



Benefits from the U.S.-Korea Trade Agreement

Indiana

June 2011

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.

Indiana Depends on World Markets

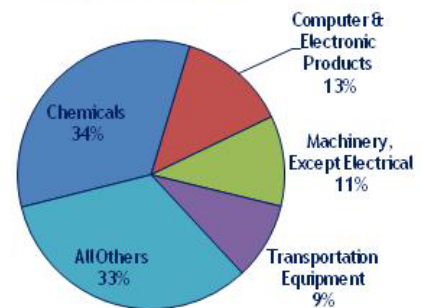
Indiana's shipments of merchandise in 2010 totaled \$28.7 billion.

- A total of 6,558 companies exported goods from Indiana locations in 2008.
- 5,619 of Indiana exporting firms were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated nearly one-fifth (19.5 percent) of Indiana's total exports of merchandise in 2008.

Trade Works for Indiana

Recently implemented trade agreements have benefited Indiana. For example, since the U.S.-Chile trade agreement entry into force in 2004, Indiana's exports to Chile have grown by 227 percent. Since the U.S.-Australia trade agreement entry into force in 2005, Indiana's exports to Australia have grown by 112 percent. KORUS can similarly benefit Indiana.

Indiana Exported an Average of \$453 Million in Goods to Korea from 2008-2010



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

KORUS Opens New Markets for Key Indiana Exports

Chemicals Manufactures – Chemicals manufactures accounted for an average of \$152 million per year of the state's merchandise exports to Korea between 2008 and 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.

Computers and Electronics Products – Computers and electronics products accounted for an average of \$60 million per year of the state's merchandise exports to Korea between 2008 and 2010. Top U.S. exports in this sector included digital integrated circuitry, semiconductors, semiconductor manufacturing equipment, telecommunications equipment, radio and television parts, static converters, and magnetic tape. Korean tariffs range between zero and 13 percent. KORUS improves market access for computers and electronics products. With the immediate removal of many of these tariffs, U.S. exports will become much more competitive and affordable to Koreans.

Machinery Manufactures – Indiana's exports of machinery will benefit from KORUS tariff reductions. Machinery manufactures accounted for an average \$50 million per year of the state's merchandise exports to Korea from 2008 to 2010. Many machinery manufactures will receive duty-free treatment immediately upon entry into force of the agreement, including products such as refrigeration compressors, valves, renewable energy equipment, air pollution control equipment (pumps), water filtering and purifying equipment, and piston engines and engine parts. One hundred percent of agricultural and construction equipment, including tractors, lawn mowers, straw balers, conveyors, loaders, bulldozers, mechanical shovels, boring and sinking machinery, derricks, 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 13 percent.

KORUS Creates Opportunities for Indiana's Agriculture

Indiana's agricultural exports to all countries, estimated at \$3.1 billion in 2009, supported about 25,200 jobs, both on and off the farm. These export sales make an important contribution to Indiana's farm economy, which had total cash receipts of \$8.8 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 Indiana such as feed grains, soybeans, and pork. 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.