

ECONOMIC VALUE OF THE US-KOREA FREE TRADE AGREEMENT: MORE AMERICAN EXPORTS, MORE AMERICAN JOBS

Now more than ever, America's ability to create jobs here at home depends on our ability to export goods and services to the world. From 1960 to 2010, exports' share of our country's gross domestic product – that's the measure of America's overall economic output – more than doubled. By 2008 exports supported more than 10 million American jobs, and those are positions that pay well: Americans whose jobs depend on trade earn 13 to 18 percent more than the national average.

New exports help to support new jobs. That's why President Obama is seeking approval of the U.S.-Korea trade agreement now. With the U.S. International Trade Commission (ITC) estimating that the tariff cuts alone in the U.S.-Korea trade agreement will increase exports of American goods by \$10 billion to \$11 billion, advancing this agreement will secure the tens of thousands of American jobs supported by those exports – as well as the additional American jobs that will come from by breaking down non-tariff barriers keeping U.S. exports out of Korea, and by requiring stronger protection and enforcement of intellectual property rights in Korea.

The ITC's analysis of the economic benefits of this agreement only counts how much American exports will go up due to the elimination or adjustment of tariffs, which Korea charges when exported U.S. goods come onshore in Korea. But the agreement will also create new opportunities for even more exports as it opens Korea's \$560 billion services market to more American companies – supporting additional jobs for American workers in service sectors ranging from express delivery to engineering to legal and accounting services to education and health care.

Key Facts:

More Market Access for America's Auto Workers: The United States and Korea agreed to a number of significant improvements that will enhance market access for U.S. auto companies by addressing the ways Korea's system of automotive safety standards and proposed Korean environmental standards have served as barriers to U.S. exports. Progress was made in several additional areas of automotive policy including on transparency and an acceleration of tariff reductions on electric cars that will create export opportunities for emerging green technologies. Further adjustments were made to general auto and truck tariffs that will give U.S. auto companies and their workers a chance to build up more export business in Korea before U.S. tariffs on Korean autos come down.

More Economic Benefits for Americans: On the basis of tariff cuts and adjustments alone – and there is a lot more to the agreement – the U.S. International Trade Commission estimates that America's economic output will grow more from the U.S.-Korea agreement than from the United States' last nine trade agreements combined. Korea has an economy at close to \$1 trillion, and already is the United States' eighth largest trading partner. Korea's economy grew 5.8 percent in the second quarter of 2010 and the IMF expects it to grow by 6.1 percent in 2010, significantly higher than U.S. growth of 1.7 percent and 2.6 percent for the same periods. Enhancing U.S. access to this high growth market will help contribute to the growth and recovery of the U.S. economy. In 2009 our goods trade deficit with Korea was \$11 billion while

the services trade surplus was \$7.1 billion in 2008. The ITC estimates the U.S. trade balance with Korea will improve by \$3.3 billion to \$4 billion under the agreement.

More to Gain from a Level Playing Field: America's farmers and manufacturers will improve their competitive position from the tariff cuts in the agreement. Right now, Korea's tariffs on imported agricultural goods average 54 percent, compared to the average 9 percent levied by the United States on the same kinds of imports. Korea's average tariff on non-agricultural goods is more than twice that of the United States – 6.6 percent compared to our 3.2 percent. As tariffs are eliminated or reduced under the U.S.-Korea trade agreement, America's farmers and manufacturers will become more competitive in the Korean market, which should help them sell more – and grow more jobs here at home.

More American Products Sold to Korea: American manufacturers of medical equipment, information technology, environmental goods, and machinery all depend on the Korean market for export sales and export-related jobs; manufactured goods account for 80 percent of American goods exports to Korea, and according to the National Association of Manufacturers, those manufacturing exports to Korea supported 230,000 American jobs in 2008. The reduction of Korea's tariffs on American manufactured goods is expected to boost our exports and related jobs even further. For example, the National Association of Manufacturers says that under the U.S.-Korea agreement, American exports of machinery and equipment – already one of our top exports to Korea – will increase by more than a third.

More American Agricultural Products Sold to Korea: According to the American Farm Bureau Federation, American farmers' and ranchers' exports to Korea will increase by as much as \$1.8 billion every year under the U.S.-Korea trade agreement, thanks to expected increases in sales of major grain, oilseed, fiber, fruit, vegetable, and livestock products. Koreans bought \$3.9 billion in agricultural products in 2009, making Korea our fifth largest agricultural export and our fourth largest market for U.S. beef exports. American beef volumes have increased by more than 120 percent in just a few years under the existing 2008 protocol. Tariff eliminations on Korea's existing 40 percent tariff will further boost beef exports, saving an estimated \$1,300 per ton of beef imported to Korea – savings that would total \$90 million annually for U.S. beef producers at current sales levels.

More American Services Sold to Korea: The United States is a global leader in the export of services, including financial services, express delivery services, legal consulting and accounting services, health care and education; in 2008, America exported \$7.1 billion more in services to Korea than we imported from Korea. The U.S.-Korea trade agreement gives American companies additional access to Korea's \$560 billion market in these major services and more – giving American services companies a chance to build on an already-strong export record and to create more well-paying services jobs here at home.

A Competitive Marketplace: America used to be Korea's biggest trading partner. But since 2003, we have fallen to fourth place – behind China, Japan and the European Union. In just over a decade, our share of Korea's import market for goods has fallen from 21 percent to just 9 percent – a smaller share than the European Union, which is preparing to secure more of the Korean market by implementing its own free trade agreement next summer. During that same period China's market share increased from 7 percent to 18 percent. The U.S.-Korea trade agreement will help American companies and American workers regain a strong hand in the

Korean marketplace, making sure that more of the goods and services sold there are made in America – not somewhere else. Those benefits will be in jeopardy if we do nothing while Korea moves forward on agreements with the EU, Australia, and others.