



# Trade Facts

Office of the United States Trade Representative  
August 2007

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## The Case for the U.S.-Korea FTA

*“Our trade agreement [with Korea] is an opportunity to help a key democratic ally in a rapidly changing Asia to lock in economic reform and the rule of law. It is an opportunity to anchor our trans-Pacific vision of peace and prosperity for the 21<sup>st</sup> century.”*

*- Secretary of State Condoleezza Rice, May 9, 2007*

The United States and Korea annually exchange nearly \$80 billion worth of goods and more than \$15 billion in services -- that is more than 70 percent of the total bilateral trade that we enjoy with all 10 trading partners with whom we have implemented FTAs since 2000. **Source: U.S. Department of Commerce figures**

**1. Open a major new export market.** America’s two-way trade with Korea topped \$79 billion in 2006, making Korea our 7<sup>th</sup> largest trading partner. Korea is the world’s 12<sup>th</sup> biggest economy and the largest with which the United States has ever negotiated a free trade agreement in nearly 15 years. Major U.S. merchandise exports to Korea include machinery, aircraft, chemicals, plastics and cereals. We also export more than \$10 billion worth of services to Korea. According to the U.S. Chamber of Commerce, the U.S.-Korea FTA (KORUS FTA) will further open this major market to American goods – increasing two-way trade by as much as 20 percent. Other sources estimate it could boost U.S. exports to Korea by more than 50 percent. The Agreement will provide particular benefits for U.S. farmers by immediately eliminating Korea’s duties on more than half of current agriculture exports immediately upon entry into force of the FTA.

**2. Level the playing field for American businesses, farmers and workers.** The KORUS FTA will provide unprecedented opportunities for U.S. businesses, workers, farmers, and ranchers by eliminating tariffs and non-tariff barriers to trade in goods and services, promoting economic growth in both countries, and enhancing trade between the United States and Korea. In addition to eliminating Korea’s average seven percent tariff on industrial goods, the FTA effectively addresses a wide range of discriminatory non-tariff barriers to U.S. goods and services, including by providing for important improvements in transparency and due process in South Korea through the most advanced transparency obligations in any U.S. FTA to date. In addition, the Agreement contains an unprecedented package of automotive related provisions, including a unique dispute settlement mechanism, that will level the playing field for U.S. automakers in this important market.

**3. Strengthen economic reform.** Korea is one of the world’s great success stories in achieving broad prosperity through greater openness to global trade. By opening its markets to international competition, the country went from one of the world’s poorest at the end of the Korean War to a vibrant democracy and OECD member with a per-capita annual income approaching \$20,000. The FTA will further accelerate and anchor Korea’s economic reforms through strong provisions promoting transparency and protecting investment and intellectual property.

**4. Ensure America's competitive position in East Asia.** Korea is pursuing trade agreements with numerous other countries. For example, Korea is in the process of concluding a trade agreement with Canada, recently launched similar negotiations with the European Union and is studying the feasibility of an FTA with China. If the KORUS FTA is not approved and implemented in a timely manner, American firms could be put at a competitive disadvantage as businesses, farmers and workers in other major trading nations receive preferential access to Asia's third largest market, while those in the United States do not.

**5. Anchor longstanding ties with a vital regional ally.** Korea is a vital force for stability at a time of great challenge and change on the Korean peninsula and the broader Northeast Asia region. The FTA will strengthen America's critical strategic partnership with Korea. By boosting economic ties and broadening and modernizing our longstanding alliance, it promises to become the pillar of our alliance for the next 50 years as the Mutual Defense Treaty has been for the last 50 years.

For more information see: [www.ustr.gov/Trade\\_Agreements/Bilateral/Section\\_Index.html](http://www.ustr.gov/Trade_Agreements/Bilateral/Section_Index.html)

or:

[www.state.gov/e/eeb/tpp](http://www.state.gov/e/eeb/tpp), Office of Bilateral Trade Affairs, Free Trade Agreements