



Benefits from the U.S.-Korea Trade Agreement

June 2011

Maryland

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.

Maryland Depends on World Markets

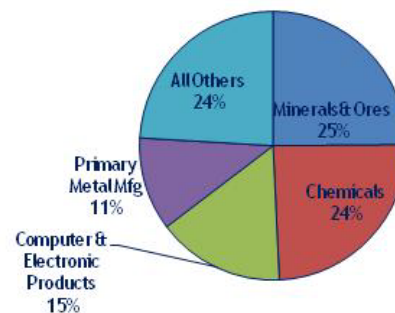
Maryland's shipments of merchandise in 2010 totaled \$10.2 billion.

- A total of 4,354 companies exported goods from Maryland locations in 2008.
- 3,799 of Maryland exporting firms were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated over one-third (34.3 percent) of Maryland's total exports of merchandise in 2008.

Trade Works for Maryland

Recently implemented trade agreements have benefited Maryland. For example, since the U.S.-Chile trade agreement entry into force in 2004, Maryland's exports to Chile have grown by 478 percent. Since the U.S.-Singapore trade agreement entry into force in 2004, Maryland's exports to Singapore have grown by 77 percent. KORUS can similarly benefit Maryland.

Maryland Exported an Average of \$307 Million in Goods to Korea from 2008-2010



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

KORUS Opens New Markets for Key Maryland Exports

Chemicals Manufactures – Chemicals manufactures accounted for an average of \$75 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.

Primary Metals Manufactures – One of Maryland's key manufactured export categories is primary metals manufactures, which accounted for an average of \$35 million per year to Korea from 2008 to 2010. U.S. exporters to Korea will be more competitive as tariffs on over 90 percent of primary metals manufactures will be eliminated immediately upon entry into force of the Agreement, including ferrous metals, aluminum, zinc, steel, lead and copper ores, and titanium. 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 Electronics Products – Maryland businesses exported an average of \$47 million per year in computers and electronics products to Korea from 2008 to 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.

KORUS Creates Opportunities for Maryland's Agriculture

Maryland's agricultural exports to all countries, estimated at \$441 million in 2009, supported about 3,525 jobs, on and off the farm. These export sales make an important contribution to the Maryland farm economy, which had total cash receipts of \$1.7 billion in 2009. The KORUS eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Maryland's agricultural products, including poultry, dairy, and feed grains. 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.