



THE FACTS ABOUT THE KOREA-U.S. FREE TRADE AGREEMENT

koreauspartnership.org

KOREA - U.S. FREE TRADE AGREEMENT

September 2001

U.S. International Trade Commission (USITC) releases forecast of economic effects of a trade agreement with the Republic of Korea.



June 30, 2007

U.S. and Korean governments sign KORUS FTA.



June 26, 2010

On the sidelines of the G-20 Summit in Toronto, Presidents Lee and Obama announce a plan to move ahead with KORUS FTA, and instruct their trade ministers to resolve outstanding concerns.



December 3, 2010

Korean and American negotiators announce they have reached a “supplemental agreement,” and the KORUS FTA is ready to be submitted for ratification.



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"...This deal is a win for American workers. For our farmers and ranchers, it will increase exports of American agricultural products.... [T]he tariff reductions in this agreement alone are expected to boost annual exports of American goods by up to \$11 billion. And all told, this agreement – including the opening of the Korean services market – will support at least 70,000 American jobs."

- President Barack Obama
December 4, 2010

KORUS FTA – AT A GLANCE

- » U.S. exports to Korea face an average applied tariff of 12.1 percent, while the average U.S. tariff on Korean exports is 3.5 percent.
- » With approval of the KORUS FTA, over 95 percent of U.S. exports will become duty free within five years - and almost all other tariffs will be eliminated within 10 years.
- » The KORUS FTA also contains strong provisions regarding transparency, intellectual property rights and competition, particularly in the services sector. This will make U.S. businesses more competitive in Korea and provides a model for future trade agreements.

THERE ARE THREE KEY REASONS TO SUPPORT THE KORUS FTA:

1 Jobs

The U.S. Commerce Department estimates that the implementation of the KORUS FTA will support at least 70,000 jobs in the United States.

2 Economic Growth

By expanding trade ties with a dynamic, growing, high-income economy, the agreement will increase U.S. economic growth by up to \$11.9 billion at no cost to U.S. taxpayers.

3 Security and Shared Values

Korea is a vibrant democracy, a staunch ally of the United States and a major commercial center in East Asia that provides America with a strong partner in an increasingly important region.

FACTS ABOUT THE KOREAN ECONOMY

- » Korea's economic growth exceeded 6 percent in 2010.
- » With an estimated 2010 GDP of \$1 trillion, Korea is the world's 15th largest economy.
- » Services drive the Korean economy, accounting for 57.6 percent of GDP in 2008, with a market size of \$580 billion.
- » A member of the Organization for Economic Cooperation and Development (OECD), Korea is classified as a high-income economy by the World Bank and an advanced economy by the International Monetary Fund.
- » In 2010, Korea's average annual income was about \$20,000.
- » Korea is a major trading partner of the world's largest economies – it is the third largest trading partner of China and Japan, the seventh largest trading partner of the United States and the eighth largest trading partner of the EU.

The dynamic Korean economy is currently the:

2nd largest market for U.S. services in Asia;

5th largest market for U.S. agricultural goods;

7th largest U.S. trading partner; and the

10th largest market for U.S. information and technology products.

"Putting Americans back to work is the top priority of the House, and enacting these critical agreements will help create jobs and provide a needed boost to our economy."

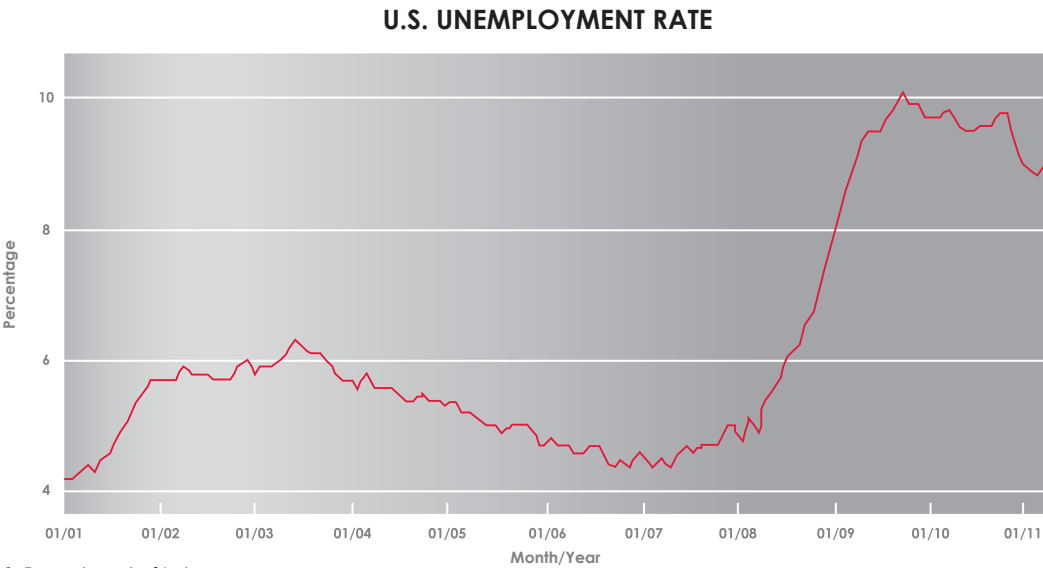
- Speaker of the U.S. House of Representatives John Boehner (R-OH)
May 4, 2010

JOB CREATION

When a country exports more goods and services overseas, the corresponding growth in domestic production becomes an engine for job creation.

America's National Export Initiative – an effort to double U.S. exports by 2014 – holds the promise of supporting and creating several million U.S. jobs.

The KORUS FTA offers the best opportunity to jump-start this initiative by providing immediate new export and employment opportunities for American manufacturers, farmers and service companies.



Source: U.S. Department of Labor.

With U.S. unemployment still high, approving the KORUS FTA offers Congress an opportunity to take a positive step toward job creation in America.

“Opening new markets to trade is a job creator, and failure to open those markets is costing America jobs while other nations move ahead. We can’t afford to be left behind. Passing the U.S.-Korea Free Trade Agreement has the potential to create thousands of American jobs and continue a partnership with a democratic ally that has a strong record on labor rights and environmental protection....”

– Rep. Dave Reichert (R-WA)
August 31, 2010

APPROVE THE KORUS FTA AND CREATE U.S. JOBS

70,000 American Jobs

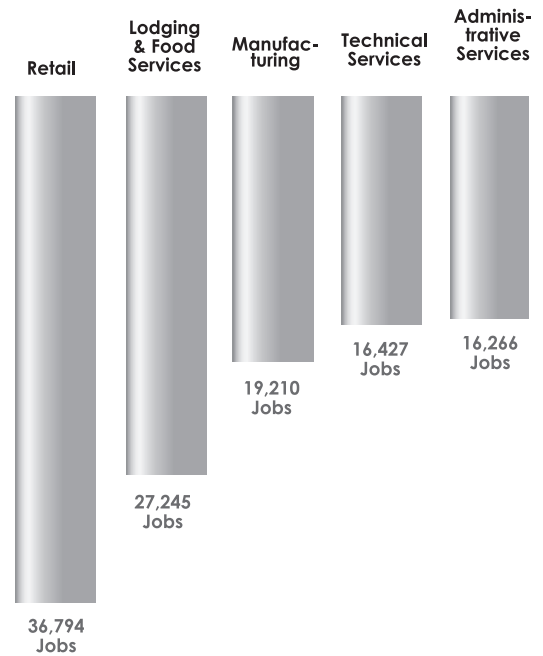
According to Obama Administration estimates, approval of the KORUS FTA will support at least 70,000 American jobs due to an expected annual increase in U.S. exports to Korea of over \$10 billion.

On the other hand, failure of Congress to approve the agreement would cost 345,000 jobs* in the United States (according to a recent study by Trade Partnership Worldwide), as the United States loses market share to the EU and other countries that have, or will soon have, free trade agreements with Korea.

According to a 2010 American Meat Institute study, passage and full implementation of the KORUS FTA will result in an additional \$2.1 billion worth of meat and poultry exports, creating an additional 27,425 U.S. jobs.

FAILURE TO ACT WILL COST U.S. JOBS

Projected Loss of U.S. Jobs Due to Inaction on KORUS FTA (Selected Industries)



Costs to the United States of Failure to Implement the KORUS FTA

Costs to the United States	
Goods & Services Exports Loss	\$35.1 Billion
Goods Exports Loss	\$20.3 Billion
GDP (output) Loss	\$40.4 Billion
Employment Loss	345,017 Jobs

*Source: "Failure to Implement the U.S.-Korea Free Trade Agreement: The Cost for American Workers and Companies, Details by State," prepared by Laura M. Baughman and Joseph Francois, Trade Partnership Worldwide, LLC, October 2009.

*Source: "Failure to Implement the U.S.-Korea Free Trade Agreement: The Cost for American Workers and Companies, Details by State," prepared by Laura M. Baughman and Joseph Francois, Trade Partnership Worldwide, LLC, October 2009.

According to a 2007 study conducted by the U.S. International Trade Commission (USITC):

- » U.S. GDP is projected to grow by up to \$11.9 billion when the KORUS FTA is fully implemented (this estimate does not include trade of services – which will further expand U.S. trade with Korea).
- » U.S. exports to Korea are expected to jump by up to \$10.9 billion, primarily in agricultural products, machinery, electronics and transportation equipment, including passenger vehicles and parts, under the KORUS FTA.

Approval of the KORUS FTA would be the single most important step toward achieving the National Export Initiative’s goal of doubling U.S. exports by 2014.

VOICES from BUSINESS and LABOR

“KORUS will boost GDP by at least \$12 billion through expanded exports and create more than 70,000 American jobs. Successful implementation of KORUS will not only create jobs but will save jobs. A Chamber of Commerce study found that failure to enact KORUS would cost more than 340,000 American jobs and cut \$35 billion in exports.”

- Thomas J. Donohue, President & CEO, U.S. Chamber of Commerce
January 6, 2011

“America cannot expand its manufacturing base without greatly increasing the volume of goods it sells overseas. That is why I applaud the free-trade agreement recently concluded between the United States and South Korea, which will eliminate barriers to U.S. exports and support export-oriented jobs.”

- Jeffrey R. Immelt, Chairman & CEO, General Electric
January 21, 2011

“The FTA will reinforce America’s ties not only with South Korea but throughout Asia, produce significant potential economic benefits and create good-paying jobs here in the United States. ACE will continue to work with the Obama Administration and Congress to demonstrate the benefits of the agreement and seek legislative approval.”

- Evan G. Greenberg, Chairman & CEO, ACE Ltd.
December 3, 2010

“Congress must quickly pass the South Korea trade deal and existing trade accords must be completed. The U.S. needs to get back in the game on trade, as we are losing ground to competitors. Opening additional global markets will provide small business owners with growth opportunities. The bulk of U.S. exporters are small- to mid-sized firms – increased market access means more business for our entrepreneurs.”

- Karen Kerrigan, President & CEO, Small Business & Entrepreneurship Council
January 6, 2011

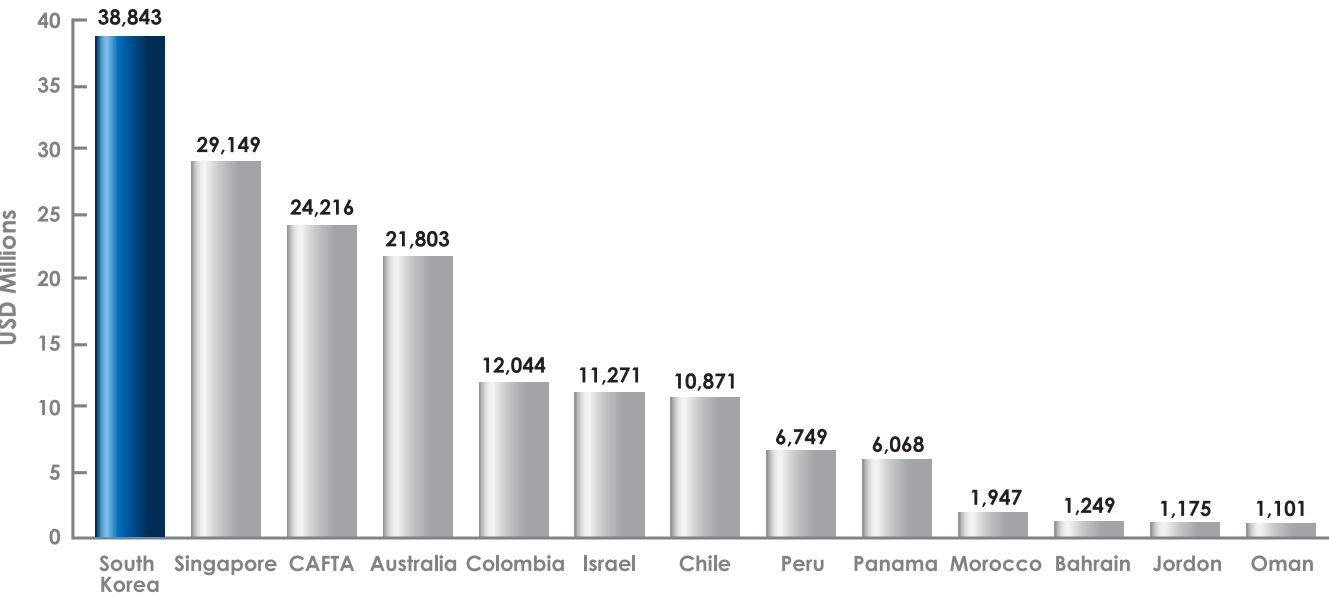
“I’m very supportive of the agreement because it really protects UAW members. Pickup trucks and SUVs will have full 25% tariff until year seven, passenger vehicles have full protection until year five. It opens up the Korean market to 75,000 American cars a year and it has protections against import surges. The Korea Free Trade Agreement is one of the far best treaties for auto as far as I’ve seen.”

- Bob King, President, UAW
December 7, 2010

“The recently announced proposed U.S.-Korea Free Trade Agreement represents a small, but not insignificant, step forward on U.S. global trade agreements... In particular, the Administration insisted on meaningful changes in the automobile sector that will help American autoworkers and manufacturers achieve a more level playing field. Also, academics estimate that the Korean agreement will create over 20,000 jobs in the U.S. meat export producing sectors that employ hundreds of thousands of UFCW members.”

