



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

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

- Korea is the **7th largest** market for U.S. chemicals 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. chemical products to Korea were over **\$892 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- **More than 82 percent** of U.S. chemicals exports to Korea would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; Korean chemicals tariffs currently average 6.1 percent, ranging up to 50 percent.

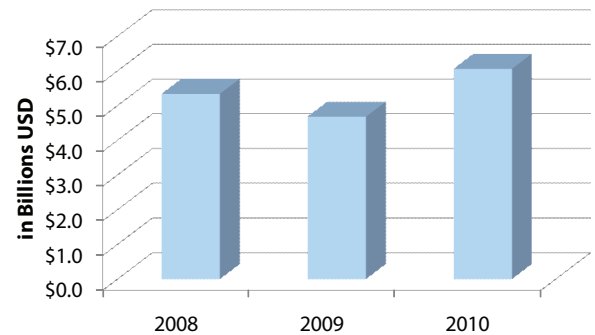
Chemicals Sector Overview

- The chemicals sector accounted for \$5.4 billion in U.S. exports to Korea over 2008-10 (average) or nearly 18 percent of total U.S. industrial exports to Korea.¹
- Top U.S. chemicals exports to Korea include pharmaceuticals, organic chemicals, inorganic chemicals, plastics, and cosmetics.
- The U.S. chemicals sector, which is highly integrated into the world economy and global supply chains, accounted for 18 percent of U.S. manufacturing production in 2009.²
- U.S. SMEs exported approximately \$1.2 billion in chemicals, plastics, and rubber to Korea in 2008 and comprised over 73 percent of all U.S. chemicals firms exporting to Korea in 2008.³
- The U.S. chemicals sector employed over 1.4 million workers in the United States in 2009.⁴
- The Korean market offers areas of opportunity for U.S. exporters, notably in the area of pharmaceuticals and specialty chemicals, where market demand is continuing to grow.⁵
- Korean companies in the medical, pharmaceuticals, and cosmetics industries are particularly interested in using advanced chemical ingredients and materials, an area of particular strength for U.S. exporters.
- Imported innovative pharmaceutical products have significant market share in Korea, with industry sources projecting growth as healthcare expenditures continue to rise, in part due to Korea's aging population.

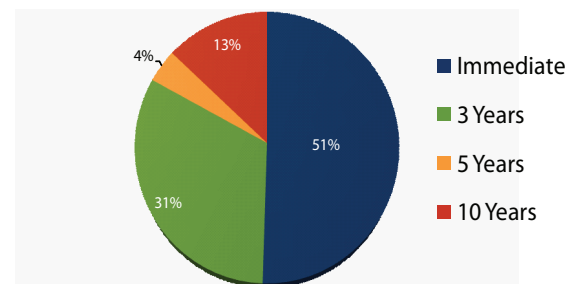
Improved Market Access for U.S. Chemicals Exporters to Korea

- Korean chemicals tariffs average 6.1 percent, ranging from zero to 50 percent.
- Over 50 percent of U.S. chemicals exports⁶ to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on an additional 32 percent of chemicals exports to Korea would be eliminated over three years and tariffs on a further 4 percent of chemicals exports would be eliminated over five years. Tariffs on the remaining 13 percent of U.S. chemicals exports would be eliminated in equal cuts over ten years.

U.S. Chemicals Exports to Korea Averaged \$5.4 Billion



More than 82% of U.S. Chemicals 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 chemicals used in this report, unless otherwise cited, is based on Harmonized System (HS) Chapters 28-40.

² U.S. Department of Commerce, U.S. Census Bureau, NAICS 325 and 326. Shipments used as a best available proxy for production.

³ U.S. Department of Commerce, U.S. Census Bureau, NAICS 325 and 326.

⁴ U.S. Department of Labor, Bureau of Labor Statistics, NAICS 325 and 326 (based on non-seasonally adjusted data).

