



# The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Consumer Goods Sector*

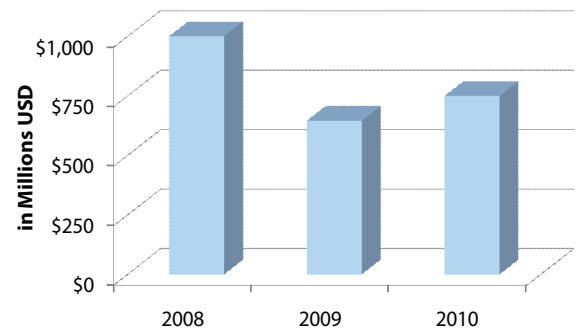
## The U.S.-Korea Trade Agreement would provide significant commercial opportunities for U.S. exporters:

- Korea is the **10th largest** market for U.S. consumer goods 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. consumer goods to Korea were over **\$121 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- **More than 98 percent** of U.S. consumer goods exports to Korea would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; Korean consumer goods tariffs currently average 7.0 percent, ranging up to 13 percent.

## Consumer Goods Sector Overview

- The consumer goods sector accounted for \$806 million in U.S. exports to Korea over 2008-10 (average) or nearly 3 percent of total U.S. industrial exports to Korea.<sup>1</sup>
- Top U.S. consumer goods exports to Korea include paintings, golf equipment, jewelry, kitchen glassware, and motorcycles.
- In 2009, U.S. production of consumer goods products was over \$154 billion (or nearly 4 percent of total U.S. manufacturing production).<sup>2</sup>
- The consumer goods sector employed over 1.2 million workers in the United States in 2009.<sup>3</sup>

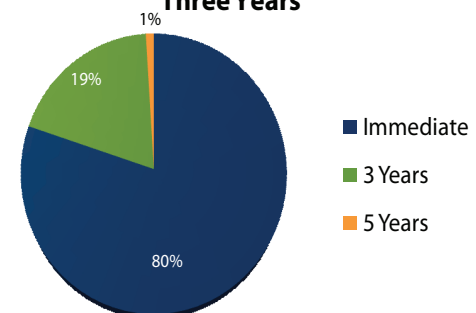
## U.S. Consumer Goods Exports to Korea Averaged \$806 Million



## Improved Market Access for U.S. Consumer Goods Exporters to Korea

- Korean consumer goods tariffs average 7.0 percent, ranging from zero to 13 percent.
- Approximately 80 percent of U.S. consumer goods exports<sup>4</sup> to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on an additional 19 percent of consumer goods exports to Korea would be eliminated over three years, and tariffs on a further 1 percent of U.S. consumer goods exports would be eliminated over five years.

## More than 98% of U.S. Consumer Goods Exports to Korea Would be Duty-Free Within Three Years



<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 consumer goods in this report, unless otherwise cited, includes products within Harmonized System (HS) Chapters 46, 66, 69, 70, 71, 73, 82, 84, 85, 87, 89-92, and 94-97.

<sup>2</sup> U.S. Department of Commerce, U.S. Census Bureau, within NAICS 323, 327, 332, 333, 334, 335, 336, 337, and 339. Shipments used as a best available proxy for production.

<sup>3</sup> U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 327, 332, 335, 336, 337, and 339 (based on non-seasonally adjusted data).

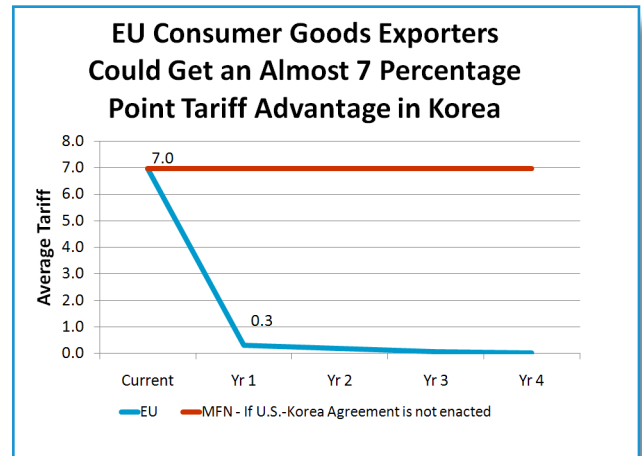
<sup>4</sup> Data based on three-year average for 2008-2010.

