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Korea-United States Free Trade Agreement (KORUS)

An overview of the agreement, its economic impact
and recent developments in its renegotiation

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KORUS Eliminated Tariffs on 95% of Consumer and Industrial Goods Within Three Years of Enactment

Key elements of the KORUS FTA



Increased access for U.S. autos

The agreement eliminated Korean tariffs on most U.S. priority passenger vehicles and trucks and ensured that Korea wouldn't adopt non-tariff barriers that impede the market access of U.S. autos



Protections for U.S. investors

The deal established a stable legal framework for U.S. investors operating in Korea; all forms of investment are protected as comprehensively as any U.S. FTA under the agreement



Expanded markets for U.S. farmers

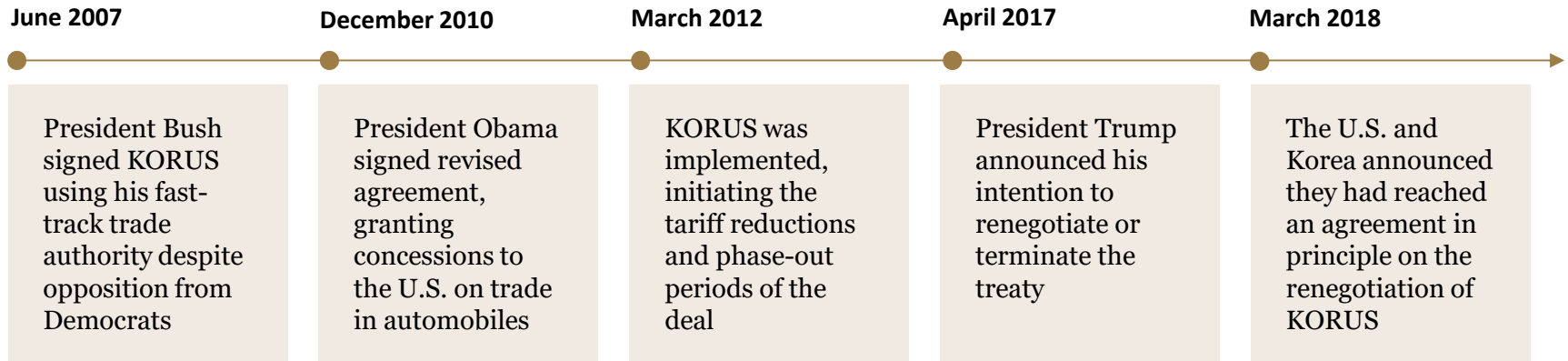
Over half of U.S. exports to Korea became duty-free immediately, and other farm products benefited from two-year and five-year tariff phase-outs



Open services markets

Korea agreed to significantly liberalize its exports in services, providing meaningful market access that extends across virtually all major service sectors

