

The KORUS FTA's Implications for the U.S. Beef Industry

**The Honorable
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Introduction

Thank you, Bob [McCan], for the kind introduction and thank you all for your company.

I would like to thank NCBA for having me here today.

It is a great pleasure to be in San Antonio.

As much as I enjoy my work in Washington, I have come to find that it's a rather insular place that doesn't offer the warmth and hospitality that one finds here in Texas.

I was warned, though, that there is one thing I should not say while I'm here. And that is "Roll Tide."¹

Like Texas, Korea has a long tradition of ranching and never do I feel more at home than when I'm with farmers and ranchers.

The NCBA, under the leadership and vision of President Gary Voogt, has been at the forefront of satisfying consumer demand for high-quality, healthy and reliable food, improving producers' profitability, preserving the industry's heritage, and securing its future for the benefit of consumers in America and elsewhere.

¹ "Roll Tide" is the motto of the University of Alabama football team, which defeated the University of Texas in the national championship game on Jan. 7.

And I note that the NCBA is a staunch defender of free trade, which it recognizes as a key to economic growth and to the continued prosperity of American farmers and ranchers.

Nowhere is that more evident than in your support for the Korea-U.S. Free Trade Agreement, or KORUS FTA as it's called. Since it was signed in June 2007, you have been strong advocates for the agreement and I appreciate that very much.

Unfortunately, though, it's been almost three years since Presidents George W. Bush and Roh Moo-hyun signed the agreement and it still awaits action by the U.S. Congress.

The stakes for both our countries are high and time is running out. A failure to finalize the agreement – and finalize it soon – will impose further hardships on an industry that already has more than its share of them.

Here's why.

Korea historically has been one of the largest export markets for American beef and related products.

From 1996 to 1999, U.S. beef exports to Korea averaged less than 90,000 metric tons, with a value of roughly 260 million dollars. But they grew quickly in 2000 to 159,000 metric tons, worth 512 million dollars, then to a high of 247,000 metric tons, worth 815 million dollars, in 2003.

Then came the discovery of a single case of BSE in December 2003 in Washington state. Korea and other countries banned imports of American beef. Five years later, U.S. beef exports to Korea remained well below their high of 2003. They were down to 50,000 tons in 2008.

Australian beef, which is less expensive and has never been tainted by BSE, moved in to fill the void.

U.S. beef could regain the market share it held in 2003, but it will take a long time – unless our governments finalize the KORUS FTA.

The reason that the FTA is a crucial part of the equation is that negotiations on a Korea-Australia FTA are well under way. The third round of talks took place in Canberra, Australia last month. Korea and Australia intend to finish the negotiations by the end of this year. If the Korea-Australia FTA is finalized, as expected, and the KORUS-FTA is not, American beef will lose even more ground in the Korean market.

You don't want that to happen and neither do we.

For Korea, reaching a free trade agreement with the United States would not just be an economic advantage. It would also strengthen our long-standing political alliance with the U.S.

Korea-U.S. Relationship

In less than half a century Korea has evolved from a poor, underdeveloped country heavily dependant on foreign aid, most of which came from the United States, into a thriving and prosperous democracy with the world's 12th largest economy.

Its strong alliance with the United States is one of the most important factors behind Korea's incredible economic success. It wouldn't have been possible without the security and stability the alliance provides.

For the United States, Korea has served as a strong democratic ally, a stabilizing partner and a strategic anchor in our ever-changing corner of the world.

The Korea-U.S. economic and trade relationship has also been one of the most powerful pistons in the economic engines of both countries.

Korea is the 7th largest market for American exports and the U.S. is the third largest market for Korean exports. The U.S. is also the greatest source of foreign investment in Korea -- \$2.3 billion in 2007 and \$1.3 billion in 2008.

Korea's investments in the United States are even larger, totaling \$6.1 billion in 2008.

The degree of economic and business cooperation between our two countries is phenomenal, but its full potential has yet to be realized. For that, we need the KORUS-FTA.

KORUS FTA and the US Beef Industry

The KORUS FTA is one of the most comprehensive and commercially meaningful agreements for both Korea and the U.S in the last 20 years. It will promote exports of American goods and services to the Korean market and will enhance U.S. competitiveness by making that market more open.

Almost all the economic studies on the KORUS FTA have found that it will make both Korea and the United States better off.

