

Korea-U.S. FTA in Its Second Year: Current Status of Implementation

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1. Introduction

Since the Korea-U.S. (KORUS) FTA entered into force on March 15, 2012, both sides have reviewed its status of implementation through various joint committee and working group meetings, and discussed ways to further advance cooperation on bilateral trade issues for the FTA's successful implementation. During the 22 months since its entry into force, the KORUS FTA has contributed to increased bilateral trade volumes, recording 18.18% in increased exports to the U.S. from Korea, and 14.8% in increased imports. The

impact of liberalization in trade in services and investment, on the other hand, seemed to require more efforts policy-wise, in order to translate its benefits into higher domestic productivity. However, services trade in the transportation, intellectual property and other business service sectors appear to have reported some improvement. In the regulatory area, there have been visible results through the reform of related laws and regulations, especially in the pharmaceuticals, automobiles, and financial services areas, accompanied by efforts to minimize the adverse impact of liberalization. Overall, the negotiated res-

ults of the KORUS FTA are expected to serve as the basis for other trade negotiations where the U.S. is the leading member, such as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP), implying the need for more efforts to proactively respond to and prepare for the new trade rules incorporated in the KORUS FTA that will be implemented in due course.

2. Trade in Goods

(1) Growth in bilateral trade volumes since the KORUS FTA entered into force

During the 22 months after the KORUS FTA entered into force, Korea's exports to the U.S. are shown to have increased by 12.16% over the same period of the previous year-range, while imports from the U.S. have dropped by 5.51%. However, when taking into account various contributing factors, such as the eco-

nomic circumstances in each country and exchange rate fluctuation, the analysis shows that, as a result of the KORUS FTA, Korea's exports to the U.S. grew by 18.18%, while imports from the U.S. increased by 14.80% (See Table 1 below). Also, the results showed that while the tariff reduction effect of the KORUS FTA was 0.00%, the non-tariff effect was 18.18%, indicating that the overall improvement in the trading environment through the reduction of non-tariff barriers, deregulation, and proactive marketing for predomination of the exports market must have contributed significantly to the expansion in exports. In terms of industries, the non-tariff reduction effect was shown most notably in the chemical, metals and machinery industries. On the other hand, the sector which was affected the most in terms of imports from the U.S. due to the KORUS FTA was identified to be the auto parts (164.85%), electronics (35.12%), metals (27%), and other manufacturing (18.41%) industries.

Table 1. Composition of Change in Export and Imports in Korea-U.S. Trade

(Unit: %)

Industries	Korea's Exports to the U.S.				Korea's Imports from the U.S.			
	Net Change	F/X Effect	KORUS FTA Effect		Net Change	F/X Effect	KORUS FTA Effect	
			Non-tariff effect	Tariff effect				
Agriculture, fisheries, and mining	Δ 14.56	-	-	Δ 1.46	Δ 50.65	-	-	
Manufacturing	Textiles	5.10	0.00	-	0.00	Δ 14.94	-	11.74
	Chemicals	9.44	0.00	94.25	-	6.32	0.00	-
	Metals	39.37	-	57.30	0.00	8.95	-	27
	Other machinery	21.61	-	47.26	-	Δ 1.46	-	-
	Electronics	Δ 23.40	-	-	24.43	12.11	-	35.12
	Automobiles and parts	45.71	Δ 0.00	-	205.37	51.24	-	164.85
Other manufacturing	4.48	0.00	-	0.00	Δ 9.29	-	18.41	
Total	12.16	0.00	18.18	0.00	Δ 5.51	0.00	14.80	

Note: - indicate estimations that showed no statistical significance; 0.00 indicate estimations that were statistically significant but with very small magnitude.

Source: Calculated by the author based on sources from the Korea Customs and Trade Development Institute.

(2) Changes in export/import diversity and utilization rate

Two years after the KORUS FTA came into effect, Korea's export and import diversity has reportedly improved, with the number of products exported to the U.S. up by 247 items, and those imported from the U.S. also higher by 231 items. Such improvement in the extensive margin of trade between the two countries reported for year 2013 appear to be mainly due to “new” exports in the chemical (152 products), metals (105 products), other machinery (109 products) industries, and “new” imports in the chemical (176 products) and other machinery (110 products) industries.

