

JOINT STATEMENT
U.S.-Korea Business Council and Korea-U.S. Business Council
October 11, 2017
Washington, D.C.

For 30 years, the members of the U.S.-Korea Business Council and the Korea-U.S. Business Council (the “Councils”) have gathered to discuss the economic, political and cultural ties between our two countries. During that time, we have seen our commercial relations expand and our alliance strengthen – and today’s meeting served as a reminder of the strength and importance of the U.S.-Korea relationship. Unfortunately, it also served as a reminder that the relationship is threatened by uncertainty, and so we are resolved to reinforce our commitment to it.

The first threat of uncertainty is a familiar one. North Korea has perennially been on the minds of the two business communities, and the Councils reiterated our support for the U.S.-Korea Security Alliance, which has been in place for over 60 years. The U.S.-Korea alliance has made immeasurable contributions to peace and stability on both the regional and global scales. We are confident in the strength of this partnership and are hopeful that it will continue to act as a stabilizing force.

The second is newer, and pertains to the future of the U.S.-Korea Free Trade Agreement (KORUS). Unlike North Korea, this uncertainty impacts our day-to-day business decisions, and we see ourselves as primary stakeholders in these discussions. As our two governments continue to have discussions on the future of KORUS, the Councils have become concerned with their direction – and in particular the limited consultation with the business community.

The Councils have supported KORUS since its infancy, and we continue to strongly support the agreement five years after it entered into force. It has served as a platform to expand bilateral trade and investment and created new business opportunities for both countries. As global business leaders – and many former senior government officials – the Councils also cannot stress enough the intersection of security and economics. In our view, the U.S.-Korea relationship is supported by two pillars: our mutual defense treaty and KORUS. They complement each other in important ways, and work in tandem to keep the region a stable, prosperous place.

For these reasons, the Councils have been deeply disturbed by threats of withdrawal from KORUS by the United States. Breaking KORUS apart would have broader

geopolitical ramifications at a critical time for Korean and U.S. security, and it would damage the bilateral relationship.

Accordingly, the Councils urge the two governments to make every effort to preserve the agreement by concluding the current process to resolve implementation issues and “amend and modify” the agreement as soon as possible, with as little disruption as possible.

In a strictly commercial sense, the agreement has led to increased bilateral trade, as intended, but it is important to note that this has occurred particularly in sectors in which Korean tariffs have been reduced or eliminated. U.S. exports of agricultural products such as beef and pork, industrial products such as aerospace equipment and autos, and others have increased by double and, in some cases, triple digit amounts since KORUS went into force. U.S. services exports have also increased as non-tariff barriers on services have been reduced. Withdrawal from the agreement would leave many companies on both sides at a disadvantage to our competitors elsewhere, decrease the competitiveness of our exports, and threaten the hundreds of thousands of jobs in both countries dependent on trade under the agreement.

Despite this progress, there have been a range of problems with regard to implementation of specific provisions of KORUS. We urge the U.S. and Korean governments and the private sector in both countries to work together to ensure that the KORUS agreement is implemented fully and faithfully to the letter and the spirit, and fully enforced.

With that said, the Councils recognize that the U.S. Administration is focused on the trade deficit as a metric of the agreement’s success. The causes of the U.S. trade deficit with Korea are macroeconomic in nature and are not attributable to KORUS. Most notably, weak consumption in Korea caused total imports from 2012-2016 to fall by 22%, while U.S. goods exports to Korea overall largely held their ground during that same period. The U.S. International Trade Commission has pointed out that the deficit would be substantially worse without KORUS, making it clear to the Councils that withdrawal from the agreement would undermine the U.S. Administration’s goals of deficit reduction.

The Councils thus believe that a constructive and results-oriented focus on implementation would help strengthen our economic relationship, foster growth, and create jobs in both countries. To achieve these goals, we encourage the two governments, in consultation with the private sector, to utilize the comprehensive committee structure under KORUS that allows for reviews of progress and problems at regular intervals. We have seen these mechanisms used successfully in the past,

resolving issues relating to cross-border data flows and automobiles, and are confident that we can achieve similar results in the future.

We also recognize the economic contributions of foreign direct investment in both the U.S. and Korean markets, and emphasize the importance of ensuring investor confidence. That means ensuring transparency, legal protection for investments, and confidence in our supply chains. The KORUS agreement is essential in providing many of these assurances. Korean companies – which to date have invested over \$95 billion in the United States, directly employ more than 45,000 U.S. workers and pay an average wage of \$91,000 – noted that they would be much less likely to consider the U.S. as an investment destination without them.

Other Economic Issues

Using KORUS as the foundation, the Councils are actively discussing additional ways to build on this to expand bilateral trade and investment. The Councils agreed to work closely to ensure open and competitive markets that meet global standards and promote innovation in the two countries. The Councils discussed the importance of policy coherence and regulatory predictability in ensuring a positive business environment, and expressed support for closer bilateral cooperation among Korean and U.S. regulatory authorities.

The Councils continued to focus on the demographic challenges facing our two countries, and discussed solutions to reduce the negative effects an aging society may have on work-force productivity and consumption. In a similar vein, we discussed how these powerful macroeconomic forces may impact the trade relationship, and in particular the bilateral trade deficit. The Councils urge the two governments to recognize that as societies age and consumption falls, trade deficits and surpluses tend to fluctuate.

At the same time, the Councils see this structural challenge as an opportunity for greater cooperation. As healthcare and financial needs begin to take a different shape, the two private sectors are eager to introduce innovative products and services to alleviate the pressures. Similarly, the Councils recognize the transformative potential new technologies will have across society and are eager to deploy them. We encourage the governments to work closely with industry to make sure that public policies enable these solutions.

Yet before looking too far into the future, we strongly believe that we need to work to preserve the gains that we have made in the past, and those we are forging at present. From our view, KORUS is fundamental to the two governments' goals of faster

growth, better jobs, and increased economic opportunities. It serves as the foundation for the economic relationship, and the Councils urge the two governments to work constructively to preserve a trade agreement that is a pillar of the U.S.-Korea alliance.