

U.S., Korea Conclude Negotiations on CalChamber-Backed Trade Agreement



The United States and the Republic of Korea have concluded negotiations on the California Chamber of Commerce-supported U.S.-Korea Free Trade Agreement (FTA), which will contribute to regional and global trade liberalization.

“The U.S.-Korea FTA is the biggest free trade pact the United States has reached since it entered into the North American Free Trade Agreement over a decade ago,” said Susanne Stirling, CalChamber vice president of international affairs. “This 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.”

On February 2, 2006, the United States and Korea announced that they were beginning negotiations toward a bilateral FTA, with talks expected to take up to a year. The first round of negotiations on the U.S.-Korea FTA took place in June 2006, with further rounds in July, October and December. The talks encountered some difficulty while reviewing restrictions on the Korean film

industry, as well as tariffs on textiles, automobiles and agricultural products.

Impact

U.S. companies hope that a bilateral agreement with Korea will enable them to sell more cars, pharmaceutical products and financial services in Korea. The FTA would eliminate the 8 percent tariff Korea currently has on imported vehicles.

The FTA would increase U.S. exports to Korea by 54 percent and Korean imports to the United States by 21 percent, according to a study by the U.S. International Trade Commission completed in September 2001.

Korea’s commercial relationship with the United States is largely complementary. In 2006, two-way trade between the two countries topped \$78 billion. Korea is the seventh largest trading partner of the United States, and the 11th largest economy in the world.

Korea is California’s fifth largest exporting partner. In 2006, California exported \$7 billion to Korea. The U.S.-Korea Business Council believes the conclusion of a bilateral investment agreement would bring significant benefits to both economies and foster strengthened economic ties between the two countries.

Before negotiations on the FTA, Korea and the United States had been negotiating a bilateral investment treaty for more than three years. Concluding the agree-

ment locks in many of the positive reforms that the Korean government has put in place over the last several years. It would obligate the government to offer U.S. firms investing in Korea the better of most favored nation or national treatment, provide access to investor-state dispute settlement mechanisms, help ensure the free movement of capital and qualified management staff to support investments and, in the event of an expropriation, guarantee U.S. investors fair and just compensation.

The agreement also would help to ensure that the Korean government will continue moving toward more transparency in developing and enforcing regulations governing investments. Korea, in turn, would benefit from increased foreign investment in its economy. By signing the agreement with the United States, Korea would be signaling to global investors its intention to remain on its current course of deregulation and reform.

Anticipated Action

This resolution of negotiations comes just three months before U.S. President George W. Bush’s power under trade promotion authority to sign trade deals without their being subject to congressional amendment is due to expire. Both countries’ legislative bodies must still approve the FTA.

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Local Chambers Active in International Arena, Survey Shows

Local chambers of commerce are continuing to remain active in the international arena, according to a survey just completed by the California Chamber of Commerce.

“International trade is one of the most important and exciting topics of our day and plays a major role in our economy,” said Susanne Stirling, CalChamber vice president of international affairs. “It makes sense for local chambers of commerce to have active programs, given that one in every four jobs in California is tied to international trade.”

Key findings of the survey include:

- 75 percent of local chambers issue certificates of origin, the documentation required by countries to show the source of goods that are to enter their boundaries.
- Overall, 64 percent of chambers are involved in international trade activities; 26 percent have been involved for more than 10 years.
- Nearly one in five chambers (19 percent) participates in trade missions to foreign nations.
- 12 percent put on “how to export” or related seminars.
- About 21 percent of chambers take

positions on international trade-related policy issues.

● Of those chambers monitoring international trade issues, there were 58 percent following state international trade-related legislation/programs; 52 percent free trade agreements; 45 percent federal international trade-related legislation/programs; 18 percent the World Trade Organization; and 15 percent trade promotion authority.

For more information on international trade and international resources, visit www.calchamber.com/international.

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