



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

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

- Korea is the **6th largest** export market for U.S. scientific equipment exports; failure to pass the U.S.-Korea Trade Agreement would 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. scientific equipment to Korea were over **\$152 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and product improvements.
- **All** U.S. scientific equipment exports would receive duty-free treatment within three years of implementation of the trade agreement; Korean scientific equipment tariffs currently average 4.7 percent, ranging up to 8 percent.

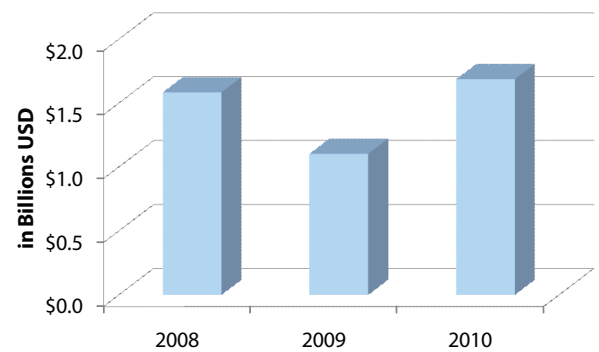
Scientific Equipment Sector Overview

- The scientific equipment sector accounted for over \$1.5 billion in U.S. exports to Korea over 2008-10 (average) or nearly 5 percent of total U.S. industrial exports to Korea.¹
- Top U.S. scientific equipment exports to Korea include certain measurement instruments, analytical instruments, optical instruments for testing and inspecting semi-conductors, and lasers.
- In 2009, U.S. production of scientific equipment products was over \$43 billion.²
- The U.S. scientific equipment sector employed over 191,000 workers in 2009.³
- The Korean market offers areas of opportunity for U.S. exporters in the area of scientific equipment, including smart meters, instruments for testing and inspecting semiconductors, telecommunications test equipment, lasers, and analytical lab instruments.

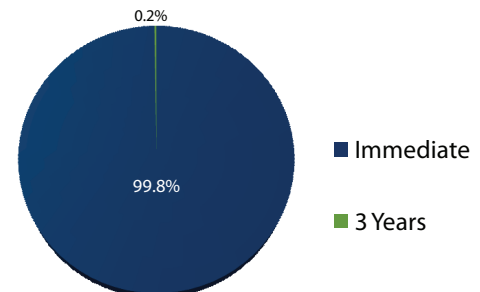
Improved Market Access for U.S. Scientific Equipment Exporters to Korea

- Korean scientific equipment tariffs average 4.7 percent, ranging from zero to 8 percent.
- More than 99 percent of U.S. scientific equipment exports⁴ to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on the remaining U.S. scientific equipment exports to Korea would be eliminated over three years.

U.S. Scientific Equipment Exports to Korea Averaged \$1.5 Billion



More than 99% of U.S. Scientific Equipment Exports to Korea Would be Duty-Free Immediately



¹ Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea. The definition for scientific equipment used in this report, unless otherwise cited, is based on Harmonized System (HS) Headings 9023-24, 9026-28, and 9030-32.

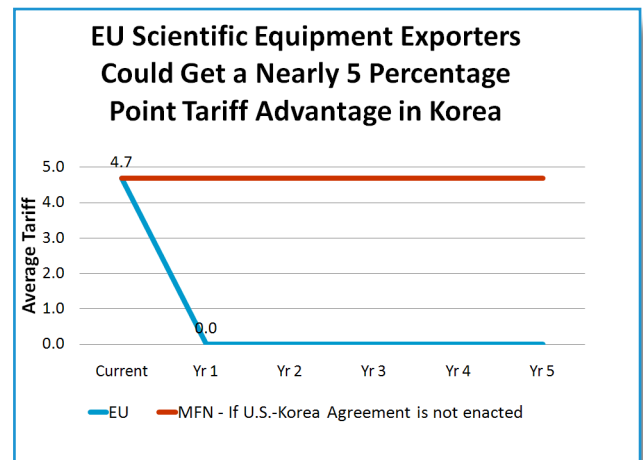
² U.S. Department of Commerce, U.S. Census Bureau, selected NAICS codes within 333 and 334. Shipments used as a best available proxy for production.

³ U.S. Department of Labor, Bureau of Labor Statistics.

⁴ Data based on a 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.
- Top U.S. competitors include Germany, the UK, Switzerland, and Japan.
- EU scientific equipment exporters, such as those in Germany and the UK, will immediately benefit from an average tariff of zero percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 4.7 percent until entry into force of the U.S.-Korea Trade Agreement.⁵



Key States Exporting to Korea

- Top U.S. states exporting scientific equipment to Korea include: California, Texas, Massachusetts, New York, Minnesota, Illinois, South Carolina, Michigan, Connecticut, and Ohio.

Other Key U.S.-Korea Trade Agreement Commitments for the Scientific 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.
- **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 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.
- **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.
- **Transparency:**
The U.S.-Korea Trade Agreement includes strong transparency obligations, with commitments that the national governments of both parties would to the extent possible publish proposed regulations in advance, allow a reasonable opportunity to comment, address significant substantive comments received, publish final regulations in an official journal of national circulation, and provide sufficient time between publication of the final regulation and implementation of the regulation to allow stakeholders to adjust. The U.S.-Korea Trade Agreement also includes strong anticorruption provisions obligating the Parties to adopt and maintain anti-bribery measures in international trade and investment. Parties further commit to maintain appropriate penalties and procedures to enforce such anticorruption rules, and to protect persons who report any of the criminal acts.

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