell more to South Korea.

Frankly, most of the world is very under-equipped with medical devices. These kinds of agreements are crucial to us in order to place our high-technology components in those locations.

So I do not anticipate any reduction in U.S. jobs for our industry associated with this; I anticipate an increase in the number of jobs associated with this.

Senator HATCH. Well, thank you. I think each of you has added a lot to this testimony today, and I appreciate it personally and wish we could solve these problems. I would do almost anything to get them solved. But I think the administration has to work to get these issues resolved, because we need to pass these three trade agreements. And this is just a preliminary step to a lot of others that mean a lot more jobs. I think each one of you at the table would benefit greatly if we can pass these three trade agreements. I am going to do everything I can to get them passed. But we want to thank you for taking the time to be with us today.

With that, we will recess until further notice.

[Whereupon, at 11:44 a.m., the hearing was concluded.]

APPENDIX

Additional Material Submitted for the Record

Hearing Statement of Senator Max Baucus (D-Mont.)
Regarding the U.S.-Korea Free Trade Agreement
As prepared for delivery

Confucius said, "The journey of a thousand miles begins with but a single step."

Today's hearing marks the beginning of the end of our long journey toward implementing the U.S. – Korea Free Trade Agreement, or FTA. It's a journey that began with a single step more than a decade ago.

In November 1999, I introduced a bill to authorize the negotiation of a U.S. – Korea FTA. At the time, Korea was emerging from the Asian financial crisis. It was fighting a faltering economy, high unemployment and falling wages.

Yet I believed then – and I believe now – that it was essential for the United States to cement our alliance with this vital partner in the Asia-Pacific region, and I believed a Free Trade Agreement was the best way to do just that.

We took another step on our journey when we formally launched the FTA negotiations in 2006. By 2006, Korea was on its way to becoming one of the most highly developed countries in the world.

Today, it has the world's 15th largest economy. U.S. goods and services exported to Korea in 2010 totaled over $55 billion, and last year, my home state of Montana exported more products to Korea than to any other country except Canada.

Because of the potential the Korean market holds for U.S. jobs and our economy, I strongly supported taking the next step toward a Free Trade Agreement. But even when the negotiations began, we knew that they would be difficult, and we stressed that Korea would need to abide by world scientific standards by opening its market to U.S. beef and allow U.S. autos to compete on a level playing field.

Later that year, I welcomed the U.S. and Korean negotiating teams to my home state of Montana. Over a Montana T-bone steak in Big Sky, I reiterated my support for the agreement, but I conditioned that support on Korea's acceptance of safe and delicious Montana beef.

The United States and Korea concluded our FTA negotiations in 2007, but the agreement fell short in important respects. It failed to provide additional market access for U.S. beef, and it failed to secure better access and better protections for U.S. auto manufacturers.

Many of my colleagues on both sides of the aisle and in both houses of Congress joined me in expressing strong concerns. Unfortunately, our two countries were unable to make progress addressing these concerns at that time, so our journey faltered.

But late last year, our two countries took an important step to put us back on the path to implementation. In December, the United States and Korea announced an agreement that will help U.S. auto manufacturers increase their auto sales to Korea.

And thanks to the persistence of Ambassador Kirk, and you, Ambassador Marantis, the Administration recently agreed that it would do what it takes to secure better market access in Korea for U.S. beef. We identified two concrete steps to ensure continued progress.

First, the Administration agreed to increase funding for U.S. beef promotion in Korea. It will provide an additional one million dollars this year for this purpose. The Administration also welcomed the U.S. meat industry's request for an additional ten million dollars in funding to promote U.S. beef sales in Korea over the next five years, and it agreed to favorably consider that request when it makes its 2012 awards later this year.

Second, the Administration agreed to request consultations with Korea on fully opening the Korean market to U.S. beef. The Administration will request these consultations as soon as the FTA enters into force, and pursuant to the terms of our 2008 Protocol governing beef imports with Korea, those consultations will take place within seven days of the request.

We are still working towards breaking down all of Korea's barriers to U.S. beef, but the Administration's commitments are important steps on this path.

With these commitments – and with this hearing – we are several steps closer to implementing the U.S. – Korea Free Trade Agreement. Once implemented, the FTA will increase U.S. exports to Korea by more than $10 billion annually and support at least 70,000 American jobs.

As we move forward with the Korea FTA, as well as our FTAs with Colombia and Panama, we have a duty to help American workers meet the challenge of global competition. To do so, we must enact a robust, long-term extension of Trade Adjustment Assistance or TAA together with these FTAs.

So let us work together to successfully conclude this journey, let us reauthorize TAA, and let us approve the U.S. – Korea Free Trade Agreement.

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VARIAN
medical systems

Testimony of Timothy E. Guertin
President and Chief Executive Officer
Varian Medical Systems, Inc.
Senate Finance Committee
Hearing on the U.S.-Korea Free Trade Agreement
May 26, 2011

I want to thank Chairman Baucus and Ranking Member Hatch for holding this hearing today on the U.S. – Korea Free Trade Agreement (KORUS). My name is Tim Guertin and I serve as President and CEO of Varian Medical Systems, Inc. We at Varian strongly support the efforts to expand market access for U.S. medical device products abroad through new trade agreements.

About Varian Medical Systems

Varian Medical Systems is the world's leading producer of medical technology and software for treating cancer with radiation therapy, radiosurgery, proton therapy, and brachytherapy. Varian's technology provides hospitals and clinics around the world with the tools they need to treat thousands of cancer patients each day. Varian focuses on three main areas of production: oncology systems, x-ray products, and security and inspection products.

Varian manufactures 90 percent of our products in the United States, specifically in Utah and California. Varian employs more than more than 3,000 people here in the U.S. and more than 5,500 people globally. The jobs created here in the U.S. are high paying, high quality jobs that depend on access to foreign markets. In addition, Varian invests significantly in research and development in both Utah and California to develop new innovative technologies and intellectual property. Often this technology is developed in conjunction with leading cancer centers such as Huntsman Cancer Institute at the University of Utah to create breakthroughs in cancer treatment.

The advances we have created in cancer treatment and the superiority of our technology has spurred the demand for our products internationally. As a net-exporter, 53 percent of our $2.4 billion business is exported while 47 percent of our business is in domestic sales.

In addition, Varian's X-Ray products business, headquartered in Salt Lake City, Utah, is the premier independent supplier of x-ray tubes and flat panel image detectors in the world. Nearly 700 employees in Utah work to produce x-ray products to most major diagnostic equipment manufacturers to be used for mammography and CT scanning, as well as industrial security screening and inspection equipment that helps facilitate trade through our ports and at our land borders.

Varian in Korea

We are proud that Varian has an established relationship with the leading health care provider in the Republic of Korea. In fact, while on a recent trade mission to the Republic of Korea, Department of Commerce Secretary Gary Locke and several Members of Congress devoted time to seeing Varian's oncology systems treating cancer patients at Seoul National University Hospital (SNUH). SNUH, a longtime partner of Varian, provides some of the most cutting edge cancer treatments available to those stricken with this terrible disease. The Varian linear accelerators that perform radiotherapy treatments at SNUH were manufactured in California and Utah and then installed and serviced by a team of technicians in Seoul, providing jobs on both sides of the Pacific.

While visiting the radiation oncology department at SNUH, the U.S. Delegation was able to see firsthand the efficient process a cancer patient goes through when being treated with radiotherapy. Radiotherapy is a non-invasive technique that targets tumors with high-energy photon beams that stop cancer cells from reproducing. Treatments on Varian linear accelerators are tailored for each patient, focusing on breast, prostate, brain, lung and other types of cancers. In the next several months, SNUH will be acquiring the new Varian TrueBeam system that will enable clinicians in Seoul to treat more complex cases, while at the same time reducing treatment times for patients.

Exports and Tariff Elimination

Korea is an extremely important market for Varian as well as other United States medical technology exporters. According to the U.S. Department of Commerce, Korea is one of the fastest growing markets for medical technology products. In fact, last year Varian had more than $34 million in orders from Korea. The U.S. International Trade Commission estimates that the Korean medical device market will grow 10-15 percent in the next several years.

We are able to place Varian technology in the hands of oncologists in Seoul thanks to the existing beneficial trade relationship between the U.S. and Korea. Varian is very supportive of KORUS and the potential for an increase in exports and the related U.S. jobs it could sustain and create by expanding our market in Korea. The implementation of KORUS will increase the availability of medical technology in the Korean market, thereby allowing increased access by Korean patients to the most innovative technologies and treatment options. The U.S. medical technology industry exported $875 million last year. We expect to see that figure grow with the market opening offered under KORUS.

We applaud KORUS for being the first free trade agreement to specifically address issues related to the medical device industry in distinct provisions of the agreement. KORUS outlines processes and procedures related to transparency in both the regulatory approval process and pricing of medical devices. We often find that in other markets the opaque determination of government pricing of products and the lengthy regulatory approval puts U.S. medical device companies at a competitive disadvantage with non-U.S. manufacturers. The KORUS provisions related to competitive-market derived pricing, as well as the requirement for an independent review and appeals process if the industry has concerns with either the regulatory approval or pricing of medical device products, has great potential to drive increased exports to Korea. And an increased demand for exports in turn leads to an increase in production and growth at our factories in Utah and California.

Varian, and other U.S. medical device companies, will also benefit from the elimination of the existing tariff barriers that are currently in place for our technology. In most cases radiotherapy equipment orders exceed $2 million. KORUS, when implemented, will eliminate an 8 percent tariff on Varian exports. This will lead to business growth in both the U.S. and Korea by allowing Korean customers to have greater purchasing power, and, will make the most advanced cancer treatment in the world more affordable to more patients and treatment facilities in Korea. Other medical technology companies have indicated they could see similar export growth and also strongly endorse KORUS.

Competition

Without the KORUS FTA, U.S. medical device manufacturers are at a distinct disadvantage with respect to our foreign competitors as other nations establish free trade agreements with Korea. For example, the European Union (EU) has negotiated a free trade agreement with Korea set to go into effect this summer (July 2011.) Our European competitors also would see decreased costs from tariff eliminations included in the Korea-EU FTA, further complicating matters for U.S. manufacturers and putting us at a competitive disadvantage.

Intellectual Property Protection

The KORUS FTA recognizes the importance of U.S. developed intellectual property. Varian supports KORUS' provisions that set forth high standards for intellectual property protection. We are often disadvantaged in countries where the patent enforcement rules do not reflect the standards of protection found in U.S. law.

Varian filed its first patent in 1951. Since then, the company's scientists and researchers have amassed many hundreds of patents, and many thousands of innovations. In the area of cancer treatment, Varian's patented innovations have made it possible to shape a radiation beam so that it more closely matches the shape and size of a tumor in order to kill cancerous tumors while reducing dose to healthy tissue. The company has also developed patented image-guidance technology so that tumors can be targeted with sub-millimeter precision, and motion management tools that can keep a treatment focused on a tumor even as it moves back and forth when the patient breathes. All of these crucial patented innovations add up to protecting more healthy tissues during treatment with potentially fewer side effects, and the successful treatment of more types of cancer in various parts of the body.

Varian patents also have given rise to a line of low-cost radiographic X-ray image detectors that are manufactured by our employees in Utah. These detectors are revolutionizing diagnostic imaging, making it an instantaneous, digital process that eliminates the need for film, and all the processing chemicals that go with it.

As a result, since all of this technological innovation leads to high-quality skilled jobs here in the United States, we appreciate the focus of the KORUS FTA on patent protection, as it allows Varian to continue to do business in Korea while protecting our intellectual property.

Conclusion

It is my hope that patients in Korea and all over the world will continue to benefit from the collaborative innovation that occurs due to our mutually beneficial trade relationships. In order to continue to innovate new ways to treat cancer and other diseases, we need to ensure that we can keep working together around a common goal. KORUS helps us in this effort by further opening the Korean market to U.S. exports of innovative medical technology.

STATEMENT OF HON. ORRIN G. HATCH, RANKING MEMBER
U.S. SENATE COMMITTEE ON FINANCE HEARING OF MAY 26, 2011
U.S.-KOREA FREE TRADE AGREEMENT

WASHINGTON – U.S. Senator Orrin Hatch (R-Utah), Ranking Member of the Senate Finance Committee, today delivered the following opening statement at a committee hearing examining the U.S.-Korea Free Trade Agreement:

Today is the last of three hearings on our pending trade agreements. I want to thank Senator Baucus and his staff for the steadfast leadership that helped to get these agreements to where they are today. With today's hearing, we are one step closer to seeing our trade agreements with Colombia, Panama and Korea become a reality.

In many ways, the Korea FTA is the gold standard for trade agreements. This agreement levels the playing field for American goods and services in an economy worth over one trillion dollars. The FTA incorporates state of the art intellectual property rights protections, significantly expands services sector market access, opens a large agriculture market, and offers new market access for American manufacturers. This FTA adopts the most advanced regulatory, non-tariff barrier, and investment provisions of any FTA and champions the rule of law which is so critical to an effective and fair rules-based trading relationship. The Korea FTA provides an impressive foundation upon which to build our future FTAs — including the Trans-Pacific Partnership.

The Administration has set a goal of doubling exports in five years. Quick approval of this Agreement will help us reach that goal. For Utah, South Korea is already an impressive market, importing more than $294 million dollars of goods from Utah in 2009. Implementation of the agreement will help boost Utah's exports even more, as over two-thirds of our exports to Korea will become duty-free immediately. The sectors that will immediately benefit from the agreement's tariff cuts reflect Utah's economy, including computers and electronics, metals and ores, machinery, agriculture and services.

But the benefits of this agreement for Utah go far beyond just reducing tariffs. By adopting the strongest intellectual property rights, regulatory reforms, investment protections, and transparency provisions, the Korea FTA will ensure that Utah's companies, farmers, and workers realize the full potential of the South Korean market. By protecting the ideas of Utah's entrepreneurs and providing a level playing field, Utah will be in a good position to double our State's exports again over the next five years.

I am very pleased that Tim Guertin could join us this morning. Tim is the CEO of Varian Medical Systems, a world leader in manufacturing medical devices and software. By protecting

Varian's intellectual property rights as well as reducing tariffs and other barriers that inhibit Varian from selling its products in Korea, this FTA will strengthen Varian and its workforce. Varian employs workers aground the world, including almost 700 in my home state of Utah. So I am especially interested to hear about how the agreement will impact your company.

As I noted earlier, today is our last hearing on the three pending free trade agreements. Although the Korea FTA is certainly the most economically significant, it is critically important that the President submit all three agreements. Achieving approval of all three agreements remains my number one trade priority. Why that has not happened yet remains a mystery to me.

I do not understand the President's excuses for further delay. Lack of support is not the issue. Once submitted to Congress, these agreements will gain strong bipartisan support. Economic concerns are not the issue. We all agree that that these agreements will provide a sorely needed economic boost to the economy and that if we do not act, other nations will take these markets from us. Foreign policy is not the issue. We all agree that Colombia, Panama, and South Korea are key regional allies and that approving these agreements will help strengthen our alliances. Yet, the President still will not submit these agreements to Congress.

Let's be clear. Failure to submit the agreements cedes foreign markets to our competitors. Failure to submit these agreements sends a chilling signal around the world that the United States is not a trusted ally on trade. Failure to submit these agreements is tantamount to a failure in leadership.

Further delay imperils the recent gains made toward consideration of the pending trade agreements. If we do not have an opportunity to vote on these agreements this summer, I am afraid we never will. So, Mr. President, please don't let the summer slip by before sending these agreements to Congress. The American people and our allies can no longer wait.

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Testimony of Thea Mei Lee
Deputy Chief of Staff
American Federation of Labor and Congress of Industrial Organizations

Before the Senate Finance Committee

"The U.S.-Korea Free Trade Agreement"

May 26, 2011

Chairman Baucus, Members of the Finance Committee, I thank you for the invitation to testify today on behalf of the twelve and a half million working men and women of the AFL-CIO on the important topic of the U.S.-Korea Free Trade Agreement (KORUS FTA).

The United States economy remains mired in a jobs crisis, following the deepest recession in generations and decades of wage stagnation. Our current trade policy has rewarded and accelerated the offshoring of U.S. jobs, by granting multinational corporations extraordinary protections for their investments overseas, locking in low tariffs on U.S. products, and doing too little to end unfair trade practices abroad and to protect workers' rights and environmental standards.

The KORUS FTA is potentially the most economically significant U.S. trade agreement negotiated since NAFTA. South Korea is a dynamic industrial export powerhouse and a major trading partner, with a well-developed industrial strategy and a domestic market that is highly protected from imports through a variety of measures, including both tariff and non-tariff barriers. The KORUS FTA commits both countries to reducing their tariffs and some non-tariff barriers over a period of several years, but it also contains major new protections for multinational corporate investors in the areas of investment policy and services.

We appreciate and welcome the Obama administration's important initiative to renegotiate the auto market access provisions of the agreement in order to address, in part, one of the key concerns we had raised, namely the lopsided bilateral trade in assembled autos between the United States and South Korea. While the newly negotiated auto provisions delay the initial implementation of the auto and light truck tariff reductions and address some concerns about the potential misuse of safety standards, other market access problems remain with the agreement, especially with respect to auto parts and other industrial sectors.

Passage of the Korea trade agreement is often urged as part of the Obama Administration's plan to boost job creation through increasing exports. While the AFL-CIO strongly supports the goal of increasing net exports, we do not believe that passage of the Korea trade agreement is likely to serve this end. Rather, addressing currency manipulation, especially by China, but by other trading partners as well, would be by far a more effective trade policy tool.[1]

The KORUS FTA incorporates the improved labor and environment provisions negotiated jointly by Democratic and Republican members of Congress and the Bush administration in the "May 10th Bipartisan Trade Deal."[2] While the "May 10th" changes improved the labor and environment provisions in particular, further improvements are needed, especially in the areas of enforcement and coverage.[3]

The net job impact on the United States of the Korea trade agreement is likely to be negative, in our view, given the enhanced protections for investors, the weak rule of origin, and the remaining non-tariff barriers and other market access obstacles.

Our Korean counterpart unions are also concerned that the agreement will accelerate outsourcing of parts production from Korea (due to the weak rules of origin) and will do little to address serious violations of international labor rights.

We urge Congress to oppose the KORUS FTA, as this is the wrong time to put at risk good jobs in our manufacturing sector, which is just beginning to add jobs after many years of devastating losses. And we hope to work with Congress and the Administration to address the broader U.S. trade policy model – to ensure that future trade deals can give higher priority to the concerns of workers, communities, and the environment – in the United States and in our trading partners.

I. Likely Jobs Impact

The Obama Administration claims that the KORUS FTA would support at least 70,000 jobs, based on projections by the U.S. International Trade Commission (see U.S.ITC, "U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects," Investigation No. TA-2104-24, March 2010). But the ITC estimates have been wildly optimistic in the past, missing the mark on the projected job impact of NAFTA and China's accession to the World Trade Organization, among others.

- The ITC projection does not take into account likely shifts in investment and offshoring that have occurred in most past trade deals.
- The ITC does not account for the potential impact of future currency devaluation.

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[1] Note that this agreement fails to address South Korea's long history of currency manipulation. Given the negative effects of such manipulation on U.S. workers and businesses, the FTA should have included specific provisions allowing the use of safeguard or snapback duties to counter currency manipulation in the future.
[2] *See* USTR Fact Sheet "Bipartisan Trade Deal." May 2007. http://ustraderep.gov/assets/Document_Library/Fact_Sheets/2007/asset_upload_file127_11319.pdf.
[3] *For additional detail not provided in this testimony, please see our USTR submissions* "Comments Concerning Free Trade Agreement With the Republic of Korea," filed September 15, 2009, and "Comments Regarding the January 2011 Supplemental Agreement to the U.S.-Korea Free Trade Agreement," filed February 18, 2011.

- The ITC actually finds that the U.S. global trade deficit could increase after implementation of the KORUS FTA – which would lead to a net job loss.
- The ITC also projects growing trade deficits in several key manufacturing sectors, including textiles, apparel, and metal products.

In fact, Nobel Laureate Paul Krugman, a world-renowned expert on trade, criticized the general argument that trade deals are job-creating:

> If you want a trade policy that helps employment, it has to be a policy that induces other countries to run bigger deficits or smaller surpluses. A countervailing duty on Chinese exports would be job-creating; a deal with South Korea, not.

The Economic Policy Institute estimates that if past investment and offshoring trends hold, then a growing trade deficit with Korea could displace 159,000 U.S. jobs after implementation of the KORUS FTA, mostly in manufacturing.[4]

II. Labor Laws in South Korea

The KORUS FTA's labor chapter, which includes the "May 10th" amendments, represents a significant improvement over the "enforce your own laws" standard included in the previous trade agreements negotiated under President George W. Bush. However, we believe that the May 10th labor template needs further strengthening, as it contains several provisions that are subject to conflicting interpretations and could limit the scope of the parties' obligations. Further, the dispute settlement provisions, while still untested, could be clarified and strengthened to assure workers of an expeditious and effective remedy.

There is a commonly held misperception that labor and employment laws in South Korea fully guarantee the fundamental rights of workers. To the contrary, the International Labor Organization (ILO) has expounded in numerous reports the ways in which South Korea fails to comply with core labor rights in law and in practice. Today, workers are often fired for forming a union, and such workers by law are ineligible to remain union members. Trade unions are routinely denied registration for arbitrary reasons. Many employers have opted to use temporary "irregular" workers, under inferior wages and working conditions, often in open defiance of legal restrictions on hiring workers under these modalities. In manufacturing, workers are illegally hired as "dispatch" or subcontracted workers at wages and working conditions far inferior to directly employed workers. Recent legal changes regarding full-time trade union staff and minority union bargaining rights are also of major concern for Korean trade unions.

Workers undertaking peaceful strikes can still find themselves subject to substantial fines and imprisonment under the "obstruction of business" provision of the criminal code. Currently, there are roughly 20 members of the Korean Confederation of Trade Unions (KCTU)-affiliated unions in jail or prison for acts related to trade union activity. Ten migrant workers are also now

[4] Robert E. Scott, "Free Trade Agreement with Korea will cost U.S. jobs," Economic Policy Institute, July 1, 2010. http://www.epi.org/economic_snapshots/entry/free_trade_agreement_with_korea_will_cost_U.S._jobs/

in jail, apprehended in the course of a KCTU-sanctioned strike. The use of riot police by company managers in labor disputes is an all too common practice, leaving some workers severely injured.

Despite this reality, USTR has so far failed to press the South Korean government for a commitment to address any of these concerns. There is no "labor action plan" for South Korea. We believe one is sorely needed.

III. Rules of Origin

Benefits of the KORUS should accrue to the trade agreement partners—and, most importantly, to their workers—not to non-FTA countries. However, the AFL-CIO believes that the lax rules of origin negotiated for certain products, particularly autos and steel, will allow non-Parties to the KORUS FTA to accrue benefits that should be reserved for the Parties—turning this agreement from a bi-lateral one to a regional one.

We appreciate the Administration's decision to go back to the bargaining table and seek a better deal for U.S. auto assembly workers. Overall, it is our view that the supplemental agreement will provide additional protections for the U.S. auto industry and its workers, especially in the short term. The agreement will also lead to increased market access for U.S.-produced automobiles. However, because the Administration failed to address the rule of origin methodology, duty drawback provisions[5], or supply chain issues for autos and other goods, we remain gravely concerned that, overall, the KORUS FTA could result in significant job losses and continue the decline in well paying manufacturing jobs in the U.S. We are also concerned about the enforceability of the supplemental auto agreement, as it is not formally part of the trade agreement. These concerns are especially heightened if the U.S. Congress moves to ratify the agreement before the South Korean parliament acts.

Although the U.S. already grants duty-free treatment to many steel products on a most-favored nation basis, even to countries without preferential FTA access, the KORUS FTA could help countries in the region with booming steel capacity, such as China, circumvent antidumping and countervailing duty orders by shipping steel to Korea for minimal processing before export to the U.S. Such minimally processed steel would be treated as Korean under the trade agreement and receive duty-free access to the U.S. market. While the Department of Commerce has the ability to include such minimally processed steel from Korea within the scope of an existing antidumping or countervailing duty order on steel from China, it is not clear how the lax rules of origin in the Korea trade agreement may affect the Department's treatment of such goods in an anti-circumvention proceeding. In addition, if Chinese producers take advantage of the trade agreement's weak rules of origin to ship steel to the U.S. through Korea (with minor processing), it could make it more difficult for the U.S. steel industry and its workers to meet legal thresholds regarding injury or import surges directly attributable to China when bringing future trade remedy cases against imports from China. This is particularly important given this Committee's recognition that many U.S. manufacturers lack confidence in the Bureau of Customs and Border

[5] We note with disappointment that EU's FTA with South Korea has a 5 percent cap on the duty-drawback, a significant protection lacking from the KORUS FTA.

Protection's present ability to enforce anti-dumping and countervailing duty orders in this environment of budget cuts and extremely high import volumes.[6]

With regard to autos, the KORUS FTA includes three different methodologies that manufacturers can use to calculate the content of the vehicles they produce (build-up, build-down, and net cost), and manufacturers have sole discretion as to which methodology to use. The regional value content (the percentage of the good that must be created domestically to qualify for preferential treatment under the FTA) varies with the methodology: 35% for build-up, 55% for build-down, and 35% for net cost. We remain concerned that 35% RVC would provide preferential tariff rates to autos that are 65% Chinese (our concerns with unfair trade from China are well known and need not be restated here).

Moreover, while we understand that both U.S. and Korean auto manufacturers currently use the build-up and build-down accounting methods, the net cost method appears to open the door for manufacturers to further minimize regional value content—endangering jobs in both the U.S. and South Korea. While U.S. and Korean auto manufacturers apparently do not currently use the net cost method, there is no reason why they could not use it in the future, if it is economically advantageous to do so.

The trade agreement could also increase the incentive for other nations to send their unfairly traded products into South Korea to become eligible for benefits. The low 35% threshold for South Korean content—dramatically lower than the 55% content provision (under a different methodology) obtained by the EU during its negotiations with South Korea—would allow for the vast majority of components in a final product to be produced outside of Korea and obtain the preferential trade benefits of the KORUS FTA—even if they were subject to an existing dumping or countervailing duty order if shipped directly to the U.S. The trade agreement, therefore, provides a substantial loophole to the effective enforcement of U.S. trade law.

IV. Kaesong Industrial Complex

The AFL-CIO opposes the inclusion of any goods or inputs whatsoever produced in the Kaesong Industrial Complex (KIC) because of grave concerns over the lack of basic labor rights in the KIC and the potential impact on jobs and wages of the exports of these goods—produced at wages even lower than in China, quite possibly among the lowest industrial wages in the world.

Core labor rights, especially freedom of association and the right to organize and bargain collectively, are completely repressed in North Korea, including in the KIC. KIC workers reportedly work excessive hours and also lack the right to change employers—which keeps wages from rising as workers gain skills. KIC workers have no right to form a union or to bargain collectively. KIC employers do not pay wages directly to the workers, but rather to the government of North Korea, which then makes an unknown number of deductions, including at least 30% for "costs" associated with housing, transportation, and health care. Some analysts

[6] Hearing: "Enforcing America's Trade Laws in the Face of Customs Fraud and Duty Evasion." Senate Finance Committee, Subcommittee on International Trade, Customs, and Global Competitiveness. May 5, 2011.

have estimated that the workers eventually receive only a few dollars a month; pay often comes in the form of "chits" that can be exchanged for foodstuffs—rather than cash.

