



The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Footwear and Travel Goods Sector*

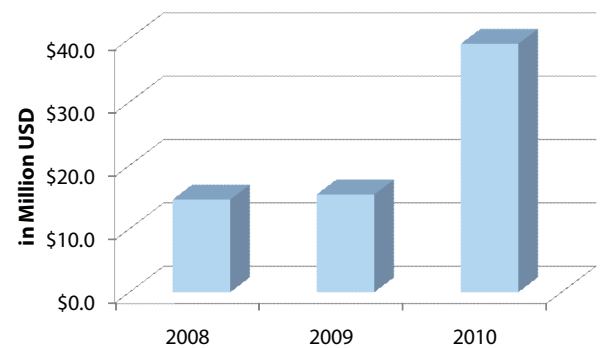
The U.S.-Korea Trade Agreement would provide significant commercial opportunities for U.S. exporters:

- Korea is the **5th largest** market for U.S. footwear and travel goods exports; failure to pass the U.S.-Korea Trade Agreement could enable exporters from the EU and other countries to gain key advantages over U.S. exporters to Korea.
- Estimated duties paid on exports of U.S. footwear and travel goods to Korea were over **\$7 million** from 2008 to 2010.
- **All** U.S. footwear and travel goods exports to Korea by value would receive duty-free treatment immediately upon implementation of the U.S.-Korea Trade Agreement; Korean footwear and travel goods tariffs currently average 9.8 percent, ranging up to 13 percent.

Footwear and Travel Goods Sector Overview

- The footwear and travel goods sector accounted for over \$23 million in U.S. exports to Korea over 2008-10 (average).¹
- Top U.S. footwear and travel goods exports to Korea include leather bags, rubber shoes, and leather shoes.
- In 2009, U.S. production of footwear and travel goods was over \$2.4 billion.²
- The U.S. footwear and travel goods sector employed over 29,000 workers in the United States in 2009.³

U.S. Footwear and Travel Goods Exports to Korea Averaged \$23 Million



Improved Market Access for U.S. Footwear and Travel Goods Exporters to Korea

- Korean footwear and travel goods tariffs average 9.8 percent, ranging from 8 to 13 percent.
- All U.S. footwear and travel goods exports⁴ would receive duty-free treatment immediately upon implementation of the trade agreement.

U.S. Footwear Industry Concerns Addressed by the U.S.-Korea Trade Agreement

- U.S. tariffs on sensitive rubber/fabric and plastic/protective footwear items imported from Korea would remain at MFN levels for eight years after implementation of the U.S.-Korea Trade Agreement.
- Beginning on January 1 of the ninth year following implementation of the trade agreement, tariffs on these sensitive footwear products would be reduced in four equal annual stages, and would be eliminated on January 1 of year 12.

¹ Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea. The definition for footwear and travel goods used in this report, unless otherwise cited, is based on Harmonized System (HS) Chapters 42 and 64.

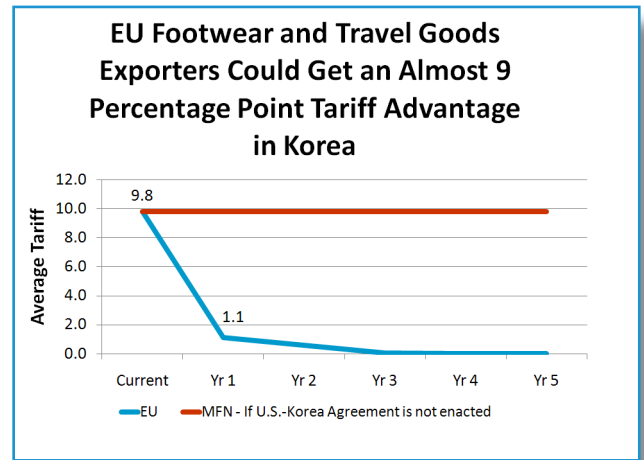
² U.S. Department of Commerce, U.S. Census Bureau, within NAICS 316. Shipments used as a best available proxy for production.

³ U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 316 (non-seasonally adjusted data).

⁴ Data based on three-year average for 2008-2010.

Foreign Competition in the Korean Market

- Korea signed a trade agreement with the EU in 2009, which is scheduled to enter into force in July 2011. It also recently signed an FTA with Peru, which is also scheduled to enter into force this year. Korea presently has FTAs in force with ASEAN, Chile, India, Singapore, and EFTA. In addition, Korea is negotiating new agreements with Australia, Canada, Colombia, New Zealand, and Turkey; is considering launching FTA negotiations with China; and is exploring re-launching its stalled negotiations with Japan.
- EU footwear and travel goods exporters will immediately enjoy an average tariff of 1.1 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 9.8 percent until entry into force of the U.S.-Korea Trade Agreement.⁵



Key States Exporting to Korea

- Top U.S. states exporting footwear and travel goods to Korea include: Florida, California, Illinois, New York, New Jersey, Pennsylvania, Georgia, Texas, Ohio, Massachusetts, and Maine.

Other Key U.S.-Korea Trade Agreement Commitments for the Footwear & Travel Goods Sector

- **Rules of Origin:**
The U.S.-Korea Trade Agreement rules of origin allow only products that are produced in the United States and Korea to receive preferences under the Agreement. The trade agreement rules of origin provide clear requirements for a good to be considered originating, including that a good must be wholly obtained or produced entirely in the territory of the United States or Korea as well as requirements on materials that are used in the production of the good. Importers may claim preferences under the trade agreement based on a certification by the importer, exporter, or producer or based on the importer's knowledge that the good is originating, but certifications need not be in a prescribed format.
- **Customs Procedures:**
The U.S.-Korea Trade Agreement requires transparency through the publication of customs measures to ensure that the U.S. and Korean private sectors have access to customs laws and regulations. To the extent possible, those interested will be given an opportunity to comment on generally applicable customs regulations proposed by the United States or Korea. The trade agreement requires simplified customs procedures for the timely and efficient release of goods in order to facilitate "just-in-time" supply chain logistics systems, as well as procedures intended to reduce delays in customs clearance.

⁵U.S. Department of Commerce calculations based on EU-Korea FTA and U.S.-Korea Trade Agreement tariff commitments.