



INTERNATIONAL
TRADE
ADMINISTRATION

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

New Jersey

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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.

New Jersey Depends on World Markets

New Jersey's export shipments of merchandise in 2007 totaled \$30.5 billion, the ninth largest among the 50 states. This is a \$13.6 billion increase since 2003, the seventh largest dollar increase among the 50 states.

Exports Support Jobs for New Jersey Workers-

Export-supported jobs linked to manufacturing account for an estimated 3.8 percent of New Jersey's total private-sector employment. Over one-sixth (17.4 percent) of all

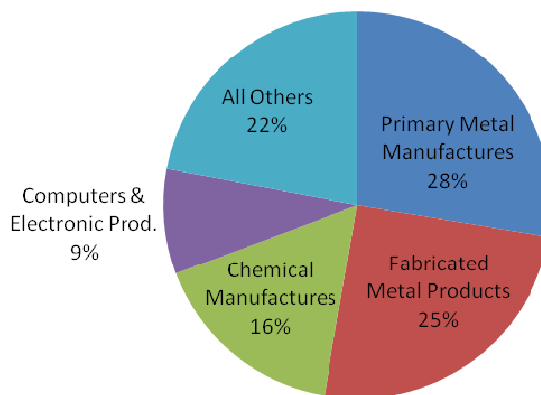
manufacturing workers in New Jersey depend on exports for their jobs. (2006 data are the latest available.)

Exports Sustain Thousands of New Jersey Businesses- A total of 14,093 companies exported goods from New Jersey locations in 2006. Of those, 12,988 or 92 percent were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

New Jersey SMEs Will Benefit from U.S.-Korea FTA Provisions

SMEs generated more than one-third (38 percent) of New Jersey's total exports of merchandise in 2006, well 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.

New Jersey Exported \$972 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 New Jersey Exports

Chemical Manufactures - Chemical manufactures accounted for \$7.5 billion of the state's merchandise exports in 2007. New Jersey's exporters of chemical and related products, including pharmaceuticals, cosmetics, fertilizers, and agro-chemicals, 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.

Primary Metal Manufactures - New Jersey's leading manufactured export category is primary metal manufactures, which accounted for \$4 billion in 2007. New Jersey'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.

Computers and Electronic Products - Computer and electronic products accounted for \$3.2 billion of the state's merchandise exports in 2007. 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 computer and electronic products. With the immediate removal of many of these tariffs, U.S. exports will become much more competitive and affordable to Koreans.

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

In 2006, New Jersey's agriculture exports to the world amounted to \$219 million (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 New Jersey such as dairy and fruits. 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 New Jersey

In the first two years (2006-2007) of the U.S.-Morocco FTA, New Jersey's exports to Morocco grew 125 percent. In the first four years of the U.S.-Chile FTA (2004-2007), the state's exports to Chile have increased by 405 percent and since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, New Jersey's exports to Canada and Mexico have grown by 162 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.