In terms of the utilization rate of the KORUS FTA, the analysis shows that the utilization rate

for Korean imports was 62.2% in the January - December 2013 period, which was higher than the export utilization rate of 47.6% recorded for the same period, demonstrating that the KORUS FTA was better used for imports from the U.S. (See Table 2 below). In particular, the KORUS FTA has recorded the highest increase in its utilization rate in the automobile and parts industry in year 2013, both in terms of imports from the U.S. and exports to the U.S. On the other hand, while the majority of industries showed higher utilization rates for Korean exports to the U.S., the auto and parts industry showed a particularly low rate of utilization for U.S. imports from Korea, implying that this sector has not been benefiting from the price competitiveness expected from the preferential tariffs applied when products are exported to the U.S.

Table 2. Utilization Rate of Preferential Tariff Application under KORUS FTA

(Unit: %)

Industries	Rate of utilization for Korea's Imports from the U.S.			Rate of utilization for U.S. Imports from Korea		
	Mar.-Dec. 2012	Mar.-Dec. 2013	Jan.-Dec. 2013	Mar.-Dec. 2012	Mar.-Dec. 2013	Jan.-Dec. 2013
Agriculture, fisheries, and mining	85.9	89.0	87.1	86.1	90.9	91.1
Manufacturing (total)	50.0	60.4	60.5	41.6	47.6	47.6
Textiles	39.9	47.8	48.2	62.4	62.3	62.6
Chemicals	59.9	75.3	75.4	77.3	88.9	88.6
Metals	43.1	43.3	44.5	64.7	72.7	73.6
Other machinery	29.8	36.1	35.7	65.6	76.3	75.7
Electronics	28.9	29.8	29.8	50.9	64.3	64.1
Automobiles and parts	50.0	82.2	80.6	19.2	24.4	24.0
Other manufacturing	52.0	60.9	60.8	48.0	52.7	53.9
All industries	52.4	62.2	62.2	41.7	47.7	47.6

Source: Calculated by the author based on sources from the Korea Customs and Trade Development Institute and USITC (<http://dataweb.usitc.gov/>).

3. Trade in Services

In terms of services under the KORUS FTA, Korea has agreed to additionally liberalize the legal, accounting, telecommunications and broadcasting services sectors, while maintaini-

ng the existing level of market openness in other areas. In order to allow Korean businesses to adjust to the consequences of a more open market, services in the legal and accounting fields were to be opened up gradually (in 3 stages for legal services, and 2 stages for ac-

counting services, as also stipulated in the Korea-EU FTA), while services in the telecommunications and broadcasting sectors were to be liberalized after a certain grace period.

In the case of legal services, the second phase of liberalization has been implemented with the KORUS FTA entering its second year of coming into effect, while the first phase was implemented upon its entry into force. Under the second phase-liberalization arrangements, Korean law firms will be allowed to jointly deal with cases where domestic and foreign legal issues are mixed and share profits with Foreign Legal Consultant (FLC) offices. As of February 2014, U.S. FLC offices that have obtained permission to establish representative offices in Korea totaled 14, while 52 foreign attorneys licensed in the U.S. have obtained licenses as foreign legal consultants in Korea.

The second phase of liberalization in the accounting services sector shall be implemented by March 15, 2017, after the first phase of liberalization has been implemented with legislative amendments made to the laws and regulations of the Certified Public Accountant Act in June 2011. As of February 2014, there has been no establishment of local offices by U.S. accounting firms, while CKP, the largest Korean accounting firm established in the U.S., is reportedly taking steps to register its office in Korea to start business in April 2014.

Korea committed to 100% market opening to foreign indirect investment in the key telecommunication services business (excluding KT and SKT) by the second year of the KORUS FTA, under which related laws were amended in July 2013 and implemented since August 13, 2013. Pursuant to these regulations, the Ministry of Science, ICT and Future Planning and the Korea Communications Commission shall allow foreign indirect investment in key telecommunications service providers (ex-

cept for KT and SKT) to foreign investors which pass the 'public interest' test in accordance with the relevant provisions in the KORUS and Korea-EU FTA.

Liberalization in the broadcasting sector involves reducing the quota for Korean broadcasting contents for cable broadcasting and satellite broadcasting operators and program providers (PP) to the minimum level (reduced from 25% to 20% for films, from 35% to 30% for animation films), and increasing the broadcasting time for foreign contents for land-based broadcasting, cable broadcasting, and satellite broadcasting service providers and program providers (from 60% to 80%). On the other hand, 100% market opening in foreign indirect investment in PP (except for news broadcasting, general broadcasting and home shopping) is not expected until the fourth year of entry into force of the KORUS FTA; thus no measures have yet been taken toward implementation.

