



Trade Facts

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Free Trade with Korea Brief Summary of the Agreement

The United States concluded historic free trade agreement negotiations with Korea on April 1, 2007. The KORUS FTA will be the United States' most commercially significant FTA since NAFTA. This comprehensive trade agreement will eliminate tariffs and other barriers to trade in goods and services, promote economic growth, and enhance trade between the United States and Korea.

A Gateway to Significant Markets - Korea is a trillion dollar economy and the United States 7th largest goods trading partner. In 2006, U.S. goods exports to Korea were \$32.5 billion, an increase of 16.9 percent from the previous year. In 2005, U.S. foreign direct investment in Korea totaled roughly \$18.8 billion and was concentrated largely in the manufacturing, banking, and wholesale trade sectors. Korea currently enjoys broad access to the U.S. market and the United States is Korea's second largest market, importing 17 percent of Korea's worldwide exported goods.

New Market Access for U.S. Consumer and Industrial Products – Under the agreement, nearly 95 percent of bilateral trade in consumer and industrial products becomes duty-free within three years of entry into force of the Agreement, with most remaining tariffs eliminated within 10 years. Korea has agreed to allow trade in remanufactured goods under the agreement. This will provide significant export and investment opportunities for U.S. firms involved in remanufactured products such as medical equipment, machinery, and auto parts.

Expanded Markets for U.S. Farmers and Ranchers - More than half (or \$1.6 billion) of current U.S. farm exports to Korea will become duty-free immediately, including wheat, corn for feed, soybeans for crushing, hides and skins, and cotton, plus a broad range of high value agricultural products such as almonds, pistachios, bourbon whiskey, wine, raisins, grape juice, orange juice fresh cherries, frozen french fries, frozen orange juice concentrate, and pet food.

U.S. farm products benefiting from expanded market opportunities with two-year tariff phase-outs include avocados, lemons, dried prunes, and sunflower seeds. In addition, U.S. farm products benefiting from expanded market opportunities with five-year tariff phase-outs include food preparations, chocolate and chocolate confectionary, sweet corn, sauces and preparations, other fodder and forage (alfalfa), breads and pastry, grapefruit, and dried mushrooms.

Other U.S. farm products that will benefit from expanded market access opportunities through tariff rate quotas include skim and whole milk powder, whey for food use, cheese, dextrins and modified starches,

barley, popcorn, and soybeans for food use. Market access was also expanded for beef and pork products, pears, apples, grapes and oranges.

Korea and the United States also concluded a bilateral agreement on sanitary and phytosanitary measures. The agreement includes separate provisions for meat inspection equivalence, regionalization and biotech. Korea will recognize the equivalence of the U.S. food safety inspection system for pork and poultry. Korea will immediately initiate a risk assessment to limit trade restrictions to the smallest possible geographic area after a detection of highly pathogenic notifiable avian influenza in U.S. commercial poultry. Korea will minimize regulatory hurdles for the approval of biotech food and feed.

Increased Access for U.S. Autos – The Agreement includes a broad range of focused provisions designed to open up Korea’s auto market to U.S. cars and ensure that U.S. cars have a fair opportunity to compete in Korea. The agreement also eliminates the discriminatory aspects of Korea’s Special Consumption and Annual Vehicle Taxes. Korea also commits under the agreement not to impose any new engine displacement taxes, and to maintain non-discriminatory application of those taxes. Korea agrees to address specific auto non-tariff barriers to ensure they do not impede the market access of U.S. autos, and to create an Autos Working Group to serve as an early warning system to address regulatory issues that may develop in the future. Finally, the agreement contains an innovative expedited dispute settlement process for auto-related measures that violate the FTA, with a full snapback of MFN car tariffs in the case of a violation.

Textiles and Apparel – Promoting Cooperation and Benefits - Apparel products made in South Korea will qualify for preferential treatment under the agreement if they use U.S. or Korean fabric and yarn, thereby supporting U.S. fabric and yarn exports and jobs. Customs cooperation commitments between the U.S. and South Korea will allow for verification of claims of origin or preferential treatment, and denial of preferential treatment or entry if claims cannot be verified. A special textile safeguard will provide for temporary tariff relief, if imports under the agreement prove to be damaging to domestic producers.

Strong Protections for U.S. Investors - The agreement establishes a stable legal framework for U.S. investors operating in Korea. All forms of investment are protected under the agreement. U.S. investors will enjoy in almost all circumstances the right to establish, acquire, and operate investments in Korea on an equal footing with local investors. Investor protections will be backed by a transparent, binding international arbitration mechanism. The investment protections in this FTA are as strong as in any U.S. FTA to date.

Open Services Markets - Korea vastly improved upon its WTO commitments in services, providing meaningful market access commitments that extend across virtually all major service sectors. Significant progress was made in the area of express delivery services, where Korea provided greater and more secure access to international delivery services and charted a course for future reform on domestic services. Korea also made great strides on legal services, opening up for the first time to foreign legal consulting services.

Other areas where Korea offered improved access include research and development services, accounting, services incidental to mining, maintenance and repair of equipment, education, health, and environmental services.

