



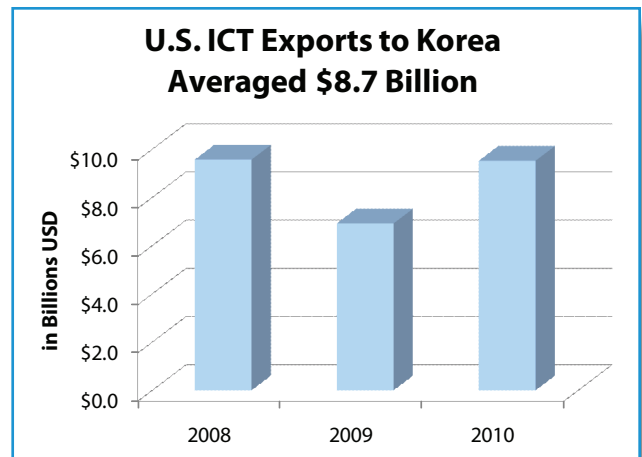
# The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Information and Communications Technologies (ICT) Sector*

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

- Korea is the **6th largest** market for U.S. information and communications technologies (ICT) 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. information communications technology exporters to Korea.
- Estimated duties paid on exports of U.S. ICT products to Korea were **\$428 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- **Nearly all** U.S. ICT exports to Korea would receive duty-free treatment immediately upon implementation of the U.S.-Korea Trade Agreement.

## ICT Sector Overview

- ICT products accounted for \$8.7 billion in U.S. exports to Korea over 2008-10 (average), or over 28 percent of total U.S. industrial exports to Korea.<sup>1</sup>
- Top U.S. ICT exports to Korea include digital integrated circuitry, semiconductors, semiconductor manufacturing equipment, telecommunications equipment, radio and television parts, static converters, and magnetic tape.
- In 2009, U.S. production of ICT products was over \$218 billion.<sup>2</sup>
- The United States leads in many of the more advanced computer hardware product segments (such as high performance computers and servers), is a major vendor of PCs, disk drives and hardcopy peripheral equipment, and has a strong hold on the global markets for software and IT services.
- The U.S. ICT sector employed over 763 thousand workers in 2009.<sup>3</sup>
- The Korean market offers areas of opportunity for U.S. exporters of ICT products and services, including computers (desktops, notebooks, and tablet PCs), storage and security technology, video servers and switches, other consumer electronic, and multimedia equipment, semiconductors and semiconductor production equipment, wireless broadband convergence network and 4G technology, telecommunications technology for smart phones, Internet protocol TV technology, 3D and smart television technology/content and social networking, smart grid, green ICT technology, and cloud computing services, especially software-as-a-service.<sup>4</sup>



## Improved Market Access for U.S. ICT Exporters to Korea

- Korea is party to the World Trade Organization Information Technology Agreement (ITA) and as such most of the ICT products enjoy duty-free treatment and will continue to be duty-free under the U.S.-Korea Trade Agreement.
- The remaining U.S. exports of ICT products, most of which currently face 8 percent tariffs in Korea, would enter Korea duty-free immediately under the trade agreement. These include radio and television parts, certain static converters, and certain telecommunications apparatus. Additionally, Korea's tariff of 20 won per minute on magnetic tapes (the equivalent of 13 percent ad valorem) would be eliminated immediately upon implementation of the trade agreement.

<sup>1</sup> Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea. The definition for ICT used in this report, unless otherwise cited, is based on products within Harmonized System (HS) Chapters 84, 85 and 90.

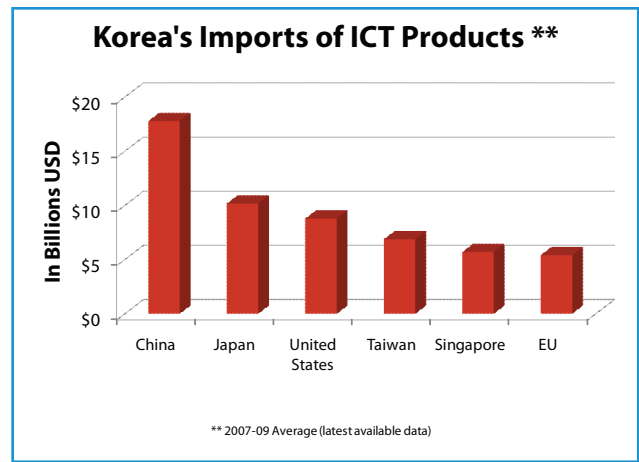
<sup>2</sup> U.S. Department of Commerce, U.S. Census Bureau, within NAICS 333, 334 and 33592. Shipments used as a best available proxy for production.

<sup>3</sup> U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 333 and 334 (non-seasonally adjusted data)

<sup>4</sup> U.S. Department of Commerce, U.S. & Foreign Commercial Service, 2010 Country Commercial Guide for Korea.