The effect of the President's Executive Order (EO) 13570 on protecting American workers from unfair competition from KIC-originating goods is unclear. Some analysts believe that it effects a complete ban on the importation, direct or indirect, of any goods, services, or technology from North Korea, while others convincingly argue that it merely restates current law, under which approval to import North Korean goods is "routinely" granted.[7] In either case, the Congressional Research Service has indicated that, despite current law, there **already exists** the possibility that imported goods from South Korea contain North Korean content, and that, at the margins, this possibility could increase with the passage of the KORUS FTA.[8]

We remain extremely concerned about the potential for transshipment of North Korean made goods to South Korea and subsequently to the United States. It does not appear that this issue was adequately addressed in the text or through EO 13570. Effective enforcement of rules of origin, including adequate funding for enhanced Customs enforcement, must be undertaken in order to prevent such illegal transshipment.

Finally, we have serious concerns that Annex 22-B leaves the door open to permanently increasing imports from the KIC. Under this Annex, the parties will establish a committee to "review whether conditions on the Korean Peninsula are appropriate for further economic development through the establishment and development of outward processing zones [OPZs]." The Committee will meet periodically to identify geographic areas that may be designated as an OPZ, the goods of which may therefore be considered "originating goods" for the purposes of the KORUS FTA. Given the prevailing labor conditions in the KIC and the fact that the KIC is a significant source of foreign hard currency for North Korea—a non-Party to this agreement—the AFL-CIO opposes Annex 22-B, as well as any attempt to classify KIC goods as originating goods under this agreement.

V. Investment

Trade agreements and their investment provisions should not incentivize off-shoring of U.S. jobs; establish substantive rights for foreign investors that extend beyond those granted to domestic investors; unduly limit countries' ability to impose capital controls where indicated; or invite challenges in international tribunals to non-discriminatory laws that legitimately seek to protect workers, the environment, or the health and safety of American citizens. The KORUS FTA's investment provisions do not meet this standard.

As with the investment chapters of previous trade agreements, we remain deeply concerned by this agreement's rules on expropriation, extremely broad definition of investment, and vague standard for fair and equitable treatment. In addition, the agreement's deeply flawed investor-to-state dispute resolution mechanism contains none of the controls, such as exhaustion

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[7] *See, e.g.*, Stephan Haggard and Marcus Noland. "Executive Order 13570: What Does It Really Mean?" Peterson Institute for International Economics Blog. April 28, 2011.

[8] Mark E. Manyin and Dick K. Nanto. "The Kaesong North-South Korean Industrial Complex." Congressional Research Service. April 18, 2011.

requirements, that could limit abuse of this private right of action. As negotiated, the investment provisions in the Korea agreement do give foreign investors greater rights than domestic investors, workers, or advocates to challenge democratically enacted American public interest laws and regulations. Further, the KORUS FTA gives us new causes for concern due to new and unprecedented language and expansion of the scope of property rights.

Of particular concern to the AFL-CIO is the agreement's overly inclusive concept of expropriation. The KORUS FTA adds several provisions that do not appear in prior FTAs that will likely expand the scope of actions considered "indirect expropriations." For example, the KORUS FTA provides that relevant considerations in determining whether a government action is an expropriation could include "whether the government action imposes a special sacrifice on the particular investor or investment that exceeds what the investor or investment should be expected to endure for the public interest." The "special sacrifice" standard has no corollary in U.S. or international law. The KORUS FTA also provides that indirect expropriation will have occurred if a government action is "extremely severe" or "disproportionate in light of its purpose or effect," adding vague new criteria to the determination. Arbitrators, interpreting these vague new terms, could strike down any number of laws intended to protect public health, safety, or the environment.

Taken together, these broad and vague provisions will afford foreign investors greater rights than U.S. investors—and likely greater rights than even foreign investors covered by existing FTAs. While some will argue that the U.S. has never lost an investor-state challenge, there is no guarantee that this will always be the case. Certainly, resources used to defend such cases could be better used elsewhere in this austere fiscal environment. Moreover, it is impossible to measure the chilling effect that the investment provisions have on the policy debate. In the past, investors have challenged a state's right to ban the toxic gasoline additive MTBE—that challenge may have weighed into policy decisions regarding regulation of bisphenol A (BPA) and other potentially endocrine disrupting chemicals. Finally, we raise once again the absence of non-discriminatory labor regulations from the list of what does not constitute an indirect expropriation, taking due note that the list is not exhaustive.

VI. Services

The AFL-CIO believes that important public services should be performed by the government and that quality control and accessibility should be assured by close government oversight. Maintaining public control over these services is essential to maintaining accountability to the local consumers of those services. As in previous agreements, the KORUS FTA does not contain a broad, explicit carve-out for essential public services. Rather, public services provided on a commercial basis or in competition with private providers are generally subject to the rules on trade in services, unless specifically exempted. There are few public services within the United States, however, that would qualify for the exception as it is written.

The specific exemptions for services in the KORUS FTA fall short of what is needed to protect these important sectors. There are, for example, no U.S. exceptions for energy services (except atomic), water services, sanitation services, public transportation, education, or health care. Even for those services that the U.S. did make exceptions for, the exemption only applies to some of the core rules of the FTA, not all. Any trade agreement should preserve the ability of federal, state, and local governments to regulate services for the public benefit, allowing distinctions between domestic and foreign service-providers and setting appropriate qualifications or limitations on the provision of those services.

VII. Conclusion

In addition to the concerns discussed above, we remain concerned about the effects of the Government Procurement Chapter (17) on the ability to direct spending to create desperately needed local jobs; the obstacles that the Financial Services Chapter (13) poses to addressing the financial crisis that began in 2008; and the special status the agreement grants to foreign investors, who are the only entities able, under the agreement, to skip the Dispute Settlement provisions of Chapter 22 and challenge the United States government directly at the International Centre for Settlement of Investment Disputes.

In sum, this agreement does not adequately address the economic futures of workers either in the United States or South Korea. American workers are willing to support increased trade if the rules that govern it stimulate growth, create good jobs, and protect fundamental rights. However, this agreement fails to meet these goals.

Testimony
Ambassador Demetrios Marantis
Senate Committee on Finance
Hearing on the U.S.-South Korea Trade Agreement
May 26, 2011

Good morning Chairman Baucus, Ranking Member Hatch, Members of the Committee, it is an honor and a pleasure to testify today about the U.S.-South Korea trade agreement.

We are here at a critical moment in our nation's history, presented with a unique opportunity. Our economy is recovering, and for seven straight quarters American exports have been a significant contributor to our economic growth. In 2010, nominal exports of goods and services were up 17 percent. This export growth already has supported hundreds of thousands of additional American jobs.

Within our grasp is the chance to put our recovery on solid footing and secure additional exports, growth, and jobs for Americans across this country. Congress has an extraordinary opportunity to pass and implement the most economically significant trade agreement the United States has negotiated in nearly two decades. The U.S.-South Korea trade agreement will strengthen our trade and investment ties to South Korea's $1 trillion economy. It will bind a key strategic ally closer to us, anchor our economy to the dynamic Asia-Pacific, and help us keep our edge over international competition. It is a key element in our economic strategy in the region. Most importantly, the U.S.-South Korea trade agreement will create substantial export opportunities, establish strong enforcement provisions, and support new export-related jobs.

When President Obama took office, many in Congress had serious concerns about moving forward with this agreement, especially regarding autos and beef. This Administration shared those concerns. We heard you, and we took action.

On autos, after extensive consultation with members of this Committee and others, as well as a wide range of labor, business, and other stakeholders, the United States and South Korea agreed, last December, to a new set of commitments that will generate additional tangible benefits for the American economy. We agreed to four central elements that taken together will help make South Korea's auto market more open, fair, and transparent.

First, we tackled the unique South Korean auto safety and environmental standards that pose a costly and unfair non-tariff barrier to U.S. auto exporters. Second, we negotiated a tariff structure that will give American auto companies and their workers a chance to build up more business in South Korea before U.S. tariffs come down. Third, we agreed to protect U.S. auto companies and their workers from potential harmful surges in South Korean auto imports by establishing a new special motor vehicle safeguard. Fourth, we pushed for more transparency in the South Korean market, giving our auto companies a 12-month grace period to comply with new auto regulations, as well as ensuring that South Korea will ensure transparency in adopting any future automotive taxes based on fuel economy or greenhouse gas emissions.

On beef, we are pleased that U.S. beef exports are steadily increasing to Korea. That said, we heard the concerns of Chairman Baucus, his colleagues, and ranchers across the country about achieving science-based access to the South Korean beef market. The Obama Administration shares these concerns with respect to South Korea and other trading partners in the Asia-Pacific region. That is why on May 4, 2011, Ambassador Kirk sent Chairman Baucus a letter stating the intent of the United States to request consultations with South Korea under the 2008 beef protocol to discuss its full application once the U.S.-South Korea trade agreement has entered into force, recognizing that these are separate agreements. We also welcomed the U.S. Meat Export Federation's plans to submit a proposal to USDA requesting an additional $10 million to promote U.S. beef exports to South Korea's market over the next five years.

Our progress on autos and beef, as well as comprehensive efforts to build a bipartisan trade consensus through stronger enforcement and domestic outreach, has now put us in the position to move forward with the U.S.-South Korea trade agreement. Today the Administration and Congress are together poised to unlock the enormous economic and strategic benefits of this agreement.

The U.S.-South Korea trade agreement promises tariff cutting benefits that are immediate, significant, and accrue to every state in our nation. Take a look at agriculture. South Korea is already our fifth-largest agricultural export market, and the Department of Agriculture projects that South Korea will purchase more than $6 billion of U.S. agricultural products during fiscal year 2011. Immediately upon entry into force, the U.S.-South Korea trade agreement eliminates tariffs on two-thirds of American agricultural exports to South Korea. As a result, farmers and ranchers in each of your states will be positioned to seize additional export opportunities in one of the most dynamic economies in the world. According to a recent report by the Department of Agriculture's Economic Research Service, U.S. agricultural exports would expand by an estimated $1.9 billion per year if the U.S. agreement with Korea were implemented.

Let me be specific. Once the U.S.-South Korea trade agreement is implemented, cattle ranchers in states like Montana, Wyoming, Texas, Oklahoma, and South Dakota will immediately benefit from reductions in South Korea's 40 percent tariff on U.S. beef. That lower tariff – phased out completely over 15 years – will help America's ranchers build on their $518 million in sales to South Korea last year, an increase of 140 percent in value over 2009.

Also under this agreement, Florida growers will benefit from an immediate elimination of a 54 percent tariff on frozen orange juice and a phase out of the 30 percent tariff on grapefruit. New Jersey, Maine, and Massachusetts blueberry and cranberry growers will gain from immediate reductions in the 45 percent tariff they face today. Delaware, Maryland, and West Virginia poultry and egg producers will also see greater opportunities as this agreement phases out tariffs of 18 percent or higher.

Passing and implementing this agreement will give wheat farmers in North Dakota, Montana, and Kansas the chance to export their wheat duty free to South Korea. Ninety percent of Iowa and North Carolina pork exports will become duty free in 2016 under this deal, while New York, New Mexico, Idaho, and Michigan dairy producers will gain from expansive, duty-free tariff-rate quotas for their cheese, milk powder, butter, and whey exports. Arizona vegetable and pistachio growers will benefit from the elimination of tariffs. Washington and Oregon's cherry, wine, and grape juice producers will all see double-digit tariffs eliminated immediately upon implementation of this agreement.

The U.S.-South Korea agreement will create equally substantial export benefits for U.S. manufactured goods. Manufactured goods already account for over 80 percent of exports to South Korea – reaching a record $32 billion in 2010 and growing faster than our manufacturing exports to nearly all of our major markets. The tariff reductions and the non-tariff measure provisions in this agreement put our manufacturing sector on course to set and break new export records. Within five years of entry into force, this agreement removes tariffs on over 95 percent of U.S. industrial and consumer good exports.

Again let me be specific. For Michigan's auto and auto parts industry – and parts manufacturers around the country – this Administration has leveled the playing field and created new export opportunities in the South Korean market. By addressing tariff and non-tariff barriers head on, the South Korean market will be more open, fair, and transparent. Ford, General Motors, Chrysler, and the United Auto Workers all support this agreement because these auto export benefits are now clear and within reach.

The U.S.-South Korea agreement secures big benefits for other key American manufacturers by immediately eliminating tariffs on over 90 percent of aerospace exports produced in states like Washington and Kansas. Computer and electronics products producers in states like North Carolina, Massachusetts, Utah, Idaho, and New York will see many of South Korea's tariffs eliminated upon entry into force. The agreement will immediately eliminate tariffs on 99 percent of your states' scientific equipment exports to South Korea. Environmental goods manufacturers in many of the states you represent will face no tariffs on over 95 percent of their exports to South Korea just three years after implementation of the agreement.

The U.S.-South Korea agreement also accounts for sensitive U.S. manufacturing industries like textiles. Today, South Korea applies an average tariff of over 10 percent on our textile and apparel exports. Immediately upon implementation, approximately 98 percent of textile and apparel tariff lines will receive duty-free treatment in South Korea. At the same time, the agreement includes a special textile safeguard mechanism we can invoke if South Korean textile exports cause, or threaten to cause, serious damage to domestic industry. Strong customs cooperation provisions in this agreement will guard against illegal textiles transshipment and make sure textile provisions are vigorously enforced.

The United States is also a global services exporting powerhouse, and the U.S.-South Korea agreement will strengthen our leadership position. This agreement guarantees access for our services industries – information and communications technology, express delivery, financial and insurance services, to name just a few – to South Korea's $580 billion services sector. South Korea is a major market in this area – the world's 8th largest importer of services – and South Korean imports of services have grown 40 percent faster than the rest of the world over the past decade. In fact, estimated U.S. sales of private commercial services to South Korea through cross-border and affiliate channels exceeded $24 billion in 2009. New opportunities in South Korea's expanding market have great potential to translate into additional export-supported jobs here at home.

Underpinning these new export opportunities are this agreement's state of the art provisions to help protect and enforce intellectual property rights. These IPR provisions are key to small and large innovative companies embracing global markets. Critical too are provisions that reduce red tape, and eliminate unwarranted regulatory barriers to U.S. exports. This agreement also contains the highest standards for protecting labor rights, promoting the environment, and ensuring that key domestic labor and environmental laws are enforced, combined with strong remedies for non-compliance.

Taken together, these additional export opportunities and stronger and better rules mean one thing – more export-supported jobs for Americans. The tariff reductions on goods exports alone will lead to significant increases in U.S. exports to South Korea that is estimated to support over 70,000 additional American jobs. And that is a conservative number, since it does not include services liberalization and removal of non-tariff barriers. More services exports to South Korea will support tens of thousands of additional jobs. And fewer non-tariff barriers and stronger rules will support even more.

The U.S.-South Korea trade agreement is an important investment in our economy. This Administration is ready to move this agreement forward as part of a comprehensive trade agenda that likewise invests in our economy and American workers. As we have stressed repeatedly, we must keep faith with our workers by renewing a strong and robust Trade Adjustment Assistance (TAA) program that will support Americans who need training and other services when their jobs are affected by trade. TAA is a key component of President Barack Obama's trade agenda, as it has been part of Democratic and Republican trade agendas for nearly half a century. We look forward to working with this Committee on renewing TAA, as well as reauthorizing trade preference programs, granting Russia Permanent Normal Trade Relations as that country joins the World Trade Organization, and unlocking the benefits of this historic trade agreement with South Korea.

Questions for the Record
U.S.-Korea Free Trade Agreement
Thursday, May 26, 2011

Questions for Ambassador Marantis

Questions from Chairman Baucus

Q 1. Ambassador Marantis, the Administration announced earlier this month that it would take two steps to provide U.S. beef with greater market access in Korea. First, the Administration awarded $1 million to promote U.S. beef sales in Korea in 2011. And it announced that USDA would favorably consider a request for $10 million to promote U.S. beef sales in Korea over the next 5 years. Second, the Administration announced that it would seek consultations with Korea under the terms of the 2008 beef protocol. And these consultations will occur within 7 days of their request. I applaud your hard work in finding ways to resolve the beef issue in Korea. What impact will these two steps have on further opening Korea's market to U.S. beef?

A. Obtaining greater market access for U.S. beef in Korea remains a high priority issue for the Administration, and these recent announcements are part of this Administration's broad, concerted, and science-based efforts to open beef markets across Asia and to assist in expanding U.S. market share in Korea's beef market. The additional funding will help educate and increase confidence among Korean consumers about the safety and quality of U.S. beef, and the consultations will provide an opportunity to discuss full application of the beef protocol, leading us one step closer to the goal of full access to Korea's beef market.

In the meantime, once in force, this agreement will progressively reduce tariffs on our beef exports to zero, enabling America's beef producers to build on the significant growth of exports to Korea – which reached $518 million in 2010, a one-year increase of 140 percent in value. This trend of robust sales is continuing into 2011. For the first four months of 2011 (Jan-April), U.S. beef exports to Korea reached $284 million, an increase of 153 percent in value over the same time period last year.

Q 2. Ambassador Marantis, the Administration announced an agreement with Korea in December that will create more symmetry between U.S. and Korean autos trade. This agreement will further open Korea's market to U.S. autos. And it will limit Korea's ability to have unfettered access to the U.S. autos market. What impact do you expect these provisions to have on U.S.-Korea autos trade? How do you expect these provisions to benefit U.S. auto makers and U.S. auto workers?

A. The December 2010 agreement is designed to level the playing field in U.S.-Korea automotive trade. First, we addressed the ways South Korea's system of automotive safety standards has served as a barrier to U.S. exports and agreed to improve South Korea's regulatory transparency. Second, we agreed to encourage green technologies by immediately cutting in half

South Korea's tariffs on electric car imports, and eliminating both of our tariffs altogether by the fifth year of the agreement. Third, we agreed that South Korea will immediately cut in half its tariffs on U.S. passenger vehicle exports, while our tariffs on South Korea's passenger vehicle exports will remain in place until the agreement's fifth year. For trucks, U.S. tariffs will remain in place until the eighth year, and then will be phased out by the tenth year. South Korea's truck tariffs will be eliminated immediately. This will give American auto companies and their workers a chance to build up more business in South Korea. Fourth, to protect U.S. auto companies and their workers from potential harmful surges in South Korean auto imports, we agreed to a new special motor vehicle safeguard. As part of the outcome of the negotiations, we also ensured that South Korea's new regulations on fuel economy and greenhouse gas emissions do not undermine market access for U.S. auto exports, while maintaining high standards for environmental protection. On June 9, these new regulations went into effect, with provisions consistent with what we negotiated in December.

The impact of these provisions, together with relevant provisions that were already included in the 2007 agreement, will be to establish a level playing field for U.S.-South Korea automotive trade. We have full confidence that our workers and automakers can, and will, compete and excel on a level playing field and will take full advantage of the market opportunities this agreement will create. The United Auto Workers, Ford, Chrysler, and General Motors share this confidence, and have publically expressed their support for this agreement.

Questions from Senator Menendez

Q 1. Ambassador Marantis, as you know, I have been a strong advocate for strong intellectual property rights protections in all of our Free Trade Agreements. Are you confident that in case South Korea does not adequately protect the intellectual property rights of innovative companies such as Varian, the USTR has and will exercise the powers it has to seek remedies for any IPR violations?

A. Korea has made great strides in recent years in protecting intellectual property rights. Building on this strong base, the KORUS contains provisions providing for strong protection and enforcement of intellectual property rights (IPR) which will benefit U.S. creators and innovators. Enhanced protections for IPR in this agreement include provisions that:

- Strengthen deterrence against criminal acts of commercial-scale copyright piracy and trademark counterfeiting, including end-user piracy of software.
- Protect against arbitrary revocation of patents and assure protection for a wide range of inventions.
- Protect valuable U.S. brands by applying the principle of "first-in-time, first-in-right" to trademarks and geographical indications, and by mandating dispute resolution for cybersquatting.
- Streamline and strengthen customs procedures to increase efficiency of border enforcement, including goods in transit.

- Strengthen enforcement by requiring parties to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them.

The protection and enforcement of U.S. IPR in South Korea has long been a major subject of bilateral discussions, and Korean authorities have demonstrated a commitment to work closely with U.S. authorities to combat IPR infringement – including signing a 2010 Memorandum of Understanding with U.S. Immigration and Customs Enforcement to facilitate cooperation on IPR investigations. We will continue our robust bilateral engagement with South Korea to address trade related IPR matters that are of concern. And of course, all of the commitments of the IPR Chapter are backed by the agreement's strong enforcement provisions, which will allow the United States to ensure that South Korea fully implements these obligations.

Q 2. Ambassador Marantis, Ms. Lee mentioned in her testimony that the Korea Free Trade Agreement does not eliminate many non-tariff barriers. What tariff barriers are not eliminated and how does USTR plan to deal with them so as to create as level a playing field as possible?

A. Ms. Lee's assertion on non-tariff barriers is not accurate. The KORUS has the strongest provisions ever negotiated to deal effectively with non-tariff barriers. In addition to addressing specific non-tariff barriers with regard to specific sectors, the agreement contains cross-cutting commitments to address non-tariff measures across a range of sectors and industries. First, this agreement includes significant provisions on regulatory transparency that improve and enhance notice and comment periods and provide U.S. stakeholders opportunities to participate in the regulatory process from the beginning. Second, strong conformity assessment provisions ensure that Korea will give equal treatment to non-Korean conformity assessment bodies, providing greater flexibility for U.S. exporters seeking to certify their products for sale in Korea and expanding opportunities for U.S. labs in the Korean market. Third, technology neutrality provisions will discourage South Korea from mandating the use of specific domestic technologies for information and communications technology service providers. Fourth, the agreement includes provisions to eliminate red tape and streamline operations in customs administration, providing for quick, efficient access to Korea's market. Fifth, the agreement also establishes a large array of committees and working groups, including the minister-level Joint Committee, a TBT Committee and Automotive Working Group, and SPS Committee. With these institutional tools, we will be able to weigh in at early stages on new developments and work to resolve issues before they become impediments to trade.

Finally, the Obama Administration strengthened these non-tariff barrier provisions in the December 2010 agreement, including commitments that address the ways that Korea's system of automotive safety standards has served as a non-tariff barrier to U.S. auto exports, securing adequate adjustment time between the publishing of a significant motor vehicle-related regulation and its entry into force, and making future automotive taxes based on fuel economy or greenhouse gas emissions subject to certain parts of the agreement's general transparency obligations.

Testimony

on behalf of the

Montana Stockgrowers Association Inc.

with regard to

the U.S.-Korea Free Trade Agreement

submitted to the

United States Senate Committee on Finance

The Honorable Max Baucus, Chairman

submitted by

Errol Rice

Executive Vice President
Montana Stockgrowers Association Inc.

May 26, 2011
Washington, D.C.

Good morning Chairman Baucus and members of the committee. Thank you for the opportunity to speak to you on behalf of the members of the Montana Stockgrowers Association (MSGA) regarding our point of view on the U.S.-Korea Free Trade Agreement (KORUS FTA). My name is Errol Rice and I am a fifth generation Montana rancher. I currently serve as the Executive Vice President of the Montana Stockgrowers Association, one of the nation's oldest and historically significant cattle ranching organizations established in 1884.

Our mission is to protect and enhance Montana ranch families' ability to grow and deliver safe, healthy, environmentally wholesome beef to the world. Our vision is to be the premier institution that exemplifies leading global beef innovation while preserving Montana's complex natural landscape, history, economy, ethics and social values.

There was a time when the largest part of our economic activity was domestic, but now our future depends on our ability to be globally competitive. Ranchers must have access to the additional demand for beef from consumers that live outside the United States. 96 percent of the world's population lives outside the borders of the U.S. The unfolding 21st Century global landscape, in its breadth and complexity, is creating unprecedented challenges and opportunities for rancher's beef export capabilities. A global economic system is a fundamental reality that must be met with a rural American consensus in support of free trade, which we believe, is a central pillar to this country's economic and geopolitical strength.

Expediting the full implementation of the KORUS FTA gives Montana's family ranchers the momentum we need to benefit our rural ranching economy at home. Exports create jobs. According to Cattlefax, fed steers have been selling near $115 per hundred weight (cwt), or roughly $1,495/head. Of that, Cattlefax estimates that exports have added a minimum of $145/head in value (as opposed to not having exports). Our competitiveness depends on profitability and attracting the next generation of ranchers back into the business.

Today, Korea is one of the largest export markets for Montana and American beef. In 2010, we exported nearly $518 million worth of our product, which is a 140 percent increase in sales over 2009. This added $25 in value to each of the 1.3 million head of steers and heifers grown and marketed from Montana in 2010. This agreement achieves a major breakthrough in phasing out Korea's 40 percent tariff on our wholesome beef cuts. In 2010, we were met with over $200 million in tariffs on our beef being exported to Korea. The KORUS FTA upon implementation would lend $15 million in tariff benefits to our product in the first year alone and roughly $325 million in tariff reductions annually once fully implemented. According to the U.S. International Trade Commission, annual exports of U.S. beef could increase as much as $1.8 billion once the agreement is fully implemented.

While Korea is a strong export market for U.S. beef, we have also faced unscientific restrictions. Montana ranchers believe that our trading partners should abide by sound science and international standards. That is why we appreciate very much the efforts by Chairman Baucus to move us toward that goal. Under the agreement that he negotiated with the Administration, the U.S. Department of Agriculture will consider favorably a request from the U.S. Meat Export Federation to educate Korean consumers about the safety, quality, and value of U.S. beef. And he secured a commitment from Ambassador Kirk to hold consultations with Korea on the full application of the 2008 U.S.-Korea beef protocol.

Recognizing international science based standards, such as those set by the OIE, is very important. It not only creates less market volatility but it also encourages the safest and most prudent production practices.When BSE was detected in a cow in the U.S. on December 23, 2003, resulting in new traceability and age standards for the exportation of U.S. beef to countries like Korea, the evolution of the Age and Source verification process and the attendant software and database needs accelerated. Age and Source verified cattle through a United States Department of Agriculture (USDA) certified Process Verified Program (PVP) provider has been essential to U.S. beef meeting export eligibility criteria. We are now leading the way to provide technologically advanced traceability solutions for northern tier "high quality" ranch-level certified calves. We estimate that of the 250,000 Montana calves that were uniquely certified beneath our private Verified Beef LLC traceability solutions in 2010, nearly 50,000 of them were exported in the form of high quality beef to Korea. Private sector solutions such as this, in collaboration with public sector drivers, we believe, can offer a customized traceable beef system that will guarantee quality throughout the supply chain. China is the only major market still closed to U.S. beef and represents one of the largest potential growth markets for ranchers. We think a public and private sector approach to beef traceability can drive market expansion opportunities in China much faster.

Last week, MSGA was fortunate to be able to participate in the 2011 Asia-Pacific Economic Cooperation (APEC) Trade Ministers meeting in Big Sky, Montana. This was a tremendous opportunity to offer thought leadership and to discuss our cutting edge approaches to global beef innovation to meet demand. This meeting served as a proactive model that brought ranchers and foreign dignitaries together. It spawned greater information sharing and interconnectedness as a definite outcome that will bond together more effective trade partners who are committed to a rules based trading system.

The United Nations' Food and Ag Organization (FAO) estimates that by 2050, global food production will need to increase by 70%. The global population is expanding by about 80 million people per year. U.S. ranchers see promising opportunities to be seized by trying to meet this challenge. According to the Strategic Framework for Food Security in APEC, achieving global food security requires:

- Adequate, reliable and sustainable supplies of crop and livestock products, through increased agricultural productivity and more efficient regional and global markets linking demand and supply;
- An open rules-based trading system that allows food to flow from areas experiencing surpluses to those experiencing deficits;
- Efficient and safe distribution systems throughout the supply chain;
- Efficient agricultural research, extension and education systems, plus adequate agricultural infrastructure and property rights; and
- A recognition that both public and private sectors have appropriate roles to play and can achieve more if they work together.

High value, perishable products like beef need rapid connection and efficient delivery to world consumers. U.S. infrastructure must ensure efficient and sophisticated transportation of our product to the global marketplace. As economies around the world begin to recover, we see global demand expanding for U.S. beef products. Ranchers cannot meet world consumer demand through inefficient, congested and outdated systems. We must continue to make technological advances in port-to-market distribution systems for U.S. agricultural exports like beef. Freshness is a key ingredient to advancing distant foreign markets for beef.

