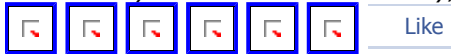




A New Direction for U.S. Trade Begins in Korea

From Kelsey Zahourek on Wednesday, November 10, 2010 9:57 AM



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This week, President Obama heads to Korea for the G20 Economic Forum, but before that, Obama and Korean President Lee Myung-Bak will sit down in an effort to finalize revisions to the US- Korean Free Trade agreement. Yes, the same FTA that was completed three years ago by the Bush administration but has since been shelved due to opposition by anti-trade lawmakers.

One of the main sticking points of the agreement has been Korean trade barriers on imports of U.S. automobiles and beef. While these concerns may be legitimate, they are also a bit overblown and as Cato senior fellow Doug Bandow points out, ratification of the FTA would go a long way in alleviating those economic barriers:

“In terms of tariff reduction, the agreement would deliver the “level playing field” many members of Congress demand. Tariffs on imported passenger cars and parts and accessories are currently 8 percent in Korea and 2.5 percent in the United States. Most of those tariffs would be eliminated upon enactment of the agreement, and all by its full implementation.”

More important is the overall economic benefit ratification of the U.S.-Korea FTA would bring. Today, South Korea is the world’s 10th-largest economy and America’s seventh-largest trading partner. The US-Korea FTA would abolish 95 percent of tariffs on all industrial and consumer goods within three years, and remove most of the lingering 5 percent within a decade. Since tariffs and trade barriers amount to government-imposed costs on both companies and consumers, eliminating these barriers in a free trade agreement amounts to a significant tax cut for both countries. Additionally, the U.S. International Trade Commission estimates that enacting the FTA would increase U.S. exports by \$10–11.9 billion.

Not enacting an FTA with Korea only harms U.S. businesses and consumers. This is something Obama seems to

get. Just last week in a New York Times opinion piece he wrote:

“Other nations like Canada and members of the European Union are pursuing trade pacts with South Korea, and American businesses are losing opportunities to sell their products in this growing market. We used to be the top exporter to South Korea; now we are in fourth place and have seen our share of Korea’s imports drop in half over the last decade.”

As a new Congress is set to come in, now is a great time for Obama to reassess his trade priorities. A good start would be ratification to the U.S.-Korea Free Trade Agreement.

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