An observation of the services account balance from Korea to the world and to the U.S. in the period of 2000 - 2012 shows that bilateral trade in services has increased in the transportation, IPR, and other business sectors due to the KORUS FTA (see Table 3 below), although taking into account the gradual market opening process, the impact of the KORUS FTA has yet to reach its full potential. In particular, the growth rate in services trade to the U.S. in 2011-2012 is larger than that to the world during the same period, while the transportation, travel, IPR, and other business sectors have shown larger increase rates than other sectors compared to their growth rates recorded for the 2000-2012 and 2010-2011 periods.

Among these sectors, transportation, IPR, and other business (trade-related services, legal/accounting consulting services) sectors appear to have had the largest impact from the KORUS FTA. In particular, the transportation

sector has recorded a surplus in the services trade account for Korea, while the IPR and oth-

er business sectors have recorded a deficit for Korea in bilateral services trade.

Table 3. Korea's Trade in Services

(Unit: USD million, %)

	To World				To U.S.			
	Volume (2012)	Growth (2000-12)	Growth (2010-11)	Growth (2011-12)	Volume (2012)	Growth (2000-12)	Growth (2010-11)	Growth (2011-12)
Services account balance	-52.14	15.02	-13.76	-57.54	-117.15	16.38	-12.74	9.12
Services income	1030.19	10.04	9.18	13.33	168.28	4.48	13.65	16.55
Services expenditure	1082.33	10.23	5.83	4.90	285.43	7.60	0.67	13.38
Processing								
Income	25.67	4.04	-3.99	17.40	4.95	-4.45	-7.04	-5.38
Expenditure	92.20	23.71	34.41	-2.30	0.09	7.32	16.96	-30.53
Transportation								
Income	415.91	9.61	-5.18	11.85	56.70	3.84	-10.75	20.40
Expenditure	314.14	8.73	1.08	1.94	59.37	4.04	3.27	-3.41
Travel								
Income	134.29	5.79	20.79	7.64	15.42	3.11	-17.38	56.06
Expenditure	206.45	9.26	6.15	3.64	61.31	10.48	6.83	12.87
Insurance								
Income	4.90	17.85	0.66	-5.54	1.63		-150.15	-0.31
Expenditure	7.94	15.16	-22.23	15.72	1.80	25.66	-21.38	18.37
IPR								
Income	39.03	15.38	37.97	-11.28	11.80	32.95	97.42	-24.91
Expenditure	86.17	8.33	-19.25	16.20	60.46	9.84	-21.03	32.47
IT								
Income	10.83	12.73	27.87	-17.87	3.24	9.01	19.93	-11.80
Expenditure	10.82	10.61	6.44	-29.52	3.97	10.10	34.33	-8.83
Other business								
Income	162.95	6.97	16.67	19.84	57.23	4.31	25.05	34.04
Expenditure	290.65	9.63	8.00	12.75	77.28	5.94	10.88	18.93
Government								
Income	12.35	3.82	17.48	3.39	9.73	3.16	19.19	-5.85
Expenditure	9.52	6.96	19.32	-16.20	3.03	5.40	24.33	-37.62
Others								
Income	224.27	26.48	28.45	24.42	7.60	14.20	33.10	-6.61
Expenditure	64.45	24.81	31.85	-0.18	18.11	21.63	2.53	25.22

Note: Shaded cells represent larger growth rates between 2010-2011 and 2011-2012 in trade in services from Korea to U.S. compared to trade in services from Korea to the world.

4. Investment

Korea's inward FDI (IFDI) from the world and the U.S. is shown to have increased by USD 28.5 billion and USD 6.8 billion, respectively, since the entry into effect of the KORUS FTA (See Table 4). Shortly after the KORUS FTA took effect (April - December 2012), Korea's IFDI from the U.S. increased by 70.5% compared to the same period of the previous year, but dropped by 43.8% in the same period of the following year. However, overall, Korea's IFDI volume from the U.S. has reportedly increased by 57.3% due to the sharp increase in IFDI

shortly after the KORUS FTA entered into force. Observation of changes in FDI trends from the U.S. to other major economies shows that U.S. FDI to Korea over 2011-2012 has increased sharply (16.5%) compared to U.S. FDI to the world (9%) or the Asia Pacific region (7.4%), implying stronger investment relations between the two countries.