KORUS Timeline



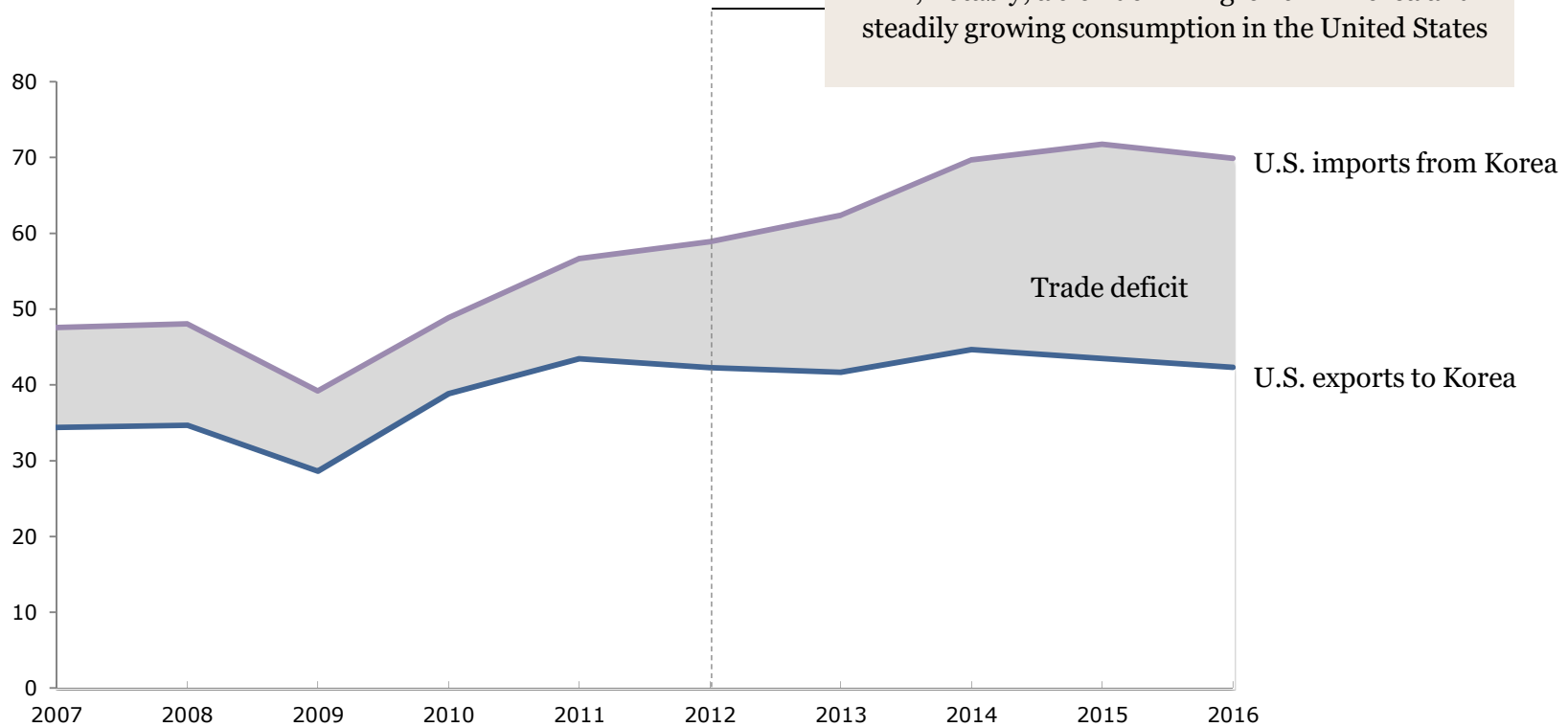
Sources: "U.S.-Korea Free Trade Agreement," USTR, 2016; "KORUS," U.S. Chamber of Commerce.



U.S. Trade Deficit in Goods with Korea Has Doubled to \$27.6 Billion Since KORUS Took Effect

