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Korea-U.S. Free Trade Agreement: One Year On

Wendy Cutler, Assistant U.S. Trade Representative for Japan, Korea and APEC Affairs, Office of the United States Trade Representative

Moderated by

Nikita Desai, Director of Policy & Corporate Programs, The Korea Society

NIKITA DESAI: (Moderator)

Welcome to The Korea Society, and welcome to *Studio Korea* for today's corporate program: The Korea-U.S. Free Trade Agreement One Year On.

We are delighted to see so many business leaders and members of the media in the audience. In addition, we wish to thank Ambassador Son, the Korean Consul General of New York, for being with us today. It is my pleasure to introduce Wendy Cutler, the Assistant U.S. Trade Representative for Japan, Korea and APEC.

(Applause)

Wendy was the Chief U.S. Negotiator for the U.S.-Korea Free Trade Agreement, which came into force about one year ago on March 15, 2012. Thank you for joining us, Wendy.

WENDY CUTLER:

Thank you for having me.

NIKITA DESAI:

Wendy, how would you judge the first year of the KORUS implementation?

WENDY CUTLER:

We're very pleased with the implementation of the U.S.-Korea Free Trade Agreement (KORUS) so far. The agreement has already brought benefits for business, as well as for citizens, families and workers in both the United States and Korea.

KORUS is an extensive, twenty-four chapter agreement which includes provisions for areas such as

intellectual property, labor and customs administration and trade facilitation. It includes tariff-cutting schedules for over 10,000 products, as well as detailed commitments relating to services. The implementation is a huge undertaking, and the fact that the obligations are being implemented fully and on a timely basis, by both the U.S. and Korean governments, is quite impressive.

NIKITA DESAI:

What impact have U.S. exporters had on Korea?

WENDY CUTLER:

We are pleased with the increase in exports from the United States to Korea, to date. U.S. manufacturing exports have increased in such areas as transportation equipment, heavy electrical equipment, chemicals, and pharmaceuticals. We've also seen an increase in agricultural exports to Korea. My Korean friends are much happier now that Korean supermarkets carry products from the United States such as cherries, fruit, and fruit juices. Soybean exports have risen over the past year. Service exports to Korea have increased by approximately 9 percent since 2011. We're also seeing an increase in investments from Korea to the United States, as well as from U.S. firms to Korea. Korea has benefited from the agreement, as well. Their exports to the United States have increased in the manufacturing sector. More interestingly, exports from Korea's agricultural sector have increased over 10 percent.

NIKITA DESAI:

The auto issue was one of the harder issues to resolve in the original KORUS negotiation. What challenges or successes have U.S. auto-manufacturers had in Korea since KORUS was implemented?

WENDY CUTLER:

Yes, the automobile sector presented many challenges in the negotiations. The 2007 agreement included extensive provisions for tariff cutting and non-tariff measure issues with respect to the Korean market. Under the leadership of President Obama in 2010, we went back to the negotiating table to see if we could level the playing field, with more benefits extended to both U.S. automakers and U.S. workers.

I have to say that over the past year, we have seen an impressive increase in U.S. auto exports to Korea. Sales to Korea by the Big Three U.S. auto companies are up by 18 percent, and overall U.S. exports of automobiles (including exports from transplants in the United States) are up 48 percent. I believe that tariff cutting, as well as the addressing of non-tariff measures brought a more level playing field for U.S. auto exports into Korea.

NIKITA DESAI:

Korea and the United States have a large and dynamic trading relationship. Even with a free trade agreement, issues always emerge due to the ever-changing nature of commerce. How do you resolve these issues, and how does the FTA help?

WENDY CUTLER:

Two-way trade between the Republic of Korea and the United States stands at about \$125 billion, about a 3 percent increase over last year. That's a lot of trade. With any trading relationship of that size, you're going to encounter difficulties. Although the FTA has a lot of rules along with a dispute-settlement process, it cannot immediately solve every problem. The FTA provides a framework. It provides a mechanism. It provides committees. These enable the United States and Korea, as FTA partners, to work through these FTA mechanisms to address any issues as they emerge.

Through the negotiating process, we've become pretty close to our Korean counterparts in the trade field. I believe as a result of these close relationships, we're in a much better position to solve any problems and find ways to deal with these issues before they become serious trade frictions.

NIKITA DESAI:

What does the future hold for the KORUS FTA under the Park administration?

WENDY CUTLER:

It's interesting. The FTA was launched two administrations ago under the leadership of Roh Moo-hyun, and then was passed through the National Assembly by Lee Myung-bak. It is now part of the new administration, and we look forward to working with President Park and her team. The trade functions have moved to a new ministry. We expect to have a cooperative relationship which will keep the implementation of KORUS front and center, ensuring that this agreement continues providing benefits to both countries, as well as solving any problems that may arise quickly and effectively.

NIKITA DESAI:

Speaking of the future, could you talk to us about the TPP? Will Korea become a member of the Trans-Pacific Partnership?

WENDY CUTLER:

I'm probably not the right person to ask about Korea becoming a member of the TPP. Seeking membership in the TPP is really up to Korea. We believe that Korea could be a natural member of the Trans-Pacific Partnership negotiations, as KORUS is such a high-standard comprehensive agreement, and that's exactly what we're trying to negotiate with the TPP.

There's overlap between a number of areas between KORUS and the TPP, but the TPP also has new areas that we're addressing such as regulatory convergence, and dealing with both state-owned and small and medium-sized enterprises. We believe these are all important issues for both the United States and Korea. We look forward to continuing our working relationship with Korea and keeping them updated on the TPP, so should they decide it's in their interest to join these regional negotiations, they will be ready.

GUEST:

In this first year of KORUS implementation, what has been the one 'pleasant surprise,' for you?

WENDY CUTLER:

For me, it was all the phone calls from exporters looking for guidance during the first month KORUS was in effect. We received calls from big companies. We received calls from small companies. They needed to learn how to read the tariff schedule, or how to determine the rule of origin for a product, or how to provide documentation to Customs.

My role as a negotiator kept me out of touch with the people who would ultimately benefit from what we were trying to accomplish. It was so fulfilling for me when I realized that once these rules and regulations were put into place, the governments could only do so much—and that it was now up to the private sector to take advantage of the opportunities KORUS brought forth. Those phone calls not only put me back in touch with people, but made me realize how much we had accomplished for so many.

[End]