COMMITTEE ON
WAYS AND MEANS
CHAIRMAN DAVE CAMP

The U.S.-South Korea Free Trade Agreement (KORUS):

Leveling the Playing Field for American-Made Goods and Services

- **American workers and farmers, and the products they produce, are currently at a disadvantage against South Korean-made products**:
  - The average South Korean tariff for U.S. exporters is more than four times the average tariff that South Korean products face in the U.S. market.
  - The agreement levels the playing field for U.S. exports by quickly slashing South Korean tariffs on U.S. exports:
    - 80% of South Korea's tariff lines would be zero immediately upon full implementation.
    - 92% of South Korea's tariff lines would be zero within five years and virtually all would be zero within ten years.
  - The independent, nonpartisan U.S. International Trade Commission (ITC) estimates that by addressing this unfair tariff asymmetry, full implementation of the agreement would increase U.S. exports to South Korea by nearly 30% more than imports from South Korea would increase.

- **The ITC estimates that implementing KORUS will increase U.S. exports to South Korea by at least $9.7 billion, and the tariff cuts alone will add $10.1 billion per year to U.S. GDP**:
  - Key U.S. manufacturing sectors are poised to gain the most:
    - U.S. exports of *motor vehicles and parts* would increase between 46% and 59%;
    - U.S. exports of *metal products* would increase between 55% and 63%;
    - U.S. exports of *chemical, rubber, and plastic products* would increase between 42% and 45%; and
    - U.S. exports of *machinery and equipment* would increase between 36% and 38%.
  - U.S. exports of agriculture products would grow significantly as well:
    - U.S. exports of *dairy products* would increase between 249% and 478%;
    - U.S. exports of *vegetables, fruits, and nuts* would increase between 53% and 87%;
    - U.S. exports of *processed food products* would increase between 37% and 42%; and
    - U.S. exports of *vegetable oils* would increase between 20% and 33%.

- **KORUS will benefit small and medium sized American companies and their workers**:
  - In 2008 (most recent data), over 18,500 small and medium sized American companies exported to South Korea, accounting for nearly 90% of all American companies exporting to South Korea.
  - These companies exported $11.2 billion to South Korea in 2008. The ITC's estimated 25% increase in these exports equals another $2.8 billion in exports for small and medium sized American companies.

- **The agreement would open for U.S. service providers one of the world's largest markets**:
  - The South Korean services market is valued at $560 billion.
  - Through the removal of existing barriers, the agreement would facilitate entry for U.S. firms into South Korea's financial, insurance, telecom, audiovisual, express delivery, and professional services markets, among others.
  - For example, the ITC estimates based on tariff equivalents that KORUS would reduce barriers in the banking sector by 62%.
  - The agreement would also eliminate the 49% investment cap in the South Korean telecom industry, thus allowing 100% U.S. ownership and addressing a key priority for the U.S. industry.

- **KORUS will foster even greater gains going forward by preventing South Korea from erecting new impediments to U.S. goods and services**:
  - Under the agreement's critical provisions on transparency, South Korea would be required to open its historically opaque regulatory process, including in automobiles.
  - U.S. and South Korean companies would participate equally in the development of product standards, and South Korean authorities would be required to treat U.S. and South Korean companies equally in the application of those standards.
- **The supplemental autos agreement will foster greater market access for U.S. auto producers by addressing a number of key non-tariff barriers**:
  - The supplemental autos agreement addresses safety and environmental standards that operate as non-tariff barriers to U.S. exports.
    - The ITC estimates that removal of non-tariff barriers that will result from the supplemental autos agreement will add an additional $48-66 million in new exports. This is *in addition* to the $194 million in expected new exports from lower South Korean tariffs on U.S. autos.
    - Up to 25,000 cars per U.S. automaker per year will be treated as compliant with South Korean safety standards if they meet U.S. federal safety standards, which are among the most stringent in the world.
    - U.S. auto exports will be considered compliant with new environmental standards developed after the agreement was signed in 2007 if they achieve targets within 19 percent of South Korea's targets. This provision maintains strong environmental protections and addresses, in a targeted way, the disproportionate burden that U.S. automakers face as a result of the historic barriers to entry that distorted U.S. exports to South Korea.
  - The supplemental autos agreement strengthens transparency commitments, which will help to prevent the emergence of new non-tariff barriers and discriminatory taxes.
  - South Korea will immediately cut its tariff on U.S. autos in half and fully eliminate those tariffs after five years. South Korea will also immediately cut its tariffs on U.S. electric cars in half and phase out those tariffs over five years.
  - The supplemental autos agreement strengthens other enforcement mechanisms and creates a special motor vehicle safeguard.