A closer examination of Korea's IFDI from the U.S. per industry shows that overall investment volumes from the U.S. have grown in almost all sectors shortly after the KORUS FTA entered into force (See Table 5 below).

Korean IFDI from the U.S. in the manufacturing sector recorded USD 2.73 billion since the KORUS FTA (April 2012 – December 2013), an increase of USD 1.24 billion over the same period of the previous years. In particular, within the manufacturing sector, IFDI in transport vehicles increased from USD 10 million prior to the KORUS FTA to almost USD 900 million after KORUS FTA, recording an increase of USD 1.6 billion in the April 2012 – December 2013 period. On the other hand, IFDI from the U.S. in the electronics sector dropped by USD 320 million in the April – December 2012 period over the same period in the previous year, and further dropped by USD 170 million during January – December 2013.

In the services sector, investment volumes from the U.S. reached USD 3.53 billion since the KORUS FTA took effect (April 2012 – December 2013). Among the services sectors, finance and insurance, and business services recorded increases of USD 330 billion and 390 billion, respectively, over the period of April 2012 – December 2013. Overall, the sectors which recorded the highest volumes of investment from the U.S. since the KORUS FTA entered into force were the transport vehicles and real estate leasing services, recording USD 1.63 billion and USD 1.50 billion, respectively, over the period of April 2012 – December 2013.

Table 4. Korea's Inward FDI Trends

(Unit: USD million, %)

	2010		2011		2012		2013		Since KORUS FTA
	Jan.-Dec.	April-Dec.	Jan.-Dec.	April-Dec.	Jan.-Dec.	April-Dec.	Jan.-Dec.	April-Dec.	
FDI from World	13,071 (13.8)	11,530 (17.6)	13,673 (4.6)	11,668 (1.2)	16,286 (19.1)	13,940 (19.5)	14,548 (-10.7)	11,154 (-20.0)	28,488 (13.0)
FDI from U.S.	1,975 (32.8)	1,935 (71.4)	2,372 (20.1)	1,904 (-1.6)	3,674 (54.9)	3,247 (70.5)	3,525 (-4.1)	1,824 (-43.8)	6,773 (57.3)
Proportion	15.1	16.8	17.3	16.3	22.6	23.3	24.2	16.3	23.8

Notes: 1) FDI volumes since KORUS FTA are calculated for April 2012 - December 2013; FDI percentage since KORUS FTA is calculated from comparison of April 2010 and December 2011 volumes.

2) () indicate percentage change compared to same period of previous year.

3) Proportion refers to proportion of FDI from U.S. in FDI from the world.

Source: FDI statistics, Ministry of Trade, Industry and Energy.

Table 5. Korea's IFDI from the U.S. by Industry

(Unit: USD million)

	2010		2011		2012		2013		Since KORUS FTA	
	Jan.-Dec.	April-Dec.	Jan.-Dec.	April-Dec.	Jan.-Dec.	April-Dec.	Jan.-Dec.	April-Dec.		
All industries	1,975	1,935	2,372	1,904	3,674	3,247	3,525	1,824	6,773	
Manufacturing	Manufacturing (total)	398	389	1,092	783	1,804	1,539	1,187	433	2,726
	Textile			2	2	11	11	2	2	13
	Chemical	41	41	184	123	170	66	210	210	276
	Metals	10	10	5	5	201	151	6	5	157
	Other Machinery	4	3	61	53	45	41	176	176	218
	Electronics	222	216	744	539	225	222	55	26	277
Transport Vehicles	13	12	14	13	897	893	734	10	1,626	

	Other Manufacturing	108	108	79	46	255	155	4	4	159
	Service (total)	1,573	1,543	1,275	1,116	1,354	1,192	2,339	1,390	3,530
Service	Wholesale, Retail	63	53	59	57	228	178	81	75	258
	Transport, Food, Lodging	35	31	5	5	7	6	243	243	249
	Finance, Insurance	302	300	138	95	382	361	405	262	767
	Real Estate	771	765	643	635	403	403	1,194	426	1,597
	Business Service	85	77	132	114	323	237	362	334	599
	Other Services	319	316	297	210	11	7	53	50	60
	Electricity, Gas, Water, Construction	3	3	5	5	517	517			517

Notes: 1) FDI volumes since KORUS FTA are calculated for April 2012 - December 2013 period.

