



# **Korea-U.S. Free Trade Agreement**

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# An Overview of Bilateral Relations

- ❖ A successful relationship of mutually important partners
  - Based on shared values of democracy and market economy
- ❖ Relationship with U.S. has been the backbone of Korea's transformation into an industrialized democratic society.
- ❖ U.S. disengagement from Korean peninsula has brought forth disasters in the past.
- ❖ Korea, as a middle power and 6<sup>th</sup> largest trading partner of the U.S., will work together with the U.S. in addressing regional and global challenges.

# Brief History of KORUS FTA

- June 2000 : The Korea-U.S. Business Council releases a feasibility study on a Korea-U.S. bilateral FTA. Since then, the Business Council has recommended and supported the FTA at its plenary meetings each year.
- June 2006 ~ Apr.2007 : KORUS FTA negotiations starts and eight rounds of formal negotiations and high-level intersessional meetings are held.
- April 2, 2007 : FTA negotiations are concluded.
- June 21 ~22, 2007 : Supplemental negotiations on labor and environment chapters are held.  
Accommodated the "New Trade Policy," as agreed upon between the Bush administration and Congress in May 2007, strengthening existing labor and environmental provisions.
- June 30, 2007 : The KORUS FTA is officially signed and the TPA expires.

# Brief History of KORUS FTA

- Feb. 25, 2008 : President Lee Myung-bak is inaugurated.
- June, 2008 : Korea's import of U.S. beef resumes.
- Jan. 20, 2009 : President Barack Obama is inaugurated.
- Feb. 10, 2011 : Additional negotiations are concluded.
  - Modification of tariff phasing stage of U.S. and Korean autos
  - Modification of tariff phasing stage of U.S. pork
  - Exemption from KMVSS for vehicles produced by a manufacturer with auto sales under 25,000 units in Korea
  - Suspension of measures related to patented pharmaceutical products until three years after entry into force
- Oct. 12, 2011 : The US-Korea FTA Implementation Act is approved by U.S. Congress.
- Nov. 22, 2011 : The Korea-US FTA is ratified by the Korean National Assembly.
- March 15, 2012 : The Korea-US FTA is entered into force.

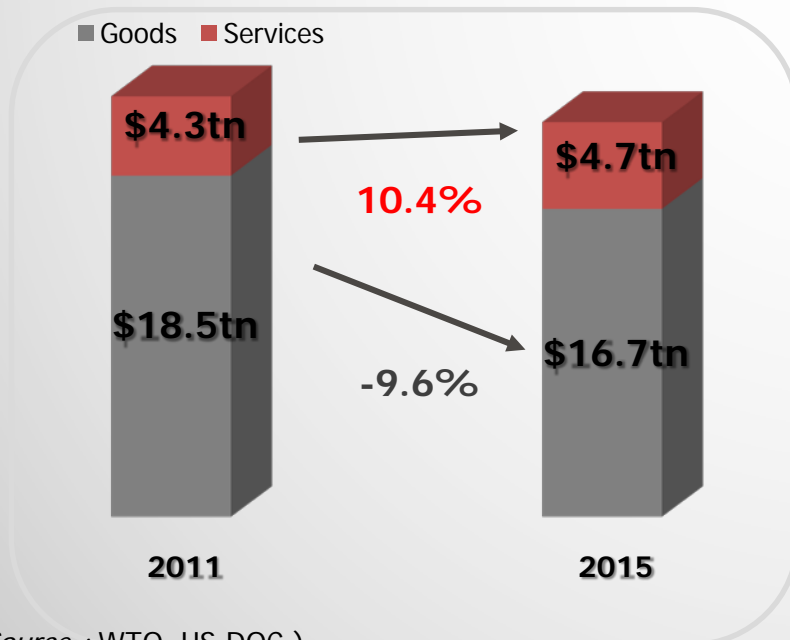
# General Performance

## ① Overview

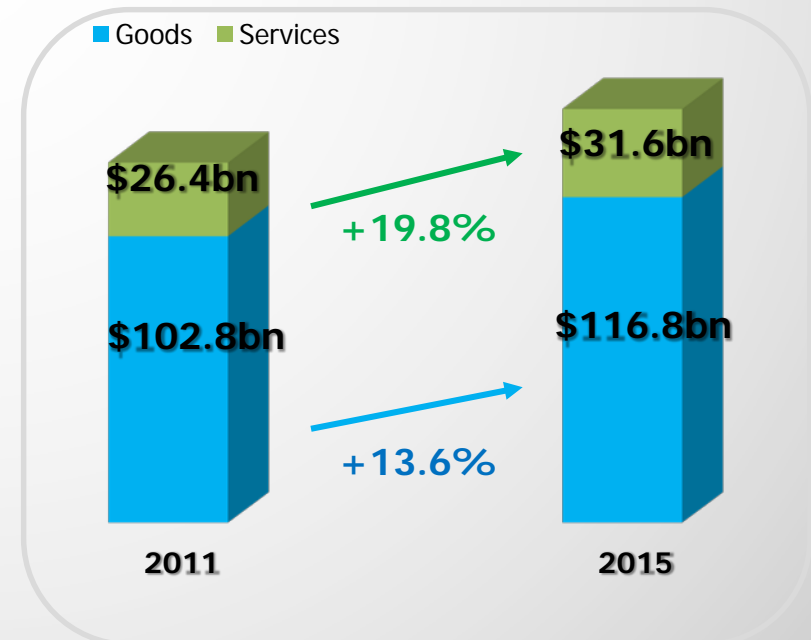
Since the KORUS FTA took effect in 2012, the agreement has delivered positive outcomes to both countries including:

1) increased two-way trade volume, 2) price reductions in goods and services, 3) increased cross-border investment, and 4) greater diversity for consumers.