⁵ U.S. Department of Commerce, U.S. & Foreign Commercial Service, 2010 Country Commercial Guide for Korea.

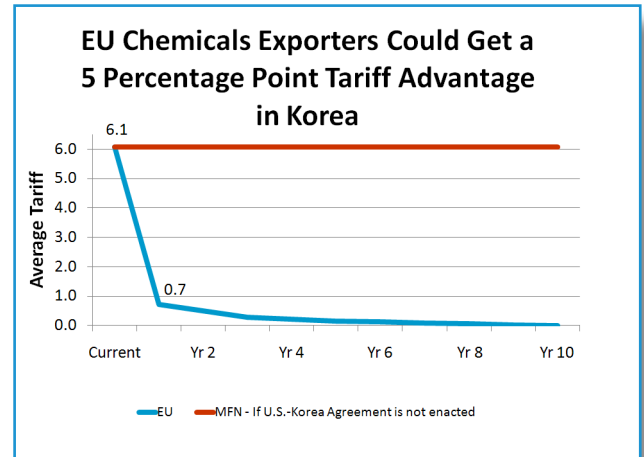
⁶ Data based on three-year average for 2008-2010. Totals do not equal 100 percent due to rounding.

Selected Sub-Sectors:

- **Pharmaceuticals:** Korea would eliminate tariffs on 48 percent of U.S. pharmaceuticals exports immediately upon implementation of the trade agreement, and tariffs on the remaining 52 percent of exports would be eliminated over three years.
- **Plastics (Resins and Products):** Korea would eliminate tariffs on 53 percent of U.S. plastics exports immediately upon implementation of the trade agreement. Tariffs on an additional 30 percent of exports would be eliminated over three years and a further 9 percent over five years. Tariffs on the remaining 8 percent of exports would be eliminated over ten years.
- **Rubber:** Korea would eliminate tariffs on 80 percent of U.S. rubber exports immediately upon implementation of the trade agreement. Tariffs on an additional 2 percent of exports would be eliminated over three years and a further 2 percent over five years. Tariffs on the remaining 16 percent of exports would be eliminated over ten years.
- **Fertilizer & Agro-Chemicals:** Korea would eliminate tariffs on 24 percent of U.S. fertilizer and agro-chemicals exports immediately upon implementation of the trade agreement. Tariffs on an additional 74 percent of exports would be eliminated over three years and tariffs on the remaining 2 percent of exports would be eliminated over five years.

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 chemicals exporters will immediately enjoy an average tariff of 0.7 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 6.1 percent until entry into force of the U.S.-Korea Trade Agreement.⁷



Key States Exporting to Korea

- Top U.S. states exporting chemicals to Korea include: Texas, California, Louisiana, Kentucky, Michigan, New Jersey, Pennsylvania, Ohio, Alabama, and New York.

Other Key U.S.-Korea Trade Agreement Commitments for the Chemicals 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.
- **Intellectual Property Rights:**
The trade agreement protects against arbitrary revocation of patents and assures protection for newly developed plant varieties and animals and clarifies that test data submitted to a government for the purpose of product approval would be protected against unfair commercial use. Under the agreement, Korea will be required, after a three year grace period, to implement measures to prevent the marketing of pharmaceutical products that infringe patents and to provide notice when the validity of a pharmaceutical patent is to be challenged.
- **Pharmaceuticals:**
The U.S.-Korea Trade Agreement contains principles on facilitating high-quality health care and improving access to safe and effective pharmaceutical products and medical devices. The agreement has commitments to ensure fair, reasonable, and non-discriminatory treatment for pharmaceutical products and medical devices and to provide predictability and transparency in the pricing and reimbursement process for pharmaceutical products and medical devices. The United States and Korea have agreed to adopt, maintain, and enforce measures to promote ethical business practices by prohibiting improper inducements to health care professionals or institutions by pharmaceutical and medical device manufacturers. The U.S.-Korea Trade Agreement also establishes a joint Medicines and Medical Devices Committee to monitor implementation of the agreement and promote regulatory cooperation.