- United Food and Commercial Workers International Union
December 8, 2010

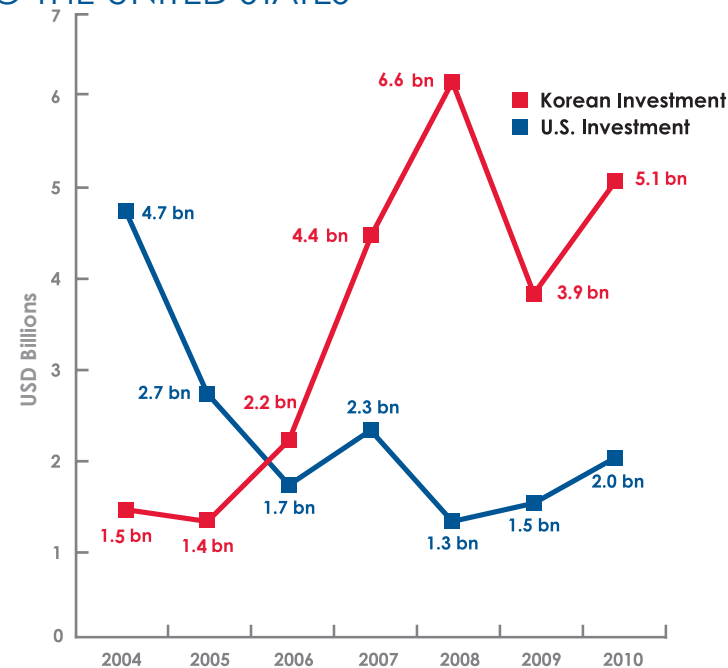
Export of U.S. Goods, 2010
Value of Korean Market Dwarfs Most Other U.S. FTA Partners*



Source: U.S. Census Bureau, Foreign Trade Division.
*With the exception of NAFTA.

KOREAN INVESTMENT BRINGS JOBS TO THE UNITED STATES

- » Implementation of the KORUS FTA will enhance the job creating investment climate for both nations.
- » Since 2006, Korea's foreign direct investment in the United States has exceeded U.S. investment in Korea. Between 2006 and 2010, Korea invested \$13 billion more in the United States than the United States did in Korea.
- » Recent Korean investments in America already include a \$1 billion Kia Motors America, Inc. plant in Georgia and a \$1.7 billion Hyundai Motor America plant in Alabama – both of which have created thousands of American jobs.



Source: Export-Import Bank of Korea, Ministry of Knowledge Economy.

"This agreement has unprecedented support from business and labor, Democrats and Republicans – and I ask this Congress to pass it as soon as possible."

- President Barack Obama
January 25, 2011

Korean Investment in America Case Study:

In the auto industry alone, Korean investments in the United States are making a big impact on economic growth and job creation. Combined, Hyundai Motor America and Kia Motors America, Inc. support more than 78,000 U.S. jobs.

- » Hyundai's total U.S. investments in production, design and distribution are over \$1.7 billion, and Kia's investments total \$1 billion.
- » On February 20, 2011, Hyundai celebrated 25 years in the United States and announced that U.S. production capacity had grown to over 400,000 units of Sonata, Elantra and Santa Fe models produced in modern assembly plants in Alabama and Georgia. In addition, U.S. employment totals more than 45,000 workers, including 4,000 direct employees, as well as suppliers and dealers.
- » As of 2009, Kia's direct and indirect U.S. employment totaled over 33,800.
- » In July 2010, LG Chem, a lithium-ion battery manufacturer from Korea broke ground on a new \$300 million facility in Holland, Michigan, that would employ up to 400 workers. The plant will make lithium batteries that will be used to power the new Chevrolet Volt.

TRADE WITH KOREA BENEFITS OTHER NATIONS WHILE AMERICA WAITS

The KORUS FTA will give U.S. businesses, workers and farmers the opportunity to level the playing field in Korea's market. This is important because **Korea's recently concluded FTA with the European Union, which took effect on July 1, 2011**, could give significant advantages in the Korean market to European services and manufacturing companies at the expense of American businesses waiting to benefit from the KORUS FTA.

In addition, Korea's negotiations with Canada and Australia are in the final stages. Trilateral talks between Korea, Japan and China are moving ahead with the goal of establishing a dominating regional market in East Asia.

THE WALL STREET JOURNAL

February 17, 2011

EU Approves Korean Trade Pact

"The European Parliament on Thursday approved a free-trade agreement with South Korea, **potentially putting pressure on the U.S. to hasten similar negotiations with the Asian country.**"

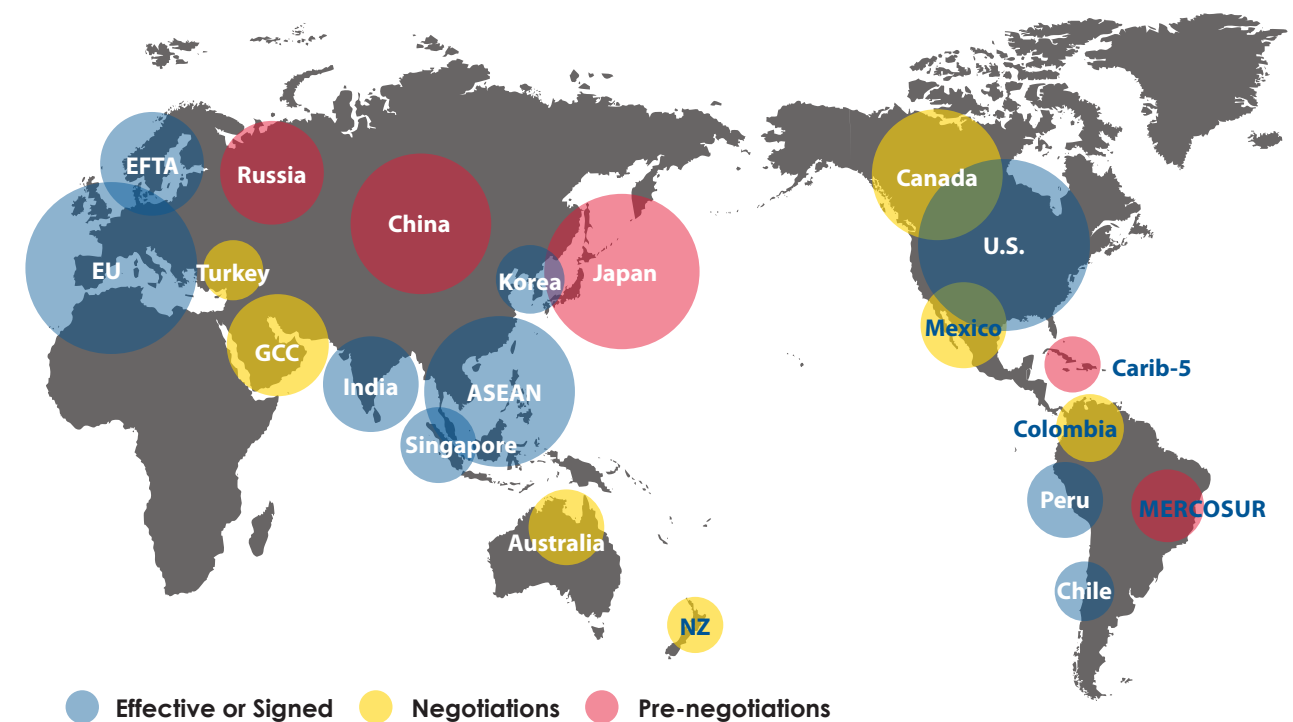
AFP

May 5, 2011

South Korea Ratifies EU Free Trade Deal

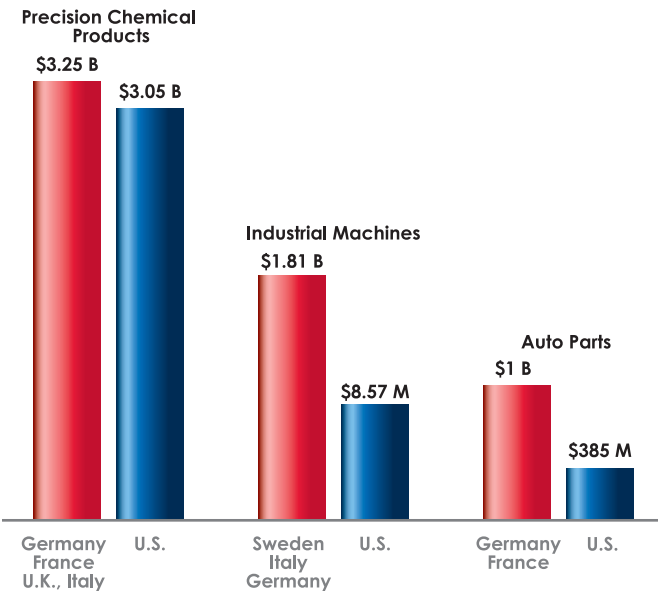
"EU Trade Commissioner Karel De Gucht said the agreement will lead to growth and create jobs, among other benefits. 'This is a landmark agreement and a benchmark for what we want to achieve with other key trading partners....' The passage comes as South Korea's free trade deal with the U.S. remains unratified."

KOREA'S FTA NETWORK



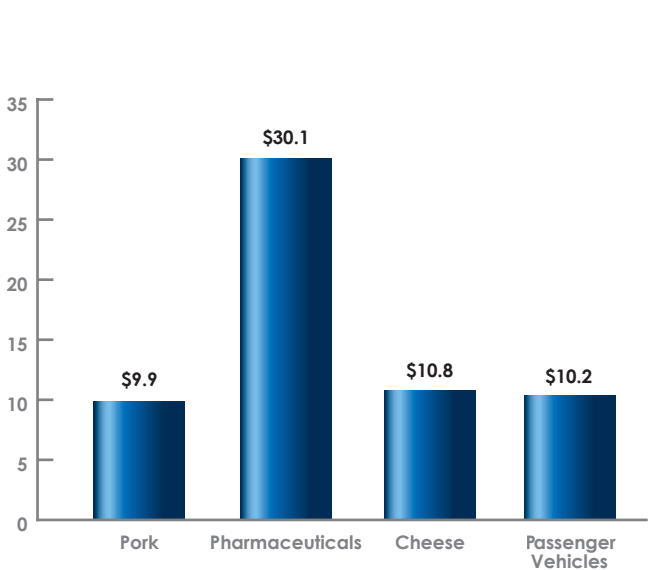
American exporters compete head to head with European exporters in many key sectors. With the EU-Korea FTA in effect, U.S. exporters may be placed at a disadvantage in many sectors. Majority market share could be sacrificed, and capturing additional market share for many products will be all but impossible.

EU Already Outselling the United States in Many Key Industrial Sectors, 2010 Sales in Korea



Source: Korea International Trade Association.

EU Export Tariff Annual Savings on Key Competitive Exports (USD Millions)



Source: Korea International Trade Association.

1) Agriculture

A Cornucopia of Agricultural Commodities Will Benefit from the KORUS FTA

“Korea has turned increasingly to food imports to satisfy its consumers' demands for greater food variety, lower prices, and convenience. Korea is a major food importing country with few resources to expand its agricultural capacity.” - U.S. Department of Agriculture

Enormous Opportunities for U.S. Food and Agriculture:

- » **The United States is already Korea's top supplier of a broad variety of agricultural exports** at \$5.3 billion, making Korea the **fifth largest export market** for U.S. farm products. According to the USDA, the new agreement will expand those sales even further.
- » **Sixty percent of U.S. farm products, including wheat, corn and cotton, will become duty free** in Korea immediately.
- » **Market access for beef and pork will improve significantly** with tariffs for the most important pork products phased out by 2016, and the 40 percent tariff for beef products phased out over 15 years.
- » **The U.S. meat sector will experience the largest increase in output.** Worldwide U.S. beef exports will increase by \$600 million to \$1.8 billion (USITC).
- » **U.S. orange growers will get a major leg-up** in the Korean market, as the Korean tariff of 50 percent on out-of-season oranges will drop to 30 percent on day one of the KORUS FTA, and to zero after six years. Out-of-season oranges represent 70 percent of U.S. orange exports to Korea.

According to the U.S. Department of Agriculture:

Of the three pending U.S. trade agreements, the KORUS FTA would offer the largest gains for U.S. agriculture. Total U.S. agricultural export gains in the Korean market are estimated at over \$1.9 billion annually, an increase of about 40 percent.

Agriculture tariff reductions will help the United States compete against China and Australia, which have increased their presence in Korea's \$18.5 billion agriculture market, and Korea's other major agriculture suppliers. It will also help keep the United States on a level playing field with Korea's current free trade partners, such as Chile, and any future FTA partners.



“[This] (Korea-U.S. Free Trade) Agreement will over a period of time eliminate most, if not all, of those tariffs, which will create enormous opportunity for us. It could increase access to American products in Korea by \$1.8 billion.... Every billion dollars of ag trade generates 8- to 9,000 jobs, and when we do \$135 billion worth of trade, that translates into hundreds of thousands of people who were employed off the farm, creating a more revived economy.”

– Tom Vilsack, U.S. Secretary of Agriculture
February 24, 2011

A) BEEF

The National Cattlemen's Beef Association endorsed the December 3, 2010 supplemental agreement on the KORUS FTA, stating:

"It is encouraging to see the United States and Korea one step closer to a working free trade agreement that will create jobs and increase the profitability of America's cattlemen and women. For too long, we have missed opportunities to obtain a competitive advantage in Korea by sitting on the sidelines while our competitors complete deals."

U.S. beef faces a 40 percent tariff in the Korean market for "muscle meat" – such as steaks – and a tariff of 18 to 27 percent on beef "offal" – primarily organ meat and bone.

Under the KORUS FTA, Korea's tariffs on U.S. beef, both muscle meat and offal, will be phased out in 15 equal annual reductions.

A Brief History of the U.S.-Korea Beef Trade

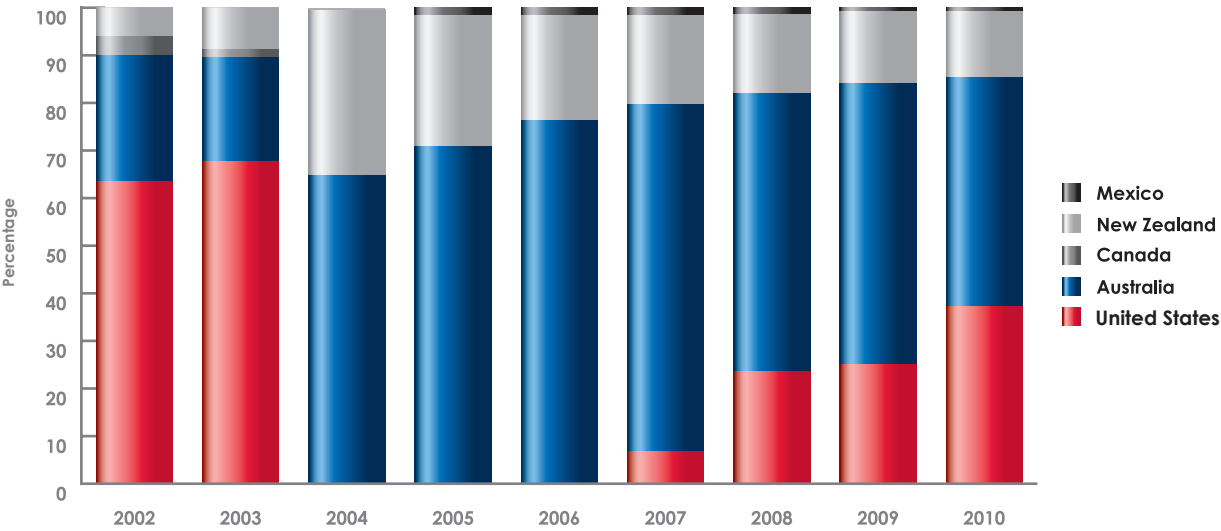
- » From 2001-2003, the United States was the leading supplier of beef to Korea, with \$815 million in exports in 2003.
- » With the onset of bovine spongiform encephalopathy (BSE/Mad Cow Disease), Korea stopped accepting U.S. beef imports in December 2003. Australia quickly replaced the United States as the number one supplier to the Korean beef market.
- » Subsequent market opening agreements have restored some market share to U.S. suppliers, whose exports totaled \$496 million in 2010 – still well short of their pre-BSE levels. The United States can regain the level by ratifying the KORUS FTA as soon as possible.
- » According to the National Cattlemen's Beef Association, "South Korea is a very lucrative market for U.S. beef, which could amount to over \$1 billion in value."
- » According to the American Meat Institute, implementation of the KORUS FTA is expected to increase U.S. beef exports by \$1.4 billion and create about 17,600 jobs.

