



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

### Arkansas

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#### The U.S.-Korea Trade Agreement (KORUS) Will Help Grow the U.S. Economy & Support U.S. Jobs

The impact of the eliminations of tariffs and related barriers is estimated to increase U.S. GDP by nearly \$12 billion and U.S. goods exports by nearly \$11 billion annually. Adding to this would be new exports of U.S. services, where U.S. firms exported \$12.6 billion to Korea in 2009. Together, these export opportunities support the President's National Export Initiative goal of doubling exports by 2015.

#### KORUS is Essential to Ensuring U.S. Competitiveness in Korea and Throughout Asia

Ten years ago, the United States was the top exporter to Korea providing one-fifth of all Korean imports; now we are in third place with less than 10% market share.

- U.S. exporters to Korea currently pay an average 6.2 percent tariff, or nearly \$1.3 billion a year, to Korea through tariffs on industrial goods.
- Korean exporters to the United States currently face an average 2.8 percent tariff.
- On the first day of the European Union (EU) – Korea FTA, 85% of Korean tariffs on EU products will go to zero.
- Chinese products in Korea benefit from lower transportation and labor costs.

Implementing KORUS can help U.S. businesses and their workers stem this downward slide by making U.S. products more competitive in the Korean market.

- Tariff elimination for over 95 percent of U.S. exports of consumer and industrial products within five years.
- Tariff elimination for nearly two-thirds of U.S. agricultural exports immediately on entry into force.
- Significant new market access for U.S. service suppliers.
- Extensive elimination of non-tariff barriers, including in the autos sector.
- Tariff eliminations and strong transparency obligations will facilitate SME exports.

#### Arkansas Depends on World Markets

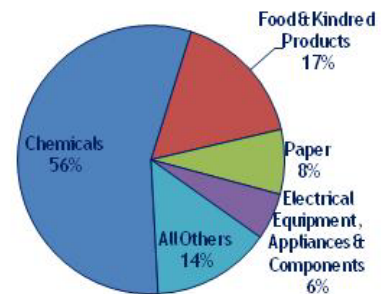
Arkansas' shipments of merchandise in 2010 totaled \$5.2 billion.

- A total of 1,583 companies exported goods from Arkansas locations in 2008.
- 1,218 of Arkansas exporting firms were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated over one-sixth (16.9 percent) of Arkansas's total exports of merchandise in 2008.

#### Trade Works for Arkansas

Recently implemented trade agreements have benefited Arkansas. For example, since the U.S.-Singapore trade agreement entry into force in 2004, Arkansas's exports to Singapore have grown by 289 percent. Since the U.S.-Chile trade agreement entry into force in 2004, Arkansas's exports to Chile have grown by 189 percent. KORUS can similarly benefit Arkansas.

Arkansas Exported an Average of \$118 Million in Goods to Korea from 2008-2010



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

## KORUS Opens New Markets for Key Arkansas Exports

**Chemicals Manufactures** – Chemicals manufactures accounted for \$66 million of the state’s merchandise exports to South Korea on average in 2008-2010. U.S. exporters of chemicals and related products, including pharmaceuticals, cosmetics, fertilizers, inorganic chemicals, organic chemicals, plastics, and agro-chemicals, will benefit from KORUS tariff reductions. Fifty percent of U.S. chemicals 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 silicon and certain plastics articles will be eliminated immediately upon implementation of the Agreement. Current Korean chemicals tariffs average 6 percent and can be as high as 50 percent.

**Processed Foods** – Arkansas exported \$20 million in processed food products to Korea on average from 2008-2010. KORUS, when implemented, will stimulate new opportunities for Arkansas 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. KORUS 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 many other processed food tariffs will be eliminated in five years or less.

**Paper Products** – Arkansan exports of paper products to Korea averaged \$9.3 million per year from 2008 to 2010. U.S. paper and paper products producers will benefit from the immediate elimination of Korean tariffs on 100 percent of U.S. paper products. Korean tariffs in this sector currently average 0.2 percent. The top U.S. exports to Korea in this sector included printed books and brochures, chemical wood pulp, uncoated liner in rolls or sheets, paper, and newspapers.

## KORUS Creates Opportunities for Arkansas’ Agriculture

Arkansas’ agricultural exports to all countries, estimated at \$2.6 billion in 2009, supported about 20,928 jobs, on and off the farm. These export sales make an important contribution to the Arkansas farm economy, which had total cash receipts of \$7.2 billion in 2009. KORUS eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for U.S. agricultural products like those produced in Arkansas such as poultry, soybean products, and cotton. With immediate elimination of duties on nearly two-thirds of U.S. agricultural exports to Korea, KORUS gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected.

For more information on agricultural exports and KORUS, see the fact sheets posted by the U.S. Department of Agriculture at: <http://www.fas.usda.gov/itp/us-koreata.asp>

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.