## 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.
- Top suppliers to Korea of ICT products include: China, Japan, United States, Taiwan, Singapore, the EU, Malaysia, Philippines,



## Key States Exporting to Korea

- Top U.S. states exporting ICT products to Korea include: Texas, California, New York, Oregon, Massachusetts, North Carolina, Minnesota, Ohio, Illinois, and Washington.

## Other Key U.S.-Korea Trade Agreement Commitments for the ICT Sector

- **Telecommunications:**  
The U.S.-Korea Trade Agreement includes a commitment by Korea to permit U.S. companies within two years to own up to 100 percent of a telecommunications operator in Korea. The agreement also: (1) ensures U.S. operators cost-based access to the services and facilities of dominant Korean phone companies, including their submarine cable stations, facilitating U.S. companies' ability to build competing networks to serve customers in Korea and (2) includes groundbreaking safeguards on restrictions that regulators can impose on operators' technology choice, particularly in wireless technologies, where U.S. service and equipment suppliers have strong competitive advantages.
- **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 emerging practices in procurement, reducing the tendering period for "off-the-shelf" goods and services and encouraging the use of electronic tendering.
- **Technical Barriers to Trade:**  
The U.S.-Korea Trade Agreement strengthens disciplines to promote transparency in the way governments develop and apply technical regulations and related conformity assessment procedures (e.g., testing and certification). For example, Korea agreed to provide national treatment, or the same treatment applied to Koreans, to U.S. persons for participation in the development of standards, technical regulations, and conformity assessment procedures; and to accreditation, licensing or approval of U.S. conformity assessment bodies.
- **Intellectual Property Rights:**  
The agreement: (1) protects music, videos, software, and text from widespread unauthorized sharing via the Internet by giving copyright owners the ability to maintain rights over temporary copies of their works; (2) provides extended terms of protection; (3) establishes strong anti-circumvention provisions to prohibit tampering with technologies; (4) requires that government agencies use only legitimate computer software; (5) requires rules to prohibit the unauthorized receipt or distribution of encrypted satellite signals to prevent piracy of satellite television programming; and (5) provides rules for the liability of Internet Service Providers (ISPs) for copyright infringement.
- **E-Commerce:**  
The U.S.-Korea Trade Agreement ensures non-discriminatory and duty-free treatment of all digital products (e.g., software, audio-visual products, etc), whether imported in physical form or over the Internet. The agreement also includes principles that provide for consumers' reasonable access to the Internet for electronic commerce and contains commitments by both Parties to facilitate the use of electronic authentication in their respective markets.
- **Remanufactured Goods:**  
Korea would eliminate its prohibition on the importation of remanufactured goods as defined in the initial provisions and definitions chapter, including remanufactured agricultural equipment, upon entry into force of the agreement.

# KORUS Opportunity Stories

## *Examples of Specific Companies in the ICT Sector that will Benefit from KORUS*

**Analytical Graphics, Inc (AGI) (Pennsylvania):** Analytical Graphics, Inc. (AGI), headquartered in Exton, PA, develops commercial off-the-shelf software products for aerospace, defense and intelligence professionals. Founded in 1989, the company now has 260 employees. The U.S. Commercial Service proved integral in helping to broker a meeting between AGI and Korean buyers at the U.S. Embassy in Seoul. The fruits of this meeting led to AGI's participation in the Seoul Aerospace & Defense Exhibition (ADEX) trade event, which in turn helped to generate upwards of \$600 thousand in first year new-to-market export sales.

On December 3rd, 2010, AGI welcomed news of the U.S.-Korea Trade Agreement. Paul Graziani, CEO, contends that, "this trade agreement will spotlight U.S. products and encourage the acceptance of American technology, which is good for our country, our company and our Korean allies."

[The U.S.-Korea Trade Agreement includes many important provisions benefiting U.S. copyright industries including measures stemming losses due to piracy. Continued innovation and preservation of competitive assets hinges on stronger intellectual property protection unlocked by the U.S.-Korea Trade Agreement.](#)

**Fabworx Solutions Inc. (Texas):** Fabworx Solutions Inc., located in Austin, Texas, has 15 employees and manufactures robotic hardware upgrades for semiconductor fabrication equipment. Fabworx has been exporting to Korea for four years and continues to see opportunities for growth in Korea's trillion dollar market. Using the Commercial Service (CS) Gold Key Matching Program they met with potential distributors in numerous countries including Korea. These services by CS allowed them to find the best candidate suited to meet their objectives to distribute there. Two of the company's customers include Korea's biggest electronic corporations: Samsung and MagnaChip, both headquartered in Seoul, South Korea.

Michael Dailey, President and CEO of Fabworx Solutions, stated, "[Fabworx Solutions supports a U.S.-Korea Trade Agreement. Fabworx is a U.S.-based manufacturer and an exporter to countries like Korea, China, Japan, and Taiwan. It is our belief that trade agreements between the U.S. and other countries benefit sales for our company and facilitate seamless business transactions abroad.](#)"