

# **Reinforcing U.S.-ROK Economic Relations through a Better Understanding of the KORUS FTA**

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President Donald Trump has made it clear that he intends to follow through on his protectionist campaign promises. On his first day in office, he formally removed the United States from the TPP. Trump has also informed congressional leaders of his intent to renegotiate NAFTA, the biggest trade deal ever signed by Washington. If a draft letter being circulated by the U.S. Trade Representative (USTR) is approved by Congress, formal negotiations with Canada and Mexico could start later this year. Additionally, the president signed an executive order for USTR and the Department of Commerce to lead a comprehensive study of unfair trade practices of major trading partners. The result could provide the economic and political justifications needed to take bold and legally defensible actions. The administration also launched an investigation into the national security risks that may arise from a global oversupply of aluminum and steel. There are clear indications it may look to restrict aluminum and steel imports before long. Trump is now targeting the KORUS FTA. He has threatened to terminate the five-year-old trade deal, which, he claims, has been devastating for the American economy, unless Korea gives the United States better terms, citing the arrangement's simpler process of termination relative to NAFTA.

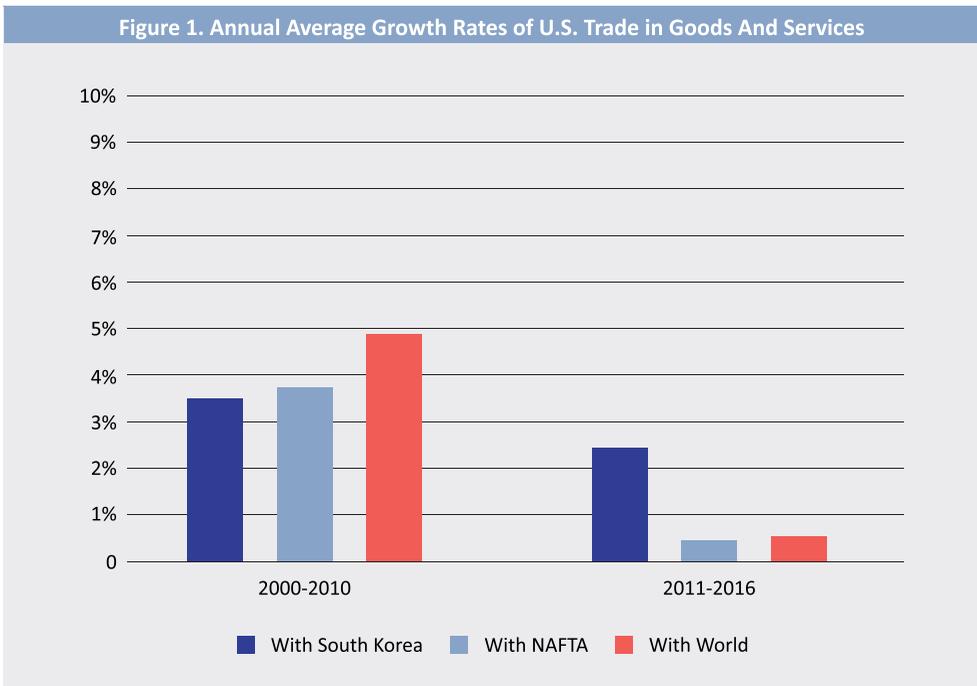
Trump's preference for linking security and economic concerns could also pose a challenge in working with recently elected President Moon Jae-in, who is seen as less hawkish on North Korea. As a career human rights lawyer and the son of North Korean refugees, he has pledged to review his predecessor's deployment of the THAAD missile defense system and said he wanted to improve relations with North Korea, including reopening the Kaesong Industrial Complex. Clearly, that position stands in stark contrast to the Trump administration's far more aggressive stance toward the dictatorial regime in Pyongyang. Although Moon seems to be taking a more centrist approach to North Korea as president, it is too early to make a definitive judgment.

Under these circumstances, renegotiating KORUS would not only be difficult, but also politically painful for both Washington and Seoul. Trump's threat to terminate KORUS and demand that South Korea pay for THAAD could trigger latent anti-Americanism among some South Koreans. Eventually, the collective emotion of anti-Americanism may explode into protests that would shock Washington. Moon could face severe domestic pressure to distance himself from Washington, with a strong anti-American strain among some South Korean voters. Clearly, such a situation would reduce Moon's room to maneuver on KORUS and prevent Trump from achieving satisfactory results from renegotiations.

There is no inevitability for the two administrations to be at odds with each other. South Korea has been one of the most important U.S. strategic and economic partners in Asia since the early 1950s. Most South Koreans still firmly believe that the relationship is "forged in blood." On broad strategic matters in Northeast Asia, Korean and U.S. perspectives could fully overlap, despite some key differences. Thus, both new administrations must take steps to bring the United States and South Korea closer on shifting geopolitical dynamics in Northeast Asia. To boost the chances for effective cooperation through an objective understanding of current conditions this chapter reviews bilateral trade relations after the KORUS FTA took effect and explores ways to strengthen relations. Policy suggestions for both countries are included in the conclusion.

## U.S.-KOREA BILATERAL TRADE FACTS

KORUS has been the centerpiece of U.S.-South Korean trade and economic relations since it went into effect on March 15, 2012. Six rounds of tariff cuts have occurred to date, resulting in the elimination of 92 percent of South Korean tariff lines and 93 percent of U.S. tariff lines. Trade and investment are now substantially larger than before KORUS. Overall, goods and services trade has risen from \$129.2 billion in 2011 to \$145.3 billion in 2016. This is almost five times as fast as the U.S. growth rate in goods and service trade to the world over the same period. The annual growth rate of the U.S. trade in goods and services with South Korea between 2011 and 2016 was 2.4 percent while the figures with NAFTA and the rest of world were 0.4 percent and 0.5 percent, respectively. Clearly, KORUS has benefitted both economies during a slowdown in global trade.

