



KORUS FTA Facts

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The KORUS FTA and the States

South Korea is the world's 14th largest economy and the United States' 7th largest goods trading partner. In 2007, no U.S. state exported less than \$10 million in goods to South Korea, and nationwide goods exports totaled \$34.7 billion. Cross-border services exports to South Korea totaled more than \$12 billion in 2007.

- South Korea was a top-10 market for twenty-five states in 2007; it was the third largest market for Alaska, Hawaii, Missouri and Vermont, the fourth largest market for Oregon and Texas, and the fifth largest market for California, Maine and Washington.
- Fourteen states increased their exports to South Korea by more than \$250 million between 2003 and 2007:
 - Missouri's exports to South Korea grew by \$1.2 billion over this period, accounting for nearly one-fifth of the state's export growth.
 - California increased its exports to South Korea in each of its top 10 export categories, led by a \$705 million increase in exports of machinery manufactures.
 - Texas increased its exports to South Korea by \$2.8 billion, led by significant increases in exports of computers and electronic products and chemical manufactures.
 - Louisiana added \$295 million to its exports to South Korea, including significant amounts of chemical manufactures.

The KORUS FTA will make the states' products and services even more competitive in South Korea's trillion-dollar market:

- Nearly 95 percent of bilateral trade in consumer and industrial products will become duty-free within three years of the agreement's entry into force, with virtually all remaining tariffs eliminated within 10 years.
- Provisions addressing both tariff and non-tariff barriers will increase market access for U.S. vehicles and ensure that U.S. vehicles have a fair opportunity to compete in South Korea's automotive market.
- Nearly two-thirds (\$1.6 billion) of current U.S. farm exports to South Korea will become duty-free immediately, including: wheat, feed corn, soybeans for crushing, hides and skins, cotton, almonds, pistachios, orange juice/frozen orange juice concentrate, and fresh cherries.

- South Korea will vastly improve upon its WTO commitments in services, providing meaningful market access commitments across virtually all major service sectors.

Other issues of interest to state-level stakeholders:

- Procurement - The United States did not undertake any commitments on state procurements in the KORUS FTA.
- Investment - The KORUS FTA will provide U.S. investors in South Korea with substantive and procedural protections that investors currently enjoy under the U.S. legal system. These include due process protections and the right to receive prompt, adequate and effective compensation for an investment that is the subject of an expropriation.

The FTA's investor protections are backed by a transparent, binding international arbitration mechanism, under which investors may bring claims against the South Korean government for an alleged breach of the FTA's investment obligations.

- Services – The KORUS FTA continues U.S. policy of grandfathering any existing state or local measure that would otherwise be inconsistent with provisions on national treatment, most-favored nation treatment, market access, or local presence.
- Pharmaceuticals - The KORUS FTA includes commitments to improve market access for U.S. innovative and generic pharmaceutical products and medical devices, requiring transparent, predictable, and non-discriminatory pricing and reimbursement of these products. The KORUS Pharmaceutical Products and Medical Devices Chapter does not cover state healthcare programs and explicitly excludes Medicaid from its coverage, thus the Chapter does not implicate state policies.

2007 - Top 10 States Exporting to South Korea (in thousands of dollars)

State	2002	2003	2004	2005	2006	2007
California	4,711,814	4,833,318	5,912,142	6,344,767	7,046,016	7,409,788
Texas	2,031,995	2,777,313	5,022,075	4,622,776	5,339,094	5,562,431
Washington	2,056,226	1,673,219	2,061,066	1,793,995	2,494,624	2,990,455
New York	1,038,137	1,056,106	1,167,628	1,423,988	1,274,297	1,588,567
Oregon	1,169,561	1,363,309	1,122,296	1,308,172	1,288,373	1,331,907
Missouri	114,987	83,723	113,432	571,692	1,646,512	1,251,988
New Jersey	680,242	562,194	657,640	670,114	848,923	972,453
Louisiana	547,766	625,825	728,460	537,168	834,739	920,697
Massachusetts	471,232	558,335	645,921	794,279	874,905	821,330
Illinois	478,814	425,381	475,186	541,578	630,944	754,950

Source: U.S. Department of Commerce – <http://tse.export.gov>