



# KORUS FTA Facts

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## KORUS FTA: Opportunities for Automotive Exports

The U.S.-Korea Free Trade Agreement (KORUS FTA) will level the playing field for U.S. automakers in the Korean automotive market by addressing each of the tariff and non-tariff barriers that the U.S. automotive industry identified as impeding its access to that market. As General Motors stated in its comments in the Industry Trade Advisory Committee (ITAC) report, the KORUS FTA “has addressed the auto industry’s concerns.”

Without the KORUS FTA, U.S. auto manufacturers will continue to face the same tariff and non-tariff barriers that exist today. With the KORUS FTA, American automakers will obtain important access to the Korean automotive market through the elimination of a wide range of tariff and non-tariff measures, enforceable under a unique and expedited dispute settlement mechanism.

### Five Breakthroughs for Opening Korea’s Auto Market

- ✓ **Eliminate Tariffs:** Korea will immediately eliminate its 8 percent import tariff on nearly all U.S. vehicles and will immediately eliminate virtually all tariffs on auto parts.
- ✓ **Overhaul Taxes:** Korea will eliminate the discriminatory aspects of its engine displacement-based consumption and vehicle taxes and reduce existing tax rates. Korea will not impose any new engine displacement-based taxes and will apply its existing taxes in a non-discriminatory manner.
- ✓ **Solutions for Standards:** Korea will address emissions and automotive safety standards to ensure that they do not block access to the Korean market for U.S. automakers.
  - Korea will exempt low-volume importers from its ultra low emissions vehicle (ULEV) standard, apply a special small-volume importer standard used in California for importers of 10,000 or fewer vehicles annually, apply standards no more stringent than California’s to other importers, and use California’s methodologies for determining whether a manufacturer meets the standard.
  - The FTA also provides an automatic two-year grace period before U.S. auto manufacturers must meet any new Korean regulations related to self-certification for safety standards. After the grace period expires, Korea will apply the self-certification regulations only to vehicles subject to a government-mandated recall and will deem U.S. vehicles produced by

automakers that sell 6,500 or fewer units annually to be in compliance with the Korean regulations if they meet U.S. safety standards.

- ✓ **Prevent Future Nontariff Barriers:** The FTA will prohibit Korea from adopting new automotive regulations that create unnecessary obstacles to trade, and it will facilitate greater cooperation and transparency on regulatory issues.
  - The KORUS FTA will establish an Automotive Working Group that will serve as an early warning system for potential trade barriers, allowing the United States to provide early input into the development, implementation, and enforcement of automotive standards, technical regulations, and conformity assessment procedures before such regulations become problems for our manufacturers.
  - To address concerns regarding government-directed campaigns to discourage Korean consumers from buying imported vehicles, Korea expressly affirmed that it is not its policy to discourage the purchase or use of goods or services of the United States through either formal or informal means.
  
- ✓ **Enforcement:** As it is critical to have the strongest possible tools for effectively enforcing commitments, we secured in the KORUS FTA an innovative and unprecedented process for resolving disputes regarding vehicle-related matters on an expedited basis that will serve as a powerful deterrent against any FTA violations in this area.
  - The automotive dispute settlement procedure includes a provision allowing the United States to suspend our tariff concessions (i.e., “snap-back” to pre-FTA levels) on Korean passenger cars if Korea is found to be in non-conformity with, or causing nullification or impairment of, its FTA obligations, in a way that materially affects the sale, purchase, transportation, distribution, or use of U.S. vehicles in Korea.
  - Based on recent import data, the “snap-back” provision could result in the re-imposition of more than \$200 million in annual U.S. tariffs on Korean passenger car imports.
  - Expedited dispute settlement procedures will ensure that any motor vehicle-related dispute will be resolved in approximately half the time of other disputes under the standard FTA dispute settlement mechanisms, and will allow for the immediate suspension of concessions should a dispute settlement panel find against Korea.