Reaffirming our commitment to all of our international agreements both ratified and pending, especially the KORUS FTA, will drive investment into advancing our infrastructure. Critical challenges such as port capacity, high performance cold storage systems, container availability, ready access to rail and highway systems, customs services, inspections and distribution systems can be better met following these commitments.

Our ranch families' livelihoods depend on exports which are our most dynamic and vibrant opportunities for long-term sustainability.

I appreciate the opportunity that we have been granted to present our testimony today and we look forward to working with you throughout the course of this process to secure passage of this crucial agreement.

SUBMITTED BY SENATOR WYDEN

Memorandum

To: Interested Parties
From: Majority Staff of the Senate Committee on Finance Subcommittee on Trade (Chaired by Senator Ron Wyden)
Date: January 25, 2011
Re: Updated assessment of the U.S.-Korea Free Trade Agreement (FTA)

Summary
There is concern that current debate on the merits and potential economic impact of the U.S.-Korea FTA lacks the necessary candor for policy makers and the American public to engage in productive conversation about trade, globalization, and the future of the American economy. This memo provides an updated quantitative assessment that reexamines the potential economic impacts of the U.S.-Korea FTA on the U.S. economy on a national, state-by-state, and industry-specific basis. It uses recent trade data, and part of the discussion considers the implications of the recent economic downturn. The purpose of presenting this updated assessment is to enable straight talk when the merits of the agreement and more broadly, trade in general, are discussed.

Section I of this memorandum provides an overview and rationale for an updated quantitative assessment of the U.S.-Korea FTA. Section II updates results from economic modeling simulations of the quantifiable elements of a fully implemented U.S.-Korea FTA under two distinct scenarios: one that reflects more robust economic conditions closer to those in 2007 when the agreement was concluded (i.e., lower unemployment and full capacity), and one that reflects relatively weaker economic conditions closer to those at present (i.e., higher unemployment and underused capacity). Section III provides more detailed results of potential employment impacts of the U.S.-Korea FTA on a state and sector basis under the latter scenario.

Section I
Overview
The U.S.-Korea Free Trade Agreement FTA, initially negotiated in 2007 and revised in 2010, has the potential to be the most commercially significant FTA negotiated by the United States in more than 17 years (after the North American Free Trade Agreement), opening up a potentially large market to U.S. exporters. Yet, the debate on the merits and potential economic impact of the agreement is increasingly polarized. Supporters claim that the agreement will be a boon to U.S. exporters, while detractors claim that the agreement will result in substantial American job loss and an increase in the U.S. trade deficit.

In 2007, the independent U.S. International Trade Commission (ITC) concluded that the agreement would have a positive, yet modest, effect on U.S. economic output and employment in most sectors of the economy. For example, according to the ITC's official study, the reduction in tariffs and tariff-rate quotas on goods as a result of the agreement would add nearly $12 billion to U.S. GDP, $11 billion in U.S. exports of goods to Korea, and about $7 billion in U.S. imports from Korea. The ITC report showed that the FTA would likely have a small positive effect on economic output and employment on most sectors of the U.S. economy, with output and employment increasing in most sectors, while declining in others.

Updated Assessment of the U.S.-Korea FTA

The U.S. economy has changed significantly since 2007. Since then, the U.S. suffered a severe financial crisis and one of the worst economic recessions since the Great Depression. The current unemployment rate – which hovers around 10 percent – contributes to the souring of the national mood toward trade. It is inappropriate to preach the benefits of freer trade with Korea without acknowledging the potential loss of American jobs as a result of this agreement, and engaging in a policy discussion about how the U.S. will face growing international competition in the new decade and, indeed, the new century.

For these reasons, we requested that ITC staff with economic modeling skills provide quantitative technical assistance examining the agreement based on current data and economic conditions. The ITC staff then conveyed these quantitative results to the staff of the Senate Committee on Finance's Subcommittee on Trade. We (the staff of the subcommittee) find that these results show that, in an economy with substantial unemployment and underused capital, the agreement has the potential to create about 280,000 American jobs, but that job growth would be uneven among states and across industry sectors, with some sectors losing out while others benefit.

Section II[1]

This section provides results from economic model simulations of the fully implemented U.S.-Korea FTA.[2] The results are reported for changes in U.S. GDP and welfare, exports, imports, output, and employment by sector (tables 1 to 4). Changes in state- and region-level gross product and employment, and state and regional output and employment by sector are also reported (tables 5 to 8).

The simulations focus on the U.S.-Korea FTA's tariff and tariff-rate quota (TRQ) reductions. The lack of necessary data precludes the quantification of the FTA provisions relating to services, investment, labor, and environment. As such, the simulations tend to underestimate any positive economic effects of the FTA in these sectors.

The method used for the simulations is a computable general equilibrium (CGE) simulation. The specific CGE models used are the Global Trade Analysis Project (GTAP) model and the U.S. Applied General Equilibrium (USAGE) model.

The base data reflect 2009 trade and economic conditions. The models simulate the economic effects of FTA's tariff and TRQ reductions in the U.S. and world economies—in other words, what the economy would have looked like in 2009 had the FTA been fully implemented, holding all else constant.[3]

Simulation results reflect long-term adjustments of supply, demand, and resource allocations as a result of the FTA. The models do not consider interim adjustments that might be felt as different provisions of the agreement enter into force, nor does it consider various adjustment costs that may occur over time.

In the simulations, bilateral U.S.-Korea ad-valorem tariff equivalents (AVEs) are all reduced to zero (i.e., free of duty), with certain exceptions. No change in quantity traded is anticipated in products that fall within the rice sector, the raw milk sector, the sugarcane and sugar beet sector, or the manufactured sugar sector. In addition, as U.S. exports of oranges to Korea do not experience full liberalization because of the ongoing seasonal orange TRQ in the FTA, the Korea AVE tariffs in the vegetable, fruits, and nuts sector declines from an initial 38.5 percent to 6.7 percent rather than to zero. To isolate the effect of FTA tariff reductions on beef trade from the effects of SPS issues, U.S.-Korea beef trade is based on 2003 data, the most recent year of normal trade prior to the Korean ban on beef imports from the United States. This assumption allows for an estimate that measures the potential changes in trade based solely on the removal of tariffs resulting from implementation of the FTA, and assumes no significant SPS measures that would restrict access to the Korean market. Lastly, Korean liberalization with respect to motor vehicles also includes the reduction of the excise tax on automobiles with an

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[1] Material presented in Sections II and III was prepared by staff of the Office of Economics of the U.S. International Trade Commission (USITC or Commission) in response to requests by staff from the Senate Finance Trade Subcommittee, and does not reflect the views of the Commission or Commissioners. The technical assistance is not an official Commission document and if referenced, it should be referenced "work of the staff of the USITC: not a Commission-approved document."

[2] As negotiated in 2007. The economic model simulations do not take into account subsequent revisions to the agreement that were made in 2010.

[3] The model simulations show the marginal effect on the economy, relative to existing trends, of the removal or reduction of tariffs and TRQs as specified in the FTA. For example, a negative effect, such as a decrease in a commodity price or decrease in a sector's output, does not imply that the overall value will be negative as a result of the FTA. Rather the marginal effect of the FTA would either buttress existing negative economic trends or suppress positive ones. For a positive effect, it would do the opposite: enhance a positive economic trend, or suppress a negative one.

engine displacement over 2,000 cubic centimeters (cc). The tax, currently 10 percent, is expected to decline to 5 percent. Although the reduction is included in the FTA, it would apply to all producers; consequently, this change is implemented for all suppliers to the Korean market, including the United States and domestic Korean producers, prorated based on market share across the motor vehicles and parts sector.

We requested that ITC staff simulate two scenarios in the technical assistance:

In Scenario A the amount of labor and capital that is available in the U.S. economy is held fixed and wages and the cost of capital adjust to equilibrate supply and demand for labor and capital.[4] The Scenario A simulation of fixed labor and capital would reflect a condition close to full employment and full capacity utilization where the FTA creates greater demand for labor and capital in certain industry sectors that must then be reallocated from other sectors. Thus the simulated result for total U.S. employment is zero; employment is reallocated from sector to sector and from state to state. Total employment for a particular state may decline but this does not imply that unemployment is generated in that state; it implies that a certain quantity of labor is now employed in a neighboring state. Many economists consider these types of simulation models, which are based on standard assumptions, to provide reasonable economic responses to tariff changes in most years.

In Scenario B the amount of labor and capital that is available in the U.S. economy is variable; real wages and the cost of capital are held fixed. Under these conditions, the simulations show that U.S. employment would expand by 0.16 percent, or approximately 280,000 jobs. The Scenario B simulation would reflect a condition of less than full employment and excess capacity where the FTA can result in higher employment and increased capacity utilization, drawing resources from currently unemployed labor and capital as well as from other sectors. This approach more closely approximates current U.S. economic conditions than Scenario A.

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[4] The labor and capacity utilization mechanisms in Scenario A are the same as those in the simulations performed in the 2007 USITC publication about the U.S.-Korea FTA (USITC, *U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, Sept. 2007).

Table 1 U.S.-Korea FTA: Simulated effects of goods trade liberalization on U.S. GDP and welfare under two different scenarios about capacity utilization and labor employment

Indicator	Change from 2009 baseline			
	Scenario A		Scenario B	
	Fixed capacity utilization and employment		Fixed real wages and returns to capital	
	Million dollars	*Percent*	*Million dollars*	*Percent*
GDP	10,381	0.1	27,261	0.2
Payments to factors	8,670	0.1	21,649	0.2
Land	508	0.8	698	1.1
Unskilled labor	2,670	0.1	6,395	0.2
Skilled labor	1,702	0.1	4,418	0.2
Capital	3,835	0.1	9,317	0.2
Natural resources	-45	0.0	821	0.6
Welfare	1,758	0.0	20,652	0.1
Efficiency	59	0.0	5,452	0.0
Changes in the price of capital goods	215	0.0	20	0.0
Terms of trade (relative price of imports to exports)	1,483	0.0	742	0.0
Capacity utilization	0	0.0	6,688	0.0
Labor employment	0	0.0	7,750	0.1

Note: Zero values indicate values less than 0.05 percent in absolute value. The difference between the sum of payments to factors and GDP is due to changes in net tax payments.

Table 2.A U.S.-Korea FTA: Simulated effects on U.S.-Korea bilateral trade, Scenario A (fixed capacity utilization and employment)

GTAP Sector	U.S. exports to Korea (f.o.b.)				U.S. imports from Korea (LDP)			
	Exports before FTA	Korean AVE tariff before FTA	Change in U.S. exports to Korea after FTA		Imports before FTA	U.S. AVE tariff before FTA	Change in U.S. imports from Korea after FTA	
	Million USD	*Percent*	*Million USD*	*Percent*	*Million USD*	*Percent*	*Million USD*	*Percent*
Paddy and processed rice	43	n/a	0	0.1	1	7.5	0	0.0
Wheat	292	1.0	1	0.5	0	0.0	0	12.1
Cereal grains n.e.c.	1,211	2.2	12	1.0	0	1.1	0	5.7
Vegetables, fruit, nuts	274	38.5	202	73.7	35	0.7	2	7.0
Oil seeds	320	2.5	19	6.1	0	0.0	0	8.2
Sugarcane, sugar beet	0	3.0	0	0.2	0	0.0	0	0.0
Plant-based fibers	91	1.0	6	6.9	0	0.5	0	7.7
Crops n.e.c.	213	5.6	63	29.7	7	1.1	1	15.0
Bovine cattle, sheep and goats, horses	8	5.9	1	10.2	0	0.0	0	7.3
Animal products n.e.c.	290	3.3	36	12.3	1	0.5	0	4.0
Raw milk	0	0.0	0	0.1	0	0.0	0	0.1
Wool, silkworm cocoons	0	1.0	0	15.8	0	0.0	0	10.3
Forestry	180	2.0	15	8.4	0	0.2	0	2.9
Fishing	27	19.6	14	51.9	23	0.0	0	1.2
Coal	220	0.0	0	0.0	0	0.0	0	0.0
Oil and gas	0	0.0	0	-0.1	0	0.0	0	0.0
Minerals n.e.c.	414	1.9	13	3.1	2	0.0	0	-0.1
Bovine meat products	1,085	38.0	1,190	109.8	6	0.4	1	14.7
Meat products n.e.c.	301	24.8	611	203.0	1	2.4	0	37.6
Vegetable oils and fats	194	5.4	35	17.8	2	4.1	1	38.1
Dairy products	71	39.6	263	368.7	6	16.8	11	181.6
Sugar	2	43.5	0	-1.2	0	8.8	0	0.0
Food products n.e.c.	813	10.0	320	39.3	320	4.6	54	16.9
Beverages and tobacco products	97	35.1	88	90.3	88	3.3	4	4.8
Textiles	175	8.3	145	82.9	1,043	11.0	979	93.9
Wearing apparel	76	12.4	100	131.1	158	16.5	260	164.5
Leather products	81	6.2	46	57.3	44	8.8	52	118.9
Wood products	58	4.8	21	36.4	125	0.5	3	2.7
Paper products, publishing	614	2.4	81	13.2	415	0.3	5	1.3
Petroleum, coal products	403	0.0	0	0.0	1,087	2.1	75	6.9
Chemical, rubber, plastic products	5,665	6.7	2,541	44.9	3,093	3.0	585	18.9
Mineral products n.e.c.	254	7.8	135	52.9	184	2.1	18	10.0
Ferrous metals	1,221	1.2	78	6.4	1,284	0.2	8	0.6
Metals n.e.c.	661	3.7	222	33.6	151	2.4	29	19.2
Metal products	393	6.8	221	56.2	1,188	2.4	184	15.5
Motor vehicles and parts	359	7.9	194	54.1	8,108	2.4	907	11.2
Transport equipment n.e.c.	798	0.9	59	7.4	497	0.1	-1	-0.1
Electronic equipment	3,128	0.6	138	4.4	13,182	0.2	230	1.7
Machinery and equipment n.e.c.	7,464	4.6	2,813	37.7	8,506	1.3	805	9.5
Manufactures n.e.c.	424	5.3	169	39.9	314	3.4	74	23.6
Other sectors	13,057	0.0	10	0.1	8,705	0	-46	-0.5
Total	40,978	4.4	9,862	24.1	48,578	1.3	4,243	8.7

Table 2.B U.S.-Korea FTA: Simulated effects on U.S.-Korea bilateral trade, Scenario B (fixed real wages and returns to capital)

GTAP Sector	U.S. exports to Korea (f.o.b.)				U.S. imports from Korea (LDP)			
	Exports before FTA	Korean AVE tariff before FTA	Change in U.S. exports to Korea after FTA		Imports before FTA	U.S. AVE tariff before FTA	Change in U.S. imports from Korea after FTA	
	Million USD	*Percent*	*Million USD*	*Percent*	*Million USD*	*Percent*	*Million USD*	*Percent*
Paddy and processed rice	43	n/a	0	0.1	1	7.5	0	0.0
Wheat	292	1.0	1	0.4	0	0.0	0	12.4
Cereal grains n.e.c.	1,211	2.2	12	1.0	0	1.1	0	5.9
Vegetables, fruit, nuts	274	38.5	202	73.7	35	0.7	3	7.2
Oil seeds	320	2.5	19	6.1	0	0.0	0	8.6
Sugarcane, sugar beet	0	3.0	0	0.3	0	0.0	0	0.0
Plant-based fibers	91	1.0	6	6.9	0	0.5	0	7.9
Crops n.e.c.	213	5.6	63	29.5	7	1.1	1	15.3
Bovine cattle, sheep and goats, horses	8	5.9	1	10.2	0	0.0	0	7.5
Animal products n.e.c.	290	3.3	36	12.4	1	0.5	0	4.1
Raw milk	0	0.0	0	0.2	0	0.0	0	0.1
Wool, silkworm cocoons	0	1.0	0	16.2	0	0.0	0	10.4
Forestry	180	2.0	15	8.3	0	0.2	0	3.2
Fishing	27	19.6	14	51.8	23	0.0	0	1.4
Coal	220	0.0	-1	-0.4	0	0.0	0	0.5
Oil and gas	0	0.0	0	-0.2	0	0.0	0	0.4
Minerals n.e.c.	414	1.9	12	2.9	2	0.0	0	0.4
Bovine meat products	1,085	38.0	1,191	109.8	6	0.4	1	14.8
Meat products n.e.c.	301	24.8	612	203.3	1	2.4	0	37.6
Vegetable oils and fats	194	5.4	35	17.9	2	4.1	1	38.1
Dairy products	71	39.6	263	369.0	6	16.8	11	181.8
Sugar	2	43.5	0	-1.0	0	8.8	0	0.1
Food products n.e.c.	813	10.0	321	39.5	320	4.6	54	17.0
Beverages and tobacco products	97	35.1	88	90.4	88	3.3	4	4.9
Textiles	175	8.3	146	83.2	1,043	11.0	981	94.1
Wearing apparel	76	12.4	100	131.5	158	16.5	261	164.8
Leather products	81	6.2	47	57.7	44	8.8	52	119.1
Wood products	58	4.8	21	36.6	125	0.5	3	2.8
Paper products, publishing	614	2.4	82	13.4	415	0.3	6	1.4
Petroleum, coal products	403	0.0	0	0.1	1,087	2.1	77	7.1
Chemical, rubber, plastic products	5,665	6.7	2,552	45.1	3,093	3.0	588	19.0
Mineral products n.e.c.	254	7.8	135	53.0	184	2.1	19	10.1
Ferrous metals	1,221	1.2	79	6.5	1,284	0.2	10	0.8
Metals n.e.c.	661	3.7	223	33.8	151	2.4	29	19.4
Metal products	393	6.8	222	56.5	1,188	2.4	185	15.6
Motor vehicles and parts	359	7.9	195	54.3	8,108	2.4	915	11.3
Transport equipment n.e.c.	798	0.9	61	7.7	497	0.1	0	0.0
Electronic equipment	3,128	0.6	147	4.7	13,182	0.2	248	1.9
Machinery and equipment n.e.c.	7,464	4.6	2,836	38.0	8,506	1.3	811	9.5
Manufactures n.e.c.	424	5.3	170	40.2	314	3.4	75	23.7
Other sectors	13,057	0.0	22	0.2	8,705	0	-35	-0.4
Total	40,978	4.4	9,928	24.2	48,578	1.3	4,301	8.9

Table 3.A U.S.-Korea FTA: Simulated effects on U.S. global trade, Scenario A (fixed capacity utilization and employment)

GTAP Sector	U.S. exports to the world (f.o.b.)			U.S. imports from the world (LDP)		
	Exports before FTA	Change in U.S. exports after FTA		Imports before FTA	Change in U.S. imports after FTA	
	Million USD	*Million USD*	*Percent*	*Million USD*	*Million USD*	*Percent*
Paddy and processed rice	1,392	-8	-0.6	476	2	0.5
Wheat	5,522	-39	-0.7	678	4	0.6
Cereal grains n.e.c.	7,486	1	0.0	727	5	0.6
Vegetables, fruit, nuts	13,730	148	1.1	10,765	34	0.3
Oil seeds	9,590	-27	-0.3	714	3	0.5
Sugarcane, sugar beet	9	0	-0.8	10	0	0.0
Plant-based fibers	4,837	-14	-0.3	22	0	0.3
Crops n.e.c.	2,783	25	0.9	7,258	52	0.7
Bovine cattle, sheep and goats, horses	680	-2	-0.3	1,627	27	1.7
Animal products n.e.c.	3,598	26	0.7	1,795	11	0.6
Raw milk	4	0	-1.2	24	0	1.1
Wool, silkworm cocoons	53	-1	-1.3	25	0	1.2
Forestry	1,397	10	0.7	438	1	0.2
Fishing	766	12	1.6	2,314	7	0.3
Coal	12,936	-4	0.0	2,987	2	0.1
Oil and gas	3,172	-6	-0.2	234,671	146	0.1
Minerals n.e.c.	6,940	8	0.1	11,167	8	0.1
Bovine meat products	2,011	1,181	58.7	4,117	35	0.9
Meat products n.e.c.	6,562	552	8.4	1,807	10	0.6
Vegetable oils and fats	3,788	15	0.4	3,639	15	0.4
Dairy products	2,453	246	10.0	2,317	15	0.7
Sugar	189	-1	-0.5	1,602	5	0.3
Food products n.e.c.	21,384	262	1.2	31,605	86	0.3
Beverages and tobacco products	4,739	81	1.7	15,238	14	0.1
Textiles	14,031	94	0.7	52,547	225	0.4
Wearing apparel	2,525	91	3.6	65,095	90	0.1
Leather products	2,033	23	1.1	34,409	47	0.1
Wood products	9,823	-24	-0.2	48,168	123	0.3
Paper products, publishing	31,379	-25	-0.1	24,988	65	0.3
Petroleum, coal products	32,421	-12	0.0	102,148	63	0.1
Chemical, rubber, plastic products	207,112	1,767	0.9	197,815	611	0.3
Mineral products n.e.c.	11,003	92	0.8	23,080	58	0.3
Ferrous metals	20,575	19	0.1	34,146	58	0.2
Metals n.e.c.	31,170	66	0.2	41,937	83	0.2
Metal products	23,709	111	0.5	37,160	172	0.5
Motor vehicles and parts	92,839	-38	0.0	224,550	510	0.2
Transport equipment n.e.c.	94,407	-403	-0.4	40,110	106	0.3
Electronic equipment	90,587	-436	-0.5	258,597	376	0.1
Machinery and equipment n.e.c.	242,594	1,502	0.6	271,892	996	0.4
Manufactures n.e.c.	14,475	85	0.6	69,955	145	0.2
Other sectors	549,306	-1,286	-0.2	271,694	367	0.1
Total	1,586,012	4,089	0.3	2,134,313	4,575	0.2

Table 3.B U.S.-Korea FTA: Simulated effects on U.S. global trade, Scenario B (fixed real wages and returns to capital)

GTAP Sector	U.S. exports to the world (f.o.b.): Exports before FTA	U.S. exports to the world (f.o.b.): Change in U.S. exports after FTA		U.S. imports from the world (LDP): Imports before FTA	U.S. imports from the world (LDP): Change in U.S. imports after FTA	
	Million USD	*Million USD*	*Percent*	*Million USD*	*Million USD*	*Percent*
Paddy and processed rice	1,392	-7	-0.5	476	2	0.5
Wheat	5,522	-42	-0.8	678	5	0.7
Cereal grains n.e.c.	7,486	2	0.0	727	6	0.8
Vegetables, fruit, nuts	13,730	149	1.1	10,765	43	0.4
Oil seeds	9,590	-28	-0.3	714	5	0.6
Sugarcane, sugar beet	9	0	-0.9	10	0	0.2
Plant-based fibers	4,837	-14	-0.3	22	0	0.4
Crops n.e.c.	2,783	21	0.8	7,258	66	0.9
Bovine cattle, sheep and goats, horses	680	-2	-0.3	1,627	29	1.8
Animal products n.e.c.	3,598	27	0.7	1,795	13	0.7
Raw milk	4	0	-1.2	24	0	1.2
Wool, silkworm cocoons	53	0	-0.9	25	0	1.2
Forestry	1,397	9	0.6	438	2	0.5
Fishing	766	12	1.6	2,314	11	0.5
Coal	12,936	-43	-0.3	2,987	17	0.6
Oil and gas	3,172	-8	-0.3	234,671	702	0.3
Minerals n.e.c.	6,940	1	0.0	11,167	56	0.5
Bovine meat products	2,011	1,183	58.8	4,117	35	0.9
Meat products n.e.c.	6,562	567	8.6	1,807	10	0.5
Vegetable oils and fats	3,788	20	0.5	3,639	17	0.5
Dairy products	2,453	251	10.2	2,317	15	0.7
Sugar	189	-1	-0.3	1,602	5	0.3
Food products n.e.c.	21,384	286	1.3	31,605	99	0.3
Beverages and tobacco products	4,739	84	1.8	15,238	24	0.2
Textiles	14,031	122	0.9	52,547	264	0.5
Wearing apparel	2,525	97	3.8	65,095	130	0.2
Leather products	2,033	28	1.4	34,409	74	0.2
Wood products	9,823	-5	0.0	48,168	139	0.3
Paper products, publishing	31,379	30	0.1	24,988	72	0.3
Petroleum, coal products	32,421	-3	0.0	102,148	292	0.3
Chemical, rubber, plastic products	207,112	2,064	1.0	197,815	781	0.4
Mineral products n.e.c.	11,003	100	0.9	23,080	88	0.4
Ferrous metals	20,575	40	0.2	34,146	104	0.3
Metals n.e.c.	31,170	98	0.3	41,937	143	0.3
Metal products	23,709	162	0.7	37,160	184	0.5
Motor vehicles and parts	92,839	58	0.1	224,550	683	0.3
Transport equipment n.e.c.	94,407	-183	-0.2	40,110	113	0.3
Electronic equipment	90,587	-198	-0.2	258,597	584	0.2
Machinery and equipment n.e.c.	242,594	2,065	0.9	271,892	1,066	0.4
Manufactures n.e.c.	14,475	122	0.8	69,955	186	0.3
Other sectors	549,306	-650	-0.1	271,694	642	0.2
Total	1,586,012	6,411	0.4	2,134,313	6,708	0.3

Table 4 U.S.-Korea FTA: Simulated effects on U.S. output and employment under two scenarios about capacity utilization and employment

	Scenario A				Scenario B			
	Fixed capacity utilization and employment				Fixed real wages and returns to capital			
	Output		Labor quantity		Output		Labor quantity	
GTAP sector	Quantity	Revenue	Skilled	Unskilled	Quantity	Revenue	Skilled	Unskilled
	Percent changes							
Paddy and processed rice	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
Wheat	-0.5	-0.4	-0.5	-0.5	-0.5	-0.4	-0.5	-0.5
Cereal grains n.e.c.	0.3	0.5	0.4	0.4	0.4	0.6	0.5	0.5
Vegetables, fruit, nuts	0.2	0.5	0.3	0.3	0.3	0.5	0.4	0.4
Oil seeds	-0.2	0.0	-0.2	-0.2	-0.2	0.0	-0.1	-0.1
Sugarcane, sugar beet	0.0	0.3	0.1	0.1	0.1	0.4	0.2	0.2
Plant-based fibers	-0.3	-0.1	-0.2	-0.2	-0.2	0.0	-0.1	-0.1
Crops n.e.c.	-0.1	0.2	0.0	0.0	0.0	0.3	0.1	0.1
Bovine cattle, sheep and goats, horses	1.1	1.4	1.2	1.3	1.2	1.5	1.4	1.4
Animal products n.e.c.	0.5	0.6	0.5	0.5	0.6	0.7	0.7	0.7
Raw milk	0.2	0.4	0.3	0.3	0.3	0.5	0.4	0.4
Wool, silkworm cocoons	0.2	0.3	0.3	0.3	0.4	0.5	0.6	0.6
Forestry	0.0	0.1	0.0	0.0	0.1	0.3	0.2	0.2
Fishing	0.1	0.4	0.1	0.1	0.1	0.5	0.2	0.2
Coal	0.0	0.0	0.0	0.0	0.0	0.3	0.1	0.1
Oil and gas	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1
Minerals n.e.c.	0.0	0.1	0.0	0.0	0.1	0.5	0.2	0.2
Bovine meat products	1.2	1.4	1.2	1.2	1.3	1.5	1.3	1.3
Meat products n.e.c.	0.6	0.7	0.6	0.6	0.7	0.8	0.7	0.7
Vegetable oils and fats	0.1	0.2	0.1	0.1	0.3	0.3	0.3	0.3
Dairy products	0.3	0.4	0.3	0.3	0.4	0.5	0.4	0.4
Sugar	0.0	0.1	0.0	0.0	0.1	0.2	0.1	0.1
Food products n.e.c.	0.1	0.2	0.1	0.1	0.2	0.3	0.2	0.2
Beverages and tobacco products	0.0	0.1	0.0	0.0	0.1	0.2	0.1	0.1
Textiles	-0.4	-0.3	-0.4	-0.3	-0.1	-0.1	-0.1	-0.1
Wearing apparel	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3
Leather products	-0.1	-0.1	-0.1	-0.1	0.1	0.1	0.1	0.1
Wood products	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.1
Paper products, publishing	0.0	0.1	0.0	0.0	0.2	0.2	0.2	0.2
Petroleum, coal products	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.1
Chemical, rubber, plastic products	0.1	0.2	0.1	0.1	0.3	0.3	0.3	0.3
Mineral products n.e.c.	0.0	0.1	0.0	0.0	0.2	0.2	0.2	0.2
Ferrous metals	-0.1	0.0	-0.1	-0.1	0.1	0.2	0.1	0.1
Metals n.e.c.	-0.1	0.0	-0.1	-0.1	0.1	0.2	0.1	0.1
Metal products	0.0	0.0	0.0	0.0	0.1	0.2	0.1	0.1
Motor vehicles and parts	-0.1	-0.1	-0.1	-0.1	0.0	0.1	0.0	0.0
Transport equipment n.e.c.	-0.2	-0.1	-0.2	-0.2	0.0	0.0	0.0	0.0
Electronic equipment	-0.3	-0.3	-0.3	-0.3	-0.1	0.0	-0.1	-0.1
Machinery and equipment n.e.c.	0.0	0.1	0.0	0.0	0.2	0.3	0.2	0.2
Manufactures n.e.c.	-0.1	0.0	-0.1	0.0	0.2	0.2	0.2	0.2
Other sectors	0.0	0.1	0.0	0.0	0.2	0.2	0.2	0.2
Total	0.0	0.1	0.0	0.0	0.0	0.2	0.2	0.2