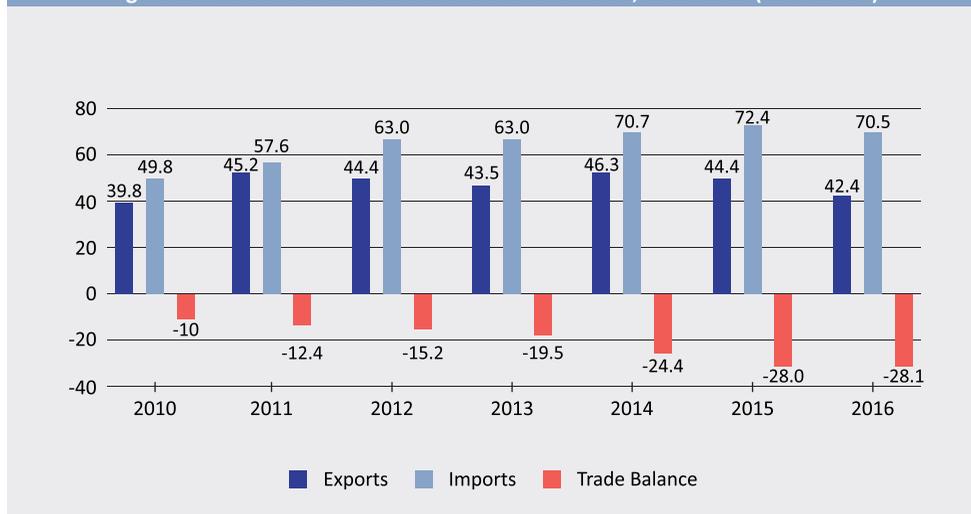


Source: U.S. Bureau of Economic Analysis (BEA)

### U.S. Trade in Goods with Korea

If one only looked at trade in goods, as Trump has consistently done, it is apparent that the deficit with Korea has increased in the years since KORUS was implemented. In 2016, U.S. goods exports to Korea were \$42.4 billion, a decrease of 6.3 percent (\$2.8 billion) from pre-KORUS levels, while goods imports from Korea were \$70.5 billion, an increase of 22.4 percent (\$12.9 billion). Accordingly, the U.S. deficit from trade in goods with Korea increased \$15.7 billion between 2011 and 2016, an increase of 127 percent, more than double over the last five years.

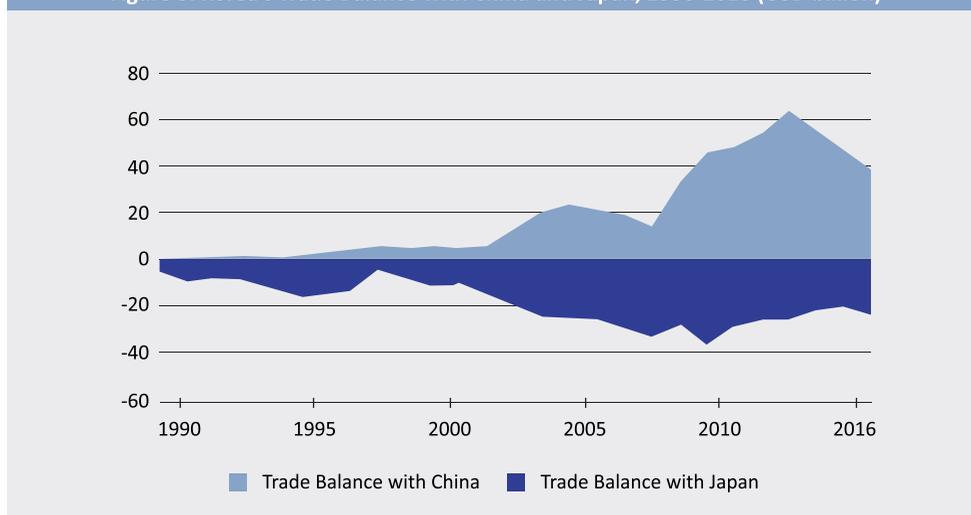
Figure 2. Trade in Goods Between the U.S. and Korea, 2010-2016 (USD billion)



Source: U.S. Bureau of Economic Analysis (BEA)

However, trade surpluses or deficits are not reflective of the fairness of a trade deal.<sup>1</sup> Bilateral deficits tend to be connected more with a country's macroeconomic characteristics than unfair trade practices. For example, Korea has a large trade deficit with Japan and a large surplus with China. Japan, in general, produces high-tech intermediate goods, which Korean firms need, while Korea produces goods that Chinese assembling factories need. China then assembles goods which U.S. companies or consumers want. Due to this structural characteristic in trilateral trade, Korea has continuously run a trade deficit with Japan since diplomatic relations were established in 1965, while trade with China has run a surplus since 1993.

Figure 3. Korea's Trade Balance with China and Japan, 1990-2016 (USD billion)



