



INTERNATIONAL
TRADE
ADMINISTRATION

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

South Dakota

www.export.gov/fta/korea/state

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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.

South Dakota Depends on World Market

South Dakota's export shipments of merchandise in 2007 totaled \$1.5 billion. South Dakota's export shipments grew 124 percent from 2003 to 2007, the sixth biggest percentage gain among the states. By comparison, the total US increase in merchandise exports over this period was 61 percent.

Exports Support Jobs for South Dakota Workers-

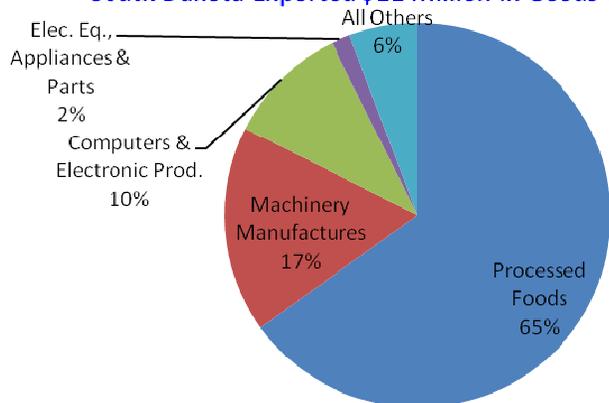
Export-supported jobs linked to manufacturing account for an estimated 3.0 percent of South Dakota's total private-sector employment. Nearly one-eighth (12.3 percent) of all manufacturing workers in South Dakota depend on exports for their jobs. (2006 data are the latest available.)

Exports Sustain Hundreds of South Dakota Businesses- A total of 514 companies exported goods from South Dakota locations in 2006. Of those, 413 (80 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

South Dakota SMEs Will Benefit from U.S.-Korea FTA Provisions

SMEs generated 32 percent of South Dakota's total exports of merchandise in 2006, above the national average of 29 percent. 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.

South Dakota Exported \$11 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 South Dakota Exports

Processed Food – South Dakota's second largest manufactured export category in 2007 was processed foods. Export shipments of these products during the 2003–2007 period grew from \$179 million to \$388 million, an increase of \$209 million. The U.S.-Korea FTA, when implemented, will stimulate new opportunities for South Dakota businesses in this sector. Korea is a growing market for consumer-oriented foods, creating new opportunities for U.S. exports of snack foods, cheese, and juices. The U.S.-Korea FTA will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Korea. Many processed food products will receive immediate duty-free treatment such as frozen french fries and all other processed food tariffs will be eliminated in five years or less.

Computers and Electronic Products – South Dakota's top manufactured export category is the computers and electronics sector. South Dakota's exports of computers and electronics products were \$408 million in 2007—an increase of \$190 million from 2003. The top U.S. exports in this sector included digital integrated circuitry, magnetic tape and navigational equipment. Korean tariffs range between zero and 13 percent. The U.S.-Korea FTA improves market access for computers and electronic products. With the immediate removal of many of these tariffs, U.S. exports will become much more competitive and affordable to Koreans.

Machinery Manufactures – Machinery manufactures is South Dakota's third largest export category and also one in which South Dakota experienced significant export growth. South Dakota exported \$201 million in machinery manufactures in 2007, an increase of \$124 million 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.

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

In 2006, South Dakota's agriculture exports to the world amounted to \$1.2 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 South Dakota such as beef, corn, soybeans, and wheat. 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 South Dakota

Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, South Dakota's combined exports to Canada and Mexico have grown by 560 percent. Since the entry into force of the U.S.-Australia agreement in 2005, the state's exports to Australia have grown 290 percent. In the last three years (2005-2007), South Dakota's exports to the DR-CAFTA countries have grown 244 percent.

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.