Table 5 U.S.-Korea FTA: Simulated effects on real gross product and employment, by U.S. state, under two scenarios about U.S. capacity utilization and employment

	Scenario A		Scenario B	
	Fixed U.S. capacity utilization and employment		Fixed real wages and returns to capital	
State	Real gross state product	State employment	Real gross state product	State employment
		——— *Percent* ———		
Alabama	0.0	0.0	0.1	0.1
Alaska	0.0	0.0	0.1	0.1
Arizona	-0.1	-0.1	0.1	0.1
Arkansas	0.0	0.0	0.2	0.2
California	0.0	0.0	0.1	0.1
Colorado	0.1	0.1	0.2	0.2
Connecticut	-0.1	-0.1	0.1	0.1
Delaware	0.0	0.0	0.1	0.1
Florida	0.0	0.0	0.2	0.2
Georgia	0.1	0.1	0.2	0.2
Hawaii	-0.1	-0.1	0.0	0.0
Idaho	0.1	0.0	0.2	0.2
Illinois	0.0	0.0	0.2	0.2
Indiana	0.0	-0.1	0.1	0.1
Iowa	0.3	0.3	0.5	0.6
Kansas	0.2	0.2	0.4	0.4
Kentucky	0.0	0.0	0.2	0.2
Louisiana	0.0	0.0	0.2	0.2
Maine	-0.1	-0.1	0.1	0.1
Maryland	0.0	0.0	0.1	0.1
Massachusetts	-0.1	-0.1	0.1	0.1
Michigan	-0.1	-0.1	0.1	0.1
Minnesota	0.0	0.0	0.2	0.2
Mississippi	0.0	0.0	0.2	0.2
Missouri	0.0	0.0	0.2	0.2
Montana	0.1	0.1	0.2	0.2
Nebraska	0.3	0.4	0.6	0.6
Nevada	0.0	0.0	0.1	0.1
New Hampshire	-0.1	-0.1	0.1	0.1
New Jersey	-0.1	-0.1	0.2	0.2
New Mexico	0.0	0.0	0.1	0.1
New York	0.0	0.0	0.2	0.2
North Carolina	0.0	0.0	0.1	0.1
North Dakota	0.0	0.0	0.2	0.2
Ohio	-0.1	-0.1	0.1	0.1
Oklahoma	0.1	0.1	0.3	0.3
Oregon	0.0	0.0	0.1	0.1
Pennsylvania	-0.1	-0.1	0.1	0.1
Rhode Island	-0.1	-0.1	0.1	0.1
South Carolina	0.1	0.1	0.2	0.2
South Dakota	0.3	0.3	0.4	0.4
Tennessee	0.0	0.0	0.2	0.2
Texas	0.0	0.0	0.2	0.2
Utah	0.0	0.0	0.1	0.1
Vermont	-0.1	-0.1	0.0	0.0
Virginia	0.1	0.1	0.2	0.2
Washington	0.1	0.1	0.2	0.2
West Virginia	0.0	0.0	0.1	0.1
Wisconsin	-0.1	-0.1	0.1	0.1
Wyoming	0.1	0.1	0.3	0.2

Table 6 U.S.-Korea FTA: Simulated effects on real gross product and employment, by U.S. region, under two scenarios about U.S. capacity utilization and employment

	Scenario A		Scenario B	
	Fixed U.S. capacity utilization and employment		Fixed real wages and returns to capital	
Region	Real gross regional product	Regional employment	Real gross regional product	Regional employment
	---------- *Percent* ----------			
North West	0.0	0.0	0.2	0.2
Western	0.0	0.0	0.1	0.1
Rocky Mountain	0.1	0.1	0.3	0.3
Mid-America	0.1	0.1	0.2	0.2
South West	0.1	0.1	0.2	0.2
Midwest	0.0	0.0	0.2	0.2
Great Lakes	-0.1	-0.1	0.1	0.1
Southeastern	0.0	0.0	0.2	0.2
Mid-Atlantic	0.0	0.0	0.2	0.2
New England	-0.1	-0.1	0.1	0.1

Note: In this and the following tables, U.S. states have been grouped to ten regions according to the following:
Northwest: Alaska, Washington, Oregon, Idaho, Montana.
Western: California, Nevada, Arizona, Hawaii.
Rocky Mountain: Utah, Wyoming, Colorado, New Mexico, Nebraska, South Dakota, North Dakota.
Mid-America: Kansas, Missouri, Arkansas.
Southwest: Texas, Oklahoma, Louisiana.
Midwest: Minnesota, Iowa, Wisconsin, Illinois.
Great Lakes: Michigan, Indiana, Ohio.
Southeastern: Kentucky, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina, North Carolina.
Mid-Atlantic: Virginia, West Virginia, Maryland, Delaware, Pennsylvania, New Jersey, New York.
New England: Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, Maine.

Table 7.A U.S.-Korea FTA: Simulated effects on employment, by U.S. state and sector, Scenario A (fixed capacity utilization and employment)

State	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				------------- Percent	-------------				
Alabama	1.1	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Alaska	0.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Arizona	0.9	-0.2	0.0	-0.3	0.1	-0.1	0.0	-0.1	0.0
Arkansas	1.3	-0.1	0.0	-0.1	0.1	0.1	0.0	0.0	0.0
California	0.4	-0.1	0.0	-0.3	0.2	0.0	0.1	0.0	0.0
Colorado	4.0	-0.1	0.1	-0.1	0.4	0.1	0.1	0.1	0.0
Connecticut	0.1	0.0	-0.1	-0.4	-0.1	-0.1	-0.1	-0.1	-0.1
Delaware	0.5	-0.1	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0
Florida	0.5	0.0	0.0	-0.2	0.1	0.0	0.1	0.0	0.0
Georgia	1.2	0.0	0.1	-0.2	0.2	0.1	0.1	0.1	0.0
Hawaii	0.3	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	0.0
Idaho	1.4	0.0	0.0	-0.3	0.3	0.1	0.0	0.1	0.0
Illinois	1.4	-0.1	0.0	-0.2	0.1	0.0	0.0	0.0	0.0
Indiana	1.5	-0.1	0.0	-0.2	0.0	0.0	-0.1	0.0	0.0
Iowa	3.8	0.2	0.3	0.0	1.2	0.3	0.3	0.3	0.2
Kansas	4.3	-0.1	0.2	-0.2	1.2	0.2	0.2	0.3	0.1
Kentucky	1.8	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Louisiana	0.8	-0.2	0.0	-0.1	0.2	0.1	0.1	0.0	0.0
Maine	0.3	0.0	0.0	-0.2	-0.1	0.0	-0.1	-0.1	0.0
Maryland	0.4	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Massachusetts	0.3	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Michigan	0.4	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Minnesota	1.6	-0.2	0.0	-0.1	0.1	0.0	0.0	0.0	0.0
Mississippi	1.2	-0.1	0.0	-0.1	0.3	0.1	0.1	0.1	0.0
Missouri	2.3	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Montana	2.3	-0.1	0.1	-0.1	0.1	0.1	0.0	0.1	0.0
Nebraska	4.7	0.1	0.3	0.0	1.9	0.3	0.3	0.3	0.2
Nevada	1.5	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
New Hampshire	0.1	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
New Jersey	0.2	-0.1	-0.1	-0.3	-0.1	0.0	-0.1	-0.1	0.0
New Mexico	2.0	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
New York	0.3	-0.1	0.0	-0.3	0.0	0.0	0.0	-0.1	0.0
North Carolina	1.7	0.0	0.0	-0.2	0.1	0.1	0.0	0.0	0.0
North Dakota	1.2	-0.1	0.0	-0.1	0.2	0.0	0.0	0.0	0.0
Ohio	0.9	-0.2	-0.1	-0.2	-0.1	0.0	-0.1	-0.1	-0.1
Oklahoma	3.5	-0.2	0.1	-0.1	0.3	0.1	0.1	0.2	0.1
Oregon	0.8	0.0	0.0	-0.3	0.1	0.1	0.1	0.0	0.0
Pennsylvania	0.8	-0.1	0.0	-0.2	0.0	0.0	-0.1	-0.1	0.0
Rhode Island	0.4	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	0.0
South Carolina	2.1	0.0	0.0	-0.3	0.1	0.1	0.3	0.1	0.0
South Dakota	3.9	0.0	0.2	0.0	1.6	0.3	0.2	0.2	0.1
Tennessee	1.5	0.0	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0
Texas	2.2	-0.2	0.0	-0.2	0.2	0.1	0.1	0.1	0.0
Utah	2.4	-0.1	0.0	-0.2	0.1	0.0	0.0	0.0	0.0
Vermont	0.5	0.0	-0.1	-0.4	-0.1	-0.1	-0.1	-0.1	-0.1
Virginia	3.4	-0.1	0.1	-0.2	0.5	0.1	0.2	0.1	0.1
Washington	1.3	0.0	0.1	-0.4	0.5	0.1	0.3	0.1	0.0
West Virginia	1.8	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Wisconsin	0.7	0.0	0.0	-0.2	-0.1	0.0	-0.1	-0.1	0.0
Wyoming	4.4	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1

Table 7.B U.S.-Korea FTA: Simulated effects on employment, by U.S. state and sector, Scenario B (fixed real wages and returns to capital)

State	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				---------- Percent ----------					
Alabama	1.3	0.2	0.1	0.0	0.2	0.2	0.1	0.2	0.1
Alaska	0.3	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Arizona	1.0	0.0	0.1	-0.2	0.3	0.1	0.1	0.1	0.1
Arkansas	1.5	0.2	0.2	0.0	0.3	0.2	0.2	0.2	0.1
California	0.6	0.1	0.2	-0.1	0.3	0.2	0.3	0.2	0.1
Colorado	4.2	0.1	0.2	0.0	0.6	0.2	0.2	0.2	0.1
Connecticut	0.4	0.2	0.1	-0.2	0.1	0.1	0.1	0.1	0.1
Delaware	0.7	0.1	0.2	0.0	0.1	0.2	0.2	0.1	0.1
Florida	0.7	0.2	0.2	-0.1	0.3	0.2	0.3	0.2	0.1
Georgia	1.4	0.1	0.2	0.0	0.3	0.2	0.3	0.3	0.2
Hawaii	0.4	0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Idaho	1.5	0.1	0.1	-0.1	0.5	0.2	0.2	0.2	0.1
Illinois	1.7	0.2	0.2	0.0	0.3	0.2	0.2	0.2	0.2
Indiana	1.7	0.2	0.1	0.0	0.2	0.2	0.1	0.2	0.1
Iowa	4.1	0.4	0.5	0.2	1.4	0.7	0.6	0.5	0.4
Kansas	4.5	0.2	0.4	-0.1	1.4	0.6	0.5	0.5	0.3
Kentucky	2.0	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Louisiana	1.0	0.1	0.1	0.0	0.3	0.3	0.3	0.2	0.1
Maine	0.5	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Maryland	0.6	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Massachusetts	0.5	0.1	0.1	-0.1	0.1	0.1	0.1	0.1	0.1
Michigan	0.6	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Minnesota	1.8	0.0	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Mississippi	1.4	0.1	0.2	0.0	0.4	0.2	0.2	0.2	0.1
Missouri	2.5	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Montana	2.4	0.1	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Nebraska	4.9	0.3	0.5	0.2	2.1	0.7	0.7	0.5	0.4
Nevada	1.7	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.1
New Hampshire	0.4	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
New Jersey	0.5	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2
New Mexico	2.1	0.1	0.1	-0.1	0.2	0.2	0.2	0.2	0.1
New York	0.6	0.2	0.2	-0.1	0.2	0.2	0.2	0.1	0.1
North Carolina	1.9	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
North Dakota	1.4	0.1	0.2	0.1	0.3	0.2	0.2	0.2	0.1
Ohio	1.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Oklahoma	3.7	0.1	0.3	0.0	0.4	0.3	0.3	0.3	0.2
Oregon	0.9	0.1	0.1	-0.1	0.3	0.2	0.2	0.2	0.1
Pennsylvania	1.1	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Rhode Island	0.6	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
South Carolina	2.3	0.2	0.2	-0.1	0.2	0.3	0.5	0.3	0.1
South Dakota	4.1	0.2	0.4	0.1	1.8	0.6	0.4	0.4	0.2
Tennessee	1.7	0.2	0.2	0.0	0.1	0.2	0.2	0.2	0.1
Texas	2.4	0.1	0.2	-0.1	0.4	0.2	0.2	0.2	0.2
Utah	2.6	0.1	0.1	-0.1	0.3	0.2	0.2	0.2	0.1
Vermont	0.6	0.1	0.1	-0.2	0.1	0.1	0.0	0.1	0.0
Virginia	3.6	0.2	0.2	0.0	0.6	0.3	0.4	0.3	0.1
Washington	1.4	0.2	0.2	-0.2	0.6	0.3	0.4	0.2	0.1
West Virginia	2.0	0.2	0.1	0.0	0.1	0.2	0.2	0.2	0.1
Wisconsin	0.9	0.2	0.2	0.0	0.1	0.2	0.1	0.2	0.1
Wyoming	4.5	0.2	0.2	0.1	0.2	0.3	0.3	0.3	0.1

Table 8.A U.S.-Korea FTA: Simulated effects on employment, by region and sector, Scenario A (fixed capacity utilization and employment)

Region	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				----------- *Percent* --------------					
North West	1.2	-0.1	0.0	-0.3	0.3	0.1	0.2	0.1	0.0
Western	0.4	-0.1	0.0	-0.3	0.2	0.0	0.1	0.0	0.0
Rocky Mountain	3.4	-0.1	0.1	-0.1	0.8	0.1	0.1	0.1	0.1
Mid-America	2.5	-0.1	0.1	-0.2	0.3	0.1	0.0	0.1	0.0
South West	2.3	-0.2	0.0	-0.2	0.2	0.1	0.1	0.1	0.0
Midwest	1.9	-0.1	0.0	-0.2	0.2	0.0	0.0	0.0	0.0
Great Lakes	0.9	-0.1	-0.1	-0.2	-0.1	0.0	-0.1	-0.1	-0.1
Southeastern	1.2	-0.1	0.0	-0.2	0.1	0.1	0.1	0.0	0.0
Mid-Atlantic	1.2	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
New England	0.3	0.0	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1

Table 8.B U.S.-Korea FTA: Simulated effects on employment, by region and sector, Scenario B (fixed real wages and returns to capital)

Region	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				----------- *Percent* --------------					
North West	1.4	0.1	0.2	-0.2	0.5	0.2	0.3	0.2	0.1
Western	0.6	0.1	0.1	-0.1	0.3	0.2	0.2	0.2	0.1
Rocky Mountain	3.6	0.1	0.2	0.0	0.9	0.3	0.3	0.3	0.2
Mid-America	2.7	0.2	0.2	0.0	0.5	0.3	0.3	0.3	0.2
South West	2.5	0.1	0.2	0.0	0.4	0.3	0.3	0.3	0.2
Midwest	2.1	0.1	0.2	0.0	0.4	0.3	0.2	0.2	0.2
Great Lakes	1.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Southeastern	1.4	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Mid-Atlantic	1.4	0.2	0.2	0.0	0.3	0.2	0.2	0.2	0.1
New England	0.5	0.1	0.1	-0.1	0.1	0.1	0.1	0.1	0.1

Table 9.A U.S.-Korea FTA: Simulated effects on gross output, by U.S. state and sector, Scenario A (fixed capacity utilization and employment)

State	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				----------- Percent	--------------				
Alabama	0.9	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Alaska	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Arizona	0.8	-0.1	0.0	-0.3	0.1	-0.1	0.0	-0.1	0.0
Arkansas	1.1	0.0	0.0	-0.1	0.1	0.1	0.0	0.0	0.0
California	0.4	-0.1	0.0	-0.3	0.1	0.0	0.1	0.0	0.0
Colorado	3.5	-0.1	0.1	-0.1	0.4	0.1	0.1	0.1	0.0
Connecticut	0.0	-0.1	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1
Delaware	0.4	-0.1	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0
Florida	0.4	0.0	0.0	-0.2	0.1	0.0	0.1	0.0	0.0
Georgia	1.1	0.0	0.1	-0.2	0.2	0.1	0.1	0.1	0.0
Hawaii	0.2	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	0.0
Idaho	1.1	0.0	0.0	-0.2	0.3	0.1	0.0	0.1	0.0
Illinois	1.1	-0.1	0.0	-0.2	0.1	0.0	-0.1	0.0	0.0
Indiana	1.2	-0.1	0.0	-0.2	0.0	0.0	-0.1	0.0	0.0
Iowa	3.4	0.2	0.3	0.0	1.2	0.3	0.3	0.3	0.2
Kansas	3.8	0.0	0.2	-0.2	1.2	0.2	0.2	0.3	0.1
Kentucky	1.5	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Louisiana	0.7	-0.1	0.0	-0.1	0.2	0.1	0.1	0.0	0.0
Maine	0.2	0.0	0.0	-0.2	-0.1	0.0	-0.1	-0.1	0.0
Maryland	0.3	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Massachusetts	0.2	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Michigan	0.2	-0.2	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
Minnesota	1.3	-0.2	0.0	-0.1	0.1	0.0	0.0	0.0	0.0
Mississippi	1.0	-0.1	0.0	-0.1	0.2	0.1	0.1	0.1	0.0
Missouri	1.9	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Montana	1.8	-0.1	0.1	-0.1	0.1	0.1	0.0	0.1	0.0
Nebraska	4.1	0.1	0.3	0.0	1.8	0.3	0.3	0.3	0.2
Nevada	1.1	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
New Hampshire	0.0	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1
New Jersey	0.1	-0.1	-0.1	-0.2	-0.1	0.0	-0.1	-0.1	-0.1
New Mexico	1.6	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
New York	0.2	-0.1	0.0	-0.3	0.0	0.0	0.0	-0.1	0.0
North Carolina	1.5	0.0	0.0	-0.2	0.1	0.0	0.0	0.0	0.0
North Dakota	0.9	0.0	0.0	-0.1	0.1	0.0	0.0	0.0	0.0
Ohio	0.7	-0.1	-0.1	-0.2	-0.1	0.0	-0.1	-0.1	-0.1
Oklahoma	3.0	-0.1	0.1	-0.1	0.3	0.1	0.1	0.2	0.1
Oregon	0.7	0.0	0.0	-0.3	0.1	0.1	0.1	0.0	0.0
Pennsylvania	0.6	-0.1	-0.1	-0.2	0.0	0.0	-0.1	-0.1	0.0
Rhode Island	0.3	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	0.0
South Carolina	2.0	0.0	0.0	-0.3	0.1	0.1	0.3	0.1	0.0
South Dakota	3.4	0.0	0.2	0.0	1.6	0.3	0.2	0.2	0.1
Tennessee	1.2	0.0	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0
Texas	1.9	-0.1	0.0	-0.2	0.2	0.1	0.1	0.1	0.0
Utah	2.0	-0.1	0.0	-0.2	0.1	0.0	0.0	0.0	0.0
Vermont	0.3	0.0	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1
Virginia	3.1	-0.1	0.1	-0.2	0.4	0.1	0.2	0.1	0.1
Washington	1.2	0.0	0.1	-0.4	0.5	0.1	0.2	0.1	0.0
West Virginia	1.5	-0.1	0.0	-0.2	-0.1	0.0	0.0	0.0	0.0
Wisconsin	0.5	0.0	0.0	-0.2	-0.1	0.0	-0.1	-0.1	0.0
Wyoming	3.7	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1

Table 9.B U.S.-Korea FTA: Simulated effects on gross output, by U.S. state and sector, Scenario B (fixed real wages and returns to capital)

State	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				Percent					
Alabama	1.1	0.2	0.1	0.0	0.1	0.2	0.1	0.2	0.1
Alaska	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Arizona	0.9	0.1	0.1	-0.2	0.3	0.1	0.1	0.1	0.1
Arkansas	1.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
California	0.5	0.1	0.1	-0.1	0.3	0.2	0.2	0.2	0.1
Colorado	3.7	0.1	0.2	0.0	0.6	0.2	0.2	0.2	0.1
Connecticut	0.3	0.1	0.1	-0.1	0.1	0.1	0.1	0.1	0.1
Delaware	0.6	0.1	0.2	0.0	0.1	0.1	0.2	0.1	0.1
Florida	0.6	0.2	0.2	-0.1	0.3	0.2	0.3	0.2	0.1
Georgia	1.3	0.1	0.2	0.0	0.3	0.2	0.3	0.3	0.2
Hawaii	0.3	0.1	0.0	0.0	0.1	0.0	0.1	0.0	0.0
Idaho	1.3	0.1	0.1	-0.1	0.4	0.2	0.2	0.2	0.1
Illinois	1.3	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Indiana	1.4	0.1	0.1	0.0	0.2	0.2	0.1	0.2	0.1
Iowa	3.6	0.4	0.5	0.2	1.4	0.7	0.6	0.5	0.4
Kansas	4.0	0.2	0.4	-0.1	1.4	0.6	0.5	0.5	0.3
Kentucky	1.6	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Louisiana	0.8	0.1	0.1	0.0	0.3	0.2	0.2	0.2	0.1
Maine	0.4	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Maryland	0.5	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Massachusetts	0.4	0.1	0.1	-0.1	0.1	0.1	0.1	0.1	0.1
Michigan	0.5	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Minnesota	1.5	0.0	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Mississippi	1.2	0.1	0.2	0.0	0.4	0.2	0.2	0.2	0.1
Missouri	2.1	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Montana	1.9	0.1	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Nebraska	4.3	0.3	0.5	0.2	2.0	0.7	0.7	0.5	0.4
Nevada	1.3	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.1
New Hampshire	0.3	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
New Jersey	0.5	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.2
New Mexico	1.7	0.1	0.1	-0.1	0.1	0.2	0.1	0.2	0.1
New York	0.5	0.2	0.2	0.0	0.2	0.2	0.2	0.1	0.1
North Carolina	1.7	0.2	0.1	0.0	0.2	0.2	0.2	0.2	0.1
North Dakota	1.1	0.1	0.2	0.1	0.3	0.2	0.2	0.2	0.1
Ohio	0.9	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Oklahoma	3.2	0.1	0.3	0.1	0.4	0.3	0.3	0.3	0.2
Oregon	0.8	0.1	0.1	-0.1	0.2	0.2	0.2	0.2	0.1
Pennsylvania	0.9	0.1	0.2	0.0	0.2	0.2	0.1	0.2	0.1
Rhode Island	0.5	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
South Carolina	2.2	0.2	0.2	-0.1	0.2	0.3	0.4	0.3	0.1
South Dakota	3.6	0.2	0.4	0.1	1.7	0.6	0.4	0.4	0.2
Tennessee	1.4	0.2	0.2	0.0	0.1	0.2	0.2	0.2	0.1
Texas	2.0	0.1	0.2	0.0	0.4	0.2	0.2	0.2	0.1
Utah	2.2	0.1	0.1	-0.1	0.2	0.2	0.1	0.1	0.1
Vermont	0.5	0.1	0.1	-0.1	0.0	0.1	0.0	0.1	0.0
Virginia	3.4	0.2	0.2	0.0	0.6	0.3	0.4	0.3	0.1
Washington	1.3	0.1	0.2	-0.2	0.6	0.2	0.4	0.2	0.1
West Virginia	1.7	0.1	0.1	0.0	0.1	0.1	0.2	0.2	0.1
Wisconsin	0.7	0.2	0.1	0.0	0.1	0.2	0.1	0.1	0.1
Wyoming	3.8	0.2	0.2	0.1	0.2	0.2	0.3	0.3	0.1

Table 10.A U.S.-Korea FTA: Simulated effects on gross output, by region and sector, Scenario A (fixed capacity utilization and employment)

Region	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				----------- Percent --------------					
North West	1.0	-0.1	0.0	-0.3	0.3	0.1	0.1	0.0	0.0
Western	0.4	-0.1	0.0	-0.3	0.1	0.0	0.1	0.0	0.0
Rocky Mountain	2.9	-0.1	0.1	-0.1	0.7	0.1	0.1	0.1	0.1
Mid-America	2.1	0.0	0.1	-0.2	0.3	0.1	0.0	0.1	0.0
South West	2.0	-0.1	0.0	-0.2	0.2	0.1	0.1	0.1	0.0
Midwest	1.6	-0.1	0.0	-0.1	0.2	0.0	0.0	0.0	0.0
Great Lakes	0.7	-0.1	-0.1	-0.2	-0.1	0.0	-0.1	-0.1	-0.1
Southeastern	1.1	-0.1	0.0	-0.2	0.1	0.0	0.1	0.0	0.0
Mid-Atlantic	1.0	-0.1	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
New England	0.2	-0.1	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1

Table 10.B U.S.-Korea FTA: Simulated effects on gross output, by region and sector, Scenario B (fixed real wages and returns to capital)

Region	Agriculture, forestry and fisheries	Mining	Construction	Durable manufacturing	Nondurable manufacturing	Transportation, communications and utilities	Wholesale and retail trade	Finance, insurance and real estate	Other services
				----------- Percent --------------					
North West	1.2	0.1	0.2	-0.2	0.4	0.2	0.3	0.2	0.1
Western	0.5	0.1	0.1	-0.1	0.3	0.2	0.2	0.2	0.1
Rocky Mountain	3.1	0.1	0.2	0.0	0.9	0.3	0.3	0.3	0.2
Mid-America	2.3	0.2	0.2	0.0	0.5	0.3	0.3	0.3	0.2
South West	2.1	0.1	0.2	0.0	0.4	0.2	0.2	0.2	0.2
Midwest	1.8	0.1	0.2	0.0	0.3	0.2	0.2	0.2	0.2
Great Lakes	0.9	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Southeastern	1.2	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
Mid-Atlantic	1.3	0.2	0.2	0.0	0.2	0.2	0.2	0.2	0.1
New England	0.4	0.1	0.1	-0.1	0.1	0.1	0.1	0.1	0.1

Section III

This section provides more detailed simulated results of the U.S.-Korea FTA under scenario B.