U.S. annual trade in goods with South Korea

BILLIONS OF NOMINAL U.S. DOLLARS



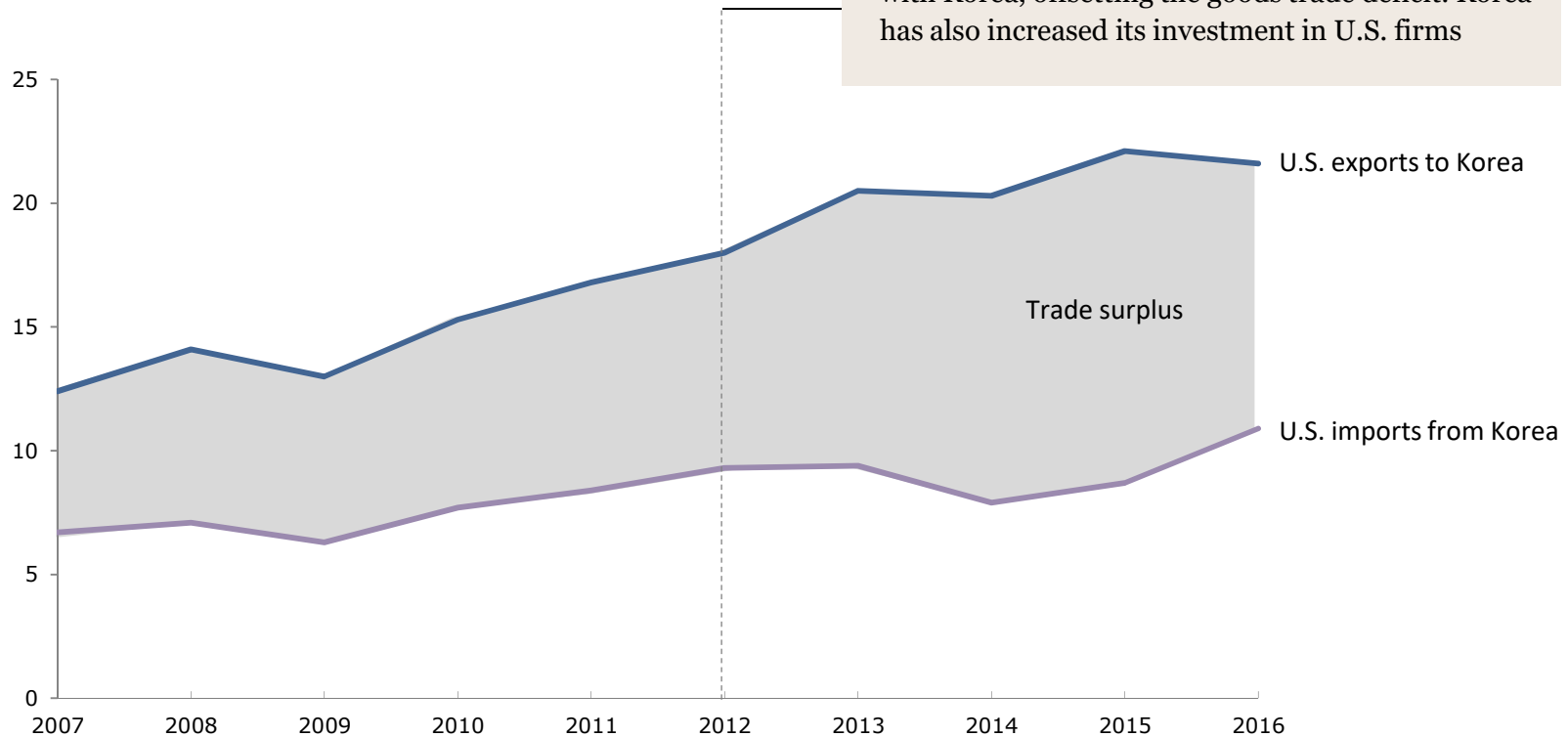
However, the growing trade deficit may be attributed to economic factors unrelated to the FTA, notably, a slowdown in growth in Korea and steadily growing consumption in the United States



However, the United States Has a Trade Surplus in Services with South Korea

U.S. annual trade in services with South Korea

BILLIONS OF NOMINAL U.S. DOLLARS



Sources: United States International Trade Commission; National Journal Research 2017.

