

[Home](#) / [About Us](#) / [Policy Offices](#) / [Press Office](#) / [Fact Sheets](#) / [2015](#) / [March](#)

Fact Sheet: U.S.-Korea Free Trade Agreement

THREE YEARS OF ENHANCED OPPORTUNITIES: THE U.S.-KOREA FREE TRADE AGREEMENT

March 15, 2015 will mark the three-year anniversary of the entry into force of the United States-Korea Free Trade Agreement (KORUS). These three years have been a period of growth and resurgence for the American economy, with 2014 recording high GDP growth, a net gain of over three million private-sector jobs, and the fifth consecutive year of net gain in manufacturing employment.

KORUS has been an important part of this story. In 2014, the agreement continued to provide tangible benefits for American businesses, workers, farmers and ranchers exporting to our sixth-largest trading partner. Joining the comparable success recently implemented agreements with Panama, Colombia, and Peru, KORUS is producing significant export growth and opportunities for farm families, manufacturing workers and services providers. Taken overall, the agreement is unlocking opportunity for more Americans, supporting good-paying jobs, and contributing to our record overall exports of \$2.35 trillion in 2014.

Overview

The U.S.-Korea trade and investment relationship is substantially larger and stronger than in 2011, and KORUS has contributed to a strong and successful 2014 for American exporters. Since entry into force of the agreement in 2012, the U.S. and Korea have carried out four rounds of tariff cuts and eliminations, creating significant new market access opportunities for U.S. exporters. The agreement has also expanded opportunities for our growing services trade, improved transparency in Korea's regulatory system, strengthened intellectual property protection, and leveled the playing field for key U.S. exports including autos. Overall, U.S.-Korea goods and services trade has risen from \$126.5 billion in 2011 to \$145.2 billion in 2014.

As these new commitments have phased in, U.S. exports have sharply accelerated, despite headwinds resulting from a general slowdown in the Korean economy. Exports and market share have risen for dozens of manufacturing sectors, with sales in high-value farm and ranch products boomed and services exports remained strong.

More Exports to Korea of Made-in-America Manufactured Goods

Year-on-year goods exports to Korea for 2014 were up 6.8% compared to 2013. This brought goods exports to a record level of \$44.5 billion. Manufactured goods account for most of this total at \$37.4 billion. This reflects growth of 5.6% in 2014 – nearly four times faster than manufacturing export growth to the world at large – and a total that is now 8.7% above pre-FTA levels. This growth has been strong across high-technology manufacturing, autos, heavy industry, and consumer goods.

	2011*	2014
Passenger Vehicles	\$418 million	\$1,003 million
Toys, games, & sports equipment	\$93 million	\$106 million

Plastics & plastic articles	\$1.37 billion	\$1.56 billion
Semiconductor manufacturing equipment	\$2.25 billion	\$2.71 billion

Sales of “Detroit 3” cars in Korea rose by 24.1% in 2014, outpacing both the overall growth of U.S. exports to Korea and worldwide exports of U.S. passenger vehicles. Korea reduced its tariffs on U.S. autos by 50% (from 8% to 4%) on the agreement’s entry into force, and will eliminate the remainder of its tariff in 2016. The lower tariffs resulted in an increase in auto exports to Korea of 140% by value between 2011 and 2014, more than five times faster than U.S. auto exports to the world (up 26%). Korea is now our tenth largest export market for autos, with annual exports exceeding \$1 billion in 2014. U.S. vehicle exports have more than doubled, increasing from 16,659 vehicles in 2011 to 37,914 vehicles in 2014.

More Exports to Korea of Grown-in-America Agricultural Products

U.S. exports of key agricultural products benefiting from tariff cuts and the lifting of other restrictions under KORUS continue to post significant gains. Last year’s 31.2% growth in farm exports to Korea was nearly 7 times faster than U.S. agricultural export growth to the world at large. Some particularly striking examples include dairy products, meats, nuts, and fruits.

	2011[*]	2014
Beef	\$686 million	\$847 million
Shelled almonds	\$74 million	\$204 million
Fresh Cheese	\$30 million	\$199 million
Cherries	\$40 million	\$116 million
Wine & beer	\$18 million	\$30 million

American orchards shipped 18 thousand metric tons of cherries to Korea in 2014, up from 6 thousand in 2011. For almonds, exports have grown from 14 thousand metric tons in 2011 to 24 thousand in 2014, and figures for lemons, blueberries, walnuts, and strawberries are comparable. The \$847 million in exports of beef and beef products to Korea in 2014 marks an all-time record, growing 23.5% between 2011 and 2014. Dairy products grew to \$417 million, with the \$199 million worth of fresh cheese exports showing a remarkable 575% increase from a base of \$30 million before the FTA.