Other Nations Eager to Replace U.S. Beef in Korean Market

"Passage of the U.S.-Korea (KORUS) FTA would mean \$15 million in tariff benefits for beef in the first year of the agreement alone, with about \$325 million in tariff reductions once fully implemented. And with other countries, such as Australia, negotiating FTAs of their own with South Korea, immediate passage of KORUS is more important than ever. If Australia successfully ratifies a similar bilateral trade agreement with Korea a year before we do, it would give the Australians a 2.67 percent tariff advantage over U.S. beef for the next 15 years. This would be devastating to the U.S. beef industry, and sadly, the losses would be of our own doing."

- Steve Foglesong, President, National Cattlemen's Beef Association
March 19, 2010

Beef Import Market Share in Korea, 2002-2010



Source: National Veterinary Research and Quarantine Service.

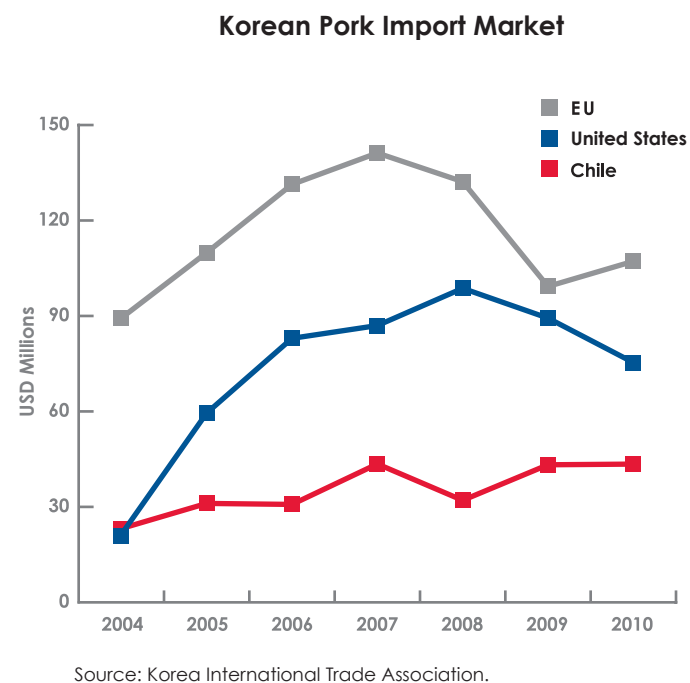
B) PORK

Korea imposes tariffs of 25 percent on frozen pork products and 22.5 percent on fresh or chilled pork products.

Despite these high tariffs, in 2009, while in the midst of an economic downturn and the H1N1 outbreak, the United States exported 84,000 metric tons of pork valued at \$183 million, making Korea **the sixth largest-value export destination for U.S. pork and pork products**. Over the first quarter of 2010, pork exports to Korea reached nearly 74,000 metric tons valued at \$76 million, making Korea the third largest U.S. pork export market by value.

EU producers, however, currently sell more pork to Korea than U.S. producers do – an advantage EU producers will certainly exploit to gain further market share since the EU-Korea FTA took effect on July 1, 2011.

Under the KORUS FTA, however, a majority of tariffs will be eliminated on U.S. frozen pork and processed pork products by 2016. Fresh-chilled pork will be duty free 10 years after implementation with a safeguard.



According to Iowa State University economist Dermot Hayes, by the end of the phase-in period, total U.S. pork exports to Korea will be worth \$870 million. Conservatively calculated, the FTA will generate an additional \$687 million in U.S. pork exports and would cause U.S. live hog prices to be \$10 higher per animal, when fully implemented, than would be the case if the United States lost an export market of this size. This increase in live hog prices would occur even if Canada and the EU implemented FTAs with Korea. Korea alone will absorb 5 percent of total U.S. pork production. When fully implemented, the KORUS FTA will create more than 9,000 new jobs because of increased pork exports, alone.



C) POULTRY

Korea's tariffs on poultry and egg products range from 18 to 42 percent – which will be eliminated over a 10 to 12 year phase-out period.

Korea's most significant poultry imports are frozen chicken cuts, such as legs and wings, followed by frozen turkey cuts. The United States is the leading supplier, with an average market share of 53 percent, followed by Brazil and the EU. The EU-Korea FTA took effect on July 1, 2011, so U.S. market leadership may be challenged, as EU poultry producers will gain a price advantage.

The United States is also the leading foreign supplier of eggs and egg products to Korea – holding a 30 percent market share. The KORUS FTA will phase out Korea's 27 percent tariff on egg products in 12 equal annual reductions – helping U.S. egg producers lock in and grow market share.



D) DAIRY

Cheese – The KORUS FTA will immediately eliminate Korea's 36 percent tariff on up to 7,000 metric tons of U.S. cheese. Remaining tariffs will be phased-out over time. Tariffs will be completely eliminated on unlimited quantities of U.S. cheddar cheese in 10 years, with all U.S. cheese gaining tariff-free access after 15 years.

Milk – As recently as 2009, U.S. dairy producers held only a 3.4 percent share of the Korean market for skim and whole milk powder, shipping approximately 726 metric tons of milk powder and condensed and evaporated milk. The KORUS FTA will immediately eliminate tariffs on up to 5,000 metric tons of U.S. milk products – creating a huge growth opportunity. Current tariffs ranging from 20 to 176 percent will gradually be eliminated on over-quota imports.

Butter – Australia, New Zealand and the EU are the dominant providers of butter to the Korean market. U.S. providers account for only 3 percent of total imports – as they face stiff Korean tariffs ranging from 40 to 89 percent. The KORUS FTA will help open the market by allowing immediate duty-free access to 200 metric tons of U.S. butter. This quantity will grow, with full duty-free access granted to an unlimited supply of U.S. butter after 10 years.



E) FRUITS, VEGETABLES AND NUTS

In 2010, the United States exported an estimated \$397 million worth of fruits, frozen juices and vegetables to Korea. Farmers across America will benefit from the KORUS FTA's reduction and elimination of tariffs on a variety of U.S. fruit and vegetable exports.

The KORUS FTA will immediately eliminate tariffs on 60 percent of U.S. agricultural goods, including fresh cherries, asparagus, eggplants, celery, cucumbers, spinach, processed tomatoes and tomato paste. In addition, within five years of the agreement's entry into force, tariffs will be eliminated on carrots, broccoli, cauliflower, dried mushrooms and peas.

Oranges – For the past several years, Korea has been the second largest market for U.S. oranges. Between 2007 and 2009, the United States exported an annual average of 79,000 metric tons of oranges to Korea.

Upon its entry into force, the agreement will lower tariffs on 70 percent of U.S. orange exports to Korea. The current Korean 50 percent tariff on "out-of-season" oranges, those entering the market between March 1 – August 31, will be immediately reduced to 30 percent. Over the course of six years, that 30 percent tariff will be reduced to zero, providing U.S. orange exporters a competitive edge in the market.

For oranges entering the market "in-season" (between September 1 through the end of February), the initial duty-free tariff-rate quota (TRQ) of 2,500 metric tons will apply during the first year of the agreement. The TRQ will then grow at a compound 3 percent rate annually from the second year of implementation onward.

Orange Juice – Korea is also the world's third largest market for U.S. orange juice. The United States exported \$9.7 million worth of orange juice between 2007 and 2009.

When the KORUS FTA enters into force, Korea's 54 percent tariff on frozen orange juice concentrate will be eliminated immediately.

"Orange juice is the most popular juice drink in Korea, with imports exceeding \$100 million annually. The 1,100 grower-members of Florida's Citrus World cooperative currently export concentrated frozen orange juice to Korea, but these exports face high Korean duties of 54 percent. **KORUS would immediately eliminate these high Korean duties**, slashing the price that Korean consumers would pay for U.S. orange juice. This would give Citrus World and other American exporters a huge competitive advantage over suppliers from Brazil (the current lead) and other countries...."

- *Third Way*
April 2011

Grapefruits – In 2009, U.S. grapefruit exports to Korea amounted to \$5.1 million. When the KORUS FTA enters into force, the current tariff rate of 30 percent will be reduced to zero in five equal annual installments.

Lemons – In 2009, Korea was the fifth largest market for U.S. lemons. U.S. exporters shipped an average of 6,500 metric tons, or \$7 million worth, of lemons to Korea between 2007 and 2009.

In its first year, the KORUS FTA will reduce Korea's 30 percent tariff on U.S. lemons to 15 percent. By January 1 of its second year, the tariff will be eliminated entirely.

Cranberries – U.S. cranberries entering the Korean market face tariffs between 8 and 50 percent. The agreement will completely phase out these tariffs over the course of five to 10 years.

Grapes – U.S. table grapes are exported both "out-of-season" (October 16 – April 30) and "in-season" (May 1 – October 15). Upon enactment of the KORUS FTA, the 45 percent Korean tariff on out-of-season U.S. table grapes will immediately drop to 24 percent. It will then fall to zero via four annual and equal reductions. This reduction will apply to 70 percent of all U.S. table grape exports to Korea.

The remaining 30 percent are shipped in-season. With the KORUS FTA in place, the 45 percent Korean tariff on in-season U.S. table grapes will be phased out in equal annual installments over 17 years.

Grape Juice – U.S. exports of grape juice also face a 45 percent Korean tariff, which will be eliminated immediately when the KORUS FTA takes effect.

Potatoes – U.S. chipping potatoes, frozen french fries and up to 5,000 metric tons of dehydrated potatoes will receive immediate duty-free access to the Korean market when the agreement enters into force.

Stone Fruits – Korea's 24 percent tariff on cherries will be eliminated immediately. Its 45 percent tariff on peaches and plums will be phased out over 10 years. The United States exported more than \$28 million worth of cherries to Korea in 2010. That was more than four times the amount of 2005. Plums and peaches saw even more export growth during the same period, despite the high tariff.

Almonds – Korea's tariff on almonds is 8 percent. It will be eliminated immediately when the KORUS FTA takes effect. Even with the tariff in place, Korea is a growth market for U.S. almond growers. Their exports to Korea came to about \$64 million in 2010 – an increase of more than 50 percent over 2008.



F) GRAINS

Corn – Korea is the third largest foreign market for U.S. corn. From 2008 through 2010, U.S. suppliers shipped an annual average of 7.2 million metric tons of corn valued at \$1.9 billion.

Under the KORUS FTA, Korea's imports of U.S. corn for feed are guaranteed to enter duty free immediately. Korea currently imports large quantities of feed corn under a TRQ of 1.8 percent.

Wheat – In 2010, Korea was the sixth largest market for U.S. wheat. From 2008 through 2010, U.S. suppliers shipped an annual average of 1.3 million metric tons of wheat valued at \$380 million. U.S. suppliers face strong competition from Australia and Canada in the Korean market.

Almost all wheat shipped by the United States to Korea is non-durum wheat, for which Korea has a WTO bound tariff of 1.8 percent. An unlimited amount of U.S. wheat for milling will enter Korea duty free upon implementation of the KORUS FTA.

"The FTA would likely increase U.S. exports of grain to Korea, particularly exports of corn. Tariff reductions should increase U.S. competitiveness in the Korean market, especially relative to Brazil and China."

- U.S. International Trade Commission

"The agreement offers immediate duty-free access to U.S. soybeans for crushing and to U.S. soybean meal. And for the first time, producers of U.S. food-grade soybeans would have access to the South Korean market outside of the import monopoly created by the Korean State Trading Enterprise. Tariffs on refined soybean oil would be eliminated over 5 years, and tariffs on crude soybean oil would be eliminated over 10 years."

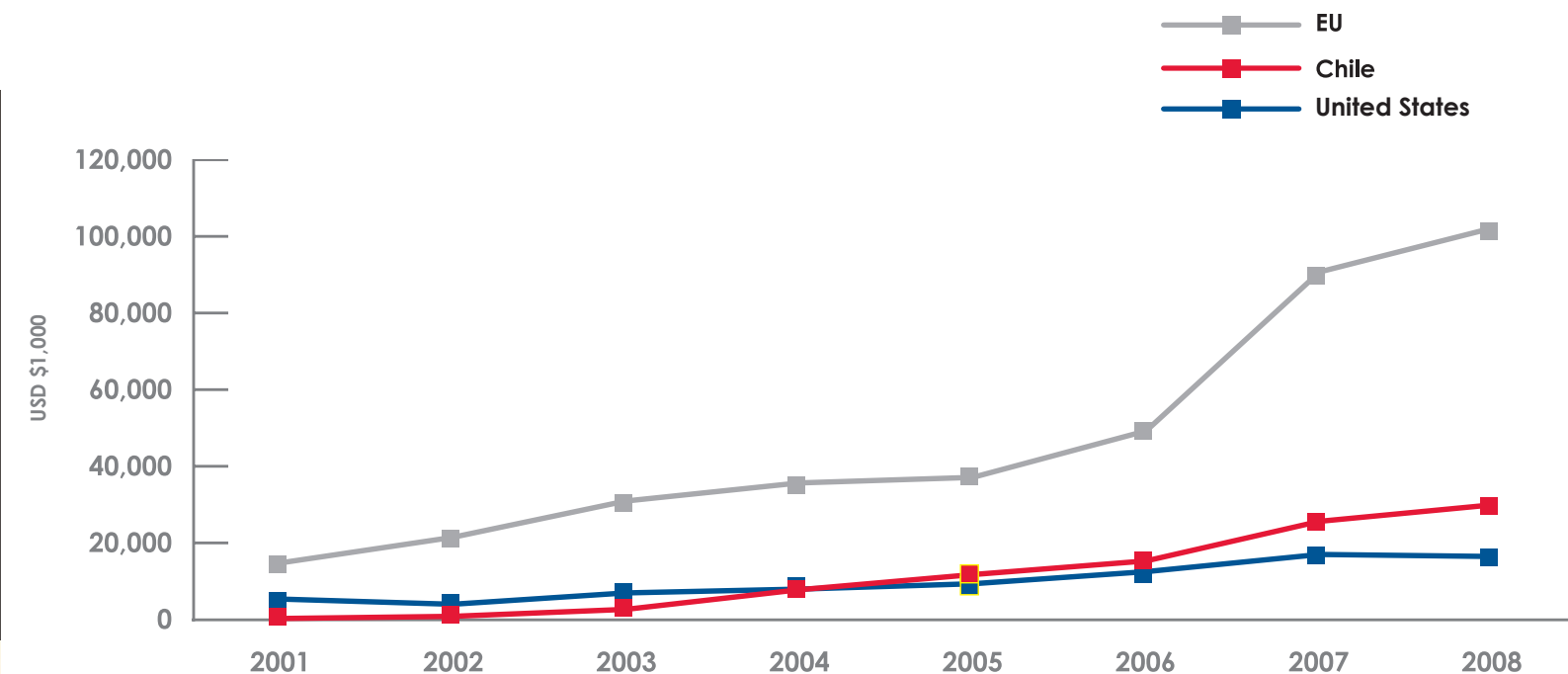
- American Soybean Association

G) WINE

Asia is the most important emerging market for the world's wine industry. In Korea, U.S. wine producers face stiff competition from vintners in Europe, Chile, Australia, New Zealand and South Africa. **In 2005, Chile replaced the United States as the second largest exporter of wine to the Korean market.** France remains the number one provider of wine in Korea.