2) Blank cells indicate no investment or investment of less than USD 1 million.

Source: FDI statistics, Ministry of Trade, Industry and Energy.

5. Other Regulatory Areas

There are several areas in the KORUS FTA for which issues have been raised regarding the implementation of its obligations. This section shall conduct an overview of the status of implementation since the entry into force of the KORUS FTA in several areas of particular concern as raised by the U.S. government.

(1) Pharmaceuticals

Related laws regulating the Korean patent system for pharmaceutical products has been amended in order to introduce the patent linkage system in granting market approval for generic drug applications. In particular, the Pharmaceutical Affairs Act and relevant regulations, which provide on matters related to the registration and publication of the list of approved drugs and the notification of applications for marketing approval to the patent owner, have been amended and entered into force on March 15, 2012. In accordance with the revised Act (Act no. 11118), patented pharmaceutical products shall be registered on the list of approved pharmaceutical products upon meeting the required criteria, the contents of which shall be made publicly available, and applications for marketing approval for generic pharmaceutical products based on the information on the safety and efficacy of the listed pharmaceutical prod-

ucts shall be notified to the patent owner of the original pharmaceutical product. Furthermore, the revised Ministerial Regulation (Ministerial Decree no. 86) shall limit the scope of patents of the listed pharmaceutical products to substances, dosage, composition or uses in order to prevent undue extension of data exclusivity for the original patented drug.

(2) Automobiles

In the KORUS FTA negotiations, the Korean taxation system for automobiles was subject to strong requests for revision of related laws, in addition to the demand for eliminating tariffs on U.S. auto exports. In order to implement the agreed obligations, the Individual Consumption Tax Act (Act no. 11106) has been revised to amend the engine displacement taxation system to a two-tiered system, and gradually reduce the taxation rate to ultimately 5% by January 2015 for vehicles with engines of more than 1000ccs. The Local Tax Act (Act no. 11108) was also amended to reduce the scope of taxation from the previous five to three categories, and the taxation rates to be applied to vehicles with different engine displacement.

With regard to the environmental standards for automobiles, both countries have agreed to cooperate on the harmonization of their national standards on environmental quality and safety

for vehicles to the level of international standards. For implementation of the agreed obligations in this area, Korea amended the Ministerial Regulation of the Air Quality Conservation Act (Ministerial Decree no. 270) that provides for strengthened emission standards for large-sized vehicles, while the emission standards for small and medium-size vehicles have been separately categorized, and the fleet average emissions gas value shall meet certain levels after 2009. Such amendments are also aimed at improving the technology skill levels of automobile vehicle manufacturers for the development of low-pollution, environmentally-friendly vehicles. The revised Ministerial Regulations of the Air Quality Conservation Act (Ministerial Decree no. 449) also stipulates the average emission standards per type of vehicle for manufacturing motor vehicles and the calculation method for the allowed average emissions criteria.

(3) Intellectual Property Rights

In response to consistent demands for the strengthened protection of intellectual property rights in Korea, the chapter on intellectual property rights in the KORUS FTA provides for the extended term of protection for copyrighted works, right to authorize or prohibit all reproduction of copyrighted works including temporary storage, strengthened technological protection measures for access control, exemption of liability for online service providers, and extension of the duration of pharmaceutical patents.

The revised Copyright Act (Act no. 10807) provides for the extension of the copyright protection term from the previous 50 years to 70 years after the author's death, while the protection period of related rights such as performances and phonograms has also been extended to 70 years. While there was no clear regulation that recognized the temporary storage of

copyrighted works, the separate laws that indirectly addressed this matter were integrated into the Copyright Act to administer copyrighted works in general and those in the form of computer programs in a single manner. The revised Copyright Act (Act no. 11110) provides for temporary storage to be included in the scope of copyright protection, except for cases which are deemed necessary for expeditious and efficient information processing. In addition, 'fair use' provisions have also been stipulated in order to allow the use of copyrighted works without the permission of the right holder when such use does not go against normal usage methods and does not cause undue harm to the right holder's interests.