More Exports to Korea of Straight-from-America Services and Intellectual Property Works

\$16.7 billion in 2011. This rate of growth nearly doubled the overall 13.1% growth of U.S. services exports to the world.

Under KORUS, Korea has opened up new market access for U.S. services providers and investors. The agreement has provided greater access to Korea's market for U.S. express delivery services. Korea has also undertaken reforms to allow U.S.-based financial institutions in Korea to process data in their regional and global offices, which is enhancing their efficiency and competitiveness. With more cinema choices opening up for Korean movie-goers, U.S. films drew record attendance, making up 5 of the 10 leading box-office performers. In addition, Korea now allows U.S. investors to wholly own Korean telecommunications operators, and will allow U.S. investors to own some broadcast service providers starting on March 15, 2015. Korea is also in the process of opening its legal services market, and over a dozen U.S. law firms are now offering their services to Korea's increasingly global businesses.

	2011	2013[†]
Software	\$1.43 billion	\$2.35 billion
Insurance	\$268 million	\$328 million
Film	\$117 million	\$274 million
R&D	\$219 million	\$265 million

More Exports through Elimination of Non-Tariff Barriers

Thanks to KORUS, there have been significant improvements to transparency in the Korean regulatory system, increasing opportunities for stakeholder input in the development of regulations in a wide range of sectors, including pharmaceuticals, information technology, motor vehicles, and financial services. For example, the agreement significantly lengthened public comment periods for proposed laws and regulations with potential impact on trade, enabling affected stakeholders to have real opportunity to weigh in on proposed measures.

The agreement also strengthened intellectual property protection, including by lengthening copyright terms and enhancing enforcement against violations of U.S. copyrights, patents, and trademarks. Intellectual property revenue from Korea has accordingly risen rapidly, from \$4.5 billion in 2011 to \$7.3 billion in 2013.

Innovative provisions in KORUS helped to level the playing field for made-in-America autos, contributing to the growth in exports noted above. This included requirements to allow U.S. exporters to market cars in Korea built to U.S. safety standards rather than Korean standards, greatly reducing the cost of supplying U.S.-made autos to the Korean market. Korea also modified its key motor vehicle taxes so that U.S. cars are now in the same tax brackets as their Korean competitors. Finally, transparency provisions in the agreement ensure that automakers have sufficient opportunity to participate in the setting of new regulations and adequate time to adjust to changes new regulations.

Economic Factors Affecting U.S. Exports to Korea

Economic factors unrelated to the FTA have also affected U.S. exports to Korea. A slow-down in economic growth in Korea 2012 and 2013 reduced demand for imports across the board, particularly from countries that did not have an FTA with Korea. This fall in U.S. exports of commodities, especially mineral fuels (primarily coal), which dropped by \$1.0 billion. In addition, severe drought in the United States in 2012 led to a steep decrease (of \$1.6 billion) in U.S. exports of corn to Korea. Largely due to these two external factors, total U.S. goods exports to Korea were down 4.0% in 2013 compared to 2011 (pre-KORUS). Excluding these two categories, whose changes are unrelated to the trade agreement, U.S. exports to Korea increased by 2.2% between 2011 and 2013, while Korea's imports from Japan fell 12%, its imports from China fell 3.9%, and imports from India fell 21.7%. As the Korean economy started to recover in late 2013 and continued to recover through 2014, and as further tariff reductions have been implemented, U.S. goods and services exports have continued to grow. Corn exports, for example, increased more than four-fold between 2013 and 2014, exceeding \$1 billion dollars last year.

Enforcement and Implementation

The obligations in KORUS are backed up by a strong dispute settlement mechanism, and provides a productive forum to resolve issues and increase cooperation. And, USTR has made full use of the consultations mechanisms set up under the agreement to ensure that Korea fully implements its commitments. Since KORUS has been in force, over 30 meetings of Committees and Working Groups established under the FTA have been convened, and the Ministerial-level Joint Committee has met three times. Regular contact between U.S. and Korean officials has also contributed to heading off potential implementation issues at an early stage.

[] 2011 is last full year pre-KORUS implementation*

[†] 2013 is last full year of services data available