

KORUS is working. The KORUS agreement is working well for the vast majority of American exporters, whether farmers, manufacturers, or service providers. Disrupting a growing \$145 billion two-way trading relationship with one of only three U.S. FTA partners in Asia would be devastating for the 400,000 American jobs supported by the agreement. Korea also has FTAs with Australia, Canada, China and the EU, so without KORUS, U.S. exports would be at a significant competitive disadvantage to theirs.

Its success should be defined by its benefits, not the goods deficit. The U.S. merchandise trade deficit with Korea has increased since KORUS went into force, but it is important not to confuse cause and effect. KORUS has prevented the deficit from being even worse, mainly by keeping U.S. goods competitive in the Korean market at a time when tepid economic growth and weak domestic demand in Korea resulted in a 22% decline in total imports between 2012-2016. While U.S. goods exports did not grow as much as expected overall, goods exports have stayed in a range between \$42-45 billion annually, well above pre-KORUS levels. Moreover, American exports of certain products benefiting from immediate tariff cuts – including beef and autos – have increased by double or triple digits in some cases. The U.S. surplus in services trade exceeded \$10 billion in 2016 as a result of KORUS. U.S. policy should focus on full and faithful KORUS implementation and macroeconomic and microeconomic changes in Korea that help boost growth and domestic consumption, which in turn will increase demand for U.S. goods and services.

Better implementation and stronger enforcement are the best path forward. KORUS is a strong agreement as written, and provides many new opportunities for U.S. businesses and exporters in what was previously a notoriously difficult market. The issues that have arisen mostly involve slow or incomplete implementation of specific rules as required under KORUS. Most, but not all, of these issues have been resolved through the Joint Committee and subcommittee processes established under the agreement. Given that Article 22.2 has been invoked to call a special session of the Joint Committee, identifying and addressing these remaining implementation problems should be a very manageable process. Changes required are not heavy lifts – most involve regulatory and transparency issues, including the need for strong public notice and comment procedures to allow meaningful industry input, and addressing administrative guidance. As such, they can be resolved as matters of good faith among partners if handled properly. Seeking major amendments or modifications to the existing agreement would be much more problematic and risky.

Before seeking major changes, consider the big picture. Prolonged tension and/or harsh U.S. actions against Korea, a strong U.S. ally, on economic issues may engender political reactions that not only undermine U.S. exporters, but complicates trust and coordination on security and intelligence operations with the new government led by President Moon Jae-in at a critical time.

And at every turn, the Administration should consult with Congress and follow Trade Promotion Authority (TPA). The administration should follow the procedures established in the Bipartisan Congressional Trade Priorities and Accountability Act of 2015, known as TPA, in taking any steps with regard to KORUS. Pursuing the TPA statute's negotiating objectives and following its consultation procedures will build broader support in Congress, as well as the U.S. business and agriculture communities for this effort.