### World Trade

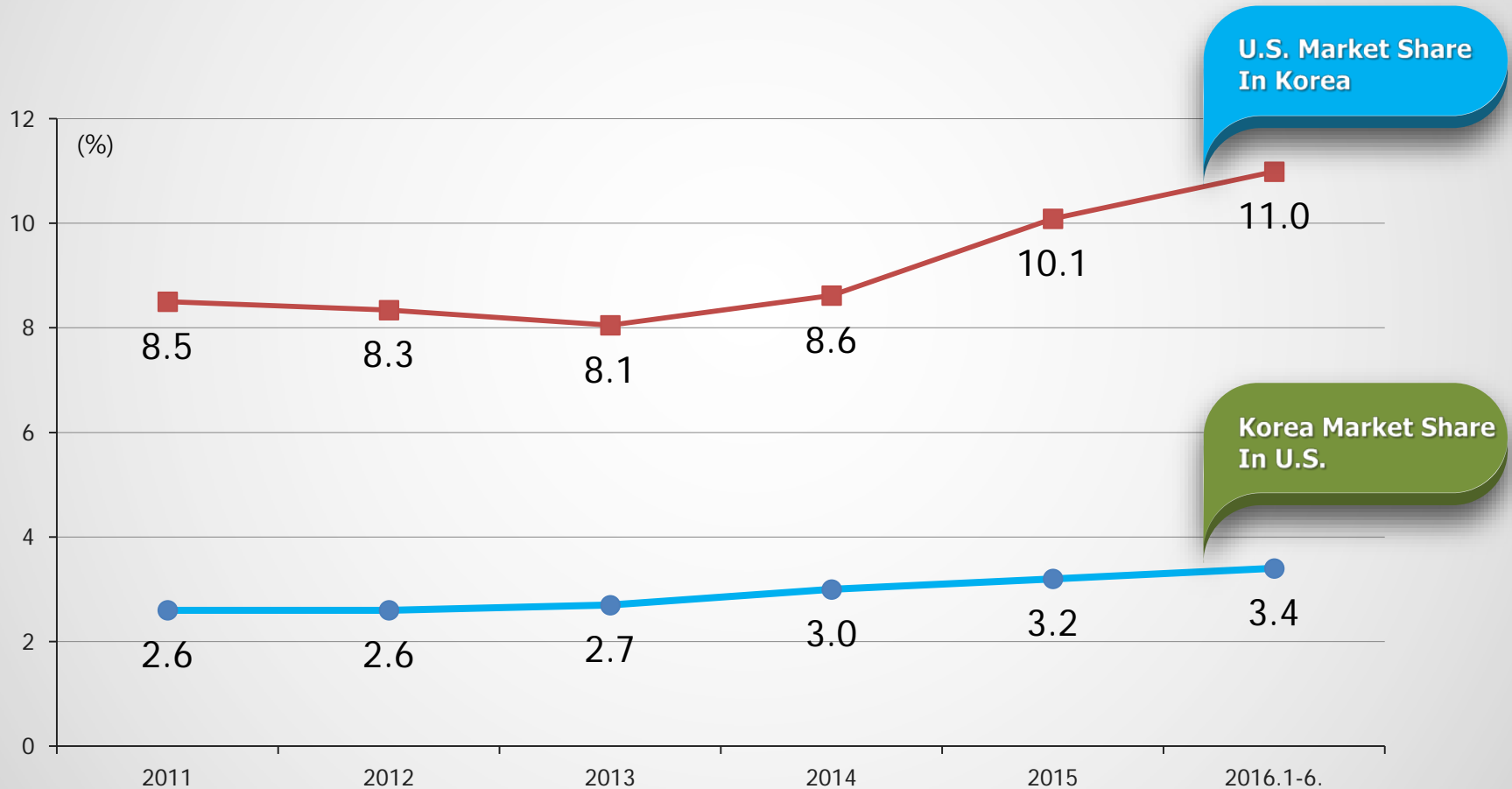


### Korea – U.S. Trade



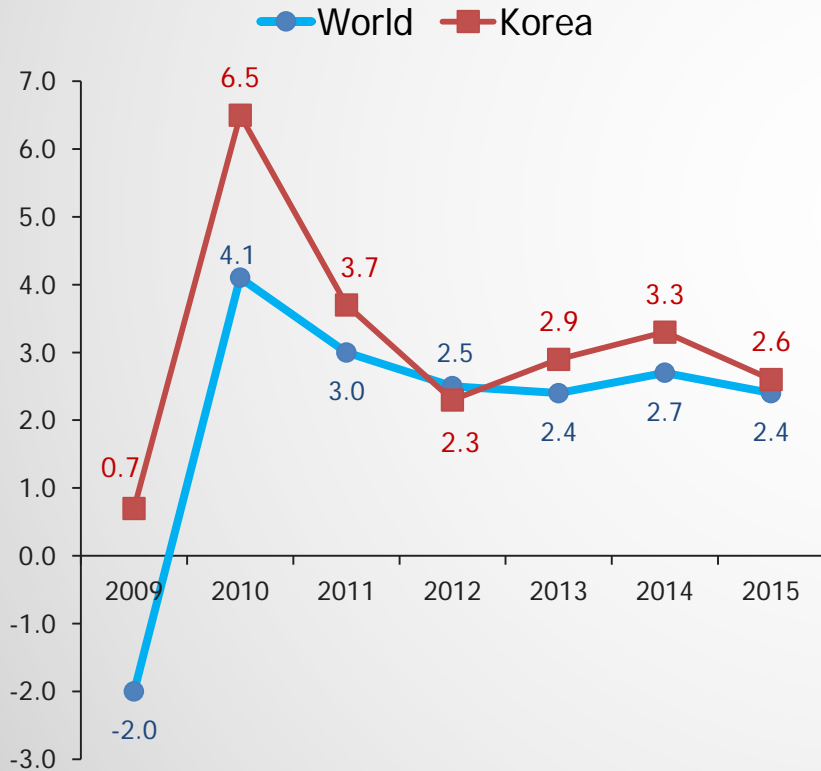
# General Performance

## ② Increase in bilateral market share

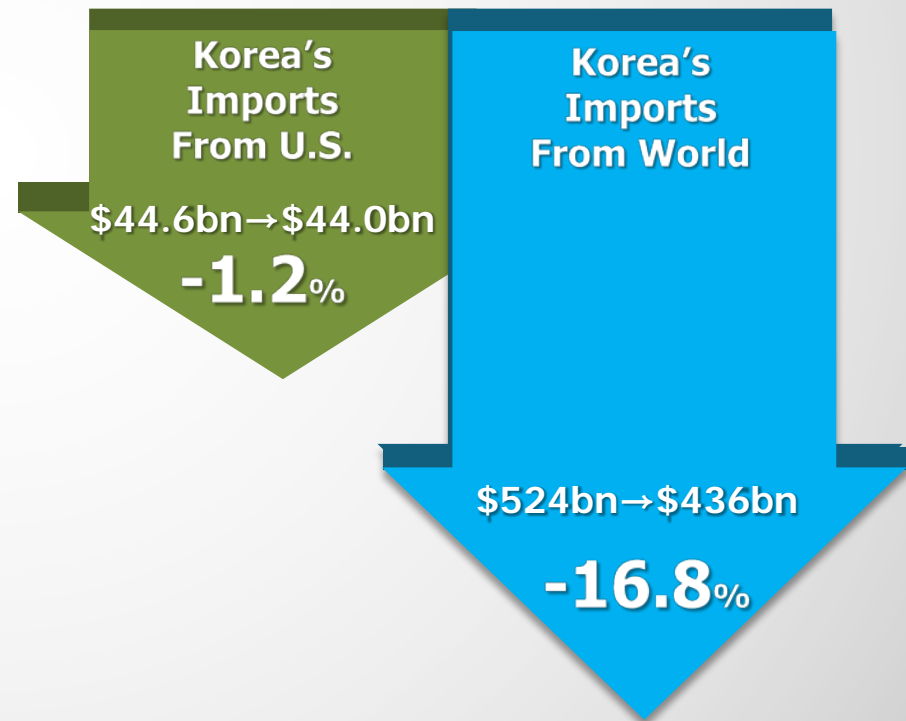


# Is KORUS a Cause of the U.S. Trade Deficit?

## Economic Growth



## Korea Import Growth (2011~2015)



# Is KORUS a Cause of the U.S. Trade Deficit?

Rise in Korea's exports has been mainly driven by non-beneficiary products.

## Korea's Exports to the U.S.

(Billion\$)

	2011 (A)	2012	2013	2014	2015 (B)	(B) - (A)
Total Exports to U.S.	56.7	58.9	62.2	69.6	71.8	15.2
FTA beneficiary items	18.2	20.9	21.2	22.4	23.6	5.4
FTA non-beneficiary items	38.5	38.0	41.0	47.2	48.3	9.8



# Is KORUS a Cause of the U.S. Trade Deficit?

Rise in U.S. exports has been mainly driven by beneficiary products.