The ascent of Chilean wines can be directly attributed to the Chile-Korea Free Trade Agreement, implemented in 2004, which eliminated a 15 percent tariff on wine – providing Chilean imports with a big price advantage. With implementation of the EU-Korea FTA on July 1, 2011, tariffs on European wines will also be eliminated – giving winemakers in France, Germany, Italy, Spain, Portugal and other nations a distinct advantage over their U.S. counterparts.

Korean Wine Market: Imported Wine, 2001-2008



Source: American Farm Bureau Federation.

"Korea is an important market opportunity for California winegrape growers. At this point in the economic recovery, a free trade agreement with Korea would provide a much needed boost for the California wine industry."

- Heidi Sched, Vice President, California Association of Winegrape Growers
March 16, 2011

2) Automobiles

The Facts About U.S. Access to the Korean Auto Market

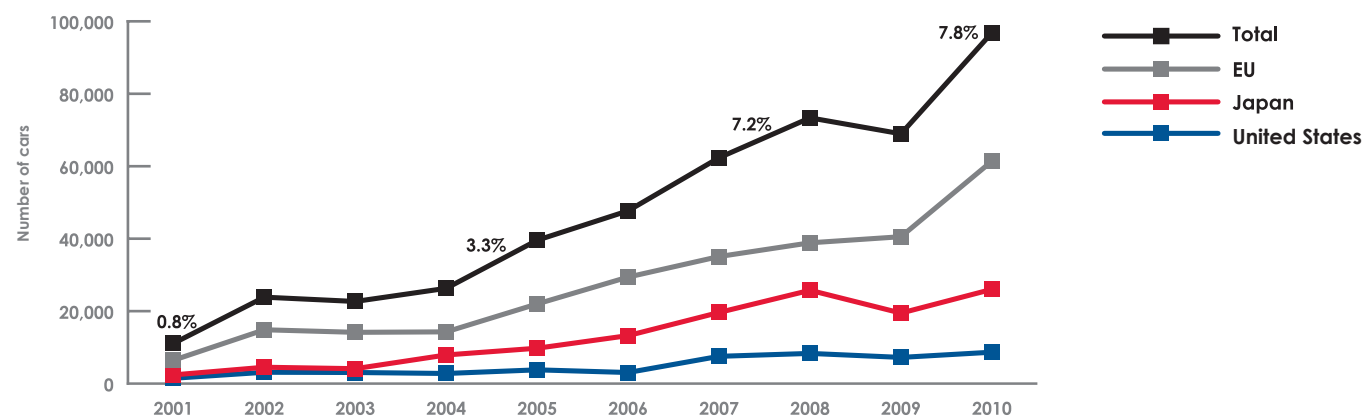
Foreign Access: The KORUS FTA is mutually beneficial. Once protected, the Korean auto market has continued to open to imports. In 2010, the market share for imported passenger cars (based on registration) was 7.8 percent – which amounts to a 29 percent average annual increase since 2001.

The beneficiaries of the growth in imported auto sales in Korea have primarily been Japanese and European carmakers – with U.S. autos gaining only slightly.

“The UAW joins Congressman Sander Levin in his statement that, ‘The changes announced to the U.S.-Korea Free Trade Agreement (FTA) today are a dramatic step toward changing from a one-way street to a two way street for trade between the U.S. and South Korea. These changes represent an important opportunity to break open the Korean market for U.S. businesses and workers and boost American manufacturing jobs, particularly in the automotive sector.’”

**- United Auto Workers
December 6, 2010**

Imported Foreign Auto Sales in Korea, 2001-2010
(Passenger Cars, Based on Registration)



Source: Korean Auto Manufacturers Association.
*Percentage represents the market share of foreign cars registered in Korea.

“As a global company committed to free trade, Ford Motor Company applauds the outlines of the revised U.S.-Korea Free Trade Agreement.... These new provisions provide Ford greater confidence that we will be able to better serve our Korean customers....”

**- Alan Mulally, President & CEO, Ford Motor Company
December 3, 2010**

Market Preferences

USITC estimates a “negligible” negative impact of the KORUS FTA on U.S. automakers. The difference in national market preferences may play a role. In the Korean auto market, with gas prices normally over \$6 per gallon, consumers have a strong incentive to drive smaller cars. In fact, small cars with engine sizes of up to 2,000 cc account for 77 percent of sales, while 94 percent of U.S. exports to Korea are big cars (over 2,000 cc). EU auto exports to Korea are more balanced – with bigger cars accounting for 57 percent of sales.

Tariff Elimination

Passenger cars – Korea will immediately reduce its tariff from 8 percent to 4 percent, with the remaining tariff eliminated in year five, while the United States will keep its 2.5 percent tariff for five years.

Light trucks – Korea will eliminate its 10 percent tariff immediately, and the 25 percent U.S. tariff will remain until the eighth year and then be phased out by the 10th year.

Electric cars – Korea will cut its tariffs from 8 percent to four percent immediately, and the remaining tariffs will be phased out in four equal annual stages.

Non-Tariff Provisions

Taxes – To encourage lower fuel consumption, Korea imposes some vehicle taxes based on engine size – which charge higher taxes on cars with larger engine displacement. The KORUS FTA will significantly alter Korean auto tax provisions to reduce the emphasis on engine size (displacement).

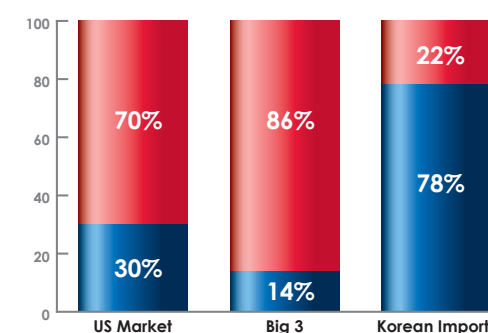
Transparency – Should a new regulation be introduced, there will be a 12-month period before auto companies must comply with it. This will ensure the auto companies have sufficient time to adjust to the regulation changes.

Emission and Safety Standards – The two countries will work toward further harmonization of standards through the KORUS FTA.

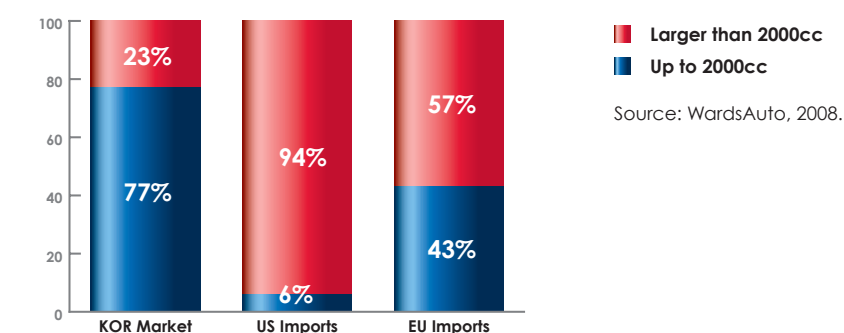
- » Korea commits to bring vehicle emissions standards in line with California’s high standards – and will establish flexible standards for U.S. manufacturers that sell no more than 10,000 vehicles per year.
- » Korea introduces “fleet average system” (FAS) emission standards – providing flexibility to U.S. auto manufacturers.
- » As long as the vehicles of a U.S. manufacturer selling no more than 25,000 units in Korea during the previous year comply with U.S. safety standards, they will be considered as in compliance with Korean standards.

Motor Vehicle Safeguard – The 2010 accompanying agreement establishes an auto-specific safeguard measure against serious injury from import surges, providing additional protection to the U.S. auto industry.

Sales In U.S. Market by Engine Displacement



Sales In Korean Market by Engine Displacement



Source: WardsAuto, 2008.

3) Pharmaceuticals

U.S. Pharmaceutical Industry Supports the KORUS FTA

The U.S. pharmaceutical industry strongly supports approval of the KORUS FTA.

The U.S. pharmaceutical and medical devices industries stand to realize significant benefits from the KORUS FTA and are satisfied that the key provisions will not only protect their interests, but enhance their ability to market products in Korea. Korea is ranked in the world's top 12 pharmaceutical markets, with annual sales of about \$7.9 billion.

Provisions include:

- » Principles on facilitating high-quality health care and improving access to safe, effective, innovative and generic pharmaceutical products, biologics and medical devices.
- » Commitments to providing predictability and transparency in pricing and reimbursement of pharmaceutical products and medical devices.
- » Strengthening of intellectual property protections in Korea, which will increase Korean patients' access to innovative U.S. medicines.

"PhRMA has long viewed the Korea-U.S. Free Trade Agreement as a terrific opportunity for Korean patients to access biopharmaceutical medicines produced in the United States. With rising living standards and increasingly sophisticated access to information, Korean patients, like patients everywhere, want access to the most advanced medical treatments."

- John Castellani, President & CEO, PhRMA
December 3, 2010

4) Manufacturing

A Boost for U.S. Manufacturing

The KORUS FTA will eliminate all tariffs on U.S. manufactured goods, creating market opportunities for American exporters and providing a much-needed boost to U.S. industries and their workers.

- » Korea is America's seventh largest trading partner and the 15th largest economy in the world, with a GDP of more than \$1 trillion. Last year, the United States exported \$27.3 billion worth of manufactured goods to Korea – which was 79 percent of all U.S. exports to Korea. Upon implementation, tariffs on 90 percent of manufactured goods will be eliminated.

The U.S. Census Bureau reports that over the past two years, U.S. manufacturers had a **\$50 billion surplus** with their counterparts in FTA partner countries – a fact that bodes well for the positive impact of the KORUS FTA on the U.S. economy.

"The FTA is likely to increase U.S. exports of machinery, electronics, and transportation equipment to Korea. U.S. suppliers of these products would likely benefit from the immediate or phased elimination of Korean tariffs."

- U.S. International Trade Commission

"U.S. exports of pharmaceuticals to Korea are likely to increase because of the more rigorous intellectual property standards to be applied to pharmaceutical products in Korea. The FTA would also provide a more facilitating environment in Korea for U.S. pharmaceutical companies by emphasizing the importance of innovative pharmaceutical products, promoting ethical business practices, and improving the transparency of the Korean national health care system. The FTA would also eliminate Korean tariffs on pharmaceutical products either immediately or within three years of the agreement's implementation."

- U.S. International Trade Commission



A) Case Studies — KORUS FTA will Benefit Small- to Medium-sized Manufacturing Companies

Ellicott Dredges (Baltimore, MD)

Founded in 1885, Baltimore-based Ellicott Dredges is a world premiere manufacturer of medium-sized cutter suction dredges. The company has been active in Korea for over 45 years, supplying dredges to Hyundai, Hanjin and Daewoo, among others. An enacted KORUS FTA will eliminate the 5 percent tariffs currently placed on Ellicott's products, giving the company an edge over its foreign competitors in Korea while supporting more quality jobs for Ellicott and the Baltimore region.



Quality Float Works, Inc. (Chicago, IL)

A family-owned and operated business for more than 95 years in southwest Chicago, Quality Floats Works, Inc. is a manufacturer of floats and assemblies used in gas, oil, plumbing and agricultural applications worldwide. Quality Float Works began exporting to Korea in 2003, and has increased its sales eightfold since then. The company's products face tariffs of up to 8 percent in Korea, which will be eliminated immediately through the KORUS FTA – increasing market access and job opportunities for Quality Float Works and its suppliers.

Kwik-Way Products (Cedar Rapids, IA)

Cedar Rapids-based Kwik-Way Products is a chief manufacturer and innovator of car brake lathes and valve refacers for automobile engines. Since its founding in 1920, the company has continually expanded its international presence, exporting to Korea on several occasions. The KORUS FTA will eliminate tariffs of 8 to 15 percent on Kwik-Way's merchandise, which will support quality jobs for the company and give it an edge over its competitors in Italy, Germany and France.



Shook Mobile Technology (San Antonio, TX)

One of the pioneer manufacturers of broadcast field production units for the television industry, San Antonio-based Shook Mobile Technology designs, engineers and manufactures vehicles designed for broadcast, communications, data gathering and other specialty applications. A recognized export leader for over 24 years, Shook's business in Korea has enabled the company to double its workforce and increase gross revenues. The KORUS FTA will provide even greater economic opportunity for Shook Mobile by eliminating tariffs of up to 20 percent on the company's products.

PLIDCO® (Cleveland, OH)

Founded in 1949, the Pipe Line Development Company (PLIDCO®) is a family-owned worldwide business that manufactures pipeline repair and maintenance fittings. With its products completely manufactured in Cleveland, the company's international presence comprises approximately 70 percent of PLIDCO®'s export revenue. PLIDCO® currently faces Korean tariffs of up to 8 percent, which will be eliminated immediately via an enacted KORUS FTA – expanding PLIDCO®'s market access and giving the company an edge over its chief international competitors in Europe.

5) Consumer Electronics

American consumers benefit from international trade through increased competition, product variety and lower prices. The KORUS FTA will increase bilateral trade in consumer electronics between the United States and Korea, to the benefit of both nations.

