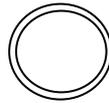


Trans-Pacific Partnership

The US-KOREA FTA (KORUS) Demonstrates the Value of Trade and the Asia-Pacific Region

By eliminating barriers and setting high standards, the U.S.-Korea Free Trade Agreement (known as “KORUS”) has expanded the U.S. share of Korea’s market for goods and services, which has resulted in important benefits across all sectors of the U.S. economy even while Korea’s growth has slowed. At the same time, continued attention must be paid to ensure full enforcement of the strong standards and the market-opening outcomes promised by KORUS.



KORUS is still relatively new, having taken effect in March 2012. During these past three years, there is clear evidence that Americans have benefited from this landmark agreement. Under KORUS, many U.S. goods exports to Korea, historically a market with many trade barriers, are now much more competitive than before KORUS and are faring much better – even as Korea’s economy has slowed over the past several years. KORUS removed many prohibitive tariffs on U.S. consumer, industrial and agricultural goods, as well as a wide range of regulatory and other non-tariff measures that had restricted exports of goods and services to Korea.

The data tell the story: In 2015, Korea’s imports from the United States accounted for 10.1 percent of Korea’s total goods imports, an increase from 8.5 percent in 2011, the year prior to the implementation of KORUS. This growth took place despite an overall decline in Korea’s goods imports from the world, which decreased from \$524 million in 2011 to \$437 million in 2015. Even with Korea’s more challenging economic climate, many U.S. manufactured and farm products have still made impressive gains thanks to KORUS:

- Korea has now eliminated nearly all of its import tariffs on U.S. industrial goods, which used to average nearly 7 percent. Some U.S. exports, including food products and medical and electrical equipment, have experienced double-digit growth since KORUS was implemented.
- Korea has eliminated the majority of its tariffs on U.S. agricultural exports that currently average 53 percent, and, over time, it will eliminate nearly all of them. As a result, many U.S. agricultural exports to Korea have experienced large gains, often at double or even triple-digit rates in some cases. For example, since KORUS went into effect, U.S. exports of cheese have increased 575 percent, pork bellies 410 percent, cherries 193 percent and almonds 174 percent.

- U.S. services exports have risen sharply, registering 24.4 percent gains overall since KORUS went into effect. U.S. services exports to Korea have increased every year, as KORUS has opened new services export opportunities for U.S. providers, with total services exports topping \$22 billion in 2015. Some specific service industries have realized even more rapid growth, with U.S. exports of film up 134.2 percent and software up 64.3 percent.
- America's trade surplus with Korea in services in 2015 rose to over \$11 billion, and our trade surplus in services has continued to rise each year since KORUS went into effect.

The U.S. merchandise trade deficit with Korea, however, has increased since 2012, particularly as Korea's growth has been slow. As found by the U.S. International Trade Commission in its June 2016 assessment of U.S. FTAs, the U.S. trade deficit with Korea would likely be much worse – \$44 billion as opposed to \$28 billion – without KORUS.

Korea has long been a challenging market for many U.S. exporters and KORUS has been critical to addressing many longstanding barriers. Korea is still implementing some provisions and KORUS has not removed every barrier. In some cases, work is still ongoing to ensure that Korea fully implements the fair and non-discriminatory standards to which it agreed.

At the same time, most U.S. exporters report a much improved environment, enabling them to take advantage of new opportunities in Korea. Many of the barriers that previously barred U.S. exports would still restrict them were it not for KORUS. The agreement has introduced a wide range of rules that make Korea's market more open and transparent than ever which provides American exporters and services providers the predictability they need to steadily increase their export growth in this important market.