## Korea's Import from the U.S.

(Billion\$)

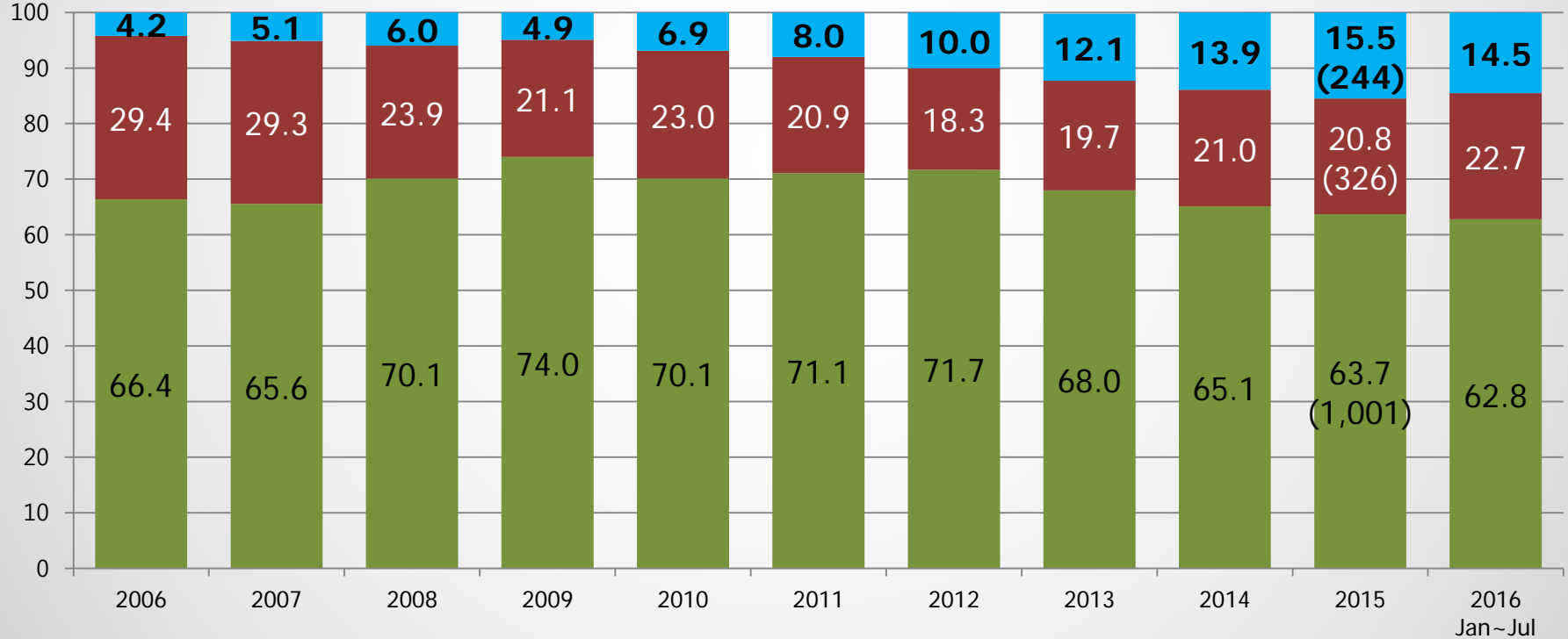
Commodity	Tariff Reduction Schedule	Import Value ('15)	Annual Growth ('12~'15)
Passenger Vehicles	8%→4%('12)→0%('16)	12.1	36.6%
Pharmaceuticals	8%→0%	10.1	13.4%
Beef(frozen)	40%→26.6%('16)→0%('26)	6.0	3.4%
Cheese	36%→24%('16)→0%('26)	2.5	15.6%
Almonds	8%→0%	2.3	28.4%
Wine	8%→0%	0.23	16.9%

# Is KORUS a Cause of the U.S. Trade Deficit?

## Korea's Passenger Car Imports

■ Domestic ■ Foreign affiliates ■ Imported

(%/Thousand units)