⁷U.S. Department of Commerce calculations based on EU-Korea FTA and U.S.-Korea Trade Agreement tariff commitments.

KORUS Opportunity Stories

Examples of Specific Companies in the Chemicals Sector that will Benefit from KORUS

Columbia Chemical Company (Ohio): Columbia Chemical Company (Brunswick, OH) is a manufacturer of zinc plating additives, metal pre-plate cleaners, acid inhibitors, high-performance brighteners, chromate processes, post-plate topcoats and sealers, all of which are used in the metal finishing industry.

The company was founded as a one-plant operation in Cleveland, Ohio in 1975. They currently employ 35 full-time employees and reportedly export to over 30 countries worldwide. Columbia Chemical began exporting to Korea in the mid-1980s with considerable development throughout the 1990s. The company's share of the Korean market represents approximately 6.5 percent of their total business and continues to show opportunities for growth. Between 60-70 percent of their sales in Korea go to supplying the automotive sector, including both U.S. and Korean firms.

[Columbia Chemical's markets in Korea are described as highly price-sensitive and are particularly competitive against Korean and Japanese products. The company stresses the fact that any cost reduction in tariffs would allow them to become more competitive and gain additional market share. Columbia Chemicals states that the U.S.-Korea Trade Agreement would be of benefit to their business in Korea.](#)

Dixie Chemical Company (Texas): Dixie Chemical Company, a Pasadena, Texas-based specialty chemical manufacturer SME, is a recognized leader in the manufacture and marketing of high-purity specialty and pharmaceutical intermediates. Founded in 1946, Dixie is a technology-driven specialty chemical company that has established itself as a global leader in the development, manufacturing, and marketing of high performance specialty chemicals and life science intermediates. Using complex chemistries and sophisticated process technologies, Dixie produces a wide range of specialty chemicals for four main market segments: adhesives, coatings & composites; alkaline paper sizing; fuel & lube additive/functional fluids; and life sciences.

Dixie's product quality and know-how are internationally recognized, with approximately 300 customers in 25 countries. Dixie is committed to market growth and advantage with products that support green chemistry and clean technology through both synthetic and renewable materials. Several products are currently in commercialization for sustainable end-uses for building materials, plastics, coatings, recreation, active sports, and transportation. In its life sciences market, Dixie has demonstrated long-term success with a variety of complex, multi-step synthesis reactions.

According to Vice President for Marketing, Malcolm Johnson, "Dixie Chemical and its employees would like to express their support for the U.S.-Korea Trade Agreement. [We export several products to Korea that currently face 6.5 percent Korean tariffs. Unfortunately we have several European manufacturers who compete with us for the business.](#) Since there [will be] an EU-Korean Free Trade Agreement this puts us at a competitive disadvantage. In many instances we lose the sale because our price on a Delivered Duty Paid (DDP) basis is higher than our European competitors. [We think an agreement with Korea will level the playing field and allow us to increase exports to Korea.](#) I urge Congress to pass this agreement."

Profile Products LLC (Illinois): Profile Products LLC, a company based in Buffalo Grove, Illinois with additional offices in Michigan and plants located in North Carolina, Tennessee, Mississippi, and California, was founded almost 50 years ago and currently employs just under 200 people. Profile Products is a manufacturer and distributor of erosion and sediment control products, turf establishment products, and complementary accessories to control erosion and accelerate seed germination. The company also manufactures the industry's best-selling inorganic soil amendments for sports fields, golf courses, and landscaping.

[Profile Products has been exporting high-quality, American-made soil solution products to Korea for over 15 years but faces tariffs of up to 14 percent on such exports to Korea. Once enacted, the KORUS Agreement would eliminate tariffs on the company's exports to Korea, providing Profile Products an advantage over foreign competition; allowing for more affordable solutions to Korean customers; creating jobs; and stimulating economic growth both within the company and the industry.](#)