Table 11 shows job changes for the U.S. economy as a whole and by sector. Table 12 shows job changes for each state as a whole and by sector. Note that approximately 86 percent of the job gains are in the services sectors.

Table 13 shows job changes for ten U.S. regions[5] and the District of Columbia as a whole and by sector. The regional results were obtained by summing the state level effects shown in table 12.

In order to calculate the FTA results for jobs by sector and state, additional job statistics for 2009 were obtained from the Census Bureau and BEA.[6]

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[5] The U.S. states have been grouped to ten regions according to the following: Northwest: Alaska, Washington, Oregon, Idaho and Montana; Western: California, Nevada, Arizona and Hawaii; Rocky Mountain: Utah, Wyoming, Colorado, New Mexico, Nebraska, South Dakota, North Dakota; Mid-America: Kansas, Missouri and Arkansas; Southwest: Texas, Oklahoma and Louisiana; Midwest: Minnesota, Iowa, Wisconsin and Illinois; Great Lakes: Michigan, Indiana and Ohio; Southeastern: Kentucky, Tennessee, Mississippi, Alabama, Florida, Georgia, South Carolina and North Carolina; Mid-Atlantic: Virginia, West Virginia, Maryland, Delaware, Pennsylvania, New Jersey and New York; and New England: Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire and Maine.

[6] State-level employment data are collected every 5 years by the Bureau of the Census as part of the Economic Census. These data are collected at the NAICS 6 digit level by state. In this technical assistance, the 2007 Census data were projected to 2009 using BEA's Regional Economic Accounts data. These data provide total full-time and part-time employment by broad NAICS industry, by state. Several concordances were applied to map the Census statistics from the NAICS sector system to the sectors in the GTAP and USAGE models. The Bureau of Labor Statistics is another source of jobs statistics by sector and state. The Census statistics, however, allow a more precise mapping of the jobs statistics to the sectors in the GTAP and USAGE models than the BLS statistics allow.

Table 11 U.S.-Korea FTA: Simulated results for U.S. job changes, Scenario B (fixed real wages and returns to capital)

Sector	Number of jobs
Jobs result for U.S. economy as a whole	277,061
Sector job results	
Agriculture	8,277
Fishing and forestry	1,582
Coal	112
Oil and gas	639
Minerals n.e.c.	542
Bovine meat products	1,783
Meat products n.e.c.	2,162
Vegetable oils and fats	13
Dairy products	472
Sugar	19
Food products n.e.c.	1,425
Beverages and tobacco products	249
Textiles	-437
Wearing apparel	489
Leather products	21
Wood products	1,120
Paper products, publishing	2,561
Petroleum, coal products	113
Chemical, rubber, plastic products	4,670
Mineral products n.e.c.	747
Ferrous metals	350
Metals n.e.c.	205
Metal products	1,593
Motor vehicles and parts	300
Transport equipment n.e.c.	35
Electronic equipment	-426
Machinery and equipment n.e.c.	5,683
Manufactures n.e.c.	473
Electric utilities	598
Gas manufacture, distribution	356
Water utilities	287
Construction	15,842
Trade, wholesale and retail	56,181
Transportation services n.e.c.	5,483
Water transportation	301
Air transportation	1,369
Communication services	1,788
Financial services n.e.c.	18,673
Insurance	5,404
Business services n.e.c.	32,244
Recreational and other services	22,086
Public administration, defense, education and health services	78,920

Sources: GTAP model simulations and 2009 U.S. labor statistics from the U.S. Census Bureau and the Bureau of Economic Analysis.
Note: Sector-level results do not necessarily sum to the economy-wide result in the first row because the model aggregates all labor occupations to just two labor types. Thus these results are approximate.

Table 12 U.S.-Korea FTA: Simulated results for state-level job changes, Scenario B (fixed real wages and returns to capital)

Sector	Alabama	Alaska	Arizona	Arkansas	California	Colorado	Connecticut	Delaware	Florida	Georgia
Jobs result for state as a whole	3,083	326	2,379	2,556	28,148	6,247	1,212	667	16,594	10,784
Sector job results										
Agriculture	718	2	286	845	1,210	1,922	28	20	528	866
Fishing and forestry	21	33	-1	-2	1,618	5	16	0	467	6
Coal	9	0	3	0	0	9	0	0	0	0
Oil and gas	4	3	2	17	16	33	2	0	-2	0
Minerals n.e.c.	6	3	0	8	25	13	3	0	51	12
Bovine meat products	13	3	67	15	768	274	0	1	139	106
Meat products n.e.c.	104	0	-5	157	128	-4	-2	43	26	308
Vegetable oils and fats	1	0	0	1	1	0	0	0	0	1
Dairy products	1	0	6	1	53	2	1	0	4	3
Sugar	0	0	0	0	2	0	0	0	3	1
Food products n.e.c.	16	19	4	16	202	24	3	2	37	40
Beverages and tobacco products	3	0	4	1	91	8	2	1	17	15
Textiles	-1	0	3	0	52	6	0	0	14	37
Wearing apparel	-5	0	1	7	383	3	0	0	30	27
Leather products	0	0	0	1	0	0	0	0	1	0
Wood products	18	0	10	8	17	12	3	1	2	19
Paper products, publishing	21	1	18	29	208	51	22	4	111	92
Petroleum, coal products	4	1	1	2	22	2	1	1	3	2
Chemical, rubber, plastic products	31	2	18	25	282	32	12	-3	104	94
Mineral products n.e.c.	11	0	9	6	72	14	4	1	40	36
Ferrous metals	-3	0	-1	3	-5	0	-1	0	1	0
Metals n.e.c.	-3	0	-3	-1	-11	0	-4	0	-1	-1
Metal products	11	0	-4	7	-36	11	-8	1	23	24
Motor vehicles and parts	-15	0	-5	-5	-53	1	-5	1	-9	-5
Transport equipment n.e.c.	-16	0	-63	-10	-329	-8	-172	-2	-46	-82
Electronic equipment	-7	0	-79	-5	-632	-17	-16	-2	-114	-20
Machinery and equipment n.e.c.	10	0	6	15	68	31	-14	1	41	27
Manufactures n.e.c.	4	0	4	4	55	7	4	0	20	14
Electric utilities	16	1	9	9	71	17	5	2	42	42
Gas manufacture, distribution	11	3	8	11	46	12	4	1	20	23
Water utilities	2	0	2	3	24	4	1	1	10	7
Construction	227	21	143	160	1,462	374	118	49	902	620
Trade, wholesale and retail	740	79	689	503	9,558	1,343	312	229	5,537	3,348
Transportation services n.e.c.	92	6	103	120	1,181	180	30	16	498	347
Water transportation	9	6	3	12	67	3	10	3	122	18
Air transportation	12	4	17	11	87	39	3	2	30	51
Communication services	24	5	24	19	264	60	21	6	170	116
Financial services n.e.c.	207	20	221	155	2,416	473	153	61	1,336	750
Insurance	75	3	87	35	642	182	95	17	454	256
Business services n.e.c.	457	61	417	332	4,244	893	218	102	2,515	1,752
Recreational and other services	318	50	439	216	2,915	616	212	83	1,678	1,056
Public administration, defense, education, health services	543	49	634	454	5,484	1,027	519	144	3,243	1,663

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Table 12 U.S.-Korea FTA: Simulated results for state-level job changes, Scenario B (fixed real wages and returns to capital), *continued*

Sector	Hawaii	Idaho	Illinois	Indiana	Iowa	Kansas	Kentucky	Louisiana	Maine	Maryland
Jobs result for state as a whole	186	1,436	11,462	4,087	10,877	7,682	3,702	4,324	652	4,812
<u>Sector job results</u>										
Agriculture	33	572	1,343	1,083	3,694	2,859	1,759	393	40	108
Fishing and forestry	27	32	34	10	110	68	1	111	0	28
Coal	0	0	19	10	0	1	41	1	0	2
Oil and gas	0	2	10	1	1	52	8	63	0	0
Minerals n.e.c.	1	4	26	10	17	20	7	4	0	6
Bovine meat products	0	29	285	129	866	907	59	8	0	38
Meat products n.e.c.	-2	-3	-76	-25	-20	-9	-25	32	0	16
Vegetable oils and fats	0	0	7	5	12	1	0	0	0	0
Dairy products	0	5	11	3	20	1	4	2	0	4
Sugar	1	2	0	0	0	0	0	4	0	1
Food products n.e.c.	1	31	146	114	181	77	12	12	17	10
Beverages and tobacco products	0	0	12	7	10	5	17	3	2	5
Textiles	0	0	7	5	6	5	4	3	1	4
Wearing apparel	1	0	7	1	3	3	4	2	0	5
Leather products	0	0	-1	0	0	0	0	0	-1	-1
Wood products	0	3	22	30	40	17	15	3	1	5
Paper products, publishing	2	8	139	49	111	66	43	27	9	47
Petroleum, coal products	0	0	11	7	2	7	2	19	0	2
Chemical, rubber, plastic products	1	8	125	83	122	77	25	45	5	38
Mineral products n.e.c.	1	2	19	13	17	14	9	10	1	9
Ferrous metals	0	0	-1	-17	7	3	-2	1	0	-1
Metals n.e.c.	0	0	-4	-14	3	0	-10	0	0	-1
Metal products	0	1	15	-1	34	23	3	8	0	6
Motor vehicles and parts	0	0	-7	-65	5	7	-10	2	-1	-1
Transport equipment n.e.c.	0	1	-5	0	10	-147	-2	1	-2	-9
Electronic equipment	0	-56	-34	-26	-5	-4	0	-1	-12	-34
Machinery and equipment n.e.c.	0	5	38	12	118	68	5	12	0	19
Manufactures n.e.c.	1	2	26	11	9	10	5	7	1	4
Electric utilities	2	4	32	15	29	24	10	15	2	17
Gas manufacture, distribution	1	2	28	13	15	18	8	14	1	10
Water utilities	0	1	10	5	10	14	4	6	0	5
Construction	19	89	649	270	540	352	236	263	54	358
Trade, wholesale and retail	34	298	2,483	952	2,366	1,697	808	1,265	173	1,293
Transportation services n.e.c.	1	67	464	194	523	355	136	136	19	135
Water transportation	14	0	21	3	11	3	14	104	4	19
Air transportation	-7	1	65	15	34	35	19	14	2	23
Communication services	2	13	100	34	66	92	27	42	7	53
Financial services n.e.c.	16	85	999	280	570	441	243	268	44	375
Insurance	4	25	328	112	245	184	65	70	17	109
Business services n.e.c.	29	229	1,762	578	998	839	509	562	89	756
Recreational and other services	-9	120	1,286	464	679	503	347	398	99	583
Public administration, defense, education, health services	31	221	2,559	992	1,600	1,117	649	728	171	1,059

...continued

Table 12 U.S.-Korea FTA: Simulated results for state-level job changes, Scenario B (fixed real wages and returns to capital), *continued*

Sector	Massachusetts	Michigan	Minnesota	Mississippi	Missouri	Montana	Nebraska	Nevada	New Hampshire	New Jersey
Jobs result for state as a whole	2,640	3,560	5,531	2,533	5,887	1,153	7,582	1,976	638	8,761
Sector job results										
Agriculture	29	437	1,639	642	2,513	779	2,462	82	20	76
Fishing and forestry	84	10	7	46	8	-3	16	10	4	57
Coal	0	0	0	1	0	3	0	0	0	0
Oil and gas	1	12	1	15	1	4	3	4	0	1
Minerals n.e.c.	4	3	0	2	16	6	7	17	2	8
Bovine meat products	18	71	246	18	117	9	1,112	0	0	63
Meat products n.e.c.	-11	-22	-36	96	-10	-1	-13	0	0	10
Vegetable oils and fats	0	0	2	0	1	0	4	0	0	0
Dairy products	2	8	23	1	22	0	4	2	0	7
Sugar	0	1	3	0	0	1	1	0	0	0
Food products n.e.c.	9	13	82	7	25	2	57	4	1	36
Beverages and tobacco products	4	5	4	1	7	1	3	1	1	12
Textiles	-1	7	3	4	6	0	4	1	1	9
Wearing apparel	-2	1	1	8	7	0	0	0	0	6
Leather products	0	-1	-2	-2	0	0	0	0	0	-1
Wood products	4	12	24	20	15	2	14	4	2	16
Paper products, publishing	37	35	81	16	73	6	64	12	7	119
Petroleum, coal products	2	3	4	4	4	3	0	0	0	9
Chemical, rubber, plastic products	16	27	45	27	69	2	57	9	2	114
Mineral products n.e.c.	4	8	15	7	13	2	9	6	2	19
Ferrous metals	-1	-15	2	2	2	0	2	0	0	-1
Metals n.e.c.	-6	-10	-1	-1	-7	-3	1	-1	-3	-2
Metal products	-7	-13	13	5	9	0	20	1	0	15
Motor vehicles and parts	-4	-39	1	-7	1	0	7	-1	-1	1
Transport equipment n.e.c.	-20	-12	6	3	-40	0	0	-4	-5	-3
Electronic equipment	-65	-16	-14	-3	-14	-1	-2	-5	-11	-43
Machinery and equipment n.e.c.	-6	-66	44	8	15	1	67	2	0	32
Manufactures n.e.c.	18	8	10	4	9	2	5	6	3	14
Electric utilities	7	18	22	11	18	4	5	7	2	17
Gas manufacture, distribution	9	13	13	8	14	2	12	6	2	17
Water utilities	1	1	4	3	5	1	3	1	0	11
Construction	194	244	315	170	392	82	347	110	54	527
Trade, wholesale and retail	507	832	1,113	668	1,361	266	1,577	658	164	2,135
Transportation services n.e.c.	65	109	189	103	236	42	428	78	15	253
Water transportation	10	10	3	6	14	0	3	5	1	34
Air transportation	6	17	23	10	23	6	37	15	2	49
Communication services	34	37	39	21	53	8	40	18	6	82
Financial services n.e.c.	236	308	416	160	420	73	406	183	49	707
Insurance	99	129	148	33	158	16	147	45	25	291
Business services n.e.c.	365	642	654	311	878	135	655	270	81	1,400
Recreational and other services	480	560	538	197	578	106	511	305	110	1,007
Public administration, defense, education, health services	998	1,278	1,214	380	1,153	197	1,053	280	193	2,060

...*continued*

Table 12 U.S.-Korea FTA: Simulated results for state-level job changes, Scenario B (fixed real wages and returns to capital), *continued*

Sector	New Mexico	New York	North Carolina	North Dakota	Ohio	Oklahoma	Oregon	Pennsylvania	Rhode Island	South Carolina
Jobs result for state as a whole	1,321	16,711	7,651	785	5,497	5,615	2,725	9,963	523	4,547
Sector job results										
Agriculture	527	323	1,300	439	890	3,332	715	783	3	761
Fishing and forestry	0	90	149	-1	21	15	147	1	16	24
Coal	5	0	0	3	11	2	0	24	0	0
Oil and gas	14	7	1	7	17	100	0	20	0	0
Minerals n.e.c.	3	26	15	2	17	14	7	18	1	6
Bovine meat products	0	34	472	11	47	81	63	288	0	213
Meat products n.e.c.	-3	-13	109	-2	-46	-12	8	-14	-3	122
Vegetable oils and fats	0	0	0	0	2	1	0	0	0	0
Dairy products	3	25	2	0	17	2	5	14	0	2
Sugar	0	1	0	3	0	0	0	0	0	0
Food products n.e.c.	4	49	29	5	42	11	29	55	1	18
Beverages and tobacco products	0	20	51	0	7	3	5	22	1	2
Textiles	0	22	-13	1	5	3	2	11	-1	5
Wearing apparel	0	75	-34	0	2	3	6	12	-1	24
Leather products	0	-3	-2	0	0	0	0	-4	0	0
Wood products	2	20	41	3	21	8	2	44	1	-6
Paper products, publishing	7	175	78	5	78	33	19	137	7	26
Petroleum, coal products	2	4	2	1	7	7	1	13	0	1
Chemical, rubber, plastic products	5	131	66	3	65	33	21	91	4	21
Mineral products n.e.c.	4	28	18	2	15	14	8	27	0	16
Ferrous metals	0	-3	-1	0	-18	3	-2	-16	0	-3
Metals n.e.c.	0	-9	-6	0	-16	0	-6	-7	-1	-6
Metal products	0	5	14	1	-7	11	-3	9	-4	5
Motor vehicles and parts	0	-38	-21	0	-48	2	-3	-9	0	-38
Transport equipment n.e.c.	-7	-48	-3	-1	-72	-25	-21	-60	1	-10
Electronic equipment	-31	-161	-38	-1	-28	-1	-92	-65	-7	-30
Machinery and equipment n.e.c.	2	30	-4	15	-47	29	5	16	-3	-6
Manufactures n.e.c.	2	48	12	1	15	6	6	13	8	6
Electric utilities	6	62	20	3	21	22	7	28	1	17
Gas manufacture, distribution	4	37	10	4	16	17	4	23	1	8
Water utilities	1	13	5	0	3	7	2	11	0	16
Construction	91	952	498	49	369	333	157	634	36	247
Trade, wholesale and retail	303	4,439	1,753	188	1,292	1,222	837	2,294	101	2,189
Transportation services n.e.c.	58	610	253	42	207	169	117	315	10	160
Water transportation	1	46	11	1	11	5	6	12	4	9
Air transportation	4	44	30	3	31	19	3	47	2	8
Communication services	18	214	83	5	58	51	26	92	7	46
Financial services n.e.c.	83	1,417	524	41	474	339	170	735	48	286
Insurance	18	532	136	21	193	109	71	307	17	109
Business services n.e.c.	189	2,465	1,183	74	880	652	361	1,310	69	713
Recreational and other services	138	1,767	835	59	730	413	318	1,253	92	467
Public administration, defense, education, health services	245	4,877	1,348	116	1,638	843	666	2,674	160	607

...continued

Table 12 U.S.-Korea FTA: Simulated results for state-level job changes, Scenario B (fixed real wages and returns to capital), *continued*

Sector	South Dakota	Tennessee	Texas	Utah	Vermont	Virginia	Washington	West Virginia	Wisconsin	Wyoming	District of Columbia
Jobs result for state as a whole	2,282	5,358	26,993	1,893	118	10,838	7,025	1,192	3,743	897	471
Sector job results											
Agriculture	1,296	1,393	6,690	509	57	1,966	1,306	470	897	569	0
Fishing and forestry	3	0	283	27	-1	96	265	-1	15	0	0
Coal	0	3	12	4	0	11	1	49	0	14	0
Oil and gas	2	2	274	6	0	3	0	14	0	21	0
Minerals n.e.c.	3	11	42	2	1	11	10	2	10	5	0
Bovine meat products	231	37	994	62	0	269	468	0	205	0	0
Meat products n.e.c.	1	-36	29	-2	-1	128	42	5	-71	0	0
Vegetable oils and fats	0	1	1	0	0	0	0	0	0	0	0
Dairy products	7	3	18	11	7	20	7	0	52	0	0
Sugar	0	0	2	0	0	0	0	0	0	1	0
Food products n.e.c.	4	29	74	9	1	20	80	1	29	0	0
Beverages and tobacco products	1	10	22	1	0	29	10	2	7	1	0
Textiles	3	4	23	1	0	13	6	0	4	0	0
Wearing apparel	1	4	29	1	0	13	12	0	-2	0	0
Leather products	0	0	0	0	0	0	0	0	-5	0	0
Wood products	6	18	52	8	1	16	-6	4	28	1	0
Paper products, publishing	17	58	162	18	2	89	44	9	71	4	10
Petroleum, coal products	0	2	44	2	0	1	5	1	1	2	0
Chemical, rubber, plastic products	8	55	195	19	-1	55	51	13	42	8	0
Mineral products n.e.c.	3	14	63	6	2	25	22	3	10	2	0
Ferrous metals	0	0	2	-1	0	0	-1	-2	4	0	0
Metals n.e.c.	0	-5	-8	-2	-1	0	-13	-9	-3	0	0
Metal products	4	10	45	2	0	15	3	3	5	1	0
Motor vehicles and parts	4	-15	-7	-9	0	-11	-4	0	-7	0	0
Transport equipment n.e.c.	0	-5	-220	-42	-4	-5	-253	-8	5	1	0
Electronic equipment	-1	-7	-210	-7	-40	-41	-62	-1	-16	0	-1
Machinery and equipment n.e.c.	14	19	114	13	-3	27	8	2	22	3	0
Manufactures n.e.c.	11	9	42	9	1	12	11	0	11	1	0
Electric utilities	7	7	84	5	1	29	11	5	14	4	2
Gas manufacture, distribution	4	4	64	2	1	20	5	7	8	4	1
Water utilities	2	5	35	2	0	10	8	1	2	1	0
Construction	125	364	1,692	115	16	668	434	75	251	68	14
Trade, wholesale and retail	447	1,225	6,730	493	34	3,323	2,669	296	696	198	31
Transportation services n.e.c.	109	240	1,064	80	8	351	270	33	176	31	4
Water transportation	0	17	85	1	0	25	27	1	5	2	0
Air transportation	5	26	103	9	0	31	13	5	14	4	0
Communication services	15	58	233	18	2	112	82	12	34	5	7
Financial services n.e.c.	160	377	1,930	182	8	711	479	71	253	51	82
Insurance	31	143	693	51	5	190	147	18	142	10	5
Business services n.e.c.	182	803	3,945	262	13	1,553	1,020	129	477	114	122
Recreational and other services	145	562	2,552	195	44	1,020	706	127	437	71	51
Public administration, defense, education, health services	320	1,092	4,241	329	66	1,579	1,241	255	897	106	143

Sources: USAGE model (state-level extension) simulations and 2009 U.S. labor statistics from the U.S. Census Bureau and the Bureau of Economic Analysis.
Note: Sector-level results for each state do not necessarily sum to the state-wide result in the first row because the model aggregates all labor occupations to a single labor input. Thus these results are approximate.

Table 13 U.S.-Korea FTA: Simulated results for region-level job changes, Scenario B (fixed real wages and returns to capital)

Sector	North West	Western	Rocky Mountain	Mid-America	South West	Midwest	Great Lakes	Southeastern	Mid-Atlantic	New England	District of Columbia
Jobs result for state as a whole	12,665	32,689	21,006	16,126	36,931	31,613	13,144	54,254	52,945	5,783	471
<u>Sector job results</u>											
Agriculture	3,374	1,610	7,724	6,217	10,415	7,573	2,411	7,968	3,746	177	0
Fishing and forestry	475	1,654	50	74	408	166	42	715	271	119	0
Coal	4	4	34	1	15	19	21	54	85	0	0
Oil and gas	9	22	85	70	437	12	30	28	44	3	0
Minerals n.e.c.	30	43	35	44	60	54	29	111	71	11	0
Bovine meat products	571	836	1,690	1,039	1,084	1,601	247	1,057	693	18	0
Meat products n.e.c.	46	121	-22	138	49	-203	-93	703	175	-17	0
Vegetable oils and fats	0	1	4	2	2	22	6	4	0	0	0
Dairy products	18	61	27	24	22	105	29	20	71	9	0
Sugar	3	3	6	0	6	3	1	4	1	0	0
Food products n.e.c.	162	210	102	117	96	438	169	188	174	31	0
Beverages and tobacco products	15	96	14	12	28	33	19	117	90	11	0
Textiles	8	56	15	10	29	20	16	54	59	0	0
Wearing apparel	18	386	5	16	34	9	4	57	111	-3	0
Leather products	0	0	-1	1	0	-9	-1	-4	-9	-1	0
Wood products	0	30	46	40	64	114	64	127	106	13	0
Paper products, publishing	78	240	167	168	222	402	162	445	579	83	10
Petroleum, coal products	10	23	9	12	70	18	17	20	30	4	0
Chemical, rubber, plastic products	85	309	132	171	274	335	175	423	437	39	0
Mineral products n.e.c.	34	88	39	34	87	62	35	151	112	13	0
Ferrous metals	-4	-6	2	7	6	11	-51	-5	-24	-3	0
Metals n.e.c.	-21	-15	-1	-9	-8	-5	-39	-33	-28	-14	0
Metal products	2	-39	39	39	64	67	-22	95	54	-19	0
Motor vehicles and parts	-7	-59	3	3	-3	-7	-152	-119	-56	-11	0
Transport equipment n.e.c.	-273	-396	-58	-197	-244	17	-84	-161	-134	-203	0
Electronic equipment	-211	-717	-59	-23	-212	-69	-71	-219	-347	-151	-1
Machinery and equipment n.e.c.	18	76	145	99	155	222	-102	101	125	-26	0
Manufactures n.e.c.	21	67	36	23	55	57	34	74	91	35	0
Electric utilities	27	88	48	51	121	97	53	165	160	19	2
Gas manufacture, distribution	16	60	42	43	95	64	42	94	115	16	1
Water utilities	12	26	14	22	48	27	10	52	52	4	0
Construction	784	1,734	1,168	904	2,288	1,756	882	3,264	3,263	472	14
Trade, wholesale and retail	4,149	10,939	4,548	3,561	9,217	6,658	3,077	16,268	14,009	1,290	31
Transportation services n.e.c.	502	1,364	928	711	1,368	1,352	510	1,829	1,713	146	4
Water transportation	40	90	12	29	194	40	24	207	140	29	0
Air transportation	27	113	101	69	136	137	63	186	201	15	0
Communication services	135	307	161	164	326	238	129	545	570	76	7
Financial services n.e.c.	827	2,836	1,395	1,016	2,537	2,237	1,063	3,882	4,076	537	82
Insurance	263	777	460	377	872	863	433	1,271	1,465	258	5
Business services n.e.c.	1,806	4,959	2,367	2,049	5,159	3,892	2,100	8,243	7,716	835	122
Recreational and other services	1,300	3,649	1,734	1,297	3,362	2,940	1,754	5,459	5,839	1,037	51
Public administration, defense, education, health services	2,374	6,430	3,196	2,724	5,811	6,270	3,908	9,527	12,648	2,107	143

Sources: Table 12.

Communications

ACCURAY

THE UNITED STATES SENATE COMMITTEE ON FINANCE

HEARING ON

THE U.S.-KOREA FREE TRADE AGREEMENT (FTA)

MAY 26, 2011

STATEMENT BY

EUAN THOMSON

PRESIDENT AND CEO

ACCURAY INCORPORATED

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Accuray Incorporated, manufacturer of the CyberKnife® Robotic Radiosurgery System, would like to thank the Committee for holding this important hearing on the U.S. -Korea Free Trade Agreement (FTA). Not only will this FTA expand market access for our technology and those of other U.S. companies operating in Korea, it will allow Accuray to improve access for patients in Korea to the life-saving technology that our company designs and manufactures.

Founded in 1990, Accuray manufactures the CyberKnife® Robotic Radiosurgery System, a non-invasive alternative to surgery for the treatment of both cancerous and non-cancerous tumors anywhere in the body. The treatment – which delivers precision beams of high dose radiation to tumors with extreme accuracy – allows physicians to treat highly complex or hard to reach tumors safely (for example, tumors inside the spine or those wrapped around critical structures) while sparing surrounding healthy tissue. It is the only radiation technology that can stay on target when the tumor or patient moves during treatment. For many patients, treatment with the CyberKnife System, is life-saving. For others, it is a clinically effective and patient-friendly alternative to invasive surgery or long courses of less precise radiation treatment. CyberKnife treatments are typically offered in five or fewer short daily sessions. They are pain-free with minimal to no side effects, and allow patients to return immediately following treatment to normal activities, minimizing time away from family and work. The CyberKnife System exemplifies American ingenuity in the service of the public's health.

