

U.S.-Korea Free Trade Agreement

Disclaimer: Information provided in this document reflects customs modernization initiatives up until March 2022; this is an ever changing and evolving topic that requires additional research to fully grasp it's concepts and goals.

Background

The United States and the Republic of Korea have cooperated with one another through trust, democratic values, human rights, and common interests. Over time, the ROK's economy has developed, so its trade and investment ties have become an increasingly important aspect of the U.S.-Korea relationship. South Korea's economic growth has been related to its growing trade ties with countries in the West.

In 2007, a free trade agreement—known commonly as KORUS—between South Korea and the United States was signed, and later put into action in March of 2012 ([USTR, 2022](#)). Since the agreement was put in place, the United States and Korea have had a significant increase in trade communication and action, as well as an even increasingly strengthened relationship. Korean companies made major investment announcements in automotive components, industrial equipment, consumer electronics, and other sectors, giving them even more opportunities to boost their economic growth ([DOS, 2020](#)). Although there have been many positives that have come out of the KORUS agreement, there were also a few negative results, for the United States in particular. According to an article released by the Economic Policy Institute from 2013, U.S.-Korea Free Trade Agreement has hurt the American economy, costing 40,000 American jobs. During the Obama administration, estimates for 2013 show no evidence of any improvement or reversal of these trends ([EPI, 2013](#)). Another issue with the agreement was that some economists believed that KORUS had increased the U.S. trade deficit with South Korea ([CRS, 2022](#)).

Many items were negotiated in 2018 in order to advance the KORUS FTA. Some improvements made by South Korea included the following: changing tariff commitments by extending the 25% light truck tariff to 2024, doubling the number of U.S. vehicle exports to South Korea that can be imported with U.S. safety standards, amending the trade remedy chapter by adding transparency and reporting requirements, and clarifying aspects of what may or may not be considered a violation of certain commitments ([CRS, 2022](#)).

Following criticisms of the agreement, the United States and ROK negotiated modifications and amendments to KORUS in 2018, and the updated agreement entered into force on January 1, 2019. In recent years, it has been shown that the bilateral relations between South Korea and the U.S. has led to the ROK being the United States' seventh largest trade partner. The two countries reached \$168.6 billion in trade in 2019, with large-scale flows of manufactured goods, agricultural products, services, and hi-tech goods ([DOS,](#)

[2020](#)). Exports to ROK were \$80.5 billion, while imports from ROK were \$88.1 billion in 2019. In the past few years, Korean companies have made major investment announcements in automotive components, industrial equipment, consumer electronics, and other sectors, giving them even more opportunities to boost their economic growth ([DOS, 2020](#)). Within the past year there has been one major development regarding the KORUS FTA. The Presidents of the United States and South Korea both agreed to cooperate closely on the reform of the WTO and expressed their shared commitment to oppose unfair trade practices through working together in their free trade agreement. Biden and Moon also touched upon how there is an importance of careful screening of foreign investments and cooperation on export controls on critical technologies ([WH, 2021](#)).

The presidents later discussed their agreement to increase resilience in supply chains, including in priority sectors such as semiconductors, eco-friendly EV batteries, strategic and critical materials, and pharmaceuticals. The most significant part of the joint statement was that the two countries agreed to work together to increase the global supply of legacy chips for automobiles, and to support leading-edge semiconductor manufacturing in both countries through the promotion of increased mutual investments as well as research and development cooperation ([WH, 2021](#)). At the end of 2021, Ambassador Tai and Minister Yeo agreed to work together to strengthen supply chains and promote resiliency, both to recover from the pandemic and promote economic growth worldwide ([WITA, 2022](#)). Currently, the United States has a trade deficit of goods, but a trade surplus in services with South Korea ([USTR, 2022](#)).

Key Takeaways

- The updated version of the trade agreement has shown progress, compared to the original version, but there is still a long way to go.
- The executive branch is making steps towards accomplishing more trade flows of goods between the United States and South Korea.
- President Biden and President Moon are in agreement to increase resilience in supply chains, support semiconductor manufacturing, and continue their strong trading relationship
- The USTR has been in talks with Yeo Han-woo, South Korea's Trade Minister, regarding the improvement of the agreement.

Discussion Questions

- Has the U.S.-Korea Free Trade Agreement had more positive or negative effects on the U.S. economy at large?
- How will tariffs and supply chain issues contribute to the effectiveness of the agreement?
- How does the KORUS FTA compare to bilateral agreements that the U.S. has with Pacific countries, such as SGFTA or AUSFTA