

Congressman Wally Herger (R-CA), member of the Ways & Means Subcommittee on Trade, issued the following statement after the announcement that the European Union (EU) had completed a trade agreement with South Korea. The agreement eliminates 99 percent of all tariffs within five years:

“Last week’s completion of a trade agreement between the EU and South Korea puts U.S. competitiveness in the global marketplace at risk. The U.S. negotiated an agreement with South Korea in 2007, yet the Democratic Congress has refused to act and the Obama Administration has failed to make trade a priority. During a serious economic downturn, it is irresponsible to neglect the benefit of open markets. Breaking down trade barriers will create opportunities for the U.S. agriculture, manufacturing, and services sectors, helping to create jobs and grow our economy again. But if we continue to isolate ourselves from the world marketplace, we are gambling with our future economic health.

“As the EU has demonstrated, other nations aren't standing still. The EU, Canada, and China will continue to push for their own market-opening agreements that will give their products duty-free access to other markets, placing U.S. goods and services at a competitive disadvantage. The reality is that if we are not moving forward on trade, we are moving backwards -- and other countries aren't going to wait for us to catch up. Our challenge soon won't be expanding market access, but rather maintaining it. I urge President Obama to take action and prepare the U.S.-Korea Free Trade Agreement for Congressional consideration immediately. American businesses and their workers can't afford to wait.”

Background:

- If implemented, the United States-Korea Free Trade Agreement (KORUS FTA) would be the United States' most commercially significant free trade agreement in more than 16 years.
- The independent, nonpartisan U.S. International Trade Commission estimates that the reduction of Korean tariffs and tariff-rate quotas on goods alone would add \$10 billion to \$12 billion to annual U.S. Gross Domestic Product and around \$10 billion to annual merchandise exports to Korea.
- Under the FTA, nearly 95 percent of bilateral trade in consumer and industrial products would become duty free within three years of the date the FTA enters into force, and most remaining tariffs would be eliminated within 10 years.
- The International Trade Commission estimates that, through KORUS, U.S. agriculture exports to Korea would grow significantly: U.S. exports of dairy products would increase

between 249% and 478%; U.S. exports of vegetables, fruits, and nuts would increase between 53% and 87%; U.S. exports of processed food products would increase between 37% and 42%; and U.S. exports of vegetable oils would increase between 20% and 33%.

- According to analysis done by the Ways and Means Committee Republican staff, the U.S. will see an 8% or \$1.1 billion decline in U.S. exports to South Korea should the EU implement their agreement prior to KORUS implementation. For a breakdown by sector, please view:

http://republicans.waysandmeans.house.gov/UploadedFiles/Copy_of_America_Falling_Behind_2_analysis.pdf

- Exports are becoming an increasingly important part of economic growth. In 2007, exports accounted for 25% of U.S. GDP growth. In the first quarter of 2008, exports accounted for 37% of U.S. GDP growth.