



The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Environmental Goods 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. environmental 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. environmental goods to Korea were over **\$216 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- **More than 95 percent** of U.S. environmental goods exports to Korea by value would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; environmental goods tariffs currently average 5.8 percent, ranging up to 16 percent.

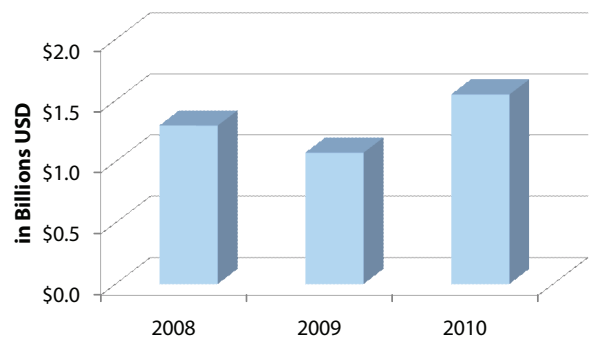
Environmental Goods Sector Overview

- The environmental goods sector accounted for approximately \$1.3 billion in U.S. exports to Korea over 2008-10 (average) or over 4 percent of total U.S. industrial exports to Korea.¹
- Top U.S. environmental goods exports to Korea include air and gas pumps, water filtration and purification machinery, heat exchange pumps, and renewable energy equipment, including solar and wind technology components.
- The U.S. environmental goods sector generated approximately \$60 billion in equipment sales in 2009.²
- The U.S. environmental goods sector employed approximately 400 thousand workers in 2009, with an additional 1.3 million employed in environmental services.³
- The Korean market offers areas of opportunity for U.S. exporters in highly customized areas such as in-house recycling and ultra-pure water treatment.⁴
- With Korea's recently announced "Green Growth Strategy", opportunities for U.S. exporters will likely increase in the years ahead.

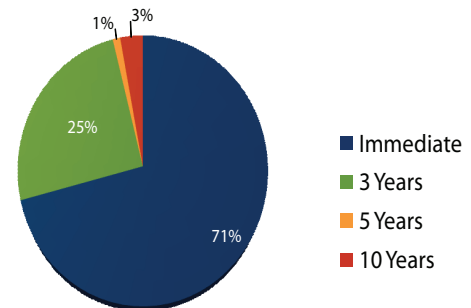
Improved Market Access for U.S. Environmental Goods Exporters to Korea

- Korean environmental goods tariffs average 5.8 percent, ranging from zero to 16 percent.
- Nearly 71 percent of U.S. environmental goods exports⁵ to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on an additional 25 percent of environmental goods exports to Korea would be eliminated over three years, and tariffs on a further 1 percent of environmental goods exports would be eliminated over five years. Tariffs on the remaining 3 percent of U.S. environmental goods exports would be eliminated in equal cuts over ten years.

U.S. Environmental Goods Exports to Korea Averaged \$1.3 Billion



More than 95% of U.S. Environmental Goods 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 environmental goods used in this report, unless otherwise cited, is based on the Environmental Goods Convergence List tabled as a non-paper in the WTO, with products falling within Harmonized System (HS) Chapters 39, 44, 69, 70, 73, 76, 84, 85, 89, 90 and 95. Total imports by Korea from the United States have been adjusted in an attempt to capture only environmental goods trade.

² Environmental Business International, Inc. Note that data for the environmental goods industry and markets vary significantly because of inexact definitions of the sector.

³ Environmental Business International, Inc.

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

⁵ Data based on three-year average for 2008-2010.

Selected Sub-Sectors:

- **Air Pollution Control:** Korea would eliminate tariffs on 33 percent of U.S. air pollution control exports immediately upon implementation of the trade agreement. Tariffs on the remaining 67 percent of exports would be eliminated over three years.
- **Environmental Monitoring Equipment:** Korea would eliminate tariffs on 99.8 percent of U.S. environmental monitoring equipment exports immediately upon implementation of the trade agreement. Tariffs on the remaining 0.2 percent of exports would be eliminated over three years.
- **Solid Waste Management:** Korea would eliminate tariffs on 68 percent of U.S. solid waste management equipment and related products immediately upon implementation of the trade agreement. Tariffs on more than 30 percent of exports would be eliminated over three years. Tariffs on less than 1.5 percent of exports would be eliminated over 5 years, and an additional 0.3 percent over 10 years.
- **Waste Water Management:** Korea would eliminate tariffs on more than 50 percent of U.S. waste water management equipment and related products immediately upon implementation of the trade agreement. Tariffs on an additional 32 percent of exports would be eliminated over three years. Tariffs on a further 3 percent of exports would be eliminated over 5 years, and an additional 15 percent over 10 years.
- **Renewable Energy:**
 - **Biomass/Biofuel:** Korea would eliminate tariffs on more than 56 percent of U.S. biomass/biofuel technology exports immediately upon implementation of the trade agreement. Tariffs on an additional 38 percent of exports would be eliminated over three years and tariffs on the remaining 6 percent of exports would be eliminated over five years.
 - **Geothermal:** Korea would eliminate tariffs on 91 percent of U.S. geothermal technology exports immediately upon implementation of the trade agreement. Tariffs on an additional 8 percent of exports would be eliminated over three years and tariffs on the remaining less than 0.2 percent of exports would be eliminated over five years.
 - **Hydropower:** Korea would eliminate tariffs on nearly 100 percent of U.S. hydropower technology exports immediately upon implementation of the trade agreement. Tariffs on less than 0.1 percent of exports would be eliminated over 10 years.
 - **Solar:** Korea would eliminate tariffs on 95 percent of U.S. solar technology exports immediately upon implementation of the trade agreement. Tariffs on an additional nearly 4 percent of exports would be eliminated over three years and tariffs on the remaining less than 1 percent of exports would be eliminated over five years.
 - **Wind:** Korea would eliminate tariffs on 99.9 percent of U.S. wind technology exports immediately upon implementation of the trade agreement. Tariffs on the remaining 0.1 percent of exports would be eliminated over three 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 environmental goods exporters will immediately enjoy an average tariff of 0.8 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 5.8 percent until entry into force of the U.S.-Korea Trade Agreement.⁶

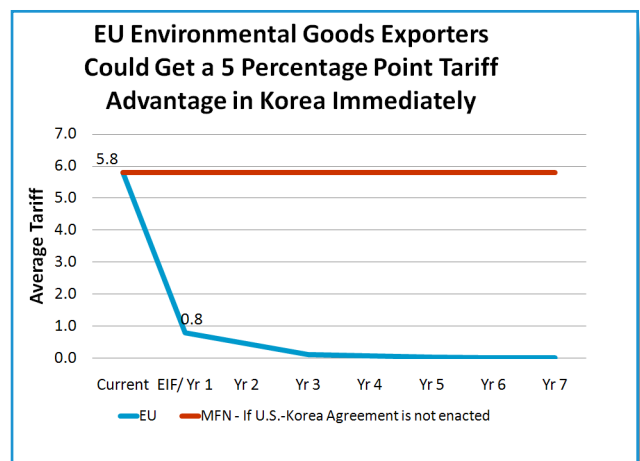
Key States Exporting to Korea

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

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

- **Investment:**

The U.S.-Korea Trade Agreement 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.



⁶U.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 Environmental Goods Sector that will Benefit from KORUS

Vermeer Corporation (Iowa): Vermeer Corporation supports the passage of the U.S.-Korea (KORUS) Trade Agreement. Vermeer, located in Pella, Iowa, is a manufacturer of equipment since 1948. Vermeer and its more than 1,800 U.S. employees rely on exports to secure jobs and revenue. Vermeer is committed to U.S. manufacturing, and so depends on its export business, as nearly one in three Vermeer jobs are supported by international trade.

Tariffs for Vermeer equipment under the KORUS Agreement would be reduced from the current 8 percent to zero, making these goods more competitive in South Korea. Vermeer started exporting equipment to South Korea in the early 1990s. However, Vermeer has realized substantially more export success with Japan, where local duties on the company's exports into Japan are at zero. Today, Vermeer faces Japanese and other increased competition in Korea for chipper and grinder sales, with those companies having a large local and export advantage under the current trade environment. Vermeer's sales to Korea, as a percentage of all Vermeer international business, have been declining due in part to this reduced opportunity to compete.

Vermeer Corporation supports the passage of the U.S.-Korea Trade Agreement. The KORUS agreement would give Vermeer renewed reason to pursue the important Korean market. Success on exports into Korea would, in turn, provide opportunities such as further job security and an economic boost for Vermeer employees, those involved in the entire Vermeer supply chain, the communities in which they live and the United States export climate as a whole.