- The nonpartisan U.S. International Trade Commission estimates that implementation of the KORUS FTA will increase annual U.S. goods exports to Korea by 10 to 11 billion dollars and increase U.S. GDP by 10 to 12 billion dollars.
- According to research by U.S. Chamber of Commerce, the KORUS FTA could translate into 240,000 new jobs in the U.S.

With these and other positive effects on the economy, the KORUS FTA may be regarded as part of an economic stimulus package without any demand on fiscal resources. It will create markets and well-paying jobs at a time when America badly needs them.

Among all economic sectors, agriculture may have the most to gain from implementation of the KORUS FTA. More than half of U.S. agricultural exports to Korea -- with a value of more than \$3.5 billion in 2008 -- will become duty-free immediately.

Under the FTA, almost two-thirds of U.S. farm products will become duty free immediately. This includes a whole array of top U.S. exports such as cotton, wheat, soybeans, most vegetables and wine.

Market access for beef will be improved through duty phase-outs, which will ultimately lead to unlimited duty-free access in 15 years as opposed to the current 40 percent tariff.

This will bring an estimated tariff savings of about \$87 per ton of U.S. beef exported to Korea in just the first year. Once tariffs are completely phased out, the annual tariff savings will be an estimated \$1,300 per ton.

Also, the current 18 to 27 percent tariffs on beef offal will be phased out over 15 years.

The ITC report on KORUS FTA found that the increase in agricultural exports will be the largest among all economic sectors and that meat exports -- beef, pork and poultry -- will be increased by as much as two percent after the agreement is fully implemented.

The reason Korea's agriculture market traditionally has been highly protected against foreign products is that Korea's relative paucity of farmland has hindered our ability to compete internationally.

So, I can't overemphasize the significance of the fact that this is the first time Korea will open its agriculture market so widely.

Opportunities Lost

Until now, the delay in approving the KORUS FTA has meant only opportunities lost, but it may soon develop into actual costs. In international trade, accepting the status quo means going backwards. Inaction means losing ground.

Therefore, I urge all of you to work with a sense of urgency to help break the logjam that has stalled the KORUS FTA's progress in the U.S. Congress.

There might be a window of opportunity after Congress finishes with health-care reform this spring. But it will be brief, given that mid-term elections are coming in November.

So, time is running out. Going slowly is not an option. The road ahead requires arduous work, creativity, and tough decisions.

President Obama and President Lee met three times last year. They agreed on the importance of the KORUS FTA and vowed to work together to take it across the goal line.

The Obama administration recognizes the importance of international trade for America's economic future and is committed to pursuing expanded trade as President Obama made clear during his last visit to Seoul. We welcome his commitment and hope to see it translate into concrete action in the months to come.

There is bipartisan support on Capitol Hill as well. In November, 88 Members of Congress -- 44 Democrats, 44 Republicans -- sent a letter to President Obama urging him to submit the KORUS FTA to Congress right away.

American people and businesses seem to agree. When the Office of the U.S. Trade Representative invited public comments on the KORUS FTA, about 92 percent of the 525 comments it received were favorable. I appreciate the fact that NCBA submitted comments supporting early approval of the KORUS FTA.

Also, I understand that the NCBA is going to adopt a resolution supporting early approval of KORUS FTA during this convention. That will help and we appreciate it.

What NCBA Members Need to Do

In addition to this important resolution, the FTA needs your active, aggressive, visible and vocal support -- now. As NCBA members, you represent a vital segment of the U.S. economy. Representing more than 1 million farmers and ranchers, NCBA is an economic force to be reckoned with.

Members of Congress are well aware of that. If you make your voices heard, they will listen.

Conclusion

From every standpoint, the FTA presents a once-in-a-generation opportunity to win significant and lasting gains for both our countries.

At the end of the day, the FTA is not about us – it's about you - farmers and ranchers, your families, your neighbors, your employees and partners, on the front lines of American agriculture – a stalwart of the U.S. economy.

Whatever action is ultimately taken on the FTA will affect you directly and for a long time.

It will also affect U.S.-Korea relations directly and for a long time. Whether that will take the form of significant economic gains for hundreds of businesses here and in Korea, or be a tragically missed opportunity, is up to us.

I know many of you, and I know of the respect NCBA enjoys on Capitol Hill. I am confident your efforts can make a difference.

For your many contributions to the US Economy and Korea-US economic relations, and for your support of the Korea-US FTA, I thank you.

Oh, and one more thing. Hook `em Horns!

END