The U.S. high-tech sector accounts for more than 20 percent of all annual U.S. export goods. The United States was second in the world in high-tech exports in 2009, after China.

"Between 2001 and 2007, U.S. high-tech exports to Korea increased by 20 percent, totaling \$8.9 billion in 2007. Passage of the Agreement will build on a dynamic bilateral trade and investment relationship between the United States and Korea, adding certainty for our industry's business leaders, removing tariffs and non-tariff barriers. CEA represents over 2,000 of the world's most cutting-edge technology companies, two-thirds of which are engaged in international trade. This agreement is vital for U.S. businesses to remain competitive and to create American jobs, which are the source of our innovation."

- Gary Shapiro, CEO, Consumer Electronics Association
December 3, 2010

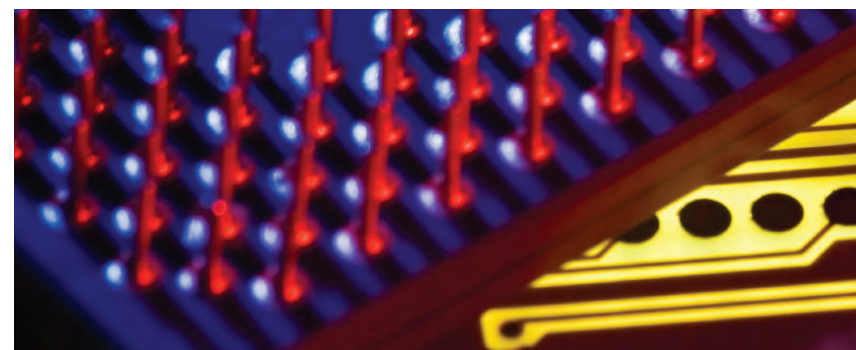
6) Information Communications Technologies

The KORUS FTA Will Lock In a Key Market for American IT Products and Services

Korea is one of the **world's largest markets for high-tech goods** from the United States. Only nine countries imported more American tech products than Korea in 2008 (TechAmerica).

- » "Korea is the ninth largest worldwide market for telecommunications services, which includes landline, wireless and Internet services." - Telecommunications Industry Association
- » The KORUS FTA would eliminate Korean tariffs on almost all U.S. high-tech sector products immediately upon the agreement's entry into force.
- » The KORUS FTA would permit, within two years, subsidiaries of U.S. companies to own 100 percent of a telecommunications services operation in Korea. Currently, foreign ownership is limited to 49 percent.
- » According to the Business Software Alliance, as much as two-thirds of the business of U.S. technology companies arises outside the United States, and foreign opportunities for U.S. information technology (IT) products are likely to grow over time.

Without the KORUS FTA, the United States risks being left behind by rivals like the EU as they break down barriers to trade and expand market share in Korea.



"Although many electronic products, such as semiconductors, telecommunications equipment, and computer equipment currently receive duty-free access to the Korean market under the World Trade Organization's Information Technology Agreement, they are also expected to benefit from the FTA's NTM-related provisions."

- U.S. International Trade Commission

7) Services

Growth Opportunities for America's Biggest Economic Sector

- » A model for future trade agreements, the KORUS FTA further opens Korea's market, providing U.S. service companies with the rights and privileges that Korean companies enjoy domestically. Affected industries include accounting, audio-visual, banking, express delivery, information technology, insurance, legal and telecommunications. The FTA will help pave the way for a greater share of a growing Asian market.

"U.S. services exports would likely increase as a result of the FTA, given the increase in levels of market access, national treatment, and regulatory transparency that would be afforded by the FTA in excess of the current General Agreement on Trade in Services (GATS) regime."

- U.S. International Trade Commission

The USITC also states: "The Korean market is relatively open to U.S. cross-border services exports but relatively closed to U.S. services firms operating on a commercial-presence basis; i.e. selling services through a U.S.-owned affiliate located in Korea.... on a commercial-presence basis, U.S. services firms are on roughly equal footing with EU services firms."

With the EU-Korea FTA in effect since July 1, 2011, U.S. services firms may soon be at a significant disadvantage compared to their European competitors if they are not granted similar market opening provisions, as contained in the KORUS FTA.

VOICES FROM INDUSTRY

"Korea is the third-largest U.S. services export market in the Asia Pacific, behind Japan and China. U.S. services exports to Korea last year reached \$12.6 billion, with the United States enjoying a services trade surplus of \$6.2 billion. The KORUS FTA contains broad and deep commitments to open Korea's market to a wide range of U.S. services, from insurance and other financial services to telecommunications, express delivery, IT services, and many others."

- Coalition of Services Industries
December 3, 2010

"South Korea has the 14th largest economy in the world and the increase in trade that will come from this agreement means more jobs, more global competitiveness and an anchor for U.S. economic engagement in Asia."

- Scott Davis, Chairman & CEO, UPS
December 3, 2010

"Expansion of global trade strengthens FedEx and enables continued growth of our U.S. operations and workforce. As we grow around the world, we create jobs here in the United States."

- Michael L. Ducker, COO & President, International,
FedEx Express
January 25, 2011

A) FINANCIAL SERVICES

By giving U.S. services firms in Korea the rights and privileges that Korean firms enjoy, the FTA will increase opportunities for those firms to grow in Korea and support high-paying jobs in America.

The KORUS FTA:

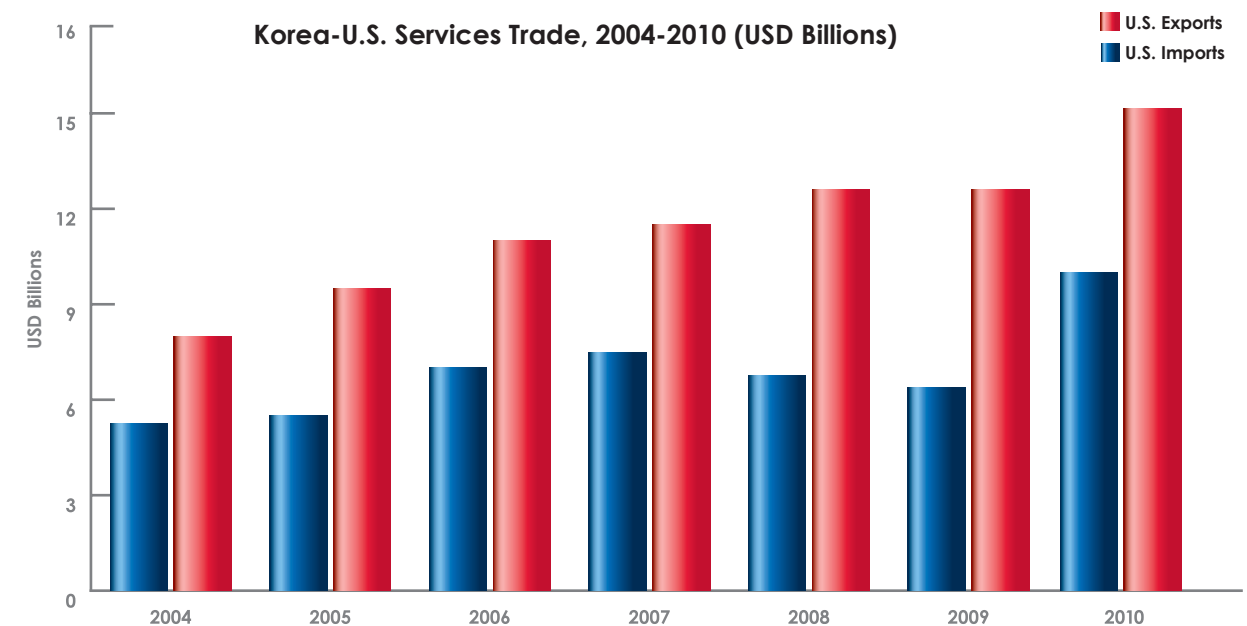
- » Guarantees the right to full American ownership of financial institutions in Korea, including the establishment of bank branches, insurance companies and asset managers.
- » Allows U.S. companies to supply some financial services on a cross-border basis, including portfolio management services of dollar assets for investment funds and international transit insurance.
- » Increases transparency by requiring advance notice of proposed regulations and adequate opportunities for companies to comment, and by striving to have all administrative guidance be in writing and made public.

Korea is the world's eighth largest insurance market, with a total premium value of more than \$65 billion, and will be the largest insurance and securities market subject to a U.S. FTA.

"The KORUS FTA will enhance MetLife's ability to grow in the Korean market and consequently to grow our U.S. workforce. The number of MetLife's U.S. jobs that service our business overseas has increased steadily in recent years – evidence that our growth overseas means increased domestic U.S. jobs. These are highly skilled positions in product development, actuarial, investment, risk management, information technology and finance for our global operations."

- William J. Toppeta, President, International, MetLife Inc.
January 25, 2011

Korea: A Major Market for U.S. Services Providers



Source: U.S. Bureau of Economic Analysis.

- » U.S. services exports to Korea, 2010: \$15.3 billion
- » U.S. services imports from Korea, 2010: \$10.6 billion
- » U.S. services surplus with Korea, 2010: \$4.7 billion

B) AUDIO-VISUAL SERVICES

U.S. firms' access to the Korean audio-visual services market will improve due to long-term reduction of content quotas.

According to the USITC:

- » The KORUS FTA will likely provide U.S. audio-visual services firms increased levels of market access and national treatment by minimizing or freezing most local content quotas and substantially liberalizing foreign ownership restrictions in the Korean broadcasting and film industries.
- » The KORUS FTA will likely have minimal impact on U.S. cross-border imports of audio-visual services from Korea, largely due to the predominance of domestic television programs and films in the United States.

Improvement in U.S. firms' access to the Korean audio-visual services market under the FTA is also significant.

- » The FTA's provisions may encourage further investment in Korea's broadcasting and cable sectors, as Korea has made commitments to phase in up to 100 percent foreign ownership of Korean channel operators and to permit U.S. investment in Korea's rapidly growing digital media services market (which includes Internet-protocol television [IPTV]).
- » The FTA strengthens intellectual property rights protections relating to audio-visual services by including side letters that dedicate additional resources to fight online piracy.

"The FTA provides substantial new trade and investment opportunities, investor protections, regulatory transparency, and other benefits. It is comprehensive, ensures that new U.S. services will automatically receive liberal treatment, and provides that any additional liberalization undertaken autonomously by Korea will be captured under the agreement. The agreement is likely to have a powerful strategic impact on economic relationships in the region."

*- Coalition of Service Industries
September 2009*

C) INTELLECTUAL PROPERTY

A Model Agreement for Protection of Intellectual Property Rights

The theft of intellectual property (IP) – including trademarks, copyrights and patents – plagues the U.S. economy, with over \$200 billion in lost sales each year, according to the FBI. In a global digital economy, it is essential that trade agreements guarantee the protection and enforcement of intellectual property rights, or losses to theft will continue to grow.

For IP protection, **the KORUS FTA should be seen as a model for future U.S. trade agreements.** It strengthens protection for intellectual property rights, including software, music, film, videos and text. It also offers the United States an opportunity to lock-in beneficial IP protections with a leading Asian economy and become an example for IP standards in other Asian countries.

"Intellectual property accounts for more than half of all U.S. exports, helping drive 40% of U.S. economic growth."

- U.S. Department of Commerce

"The Entertainment Industry Coalition (EIC) is committed to the passage of the Korea-U.S. Trade Agreement. The agreement includes numerous commitments that are vital to the members of the Coalition such as providing strong protection of intellectual property in the digital age; strengthening copyright enforcement; and securing market access for the goods and services produced and distributed by our members."

- EIC and Motion Picture Association of America Testimony to the U.S. International Trade Commission

"This agreement contains trade rules that will boost the competitiveness of U.S. technology companies and promote economic growth and job creation in the United States."

*- Steve Ballmer, Chief Executive Officer, Microsoft Corporation
December 3, 2010*

D) ENTERTAINMENT

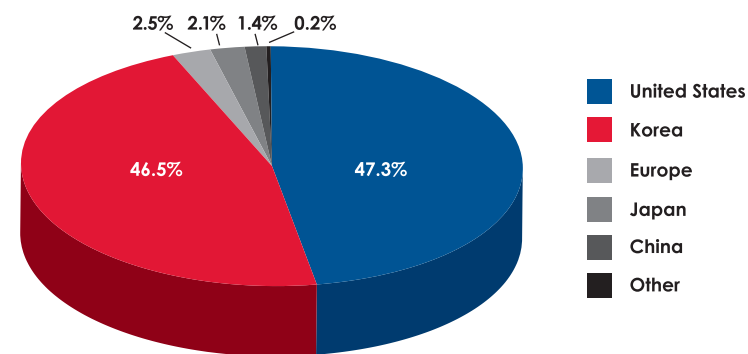
U.S. Film and Television Industry Could See Significant Gains in Korean Market

In addition to strengthening vital intellectual property protections:

The KORUS FTA addresses a major concern of the U.S. film industry – a Korean law mandating that movie theaters show Korean films 146 days per year. In 2006, that quota was reduced by half. The KORUS FTA locks it in at that level.

- » The FTA reduces Korea's television content quotas, providing U.S. entertainment companies new access to Korean audiences, and allowing U.S. programmers to invest in and transmit content over digital platforms – creating new opportunities in an emerging market sector.

Korean Movie Industry: Market Share, 2010



Source: KOFIC Film Research & Development Center, January 2011.

"Korea is an important trading partner and the U.S.-Korea FTA enhances U.S. market access, provides robust protections for U.S. intellectual property and facilitates legitimate online commerce. This agreement is a victory for the U.S. motion picture and television industry and the creative men and women whose livelihoods depend on it, and we support its prompt ratification."

**- Bob Pisano, President & Interim CEO, Motion Picture Association of America
December 3, 2010**

"This agreement has already been publicly endorsed by various organizations, unions and businesses in the entertainment sector. International markets are vital to U.S. companies and workers, and we strongly support the negotiation of trade agreements that protect intellectual property, lower market access barriers to U.S. creative products and services, and promote legitimate electronic commerce."

**- Recording Industry Association of America
December 3, 2010**

1) Institutional Provisions and Dispute Settlement

Emphasis on the Use of Consultations and Trade-Enhancing Remedies to Promote Compliance

The dispute settlement chapter of the KORUS FTA outlines guidelines for producing a conducive environment for dispute settlement. Both sides will designate contact points to facilitate bilateral communication and set up the Joint Committee to supervise the implementation and operation of the agreement and to play a part in dispute settlement.

The dispute-panel procedures of the KORUS FTA require that:

- » Hearings be open and public;
- » The public has access to the legal submissions of the parties to the panel; and
- » Interested parties have the opportunity to submit views to the panel.

The major obligations of the KORUS FTA would be subject to the dispute settlement provisions articulated in the FTA, and the enforcement mechanism of the FTA includes the potential use of monetary assessments, as well as trade retaliatory measures.

