



The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Electrical Equipment Sector*

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

- Korea is the **8th largest** market for U.S. electrical 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. electrical equipment to Korea were over **\$217 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- **More than 99 percent** of U.S. electrical equipment exports to Korea would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; Korean electrical equipment tariffs currently average 7.4 percent, ranging up to 13 percent.

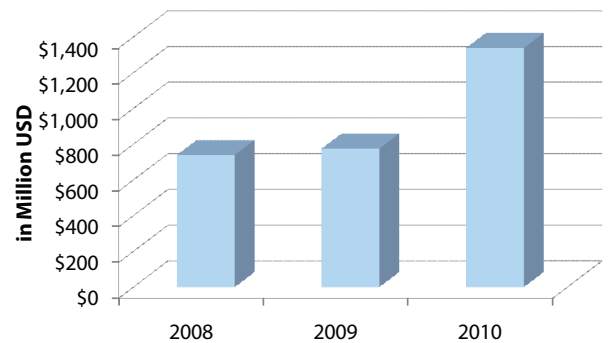
Electrical Equipment Sector Overview

- The electrical equipment sector accounted for over \$951 million in U.S. exports to Korea over 2008-10 (average) or 3 percent of total U.S. industrial exports to Korea.¹
- Top U.S. electrical equipment exports to Korea include lasers, electrical machinery parts, electric generating sets, and certain batteries.
- In 2009, U.S. production of electrical equipment products was over \$189 billion (or over 4 percent of total U.S. manufacturing production).²
- The U.S. electrical equipment sector employed over 969,000 workers in 2009.³

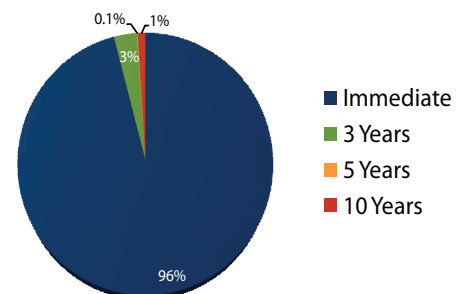
Improved Market Access for U.S. Electrical Equipment Exporters to Korea

- Korean electrical equipment tariffs average 7.4 percent, ranging from zero to 13 percent.
- Nearly 96 percent of U.S. electrical equipment exports⁴ to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on an additional 3 percent of electrical equipment exports to Korea would be eliminated over three years and tariffs on less than 0.1 percent of electrical equipment exports would be eliminated over five years. Tariffs on the remaining 1 percent of U.S. electrical equipment exports would be eliminated in equal cuts over ten years.

U.S. Electrical Equipment Exports to Korea Averaged \$951 Million



99% of U.S. Electrical Equipment Exports to Korea Would be Duty-Free Within Three Years



¹ Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea. The definition for electrical equipment in this report, unless otherwise cited, is based on products within Harmonized System (HS) Chapters 85 and 90. This includes but is not limited to the following products: lasers, magnetic tape, electrical parts of machinery, electric generating sets, optical devices, insulated coaxial cable, navigational instruments, and audio-frequency electric amplifiers.

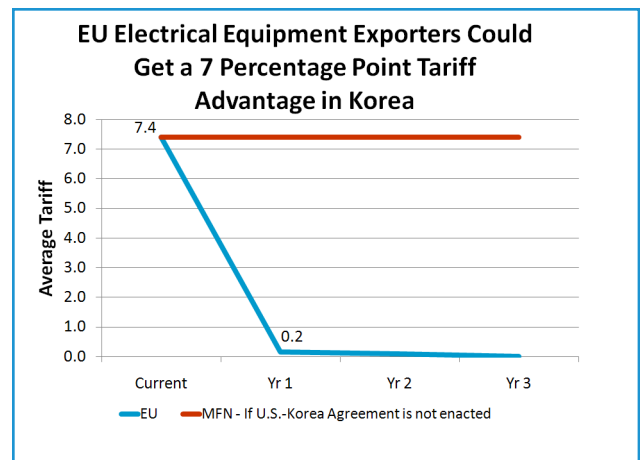
² U.S. Department of Commerce, U.S. Census Bureau, within NAICS 327, 331, 333, 334, 335, and 336. Shipments used as a best available proxy for production.

³ U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 334, 335, and 336 (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 electrical equipment exporters will immediately enjoy an average tariff of 0.2 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 7.4 percent until entry into force of the U.S.-Korea Trade Agreement.⁵



Key States Exporting to Korea

- Top U.S. states exporting electrical equipment to Korea include: California, Connecticut, Texas, New York, Indiana, Illinois, North Carolina, Georgia, Minnesota, and Virginia.

Other Key U.S.-Korea Trade Agreement Commitments for the Electrical Equipment 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.
- **Investment:**
The U.S.-Korea Trade Agreements 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.
- **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 would 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 incorporated important improvements that reflect the emerging practices in procurement, such as reducing the tendering period for "off-the-shelf" goods and services and encouraging the use of electronic tendering.

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