

CALIFORNIA CHAMBER of COMMERCE



September 5, 2017
via fax

TO: The Honorable Wilbur Ross, U.S. Department of Commerce
Ambassador Robert Lighthizer, Office of the U.S. Trade Representative

RE: **CalChamber Support for U.S.-South Korea Free Trade Agreement (KORUS)**
Reaffirmed

FROM: (Mrs.) Susanne Stirling, Vice President-International Affairs

The California Chamber of Commerce would like to reaffirm its support for the U. S. - Korea Free Trade Agreement. The U.S. business and agriculture community have received reports that the Administration is considering withdrawing from the agreement, due to the imbalance of trade figures.

Withdrawing would harm many in the U.S. business and agriculture communities and help few. It would also alienate a key ally at a time when regional security is fragile.

Defending KORUS is a priority issue for the California Chamber and businesses across the country, as the agreement has high standard rules and significant tariff savings that have allowed the U.S. to compete effectively against Korea's 11 other FTA partners.

Per the U.S. Chamber, the U.S. does have a \$28 billion goods deficit with Korea. However, from 2014 to 2016, Korea's imports from the world fell 22%, causing significant losses to Korea's other trade partners while U.S. exports during that time held steady thanks to KORUS.

The bulk of the U.S. deficit is autos and electronics. U.S. imports of Korean cars have roughly doubled, but this transpired without any reduction in U.S. tariffs. In other words, KORUS has had nothing to do with the \$24 billion worth of Korean vehicles that America imported last year; rather, it is attributable to strong auto demand in the U.S. as Korea sold into a U.S. market. At the same time, imports from Korea are trending down, while U.S. vehicle exports to Korea continue to rise from a low base.

The U.S. business community views KORUS as a strong agreement as written, and urges the administration to focus on more effective enforcement to solve issues as Korea's economy improves.

Following the U.S. withdrawal from the Trans Pacific Partnership, if the U.S. now withdraws from KORUS, the U.S. will lose significant market share to the EU, Australia, China and others while sending a very dangerous message that America is not interested in doing business in Asia and at the same time also significantly damaging America's influence.

As you may know, the California Chamber of Commerce is a broad-based nonprofit membership organization through which business, industry and agriculture join forces to work toward positive action on key issues that affect California's economic climate.

The organization, established in 1890, is the largest and most broadly based employer representative in California. Our members include over 13,000 firms of all kinds and sizes, representing three million jobs--one quarter of the state's private sector workforce, as well as 300 affiliated local chambers of commerce and 200 trade associations. Through its grassroots action program, the California Chamber reaches out to a statewide network of approximately 430,000 small business owners.

The California Chamber also offers a variety of services to help businesses comply with complex laws and regulations, as well as, compete in the international marketplace.

The California Chamber supports expansion of international trade and investment, fair and equitable market access for California products abroad, and elimination of disincentives that impede the international competitiveness of California business.

Statistics

Korea is a significant market for U.S. small and medium-sized companies, which make up a majority of U.S. businesses exporting to Korea.

Korea is California's seventh largest export destination. California is the top exporting state to Korea, making up nearly 20 percent of U.S. exports. In 2016, California exported over \$8.2 billion to Korea. Top products from California to Korea included non-electrical machinery, computers and electronics, transportation equipment and food products.

According to the most recent figures, U.S. foreign direct investment in Korea totaled roughly \$34.6 billion and was concentrated largely in the manufacturing, banking, and wholesale trade sectors. Korean foreign direct investment to the United States reached \$40 billion.

There are over 1 million Korean-Americans in the United States. Los Angeles alone is home to 158,000 residents of Korean origin, according to the Migration Policy Institute. There is also a large population of Korean students studying at higher education institutions across the U.S. Korean visitors enter the United States via the U.S. Visa Waiver Program.

The FTA

The United States and the Republic of Korea announced on February 2, 2006 that they were beginning negotiations toward a bilateral FTA, with talks expected to take up to a year. Although the negotiations concluded on April 1, 2007, nearly five years passed before the FTA could be implemented.

The CalChamber was part of a broad-based coalition that waged a multi-year campaign to secure congressional passage of the U.S.-Korea FTA. Congress approved the FTA on October 12, 2011. This comprehensive agreement was approved by the U.S. House (278-151) and the U.S. Senate (83-15). The South Korean Parliament followed suit on November 22, 2011.

March 15, 2012 was the implementation day for the landmark U.S.-Korea Free Trade Agreement (FTA), the product of years of collaboration by the business community and both governments.

The California Chamber of Commerce-supported FTA is the biggest free trade pact the United States has reached since entering the North American Free Trade Agreement (NAFTA) in 1994.

His Excellency Duk-Soo Han, former Prime Minister and Ambassador to the United States from the Republic of Korea, was instrumental in garnering support for the U.S.-Korea agreement. Han spoke to the CalChamber on several occasions, as did the Consuls General of Korea in San Francisco and Los Angeles.

Implementation of the U.S.-Korea FTA has eliminated tariffs and other barriers to trade in goods and services, promote economic growth, and enhance trade between the United States and Korea.

On Thursday, December 6, 2012 the California Chamber of Commerce received the prestigious Presidential Citation from the government of the Republic of Korea for promoting U.S.-Korea trade and commercial relations, and specifically for contributing to the passage of the U.S.-Korea Free Trade Agreement.

CalChamber Position

The California Chamber of Commerce, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business. New multilateral, sectoral and regional trade agreements ensure that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans.

The U.S.- Korea FTA sends a strong signal that the United States intends to remain heavily engaged in the region for a long time to come in business, economics, security and international politics.

The FTA strengthens a more than 60-year-old alliance between the United States and South Korea, while reinforcing the economic and political reforms South Korea continues to make.

Thank you for your consideration.