To date, over 200 CyberKnife Systems have been installed worldwide, and over 100,000 patients have been treated, including over 6,000 in Korea. Accuray's business is strong, but we cannot underestimate the importance of sales outside the U.S. to the continued health of our organization. In FY 2010, 57 percent of new orders for the CyberKnife System were generated outside of the U.S. Company exports, therefore, play a key role in supporting our U.S. workforce of over 400 employees. Accuray employs a highly skilled and highly paid work force, including jobs in engineering, clinical development, manufacturing, management, marketing, service, and sales.

The U.S. Department of Commerce notes that Korea is one of the largest and fastest growing export markets for medical technology, with growth between 10 and 15 percent expected over the next several years[1]. To date, Accuray has had good success making its cutting edge technology available to Korean patients, with export sales of roughly $30 million and an installed base in Korea of 9 Systems. By expanding market access, free trade agreements like the U.S.-Korea FTA will support the commercial success of companies like Accuray, increasing US competitiveness in a global economy. At the same time, they will allow our trading partners to benefit from American leadership in medical technology through adoption of products like the CyberKnife System that benefit the health and welfare of their citizens.

The U.S.-Korea FTA comes at a timely moment. With Korea's evolving national health insurance system expanding to cover more and more procedures, the Korean people are

[1] International Trade Administration, US-Korea Trade Agreement, Opportunities for the US Medical Equipment Sector, April 2011 Report

becoming accustomed to a higher level of health care. This could create significant U.S. export opportunities for companies like ours. However, expansion of the health insurance system has not been without growing pains. As government officials seek, understandably, to control cost while expanding access, a need arises to ensure that well-intentioned payment policies do not have the unintended consequence of reducing patient access to Accuray's and other U.S. companies' effective, patient-friendly and efficient technologies. Without the FTA, American manufacturers have no voice in the Korean reimbursement setting process, or ability to provide crucial product information to support informed decision-making by the Korean agencies. With the FTA, both U.S. manufacturers and Korean patient interests are better served.

The U.S.-Korea FTA is the first U.S. free trade agreement with specific provisions for the medical technology industry. Included in Chapter 5 on Pharmaceutical Products and Medical Devices, these provisions, among other things, affirm the importance of sound economic incentives in assuring patient access to medical technology and provide a needed voice for the manufacturer in the determination of product reimbursement. Specific provisions of the U.S. – Korea FTA addressing the concerns of U.S. medical technology companies, like Accuray, include the following:

- The FTA acknowledges the importance of access to medical technology to the provision of high quality health care and the importance of patented products in reducing other more costly expenditures;
- It provides for the promotion of innovation and timely and affordable access to safe and effective medical devices through transparent and accountable procedures;
- It calls for fair, reasonable and non-discriminatory procedures for the setting of reimbursement rates that are mainly derived from market competition;
- In instances where non-competitive practices define reimbursement rates, the agreement permits manufacturers to apply for increased level of reimbursement based on the product's safety or efficacy;
- The FTA contains a requirement for transparency of regulations and rules affecting medical technology, including advance publication of rules prior to implementation with a reasonable opportunity (at least 60 days) to provide comment;
- It calls for timely approval of reimbursement requests for medical technology products;
- It enhances transparency via a commitment to make available in a timely manner to applicants all procedural rules, methodologies, principles, and criteria, used to determine pricing and reimbursement for medical technology, including detailed written information regarding the basis for a decision or recommendation;
- It provides manufacturers timely and meaningful opportunities to provide comments at relevant points in the pricing and reimbursement decision-making processes;

- It establishes an independent review process that may be invoked at the request of a manufacturer directly affected by a recommendation or determination; and
- It establishes an important commitment to openness of reimbursement decision-making bodies to all stakeholders, including innovative and generic companies.

These commitments are especially important to Accuray at this moment in time, as the Korean Government health insurance authority has recently set a new payment rate for CyberKnife treatments in Korea that appears to be significantly below the cost to provide such treatments. Because the new rate was set without benefit of the important safeguards that would be provided under the U.S.-Korea FTA, Accuray – as a foreign manufacturer – was given no role in the rate-setting process. Our lack of involvement led to a situation in which policy makers set the payment rate for our technology without benefit of important information about its use, its unique clinical and patient benefits, and its cost to providers in Korea that a manufacturer, uniquely, is capable of providing. While we are now working in good faith with national health insurance officials in Korea to correct this situation, which undermines both patient access and Accuray's business in Korea, we offer this example to illustrate the very real need for the transparency safeguards and commitments to pricing policies based on sound economics that exist in the US-Korea FTA. These commitments will support both US jobs and innovation while improving Korean patient access to the best America has to offer in health care technology. We therefore urge Congress to approve the FTA as quickly as possible.

We join our trade association, AdvaMed, in recognizing the strong effort by USTR in negotiating these provisions on behalf of our industry. We agree that the U.S.-Korea FTA will establish essential protections that will better ensure a more competitive, transparent and predictable market in Korea. Importantly, it will also better enable Accuray and other U.S. medical technology companies to bring life saving treatments to Korean patients who need them.

Thank you for the opportunity to comment on this important trade agreement.

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AdvaMed
Advanced Medical Technology Association

SENATE FINANCE COMMITTEE

HEARING ON

U.S. – Korea Free Trade Agreement (FTA)

May 26, 2011

STATEMENT BY

STEPHEN J. UBL

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THE ADVANCED MEDICAL TECHNOLOGY ASSOCIATION (AdvaMed)

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WASHINGTON, D.C. 20004

We thank the Committee for holding this important hearing today on the U.S. – Korea Free Trade Agreement (FTA). We strongly support the efforts to expand market access for U.S. products abroad through new FTAs as a vital means of increasing U.S. competitiveness in a global economy.

AdvaMed is the world's largest medical technology association. AdvaMed represents the world's leading medical technology innovators and manufacturers of medical devices, diagnostic products and medical information systems. AdvaMed is proud to represent an industry that brings new hope to patients around the world. U.S. companies are still benchmark manufacturing leaders in terms of total production, innovation and highest quality products. Our member companies manufacture nearly 90% of the $94 billion U.S. health care technology market, and nearly 50% of the $240 billion of medical technology products that are purchased globally each year. In 2010, U.S. exports in medical devices and diagnostics totaled over $36.1 billion.

The size of AdvaMed member companies spans the full spectrum from large multinationals to very small start-ups. About two-thirds of AdvaMed members are small in size but are among the most dynamic in terms of innovation. Indeed, the medical technology industry is fueled by intense competition and the innovative energy of small companies – firms that drive very rapid innovation cycles among products, in many cases creating new product iterations every 18 months. Accordingly, our US industry succeeds most in fair, transparent global markets where products can be adopted on their merits without excessive regulatory hurdles or inappropriate reimbursement policies.

Medical technology products improve people's lives and contribute to economic progress. In a world of shrinking healthcare resources, medical technology products are an investment in our most valuable resource – the health of our people. The returns on that investment are the long-term benefits that can be achieved when we provide the resources needed for the best medical care. These benefits include greater quality of life, productivity and economic competitiveness.

Impact of the U.S. – Korea FTA on Medical Technology Exports

The U.S. – Korea FTA has specific provisions addressing the concerns of the medical technology industry, and illustrates the benefits that FTAs can bring to the medical technology sector and to job creation in the U.S. Korea is an extremely important market for United States medical technology exporters. According to the U.S. Department of Commerce, Korea is one of the largest and fastest growing markets for medical technology. U.S. manufacturers exported over $875 million worth of medical technology products to Korea in 2010, while Korea exported $331 million in medical technology products to the United States. The U.S. International Trade Commission estimates that the Korean medical device market will grow 10-15 percent in the next several years. With a growing economy, the Korean people will come to demand an even higher level of health care and, with it, will come increased U.S. export opportunities. AdvaMed views the implementation of the Korea-U.S. FTA as an opportunity to increase exports of medical technology products to this expanding market.

However, access to the Korean market is currently limited by excessive tariffs; pricing and reimbursement policies that discriminate against foreign manufacturers; burdensome product-testing requirements; and inappropriate requirements to register products in their country of origin and re-register following a change in manufacturing location. Korea was not a party to the Uruguay Round "zero-for-zero" tariff elimination initiative for medical devices, and maintains import tariffs on a range of medical technology products, including most of our top export categories.

AdvaMed strongly supports adoption and implementation of the U.S.-Korea FTA as quickly as possible as it will serve to assist in eliminating tariffs and non-tariff measures applied to medical technology products by Korea. We anticipate that implementation will provide greater access and a more equal competitive arena for U.S. medical technology in the Korean market. The effect of implementation of the U.S.-Korea FTA will be to increase the availability of medical technology in the Korean market, thereby allowing increased access by Korean patients to the most innovative technologies and treatment options.

The U.S.-Korea FTA is the first U.S. free trade agreement with specific provisions for the medical technology industry. Chapter 5 of the FTA contains a number of protections for the medical technology industry, and also attempts to address many of the concerns that have been experienced by our industry and that remain pervasive. Some of the provisions most beneficial to the medical technology industry include the following:

- The FTA acknowledges the importance of access to medical technology to the provision of high quality health care and the importance of patented products in reducing other more costly expenditures;
- It provides for the promotion of innovation and timely and affordable access to safe and effective medical devices through transparent and accountable procedures;
- It calls for fair, reasonable and non-discriminatory procedures for the setting of reimbursement prices that are mainly derived from market competition;
- In instances where non-competitive practices define reimbursement rates, the manufacturer is permitted to apply for increased level of reimbursement based on the product's safety or efficacy;
- A requirement for transparency of regulations and rules affecting medical technology is contained in the FTA, including advance publication of rules prior to implementation with a reasonable opportunity (at least 60 days) to provide comment;

- Requests for approval or reimbursement for medical technology products will be processed within a reasonable timeframe;
- Applicants will be provided within a reasonable and specified time all procedural rules, methodologies, principles, and criteria, used to determine pricing and reimbursement for medical technology, including detailed written information regarding the basis for the decision or recommendation;
- Applicants will be provided timely and meaningful opportunities to provide comments at relevant points in the pricing and reimbursement decision-making processes;
- An independent review process will be provided that may be invoked at the request of an applicant directly affected by a recommendation or determination;
- Reimbursement decision-making bodies will be open to all stakeholders, including innovative and generic companies; and
- A membership list of all committees related to the reimbursement and pricing of pharmaceutical products and medical devices will be made publicly available.

Additionally, under the FTA's strong dispute settlement provisions, its implementation will mean that the medical technology industry will gain very important procedural safeguards against arbitrary and non-transparent reimbursement and regulatory decisions by Korea.

The implementation phase of the FTA is critical in ensuring the success of these provisions and will offer challenges to maintain their letter as well as spirit. The negotiation of these provisions and their inclusion in the FTA is a tribute to the effort by USTR, working with our industry.

We view these as essential protections that will better ensure a more competitive, less arbitrary market in Korea. Implementation of the FTA will ensure these hard won provisions are brought to life.

Impact on U.S. Jobs

The medical technology industry is a powerful economic driver in the United States. In the United States in 2008, the medical technology industry employed 422,778 workers; paid $24.6 billion in salaries; and shipped $135.9 billion worth of products.

Until 2003, the United States ran a significant trade surplus in medical technology products. The U.S. industry is witnessing a slow-down in the value of exports, largely as a result of foreign government reimbursement and regulatory policies. The industry needs U.S. Government support to address these issues and to eliminate other market access restrictions.

Examining the industry on a state by state basis, according to recent data, the median figure for all states in the United States indicates the following:

- Each medical technology job generates an additional 1.5 jobs in that state.
- Each medical technology payroll dollar generates and additional $0.90 in earnings in that state;
- Each dollar of medical technology sales generates an additional $.90 in sales in that state.

Implementation of the FTA would help United States retain and expand jobs in the U.S. Decreasing tariff and non-tariff barriers will obviously lead to more sales of U.S. medical technology products in Korea. Implementation of the FTA would therefore benefit not just the medical technology sector, but also would create positive collateral benefits to the U.S. economy as a whole. These benefits are in addition to the benefit that will accrue to the Korean people, benefits derived from obtaining the most innovative products, increased patient choice and treatment options, and improved quality of life.

Non-implementation would put us at a disadvantage because, as other nations establish FTAs with Korea, the U.S. domestic industry would face increased competition. For example, some U.S. firms manufacture in the European Union (EU), which has negotiated an FTA with Korea. That agreement will go into effect this summer (July 2011). If, as a result, shipping manufactured medical technology products from the EU becomes more cost-effective than shipping it from U.S. manufacturing plants, valuable jobs could shift overseas.

<u>Conclusion</u>

The United States must negotiate and implement strong FTAs as one means of providing a level playing field for U.S. firms and improving U.S. competitiveness in the global market place. We cannot afford to cede U.S. leadership on international trade to other countries. The KORUS provides an illustration of the benefits that FTAs can bring to the U.S. medical technology industry. These benefits are the result of improvements in market access and conditions for U.S. medical technology manufacturers that are contained within the terms of the FTA. This improved market access will help U.S. medical technology firms increase their exports, with a direct and strong impact on employment in the United States. Adoption of the U.S. – Korea FTA will benefit U.S. workers, the U.S. economy, and patients overseas.

ANNEX I

Medical Devices – Harmonized Tariff Schedule (HTS) Codes

HTS Heading	HTS Description	Tariff Rate in Korea's 2005 Schedule
2844.40	Radioactive elements and isotopes	0
3005	Wadding, gauze, bandages and similar articles for medical, surgical, dental or veterinary purposes	0
3006.10	Sterile surgical catgut, similar sterile suture materials and sterile tissue adhesives for surgical wound closure and similar sterile material	0
3006.20	Blood-grouping reagents	0
3006.30	Opacifying preparations for X-ray examinations; diagnostic reagents designed to be administered to the patient	0
3006.40	Dental cements and other dental fillings; bone reconstruction cements	0
3006.50	First-aid boxes and kits	0
3407 *Excluding 3407.00.2000 (modeling clay)*	Preparations of dental wax or dental impression compounds; other dental preparations of plaster	6.5
3821	Prepared culture media for development of micro-organisms	6.5
3822	Diagnostic or laboratory reagents on a backing and prepared diagnostic or laboratory reagents	3822.00.10.00-3822.00.10.90: 0 3822.00.10.91: 6.5 3822.00.10.92: 8 3822.00.10.93: 0 3822.00.10.99: 8 3822.00.20.11-3822.00.20.90: 0 3822.00.20.91: 6.5 3822.00.20.92: 8 3822.00.20.93: 0 3822.00.20.99: 8
4015.11	Surgical gloves, of vulcanized rubber other than hard rubber	8
4015.19.0510	Medical gloves, of natural rubber	8
4015.19.0550	Medical gloves, other	8
4206.10.30	Articles of gut for use in the manufacture of sterile surgical sutures	8
6115.12.10	Surgical panty hose of synthetic fibers	13
6115.19.20	Surgical panty hose of other textile materials	13

6115.92.30	Surgical stockings of cotton	13
6115.93.30	Surgical stockings of synthetic fibers	13
6307.90.60	Surgical drapes of fabric formed on a base of paper or covered or lined with paper	10
6307.90.68	Surgical drapes of spunlaced or bonded fiber fabric; disposable surgical drapes of man-made fibers	10
6307.90.72	Other surgical drapes	10
6307.90.89	Surgical towels	10
8419.20	Medical, surgical or laboratory sterilizers	0
8419.90.5040, 8419.90.9040	Parts and accessories for medical, surgical or laboratory sterilizers	0
8543.89.85	Electrical machines and apparatus for electrical nerve stimulation	0
8713	Carriages for disabled persons, whether or not motorized or otherwise mechanically propelled	0
8714.20	Parts and accessories of carriages for disabled persons	0
9001.20	Sheets and plates of polarizing material	8
9001.30	Contact lenses	8
9001.40	Spectacle lenses of glass, unmounted	8
9001.50	Spectacle lenses of other materials	8
9003.11	Frames and mountings of plastic	8
9003.19	Frames and mountings of other materials	8
9003.90	Parts for frames and mountings, spectacles, goggles or the like	8
9004.10	Sunglasses	8
9004.90	Spectacles, goggles and the like, protective	8
9018	Instruments and appliances used in medical, surgical, dental or veterinary sciences, and electro-medical apparatus and sight-testing instruments; parts and accessories thereof	8
9019 *Excluding 9019.10.2020 and 9019.10.2030 (hand-held massagers and parts thereof)*	Mechano-therapy appliances; massage apparatus; psychological aptitude testing apparatus; ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus; parts and accessories thereof	0
9020.00.60	Breathing appliances and gas masks	8
9020.00.90	Parts and accessories for breathing appliances and gas masks	8
9021	Orthopedic appliances, including crutches, surgical belts and trusses;	0

	splints and other fracture appliances; artificial parts of the body; hearing aids and other appliances which are worn or carried, or implanted in the body, to compensate for a defect or disability; parts and accessories thereof	
9022 *Excluding 9022.19.0000, 9022.29.4000, 9022.29.8000, and 9022.29.0700 (non-medical equipment; smoke detectors and parts thereof)*	X-ray equipment	8
9025.11	Liquid filled clinical or veterinary thermometers	8
9025.19.00.40, 9025.19.80.40	Other clinical thermometers	8
9402	Medical, surgical dental or veterinary furniture and parts thereof	0
9608.20.0000*	Felt-tipped and other porous-tipped pens and markers.*	8

Source: U.S. Harmonized Tariff Schedule, Advanced Medical Technology Association, Korea 2005 Tariff Rate Schedule as reported on the APEC Tariff Database

*Note: Skin markers for surgery are included in this category; if the tariff cannot be removed from the entire category, AdvaMed recommends creating a more specific eight- or ten-digit code for the surgical markers and lift the tariff on that code.

ANNEX II

Top 10 U.S. Medical Technology Exports to Korea, 2005

HTS Heading	HTS Description	U.S. Dollars	Tariff Rate in Korea's 2005 Schedule	Est. Cost of Tariff in 2005
3822000002	Diagnostic or laboratory reagents on a backing and prepared diagnostic or laboratory reagents	$60,375,932	0	-
9001200000	Sheets and plates of polarizing material	$59,222,040	8	$4,737,763
9018908000	Instruments and appliances used in medical, surgical, dental or veterinary sciences, and electro-medical apparatus and sight-testing instruments	$54,706,123	8	$4,376,490
9018390030	Bougies, catheters, drains and sondes and parts and accessories	$30,466,031	8	$2,437,282
9022140000	X-ray equipment	$23,303,336	8	$1,864,267
9018120000	Ultrasonic scanning apparatus	$22,946,442	8	$1,835,715
9018906000	Electro-surgical instruments and appliances and parts and accessories	$21,185,957	8	$1,694,877
9018199560	Parts and accessories for electro-diagnostic apparatus	$19,734,740	8	$1,578,779
8419200000	Medical , surgical or laboratory sterilizers	$18,614,420	0	-
9018130000	Magnetic resonance imaging apparatus	$18,614,420	8	$1,489,154
Total (Top 10)		**$329,888,696**		**$20,014,327**
Total Export Value		**$623,185,405**		

Source: U.S. Department of Commerce, U.S. International Trade Commission, Korea 2005 Tariff Rate Schedule as reported on the APEC Tariff Database american apparel & footwear association

Statement by
American Apparel & Footwear Association
Before the Senate Finance Committee

On

The U.S/Korea Free Trade Agreement

May 26, 2011

Thank you for providing the American Apparel & Footwear Association – the national trade association of the apparel and footwear industries, and their suppliers – a chance to submit comments in connection with the U.S./Korea Free Trade Agreement (KORUS).

By way of background, AAFA represents more than 400 apparel and footwear companies, as well as many of the companies that supply inputs and services to our industry. As an industry that is on the frontlines of globalization, our members make everywhere and sell everywhere, including Korea.

Collectively, AAFA represents more than 800 brands that employ hundreds of thousands of workers in the United States, in such diverse fields as design, manufacturing, logistics, transportation, finance, compliance, merchandising, marketing, sales, and compliance. Our industry has a significant employment footprint in every state in diverse locations such as factories, distribution centers, home offices, and retail shops. We also directly and indirectly create millions of jobs in the United States and around the world.

Although much of the clothing and shoes worn by a typical American is imported – in 2010, 99 percent of all footwear and 98 percent of all garments were produced offshore – most of those items were touched by hundreds of thousands of American workers as they made their way through the supply chain.

Many of our members view the United States as their principal market. The United States alone accounts for about one-quarter of all clothing and footwear purchased worldwide. However, significant market opportunities exist for competitive and globally minded clothing and footwear companies, especially since 95 percent of the world's population lives outside the United States.

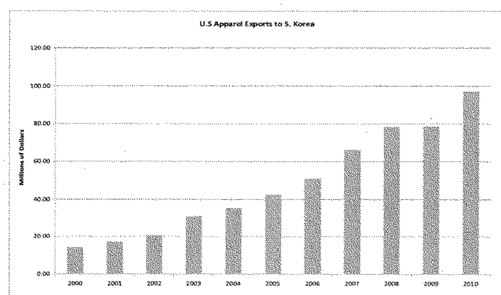
It is with this in mind that we can discuss the importance of KORUS – and the rest of the trade agenda – for the U.S. apparel and footwear industry.

Like many in the business community, AAFA strongly supports the immediate approval and quick implementation of the KORUS. Our members believe that the KORUS, which was negotiated three years ago, has been unacceptably stalled. Those delays have resulted in extra costs that have ultimately been born by U.S. and Korean consumers, workers, and businesses. We find this situation intolerable.

We also take this opportunity to urge that Congress and the Administration work together to pass the other pending FTAs with Colombia and Panama. Delays with those FTAs, which have been even longer than those with KORUS, have also led to job losses and costs, and have contributed to uncertainty and unpredictability. In particularly, we note that the delay in the Colombia FTA has been exacerbated in the textile and apparel industry by the expiration of the Andean trade preference program, which until earlier this year permitted duty-free access to the U.S. market for garments made in Colombia primarily with U.S. and Colombian inputs. Failure to resolve this situation – with immediate passage and retroactive renewal of the Andean preference program and immediate approval of the Colombia FTA – to secure both the short and long term partnership with Colombia will result in irreparable economic damage and further job losses in our industry.

KORUS & Textiles and Apparel

KORUS represents an important opportunity for U.S.-made apparel sold in Korea. South Korea is currently the 4th largest export market for U.S.-made finished apparel[1], behind Canada, the U.K. and Japan.[2] From 2000 to 2010, U.S. apparel exports to South Korea increased more than 5 times.



U.S.-made apparel currently faces an 8 to 13 percent duty when entering the South Korean market. KORUS provides for the immediate elimination of those tariffs – all of them - on the first day the agreement enters into force. This is a huge benefit. Not surprisingly, a number of our members have applauded the KORUS for removing duties on their U.S.-made textile or apparel exports to South Korea.

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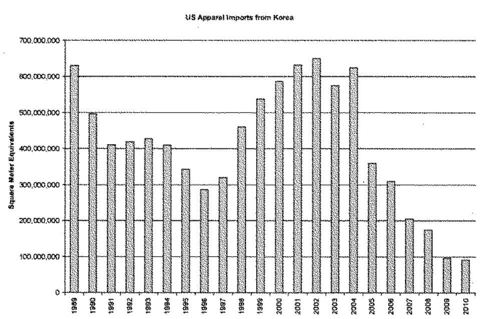
[1] Unless otherwise specified, all data is drawn from Commerce Department sources.

[2] South Korea is the 7th largest export market for apparel (factoring in exports of partially made apparel to Mexico and Central America).

Unfortunately, on July 1 2011, the day the EU-Korea FTA takes effect, EU clothing exports to Korea will face zero duties. Although the KORUS also envisions immediate duty elimination, that may not occur for some time, owing to delays in submission by the Administration, continued delays in Congressional consideration, and the almost certain delays in implementation. This means that EU apparel exporters will most likely have a 6-12 month advantage in selling garments to Korea. In an industry where profit margins are often measured in fractions of pennies, such an advantage can prove fatal.

The KORUS also protects the Berry Amendment – the provision of U.S. law that requires all clothing and shoes worn by U.S. soldiers to be made in the United States from U.S. materials – by excluding South Korean made textiles, clothing, and footwear from gaining access to U.S. military procurement opportunities. This important provision ensures that the U.S. warm industrial base for textiles, clothing, and footwear for the U.S. armed forces remains American. While this also means that U.S. apparel exporters do not have opportunities to compete for South Korean contracting opportunities – since the South Korean Government insisted upon a reciprocal exclusion – U.S. negotiators felt this was an acceptable deal. We agree.

On the import side, the provisions for textiles and apparel tell a different and mixed story. Although Korea has historically played an important sourcing role for imported apparel, it has become much less significant in recent years. In 2010, total U.S. apparel imports from Korea equaled less than 100 million square meter equivalents (or less than one-half of one percent of total U.S. apparel imports). In 2010, 21 countries supplied more apparel to the U.S. market. By contrast, in 2002, Korea was the 7th largest supplier of apparel to the U.S. market.



Our apparel import members generally believe the terms of KORUS will not lead to much additional sourcing from South Korea. Among other things, the agreement features a yarn-forward rule of origin (which requires all yarns and fabrics to originate in the United States or South Korea). The yarn-forward rule of origin is viewed as too restrictive and costly to support apparel trade with most countries. While some products will be able to meet the requirement that all significant operations and inputs - yarn, fabric, cutting, and sewing – originate or occur in the United States or Korea, most will find this hurdle too high and will therefore be rendered ineligible for benefits under KORUS. The yarn-forward rule also carries significant paperwork burdens – to prove that each garment meets the tight input requirements – which also serve as a strong disincentive. Moreover, duties for U.S. apparel imports from Korea are not eliminated immediately but rather are phased-out over a long period of time – in some cases 10 years.[3] Although U.S. duties on apparel imports are among the highest that the United States imposes on any product, the promise of eventual duty-free status on Korean made apparel is not likely to lead to a significant increase in U.S. apparel imports from Korea because of the presence of many other countries where apparel can be made duty-free and because of KORUS' restrictive yarn-forward rule of origin that is not likely to work well with South Korea.

It is important to note, however, that some of our domestic textile and apparel manufacturers do believe there will be opportunities to import specialized fibers, yarns and fabrics, including those that may be hard to find in the United States. One AAFA yarn executive commented that KORUS will save his domestic yarn manufacturing firm thousands of dollars a year by removing a duty burden his company currently pays on imports of fibers from Korea.

Finally, KORUS contains strong customs enforcement provisions that were added to address any transshipment concerns. Although some have raised concerns that these provisions will be ineffective, the text of the agreement suggests otherwise. The KORUS enforcement provisions give new powers to U.S. Customs officials that they did not have during the quota period.

While we would have preferred an approach that would create incentives for trusted shippers, rather than treat every shipment like a potential threat, we understand that these provisions reflect the long standing requests of textile industry interests. KORUS' textile and apparel customs enforcement provisions include strict documentation, recordkeeping, and penalty provisions. Like the FTA with Singapore, KORUS gives U.S. Customs officials new abilities to make unannounced factory visits and requires Korean officials to maintain profiles on all companies and individuals engaged in textile and apparel trade to aid in enforcement purposes. KORUS also provides new cooperation tools on containers transiting through Korea.

According to a recent article in Apparel Magazine that was written by Elise Shibles, a former U.S. Customs official who negotiated the textile and apparel Customs provisions in KORUS, *"The apparel enforcement provisions in KORUS are also unique and set the stage for a higher level of cooperation between the countries than the enforcement provisions of most other U.S. FTAs."*

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[3] To amplify the point, U.S. market access for South Korean made products stands in contrast with U.S. apparel exports to South Korea where all duties are eliminated immediately.

Footwear and Travel Goods

For footwear and travel goods, KORUS contains favorable provisions with South Korea. Although South Korea is not seen as an important export market or sourcing platform for either footwear or travel goods, the provisions are widely viewed as reflecting the state of the industry.