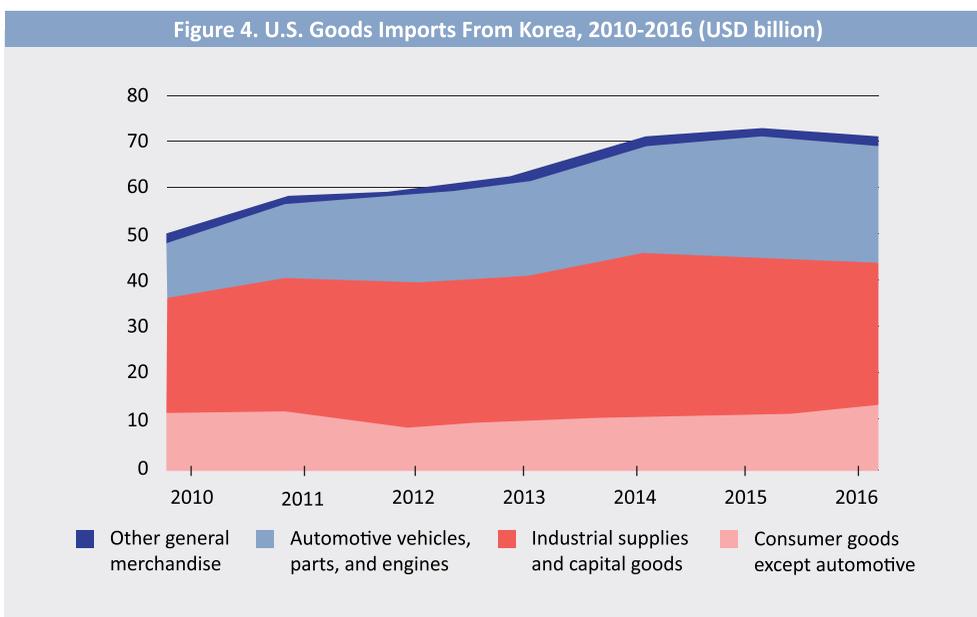
Source: KITA (Korea International Trade Association)

Recent research has shown that U.S. trade deficits also tend to be reflective of a partner's domestic economic characteristics. Caroline Freund of the Peterson Institute for International Economics said,

“The U.S. has a large trade deficit with Germany and a large surplus with the Netherlands. Both countries have the same trade policy under the European Union. So why does the United States run a deficit with one country and a surplus with the other? There are several explanations, an important one of which is structural. ... The United States tends to run bilateral deficits mainly with countries that produce things it likes or needs. For example, as long as the United States uses more oil than it produces, it will run a trade deficit with some oil producers.”<sup>2</sup>

It is also hard to argue industry-level imbalances are indicative of unfair trade practices. For example, the United States runs huge surpluses in services—education, banking, and intellectual property. Yet, it is not criticized for engaging in unfair trade practices in these areas. Instead, it is implied that the U.S. service sector is more efficient. While the service surplus with Korea (\$10.7 billion in 2016)<sup>3</sup> is overshadowed by the larger goods deficit, it has doubled over the past decade and is an important sector where the United States could keep making crucial gains, given its highly skilled and educated workforce and, therefore, high international competitiveness.

Furthermore, most U.S. goods imports from Korea are not final goods but industrial supplies and capital goods, which can help U.S. companies raise their international competitiveness. The main import categories in 2016 were: industrial supplies and capital goods (\$30.0 billion, 42.6 percent of total goods imports), automotive vehicles, parts, and engines (\$25.1 billion, 35.6 percent), consumer goods except automotive (\$13.8 billion, 19.6 percent), and other general merchandise (\$1.5 billion, 2.2 percent).<sup>4</sup>



Source: U.S. Bureau of Economic Analysis (BEA)

Labor-intensive inputs or high-level industrial supplies—machinery, materials, and other components for industries or firms—clearly allow U.S. manufacturers to be more competitive in the global economy. Competitive U.S. production is dependent on specialization across countries by stage of production, where the United States maintains the core, high-skill stages and Korea performs the complementary-skill stages. Thus, the content of imports from Korea are just as important as their monetary value.

Korean automotive exports to the United States are often cited as one of the key driving forces behind the growing U.S. trade deficit with South Korea.<sup>5</sup> In 2016, automotive vehicles and parts constituted almost 36 percent of total imports from South Korea.<sup>6</sup> However, automotive tariffs for both countries were eliminated on January 1, 2016, though the U.S. still retains some tariffs on trucks. Thus, KORUS is not to blame for an increase in automotive imports from South Korea.

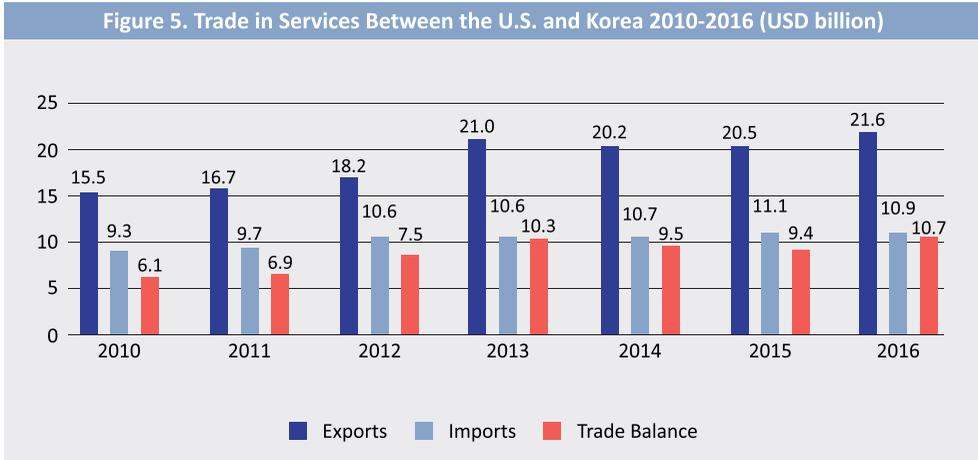
Bilateral deficits tend to be exaggerated because of deepening global production networks and the way in which trade is measured. Apple's iPhone illustrates this clearly: components from numerous countries are sent to China, where they are then assembled, and finally exported to the United States and elsewhere. According to an Asian Development Bank Institute study, the iPhone contributed \$1.9 billion to the U.S. trade deficit with China, using the traditional country of origin concept. But if China's iPhone exports to the United States were measured in value-added—added in China to the final product—those exports would come to only \$73.5 million.<sup>7</sup>

As recently as 30 years ago, products were assembled in one country, using inputs from that same country. Measuring trade was thus simple. But today the concept of country of origin is unclear as well as complicated. What we call “made in Korea” is partly or wholly assembled in Korea or is an intermediate input, but its commercial value comes from those numerous countries that precede its assembly. The OECD estimates that more than 40 percent of the content of Korea's exports are foreign.<sup>8</sup> Appropriately adjusting the trade balance to account for the value-added content of exports would cut the U.S. trade deficit with Korea by roughly 40 percent. Clearly, any study of bilateral trade deficits will have to take into consideration how global supply chains affect bilateral trade. A distorted trade picture can inflame bilateral relations, while raising anti-trade sentiment at a time when protectionist pressures are already rising.