# Is KORUS a Cause of the U.S. Trade Deficit?

## U.S. Exports to Top 7 U.S. Export Markets

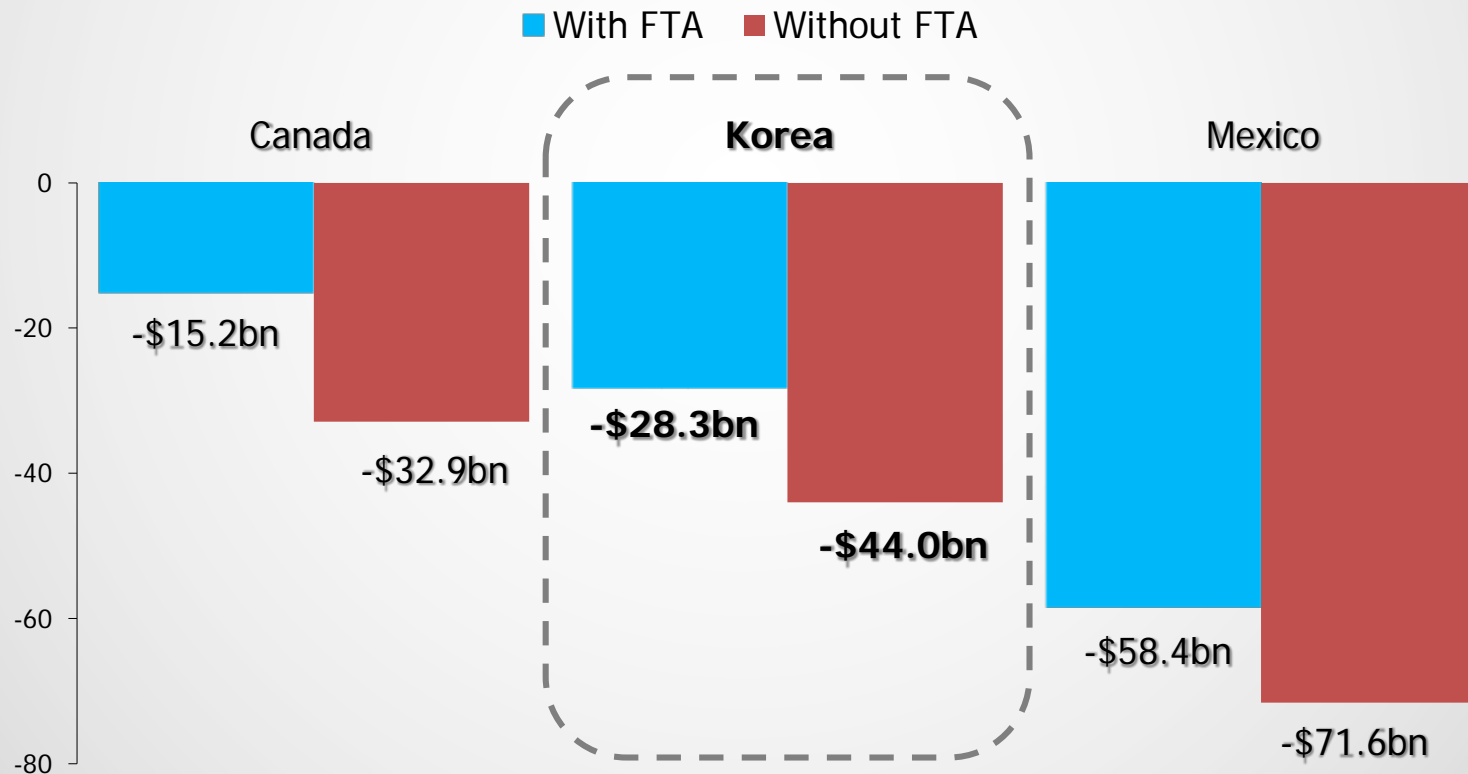
(Billion\$)

Ranking	Country	2010	2011	2012	2013	2014	%change 2010-2014
1	Canada	249	281	293	300	312	25%
2	Mexico	164	198	216	226	240	47%
3	China	92	104	111	122	124	35%
4	Japan	60	66	70	65	67	11%
5	United Kingdom	48	56	55	47	54	11%
6	Germany	48	49	49	47	49	3%
7	Korea	39	43	42	42	44	<b>15%</b>

# Is KORUS a Cause of the U.S. Trade Deficit?

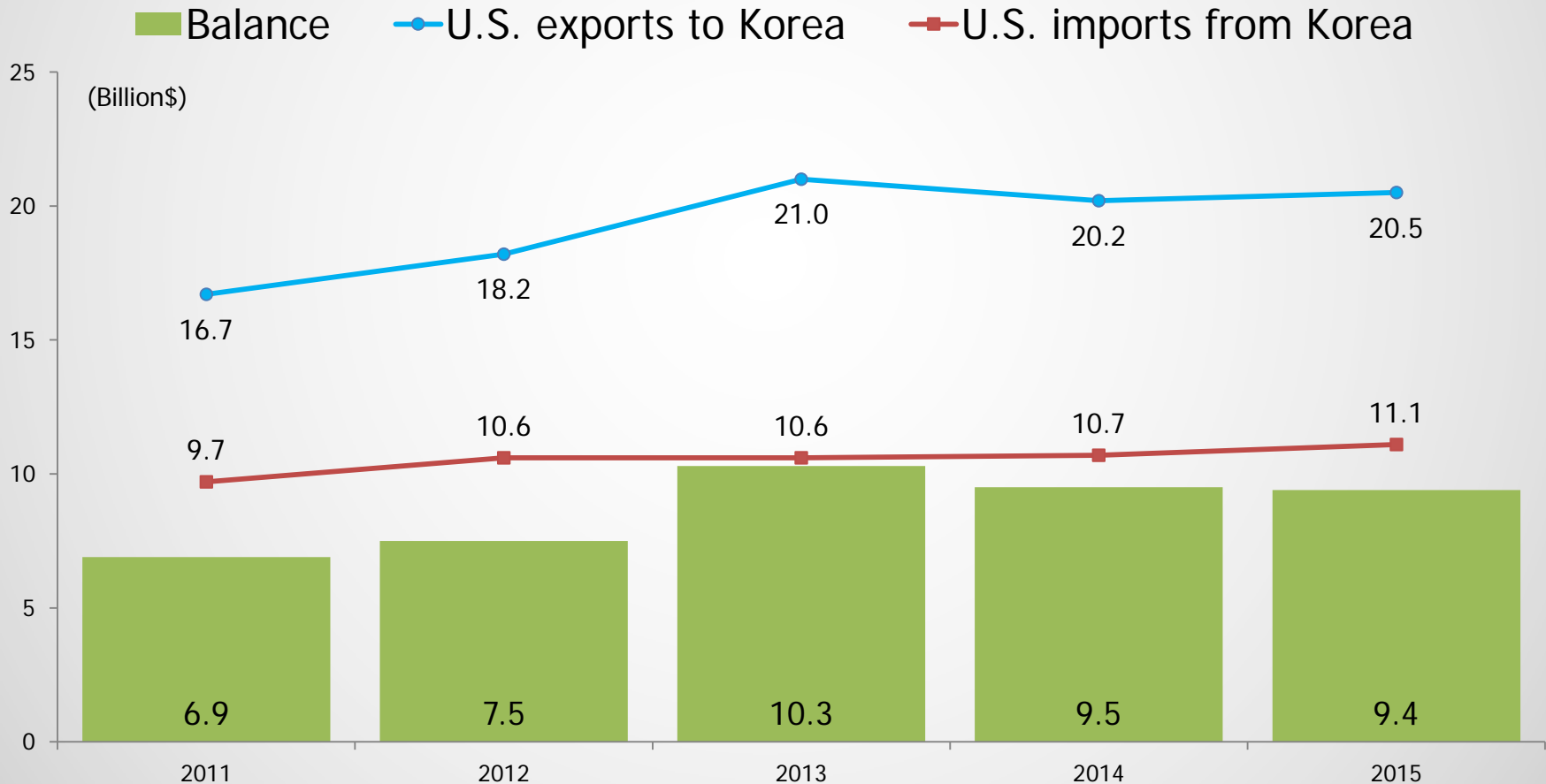
## U.S. Trade Deficits With & Without FTAs

