



US-Korea Free Trade Agreement Automotive Parts & Accessories



New Opportunities

- Korea is a \$1 trillion economy and the 7th largest U.S. trading partner
- Korea is a high-income and high consumer spending market
- Korean fascination with the "American Lifestyle" continues to draw interest and attention among Korean consumers

For automotive products, 97.6 percent of U.S. exports will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on less than one percent of exports will be eliminated over three years, and tariffs on 2.3 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.

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 non-tariff barriers. 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.

Industry Trends

While local suppliers have greatly improved their technology prowess, mostly through technology transfer and M&A with foreign companies, they still lack core technologies in engine design, core parts development, manufacturing, innovative engine technologies including hybrid and full cell engines, precision equipment, safety equipment, etc. The Korean government evaluates Korean auto parts suppliers' technical prowess at 77 percent of the most advanced technology countries. For the lack of local technology, Original Equipment Manufacturers are still heavily relying on advanced import products, and are expected to expand global outsourcing practices. Also, Korean industry sources predict that the launch of Hyundai Motor's manufacturing plant in Alabama will accelerate the trend toward global procurement.

Business Tools

The US Commercial Service is ready to help your company enter and expand in the dynamic Korean market.

We can help you:

- ✓ Research market potential
- ✓ Locate and arrange appointments with qualified buyers and distributors
- ✓ Advise on intellectual property rights, regulatory hurdles, and government contracts
- ✓ Provide you with essential company background information that will help you make more informed decisions
- ✓ Launch your product in Korea with a promotional or technical seminar

Best Prospect Sectors

For OEMs:

- leading-edge engine design, engine control units (ECU), electronic engine parts
- advanced core parts including automatic transmissions, anti-lock brake systems and air bags
- hybrid car and pollution-free car related technologies

For the aftermarket:

- road wheels
- replacement parts
- spark plugs
- ignition cables
- timing belts
- wiper blades
- high-end car audio systems and components
- high-performance automotive chemicals, such as wax and rust-proofing solutions and accessories like window films.

Key Contact

(Mr.) Young Wan Park
Commercial Specialist, Commercial Service Korea
Tel: 82-2-397-4164 * Fax: 82-2-739-1628
Email: young.park@mail.doc.gov

www.buyusa.gov/korea