### **Trade in Services Between the United States and South Korea**

The United States records a significant surplus in services trade with South Korea. Exports of services to South Korea amounted to \$21.6 billion in 2016, compared to imports of \$10.9 billion. This surplus increased \$4.9 billion between 2011 and 2016, an increase of 29.3 percent. The most significant U.S. service exports are travel (for all purposes including education) services, and fees for the use of intellectual property rights. Exports of these two services reached \$13.1 billion in 2016, more than Korea's total service exports to the United States.<sup>9</sup>

The United States has enjoyed a growing services surplus since KORUS went into effect. Unlike trade in goods, the foreign content of service exports is in general very low, thus the significance of a surplus in services is quite different from that of goods, particularly in terms of domestic value added.



Source: U.S. Bureau of Economic Analysis (BEA)

### Overall Trade between the United States and South Korea

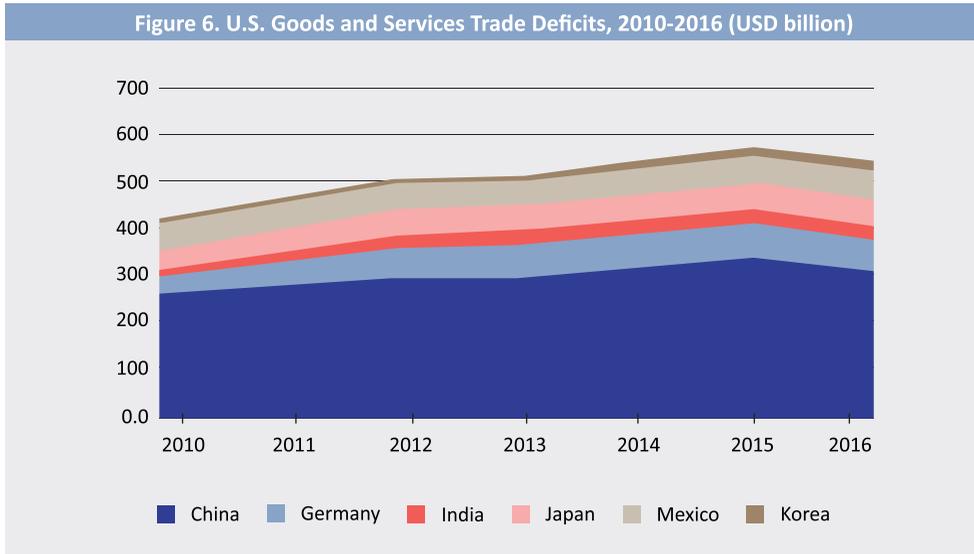
In 2016, U.S. goods and services trade with South Korea totaled \$145 billion. Total U.S. exports were \$64 billion and imports were \$81 billion. Thus, the goods and services trade deficit with South Korea was only \$17 billion, much less than the \$28 billion goods trade deficit often referenced by the Trump administration. This deficit would be further reduced if foreign direct investment were also taken into consideration.<sup>10</sup>

In absolute terms, the U.S. trade deficit with South Korea is dwarfed by its deficits with other countries such as China, Germany, Mexico, and Japan. The largest is with China, accounting for more than 60 percent of the overall U.S. trade deficit in goods and services. In 2016, the \$310 billion deficit with China was largely driven by \$480 billion of imports. The second largest deficit is with Germany (\$68 billion), third is Mexico (\$62 billion), and fourth is Japan (\$56 billion). At \$17 billion, the U.S. goods and services trade deficit with South Korea is only 3.5 percent of the total deficit. It is also 5.5 percent of the trade deficit with China and 25 percent of that with Germany. If the Trump administration is serious about reducing the overall U.S. trade deficit, it must focus its attention on China, Germany, Mexico or Japan, not South Korea.

**Table 1. Deficits in Goods and Services Trade (USD billion)**

	China	Germany	Mexico	Japan	Italy	India	Korea
2010	261	38	58	43	16	15	4
2011	279	53	57	45	19	20	5
2012	295	66	54	58	23	25	6
2013	295	73	48	59	24	27	9
2014	314	80	52	54	27	30	15
2015	334	77	58	55	30	30	19
2016	310	68	62	56	31	31	17

