

LA area Chamber of Commerce Remarks

LA/12:20-13:00, NOVEMBER 24, 2009

THE KOREA-U.S. RELATIONS

Ambassador of the Republic of Korea, Duk-soo HAN

1. Introduction

Thank you, Ms. Inman for your kind introduction.

Thank you, Mr. Toebben, distinguished members of LA area Chamber of Commerce and guests.

It is a great honor and pleasure to be here with you all; and my colleague, Mr. Kim Jae-soo, the Korean Consul General of Los Angeles.

I am grateful to the LA area Chamber of Commerce for arranging this luncheon forum and for giving me this opportunity to speak to you, the prominent business leaders of Los Angeles area.

Today, I will speak to you about Korea-U.S. relations: what we have achieved together and what are the new challenges facing the Korea-U.S. relations.

I just returned from Seoul after attending the bilateral summit meeting between President Lee and President Obama on Nov 19. So, I will also share the main outcomes of the summit meeting with you.

2. Achievements So Far

Let me first try to identify where we are in terms of a variety of bilateral interactions and what we have achieved together.

Our Alliance forged on the crucible of the Korean War has made possible Korea's incredible political and economic success by providing reliable security guarantees against threats from North Korea.

Our two countries have made continuous efforts to deepen our security cooperation to further strengthen our common defense.

For example, we have been advancing a bilateral plan for the relocation of military bases and

transition of war time operation control to Korea. We also realized the elevation of Korea's status in the Foreign Military Sales to NATO + 3 level last year.

In the field of economic relations, numbers and statistics are amazing.

Korea is the 7th largest market for American exports. The US is the fourth largest market for Korean exports, and is the greatest source of foreign investment in Korea. More than 2,600 U.S. business corporations are investing in Korea.

Recently, Korea also has made significant investment in the United States. Currently, more than 9,300 Korean business firms are investing here.

California works as a gateway for Korean companies that want to trade with the United States. Korea's trade with California accounts for about 1/3 of Korea's total trade with the United States.

California is also the main destination for Korea's investment. As of June, 2009, the accumulated investment by Korean companies reached over \$10.6 billion out of \$27 billion in total. Major Korean companies operating in Southern California include Hyundai, Hanjin, Kia, Nongshim and Kumho Tire.

It is to be noted that, since 2006, Korea's investment in the U.S. has been greater than the other way around.

The people-to-people exchange is also amazing.

More than three-quarters of a million Korean tourists come to visit the U.S. every year. This number is close to the entire population of the city of San Francisco.

In 2008, Korea joined the visa waiver program, and this has served as a catalyst for creating more exchanges between our two countries.

There are currently about 75,000 Korean students studying in American colleges and universities, making Korea the third largest origin country for international students here.

Another aspect of our close ties can be found in the presence of the large, dynamic Korean community in the United States.

In short, Korea is one of the closest and most trusted partners of the United States today, just as the U.S. is of Korea.

3. Meeting New Challenges – Joint Vision

Now, I will turn to where we should go now from here.

As the world changes rapidly, we continue to face new, diverse challenges. It is imperative to resolve such non-traditional international issues as terrorism, proliferation, climate change, development, piracy and epidemic disease.

To respond to these challenges, the Joint Vision for the Alliance was adopted at the June 16 Summit in Washington DC between President Lee and President Obama.

The Joint Vision is a set of well-defined guidelines for the future-oriented Alliance to deal with the new challenges on a more comprehensive and strategic level.

The examples of such expanded cooperation to meet the new kinds of challenges are numerous.

One of the most recent ones is the Korean Government's new plan to establish an independent provincial reconstruction team (PRT) in Afghanistan to contribute to the international efforts to assist Afghanistan people. This arrangement will be made in close consultation with our U.S. counterparts, among others, who are working so hard to stabilize the region.

Another example of cooperation is in the area of the new energy technology known as smart grid.

America's Gridwise Alliance, which includes such major companies as IBM, Google, GE and ConED, signed a memorandum of understanding on June 15 with the Korea Smart Grid Association. This shows that business leaders of our two countries have already begun to work together to lead the world in this uncharted territory.