Sensitive domestic U.S. footwear manufacturers are protected through the aforementioned Berry Amendment provisions as well as long phase outs and a restrictive rule of origin that requires originating uppers and 55 percent local value added. Once duties are removed, it is expected that U.S. domestic footwear manufacturers will be able to increase exports to Korea under these provisions. Likewise, the vast majority of footwear receives immediate duty free access under a flexible rule of origin, reflecting the fact that these products are no longer made in the United States.

Likewise, all travel goods receive immediate duty free access under a flexible rule of origin – also reflecting the fact that these products are no longer made in the United States. It is also important to note that the travel goods provisions do not contain a false distinction between those travel goods made with textiles and those made from non-textile materials. U.S. travel good companies were pleased that the KORUS provisions reflect this reality and urge that future FTAs are treated in this manner.

Conclusion

In conclusion, we would reiterate our appeal that the KORUS, and other pending FTAs and trade programs, be quickly approved and implemented. At a time when U.S. producers and consumers are facing increasing costs from just about every direction, and when the job market continues to remain weak, we find no reason why further delay in the trade agenda should be tolerated.

American Council of Life Insurers (ACLI) Statement for the Record
The U.S. – Korea Free Trade Agreement
Senate Finance Committee
United States Congress
May 26, 2011

The American Council of Life Insurers ("ACLI") fully supports the pending free trade agreement ("FTA") between the United States and South Korea ("KORUS") and urges that it be considered by the United States Congress as soon as possible. ACLI is a Washington, D.C.-based trade association backed by an industry with more than 200 years of experience protecting American families, workers, and businesses. ACLI represents 340 life insurance companies operating in the United States before federal and state legislators, regulators, and courts. ACLI members are the leading providers of financial and retirement security products covering individual and group markets, offering life insurance; annuities; pensions, including 401(k) plans; long-term care insurance; disability income insurance; reinsurance; and other retirement and financial security products. In these uncertain economic times, achieving financial and retirement security has never been more important.

The life insurance sector is key to both the economies of South Korea and the United States. The strong FTA commitments for the life insurance sector under the KORUS FTA will thus be beneficial for both economies. In the United States, for example, life insurers provide the products that protect against life's uncertainties. Our industry helps individuals and families manage the financial risks of premature death, disability, and long-term care. We enable employers to provide employees with critical retirement savings programs such as pensions and 401(k) plans. Finally, through annuities, life insurers guarantee retirees an income for life, no matter how long they live.

With nearly $4.5 trillion invested in the U.S., we help fuel our nation's economic growth. We're the largest holder of corporate bonds in the country, and with our long-term focus, life insurers provide businesses and governments the long-term capital they need to invest in roads, schools, and homes, and in the plants and equipment that create jobs. We fuel economic growth, help families secure their future, and guarantee a retirement income that lasts a lifetime. Our industry can serve similar functions in South Korea – and provide important means for enhancing the quality of life for South Korean families, households and workers.

ACLI supports the KORUS FTA because of its economic and commercial significance. South Korea is the world's tenth largest insurance market with total premium volume of more than $96 billion. The South Korean insurance and retirement security market would be by far the largest insurance market to be included in a FTA with the United States. The financial sector reforms that South Korea would undertake as a result of the FTA would contribute to a stronger and more resilient global economy as Korea will move to deepen its capital markets and investment for the long term.

This agreement is particularly important to the U.S. insurance industry because, as concluded, it will set a new standard for addressing regulatory, as well as market access, barriers. Given the nature of the insurance business, regulatory hurdles and the need for a level playing field are often as critical as our ability to enter the market. Establishing better regulatory transparency, predictability and coherence in Asia is a goal that would be enhanced by passage of this FTA.

The KORUS FTA achieves a comprehensive opening of Korea's insurance and retirement savings market for U.S. insurers and asset management companies in new and meaningful ways that fully meet key industry goals. The KORUS Agreement contains the strongest chapter on financial services of any U.S. FTA and provides an excellent precedent for future U.S. FTAs. Significantly, the agreement:

- ***Contains rigorous transparency obligations***. Under KORUS, U.S. insurers will have access to, and a longer opportunity to comment on, Korea's insurance regulations in a predictable manner and well in advance of their taking effect. The FTA provides standardized "notice and comment" procedures for the insurance sector and permits U.S. firms access to regulatory information on an equal basis with Korean competitors.

- ***Helps ensure U.S. insurers' competitive equality with Korea Post and other government affiliated insurance providers***. The KORUS Agreement provides equitable treatment for U.S. insurers in Korea's marketplace. Korea Post and the other government affiliates will be subject to the same regulatory authority and many of the same regulatory requirements as private insurers. Korea Post will be prohibited from issuing new types of insurance products upon entry into force of KORUS, and limitations apply to how Korea Post can modify the coverage or increase the value of existing insurance products.

- ***Eases ability of U.S. insurers and asset managers to provide cost-efficient service by maximizing efficiency of regional operations***. The KORUS FTA is the first U.S. FTA that contains provisions allowing the transfer of data into and out of the country. After a two-year transition period, KORUS allows data to be sent intra-company or to third parties, allowing U.S. companies to utilize established data processing hubs.

- ***Streamlines key aspects of Korea's insurance regulatory environment***. Under KORUS, as part of its Financial Hub initiative, Korea committed to follow a "negative list" approach to regulation under which actions are permitted unless they are specifically prohibited. The distribution channel for insurance through banks ("bancassurance") will be further opened to U.S. insurers. Korea also increased caps on required levels of foreign currency reserves which will bring Korea into line with international norms and make it easier for U.S. companies to provide cutting-edge products in Korea.

- ***Enables U.S. insurers to bring new insurance products to market more quickly***. Within one year of implementation, KORUS will establish expedited approval procedures allowing most new insurance products to be introduced in the market within shorter timeframes, adding to U.S. firms' competitiveness and ability to innovate.

- ***Establishes a bilateral Insurance Working Group***. KORUS establishes an ongoing consultative process which will allow U.S. firms to address changing conditions in Korea's marketplace and pursue additional market-opening measures in the future.

In addition to the strong commitments outlined above, it is always important to keep in mind that, from a strategic vantage point, South Korea is an important ally with whom the United States must work closely in order to continue advancing global security. From a trade standpoint, the consumers of both countries stand to gain significantly from the broad benefits of a comprehensive agreement, as well as from the expanded and more stable financial development in the Northeast Asian regional economy that such an agreement will bring. Finally, an agreement of this high quality will help set the standard for future bilateral and multilateral progress, including in the Trans-Pacific Partnership negotiations and at the WTO.

As stated above, ACLI supports this groundbreaking KORUS FTA and urges its immediate passage.

AMTAC
American Manufacturing Trade Action Coalition

www.amtacdc.org 910 16th St NW, STE 402 Washington, DC 20006 Telephone (202) 452-0866

May 31, 2011

The Honorable Max Baucus, Chairman
The Honorable Orrin G. Hatch, Ranking Member
Senate Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510-6200

RE: Hearing on U.S. - Korea Free Trade Agreement, May 26, 2011

Comments Submitted By:
Mr. Auggie Tantillo
Executive Director
American Manufacturing Trade Action Coalition
910 16th Street, NW, Suite 402
Washington, DC 20006
www.amtacdc.org

Dear Chairman Baucus and Ranking Member Hatch:

The American Manufacturing Trade Action Coalition (AMTAC) would like to submit the following comments for the record in conjunction with the Senate Committee on Finance Hearing on the U.S.-Korea Free Trade Agreement (KORUS).

AMTAC is a not-for-profit trade association that represents domestic manufacturers. All of our members share the common objective of preserving and expanding manufacturing in the United States by recapturing lost markets and winning new ones at home and abroad. A significant component of AMTAC's membership consists of textile and apparel producers.

Summary

AMTAC strongly opposes the KORUS. First, the agreement itself is flawed in concept; second, the terms of the agreement were poorly negotiated to the disadvantage of key industries such as textiles; and, third, the textile and apparel provisions in the agreement are unlikely to be adequately enforced. As a result, AMTAC expects that the flaws in the textile chapter of the agreement alone could result in an estimated loss of 40,000 U.S. jobs.

KORUS is a Continuation of Flawed U.S. Trade Policy

It is AMTAC's strong position that the KORUS is a continuation of the flawed U.S. trade policy of negotiating free trade agreements (FTAs) with countries that can produce low-cost goods for export but that are unable or consistently refuse to buy finished products made in the United

States. The substantial market disparity in relation to South Korea will continue this trend. South Korea's GDP is $986.3 billion, or less than 7 percent of the U.S. GDP of $14.6 trillion in 2010.[1]

With South Korea's current capabilities as a major producer and exporter of industrial products, its close proximity to China, and its traditional hostility to imports, the agreement will be a major blow to U.S. manufacturers. The U.S. trade deficit in goods with South Korea was $10.0 billion in 2010, with a $10.6 billion deficit in motor vehicles and motor vehicle parts and a $600 million deficit in textiles and apparel.[2]

The KORUS will eliminate U.S. tariffs on 95 percent of current trade in industrial products within three years of implementation of the agreement. Despite this, the agreement does not guarantee reciprocal U.S. access to the South Korean market for key industrial products such as autos and textiles. Virtually all U.S. tariffs on textile and apparel products will be eliminated by January 1 of the 5th year of the agreement. In addition, the FTA does not take into account the fact that South Korea has a long history of unfair trading practices. Currently, there are 18 antidumping and countervailing duty orders in place against U.S. imports from South Korea.

We would also note that while KORUS will give South Korean goods duty-free entry into the U.S. market, U.S. exports to South Korea will be subjected to a 10 percent Value Added Tax (VAT). Through their VAT system, South Korea will be allowed to maintain what amounts to a permanent 10 percent tariff on U.S. exports to their market. Moreover, South Korea has complete freedom to raise their VAT rate above the current 10 percent at any point in the future. It is important to address this inequity as part of any trade agreement, as border taxes are another persistent example of foreign practices that place domestic companies at a competitive disadvantage.

U.S. Jobs at Stake

The Economic Policy Institute predicts the KORUS agreement will increase the total U.S. trade deficit with South Korea by about $16.7 billion annually and displace approximately 159,000 American jobs within the first seven years after it takes effect. Of that total, we estimate that between 9,300 and 12,300 jobs will be lost in the U.S. textile and apparel sectors as a result of KORUS trade. U.S. government figures show that approximately three additional jobs are lost to the U.S. economy for each textile job that is eliminated; this increases the job loss estimate to nearly 40,000 textile and related jobs due simply to the flaws in the KORUS textile chapter. It is also important to note that these figures do not account for job losses as a result of illegal Chinese transshipments, which we expect to be significant.

Impact on U.S. Textile and Apparel Sector

According to the U.S. International Trade Commission's analysis of the agreement, "The largest gains for Korean exports to the United States are anticipated in textiles, apparel, and leather goods, and other manufacturing (e.g., chemicals and allied products, electronics, and transportation)." In these sectors, U.S. output is estimated to decline by 1.3 percent as a result of the FTA.

South Korea is a major exporter of textile and apparel products to the United States as our 8th largest supplier of textiles and apparel by volume in 2010. In yarns and fabrics alone, where South Korea is particularly competitive, they are our 2nd largest supplier in terms of volume. As a

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[1] CIA World Factbook. Official Exchange Rate GDP.

[2] U.S. International Trade Commission, DATAWEB. Total Exports minus General Imports for All Commodities, DOC Automotive HTS10 List, and Textiles and Apparel HTS Chapters 50-63.

result, we are deeply concerned about the KORUS agreement and how it is expected to impact our industry and its ability to remain competitive in the global marketplace.

In addition to its direct threat to the U.S. market, KORUS represents a significant attack on the hemispheric textile production structure encouraged by U.S. policy for three decades. As a result of trade preference programs and the NAFTA/ CAFTA/Peru FTAs, nearly two million textile and apparel workers produce garments, home furnishings and the textile components incorporated in those products in the region. The U.S. textile and apparel industry exports more than $10 billion a year, predominantly in components such as yarns, fabrics and cut pieces, to our preferential partners in the Western Hemisphere. This trade accounts for the overwhelming majority of total U.S. textile and apparel exports.

The KORUS threatens to damage the Western Hemisphere because South Korea's textile and apparel exports are expected to surge and displace orders currently being sourced in the region. When finished product orders are lost by manufacturers in the Western Hemisphere, U.S. mills also lose the orders for the yarns and fabrics that go into garments and made-up articles.

Moreover, the poorly-negotiated textile and apparel text will exacerbate the negative effects of the agreement. Our principal concerns with the text include accelerated tariff phase-outs that do not give U.S. producers time to adjust, non-reciprocal tariff phase-outs that favor the South Korean textile industry in key products, exclusion of certain textile components from the rule of origin, and strong evidence that Customs' ability to enforce this agreement will be ineffective.

Tariff Phase-Out

Contrary to the precedent established in the NAFTA and succeeding FTAs, 86 percent of textile and apparel product lines are duty free immediately under KORUS and an additional 10 percent will be duty free on January 1 of Year 5 of the agreement. This is the first time a large number of sensitive products from a country with a sophisticated textile industry have received immediate access to the U.S. market. Tariff phase-outs for sensitive products have traditionally been a key part of trade agreements in order to give companies time to adjust business models and minimize large-scale potential job displacement.

For example, South Korea exports of polyester fiberfill have entered the United States under anti-dumping orders for the past 15 years. This dumping case passed two sunset reviews, the last of which was successfully completed prior to the end of the KORUS negotiations. However, the KORUS agreement immediately removes the U.S. duty on polyester fiberfill, defeating the purpose of the anti-dumping rule and defying logic of equitable trade negotiations.

The agreement also provides South Korea with a more generous and expedited tariff elimination schedule than what is afforded U.S. producers and exporters for certain products. One example is para-aramid fiber, which is used to produce tough, flame-retardant fabrics for industrial and military applications including body armor. Under KORUS, South Korea will be allowed to export aramids to the U.S. with immediate duty free treatment. U.S. producers do not get duty free access to the Korean market as South Korea is allowed to phase out its tariff to be duty free on January 1 of Year 5. This puts U.S. manufacturers at a direct disadvantage.

Rule-of-Origin

The rule of origin is a critical element of any free trade agreement in that it defines which products qualify for preferential treatment under the agreement and whether countries not party to the agreement will receive benefits. The KORUS contains a "yarn forward" rule of origin. While we support a basic yarn forward rule as opposed to value-based rules, the limited scope of the rule under KORUS is very problematic.

In essence, the rule applies only to the apparel or home furnishing component that determines the tariff classification of the good (the "essential character" rule) plus certain visible lining fabrics. Applying origin rules in this manner means that key component yarns, threads and fabrics are not adequately covered under the rule of origin and therefore do not have to be of U.S. or South Korean origin. This conflicts with the majority of our recent agreements including CAFTA-DR, Peru, Colombia and Panama which apply the yarn forward rule beyond just the essential character fabric.

Under KORUS, components including sewing thread, pocketing and narrow fabrics, all of which are in plentiful supply from U.S. producers, are allowed to come from anywhere. This allows third parties, such as China, to benefit without making any concessions of their own. Domestic producers of these types of component yarns fabrics provide thousands of U.S. jobs, which will be put into jeopardy if KORUS is implemented.

Customs Enforcement

Due to South Korea's history of transshipment paired with significant cross-border investment with China, upgraded customs enforcement provisions were necessary to prevent large-scale customs fraud under KORUS. However, the KORUS customs enforcement language was significantly weakened compared to other high risk agreement such as the Singapore FTA. Key enforcement provisions that were dropped under KORUS include the ability for U.S. Customs to seize goods from repeat offenders, to reduce Korea's access if it does not enforce the rules of the agreement and to deny fraudulent companies from importation for several years.

China already exports nearly $4 billion annually in textiles and apparel to South Korea, and South Korea was labeled by U.S. Customs as a major transshipment point for Chinese exporters when quotas were in place.[3]

The substandard customs provisions in the KORUS leave the U.S. textile industry and its workers vulnerable to large-scale illegal imports from China through South Korea. As a result, the industry fully expects Chinese textile exporters to be a primary beneficiary of the KORUS agreement.

Industrial Textiles

In addition to these overarching concerns, U.S. industrial textile manufacturers are particularly concerned about this agreement and its impact on the extended domestic supply chain for coated

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[3] CBP (July 10, 2008). "CBP Charges More Than 1,000 Containers of Illegal Textile Shipments to China's Quota Levels." Press release.
http://www.cbp.gov/xp/cgov/newsroom/news_releases/archives/2008_news_releases/july_2008/07102008_3.xml

and laminated membranes used in industrial and military applications such as fuel cells, oil booms, rapidly deployable shelters/tents, radar attenuating covers, safety and protective gear, and many more advanced applications, including automotive fabrics. This particular component of the U.S. textile industry represents over 25,000 jobs throughout the country and many companies participating in this supply chain also support the military needs of our warfighters. The ability to innovate and responsively supply the military is dependent on an overall healthy domestic market and industry.

In the U.S. technical textile market, South Korea has emerged as the number one exporter of advanced textile reinforcements, and this sensitive tariff line is scheduled for immediate tariff phase out. U.S. industrial textile producers have already lost significant market share to South Korean manufacturers and this FTA will do significant harm to the industrial textile industry and greatly diminish the sustainability of our fragile domestic supply base.

Textile Provisions Left Unaddressed in Reopening of Agreement

Last August, AMTAC and other industry associations requested that the Obama administration reopen the textile and apparel chapter of the agreement along with autos in order to fix the above-outlined problems. However, textile concerns were never raised with South Korea, and these provisions remain unchanged despite the reasonable requests which were made by the industry.

As a result, we urge Members of Congress to reject the agreement due to an overall lack of reciprocity and negative impact on U.S. companies and jobs. Congress should prioritize fixing U.S. trade policy, stopping manufacturing job loss, and closing the trade deficit before considering any new trade deals including KORUS.

Sincerely,

Augustine D. Tantillo
Executive Director

From: Mr. Bill Donald
President, National Cattlemen's Beef Association
1301 Pennsylvania Avenue, NW
Suite 300
Washington, DC 20004-1701

Statement of Mr. Bill Donald, President, National Cattlemen's Beef Association
Submission for the record to the
United States Senate Committee On Finance
Hearing on the Korea-United States Free Trade Agreement
May 26, 2011

Chairman Baucus, Ranking Member Hatch and members of the committee, the three pending free trade agreements are a top priority for the U.S. beef industry and I strongly encourage you to work with President Obama to pass these agreements immediately. I appreciate you holding a hearing on the Korea-United States Free Trade Agreement, although my comments will stress the importance of all three pending free trade agreements to the U.S. beef industry.

My name is Bill Donald and I am president of the National Cattlemen's Beef Association (NCBA). I am a third generation rancher from Melville, Mont. Along with my family, I own and operate Cayuse Livestock Company, a cow/calf/yearling operation. My wife, our two sons and their families are actively involved with our operation, which is headquartered in the foothills of the Crazy Mountains in South Central Montana.

NCBA is the nation's oldest and largest national trade association for cattlemen and represents more than 140,000 cattle producers through direct membership and our state affiliates. NCBA is producer-directed and consumer-focused and represents all segments of the beef industry. Our top priority is to produce the safest, most nutritious and affordable beef products in the world. This has been consistent throughout our industry's history and in our long-term efforts to continually improve our knowledge and ability to produce beef products to meet consumer preferences.

With 96 percent of the world's consumers living outside of the United States, access to foreign markets for our beef and beef products is significantly important for our industry to grow. Exports are vitally important for the future success of U.S. beef producers and rural America. Future growth of the U.S. economy depends upon our ability to produce and sell products competitively in a global marketplace. Economic globalization is not simply a matter of ideological or political preference; it is a fundamental reality that will determine whether America remains an economic super-power or becomes a secondary economic force.

Fast-growing economies in Asia and South America expose a growing consumer base to U.S. beef, and as statistics show, they enjoy eating U.S. beef. The pending free trade agreements with Korea, Colombia and Panama give cattlemen like me and my sons the opportunity to compete on a level playing field with cattlemen around the world. We're all courting the same consumers internationally. I'm here to say today – please do not handicap us by delaying these agreements any longer. I want my sons and grandchildren to be able to carry on the family business. The beef industry is not asking for a handout from Washington but we are asking for the opportunity to compete for consumers in Korea, Colombia and Panama. These trade agreements would allow the beef industry to grow and create economic opportunities throughout rural America without costing taxpayers a dime.

NCBA continues to encourage Congress to expedite the technical discussions with President Obama and U.S. Trade Representative Ron Kirk, draft legislation and send the three pending agreements to Capitol Hill for swift consideration. I appreciate the recent efforts to finalize these agreements, but we cannot afford to wait any longer to implement them. Each day that goes by without implementing these agreements is another day we risk losing more American jobs by losing market share to other countries. Additionally the free trade agreements are an important factor to reach President Obama's goal of doubling exports. The progress made recently to move forward with technical discussions is definitely welcome, but I will not be satisfied until the ink is dry and the trade agreements are implemented. As a cattleman, I am only as good as my word. And quite frankly, I've heard a lot of bull when it comes to trade. Last May, a group of us from the agriculture industry came to Washington and heard lots of promises and talk about action on these trade agreements. But here we are one year later. The agreements still have not been implemented. It's time. Not six months from now. Right now.

Competing For Market Share

The European Union (EU), Australia, Canada, Argentina and Brazil are independently competing with the United States for access and market share of foreign markets. Further delay of these free trade agreements keeps outrageously high tariff rates in place that put American cattlemen at a competitive disadvantage. If other countries secure agreements that eliminate or reduce their tariff rates before we do, their beef will be sold at a lower cost than ours. This means we lose even more market share and consequentially will export more American jobs.

The U.S. beef industry's largest competitor is Australia. In 2010, Australia had 53 percent of Korean market share compared to 32 percent by U.S. If the Australians successfully ratify a similar bilateral trade agreement with South Korea before the United States, they will have a 2.67 percent tariff advantage over American beef for the next 15 years, allowing them to sell more of their product at a cheaper price. Additionally, South Korea and the EU signed a free trade agreement in October 2010 that will take effect this July. Recently, Korea announced they will re-open their market to Canadian beef as early as June 2011. Time is ticking – we can't continue to sit on the sidelines while other countries move forward and sign their trade agreements. Furthermore, other key Asian trading partners are closely watching the Korea-U.S.

Free Trade Agreement (KORUS FTA) as this agreement will likely set the benchmark for American beef trade with Japan, China and Hong Kong.

Other countries are also competing with the United States for market share in Central and South America. Most recently, Canada and Mexico aggressively pursued free trade agreements with Colombia and have been successful in securing those agreements. Failure to implement the pending free trade agreements sends the wrong message to major export markets like China and Russia – markets with tremendous potential consumer demand but limited or non-existent access. That demand will be met, let us meet it with American beef. Pass the trade agreements and allow America's cattle producers to do what they do best – produce the safest, most wholesome and affordable beef in the world.

NCBA Supports Implementation of Korea-U.S. Free Trade Agreement (KORUS FTA)

NCBA fully supports immediate implementation of the KORUS FTA. Korea is one of the largest export markets for American beef. The United States exported nearly $518 million of beef in 2010, which is a 140 percent increase in sales over 2009. American beef exports to South Korea added $25 in value to each of the 26.7 million head of steers and heifers produced in the United States in 2010. Unfortunately, American beef faces a 40 percent tariff on all cuts, resulting in over $200 million in tariffs in 2010. NCBA strongly believes the 40 percent tariff is the greatest hindrance to U.S. beef exports to Korea.

Implementation of the KORUS FTA would phase out South Korea's 40 percent tariff on beef imports, with $15 million in tariff benefits for beef in the first year of the agreement alone and about $325 million in tariff reductions annually once fully implemented. According to U.S. International Trade Commission, annual exports of U.S. beef could increase as much as $1.8 billion once the agreement is fully implemented. Eliminating the 40 percent tariff will give more Korean consumers greater access to safe, wholesome U.S. beef at a more affordable price.

NCBA Supports Implementation of U.S.-Colombia Trade Promotion Agreement (CTPA)

NCBA supports immediate passage of the U.S.-Colombia Trade Promotion Agreement (CTPA). I recently sent a letter to President Obama urging him to work with Congress to pass and implement the revised agreement with Colombia. I am pleased that Ambassador Kirk has notified congressional leaders of his intent to begin technical discussions, and I hope these discussions are completed as soon as possible.

Colombia is an important market for U.S. beef and beef variety meat exports. Unfortunately, Colombia places up to an 80 percent tariff on U.S. beef imports, making it one of the highest tariffs U.S. beef faces anywhere in the world. Once the CTPA is implemented, high quality U.S. beef will have duty-free access and the tariffs on all other beef and beef products will be reduced over the next 15 years. For the first time ever, the CTPA puts American beef on a competitive footing with beef imports from Brazil and Argentina. In 2010, the United States exported approximately $759,000 of beef and beef products to Colombia, a paltry sum considering the excessive duties. In addition to eliminating tariffs, CTPA addresses non-tariff barriers by providing assurances for a stable export market through plant inspection equivalency. It also fully reopens the Colombian market to U.S. beef by assuring that Colombia adheres to the World Organization for Animal Health (OIE) guidelines related to BSE.

NCBA Supports Implementation of Panama Free Trade Agreement

Another important lynch pin for U.S. beef trade is the Panama Free Trade Agreement. NCBA is pleased that all outstanding issues have been addressed and that the agreement is ready for further action by Congress. Like the CTPA, the Panama Free Trade Agreement provides assurances for a stable export market through plant inspection equivalency and Panama also modified its import requirements related to *bovine spongiform encephalopathy* (BSE) to be consistent with international standards. Additionally, the 30 percent tariff on prime and choice cuts would be immediately eliminated and the duties on all other cuts would be phased out over 15 years. Once the agreements with Panama and Colombia are put into place, the United States will ultimately have free trade for U.S. beef with approximately two-thirds of the population in the Western Hemisphere.

Abiding By Internationally-Recognized Science-Based Standards Insures Fair Trade

International trade must be based on sound science, not political science. Allowing U.S. beef producers to be subject to the whim of foreign governments who do not base their decisions on internationally recognized science-based standards creates a high level of market volatility. According to Cattlefax, U.S. beef lost nearly $22 billion in potential sales through 2010 due to BSE bans/restrictions.

Abiding by internationally recognized science-based guidelines as those set by the OIE guidelines promotes fair trade for the U.S. and developing countries. Additionally, this creates less market volatility and encourages safer production practices. But if you question the need for abiding by internationally recognized science-based standards, take a look at what has happened to U.S. beef in some key Asian markets.

China's market remains closed to U.S. beef since the 2003 discovery of a Canadian-born cow infected with BSE in the United States. China uses non-science based standards to keep out U.S. beef, which is recognized internationally as a safe product. U.S. Beef sales in China could exceed $200 million if given access. Beef isn't the only industry to suffer from these non-science based trade restrictions. On a larger scale, the elimination of China's tariff and other trade restrictions could lead to an additional $3.9 to $5.2 billion in U.S. agricultural exports to China, according to an U.S. International Trade Commission study.

Historically, Japan was the top market for U.S. beef exports at $1.4 billion. In 2010, the U.S. exported $640 million in U.S. beef in Japan – far short of pre-BSE levels due to Japan's 20 month age restriction, which is not based on internationally recognized sound science. If Japan would follow OIE guidelines and recognize U.S. beef as the safe product it is by raising the age limit, it is estimated that Japan would once again easily be a $1 billion market for U.S. beef.

Unfortunately, Taiwan is another example of what happens when internationally-recognized science-based standards are not in place. Recently, 20 United States senators sent a letter to

Taiwan President Ma urging his government to use internationally-recognized scientific standards regarding U.S. beef.

