



The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Shipping and Transportation Equipment Sector*

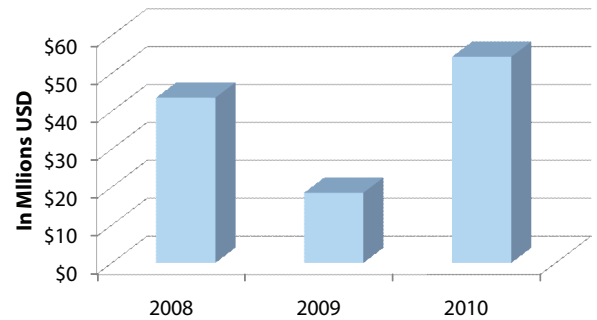
The U.S.-Korea Trade Agreement would provide significant commercial opportunities for U.S. exporters:

- Korea is the **16th largest** market for U.S. shipping and transportation equipment 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. shipping and transportation products to Korea were over **\$2.8 million** from 2008 to 2010.
- **All** U.S. exports of shipping and transportation equipment exports to Korea will be duty-free within three years of implementation of the U.S.-Korea Trade Agreement; Korean shipping and transportation equipment tariffs currently average 3.8 percent, ranging up to 8 percent.

Shipping and Transportation Sector Overview

- The shipping and transportation equipment sector accounted for over \$39 million in U.S. exports to Korea over 2008-10 (average).¹
- Top U.S. shipping and transportation equipment exports to Korea include transportation vessels, fishing vessels, and transport containers.
- In 2009, U.S. production of shipping and transportation equipment products was over \$48 billion.²
- The U.S. shipping and transportation sector employed over 155,000 workers in 2009.³

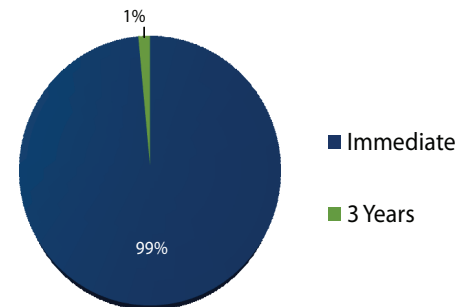
U.S. Shipping and Transportation Products Exports to Korea Averaged \$39 Million



Improved Market Access for U.S. Shipping and Transportation Exporters to Korea

- Korean shipping and transport tariffs average 3.8 percent, ranging from zero to 8 percent.
- More than 99 percent of U.S. shipping and transportation equipment exports⁴ to Korea, including high trade items such as ships, steel fishing vessels, and transport containers, would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on the remaining less than 1 percent of shipping and transportation exports to Korea would be eliminated over three years.

All U.S. Shipping and Transportation Exports to Korea Would be Duty-Free Within Three Years



¹ Global Trade Atlas. Calculation based on import data as reported by Korea. The definition for shipping and transportation equipment used in this report, unless otherwise cited, is based on Harmonized System (HS) Chapters 86 and 89.

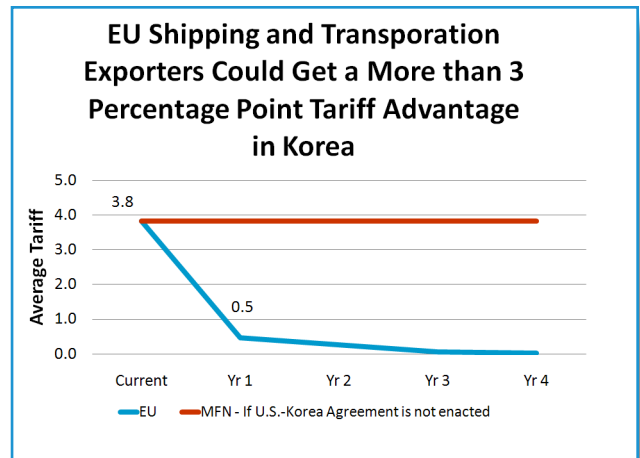
² U.S. Department of Commerce, U.S. Census Bureau, within NAICS 333 and 336. Shipments used as a best available proxy for production.

³ U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 336.

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 shipping and transportation equipment exporters will immediately enjoy an average tariff of 0.5 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 3.8 percent until entry into force of the U.S.-Korea Trade Agreement.⁵



Key States Exporting to Korea

- Top U.S. states exporting shipping and transportation equipment to Korea include: California, Pennsylvania, New Jersey, Illinois, New York, Massachusetts, Texas, North Carolina, South Carolina, and Georgia.

Other Key U.S.-Korea Trade Agreement Commitments for the Shipping and Transportation Sector

- **Government Procurement:**
Korea and the United States are members of the WTO Agreement on Government Procurement and already enjoy open and transparent access to each other's government procurement markets. The U.S.-Korea Trade Agreement enhances this relationship by increasing the procurements to which U.S. suppliers will be ensured non-discriminatory access by reducing the goods and services threshold to \$100,000 from \$203,000 for central government entities. The Agreement also incorporates important improvements that reflect the emerging practices in procurement, reducing the tendering period for "off-the-shelf" goods and services and encouraging the use of electronic tendering.
- **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.
- **Investment:**
The U.S.-Korea Trade Agreement establishes a stable legal framework for U.S. investors and investments in Korea, backed by a transparent, binding international arbitration mechanism. All forms of investment are protected under the Agreement. With few exceptions, U.S. investors would be treated as well as Korean investors (or investors of any other country) in the establishment, acquisition, and operation of investments in Korea.

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