



**PREPARED STATEMENT FOR THE RECORD OF  
INTEL CORPORATION**

**for the**

**COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES**

**On**

**“Pending Free Trade Agreements with Colombia, Panama, and South  
Korea and the Creation of U.S. Jobs”**

Intel Corporation respectfully submits this testimony for the record in conjunction with the Committee's hearing on the pending free trade agreements. In particular, our testimony will focus on the Free Trade Agreement with the Republic of Korea (KORUS FTA), which should receive prompt Congressional approval to help maintain U.S. competitiveness.

**I. Importance of Increased Market Access**

Intel is the leading manufacturer of computer, networking, and communications products. Intel has over 80,000 employees, with more than half of those in the U.S. In 2010, Intel had over \$40 billion in revenue from sales to customers in over 120 countries.

Intel is a prime example of why the U.S. government should pursue the synergistic objectives of (i) creating the best ecosystem possible to encourage domestic manufacturing; and (ii) removing market access barriers overseas. While approximately three quarters of Intel's manufacturing capacity remains in the U.S., more than three quarters of our revenue is generated overseas. We recently announced Intel will be making an investment of \$6-8 billion to build a new factory in Oregon and upgrade several factories in Oregon and in Arizona. Most of the product manufactured from our significant U.S. investments will be sold to the 95% of worldwide consumers that live outside the U.S. The ability to access markets worldwide is essential to Intel's ability to maintain jobs in the U.S. and our continued growth and prosperity.

Intel believes that international trade and investment also are critical to America's overall continued economic growth and the creation of good jobs in the United States. According to the United Nations Industrial Development Organization's 2010 International Yearbook of Industrial Statistics, the U.S. continues to lead the world in manufacturing, with 19% of the worldwide value-added manufacturing output. Additionally, approximately 22% of all U.S.-manufactured products are exported, and the United States is the world's third largest exporter of goods. We can further increase our exports, however, by entering into additional robust free trade agreements (FTAs).

Free trade is of particular importance to the semiconductor industry. According to the Semiconductor Industry Association (SIA), the U.S. semiconductor industry employs 185,000 people in the U.S. and makes almost 51% of the world's computer chips. This market for chips was worth over \$225 billion in 2009 and is growing every year. Over 80% of U.S. semiconductors go to customers outside the U.S. market and are sold in nearly every country in the world. According to the International Trade Commission (ITC), semiconductors have been America's largest exporter when data are over the last five years.

Exporting semiconductors creates real benefits to American workers. For example, those overseas sales allow leading-edge U.S. based chip makers to employ highly skilled and talented U.S. workers whose average income is almost \$100,000 per year. Additionally, domestic semiconductor makers invest over \$20 billion a year in research and development in the U.S. and invest over \$13 billion in capital equipment at home, which also spur new products and create new jobs that are maintained by sales overseas.

Given the rapid growth of its information economy, South Korea has become a very important market to U.S. technology industries. High quality trade agreements like the KORUS FTA allow Intel and other companies in the semiconductor industry to maintain and even grow our manufacturing base in the U.S. by increasing exports around the world.

## **II. Congress Should Promptly Approve the KORUS FTA**

Congressional approval of the KORUS FTA should occur as soon as possible. The strategic importance of implementing this agreement cannot be overstated.

The KORUS FTA is a state of the art free trade agreement that would provide not only significant tariff cuts, but also crucial substantive protections for U.S. goods and services as discussed in more detail below. Moreover, in addition to Korea being a key market for U.S. exports, the KORUS FTA provides a great template for furthering trade liberalization initiatives in Asia.

South Korea is the United States' seventh-largest trading partner, with U.S. exports totaling about \$38 billion in 2010. However, the U.S. share of the Korean market has declined over the last several years; China, Japan and now Europe all enjoy greater market shares. Many of our major foreign competitors are pursuing negotiating strategies with Korea to open markets for their companies and workers on a preferential basis, putting American companies and workers at a severe competitive disadvantage. Korea now has FTAs with the EU and India, Chile, Singapore, the European Free Trade Association, and the Association of Southeast Asian Nations. Korea currently is negotiating with Japan, Canada, Mexico, Australia, New Zealand and Peru, and preparatory discussions are underway with China, Turkey, Russia, Colombia, and Israel. As long as the KORUS FTA remains unapproved, U.S. exports of goods and services to Korea will face discrimination and higher tariffs than the competing products of countries subject to these other trade agreements that Korea is or has negotiated.

While not perfect, the KORUS FTA is very robust and has met the Administration's high standard for open and fair market access. Moreover, the benefits of KORUS are far-reaching. The United States Trade Representative (USTR) estimates that the agreement will create tens of thousands of well-paying jobs in the U.S. and increase the U.S. GDP by \$10 billion per year through increased exports made possible

by greater market access. According to the U.S. ITC, the KORUS FTA will lower tariffs for 95% of industrial and consumer goods. In addition, the agreement will provide U.S. services firms with levels of market access, national treatment, and regulatory transparency that generally exceed those currently afforded by South Korea's commitments. KORUS also includes strong intellectual property enforcement requirements, e-commerce enabling provisions, state-of-the-art public participation rights in rulemaking and standard setting activities, and settlement authority for the Korean Fair Trade Commission.

Asia, the region with the greatest growth, has helped fuel our economy and reducing barriers in South Korea will also help the U.S. expand trade throughout Asia-Pacific. The U.S. needs more consumer spending overseas, as this is the engine of our economy that accounts for about 70% of total GDP growth. The quicker the KORUS FTA is approved and implemented, the faster the U.S. economy will benefit.

### **III. Conclusion**

The time for congressional action on KORUS is now; Congress should not let other pending trade agreements delay action. The U.S./Korea FTA is a comprehensive state-of-the-art agreement that not only will benefit the U.S. and Korean economies and employment opportunities, but also will provide a strong base on which to construct additional bilateral or regional agreements in the Pacific region. Intel joins many other businesses, large and small, across multiple industries in requesting prompt Congressional approval of the KORUS free trade agreement. Prompt approval could be the first bipartisan success of this new Congress and a signal to the American people and business owners to expect economic progress ahead.

We appreciate the opportunity to provide testimony on this important issue.