In January 2011, the Taiwan Food and Drug Administration began testing for the existence of ractopamine in imported beef. Based on trace amounts of the feed additive in U.S. beef products, Taiwanese officials pulled products from grocery shelves and rejected affected products at ports of entry. Ractopamine is recognized by the U.S. Food and Drug Administration as a safe feed additive. Taiwan's current zero-policy standard lacks scientific standing and is out of step with accepted international standards. Further, the zero-tolerance policy is inconsistent with Taiwan's own risk assessment in 2007, which found that ractopamine was safe for use. Taiwan's non-science based actions create an unnecessarily volatile trading environment. U.S. exporters are extremely reluctant to ship product to Taiwan given the uncertainty presented by the amplified testing regime. Prior to the enhanced testing regimen, Taiwan had been a historically strong market for U.S. beef. In 2010, Taiwan purchased more than $216 million worth of U.S. beef, a 53 percent over 2009 levels of $141 million in sales.

Exports Create Jobs

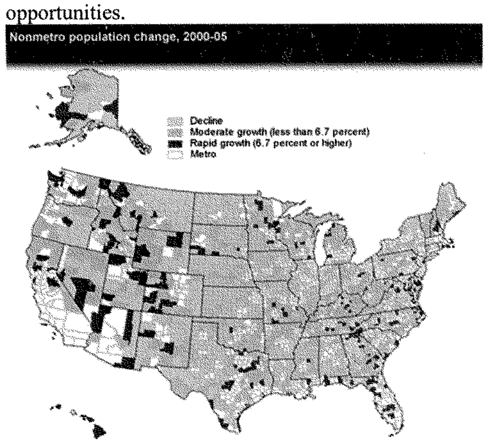
Without question, exports create jobs. According to Cattlefax, fed steers have been selling near $115 per hundred weight (cwt), or roughly $1,495/head. Of that, Cattlefax estimates that exports have added a minimum of $145/head in value (as opposed to not having exports). I believe the potential value added to each head that is created by increased exports provides the essential economic incentive needed to curb outmigration in rural America. An aging agricultural workforce is a serious problem facing our country. A profitable future in agriculture is the draw we need to get younger generations involved in food and fiber production.

I am fortunate and blessed that my sons have chosen to return to our family ranch, but that isn't the case everywhere. One of the biggest problems facing agriculture today is an aging workforce with fewer young people returning to the farm to participate in farming and livestock production. There is a growing global demand for food, and some predict that global food production must double by 2050 to meet demand. "[G]lobal food production may have to double by 2050, says agriculture economist Robert Thompson of the Chicago Council on Global Affairs. From 2010 to 2050, the world's population is projected to increase 38 percent, from 6.9 billion to 9.5 billion, with gains concentrated in poorer countries." (Samuelson, Robert, "The Global Food Crunch," *The Washington Post*, 03/13/2011).

The shrinking number of young folks returning to production agriculture isn't the only challenge. For those men and women who do choose farming and ranching, they face a wide array of challenges. Rising land prices and startup costs make it difficult for younger generations to begin ranching unless they inherit the family business. High startup costs for production agriculture and market volatility make livestock production a risky investment for young people with little credit. "Higher land values also can have a crippling effect on beginning and limited resource farmers or ranchers who may not have the capital necessary to initiate or expand their operations. Nationwide, the annual number of new farm entrants under age 35 declined from 39,300 from 1978-1982 to 15,500 from 1992-1997 (Gale, 2002)." ("Final Benefit-Cost Analysis for the Farm and Ranch Lands Protection Program (FRPP)," USDA- Natural Resources Conservation Service, December 2010)

Without question, development of land formerly used for production agriculture is making farm/grazing land more scarce and more expensive. "As development pressure increases, agricultural land values are hard pressed to compete with developed uses. Farm real estate values continue to increase. These values have been driven largely by non-agricultural factors, such as low interest rates and demand for residential development and recreational uses." ("Final Benefit-Cost Analysis for the Farm and Ranch Lands Protection Program (FRPP)," USDA- Natural Resources Conservation Service, December 2010).

Rural America is facing a growing trend of outmigration primarily due to lack of employment opportunities.



Source: USDA, ERS using data from the U.S. Census Bureau.

As you can see, most of this outmigration is occurring in the middle of cattle country. According to USDA-ERS, one of the reasons we are experiencing outmigration in rural areas is due to few non-agriculture related jobs. Between 2000 and 2005, population patterns in non-metro counties reverted to those of the 1980s. Population in an estimated 1,027 out of 2,051 non-metro counties (about half) declined in population, compared with the decline in 593 counties between 1990 and 2000. This is a reversion to patterns of the 1980s. For the most part, the newly declining counties are found in and among the large agriculture-dependent zones of the Great Plains and Corn Belt that lost people in the 1990s. But counties with declining populations also include Appalachian mining areas and a number of Southern counties that have relied heavily on manufacturing. Population decreased overall in both farming and mining county types (in the ERS county typology system) during 2000-05. (http://www.ers.usda.gov/Briefing/Population/Natural.htm)

One way to fight trend of outmigration is to develop more jobs in rural areas. If exports add value to and increase demand for agricultural products, then increasing exports is a benefit to employment in rural America. The U.S. should stop relying on government programs as the main incentive for young people to get into agriculture. Greater market access for U.S. agricultural goods means greater economic incentive for young people to get involved in agriculture.

In closing, I would like to reiterate that I support President Obama's effort to double U.S. exports and create jobs in rural America. All three of these free trade agreements are an economic boon for American beef producers. We strongly encourage Congress and the Obama Administration to put aside partisan differences and focus on creating job opportunities for our cattle producers. NCBA and many other stakeholders ask for your continued support in expanding market access by voting for the pending free trade agreements.

Senate Committee on Finance

Hearing on U.S. - Korea Free Trade Agreement

Statement for Record

May 26, 2011

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Senate Committee on Finance

Hearing on U.S. - Korea Free Trade Agreement

Statement for Record

May 26, 2011

As representatives of the nearly 600,000 person fiber, textile and apparel sector, we are writing today to express our concerns regarding job losses that will occur in the sector if the United States-Korea Free Trade Agreement (KORUS) is passed. We have analyzed the agreement carefully and come to the unfortunate conclusion that the textile portions of the KORUS agreement are seriously flawed. If passed in its current form, the agreement will open the U.S. market to a massive one-way flow of sensitive textile products from South Korea, as well as illegal Chinese imports, while providing no new export business to our textile manufactures and workers.

Instead of expanding markets, the KORUS will result in the continued outsourcing of valuable textile, apparel, and other manufacturing jobs. Using export projections from the United States International Trade Commission (USITC) and other U.S. government analysis, we are very concerned that 40,000 textile and related jobs could be lost under the KORUS. With our nation struggling through one of the worst economic periods in its history, we believe this agreement sends the wrong message to our workers and to American voters.

The KORUS agreement represents the second largest free trade agreement (FTA) that the United States has entered into behind the North American Free Trade Agreement (NAFTA). In contrast to recent trade agreements, the KORUS is also the first agreement since NAFTA where the country in question has a large developed textile sector which exports significant amounts of textile products to the United States.

During the last 40 years, Korea has become a large textile-producing country with a vertically integrated industry as a result of extensive support from its government. In 2010, Korea was the second largest exporter of textile yarns and fabric to the United States by volume. From a bilateral perspective, U.S. textiles and apparel imports from Korea are nearly three times the value of our exports to Korea. This relationship in trade added $745 million to the U.S. trade deficit in 2010 alone.

In our technical markets, South Korea has emerged as the number one exporter to the U.S. of advanced textile reinforcements and coated/laminated membranes which are used for roofing materials, potable water and fuel bladders, fabric shelters and structures, and automatic fabrics. At the same time, U.S. producers have reported that Korean competitors are engaged in predatory pricing and are selling these products at 20-40% below the normal market pricing. During the time period of these reports, Korea has moved from a distant number two position to a significant leading position among countries exporting to the U.S. in this category. The increase in Korea market share has come at the expense of U.S. manufacturers and workers.

The Korean threat has increased sharply in recent years by enormous subsidies the Korean government has poured into its advanced textile technology. The South Korean government has recently allocated $16 billion for specialty fabric manufacturing projects and another $5.6 billion on core technology for production of composite fibers and nano-textiles. This intervention by the Korean government into the marketplace threatens our technical sectors' ability to innovate and responsively supply the U.S. military and U.S. industry. In light of these policies, the government's decision to eliminate U.S. tariffs on technical textiles on day one of the agreement is deeply troubling.

Overall, Korea has substantial capability to produce finished goods for export, while they have limited ability to consume finished goods manufactured in the United States. Korea's consumer buying power is about equivalent to that of greater Los Angeles, California. As a result, we are greatly concerned about the KORUS agreement and the impact it will have on our industry and our ability to remain competitive in the global marketplace.

Our principal concerns include accelerated tariff phase-outs that do not give U.S. producers time to adjust, non-reciprocal tariff phase-outs that favor the Korean textile industry in key products, and strong evidence that Customs' ability to enforce this agreement will be ineffective. These concerns will have two simultaneous effects: 1) Korean textile producers will sharply increase exports of products to the U.S. industry while keeping their own industries safe behind tariff barriers, and 2) China will follow past practice and transship textile and apparel products at zero duty through Korea. Other major concerns include the vulnerability of key textile sectors to Korean dumped and undervalued goods and omissions in the rule of origin which allow Chinese producers to take advantage of the agreement to legally ship certain textile components under the agreement.

Tariff Phase Out

Contrary to the precedent established in the NAFTA agreement and all succeeding FTAs, 86% of textile and apparel product lines are duty free immediately under KORUS and an additional 10% fall under the 5 year phase. This is the first time an administration has allowed a large number of sensitive products from a country with a sophisticated textile industry to receive immediate access to the U.S. market. Keep in mind that textile tariffs are relatively high – averaging around 15 percent. The U.S. government has essentially given one of our largest competitors a 15 percent price break on the first day the agreement becomes law. That is a recipe for U.S. plant closures and U.S. worker layoffs.

The agreement also provides South Korea with a more generous and expedited tariff elimination schedule than what is afforded U.S. producers and exporters for certain products. Noting that the purpose of this agreement is to provide fair and equitable treatment to all parties, it is concerning that our own government would put our domestic industry at such a severe disadvantage.

Let us provide a pertinent example. South Korea exports of polyester fiberfill have entered the United States under anti-dumping orders for the past 15 years. This dumping case passed two sunset reviews, the last of which was successfully completed prior to the end of the KORUS negotiations. However, the KORUS agreement immediately removes the U.S. duty on polyester fiberfill, defeating the purpose of the anti-dumping rule and defying logic of equal trade negotiations.

In the high tech textile area, in 2007, DuPont invested $500 million to significantly expand production of its high-performance DuPont™ Kevlar® para-aramid brand fiber for industrial and military uses in Cooper River, South Carolina. DuPont manufacturers and exports the fabric Kevlar, a super-tough flame retardant industrial textile. Kevlar and fabrics like it are made of the same tough fibers called aramids. DuPont is the main manufacturer of Kevlar worldwide, and South Korea is one of two major competitors in the aramids sector. In KORUS, South Korea will be allowed to export aramids to the U.S. with immediate duty free treatment, while access for DuPont is phased in over five years, putting DuPont at a direct disadvantage.

Customs Enforcement

The KORUS agreement represents the highest risk for illegal transshipments from China of any free trade agreement. This is because Korea has a decades-long history of allowing China to use its territory to illegally transship textile goods. The agreement also creates an enormous new incentive for China to transship textile products, namely nearly $5 billion in duties paid to the U.S. Treasury that Chinese exporters could save by using Korean territory. In 2010, a special operation called "Operation Mirage" found that Chinese apparel exporters were under-declaring apparel exports by as much as 90 percent in order to evade paying U.S. duties. And, as the Finance Committee recently heard testimony on, Chinese exporters routinely transship goods that have dumping and countervailing duty orders on them through third-party countries. Senator Wyden's staff was able to do a simple internet search to find Chinese firms expressly set up to avoid U.S. duties.

Unfortunately, KORUS takes a huge step backward in the area of textile enforcement. Despite the elevated danger, the KORUS agreement jettisoned key enforcement rules and initiatives from past agreements (*See Table 1*). This includes the ability to seize goods from repeat offenders, to reduce Korea's access if it does not enforce the rules of the agreement and the ability of deny fraudulent companies from importation for several years. Each of these areas has been essential at deterring widespread fraud in other high risk agreements and yet each of these provisions was removed in the KORUS agreement. And the agreement was further weakened by rules that were removed which helped to prevent the formation of the fraudulent shell companies. Given the removal of these important enforcement tools, the industry has been warned by top textile customs experts to expect a wave of illegal trade through Korea once the agreement goes into effect.

Table 1: Key Textile Enforcement Provisions Dropped from KOREA FTA		
Key Enforcement Provisions	Other High Risk Agreements (Singapore)	KORUS
Fraudulent companies that repeatedly abuse program can be removed from the program for two years	Yes	No
FTA partner's textile access can be reduced if it does not cooperate with U.S. Customs	Yes	No
Fraudulent textile products can be seized	Yes	No
FTA partner required to monitor new entrants to deter use of shell companies	Yes	No
Non-compliant companies are tracked to ensure that they cannot morph into new illegal suppliers	Yes	No
Small and medium sized textile producers must supply information to U.S. Customs (significant source of past fraud)	Yes	No

The problem with illegal transshipments from China is made even worse by Custom's own record over the last five years on textile fraud. While industry reports and Customs own fraud indicators show increasing problems with illegal textile fraud, particularly from China, Customs internal response has been to reduce resources and priorities for textile fraud enforcement. Virtually every statistic shows Customs interdictions are down as resources have been shifted away. Customs commitment on textile fraud is nowhere better illustrated that the fact that Customs has cut its textile headquarters staff by 40 percent during the last five years. At the same time, Customs records show that it has shifted trained textile personnel away from ports that handle significant amounts of textile claims.

Finally, the industry was dismayed by U.S. Customs refusal to send a training team earlier this year to South Korea in advance of the FTA to train Korean Customs on new textile and other rules in the FTA. This sends another unfortunate message that despite its protestations, enforcement remains a low priority for the U.S. government.

All of these concerns were reinforced when The Korean Federation of Industries stated that it expects Korean textile exports to increase by 25 percent during the first year of the agreement. The Congressional Research Service also cited an ITC study delivered to USTR before the negotiations began which concurred that Korea textile producers, not U.S. producers, are expected to be big winners if this agreement is enacted into law.

We would also note that while KORUS will give South Korean goods duty-free entry into the U.S. market, U.S. exports to Korea will be subjected to a 10% Value Added Tax (VAT). It is important to address this inequity as part of any trade agreement as border taxes are another persistent example of foreign practices that place domestic companies at a competitive disadvantage.

The U.S. textile industry voiced its concerns regarding KORUS to the Bush Administration and the Office of the United States Trade Representative (USTR) when the agreement was first signed and then again to the Obama Administration this summer when it became apparent the they were prepared to renegotiate certain texts. Unfortunately, the Administration chose not to pursue these concerns, and the final textile chapter remains unchanged from its hastily negotiated text finalized in 2007.

As it now stands, KORUS will inflict swift, accelerating, and lasting damage across the American textile and apparel sector supply line, including fiber production, yarn spinning and texturizing, fabric weaving, knitting and finishing, and end product assembly. We expect to see a significant increase in job losses as well as the U.S. trade deficit as a consequence of this flawed agreement and the failure to address these concerns.

A recent analysis by the Economic Policy Institute estimates that 159,000 good paying American jobs will be lost if the KORUS agreement passes Congress. Of that total, we estimate that between 9,300 and 12,300 jobs will be lost in the U.S. textile and apparel sectors as a result of (legal) KORUS trade. U.S. government figures show that approximately three additional jobs are lost to the U.S. economy for each textile job that is eliminated; this increases the job loss estimate to nearly 40,000 textile and related jobs due simply to the textile text in the KORUS agreement. It is important to note that these figures do not account for the job losses as a result of illegal Chinese transshipments which are expected to be significant.

With job creation a central priority for Congress, we do not believe that the KORUS agreement meets that goal of expanding markets and creating U.S. jobs. We continue to urge that the textile chapters of the agreement be renegotiated to ensure that the U.S. textile industry and the jobs the industry provides in our communities are not put in danger. However, In light of the fact that the reasonable requests made by the industry were ignored, we have no choice but to oppose the agreement.

Thank you for providing us the opportunity to provide comments on the U.S.-Korea Free Trade Agreement. If you have any questions or require additional information, please do not hesitate to contact us.

Sincerely,

Cass Johnson
President
National Council of Textile Organizations

Auggie Tantillo
Executive Director
American Manufacturing Trade Action Coalition

Karl Spilhaus
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Ruth Stephens
Executive Director
U.S. Industrial Fabrics Institute

Paul O'Day
President
American Fiber Manufacturers Association

Statement
of the
U.S. Chamber
of Commerce

ON: U.S.-Korea Free Trade Agreement

TO: Senate Committee on Finance

BY: U.S. Chamber of Commerce and U.S.-Korea Business Council

DATE: May 26, 2011

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

Thank you for this opportunity to share the views of the members of the U.S. Chamber of Commerce and the U.S.-Korea Business Council on the economic benefits and geopolitical implications of the U.S.-South Korea Trade Agreement.

The U.S. Chamber is the world's largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. The U.S.-Korea Business Council is the leading business organization promoting the bilateral U.S.-Korea economic and commercial relationship and is composed of U.S. companies that are significant investors in and exporters to the Republic of Korea (South Korea). The Council is secretariat for the U.S.-Korea FTA Business Coalition, which represents nearly 1,000 American companies, business and agricultural organizations, and chambers of commerce that support approval of the pending trade agreement with South Korea.

The members of the Chamber and Council vigorously support the U.S.-South Korea trade agreement ("KORUS"). This groundbreaking market opening agreement will bring significant benefits to American workers, businesses, farmers, consumers, and the U.S. economy. South Korea, a $1 trillion economy with 49 million consumers, is already the seventh-largest U.S. export market and trading partner. In this context, KORUS is the most commercially significant bilateral U.S. trade agreement in nearly two decades. The comprehensive scope of this agreement, and its strong protections and provisions eliminating non-tariff barriers to trade, set important new benchmarks for future trade agreements. Moreover, the agreement also has significant implications for U.S. national economic security and geostrategic priorities, including promoting trade liberalization in Asia and globally.

Approval and implementation of the agreement with South Korea, along with the agreements with Panama and Colombia, are among the most important actions that the U.S. Congress can take to achieve President Obama's goal of doubling U.S. exports in five years—creating new jobs and economic opportunities in communities across the country—and to building an infrastructure that promotes regional prosperity and stability.

Economic Benefits

Trade and investment with South Korea already contributes significantly to the U.S. economy and supports tens of thousands of U.S. jobs. Two-way trade in manufactured and agricultural goods reached nearly $88 billion in 2010. U.S. goods exports to South Korea rose to $38 billion in 2010, and South Korea was the fastest growing export market for U.S. manufactured goods that year, increasing 39.6%. South Korea was also the fifth-largest market for U.S. agriculture exports last year. Two-way trade in cross-border services amounted to $19 billion in 2009, with U.S. exporters running a $6.2 billion trade surplus in services exports that year. South Korea is also an important export destination for U.S. small and medium-sized enterprises, which accounted for more than 89% of all U.S. companies exporting to Korea in 2008 and $14.2 billion of U.S. exports to Korea that year.

U.S. producers face significantly higher tariffs in South Korea than Korean producers face in the already open U.S. market. Currently, non-agricultural U.S. goods face an average applied tariff in Korea of 6.2%, and U.S. agricultural products face an average applied tariff of 54%. Under

KORUS, nearly 95% of bilateral trade in consumer and industrial products will become duty free within five years and tariffs on almost all goods will be eliminated within ten years. Additionally, nearly two-thirds of U.S. agricultural exports to South Korea will become duty-free immediately, and the agreement will phase out over 90 percent of all South Korean tariffs on major U.S. agricultural exports over 15 years.

We expect the elimination of these tariffs to boost significantly U.S. exports to South Korea. The United States International Trade Commission (USITC) estimated in September 2007 that the agreement could increase U.S. exports by $10 billion to $11 billion annually.

KORUS will also remove significant non-tariff market access barriers in South Korea to U.S. goods, services, and investment. It guarantees transparent and predictable regulatory and rule making procedures in South Korea, and includes commitments to apply a negative list approach, under which all sectors are liberalized except where South Korea has taken a specific reservation, and will automatically include future liberalization actions taken by Korea under the agreement. KORUS includes possibly the strongest ever protections for intellectual property within a bilateral U.S. trade deal, which is of great importance given the significant impact that counterfeiting and piracy in South Korea have had on U.S. companies in the entertainment, software, ICT, and other sectors.

KORUS includes strong provisions and protections on investment and competition policy, and will help ensure the fair and transparent application of competition policy for all U.S. companies doing business in South Korea. Under the agreement, the Korean government has committed to provide national treatment to U.S. stakeholders so that they will have equal footing in regulatory proceedings and in standards-setting processes. South Korea has also agreed to allow 100 percent foreign ownership of telecommunications providers and certain broadcasting channel operators, areas in which foreign investment has been restricted until now, and committed to opening previously closed sectors, such as legal and health care services, to U.S. companies. In addition, the agreement includes important new commitments on customs administration and rules of origin, and streamlined procedures that will facilitate more trade by ensuring timely and efficient clearance of customs.

KORUS includes the strongest financial services chapter in a U.S. bilateral trade agreement. It will create a more level playing field for U.S financial services companies in South Korea and establish a more competitive market environment, which we expect will generate significant new business and benefits for U.S. firms in this sector. Even though U.S. financial services companies have in recent years made major investments in South Korea, it remains a challenging market because of complex regulatory procedures and other non-tariff barriers. KORUS will address these through commitments that are the most progressive made with any U.S. trading partner to date and that will increase transparency, predictability, and accountability in its financial services sector. These commitments will promote greater sectoral stability and international regulatory cooperation, and will increase—not decrease—sound regulatory oversight of the financial system. KORUS also includes provisions that will allow for cross-border data flow, which will enable U.S. based back office support to U.S. firms' operations in South Korea and bring U.S. best practices there.

We expect these and many other provisions in KORUS to level the playing field for U.S. workers and businesses in South Korea, and to stimulate new demand there for U.S. goods and services—which will generate new American jobs and growth.

Job Creation Benefits

KORUS holds great potential to grow new U.S. American jobs. Increased demand in South Korea for U.S. manufactured and agricultural products—and increased imports to the United States from South Korea resulting from the FTA—will create new American jobs at ports, in transportation and logistics, warehousing, marketing, advertising, retail sectors, and other sectors. U.S. exporters would not only need production workers but also engineers, designers, and marketing specialists. All of these new employees will help drive retail and other services-sector growth in their communities.

South Korean companies are expanding their investment in the United States, and have created tens of thousands of American jobs in manufacturing as well as in distribution and supplier networks across the country. These jobs contribute to economic growth in local communities, generating jobs in services and other sectors. By reaffirming the openness of the U.S. market and attractiveness of the United States as a destination for investment, KORUS has the potential to accelerate this trend.

President Obama has said that at least 70,000 U.S. jobs would be supported by KORUS. This figure is a conservative estimate and does not capture the potential for growth of U.S. services exports to South Korea. An updated assessment of the potential economic effects of the agreement prepared in January 2011 by USITC economic staff at the request of the Senate Committee on Finance Subcommittee on Trade estimated that the agreement could generate as many as 280,000 U.S. jobs.

KORUS includes all of the labor protections and environmental provisions specified in the May 10, 2007, Congressional-Executive Agreement on Trade Policy, which ensure that U.S. trading partners promote and protect global labor and environmental rights and standards.

Geostrategic Benefits

KORUS is also important for U.S. security and geostrategic goals, both in the Asia-Pacific region and globally. Implementation of KORUS will strengthen the United States' relationship with South Korea, one of our country's strongest partners in advancing regional and global security. U.S.-South Korea ties have long focused on defense and security and, by expanding trade and investment, KORUS will broaden this relationship by deepening economic links. North Korea's continuing provocations, including the sinking of the *Cheonan* navy ship and the attack on Yeonpyeong Island last year, firmly reinforce the importance of the U.S.-Korea security alliance for protecting regional stability.

KORUS is a core component of U.S. strategies to secure a competitive edge in Asia, as the region becomes increasingly interwoven by trade agreements that leave out the United States. It provides a model for ways that major developed economies can successfully tackle challenging regulatory and other market access barriers to create a fair and competitive business environment. KORUS' strong rules and protections are seen as the baseline for the ongoing Trans-Pacific Partnership negotiations which, if successful, could lay the foundation for a possible future free trade area of the Asia-Pacific region.

The South Korean government has been steadfast in reiterating its commitment to open markets and in cautioning against protectionism during the recent global economic downturn. South Korea has increased its international leadership role as well through the G-20, partnering closely with the United States to address shared global challenges. In fact, South Korea was the chair of the ambitious and successful G-20 summit last November. Approval and implementation of the FTA will send a powerful signal to other major economies that the United States is committed to advancing global economic recovery and prosperity through open markets and the removal of barriers to opportunity and fairness.

South Korea is also an important provider of international development assistance, and plays an increasingly active role in peacekeeping and disaster relief efforts. U.S. and South Korean leaders say bilateral relations today are at their strongest level ever—and it is in America's interests to take every action that will reinforce this. By further integrating the two countries' economies, the FTA will deepen and add to the resiliency of this partnership.

The Cost of Inaction

The window of opportunity for the United States to take full advantage of the potential to create new jobs and growth through KORUS is, however, shrinking rapidly. South Korea and the European Union (EU) have concluded and approved a trade agreement that will enter into effect on July 1. This agreement will eliminate nearly 99% of all duties on trade in manufactured and agricultural goods between the EU and South Korea within five years. It will provide EU manufacturers, farmers, and services providers many of the same protections and market opening provisions that their American counterparts will enjoy under KORUS. Without KORUS, American workers and producers risk losing out on the chance to increase their business and market share in South Korea while European exporters enjoy vast new market access there. We have already seen these kinds of market share losses in Colombia and Panama with the delay to act on passing these two important agreements as well. A study by the U.S. Chamber found that as many as 345,000 U.S. jobs and $35 billion in U.S. exports will be lost if the EU-Korea FTA and the pending Canada-Korea FTA enter into effect and KORUS does not.

Since the U.S. and South Korean governments first announced the launch of trade agreement negotiations more than five years ago, our organizations have worked to inform the wider U.S. public about the important potential benefits of KORUS to the U.S. economy and geostrategic goals. During the nearly four years since the agreement was signed on June 30, 2007, U.S. exports to and trade and investment with South Korea have increased, but at nowhere near the level that could have been possible had the agreement been implemented then—costing American workers and exporters valuable opportunities to grow their business in Korea.

We recognize that concerns raised by U.S. stakeholders with respect to certain measures in KORUS needed to be addressed in order for the agreement to move forward. We applaud the tireless efforts of the White House and Blue House, the Office of the U.S. Trade Representative, in consultation with members of Congress and their Korean trade negotiator counterparts, to identify solutions. The provisions agreed to in December 2010 have created important new access in South Korea for U.S. automakers, brought together business and labor in support of the FTA, and added powerful new momentum to moving the agreement forward. Moreover, USTR's announcement that it will seek consultations with the South Korean government under the U.S.-Korea beef protocol once KORUS enters into effect is an important step forward to fully reopening South Korea's market to all ages and all cuts of U.S. beef.

Now it is time for Congress to swiftly approve the agreement with South Korea – as well as the other two pending agreements with Colombia and Panama – in order to open significant new access in South Korea's $1 trillion economy to U.S. workers, manufacturers, farmers, and services providers. This is the strongest action that Congress can take to support new American job growth through export creation, and to ensure that American workers and producers can compete in rapidly integrating markets across the Asia-Pacific.