Provisions to prohibit the circumvention of technological measures for access control to copyrighted works have also been established in accordance with the agreed commitments, while related laws have also been amended on a series of occasions to provide for the exemption of liability of online service providers (OSP), first by categorizing OSPs into four types and defining the terms of exemption from OSP liability (Act no. 10807), and providing for the detailed conditions for OSP liability exemption and the legal basis for receiving information on the persons who have reproduced and/or transmitted the copyrighted materials (Act no. 11110). Furthermore, the amended Patent Act (Act no. 11117) has introduced a system for extending the duration of patents, taking into account the undue delay caused by patent authorities in patent examination and corresponding delay in patent registration.

(4) Financial Services

With regard to financial services, both sides have agreed, with a grace period of two years after the entry into force of the KORUS FTA, to cross-border financial service suppliers to supply services including the transfer of infor-

mation by financial institutions. Furthermore, Korea has agreed to adopt approaches that are similar to those of the U.S. with respect to the protection of sensitive information on consumers, prohibition on unauthorized reuse of the sensitive information, authority of financial regulators of access to records of financial institutions on handling information, and requirements for the location of technology facilities.

Recently in Korea, there was an accident involving leakage of customer information by several financial institutions, leading to huge social repercussions regarding the protection of personal data including financial information. In response, the Korean government has amended various laws and established policies to strengthen the system for protection of personal information. In a policy announcement in February 2014, the Financial Services Commission (FSC) made public its plan for the strengthened protection of personal information, under which the collection of information, usage period, and provision to third parties, etc. will be strictly controlled, with punitive fines imposed in the event of data leakage accidents. A special organization for financial data security will also be launched by 2015. The Personal Information Protection Act was recently amended (Act no. 11990) and will enter into force in August 2014, under which all persons handling personal information shall be prohibited from handling national registration number information, while in the event of an accident, the relevant firm shall be made fully responsible for the data breach through the imposition of fines and disciplinary action. However, due to the expiration of the two-year grace period from March 15, 2014, further countermeasures are expected to be needed in order to fully prepare against the transfer of financial information by foreign service providers, such as through regulations on the access of the financial supervisory authorities to foreign service

providers and on the maintenance of data facilities at an appropriate level.

(5) Certification of Organic Foods

Although this area had not been included in the bilateral agreement, there have been recent concerns raised over the certification system of organic foods in Korea. The ‘Act on the Promotion of Eco-friendly Agricultural and Fisheries Industries and Management and Support for Organic Foods’ was amended (Act no. 11459) in order to recognize ‘equivalency’ in the certification system for eco-friendly products, the absence of which had been a cause of concern for foreign organic food exporters. Under the revised law, if it is recognized that foreign governments or certification agencies are operating certification systems that are at a level equivalent or higher to that of the Korean certification system, certification of foreign organic foods can be deemed to be ‘equivalent’ to that for Korean organic foods. In particular, the revised law provides for the establishment of ‘mutual equivalency agreements’ with countries that operate certification systems that are equivalent to the level of the Korean certification system; this law has taken effect since January 1, 2014.

6. Implications

It appears that the KORUS FTA has had consistently positive effects on the bilateral trade in goods between the two countries, while it seems necessary to establish measures that are customized to each industry in order to increase the utilization rate. In terms of exports and imports, the KORUS FTA has reportedly increased exports by 18.18% and imports by 14.08%, during the 22 months since the KORUS FTA entered into force. The recovery of world economic performance is expected to further increase the positive impact of the KORUS FTA on both countries’ trade performance.

In order to enhance the utilization rate of the bilateral agreement, there seems to be a necessity for differentiated measures per industry, since exports to the U.S. in the chemical, metals, and other machinery industries showed the largest non-tariff reduction effect, while exports in electronics, and autos and parts showed the largest tariff effect.

With respect to the impact of the KORUS FTA in services and investment, measures are needed to enhance the effect of liberalization in these sectors for increased productivity of the Korean economy, while measures to fully implement the agreed obligations are needed in order to enhance our economic systems and proactively respond to the changing global tra-

ding environment. In particular, measures are required to improve the investment environment to promote inward FDI in the transportation equipment, finance and insurance, and business services sectors. The implementation of the agreed commitments in the KORUS FTA will be imperative as a proactive response to the new trade rules that are being formed around the negotiations for the TPP and TTIP, while, at the same time, measures to minimize the adverse effects of liberalization shall also be necessary. As much as the KORUS FTA is an important opportunity for Korea to raise its standards to the international level, the government should also take into account the need for measures to maintain the competitiveness of Korean companies. [KIEP](#)