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In her post of February 15, Lori Wallach of Public Citizen made claims about the pending Korea-US Free Trade Agreement that were either false or misleading. Here, we set the record straight.

Claim: “A majority of Koreans oppose the (KORUS) FTA.”

Fact: Koreans have been surveyed at least six times on the KORUS FTA since Feb. 1, 2008. None of those polls showed FTA opponents in the majority. The most recent poll, published by the Dong-A Ilbo newspaper on Jan. 13, 2011, showed 55.2 percent approval vs. 28.5 percent disapproval.

Claim: The “U.S. International Trade Commission has concluded that the Korea agreement will increase the overall U.S. trade deficit.”

Fact: The ITC clearly cautioned users of its data against doing exactly what Ms. Wallach and others have done: the ITC’s simulation results “should not be interpreted as changes in total imports and exports, or as implying meaningful information about the balance of trade impact of the entire U.S.-Korea FTA.”¹ In its 2007 report, “U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Benefits,” the ITC predicted that the agreement would increase U.S. merchandise exports *to Korea* by \$9.7 billion to \$10.9 billion and merchandise imports from Korea by \$6.4 billion to \$6.9 billion.

Claim: “...the ITC study showed that the (overall) U.S. deficit in autos and auto parts would increase by at least \$531 million under the pact.”

Fact: The ITC study predicted that the KORUS FTA would increase U.S. auto exports *to Korea* by 45.5 percent to 58.9 percent and auto imports from Korea by 9.1 percent to 12.0 percent. At the request of the House Ways and Means Committee, the ITC is investigating potential effects on the U.S. auto industry of FTA modifications agreed upon in December 2010. The ITC expects to submit its findings to the Committee by March 15, 2011.

Claim: The KORUS FTA’s investor-state dispute resolution mechanism “empowers foreign investors to skirt domestic courts and seek cash compensation for regulatory costs before foreign tribunals...”

¹ U.S. International Trade Commission, *U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, Inv. No. TA-2104-24, USITC Pub. 3949, September 2007, p. 2-13.

Fact: The investor-state dispute resolution mechanism in the KORUS FTA is a common feature of free trade agreements and bilateral investment treaties, of which there are more than 3,000 worldwide. NAFTA has an identical investor-state dispute resolution chapter. Since it took effect in 1994, Mexican and Canadian companies have filed 18 requests for arbitration against the U.S. government. They have won none of them.

Claim: “The FTA allows its benefits to accrue to autos that contain only 35 percent U.S. or Korean content.”

Fact: The KORUS FTA stipulates that 35% of the components used to manufacture products (under the build-up method/net cost method) or 55% of the components of the final product (using the build-down method) must originate in one of the two countries to be eligible for preferential treatment. A 45% maximum foreign content rule under the Korea-EU FTA corresponds with the minimum 55% domestic contents rule under the KORUS FTA (using the build-down method). Also, the EU’s standard foreign content rule was 40%, not 45%.