In addition to its generic dispute resolution rules, the FTA has alternative dispute resolution procedures specific to automotive products, which are unique to this FTA.

Consultation Mechanism

The KORUS FTA includes designated contact points to encourage and facilitate bilateral communication. Such contact points would, on request, identify other offices or officials responsible for the pertinent matter and assist in linking an official with a question to the person who might answer it.

The Joint Committee

The Joint Committee consists of officials of each party and is co-chaired by the U.S. Trade Representative and the Minister for Trade of Korea, or their designees. This committee would have a wide range of functions in supervising the implementation and operation of the agreement, and play a part in dispute resolution for covered matters.

The Committee could delegate responsibilities to ad hoc bodies, seek input from outside experts, interpret FTA provisions and handle its own procedures. It would meet at least once per year in as transparent a manner as possible, seeking views of the public and taking into account the need for protection of confidential information.

All decisions of the Joint Committee, and all committees, working groups and other bodies established, shall be taken by consensus.

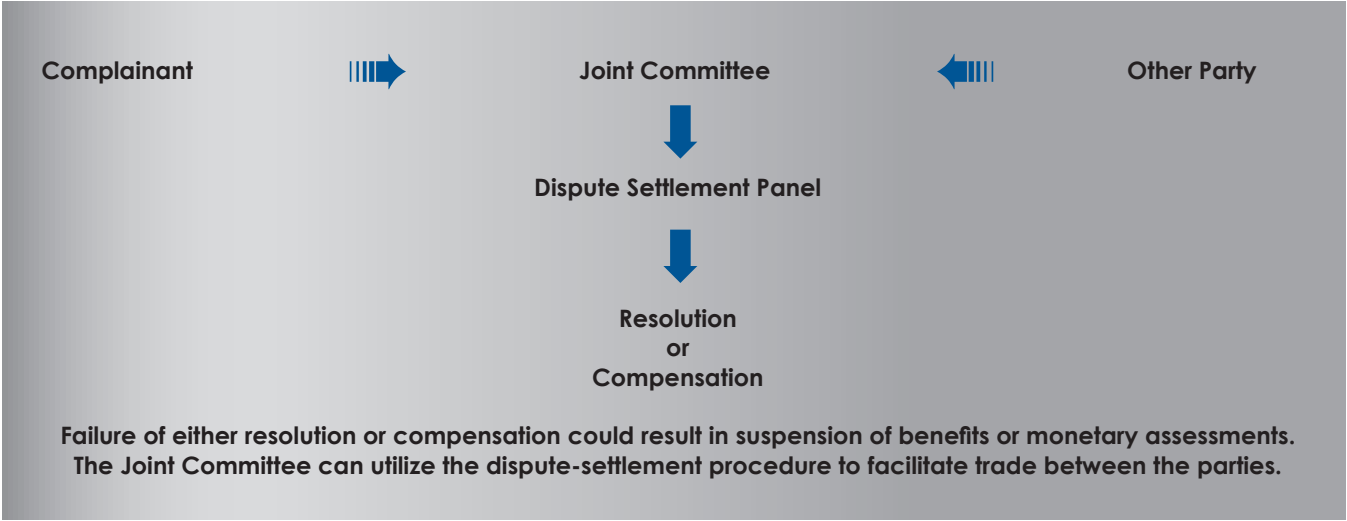
2) Dispute Settlement Proceedings

Although the parties commit to consult and cooperate on FTA matters, one party could invoke dispute settlement on a subject matter not excluded by any FTA provision if it believes that the other has an FTA-inconsistent measure or has failed to carry out an FTA obligation, or that a benefit it reasonably expected has not been given.

Where a dispute regarding any matter arises under this FTA, WTO or any other agreement to which both nations are party, the complaining party could choose the forum in which to settle the dispute.

If a party requests consultations and the consultation fails to resolve the matter by a prescribed deadline, either party could refer the matter to the Joint Committee, followed by a request for a dispute settlement panel, if necessary.

Once a panel constituted has supplied its final report, the report must be made public and the parties would be obliged to agree on the resolution of the dispute in question, normally in a manner that conforms with the determinations of the panel. If parties are unable to agree on a resolution, compensation could be negotiated, payable in either party's currency. If the parties fail to agree on the terms of compensation, or the report or agreed resolution is not implemented, an actual suspension of benefits of equivalent effect could be undertaken in accord with the panel's report, or the party complained against could pay a monetary assessment, the amount of which shall be set at a level, for an amount equal to 50 percent of the total benefit the panel deems to have been involved. The Joint Committee could decide that an assessment should be paid into a fund established by the Joint Committee and expended for appropriate initiatives to facilitate trade between the parties.



3) Auto Specific and More Expedited Dispute Settlement Procedure

Unlike previous FTAs, the KORUS FTA contains provisions of alternative, expedited dispute settlement procedures for disputes concerning motor vehicles.

The proceedings are similar to those for other FTA obligations as described above, except that the Joint Committee would submit the dispute to a panel if it could not resolve it within 30 days. The panel would have 120 days in which to draft a preliminary report and to determine whether a FTA-inconsistent measure materially affected the sale, offering for sale, purchase, transportation, distribution or use of originating goods of a party.

If the panel finds that the violating party has not conformed with its obligations, or that its actions materially injured the other party, the complaining party could increase the tariff on passenger cars to a level not to exceed the prevailing MFN applied rate of duty.

If the panel determines that there is a nonconformity, but that it did not materially injure the other party, the dispute settlement rules and outcomes otherwise provided in chapter 22 as described above would apply. Unless a panel is convened and finds a Non-Conforming Measure under these provisions, the procedures in the annex would expire 10 years after the date of entry into force of this agreement.

4) Increased Transparency

A major complaint from U.S. exporters has been a lack of transparency in the Korean economy. To make doing business easier, the KORUS FTA includes multiple transparency obligations, both in a separate chapter devoted to regulatory transparency and throughout other chapters, including commitments by both national governments to:

- » Publish proposed regulations well in advance – not less than 40 days before the date public comments are due (currently, the notice of proposed regulations must be published 20 days in advance);
- » Allow a reasonable opportunity to comment on the proposed regulations;
- » Address significant substantive comments received;
- » Explain substantive revisions to the proposed regulations in an official journal or in a prominent location on an official government Internet site; and
- » Publish final regulations in an official journal of national circulation.

Also, if one government requests information regarding any actual or proposed measure that it fears will affect the operation of the KORUS FTA, the other government must provide such information promptly.

Furthermore, the transparency provisions in the KORUS FTA provide each government with judicial or administrative review or correction of final administrative actions; require each government to adopt a policy of not discouraging private persons in its territory from purchasing or using goods or services of the other party; and require a resolution to eliminate bribery and corruption in international trade and investment.

5) Additional Transparency Provisions

Additional transparency provisions apply in the area of technical barriers to trade (TBT), services and financial services.

- » For TBT, both national governments are committed to (i) allow persons of the other government to participate in the development of standards, technical regulations and conformity assessment procedures as well as (ii) allow at least 60 days after transmitting a proposal to the other government so that it can provide comments in writing on the proposal.
- » For services, in case of no advance notice or opportunity for comment on proposed regulations, the reasons shall be provided in writing.
- » For financial services, regulatory authority shall make, within 120 days, an administrative decision on a completed application of an investor in a financial institution, a financial institution or a cross-border financial supplier of the other government relating to the supply of a financial service.

The robust economic relationship that Korea and the United States enjoy is based on their 60-year-old security alliance, which itself is based on our two countries' shared values, including freedom, democracy, a commitment to open and free markets, and human rights.

Korea emerged from the Korean War in shambles. It was one of the world's poorest countries, with a per capita income of less than \$100. Today, Korea is a highly prosperous and developed democracy, with the world's 15th largest economy and a per capita income of \$20,000 (\$29,000 at purchasing power parity).

Such miraculous growth would not have been possible without the support the United States has provided to Korea over the last half-century.

- » As Korea's economy has grown, so has its bilateral cooperation with the United States on a host of issues.
- » A Korean provincial reconstruction team is in Afghanistan now, rebuilding infrastructure and planting the seeds for economic growth.
- » A Korean Navy destroyer is in the Gulf of Aden, contributing to U.S.- and EU-led anti-piracy operations off the coast of Somalia.

Korean scientists – in government and in the private sector – are working with American counterparts on scores of research projects, addressing climate change, smart-grid technology, peaceful uses of nuclear power and many others.

The KORUS FTA will serve as a trans-Pacific bridge from the United States to East Asia, the world's most economically dynamic region. It will help ensure that the U.S.-Korea alliance remains a vital force for stability in Northeast Asia. It will strengthen Korea's longstanding security and economic relationship with the United States and serve as a pillar for the alliance in the 21st century.

"South Korea is a responsible and dynamic partner on the world stage, helping to solve shared problems, and promoting broader security and prosperity."

- **Hillary Rodham Clinton, U.S. Secretary of State**
July 21, 2010

"At a time when some fear that American leadership in Asia is waning, not to approve our free trade agreement with Korea would be a disastrous signal to send."

- **Condoleezza Rice, Former U.S. Secretary of State**
May 9, 2010

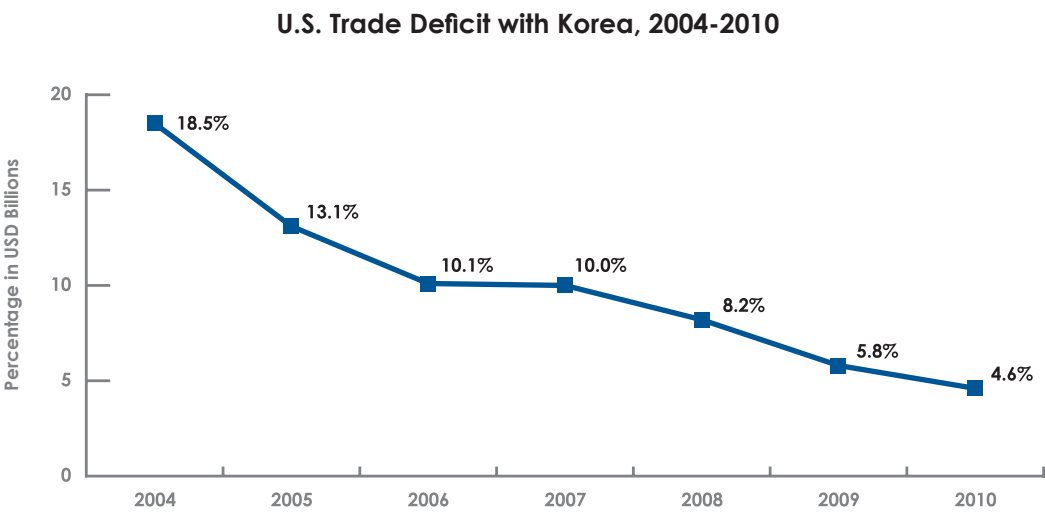
"The vital importance of South Korea to our economy, our national security, and our diplomatic influence on the Pacific Rim needs no explanation. This FTA alone could substantially increase U.S. employment and further strengthen the crucial economic ties with this brave ally which is central to our defense of the region. It is hard to find a more dramatic record in history of a nation that has risen from the ashes of destruction to become a vibrant democracy and economic power. We simply must move forward on this Korean FTA."

- **Four-star General Barry R. McCaffrey (Ret.)**
March 17, 2011

1) Korea’s Trade Balance with the United States

A) IS KOREA A MAJOR SOURCE OF THE U.S. TRADE DEFICIT?

» **No.** In 2010, the United States had only a \$4.6 billion trade deficit with Korea in goods and services. Trade between Korea and the United States is virtually balanced considering the **total trade volume of \$115.2 billion** between the two countries last year.



Source: U.S. International Transactions Account Data, BEA, U.S. Department of Commerce, 2010.

» Since 2004, the U.S. trade deficit with Korea has been **decreasing** annually by an average of **\$2.6 billion per year**.

B) HOW DOES THE U.S. TRADE DEFICIT WITH KOREA COMPARE TO ITS DEFICITS WITH OTHER COUNTRIES?

» In 2010, the United States had only a \$4.6 billion trade deficit with Korea in trade of goods and services, whereas the United States had a \$495.7 billion trade deficit with the rest of the world.

» To put this number into perspective, below are the trade deficit figures with other leading U.S. trading partners:

U.S. Trading Partner	Trade Deficit (USD Billions)		
	2009	2010	Change
China	\$219.4	\$262.7	+ \$43.3
Mexico	\$41.4	\$60.5	+ \$19.1
Japan	\$26.5	\$41.2	+ \$14.7
Germany	\$34.6	\$40.2	+ \$5.6
Korea	\$5.8	\$4.6	- \$1.2

Source: Bureau of Economic Analysis, U.S. Department of Commerce, 2010.

2) Labor Issues

Concerns about labor standards in the KORUS FTA are misplaced.

A) INTERNATIONAL RECOGNITION

- » South Korea maintains and enforces high-level labor standards and protections as recognized by the international community.
- » In 2007, the **OECD Employment and Labor Affairs Committee (ELSAC) officially declared an end to its monitoring of Korea's labor laws and labor relations**, meaning the international community recognizes Korea's high-level labor standards and appropriate labor law regimes.
- » Korean workers enjoy a high level of protection against dismissals. **The OECD Synthetic Indicator on Employment Protection for Korea in 2008 was 2.13**, only slightly below the OECD average of 2.23. The U.S. indicator is 0.85, significantly lower.
- » Korea has ratified **four of the eight core International Labor Organization (ILO) conventions** while the United States has ratified **two**.
 - » Korea ratified the Conventions on Equal Remuneration; Discrimination; Minimum Age; and Worst Forms of Child Labor.
 - » The United States ratified the Conventions on Abolition of Forced Labor and Worst Forms of Child Labor.

B) KOREAN LABOR UNIONS

- » **Labor unions in Korea are powerful organizations** that, like American unions, work toward better pay and benefits, improving conditions and ensuring both fair and safe working environments. Korean workers are free to form and join labor unions and choose on their own whether to take action.
- » The Trade Union and Labor Relations Adjustment Act specifically **permits workers to take time off from work to engage in union activities** in a manner fully consistent with ILO recommendations (Recommendation Concerning Protection and Facilities to be Afforded to Workers' Representatives in the Undertaking). The language involved is almost identical to that in Section 8 of the National Labor Relations Act.

C) KORUS FTA LABOR PROVISIONS

The KORUS FTA includes the strongest labor rights protections ever negotiated by the United States.

- » The KORUS FTA fully incorporates the terms of **the bipartisan Congressional agreement on U.S. trade policy reached in May 2007**.
- » Unlike previous FTAs the United States has approved, the KORUS FTA ensures that the Korean government will be held to **the same level of accountability for meeting labor commitments** as it is for meeting its other commitments in the agreement, like reducing tariffs and opening financial and service markets.
- » **The FTA allows any interested party (including U.S. unions) to file a complaint** with the U.S. Department of Labor if a labor rights standard is violated.
- » The labor provisions of the KORUS FTA include obligations to **respect core ILO standards and rights** as stated in the ILO Declaration of 1998; to **not weaken the laws that reflect those rights**; and to **effectively enforce domestic labor laws**.

