

ECONOMIC VALUE OF THE U.S.-SOUTH KOREA FREE TRADE AGREEMENT: MORE AMERICAN EXPORTS, MORE AMERICAN JOBS

Now more than ever, America's ability to create or support 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. In 2010, exports supported an estimated 9.2 million American jobs, and those are positions that pay well: Americans whose jobs are supported by goods exports earn 13 to 18 percent more than the national average.

New exports help to support additional jobs. That's why President Obama is seeking approval of the U.S.-South Korea trade agreement now. With the U.S. International Trade Commission (ITC) estimating that the tariff cuts alone in the U.S.-South Korea trade agreement will increase exports of American goods by \$10 billion to \$11 billion, advancing this agreement will secure at least 70,000 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 South Korea, and by requiring stronger protection and enforcement of intellectual property rights in South 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 South Korea charges when exported U.S. goods come onshore in South Korea. But the agreement will also create new opportunities for even more exports as it opens South Korea's \$580 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 South Korea agreed to a number of significant improvements that will enhance market access for U.S. auto companies by addressing the ways South Korea's system of automotive safety standards have served as barriers to U.S. exports, and by ensuring that new automotive environmental standards did not become a barrier to U.S. auto 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 South Korea before U.S. tariffs on South 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.-South Korea agreement than from the United States’ last nine trade agreements combined. South Korea has an economy at close to \$1 trillion, and already is the United States’ seventh largest goods trading partner. South Korea’s economy grew 6.1 percent in 2010 and the IMF expects it to grow by 4.5 percent in 2011, significantly higher than U.S. growth of 2.9 percent in 2010 and the IMF estimate of 2.5 percent for 2011. Enhancing U.S. access to this high growth market will help contribute to the growth and recovery of the U.S. economy. In 2010 our goods trade deficit with South Korea was \$10 billion while the private services trade surplus was an estimated \$7.3 billion in 2010. The ITC estimates the U.S. goods trade balance with South 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, South 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. South 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.-South Korea trade agreement, America’s farmers and manufacturers will become more competitive in the South Korean market, which should help them sell more – and grow more jobs here at home.

More American Products Sold to South Korea: American manufacturers of medical equipment, information technology, environmental goods, and machinery all depend on the South Korean market for export sales and export-related jobs; manufactured goods account for 80 percent of American goods exports to South Korea, and according to the National Association of Manufacturers, those manufacturing exports to South Korea supported 230,000 American jobs in 2008. The reduction of South Korea’s tariffs on American manufactured goods is expected to boost our exports and related jobs even further – at least 70,000 American jobs estimated from goods exports increases alone. For example, the National Association of Manufacturers says that under the U.S.-South Korea agreement, American exports of machinery and equipment – already one of our top exports to South Korea – will increase by more than a third.

More American Agricultural Products Sold to South Korea: According to the American Farm Bureau Federation, American farmers’ and ranchers’ exports to South Korea will increase by as much as \$1.8 billion every year under the U.S.-South Korea trade agreement, thanks to expected increases in sales of major grain, oilseed, fiber, fruit, vegetable, and livestock products. Koreans bought \$5.3 billion in agricultural products in 2010, making Korea our fifth largest agricultural export and our fourth largest market for U.S. beef exports. American beef exports reached \$518 million in 2010, an increase of 140 percent in value over 2009. Elimination of Korea’s tariffs on beef and a wide range of other agricultural products will enhance access for American producers and further boost U.S. farm exports.

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 2010, America exported \$7.3 billion more in private services to Korea than we imported from Korea. The U.S.-Korea trade agreement gives American companies additional access to Korea's \$580 billion market in these major services and more – giving American services companies a chance to build on an already-strong export record and to support more well-paying services jobs here at home, over and above the 70,000 jobs expected from the increase in goods exports to Korea.

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 17 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.