



## **THE U.S.-KOREA FREE TRADE AGREEMENT (FTA) Strengthens Relations With A Key Strategic Partner**

**The U.S.-Korea Free Trade Agreement will remove significant barriers to U.S. exports to Korea and will help the U.S. to strengthen its economic and strategic position in Asia.**

**Korea is a major world economy and a key U.S. trading partner.**

- The U.S. and Korea have enjoyed more than 50 years of strong economic and political ties that have produced a mutually beneficial trading relationship. Today, Korea is a major world economy, an important American trading partner, and a significant political ally to the United States.
- Korea is the tenth largest economy in the world, and the third largest in Asia, behind China and Japan. Between 1994 and 2004, the Korean economy grew an average of 4.9 percent annually; its growth in trade was even more rapid, averaging 12.5 percent annually between 1994 and 2004.
- U.S. goods exports to Korea have increased by 53 percent and services exports have grown 98 percent since 1994. Total U.S. exports to Korea were approximately \$32.5 billion in 2006, making Korea the seventh largest market in the world for U.S. exports.
- A free trade agreement with Korea will help the United States improve relations with a key trading partner and build stronger base for U.S. economic and strategic relations in Asia.

### **FAST FACTS**

Korea is America's 7th largest trading partner.

U.S. goods exports to Korea grew by 16.9 percent between 2005 and 2006.

In 2006, U.S. exports to Korea totaled \$32.5 billion.

### **The U.S.-Korea FTA**

- 95 percent bilateral trade in industrial and consumer goods duty free in 3 years.
- Removal of significant barriers to US auto exports.
- Immediate duty-free treatment of 50 percent of U.S. agricultural exports.
- Services open beyond Korea's WTO commitments.
- Regulatory reform and transparency commitments to level the playing field for U.S. exporters and investors.

## **The Korea FTA will level the playing field for U.S. exports and investments.**

- The U.S. market is already very open to Korean exports, but Korea's tariffs on U.S. goods are three to four times higher than U.S. tariffs. The FTA helps level the playing field by removing Korean barriers to U.S. goods, services, and agricultural products.
- Within three years of FTA implementation, 95 percent of bilateral trade in consumer and industrial products will be duty free. Important U.S. exports such as electronic machinery, auto parts, power generation equipment, chemicals, medical equipment, and motorcycles will have tariffs removed within three years. Most other products will be duty free within ten years.
- As part of the agreement, Korea will remove barriers to U.S. automobile exports. The agreement removes tariffs on many U.S. vehicle exports and obligates Korea to remove discriminatory taxes and technical regulations that hinder U.S. automobile exports to Korea.
- More than fifty percent of U.S. agriculture exports to Korea will become duty free upon implementation of the agreement. Key U.S. agricultural exports, such as beef, pork and cotton, will benefit from expanded market access.
- The agreement substantially improves legal protections for U.S. investors in Korea and levels the playing field to ensure that U.S. investors are treated fairly.
- The agreement also requires significant new services commitments that go beyond Korea's WTO obligations. Korea has agreed to significant openings in many services sectors, including financial, telecommunications, legal, medical and environmental services.

## **The U.S.-Korea FTA goes beyond tariff reduction to address significant non-tariff barriers to U.S. exports and investment.**

- Some of the most significant barriers to U.S. exports and investment in Korea are not tariffs but regulatory and technical barriers that discriminate against U.S. products and companies. The FTA creates important new openings for U.S. exports and investors by addressing some of the most significant regulatory and technical barriers in the Korean market.
- The agreement improves general transparency in Korea by committing the parties to strong transparency measures, such as opportunity for comment on proposed regulations. In addition, it contains provisions that that eliminate technical barriers to trade.

- In particular, the agreement improves U.S. access to the Korea automobile market. In addition to immediate elimination of Korean tariffs on priority U.S. passenger vehicles, the FTA also requires Korea to reform its system for taxing vehicles to remove taxes that discriminate against U.S. exports. The FTA also requires Korea to reform its standards to ensure that they do not hinder U.S. vehicle imports.
- The U.S. FTA negotiators also ensured that Korea will take measures to ensure that anticompetitive and monopolistic practices will not undermine the benefits of the trade agreement.
- In addition, the FTA also contains provisions that create transparency and eliminate discrimination in the pharmaceutical and medical devices market.
- The agreement provides for improved standards for protection and enforcement of intellectual property rights, including state-of-the-art protections for digital products, such as U.S. software, music, text and videos.

**The U.S.-Korea FTA will strengthen an already beneficial national security, foreign policy and economic relationship, and create significant new business opportunities in the Korean market for U.S. companies, farmers and workers.**

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