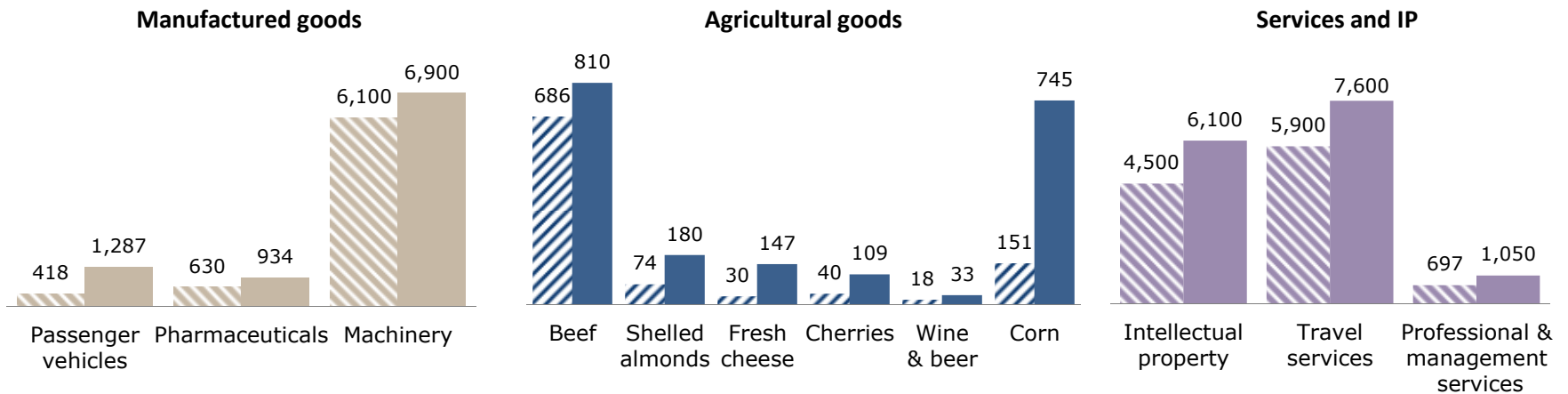


KORUS Has Expanded Market Access for U.S. Exporters

U.S. exports to Korea, 2011 vs. 2015

MILLIONS OF U.S. DOLLARS

▨ 2011 ■ 2015



Automobiles

208%

Increase in the value of U.S. auto exports



Agriculture

53%

Increase in the value of key agricultural exports



Services

34.5%

Increase in the value of U.S. services exports to Korea



Key Negotiators in KORUS Talks

For the United States, President Trump, USTR and top trade advisors will lead negotiations



Donald J. Trump
President



Robert Lighthizer
U.S. Trade Representative



Wilbur Ross
Secretary of Commerce



Peter Navarro
Head of the National Trade Council

For Korea, President Moon Jae-In and trade & foreign policy ministers lead negotiations



Moon Jae-in
President



Kim Hyun-chong
Trade Minister



Kang Kyung-wha
Foreign Minister



Yoo Myung-hee
Deputy Trade Minister

Sources: "U.S.-Korea Free Trade Agreement," USTR, 2016; "KORUS," U.S. Chamber of Commerce.



Hurdles to Finalizing a New KORUS Agreement

Sticking points for each country in KORUS negotiations

United States



Greater access for American exports

The United States' biggest concerns have been access to Korea's markets for exports of automobiles and agricultural products. Some labor groups have expressed disappointment that the agreement will not do enough to benefit domestic manufacturers



North Korea

The final status of the agreement is somewhat uncertain, as Trump recently announced he might "hold [KORUS] up until after a deal is made with North Korea," regarding denuclearization



Congressional approval

While the majority of the updates to KORUS can be implemented without Congress, it is possible that lawmakers could object as Congress does have the ultimate constitutional power over trade

South Korea



No further opening of agriculture markets

Korea's Trade Minister Kim Hyun-chong declared there would be no further opening of his country's agricultural markets, as Korean farmers have suffered from the influx of U.S. agricultural exports



Tariff exemption

The steel 25% steel tariff that Trump imposed in March 2018 became a concern for Korean trade officials as South Korea is the third-largest steel exporter to the United States

Sources: "U.S.-Korea Free Trade Agreement," USTR, 2016; "KORUS," U.S. Chamber of Commerce; Hyunjoo Jin, "U.S., South Korea revise trade deal with quotas on Korean steel," Reuters, March 26, 2018.



In March 2018, the United States and Korea Reached an Agreement in Principle to Update KORUS

Key amendments to KORUS



Growing U.S. auto exports

Korea will double its import cap on U.S. autos to 50,000 cars per manufacturer per year, ease standards for U.S. automotive parts exports and make it easier for American-made cars to meet the country's fuel efficiency standards



U.S. truck tariff extension

Korea will allow the United States to maintain its 25% tariff on light trucks for 20 extra years, instead of phasing it out by 2021 as originally negotiated



Steel tariff exemption

Korea will agree to cut its steel exports to the United States by 30% in exchange for an exemption from the 25% steel tariff imposed by Trump in March 2018



Ban on currency devaluation

A side agreement included in the deal prohibits both countries from devaluing their currency for an unfair trade advantage. This provision is mainly symbolic and is not enforceable through panels that typically settle disputes

What's next?

While the March negotiations went smoothly, KORUS has been a somewhat minor point on President Trump's trade agenda, which includes NAFTA renegotiation and the U.S.-China trade relationship. The text of the agreed outcomes for the agreement was released on September 3, 2018. President Trump and South Korean President Moon Jae-in are expected to sign the revised agreement on September 24 in New York City while attending the annual United Nations' General Assembly plenary session.



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