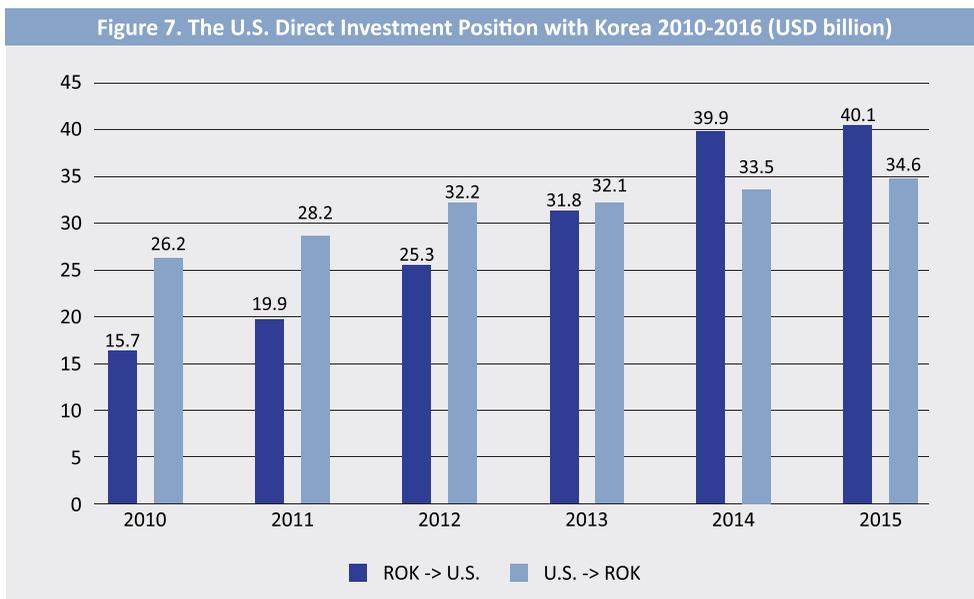
Source: U.S. Bureau of Economic Analysis (BEA)



Source: U.S. Bureau of Economic Analysis (BEA)

### Direct Investment Between the United States and South Korea

KORUS includes an investment chapter that is designed to facilitate bilateral investment between the two countries.<sup>11</sup> FDI has significantly expanded under KORUS, contributing to direct and indirect job creation. South Korea’s FDI in the United States sharply increased from \$15.7 billion in 2010 to \$40.1 billion in 2015. U.S. investment in South Korea has also increased from \$26.2 billion in 2010 to \$34.6 billion in 2015. Since 2014, inbound FDI from South Korea has exceeded outbound FDI to South Korea, making the United States a net beneficiary of FDI. Moreover, South Korea is the fifth fastest growing source of FDI in the United States with investment doubling between 2011 and 2015, directly creating 45,100 jobs.<sup>12</sup>



Source: U.S. Bureau of Economic Analysis (BEA)

Table 2. U.S. Inbound Foreign Direct Investment by Country (USD billion)							
	All Countries	Canada	Mexico	Asia and Pacific	China	Japan	Korea
2010	2,280	912	11.0	347	3.3	255	15.7
2011	2,434	205	12.5	395	3.6	274	19.9
2012	2,585	214	12.8	428	7.1	301	25.3
2013	2,728	223	15.9	483	7.9	350	31.8
2014	2,913	257	16.6	535	9.9	382	39.9
2015	3,134	269	16.6	564	14.8	411	40.1
Average Annual Growth Rate (2010-2016)	6.6	6.9	8.6	10.2	35.1	10.0	20.6

Source: U.S. Bureau of Economic Analysis (BEA)

In sum, KORUS has contributed to the expansion of new trade opportunities for both parties. That is why a 2016 U.S. International Trade Commission report stated,

“The bilateral and regional trade agreements increased bilateral trade with partner countries by 26.3 percent in 2012. They also increased total U.S. exports by 3.6 percent as well as real GDP by \$32.2 billion in 2012. Furthermore, those trade agreements increased total employment by 159.3 thousand fulltime equivalent employees and increased real wages by 0.3 percent in 2012.

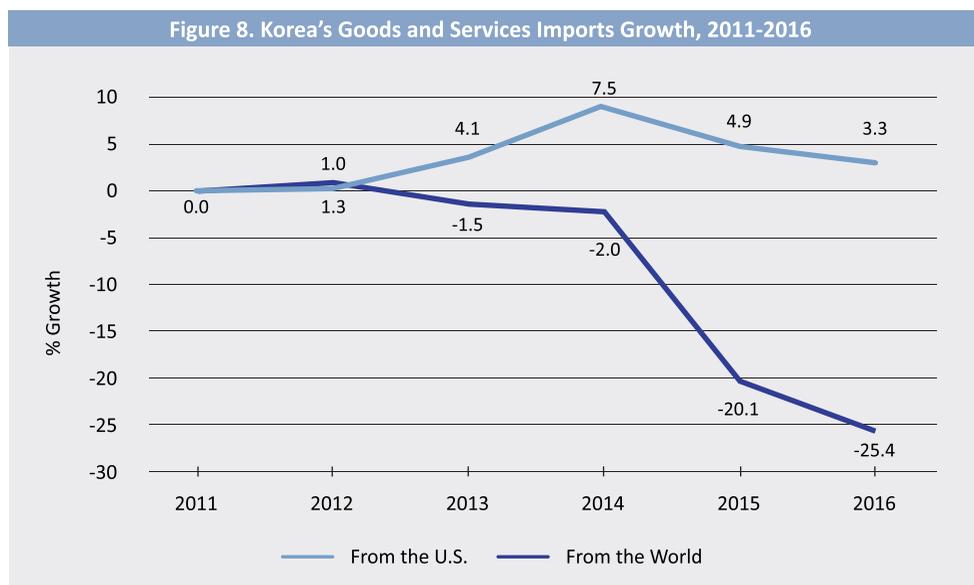
The U.S. bilateral and regional trade agreements have contributed to improvements in U.S. bilateral merchandise trade balances. The average trade balances in 2015 were higher, and average trade deficits smaller, with trade agreement partner countries than with non-partners. In addition, the U.S. recorded a trade deficit with a smaller percentage of the trade agreement partners (26.3 percent) than non-partner countries (49.4 percent).<sup>13</sup>

Furthermore, the USITC pointed out that KORUS had a significant positive effect on U.S. bilateral trade balances, without KORUS, the deficit with Korea would have been \$15.8 billion higher.

