

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