INCREASING U.S. AUTO EXPORTS AND GROWING U.S. AUTO JOBS THROUGH THE U.S.-SOUTH KOREA TRADE AGREEMENT

President Obama recognized that when it came to autos, the 2007 U.S.-South Korea trade agreement did not go far enough to provide new market access to U.S. auto companies and to level the playing field for U.S. auto manufacturers and workers. The new agreements signed in February 2011 make a number of important improvements:

- To deal with the large disparity between South Korean auto sales to the United States and American car sales in South Korea, U.S. auto companies and American auto workers now have provisions that give them the opportunity to increase sales to South Korea before U.S. tariffs on imports of South Korean autos come down.

- To increase overall sales in South Korea of more affordable American vehicles, and support more auto jobs here at home, we agreed to eliminate non-tariff barriers that severely restricted American automakers' access to the South Korean market and raised the cost of producing vehicles for sale in that market.

- To level the playing field for America's auto industry and workers, we strengthened enforcement and protections from sudden harmful import surges.

INCREASING ACCESS TO SOUTH KOREA'S AUTO MARKET TO EXPAND U.S. EXPORTS AND CREATE JOBS HERE AT HOME

Automotive Safety Standards: South Korea's system of automotive safety standards has effectively operated as a non-tariff barrier to U.S. auto exports. The 2011 agreement allows manufacturers that sell 25,000 or fewer U.S.-made autos and trucks in South Korea to import their U.S.-made vehicles into South Korea by meeting U.S. federal safety standards rather than certifying to South Korean standards. This number is almost four times as high as was provided for in the 2007 agreement.

Automotive Environmental Standards: To avoid a disproportionate burden on U.S. automakers while maintaining high standards for environmental protection, the 2011 agreements allow U.S. autos – already subject to strict American environmental standards – to be considered compliant with new South Korean environmental standards on fuel economy and greenhouse gas emissions, developed since the 2007 agreement, if they achieve targets within 19 percent of those in South Korea's new regulations. This provision helps American automakers sell their cars affordably in South Korea without undermining South Korea's environmental objectives.

Taxes: In the 2007 agreement, South Korea committed to reduce tax rates for American cars and to streamline current taxes based on engine size, which have tended to raise the cost of the typically larger size of American vehicles sold in South Korea. Under the 2011 agreements, South Korea has additionally committed that any future automotive taxes based on fuel economy or greenhouse gas emissions will be adopted in a manner consistent with certain general transparency obligations contained in the 2007 agreement.

Transparency: The 2007 agreement prohibits South Korea from adopting new automotive regulations that create unnecessary barriers to trade, and establishes an early warning system for potential trade barriers. The 2011 agreement make two important additions for significant regulations: creating a 12-month period between the time a final regulation is issued and the time auto companies must comply with it, giving companies sufficient time to adjust; and requiring South Korea to develop a new review system within 24 months of entry into force to make sure that existing auto regulations accomplish their objectives in the least burdensome manner possible.

LEVELING THE PLAYING FIELD BY GIVING U.S. AUTOMAKERS AND WORKERS THE OPPORTUNITY TO TAKE ADVANTAGE OF INCREASED ACCESS TO SOUTH KOREA'S MARKET

Car Tariff Elimination: The 2007 agreement would have immediately eliminated U.S. tariffs on an estimated 90 percent of imports of South Korean autos, with remaining tariffs phased out by the third year of implementation. The 2011 agreement keeps the 2.5 percent U.S. tariff in place until the fifth year. At the same time, South Korea will immediately cut its tariff on U.S. auto imports in half (from 8 percent to 4 percent), and fully eliminate that tariff in the fifth year.

Truck Tariff Elimination: The 2007 agreement would have required the United States to start reducing its tariff on imports of South Korean trucks immediately and phase it out by the agreement's tenth year. The 2011 agreement allows the United States to maintain its 25 percent truck tariff until the eighth year and then phase it out by the tenth year – but holds South Korea to its original commitment to eliminate its 10 percent tariff on U.S. trucks immediately.

Tariffs on Electric Cars: In the 2007 agreement, the United States and South Korea would have eliminated tariffs on imports of electric cars and plug-in hybrids by the tenth year of implementation. Under the 2011 agreement, South Korea will immediately reduce its electric car tariffs from 8percent to 4 percent, and both countries will then phase out their tariffs by the fifth year. This is a concrete step toward achieving President Obama's goal of supporting America's green technologies.

MORE SAFEGUARDS FOR AMERICA'S AUTO INDUSTRY SUSTAIN JOBS HERE AT HOME

Special Motor Vehicle Safeguard: While the 2007 agreement contained a safeguard mechanism applicable to all goods, it did not include a safeguard specific to the U.S. auto industry. Under the 2011 agreement, South Korea has committed to add a special safeguard for motor vehicles to ensure that the American auto industry does not suffer from any potential harmful surges in South Korean auto imports due to this trade agreement.

Additional rules strengthen this auto safeguard. In the 2007 agreement, the general safeguard protections against harmful product surges ended in the agreement's tenth year. Under the 2011 agreement, the special motor vehicle safeguard is available for 10 years beyond the full elimination of tariffs for each South Korean motor vehicle product. Under this motor vehicle safeguard, the U.S. government is not subject to retaliation for up to two years after this particular safeguard is applied if it fails to agree on tariff reductions or other compensation.. The special motor vehicle safeguard can be applied more than once per particular motor vehicle product if more than one surge causes serious injury to U.S. production of that product. The higher tariffs of the special motor vehicle safeguard can be applied to a particular product for as long as four years, instead of three years as in the agreement's general safeguard. There is no requirement for the United States to progressively re-lower tariffs while the special motor vehicle safeguard is applied. Fewer procedural steps are required to speed up the application of the safeguard when workers need faster relief.

Enforcement: The 2007 agreement creates a tough remedy for the United States to re-impose as much as $200 million in U.S. tariffs (i.e., "snapping back" to pre-agreement levels) on South Korean passenger cars if U.S. auto business in South Korea is materially affected by South Korean violations or nullifications or impairment of the agreement. The 2011 agreement substantially increases Korea's obligations in a number of areas subject to this strong enforcement mechanism.