(USITC, June 30, 2016)



# Trade in Services

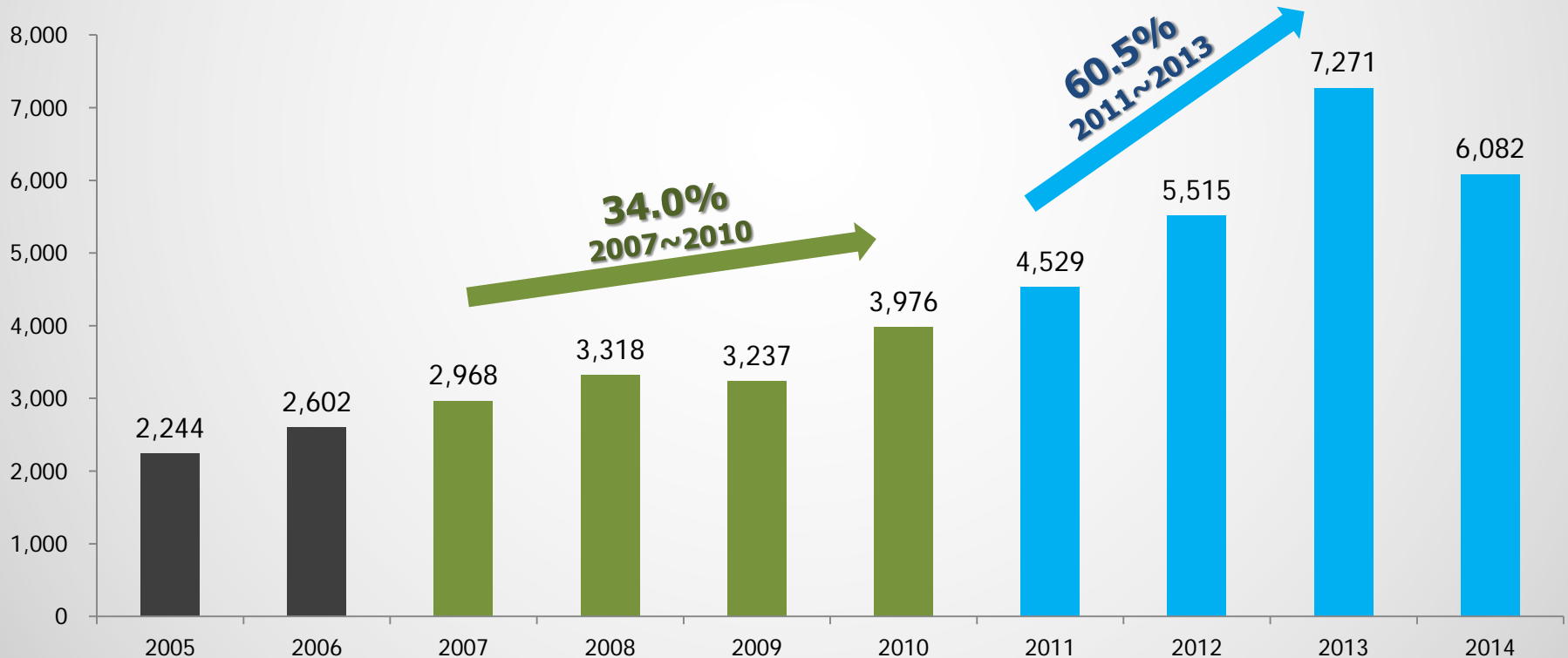
## Korea - U.S. Trade in Services