Table 3. Estimated Improvement by U.S. Trade Agreements on Bilateral Merchandise Trade Balances in 2015 (USD billion)				
Partner Country	Total Balance in 2015	Estimated Trade Balance in 2015 absent the trade agreement	Improvement in the bilateral trade balance in 2015	Improvement as a share of total bilateral trade in 2015
Canada	-15.2	-32.9	17.7	3.1
Mexico	-58.4	-71.6	13.2	2.5
South Korea	-28.3	-44.0	15.8	13.7

Source: USITC (2016)

The growth rate of South Korea’s imports from the United States supports the USITC estimates. Since KORUS, South Korean real GDP has only grown on average 2.8 percent annually, largely slowing due to the impact of the global economic downturn on its export-oriented economy. Accordingly, South Korea’s goods and services imports from the world fell 25.4 percent from \$648.9 billion to \$484.2 billion since 2011. However, Korea’s imports from the United States grew 3.3 percent from \$61.9 billion to \$63.9 billion over the same period.



Source: BOK (Bank of Korea) and U.S. Bureau of Economic Analysis (BEA)

## MYTHS ABOUT THE TRADE DEFICIT

The United States and South Korea are major economic partners. After KORUS took effect, the United States has become the second-largest trading partner of South Korea while South Korea is now the sixth largest U.S. trading partner.<sup>14</sup> KORUS has clearly increased economic linkages between the two countries. However, Trump is seemingly against KORUS, calling it a “horrible deal” that has left America “destroyed” and even threatening to terminate the deal. While Vice President Pence attempted to soften these statements by stating the United States would only be looking to reform KORUS, how the administration will actually proceed is still unclear.

The White House seems to consider trade deficits as impeding economic growth and prefers taking a bilateral approach to trade imbalances. In particular, Trump seems to think KORUS has led to a decline in U.S. exports to South Korea, and the “flood” of Korean imports has resulted in U.S. trade deficits with South Korea that equate to lost American jobs.<sup>15</sup> This gross oversimplification of the impact of KORUS is indicative of the Trump administration’s lack of understanding of the data used in creating trade policy. Counter to what Trump has stated, U.S. free trade agreements are not the main cause of job losses, especially in manufacturing. Many Americans are convinced that free trade has led to the decline in manufacturing jobs. However, manufacturing’s share of U.S. employment has fallen steadily for over half a century, long before it started running trade deficits.<sup>16</sup> All industrialized countries, even those with large trade surpluses such as Germany and the Netherlands, have reported a similar trend.<sup>17</sup>

A recent report shows that the main engines of such a trend are a combination of two factors: increasing productivity growth in U.S. manufacturing and a shift in demand from goods toward services.<sup>18</sup> While productivity growth has led to lower prices, demand has not grown

rapidly enough to prevent a decline in employment. Thus, trade deficits in manufactured goods have only played a partial role in reducing employment. Similarly, persistent U.S. trade deficits do not reflect recent FTAs. It has had continuous annual trade deficits since 1976, well before NAFTA in 1994 and China's accession to the World Trade Organization in 2001. In addition, free-trade critics who state that imports have been a crucial contributor to unemployment, especially during the recent global recession, are contradicted by empirical data showing larger trade deficits correlate positively with falling unemployment.

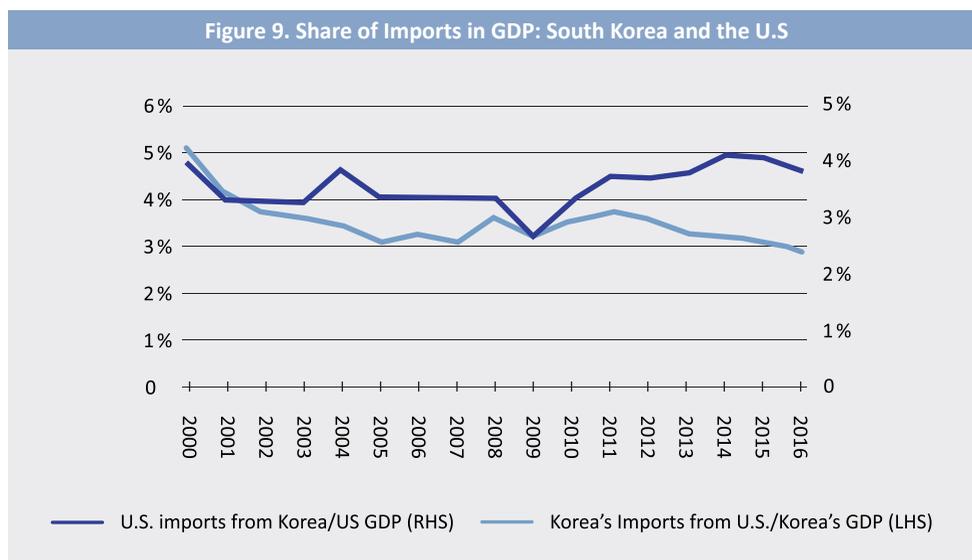
In sum, misunderstanding trade deficits has fostered a number of myths about international trade and U.S. trade policies. Those myths have allowed trade deficits to be used to further anti-trade and anti-market positions, including industrial policy, and sanctions against “unfair” trading partners. However, fundamental economic principles backed by empirical data show that protectionism cannot cure the trade deficit.<sup>19</sup> Rather, increasing exports is the best means to reduce the trade deficit and boost employment in manufacturing. Making goods and services more attractive is of no use if U.S. companies cannot access foreign markets. Surely, securing promising foreign and global markets through FTAs is a useful way of increasing exports.

## A CAREFUL APPROACH TO REFORMING KORUS

Renegotiating or reforming the KORUS FTA could be a difficult process for both governments. Officials under the new Moon Jae-in government would be very sensitive to new U.S. demands and pressure, which might provoke an anti-American backlash in South Korea. Moon could face severe political pressure domestically to stand apart from the United States and draw closer to China or even to North Korea. In such a situation, Moon might not have the necessary room to make a compromise to benefit both countries. Moreover, given the current tensions on the Korean Peninsula, neither side should want severe trade frictions to undercut or even signal discord in the U.S.-Korea strategic alliance. Reforming KORUS demands very careful attention, especially in terms of approaching the negotiating framework.

