



INTERNATIONAL
TRADE
ADMINISTRATION

Benefits from the U.S.-Korea Free Trade Agreement

Pennsylvania

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The U.S.-Korea Free Trade Agreement Provides Enhanced Market Access

The U.S.-Korea Free Trade Agreement (FTA) offers tremendous opportunities for U.S. exporters. Nearly 95 percent of U.S. exports of consumer and industrial products will enter Korea duty-free within three years of entry into force of the agreement, including computers and electronic products; auto parts; power generation equipment; chemicals; medical and scientific equipment; and certain wood products. Most remaining tariffs will be eliminated within 10 years. Almost two-thirds of U.S. agricultural exports will be immediately duty-free when the FTA is implemented (\$1.9 billion duty-free out of \$2.9 billion 2005-2007 average).

Recognizing that non-tariff barriers in Korea are often as much of an impediment to market access as tariffs, the FTA includes an extensive set of provisions that will eliminate such measures across sectors, including autos, high technology, pharmaceuticals and medical devices, financial services, and telecommunications. The agreement includes strong transparency provisions, including commitments to publish in advance proposed government regulations that affect trade and to allow a reasonable opportunity for interested parties to provide input. The agreement contains strong provisions on technical barriers to trade to enhance transparency of the regulatory process in Korea and ensure nondiscriminatory treatment for U.S. companies that test and certify products to Korean standards.

Pennsylvania Depends on World Markets

Pennsylvania's export shipments of merchandise in 2007 totaled \$29.1 billion. Pennsylvania posted the eleventh largest export total among the 50 states that year. Pennsylvania's \$12.8 billion increase in exports from 2003 to 2007 was the eighth largest among the 50 states.

Exports Support Jobs for Pennsylvania Workers-

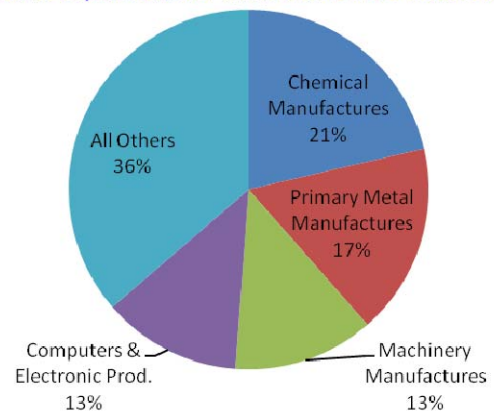
Export-supported jobs linked to manufacturing account for an estimated 4.3 percent of Pennsylvania's total private-sector employment. One-sixth (16.8 percent) of all manufacturing workers in Pennsylvania depend on exports for their jobs (2006 data are the latest available.)

Exports Sustain Thousands of Pennsylvania Businesses- A total of 11,358 companies exported goods from Pennsylvania locations in 2006. Of those, 10,028 (88 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

Pennsylvania SMEs Will Benefit from U.S.-Korea FTA Provisions

SMEs generated 29 percent of Pennsylvania's total exports of merchandise in 2006. SMEs particularly benefit from the tariff-eliminating provisions of free trade agreements (FTAs) and should benefit from the significant tariff cuts under the U.S.-Korea FTA. The transparency obligations, particularly those contained in the customs chapter, are also very important to SMEs, which may not have the resources to navigate customs and regulatory red tape.

Pennsylvania Exported \$660 Million in Goods to Korea in 2007



Source: U.S. Department of Commerce, International Trade Administration.

The U.S.-Korea FTA Moves the Trade Relationship to Full Partnership

The U.S.-Korea FTA will level the playing field by rectifying the significant tariff imbalance that currently favors Korean exporters over U.S. exporters. Korea's current applied tariffs on industrial goods average 6.2 percent. The average applied U.S. tariff rate is only 2.8 percent - less than half of the Korean rate. Because of these higher tariffs, U.S. exporters do not have equivalent access to the Korean market. The U.S.-Korea FTA levels the playing field and enhances competition because it moves the U.S.-Korea commercial relationship to full partnership and reciprocal commitments.

The U.S.-Korea FTA Opens New Markets for Key Pennsylvania Exports

Chemical Manufactures – Chemical manufactures was Pennsylvania's leading manufactured export category in 2007, accounting for \$5.2 billion in merchandise exports. Chemical manufactures were also Pennsylvania's fastest growing manufactured export in dollar terms from 2003 to 2007, growing by \$2.6 billion during that period. Pennsylvania's exporters of chemical and related products, including pharmaceuticals, cosmetics, fertilizers, and agrochemicals, will benefit from U.S.-Korea FTA tariff reductions. Forty-seven percent of U.S. chemical exports by value will receive duty-free treatment immediately upon entry into force of the agreement, with the remaining tariffs phased out within 10 years. Tariffs on high-trade U.S. products such as halides and copper oxides will be eliminated immediately upon implementation of the Agreement. Current Korean chemical tariffs average 6 percent and can be as high as 50 percent.

Machinery Manufactures – Machinery manufactures was Pennsylvania's second leading manufactured export category in 2007 and one in which the state has experienced significant export growth. Pennsylvania exported \$4.2 billion in machinery manufactures in 2007, an increase of \$2.0 billion from 2003. Many machinery manufactures will receive duty-free treatment immediately upon entry into force of the agreement, including products such as refrigeration compressors, water filtering and purifying equipment. One hundred percent of agricultural and construction equipment, including bulldozers, mechanical shovels, boring and sinking machinery, and dumpers, will continue to receive duty-free treatment. The elimination of Korean tariffs on U.S. machinery manufactures will provide a competitive boost to U.S. exporters, who will no longer face tariffs as high as 8 percent.

Primary Metal Manufactures – Another of the state's leading manufactured export categories is primary metal manufactures, which accounted for \$3.5 billion of

Pennsylvania's total merchandise exports in 2007. Primary metal manufactures were also one of Pennsylvania's fastest growing manufactured export growth categories, up 141 percent from 2003 to 2007. Pennsylvania's exporters to Korea will be more competitive as tariffs on most primary metal manufactures will be eliminated immediately upon entry into force of the Agreement, including copper foil and aluminum plates. All remaining tariffs will be phased out within five years. Major infrastructure projects and private sector-led development should continue to provide opportunities for U.S. exporters in this sector.

U.S.-Korea FTA Creates Opportunities for Pennsylvania's Agriculture

In 2006, Pennsylvania's agriculture exports to the world amounted to \$1.4 billion (latest data available). The U.S.-Korea FTA eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for U.S. agricultural products like those produced in Pennsylvania such as dairy, beef, and poultry. With immediate elimination of duties on more than 60 percent of current U.S. trade, the U.S.-Korea FTA gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected. U.S. exporters shipped \$3.5 billion in farm products to Korea in 2007.

For more information on agricultural exports and the U.S.-Korea FTA, see the fact sheets posted by the U.S. Department of Agriculture at:

<http://www.fas.usda.gov/itp/us-koreafta.asp>

Free Trade Works for Pennsylvania

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Pennsylvania's exports to Canada and Mexico have grown by 170 percent. Pennsylvania's exports to Chile have grown by 179 percent since the entry into force of the U.S.-Chile FTA in 2004.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to state based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Sources: Bureau of the Census, U.S. Department of Commerce, Origin of Movement Series; U.S. Department of Agriculture.

Prepared by the U.S. Department of Commerce, International Trade Administration.