D) CORRECTING MISPERCEPTIONS

- » **MISPERCEPTION:** *KORUS FTA only refers to the ILO "Declaration," not the "Conventions."*
- » **REALITY:** Neither country has ratified all eight core ILO Conventions. Korea has ratified four while the United States has ratified only two. Article 19.6 establishes a Labor Cooperation Mechanism to further advance common commitments regarding labor matters.
- » **MISPERCEPTION:** *KORUS FTA limits labor complaints to cases where a connection to trade or investment can be established.*
- » **REALITY:** This limitation is designed to protect the United States and avoid opening the entire U.S. labor code to challenges by trading partners (CRS Report, December 2007).

3) Foreign Investor Protection

A) FTA WILL PROVIDE IMPORTANT NEW PROTECTIONS FOR U.S. BUSINESSES IN KOREA

U.S. firms operating in Korea can be subject to secretive regulations and governmental interference of a sort that would be unthinkable domestically, but are far too common overseas.

- » **The FTA establishes a legal framework that will protect U.S. investments in Korea and guarantee that U.S. companies operating in Korea are afforded the same rights and opportunities as Korean companies.**

U.S. law already grants substantive and procedural protections to foreign investors operating in the United States. Korean companies are already afforded the same rights and opportunities in the United States as U.S. companies.

- » To ensure that the Korean government enforces these investor protections, the FTA establishes **a binding and transparent arbitration mechanism**, under which investors may bring a claim before a tribunal for any breach of these guarantees.
- » All the work of the tribunal will be made publicly available, much like the decisions of a U.S. Court would. The tribunal will accept comments from non-disputing parties who might have an interest in the case.

B) A LEVEL PLAYING FIELD

Korean companies will not be granted any additional rights that go beyond those afforded to American companies.

- » Some opponents of the FTA have alleged that this section will provide Korean companies with rights greater than those afforded to U.S. companies. Not only is that not true, it is directly rebutted in the text of the agreement which says, **"foreign investors are not hereby accorded greater substantive rights with respect to investment protections than domestic investors under domestic law where, as in the United States, protections of investor rights under domestic law equal or exceed those set forth in this Agreement."**
- » Since the United States already affords full protections to foreign companies, under its legal system, and provides full access to U.S. courts to foreign companies, the dispute mechanism will primarily serve as a way for American companies to get the same protections in Korea.

4) Auto Issues

The KORUS FTA has the unanimous backing of the "Big Three" U.S. automakers and the UAW, an unprecedented level of support from both business and labor for an FTA.

A) RULE OF ORIGIN

The rule of origin section of the FTA specifies the minimum content of a product that must originate in either the United States or Korea for the product to be eligible for duty-free or reduced-duty treatment.

- » Specifically, the KORUS FTA provides that 35 percent of the components used to manufacture products (under the build-up method/net cost method) or 55 percent of the components of the final product (using the build-down method) must originate in one of the two countries to be eligible for the FTA's preferential treatment. Each methodology's benchmark percentage is supposed to be equivalent to each other to avoid any circumvention.
- » Some opponents have claimed that the EU has received a better deal than the United States, because the EU-Korea FTA stipulates that foreign contents should not exceed 45 percent of the value of the product. This is wrong. A 45 percent maximum foreign content rule under the EU-Korea FTA corresponds with the minimum 55 percent domestic content rule under the KORUS FTA (in build-down method). In addition, it should be noted that the EU's standard foreign content rule was 40 percent instead of 45 percent.

According to a June 15, 2011 report by the Congressional Research Service (CRS), "It appears that the requirements under the KORUS FTA are roughly equivalent to those imposed upon South Korean and European Union vehicles under the South Korea-European Union Free Trade Agreement, which takes effect July 1, 2011."

B) DUTY DRAWBACK

Duty drawback is a system commonly used in many countries, including the United States, to promote exports. Under a duty drawback system, the government repays certain duties it collects on imported products that are used as components in products that are then exported.

- » Duty drawback has a long history in U.S. trade law, dating back to the first U.S. tariff act in 1789. The purpose is to provide a level playing field to U.S. exporters, permitting American businesses to compete in foreign markets without the handicap of including the duty paid on imported merchandise in its costs.
- » Duty drawback is a legitimate and widely-used program in international trade. The WTO specifically exempts duty drawback from subsidy-related challenges. The KORUS FTA and many other FTAs do not have any specific provisions on duty drawback, since there is nothing special or unique about it.
- » Conversely, the EU-Korea FTA does have some duty drawback provisions, which specifically allow the current regime in both economies to continue. The EU-Korea FTA has also provided for the possibility of a cap on duty drawback amounts beginning in the fifth year of implementation. However, the cap would be triggered only in the exceptional case of a huge import surge and sourcing pattern change. To deal with the possibility of an import surge in the automotive trade, the KORUS FTA's accompanying agreement announced in December 2010 introduced special motor vehicle safeguard procedures.

5) Korea's Auto Market

A) IS THE KOREAN AUTO MARKET CLOSED?

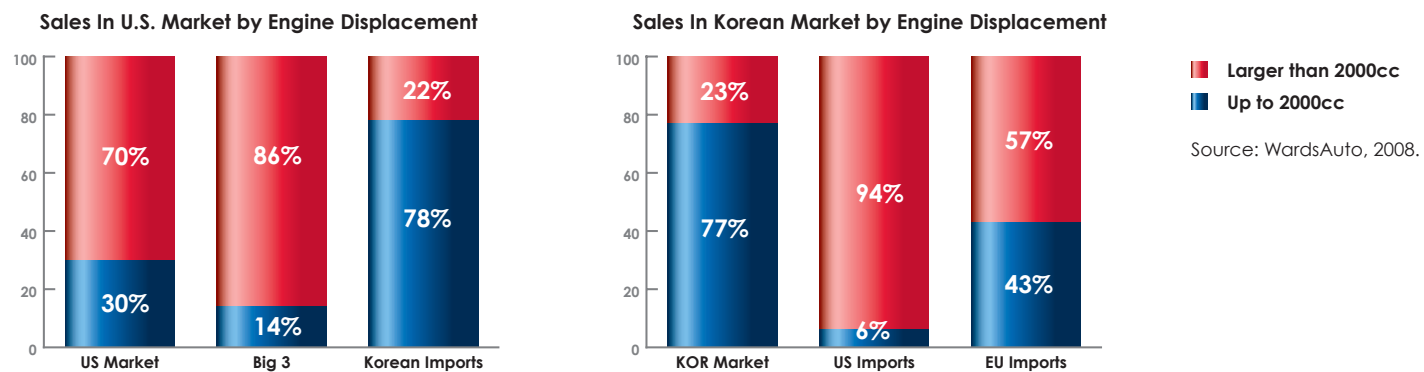
- » **No.** Once protected, the Korean auto market has continued to open to foreign imports. In 2010, the market share for imported passenger cars (based on registration) was 7.8 percent – which amounts to a 29 percent average annual increase since 2001.
- » The beneficiaries of the growth in imported auto sales in Korea have primarily been Japanese and European carmakers – with U.S. autos gaining only slightly.

B) DO IMPORTS OF KOREAN AUTOS TAKE AWAY U.S. JOBS?

- » **No.** Korean automobiles take up a very different segment of the market than U.S. automobiles, and therefore do not take away jobs.
- » Seventy-eight percent of Korean auto sales in the United States are of small cars with engines smaller than 2,000 cc, whereas 86 percent of U.S. auto sales are from large cars with engines larger than 2,000 cc.
- » Korean automakers have brought their production facilities into the United States. Since 2005, Korean companies have invested \$2.4 billion, creating 78,265 jobs in the United States as of 2009.

Investment Amount		Jobs Create as of 2009	Jobs Created by 2012 (Projection)
Hyundai	\$1.4 billion*	44,463	60,056
Kia	\$1 billion	33,802	48,769
Total	\$2.4 billion	78,265	108,825

*\$1.4 billion is total investment for production (specifically, the production facilities in Alabama).



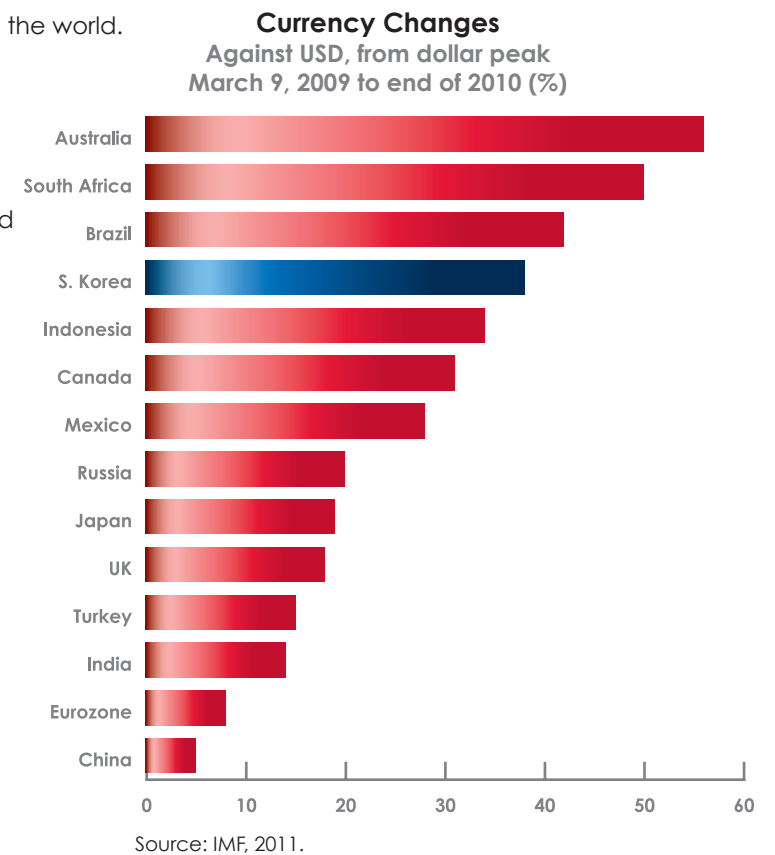
6) Currency Questions

The value of the Korean Won is determined by the market, including economic fundamentals and supply and demand of foreign exchange.

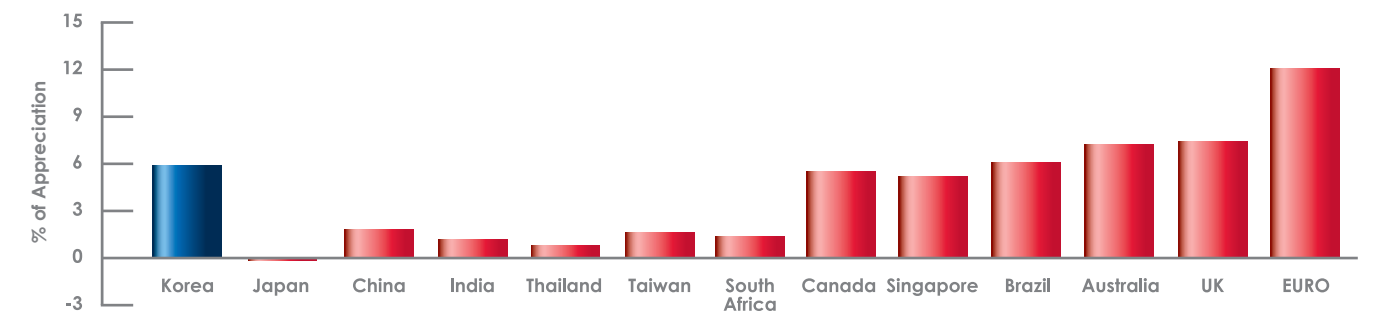
The Korean Won is one of the most flexible currencies in the world.

A) THE WON IS FLEXIBLE

- » Between the Lehman Brothers crisis of September 2008 and March 2010, the Korean Won depreciated by 28.4 percent.
- » From March 9, 2009 to the end of 2010, the Won appreciated by almost 40 percent. The Won appreciated much faster and by a larger percentage than the other currencies did.



In 2011, the Won continued to appreciate compared to other currencies. It appreciated by 5.9 percent between January 1 and April 30 of this year.



Source: IMF, 2011.

*Against USD, from January 1 to the end of April of 2011 (%).

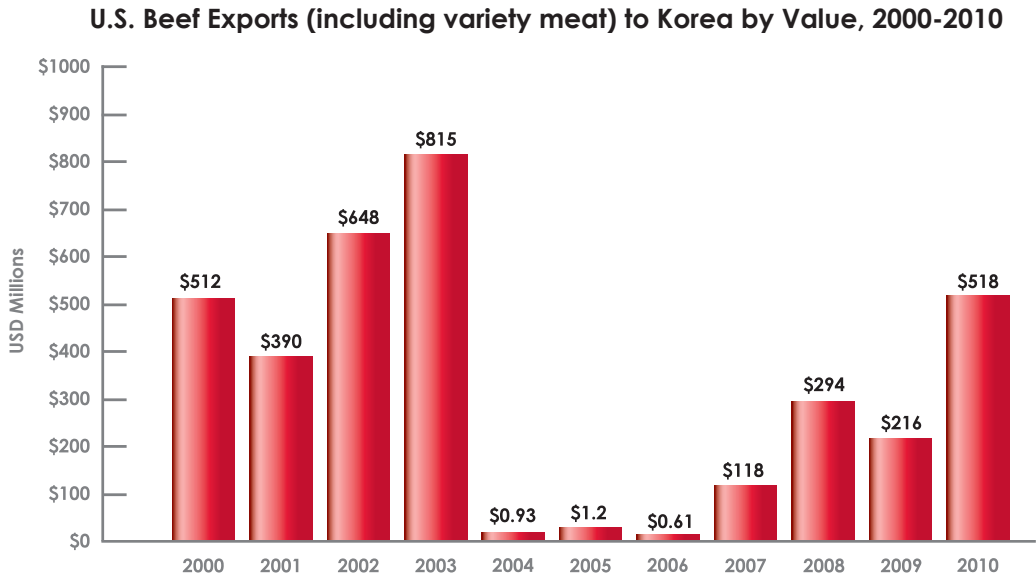
The IMF evaluated that Korea's exchange rate belongs to the category of "floating currency,"* where the exchange rate is determined on the basis of supply and demand in the foreign exchange market.

*Source: IMF 2010 Article IV Consultation with the Republic of Korea (September 2010).

7) Korea’s Beef Market

A) WHAT IS THE MARKET FOR U.S. BEEF IN KOREA?

- » The United States is the top supplier of beef to Korea.
- » U.S. beef exports to Korea grew 103 percent in volume and 140 percent in value between 2009 and 2010.