## Selected Sub-Sectors:

- **Appliances:** Korea would eliminate tariffs on 89 percent of U.S. appliances exports immediately upon implementation of the trade agreement. Tariffs on the remaining 11 percent of exports would be eliminated over three years.
- **Furniture:** Korea would eliminate tariffs on 100 percent of U.S. furniture exports immediately upon implementation of the trade agreement.
- **Recreational Goods:** Korea would eliminate tariffs on 44 percent of U.S. recreational goods exports immediately upon implementation of the trade agreement. Tariffs on 55 percent of U.S. exports would be eliminated over three years, and tariffs on the remaining 1 percent would be eliminated over five years.
- **Toys:** Korea would eliminate tariffs on 100 percent of U.S. toys exports immediately upon implementation of the trade agreement.

## 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 consumer goods exporters will immediately enjoy an average tariff of 0.3 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 7.0 percent until entry into force of the U.S.-Korea Trade Agreement.<sup>5</sup>
- U.S. exports of price sensitive products, such as jewelry, would face a growing competitive disadvantage in the Korean market if the U.S.-Korea Trade Agreement is not enacted while foreign competitors gain duty-free access.



## Key States Exporting to Korea

- Top U.S. states exporting consumer goods to Korea include: New York, California, Massachusetts, North Carolina, New Jersey, Pennsylvania, Ohio, Wisconsin, Texas, and Florida.

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

- **Intellectual Property Rights:**  
The U.S.-Korea Trade Agreement provides for robust protection and enforcement of intellectual property rights, including the extension of patent terms to compensate for unreasonable delays in granting an original patent. The trade agreement also has specific provisions for the protection of copyrighted works including measures designed to prevent piracy and unauthorized distribution over the Internet. Provisions to combat trademark counterfeiting include customs enforcement against goods-in-transit and streamlined customs procedures to increase efficiency of enforcement.
- **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.

<sup>5</sup> U.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 Consumer Goods Sector that will Benefit from KORUS*

**iWood Eco Design (Kentucky and Indiana):** iWood Eco Design is a Louisville, KY-based manufacturer of custom wood-framed sunglasses. The company produces their products in the southern Indiana region of the U.S. with the environment in mind using the highest quality, eco-sustainable, exotic wood veneer. iWood Eco Design was founded in 2006, and its products have received significant global coverage in the world's leading fashion and sporting magazines. Current export markets include Japan, Europe, and Australia.

Founder and President, Stephen McMenamain found that certain markets, such as Germany, Japan and Korea were especially eco-friendly and recommends that other small companies should consider exporting as well. "Exporting has provided us with a steady stream of business through the economic downturn," he says. Through the assistance of the U.S. Commercial Service (CS) Indiana, the company attended premiere fashion shows in Europe through which they met their Korean distributor in early 2010. Korea is a new export market for the company, and as a dynamic, growing market with an increasing willingness to invest in fashion and accessories, it is expected to be a leading export destination for iWood. In December 2010, the company shipped their first trial order to Korea valued at \$5,000, which will serve to test the demand at a large department store chain. Should the market prove receptive, Korean sales could reach \$200,000 over the next two years.

[The company currently pays an eight percent tariff on its exports to Korea. Under the pending U.S.-Korea Trade Agreement, these sunglasses will enter the country duty-free immediately creating cost savings for the company. iWood Eco Design used an express delivery service to make its first shipment to Korea. Expedited customs clearance commitments in the pending trade agreement would facilitate greater access to international delivery services and complement Korea's commitments to maintain an open and unrestricted market for private express carriers.](#)