There are many committees and working groups built into KORUS.<sup>20</sup> They were established to discuss and resolve issues that may arise in the process of implementing KORUS. To date, U.S. and Korean officials have addressed implementation challenges relatively well. As a result, a number of implementation problems have been resolved, although some challenges remain. It is imperative that implementation issues be resolved quickly and faithfully in line with the KORUS agreement so that both countries can fully benefit from it. All outstanding issues—including specific market access concessions, rules of origin, financial services, even regulatory transparency and regulatory overreach—can be fully and effectively discussed within the current framework of the agreement.

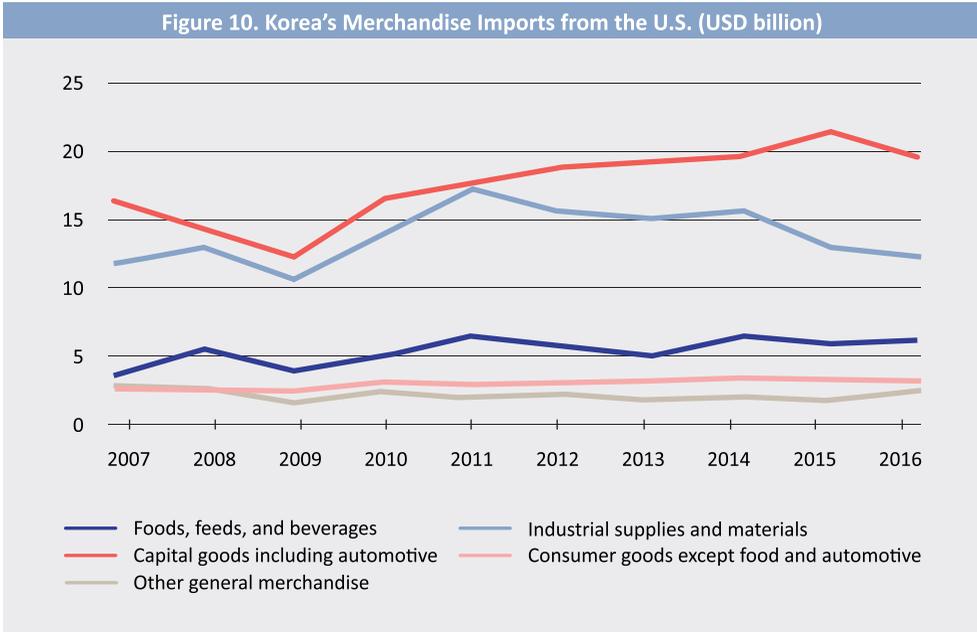
The scope for deepening bilateral economic cooperation between South Korea and the United States is huge, both in goods trade and in FDI. South Korea's goods imports from the United States remain at 3 or 4 percent of its GDP. It can afford to import more U.S. goods. The same is true in reverse; U.S. goods imports from South Korea are just 0.3 percent of its GDP. Both sides should make greater efforts to facilitate bilateral trade, improving procedures and controls governing traded goods to reduce associated costs to trading companies in both countries.



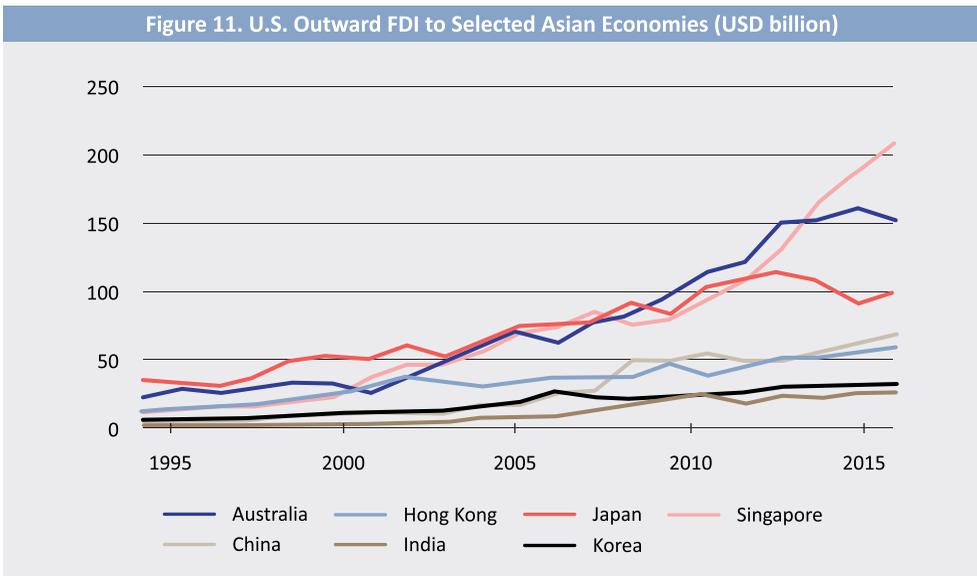
Source: U.S. Bureau of Economic Analysis (BEA) and BOK (Bank of Korea)

To date, merchandise trade between the two countries has been heavily skewed toward industrial supplies and capital goods. This implies that there must be other goods that can promote consumer welfare in both countries. For example, the share of food, feed, and beverages in Korea's total goods imports is 14 percent (\$5.9 billion). The ratio of consumer goods except food and automotives to U.S. total goods imports from South Korea is 18.7 percent. Thus, producing goods and services that consumers and firms from each country want is important. For example, Korea is currently the fifth-largest market for U.S. agricultural exports. U.S. cherry exports to South Korea were valued at \$110 million in 2016, up 174.1 percent compared to 2011. Exports of lemons were up over 240 percent to \$30 million in 2015. South Korea's instant noodle exports to the United States were valued at \$35.6 million in 2016, up 173 percent from 2011.

