

Rep. Howard L. Berman
Statement for the Record on the Korea,
Colombia and Panama Free Trade Agreements
October 12, 2011

Mr. Speaker,

As the House considers the Korea, Colombia and Panama trade agreements, I would like to set forth my analysis of the effects that these agreements will have on my home state of California. In all three cases, the facts are overwhelming that California will benefit from these agreements.

At the outset, it is important to note that these agreements are mis-labeled. They do not provide “free trade” in the sense of unfettered, unregulated commerce. In reality, these agreements are a set of detailed rules that provide for regulated commerce in terms that apply to both parties. They specify the tariffs that may apply, the non-tariff restrictions that may be imposed, the rules of origin to prevent third-countries from benefiting, and the enforcement and dispute resolution procedures that will provide discipline and order.

Korea-U.S. Trade Agreement

California Benefits

With regard to the Korea-U.S. agreement (KORUS), California stands to benefit substantially. California already exports \$8 billion a year to South Korea, accounting for one-fifth of all U.S. exports to that country. For California’s 60,000 exporting companies, there is potential for growth; in 2010 only 6 percent of California’s total \$143 billion in exports went to South Korea. The U.S. International Trade Commission estimates that KORUS will lead to increases in 9 of the 10 products that now account for \$6 billion of California’s exports to South Korea. Of these, 5 categories are high value-added products, produced by skilled California workers: semiconductor manufacturing equipment, computers, electrical equipment, optical and other medical equipment and aircraft and aircraft engines.

In addition, KORUS will increase exports of California-grown edible fruit and nuts, in particular walnuts and almonds. We will sell more chemicals. And, we will sell more reusable iron, steel and aluminum scrap.

According to the U.S. Trade Representative, some 6,000 jobs are supported for every \$1 billion in manufactured exports and some 4,500 jobs are supported for every \$1 billion in services exports.

Intellectual Property Protections

KORUS has important benefits for California’s entertainment industry. KORUS relaxes a number of Korean content quotas and should increase the U.S. motion picture and television industries’ opportunities to compete in the Korean market. KORUS obligates South Korea to decrease the domestic content quota on films and animation products. KORUS improves the

opportunity for U.S. ownership in the broadcast sector, by permitting U.S. firms that establish Korean subsidiaries to have 100 percent ownership of program providers, phased in over 3 years.

In a side letter, South Korea has agreed to place a priority on enforcement against Internet piracy, aimed not only at direct infringement but also those who profit from services that induce infringement. KORUS also obligates South Korea to implement the World Intellectual Property Organization Internet Treaties and expands intellectual property protections and penalties against unlawful decoding of encrypted satellite TV signals. It also covers cable and satellite signals that are retransmitted without authorization of the signal distributor. Further, the side letter to KORUS ensures that copyright owners have the exclusive right to make their works available online.

Los Angeles County Economic Development Corporation Analysis

There have been many analyses and position statements issued for and against the Korea trade agreement. In particular, the analysis by the Los Angeles County Economic Development Corporation is persuasive. In its conclusion, the LACEDC said:

“KORUS would create multiple opportunities for both U.S. goods and services. On the goods side, the agreement opens the 12th largest economy’s large middle class of consumers to American-made goods. On the services side, the agreement opens up South Korea’s \$560 billion services market to American and Los Angeles area based companies.”

“The agreement also creates new opportunities for the U.S. manufacturing industry. And the manufacturing capital of the U.S. is Los Angeles County. Thus the local economy has a lot to look forward to in the coming years, as increased exports will boost economic growth and create new and well paid jobs in the Los Angeles region.”

Colombia-U.S. Trade Agreement

There are compelling foreign policy reasons to pass the Colombia-U.S. Free Trade Agreement (FTA). Colombia is an important U.S. ally in the Western Hemisphere, and this agreement will help cement our relationship. The FTA will also increase American exports, providing a needed economic boost for the U.S. economy and the creation of new jobs here at home.

I’ve listened very carefully to the debate on issues of human rights and labor rights in Colombia, the horrific levels of violence, and its deplorable track record in bringing to justice those accused of violating these rights. These issues are profoundly important to me and I will continue to work with the government of Colombia to ensure that the Labor Action Plan is fully implemented. I believe it is in the interests of both the United States and Colombia to subject this FTA to labor rights and human rights conditions.

President Obama deserves credit as the first President to shine such a sharp spotlight on labor issues in Colombia, and it is fair to say that this FTA addresses labor issues more fully than any FTA before it. The Action Plan agreed to by the White House and the government of Colombia on April 7 was comprehensive and highlighted specific areas where it could improve its record

on labor issues. And in his October 3 letter transmitting the FTA to Congress, the President pledged that he would not bring the agreement into force until key elements of the Action Plan are implemented.

Results matter and the kinds of fundamental changes we seek from and wish for Colombia and its people will be a long term process. I have derived great comfort in the positive sea-change that President Santos has represented for Colombia, but I will be watching closely for progress and whether this transformative President fulfills his promises to change the labor and human rights environment in Colombia.

Panama-U.S. Trade Agreement

While Panama's trade with the US is small, the U.S. Panama trade agreement includes enforceable labor standards for Panamanian workers, compulsory Panamanian membership in multilateral environmental agreements – both included at the behest of the US administration and Congress. Under this agreement, 88% of U.S. commercial and industrial exports would become duty-free upon implementation, with remaining tariffs phased out over a 10-year period.

More than 50% of U.S. farm exports to Panama also would achieve immediate duty-free status, with tariffs and tariff rate quotas (TRQs) on select farm products to be phased out by year 17 of the agreement (year 20 for rice). The agreement also contains provisions on telecommunications, services trade, government procurement, investment, intellectual property rights and tax transparency – the latter to address Panama's significant problems with money laundering.