For financial services, Korea will accord substantial market access and adopt a negative list approach to financial services regulation, as well as regulatory reform in important areas such as transparency and regional integration of data processing.

A More Open Broadcast Market for U.S. Audio-Visual Products - Korea stepped forward to make significant improvements concerning broadcasting and audiovisual services, addressing U.S. requests to allow 100% ownership of program providers, locking in current content quotas and reducing quotas in the key genres of animation and film.

An Open and Competitive Telecommunications Market - Korea agrees to permit U.S. controlled companies to own up to 100 percent of Korean phone companies, up from a current cap of 49 percent. The agreement requires the parties to ensure access to telecommunications services. In addition, the agreement requires the parties to ensure that dominate phone companies provide cost-based interconnection and access to essential facilities including submarine cable landing stations. The agreement also establishes groundbreaking provisions to safeguard operators' technology choices, particularly in wireless technologies, where U.S. service and equipment suppliers have strong competitive advantages.

E-Commerce – Free Trade in the Digital Age - Korea and the United States agreed to non-discriminatory and duty-free treatment of all digital products (software and audio-visual products), whether imported in physical form or over the Internet, and principles promoting access to the Internet to conduct electronic commerce.

Pharmaceutical and Medical Devices - The KORUS FTA contains provisions on pharmaceutical market access that go far beyond what has ever been obtained in other U.S. FTAs, including a commitment to ensure that Korea's pricing and reimbursement system for drugs is transparent, predictable, non-discriminatory, and promotes access to innovation. In addition, the agreement contains provisions related to ethical business practices, a Medicines Committee, the creation of an independent review mechanism for pricing and reimbursement decisions, and transparency and due process issues.

Greater Protection for Intellectual Property Rights - The agreement provides standards for protection and enforcement of a broad range of intellectual property rights, including trademarks, copyrights and patents, which are consistent with U.S. standards and which will provide effective protection and enforcement for emerging technologies.

These standards include state-of-the-art protections for digital products such as U.S. software, music, text, and videos. Additionally, the agreement provides for stronger, more comprehensive protection for patents, trademarks and test data, as well as rules on civil, criminal and customs enforcement, and a commitments to establish a patent linkage system to ensure adequate enforcement of pharmaceutical rights.

Commitments and Cooperation to Protect the Environment - In a provision that is enforceable through dispute settlement, the parties commit to effectively enforce their own domestic environmental laws. The agreement also ensures access to courts to enforce environmental laws and requires the parties to establish a process for public submissions to ensure consideration of civil society views. The Agreement is complemented by an Environmental Cooperation Agreement that provides a framework for undertaking cooperative activities on a bilateral, regional and multilateral basis.

Open and Fair Government Procurement - The government procurement obligations build and expand on the two countries' obligations under the plurilateral WTO Agreement on Government Procurement (GPA). Under the FTA, Korea will provide U.S. firms with non-discriminatory access to nine Korean central government entities that are not covered under the GPA. The FTA will also expand procurement open to U.S. suppliers by setting a threshold (contract values above which procurement is opened) that is nearly half the GPA threshold. The FTA also includes improvements in procurement practices, including reductions in tendering periods for purchasing commercial goods and services and improvements in making procurement notices and other information available electronically. The FTA provides for a working group on government procurement to take up any issues, in particular, information technology issues.

Increased Transparency - The parties have committed to strong transparency obligations including commitments by their respective national governments to publish proposed regulations in advance, allow a reasonable opportunity to comment on the proposed regulations, address significant substantive comments received, and publish final regulations in an official journal of national circulation.

The agreement's dispute settlement mechanisms provide for open public hearings, public access to documents, and the opportunity for third parties to submit views.

Strengthened Protection against Technical Barriers to Trade - The Chapter on Technical Barriers to Trade builds upon and reinforces Korea's implementation of related WTO commitments in the Agreement on Technical Barriers to Trade. Notably, the FTA chapter strengthens disciplines to promote transparency in the way governments develop and apply technical regulations and related conformity assessment procedures (e.g., testing and certification).

In areas where Korea recognizes non-governmental bodies to perform testing and certification for compliance with its technical regulations, Korea has committed to provide national treatment to U.S. conformity assessment bodies. In addition, implementation of the FTA and WTO commitments on TBT will be strengthened through discussion in a bilateral committee established by the FTA.

The agreement also contains commitments by the Korean government to address concerns relating to specific emissions and safety standards issues. Further, the agreement provides for the establishment of an Autos Working Group to address regulatory issues that may arise in the future. Korea also agrees not to adopt technical regulations that create unnecessary barriers to trade and to cooperate to harmonize standards.

Customs Administration and Rules of Origin - The United States and Korea have agreed on landmark, cutting-edge commitments on customs administration, rules of origin, and origin procedures that will ensure that the U.S. and Korean private sectors stakeholders lock-in and maximize the benefits of the FTA, including provisions on transparency and publication, efficient release of goods, automation, express shipments, advance rulings, importer focused origin procedures, and comprehensive product-specific rules of origin.