On November 19, the two presidents met for the 3th time this year and agreed to further develop our partnership into an exemplary strategic alliance of the 21st century by faithfully implementing the "Joint Vision."

4. The KORUS FTA

Now, I would like to turn to one of the most immediate tasks our two countries are facing right now. That is the passage of the Korea-US Free Trade Agreement, KORUS FTA as we put it.

At this point, let me present the arguments for the KORUS FTA, focusing on the benefits to the U.S. side

As President Obama emphasized in his remarks in Tokyo on November 14th, “exports support millions of well-paying American Jobs” and “increasing those exports has the potential to create millions more.”

It is not China, but the United States that is the largest exporter of goods and services in the world. More than 57 million American jobs are directly supported by international trade.

Export represents 13 percent of the U.S. GDP, and was the single largest contributor to economic growth, generating 48% of GDP growth from April 2007 to March 2008.

In fact, 95% of world consumers live outside the United States, and engaging with those 95% would logically create jobs, instead of hurting them.

Moreover, Korea is the 2nd largest market for U.S. services in Asia, the 6th largest market for U.S. agricultural goods, and the 7th largest market for U.S. information technology products.

However, the U.S. is gradually but constantly losing ground in the Korean market. Up until 6 years ago, the United State had been our biggest trading partner for decades, but that is no longer true. Now, America ranks number 4 behind China, Japan, and the EU.

The KORUS FTA is an unprecedented opportunity to open the Korean market for American and California workers, farmers, and businesses.

It is clear that implementation of the KORUS FTA would create significant economic opportunities for the U.S. businesses.

It is also important in terms of creating more jobs.

It is estimated that the KORUS FTA could translate into 240,000 new jobs in the United States.

With all these positive effects on the economy, the KORUS FTA may in fact be regarded as part of an economic stimulus package without any additional demand on fiscal resources. It will create markets and jobs at a time when America needs them most.

(Benefits to California)

You are probably wondering what the KORUS FTA means to you, to Los Angeles and to California.

The FTA will benefit California economies by opening new access for California goods and services in one of the world's most dynamic economies.

Korea is the 5th largest market for California goods. In 2008, exports of agricultural and manufactured products from California to Korea reached over \$7.7 billion-nearly 22% of the total U.S. goods exports to Korea that year.

In 2008, the U.S. trade with Korea through LA area totaled \$22.2 billion, which accounts for more than 25% of total bilateral trade between the two countries.

After the FTA enters into effect, almost 95 percent of all bilateral trade in consumer and industrial products will become duty-free within three years after the entry into effect of the agreement. Major California exports to Korea, such as Computer and Electronic products, and Machinery Manufactures will benefit from this tariff elimination.

More than half of U.S. agricultural exports will become duty-free **immediately**- including major California products such as almonds, pistachios, wine, and raisins.

California is the U.S. leading grower and exporter of fruit, with exports of fresh and processed fruits. Cherries(45%), grape juice(50%), frozen orange juice(50%) will become duty free immediately.

Korea is the 11th largest global market for the American film industry. LA's thriving entertainment industry will surely be one of the biggest winners of the FTA.

Korea will expand market access in financial services, telecommunications, broadcasting, express delivery, legal and other major sectors where U.S. companies currently face restrictions on investment and operations.

(Cost of Inaction)

In today's world where competition among nations to find new market is fierce, the status quo in trade liberalization means going backward. Inaction means losing ground.

A month ago, Korea initialed an FTA with the European Union and it will go into effect at the beginning of the latter half of next year. In addition, Korea's FTA negotiations with Canada are in an advanced stage.

A recent US Chamber of Commerce study has found that the United States would lose more than 345,000 jobs if the KORUS FTA is not implemented while the Korea-EU FTA and the Korea-Canada FTA are implemented.

The same study also found that "failure by the United States to implement the KORUS FTA will lead to a decline of \$35.1 billion in U.S. exports and services to the world and U.S. national output failing to grow by \$40.4 billion."

If we break down the numbers state by state, California will lose almost 40,000 jobs.