Source: U.S. Department of Agriculture.

B) HOW WILL THE U.S. BEEF INDUSTRY BENEFIT FROM THE KORUS FTA?

- » According to a recent American Meat Institute white paper, implementation of the KORUS FTA is expected to increase U.S. beef exports by \$1.4 billion and create an estimated 17,600 jobs.

8) Kaesŏng Industrial Complex (KIC)

Concerns have been raised about the possibility that products made in the KIC will be illegally exported to the United States. Some also argue that the passage of the KORUS FTA will result in a surge of North Korean imports. These concerns are misplaced.

A) WHAT IS THE KIC?

- » The Kaesŏng Industrial Complex is a collaborative economic development zone between South and North Korea, located in North Korea, six miles north of the demilitarized zone (DMZ). Although it is located in North Korea and employs an estimated 42,000 North Korean workers, the complex was developed by South Korean businesses.
- » The purpose of this initiative is to support stability in the Korean Peninsula by guiding North Korea to liberalize and reform its economy. The KIC may also serve as a channel through which the North Korean people may learn about the market economy.
- » The United States has taken a similar approach in the Middle East by allowing products made in Qualifying Industrial Zones (QIZs) in Egypt and Jordan access to the U.S. market. It was envisioned in the U.S.-Israel FTA of 1985 and approved by the U.S. Congress in 1996.

B) PRODUCTS MADE IN THE KIC ARE NOT EXPORTED TO THE UNITED STATES

Concerns have been expressed that products made in the KIC might be marked as made in South Korea, then shipped to the United States or that they might be combined with other products in South Korea, then sent to the United States.

- » Most products made in the KIC are destined for markets in Asia and Eastern Europe. Korean companies that do business in the KIC purposefully isolate all KIC products and do not allow them to be shipped to the United States. One reason is that no Korean company wants to run the risk of losing access to the American market for violating the U.S. embargo against North Korea. The approval of the KORUS FTA will not change that.
- » The KORUS FTA will introduce one of the most effective customs enforcement measures the United States has ever agreed to in an FTA, including unannounced visits to Korean textile and apparel producers and denying entry for effective goods. This will effectively help prevent any fraudulent declaration of origin.

C) DUTY-FREE TREATMENT UNDER THE KORUS FTA WOULD REQUIRE SEPARATE APPROVAL BY THE U.S. GOVERNMENT

Some interested parties have expressed concern that the approval of the KORUS FTA would grant duty-free or reduced-tariff access to products made at the KIC in the U.S. market.

However:

- » The KORUS FTA does not grant products made in the KIC duty-free access to the United States. The agreement provides for a future opportunity to expand the FTA to include products made in the KIC if, and only if, both the United States and Korean governments agree by legislative consent.
- » Under the KORUS FTA, stringent criteria must be met before products from the KIC may be considered for market access, including but not limited to:
 - » Progress towards denuclearization of the Korean Peninsula;
 - » The impact of the area on intra-Korean relations;
 - » The environmental standards, labor standards and practices, wage practices and business and management practices prevailing in the area, with due reference to the situation prevailing elsewhere in the local economy and the relevant international norms.
- » Furthermore, the agreement specifically provides each government's responsibility to seek legislative approval for any amendment to the FTA that would allow products from the KIC to access the U.S. market.

9) Illegal Trans-shipments
A) BACKGROUND

Recently, concerns are rising that products trans-shipped through Korea can include false identification information to obtain preferential tariff treatment once Korea's FTAs with the EU and the United States take effect. In many of these cases, during trans-shipment through Korea, non-Korean goods have been falsely labeled as products of Korea. The Korean Customs Service (KCS) is taking significant steps to prevent companies in other countries from taking advantage of the favorable tariff rates legitimate Korean (and European and American) products will enjoy since Korea's FTA with the EU took effect and once the KORUS FTA takes effect.

The Korean government is determined to succeed in these efforts. Third-party goods that falsely claim a Korean origin hurt the reputation of Korean brands because they often fail to meet the same standards of quality and the business activities of Korean firms that legally export their goods. It could also be harmful to Korea's trading partners. This makes the prevention of illegal trans-shipment a priority for all concerned.

The FTAs with the EU and the United States already contain provisions requiring greater control over trans-shipments. Under the agreements, KCS has agreed to:

- » Enhance its inspection and control level on high-risk trans-shipments;
- » Commit to a high level of inspection on potentially illegal trans-shipments before and after implementation of the FTAs; and
- » Prevent unnecessary hurdles for normal trans-shipments by adopting a more systemic inspection method.

B) CURRENT STATUS OF TRANS-SHIPMENT CARGO

I. Statutory Basis for Fighting Illegal Trans-shipment

(i) Korean Domestic Law

Article 38 of the Foreign Trade Act makes falsifying a product's origin information a crime:

"No one shall misrepresent that the country of origin of certain goods, etc. is of the Republic of Korea, if they are actually manufactured in a foreign country." Violators and attempted violators will be punished with a term of imprisonment of up to five years and/or fines up to 100,000,000 Won. Repeat violators typically receive a stricter penalty closer to the maximum.

Article 265 of the Customs Act allows KCS to inspect suspicious goods: *"Any customs official may, when he deems it necessary for the prevention of violations against related acts and regulations inspect goods, transportation carriers, storage places, records and documents or take other necessary measures."*

Article 245 of the Customs Act stipulates that when declaring export, import or return, one must submit a country of origin certificate in addition to the data for duty assessment.

Article 231 of the Customs Act allows KCS to confiscate illegal trans-shipments: *"The customs collector may detain foreign goods with its origin of the Republic of Korea described on them. And the goods in question shall be sold, if the correction order by the officer is not properly carried out."*

(ii) FTA Provisions

The EU-Korea FTA stipulates that each party shall take necessary steps to ensure that trans-shipped products are not substituted by other products (Article 30 of the Protocol on Origination Products and Administrative Cooperation).

Whenever the customs authorities of the importing party have reasonable doubts as to the authenticity of proofs of origin, they may demand verification of such documents (Article 27 of the EU-Korea Protocol).

The KORUS FTA allows the importing party to conduct an on-demand verification of the authenticity of the origin stated (Article 6.18 of the KORUS FTA).

Upon the request of the importing country, the exporting country shall conduct verification in order to help the importing party determine a claim of origin for a textile or apparel good (Article 4.3 of the KORUS FTA).

The Korean government is required to share detailed information in nine categories, including general information about the company; production capacity, including employees and machinery; supplier information; and a description of products with U.S. Customs about every entity engaged in textile or apparel production in Korea (Article 4.3 of the KORUS FTA).

With that information, U.S. Customs officials will be able to positively identify persons or firms that are engaged in illegal trans-shipment without expending a lot of time and resources.

U.S Customs is allowed to make unannounced visits to Korean firms that may be involved in illegal trans-shipment (Article 4.3 of the KORUS FTA).

The importing country can suspend preferential tariffs treatment for the goods concerned or for any good from the concerned company (Article 4.3 of the KORUS FTA).

II. The Management of Trans-shipments

All cargo trans-shipped through Korea must submit inbound and outbound manifests to KCS, including the name of the shipping country, itemized goods and a breakdown by volume.

KCS is running an automatic control system to verify that the inbound and outbound manifests are identical.

KCS has adopted advanced risk management techniques to prevent illegal activities. These include unannounced inspections by customs patrols.

KCS has conducted robust inspection activities since 2008, doubling the value of intercepted goods with manipulated origin details between 2008 and 2010.

C) ENHANCED CONTROL OVER TRANS-SHIPMENTS**I. Enhanced Management**

KCS has established an overall strategy to deal with cargo being trans-shipped through Korea, focused on the companies involved with trans-shipment rather than trying to deal with each case individually.

(i) Targeted Inspection of High-risk Cargo

In December 2010, KCS established a system focused on inspecting cargo with a high risk of trans-shipment fraud based on rapid analysis of its manifest.

KCS analyzes the goods involved, and their sender, receiver and forwarder.

All textile and apparel goods are automatically categorized as high-risk and are subject to both X-ray control and physical inspection.

(ii) Real-time Tracking System

In April 2011, KCS started to use the e-Seal tracking system to track and manage high-risk cargo.

Built-in GPS and wireless communication are attached to high-risk containers entering Korea and transmit information about the cargo from entry to release, including its location and whether or not the seal has been opened.

The Korean Customs Border Control Center monitors containers on an e-map and takes immediate action if suspicious movement is detected.

(iii) Evaluation of Company Compliance

KCS has adopted a stringent evaluation system to categorize companies according to their compliance. This helps with logistics.

This system includes calculating the correctness of their manifests, previous violations, cooperation records, management, facility evaluation or internal control levels.

All companies will be reevaluated on an annual basis.

(iv) Enhanced Controls on Longer-term Cargo

Cargo that stays in a warehouse longer is more prone to origin fraud, so all trans-shipped cargo that does not leave 30 days after submission of the inbound manifests is subject to special inspections.

II. Enhanced Enforcement**(i) Organizational Change**

KCS established a new bureau to take charge of policy planning for implementation of the FTAs, with 157 new officers assigned to work exclusively to verify the accuracy of country of origin information for products going to a country with which Korea has an FTA.

KCS will continue to work closely with other law enforcement organizations, particularly those from countries with which Korea has signed a Customs Cooperation Treaty, including the United States, China, Japan and Russia.

KCS has shifted its focus from preventing domestic distribution of illegal goods coming from third countries to preventing illegal trans-shipment to FTA partners.

(ii) Intensive Control Along with the Major FTAs' Implementation

To show the strong commitment of the Korean government to prevent illegal trans-shipment, KCS will implement pre-emptive controls.

Using information provided by an analysis of the goods, routes and companies involved, the Office of Special Enforcement began large-scale investigations in June in preparation for implementation of the EU-Korea FTA.

Similar investigations will take place as the KORUS FTA is being implemented.

III. Enhanced International Cooperation

(i) Cooperation with FTA Partners

KCS will maintain a cooperative relationship with foreign customs authorities to crack down on illegal trans-shipment.

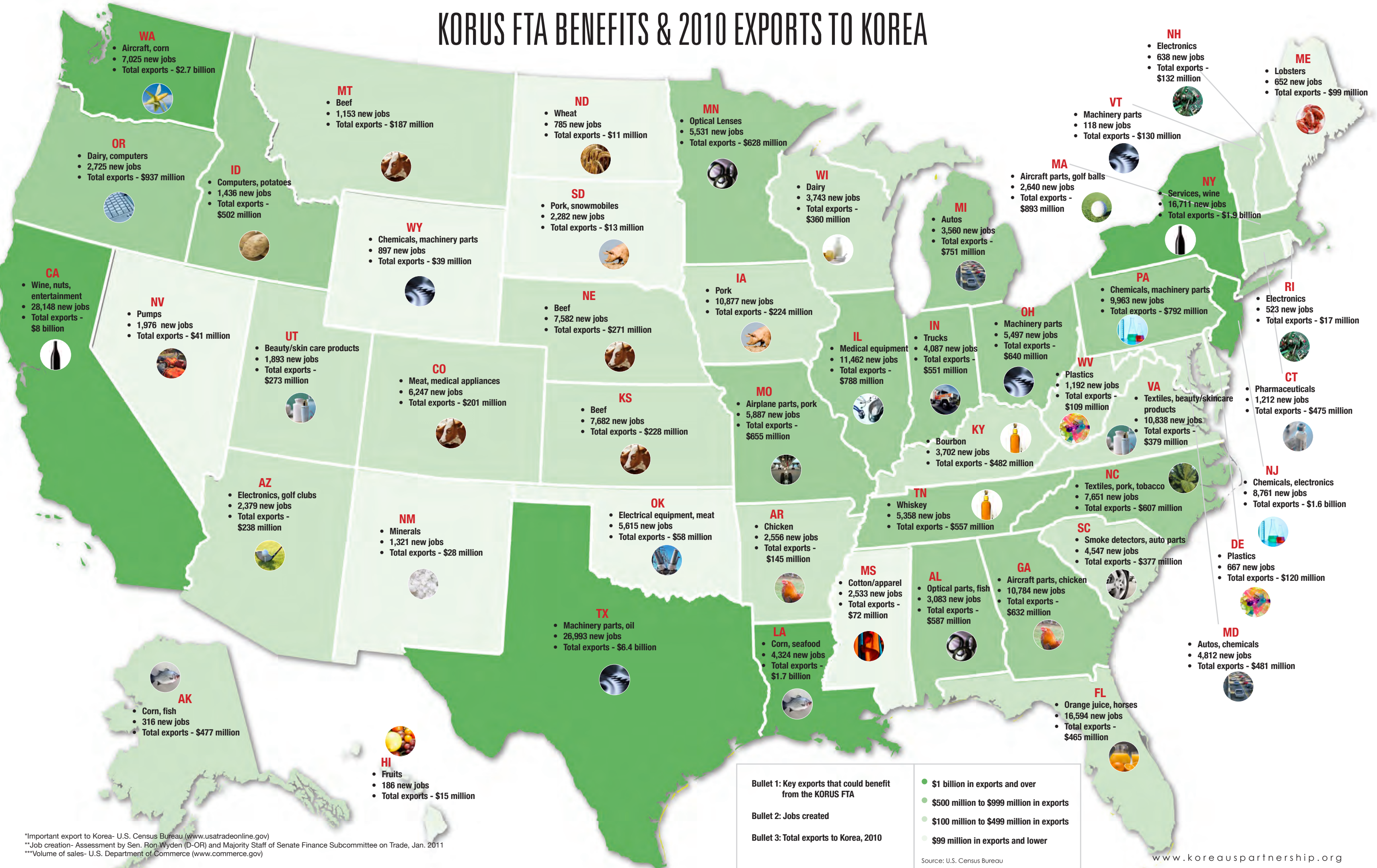
Although there is a strong existing legal framework for KCS to cooperate with the EU and the United States, the FTAs will require even greater cooperation in the exchange of information between the customs authorities.

In addition, the Korean government will seek Memoranda of Understanding with FTA partners in order for the countries to better communicate the results of their investigations into origin fraud and to impede exporting companies' ability to ship goods into the importing country.

(ii) Cooperation with “Originating Goods” Partners

KCS has conducted working group meetings to share information with the customs authorities of the originating countries of trans-shipped goods such as Japan, China and Russia, to improve enforcement within the country of origin. It helps to prevent illegal trans-shipment, which uses third countries as trans-shipping points.

KORUS FTA BENEFITS & 2010 EXPORTS TO KOREA



*Important export to Korea- U.S. Census Bureau (www.usatradeonline.gov)
**Job creation- Assessment by Sen. Ron Wyden (D-OR) and Majority Staff of Senate Finance Subcommittee on Trade, Jan. 2011
***Volume of sales- U.S. Department of Commerce (www.commerce.gov)



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