



# US-Korea Free Trade Agreement Consumer Goods



## New Opportunities

- Korea is a \$1 trillion economy and the 7th largest U.S. trading partner
- Korean fascination with the “American Lifestyle” continues to draw interest and attention among Korean consumers
- Korea is a high-income and high consumer spending market
- Korea has a steady and diversified growth of 4.6%, with small and medium size businesses taking on stronger and more dynamic roles within the economy.

Consumer goods include household appliances, furniture, toys, recreational equipment, precious metals and jewelry, and other miscellaneous household products. For consumer goods 71.6% of U.S. exports will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on 25 percent of exports will be eliminated over three years, and duties on the remaining 3 percent will be eliminated over five years. Tariffs on high-priority U.S. products such as heat pumps, golf equipment, and motorcycles will be eliminated within three years of implementation of the Agreement.

## Industry Trends

With the emergence of non-traditional retail channels, such as discount stores, online shopping malls, etc., the retail industry has been clearly divided into two segments, one that targets economical price and the other targeting the prestige market. In the beginning, in order to survive in competition with these non-traditional retail channels, the department stores' strategy was to lower their prices by having numerous sales throughout the year. However, department stores soon discovered that the strategy was not enough to win back their customers, but was also ruining their reputations of providing high end, reliable products. Thus, department stores took a different path, which was to become prestige retailers through changes in products, customer service and presentation.

## 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 Focus: Cosmetics & Skin Care**

As more Korean women enter the labor force and experience rising incomes, they have become avid users of imported cosmetics, yielding significant gains for U.S. suppliers.

New developments include the introduction of natural and organic personal care products and continuous modifications to the Korean government's regulations on testing new cosmeceuticals (a new classification by the Korea Food & Drug Administration (KFDA) covering "functional cosmetics," such as whitening, anti-aging and sun care SPF products). Newly introduced cosmeceutical products are gaining widespread consumer acceptance since they often provide for a wide variety of skin care needs. Most cosmetic companies have added these items to their product lines.

## Key Contact

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