



KORUS is the most comprehensive, highest-standard U.S. FTA—as written.

- Opened notoriously difficult market to U.S. agricultural and manufactured goods and services exports by eliminating tariff and non-tariff barriers
- Set important new rules for IP, transparency, services and data movement
- Created extensive consultation mechanism to oversee implementation and address and resolve issues as needed
- There have been implementation problems in some areas, but most have band can be resolved under the existing agreement

KORUS has helped increase U.S. exports of goods and services as intended.

- U.S. goods exports to Korea held steady as total Korean imports plunged 22% from 2014 to 2016. Exports of some important products subject to immediate tariff cuts have grown rapidly, including: beef (+ 82% to \$1.06 billion), fruits and tree nuts (+ 54.8%), household appliances and misc. machines (+168.2%), fish and marine products (+48.7%), motor vehicles (+256.2%), motor vehicle bodies and trailers (+605.2%), aerospace products (+110.7%). U.S. exports hit record monthly highs in March and April of 2017 and should increase further as Korea's economy strengthens and more tariffs are eliminated under KORUS.
- U.S. services exports have increased 26% since 2011, resulting in a sharp increase in the services surplus from \$6.9 billion in 2011 to \$10.1 billion in 2016. Services exports should continue to help offset the deficit in goods.
- The U.S. trade goods trade deficit with Korea more than doubled from \$13 billion in 2011 to \$28 billion in 2015, driving up the overall deficit, but started tapering off in 2016.
 - The goods deficit is concentrated in autos and electronics. U.S. auto imports from Korea doubled from 2011 to 2015 even with the 2.5% U.S. tariff on passenger vehicles still in place, but Korean exporters were selling into a market in which overall sales rose from 12 million to 17.5 million units. Notably, Korean producer's share of the U.S. market has not increased. The auto deficit declined \$1.1 billion in value and 65,000 by units in 2016 as U.S. demand for smaller Korean-made vehicles declined. U.S. exports of autos to Korea rose from \$317 million in 2011 to \$1.5 billion in 2016 as Korea's tariff went from 8% to 4% as required under KORUS.
- Without KORUS U.S. exporters would be less competitive because of Korea's preferential FTAs with 11 individual countries and three trading blocs, including Australia (2014), Canada (2015), China (2015), and EU (2011).

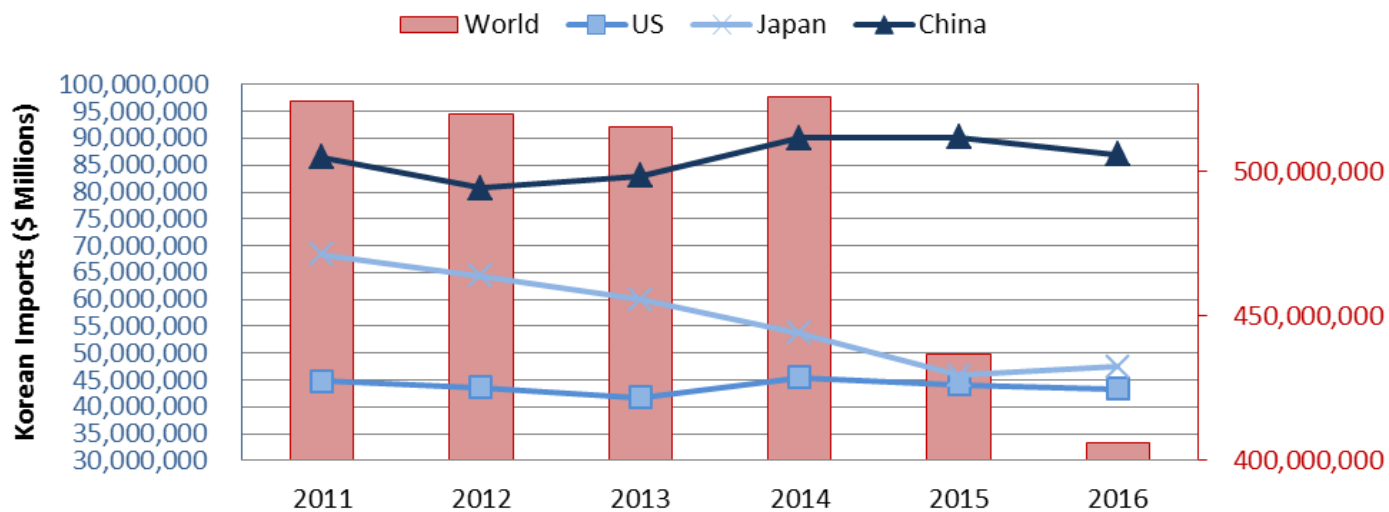
Bottom Line: Do no harm, but fix remaining implementation problems.

- As officials address KORUS in the Special Session of the Joint Committee under Article 22.2, the priority should be to find ways to ensure full and faithful implementation to the letter and spirit of the agreement by Korea, bolstered by strong enforcement by the United States as needed.

U.S. Total Trade with Korea (\$Millions)							Year-on-Year	
	2011	2012	2013	2014	2015	2016	Q1 16	Q1 17
Total Exports	60,125	60,894	62,604	64,863	64,129	63,364	15,226	16,814
Goods	43,461	42,282	41,648	44,649	43,484	42,309	9,957	11,666
Services	16,664	18,612	20,956	20,214	20,645	21,055	5,269	5,148
Total Imports	66,396	69,539	73,013	80,393	82,994	80,855	21,145	20,603
Goods	56,661	58,898	62,370	69,676	71,757	69,881	18,286	17,823
Services	9,735	10,641	10,643	10,717	11,237	10,974	2,859	2,780
Balance	(6,271)	(8,645)	(10,409)	(15,530)	(18,865)	(17,491)	(5,919)	(3,789)
Goods	(13,200)	(16,616)	(20,722)	(25,027)	(28,273)	(27,572)	(8,329)	(6,157)
Service	6,929	7,971	10,313	9,497	9,408	10,081	2,410	2,368

Source: Bureau of Economic Analysis

Korean Imports 2011-2016 (\$ Millions)



Source: Trade Map – International Trade Statistics. <http://www.intracen.org/itc/market-info-tools/trade-statistics/>