(Progress so far)

President Obama and President Lee have had three bilateral summits this year, first in London in April, second in Washington DC in June, and third in Seoul just last week. On those occasions, the two leaders agreed on the importance of the KORUS FTA, and "committed to work together to move the agreement forward."

Last July, USTR invited public comments on the KORUS FTA up until September 15th. More than 300 comments were submitted. It should be noted that 92% of comments were in favor, thus demonstrating an overwhelming support of stakeholders for the KORUS FTA.

In a further demonstration of support, on November 5th, 88 Members of Congress, 44 Democrats, 44 Republicans, sent a letter to President Obama and urged him to bring up the KORUS FTA for Congressional consideration.

Using this opportunity, I would like to convey my sincere appreciation to the many Members of Congress from LA and California who signed the letter

The road ahead requires arduous work, creativity, and tough decisions.

I would like to ask every one of you present today to work with us to make this happen.

5. North Korean Nuclear issue

The other imminent issue facing our two countries is to resolve the North Korean nuclear

problem.

It is important to point out that, our first and foremost important principle in dealing with the North Korean nuclear issue is that the Six-Party Talks will be the right forum to find solutions to this issue.

Despite recent development concerning North Korea's attempts to hold bilateral talks with the United States, the U.S. has made it clear over and over again that any bilateral interaction with North Korea cannot replace the Six-Party process.

The second part of our principled approach to the North Korean nuclear problem is that we must have a comprehensive and integrated approach to fundamentally resolve this problem.

By dismantling the core component of the nuclear program, we would be ready to provide North Korea with security assurances and international economic assistance. This is what we refer to as a "grand bargain."

Thirdly, we will continue to strictly implement the UN sanctions as provided in the Resolution 1874 until the objectives and purposes of the Resolution are achieved. It is a serious international obligation we have undertaken as a mature, responsible member state of the UN.

We know sanctions are not the only solution to the problem. We are well aware of the complexity involved in this North Korean nuclear issue.

What we know is that the North Korean nuclear issue requires continuous consultation among close allies on the basis of patience, consistency, and sensitivity. And we will continue to work closely with the United States that way.

In the bilateral summit held in Seoul last week, President Lee and President Obama agreed to join forces and push the "Grand Bargain" strategy in dealing with North Korea.

5. G20/Economic Crisis

Our close consultation and coordination has been effective in other realms. Let me briefly touch on the issue of our cooperation in the response to the international economic crisis.

Korea was one of the fastest-recovering economies among the OECD member countries in the third quarter of 2009, registering 2.9 percent GDP growth during this time. The IMF also raised its forecasted growth rate of Korea for 2009 to minus 1%, from minus 3% at the previous quarter

Such recovery is attributable to strong economic fundamentals such as a sound financial system, a robust private sector, rigorous financial and corporate restructuring, and far-reaching regulatory reforms.

Although the path to recovery continues with some degree of satisfaction, now is not the time for complacency.

It is important now more than ever to stay the course and continue robust fiscal and financial policies until we are sure of a full-scale recovery.

In September, the leaders at the G-20 summit in Pittsburgh agreed to seek “strong, sustainable and balanced global growth,” recognizing the need for “a durable recovery that creates the good jobs our people need.”

Korea and the United States will continue to work together to address international economic crisis, not only bilaterally but also through the G-20 framework, which has become the “premier forum for international economic cooperation.”

Next year, Korea will host the G-20 Summit meeting in November. We are proud to have the opportunity to display our leadership in this area and look forward to working closely with the U.S.

6. Conclusion

In conclusion, we stand at the threshold of an exciting new chapter in U.S.-Korea relations. We have the potential to significantly upgrade our bilateral, economic and strategic ties forever. An opportunity such as this is not likely to come again.

It is not an exaggeration to say that the FTA presents a once-in-a-generation opportunity to win significant gains-economically, strategically and politically-for both of our countries.

In this regard, I would like to seek your active participation in getting the passage of the KORUS FTA as soon as possible.

Los Angeles and California are the home of many leaders in Congress. They will listen to the opinions of business leaders like you.

Thank you for your hospitality and for your ongoing interest in Korea-US relations.

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