

U.S.-Korea Free Trade Agreement Market Access Results

Autos and Auto Parts

Trade and Tariffs

The automotive sector covers motor vehicles and parts.

Automotives accounted for 2 percent of average U.S. industrial exports to Korea in 2003-2005, totaling \$503 million. The top U.S. exports in this sector include car body parts and accessories, airbags, and sedan-type passenger vehicles. Korean tariffs range between 3 and 10 percent, with an average of 8.3 percent.

Korean exports to the United States in this sector averaged \$10 billion in 2003-2005, or 26.6 percent of total Korean industrial exports to the United States. Top Korean exports in this sector include small and medium-size passenger vehicles. The United States maintains tariffs between zero and 25 percent, with an average of 2.8 percent, on automotives.

Tariff Elimination

Industrial tariffs will be phased out according to seven tariff elimination categories: immediate elimination; linear cuts over three, five, or ten years; or nonlinear cuts over ten, twelve, or fifteen years. Tariff elimination under the nonlinear ten-year staging category will proceed with a 5 percent cut in the tariff in years one and two, a 7 percent cut in years three through five, a 10 percent cut in years six and seven, a 12 percent cut in year eight, a 17 percent cut in year nine, and a 20 percent cut in year ten. Tariff elimination under the nonlinear twelve-year staging category will proceed with 25 percent cuts in years nine through twelve. Tariff elimination under the nonlinear fifteen-year staging category will proceed with 20 percent cuts in years eleven through fifteen.

For automotives, 99.2 percent of U.S. exports by value will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on a negligible amount of exports will be eliminated over three years, and tariffs on 0.8 percent will be eliminated over five years. Duties on the remaining U.S. automotive exports, totaling less than one percent of goods in the sector, will be eliminated in linear cuts over ten years. Tariffs on high-trade U.S. products such as car body parts and accessories and most passenger vehicles will be eliminated immediately upon implementation of the Agreement.

For U.S. imports, 77 percent of U.S. imports from Korea will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on 23 percent of imports will be eliminated over three years. Duties on certain products, specifically most trucks, will be phased out in linear cuts over ten years.

Motor Vehicles. Korea will eliminate tariffs on nearly 100 percent of U.S. motor vehicles exports immediately upon implementation of the Agreement. Tariffs on the remaining negligible amount of trade will be eliminated over ten years.

Auto Parts. Korea will eliminate tariffs on 99.1 percent of U.S. auto parts exports immediately upon implementation of the Agreement. Tariffs on a negligible amount of trade will be eliminated over three years, and duties on the remaining 0.9 percent of exports will be eliminated over five years.

Non-Tariff Barriers

As part of the FTA, Korea has codified solutions to standards barriers, such as its Ultra Low Emission Vehicle regulation and problems with the implementation of its self-certification system. Korea will eliminate the discriminatory aspects of its Special Consumption and Annual Vehicle Registration Taxes, and will reduce existing tax rates. Korea has also committed to not impose any new engine displacement taxes and to maintain the non-discriminatory application of these taxes. The agreement includes a provision to create an Automotive Working Group, which will provide a specialized "early warning system" to address regulatory issues that may develop in the future. Korea will allow the importation of remanufactured automotive equipment, as defined in Chapter Six - Rules of Origin, on entry into force of the Agreement. Korea also agreed to an innovative dispute settlement process for the automotive sector, which should help deter any future NTBs. Finally, to address past problems with anti-import campaigns, Korea committed that it is not its policy to discourage the purchase or use of U.S. goods or services.