

COUNCIL FOR INTERNATIONAL TRADE

CALIFORNIA CHAMBER of COMMERCE



August 5, 2008

The Honorable Mike Thompson
US House of Representatives
Washington, DC 20005
VIA FACSMILE
(202) 225-4335

Dear Representative Thompson:

RE: Support of US – Korea Free Trade Agreement

On behalf of the California Coalition for Free Trade, the member companies and associations listed below strongly urge Congressional approval of the US-Korea Free Trade Agreement. Agreements like the proposed US- Korea FTA ensure that the United States may continue to gain access to world markets, which will result in an improved economy and additional employment of Americans.

The California Coalition for Free Trade was initiated in May of 2008 by the California Chamber of Commerce's Council for International Trade. This group of California companies and business organizations believe that opening markets and promoting fair trade rules are critical for California's economy. The Coalition is working to secure Congressional approval of the Free Trade Agreements with Colombia, Panama, and South Korea.

The recently concluded trade agreement with Korea is a big win for the California and US economies. Its passage will eliminate tariffs and other barriers to trade in goods and services, promote economic growth, and enhance trade between the United States and Korea.

Korea is a \$1 trillion economy and is the United States' 7th largest goods trading partner. Korea's commercial relationship with the United States is largely complementary.

In 2007, two-way trade between the two countries totaled over \$82 billion and US goods exports to Korea were \$34.7 billion, a steady increase over the previous five years. Korea is California's 5th largest exporting partner. In 2007, California exported \$7.5 billion to Korea.

By giving US exporters a leg up in the world's 10th largest economy, the agreement with Korea will enhance the ability of US companies to compete in the dynamic Asian economy.

The US-Korea FTA will greatly expand market access in Korea for US farmers, manufacturers, service providers, and financial services firms. Under the FTA, more than half of current US agricultural exports to Korea—with a value of \$1.6 billion—will become duty-free immediately. Almost 95 percent of all bilateral trade in consumer and industrial products will become duty-free within three years under the agreement, and virtually all remaining tariffs on consumer and industrial goods will be eliminated in ten years. Moreover, this agreement will eliminate significant non-tariff market access barriers in Korea to US goods, services, and investment. Consumers in both countries stand to gain from the broad benefits of this agreement.

US interests are protected under this agreement through robust provisions on transparency, intellectual property rights, competition, investment, and other rules, particularly in the area of services. The agreement also has important implications beyond bilateral trade and investment. By giving US exporters and investors a preferential position in the world's tenth-largest economy, an FTA with Korea will enhance US businesses' ability to compete in the dynamic Northeast Asia regional economy. From a strategic vantage point, the FTA will reinforce the critical partnership and alliance between our two countries.

For California, the FTA would be a big win. According to the International Trade Administration in the US Department of Commerce, computer and electronic products accounted for \$2.3 billion of California's merchandise exports to Korea in 2007. With immediate removal of many of these related tariffs, exports will become more competitive and affordable to Koreans. California's exports of machinery also will benefit from US-Korea FTA reductions as machinery manufactures accounted for \$1.4 billion of the state's merchandise exports to Korea in 2007. Transportation equipment accounted for \$590 million of the state's export sales to Korea in 2007 and most of these duties also would be eliminated immediately. In addition, tariffs and other barriers would be eliminated on most agricultural products produced in California. From pharmaceuticals to pistachios – the US-Korea FTA is a win for California.

The Republic of Korea is a longstanding and close US ally, and strong partner in advancing regional and global security. The US-Korea FTA will reinforce this critical economic and political partnership by deepening the links between our countries as we work together to protect peace and prosperity in Northeast Asia.

Page 3
August 5, 2008

The US-Korea FTA will bring real benefits for US workers and businesses and help maintain America's leadership position in an increasingly competitive global environment. We urge you to work to obtain passage of this historic and commercially significant agreement.

Sincerely,

The California Coalition for Free Trade
(members listed below)

Cc: The Honorable Sue Schwab, US Trade Representative
The Honorable Arnold Schwarzenegger, Governor of California
Mr. Garrett Ashley, Undersecretary for International Trade,
CA Business, Transportation & Housing Agency