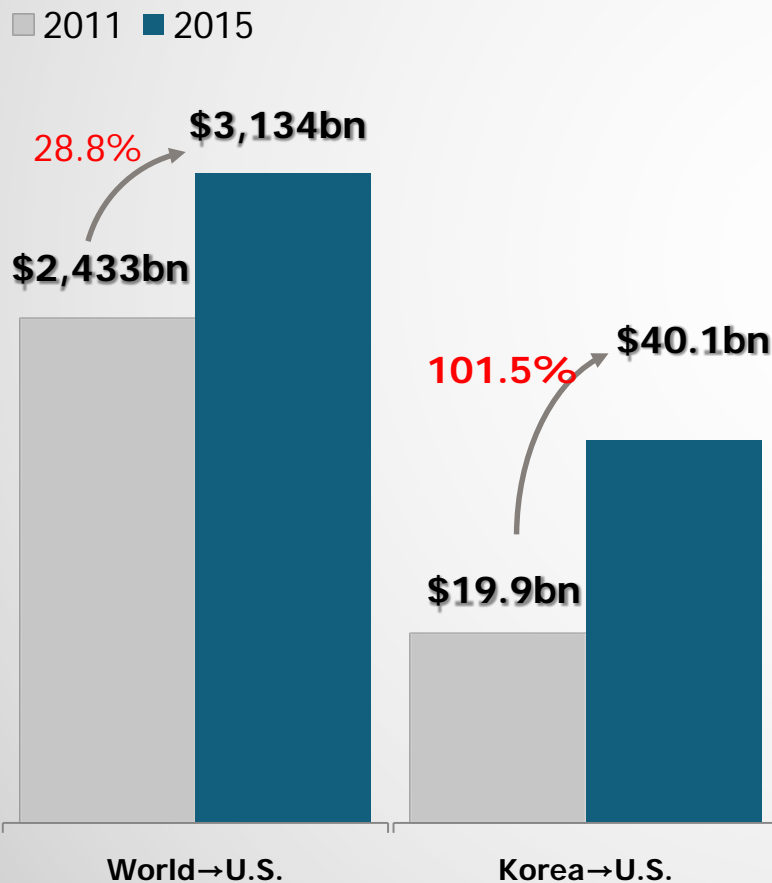
# Trade in Services

## U.S. IPR Exports to Korea

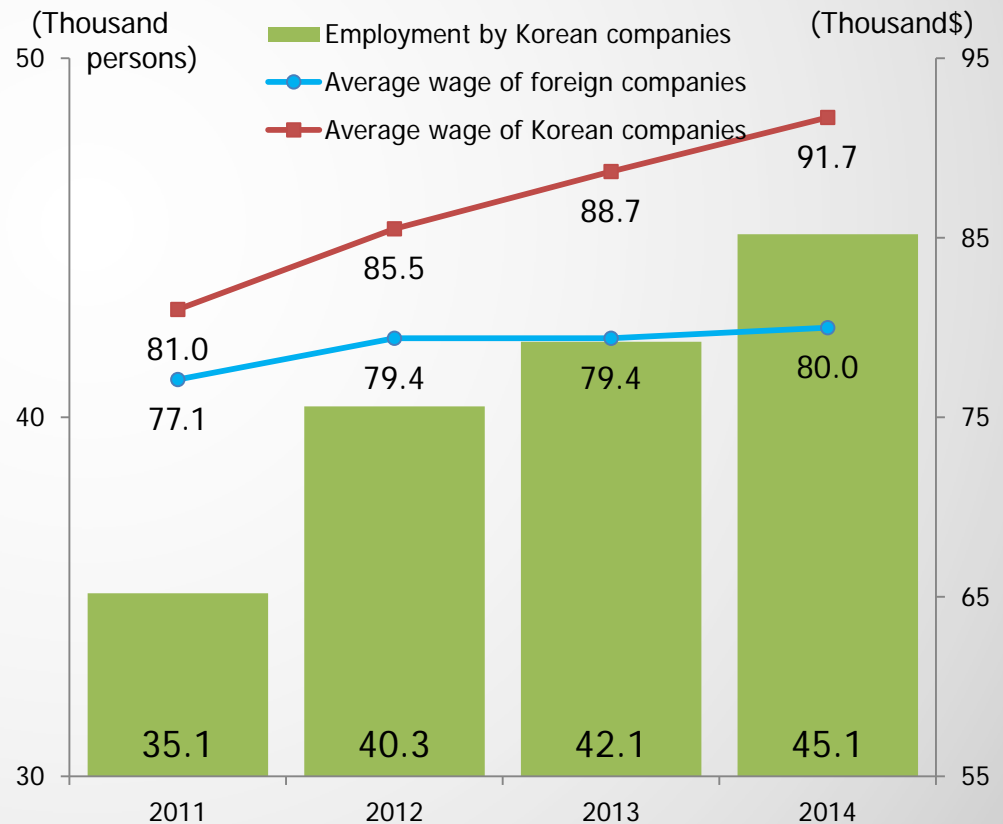
(Million\$)