In terms of FDI, there is vast room to strengthen economic relations. In particular, U.S. outbound FDI to Asian countries tends to be concentrated toward Singapore, Japan, and Australia. The share of these three countries in U.S. FDI to the Asia Pacific approached 65 percent in 2015, while U.S. FDI to South Korea has remained around 4 or 5 percent during the last two decades. U.S. FDI to Singapore has risen from \$12.1 billion in 1995 to \$228.7 billion in 2016 while U.S. FDI to South Korea increased from \$5.6 billion to \$34.6 billion over the same period. South Korea, of course, must endeavor to make a better investment environment for foreign investors.



Source: U.S. Bureau of Economic Analysis (BEA)



Source: U.S. Bureau of Economic Analysis (BEA)

Moreover, the security importance of KORUS cannot be overstated. The motives behind the U.S. effort to sign the trade deal were predominantly political and strategic, which reflects the changing geopolitical environment in Northeast Asia, particularly the U.S. effort to balance against China's rising power and influence.<sup>21</sup> In addition to the billions of defense exports to Korea over the past few years—valued between \$12 to \$14 billion between 2013 and 2016—there are ancillary benefits for global economic activity and regional stability that go unmeasured.

KORUS is not a simple FTA. It is a high-standard and comprehensive agreement designed to establish trade rules and disciplines governing global trade for the 21st century. It has the highest-standards of any U.S. FTA currently in force, including commitments ensuring the ability of financial services firms to transfer data between the two countries. Non-tariff barriers in goods, services, and FDI have and will continue to be reduced or eliminated under the agreement. Thus, the Korean market will be more open, predictable, and business-friendly as new measures in line with its KORUS commitments are implemented over the next several years.

## ENDNOTES

1. Trade deficits or surpluses reflect underlying macroeconomic factors, especially investment flows and, ultimately, the national rates of savings and investment that determine those flows. In fact, trade policy has a negligible effect on the trade deficit.
2. Caroline Freund, “Public Comment on Trump Administration Report on Significant Trade Deficits,” *Trade & Investment Policy Watch*, Peterson Institute for International Economics, May 8, 2017.
3. U.S. Census Bureau, U.S. Bureau of Economic Analysis, *NEWS*, May 2017, [https://www.census.gov/foreign-trade/Press-Release/current\\_press\\_release/ft900.pdf](https://www.census.gov/foreign-trade/Press-Release/current_press_release/ft900.pdf).
4. U.S. Bureau of Economic Analysis, BEA International Trade and Investment Country Facts, South Korea.
5. Robert E Scott, “U.S.-Korea trade deal resulted in growing trade deficits and more than 95,000 lost U.S. jobs,” 2016, <http://www.epi.org/blog/u-s-korea-trade-deal-resulted-in-growing-trade-deficits-and-more-than-95000-lost-u-s-jobs/>. He said, “The growth of the vehicles and parts deficit was responsible for 85.0 percent of the increase in the U.S.-Korea manufacturing trade deficit, and nearly two-thirds (63.7 percent) of the increase in the total U.S. Korea trade deficit between 2011 and 2015.”
6. BEA International Trade and Investment Country Facts, South Korea.
7. Yuqing Xing and Neal Detert, “How the iPhone Widens the U.S. Trade Deficit with the People’s Republic of China,” ADBI Working Paper Series, No. 257, December 2010.
8. [https://www.oecd.org/sti/ind/tiva/CN\\_2015\\_Korea.pdf](https://www.oecd.org/sti/ind/tiva/CN_2015_Korea.pdf).
9. BEA International Trade and Investment Country Facts, South Korea.
10. The United States is the net beneficiary of around \$7 billion in FDI. U.S. Bureau of Economic Analysis, BEA International Trade and Investment Country Facts, South Korea.
11. As a typical example of 21st century FTAs, KORUS includes an investment dispute mechanism, intellectual property rights, and environmental and labor standards.
12. South Korea – FDI, Select USA, June 2016, <https://www.selectusa.gov/servlet/servlet.FileDownload?file=015t0000000LKNs/>.
13. USITC, Economic Impact of Trade Agreements Implemented Under Trade Authorities Procedures, 2016 Report, June 2016.
14. Both the U.S. and Korea have moved up in trading partner rankings (in terms of trade in goods) since KORUS took effect.
15. Candidate Trump had referred to KORUS several times as “a job killing deal.” As president he also said that KORUS was “a horrible deal” that has left America “destroyed.” Phillip Rucker, “Trump: ‘We may terminate’ U.S.-South Korea trade agreement,” *The Washington Post*, April 28, 2017.
16. Robert Z. Lawrence and Lawrence Edwards, “Shattering the Myths About U.S. Trade Policy,” *Harvard Business Review*, March 2012
17. Ibid.
18. Ibid.

19. Fewer imports would mean fewer dollars flowing into international currency markets, raising the value of the dollar relative to other currencies. The stronger dollar would make U.S. exports more expensive for foreign consumers and imports more attractive to the United States. Then, exports would fall and imports would rise until the trade balance matched the savings and investment balance.
20. For example, there are ten committees: Joint, Trade in Goods, Agricultural Trade, Textile and Apparel Trade, Medicine and Medical Devices, SPS, TBT, Trade Remedies, Financial Service, Outward Processing Zone, Fisheries, and Services and Investment. Two councils on labor and environmental affairs and five working groups (Automotive, Professional Services, Insurance, Government Procurement, SMEs) were established.
21. It is clear that the KORUS FTA is not simply a matter of economic costs and benefits. It could be part of a strategy to use its asymmetric trading relations with South Korea as a means to maintain U.S. political influence while simultaneously balancing against China's increasing power and influence in Northeast Asia.