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U.S.-KOREA BUSINESS COUNCIL AND
AMERICAN CHAMBER OF COMMERCE IN KOREA
VIEWS ON PROPOSED FREE TRADE AGREEMENT
WITH THE REPUBLIC OF KOREA

TESTIMONY BEFORE THE TRADE POLICY STAFF COMMITTEE

PRESENTED BY
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Introduction

Thank you for this opportunity to testify on the potential benefits of a free trade agreement between the United States and Korea.

I am Richard Holwill, Vice President, Public Policy, of Alticor, Inc., today giving this testimony on behalf of the U.S.-Korea Business Council and the American Chamber of Commerce in Korea (AMCHAM Korea). I also represent Council Vice Chairman and Alticor Chairman Steve Van Andel. The Council, housed by the U.S. Chamber of Commerce, is leading a business coalition of more than 130 companies and trade associations working to ensure that the interests of the US business community are advanced in FTA negotiations.

As the premier bilateral business organizations promoting U.S.-Korea relations, the Council and AMCHAM Korea strongly support the proposed U.S.-Korea FTA.

We believe that a comprehensive and commercially viable FTA will have tangible benefits for both countries, promoting significant opportunities for economic growth and job creation in both countries. Bilateral trade between the United States and Korea reached nearly \$72 billion in 2005. Korea is our seventh-largest trading partner and sixth-largest market for U.S. agricultural goods. The United States is Korea's second-largest trading partner and its largest source of foreign direct investment. American businesses clearly have huge stakes in these negotiations. This agreement has the potential to advance our bilateral interests and increase trade and economic prosperity in both countries.

FTA Negotiation Objectives

While our key objectives will be addressed in greater detail in our written submission, we wanted to provide a brief summary of some of our goals for these negotiations. Some U.S. industry sectors have experienced systemic and long-term market access problems in Korea that necessitate specific measures within the FTA to ensure that specific challenges are adequately addressed.

The FTA should include general commitments to transparent and predictable regulatory and rulemaking practices that will increase regulatory stability and predictability.

Services – Consistent with other recently-concluded FTA's, a U.S.-Korea FTA should eliminate restrictions in services sectors and capture these commitments on

a negative list basis. Permitted services should include telecommunications, legal, finance, accounting, computer, audiovisual, media and broadcasting, and express delivery.

In broadcasting, we recommend removal of quotas restricting foreign content, and restrictions on dubbing and local advertising in foreign broadcast retransmissions.

In telecommunications, an important objective is commitments to technology neutrality for both basic and value added services. Also, we strongly urge the recognition of express delivery as a distinct services sector in the agreement.

In financial services, the FTA should promote a competitive environment and increase transparency in Korea's regulatory and rulemaking processes, particularly in regards to product and pricing controls, establishing a standardized comment and notice period, and through implementing a negative list regulatory system.

Pharmaceutical – U.S. companies in the pharmaceutical industry encounter significant transparency and market barrier issues in Korea that merit special attention within a U.S.-Korea FTA. These include establishing a science-based, transparent and predictable decision-making process so that prices reflect the full cost of new medicines. Other protections are needed to recognize the value of innovative medicines researched, developed and patented by U.S. companies.

Agriculture – The U.S.-Korea FTA should follow important precedents set in other recent agreements negotiated by the United States to insure market access for U.S. agricultural products, and provide improved mechanisms to address SPS issues.

Automobiles – The U.S. automotive industry wants to achieve market access in Korea for U.S. vehicles by removing both tariff and non-tariff barriers to the Korean market including a comprehensive reform of Korea's cascading tariff and tax structure for motor vehicles. It should also lead to Korean acceptance of U.S. safety and emissions regulations as meeting Korean standards.

Our two organizations are eager to see the adoption of negotiating objectives for the FTA in other, cross-sectoral areas as well.

Investment – We support the adoption of rules within an FTA to protect U.S. investors abroad, including provisions on the guarantee of fair and equitable treatment, and to address investment, customs and equity annuity restrictions. In

particular, restrictions should be lifted on foreign ownership of cable television-related system operators, network operators and comprehensive channel program providers for non-news channels.

Customs Cooperation – A U.S.-Korea FTA should increase customs *de minimis* level from U.S.\$100 to U.S.\$200; provide customs service 24 hours per day, 365 days per year; and enhance pre-clearance capabilities at Korean airports by allowing for the submission of only manifest data prior to flight arrival and allowing 30 days for import declaration and duty or tax payment by separating fiscal and physical clearances.

Intellectual Property Rights – A FTA with Korea should build on the TRIPS agreement to ensure that IP protection keeps pace with developments in technology and distribution methods. Priorities for our members in this area include the implementation of WIPO Internet Treaties upon entry into force of the FTA; extension of Korea's term of protection for all copyrighted works, increased criminal and civil penalties against IPR violations; agreed-upon criminal standards for copyright infringement; and compliance by Korea with its obligations under TRIPS Article 39.3 to protect data exclusivity.

In Summary

Again, we strongly support these U.S.-Korea FTA negotiations. Having said this, we would also reiterate that these negotiations must be comprehensive, with no exclusions and must lead to increased market access for U.S. companies. The U.S.-Korea Business Council and AMCHAM Korea look forward to working with the U.S. government to ensure that the priorities of our members and the interests of U.S. businesses, investors and consumers are addressed and advanced in these negotiations. Our members have a long-term commitment to doing business in Korea. We are confident that a commercially viable FTA with Korea will generate new commercial opportunities to the benefit of both countries.

This concludes my testimony. I would be pleased to respond to any questions.