## FDI(stocks)

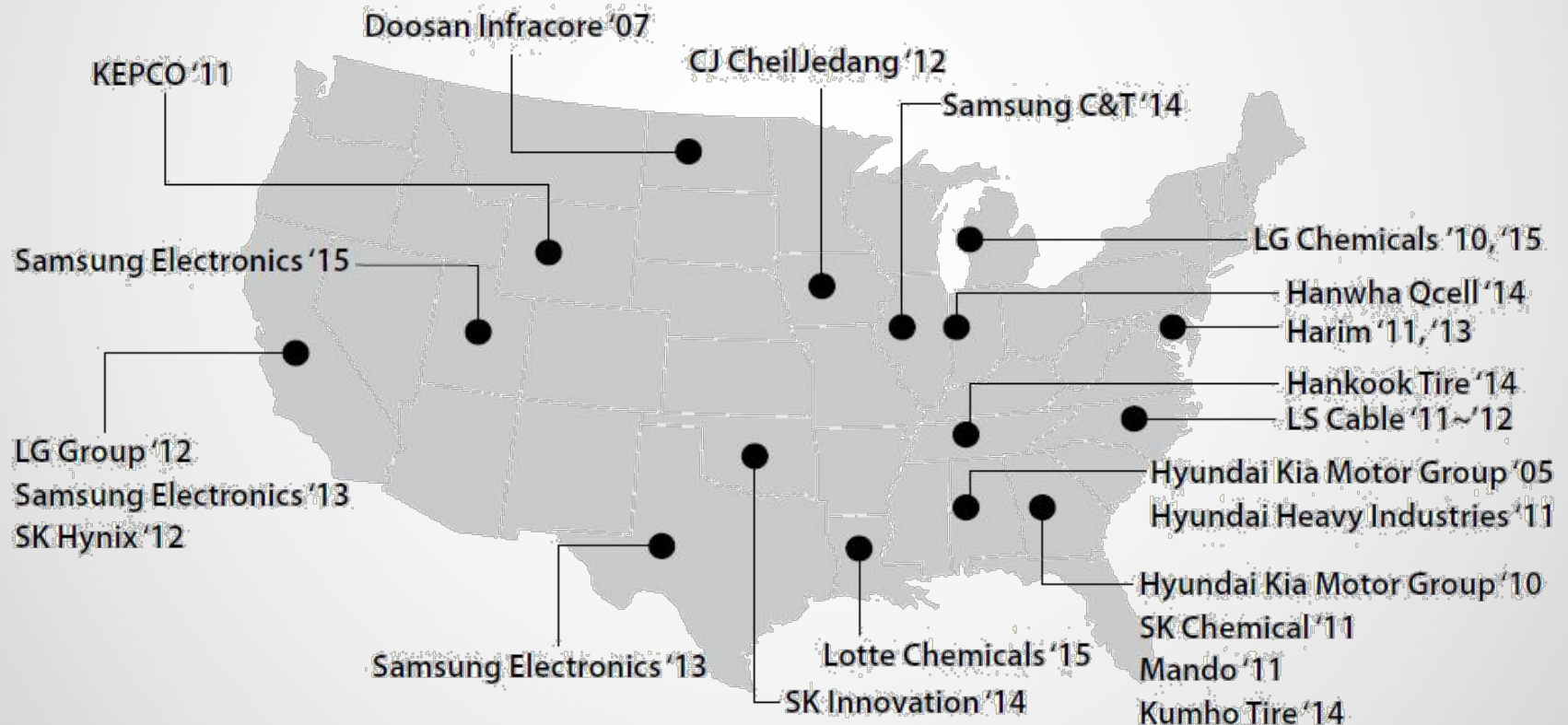


## Employment and Wage



# Investment

Major Korean companies are making investments all over the US, contributing to local development and job creation.





# Issues and Consultation

Built-in consultation mechanisms were utilized to ensure implementation of FTA commitments. Since 2012, over 40 meetings of Committees and Working Groups have convened, as well as Ministerial-level joint meetings. Such regular contact have contributed to addressing previous and ongoing issues listed below, and to head off potential trade issues at an early stage.

<b>Resolved</b>	Origin verification (orange juice, Toyota automobiles)
	Introduction of patent-linkage system of pharmaceutical products(March 2015)
	Overseas transfer of financial data
Ongoing	Liberalization of legal services (Foreign Legal Consultants Act)
	Pharmaceutical reimbursement pricing
	Obligatory notification and consultation for AD & CVD measures
	Expansion of visa quota for Korean professionals

# **Our joint commitment to free trade is key to building a prosperous future.**

- ❖ Global economy and world trade remain sluggish
- ❖ Trade protectionist measures on the rise
- ❖ Korea concerned over current situation, including recent negative remarks made against free trade and KORUS
- ❖ KORUS FTA stands as model of free trade
- ❖ Close allies that work together to tackle challenges around the world
- ❖ Continuous commitment to ideals of free trade



**Thank you!**