



## Benefits from the U.S.-Korea Trade Agreement

### Iowa

June 2011

#### The U.S.-Korea Trade Agreement (KORUS) Will Help Grow the U.S. Economy & Support U.S. Jobs

The impact of the eliminations of tariffs and related barriers is estimated to increase U.S. GDP by nearly \$12 billion and U.S. goods exports by nearly \$11 billion annually. Adding to this would be new exports of U.S. services, where U.S. firms exported \$12.6 billion to Korea in 2009. Together, these export opportunities support the President's National Export Initiative goal of doubling exports by 2015.

#### KORUS is Essential to Ensuring U.S. Competitiveness in Korea and Throughout Asia

Ten years ago, the United States was the top exporter to Korea providing one-fifth of all Korean imports; now we are in third place with less than 10% market share.

- U.S. exporters to Korea currently pay an average 6.2 percent tariff, or nearly \$1.3 billion a year, to Korea through tariffs on industrial goods.
- Korean exporters to the United States currently face an average 2.8 percent tariff.
- On the first day of the European Union (EU) – Korea FTA, 85% of Korean tariffs on EU products will go to zero.
- Chinese products in Korea benefit from lower transportation and labor costs.

Implementing KORUS can help U.S. businesses and their workers stem this downward slide by making U.S. products more competitive in the Korean market.

- Tariff elimination for over 95 percent of U.S. exports of consumer and industrial products within five years.
- Tariff elimination for nearly two-thirds of U.S. agricultural exports immediately on entry into force.
- Significant new market access for U.S. service suppliers.
- Extensive elimination of non-tariff barriers, including in the autos sector.
- Tariff eliminations and strong transparency obligations will facilitate SME exports.

#### Iowa Depends on World Markets

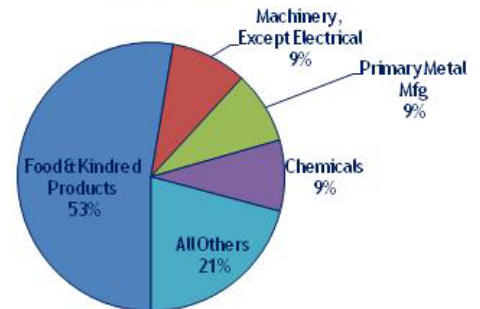
Iowa's shipments of merchandise in 2010 totaled \$10.9 billion.

- A total of 2,602 companies exported goods from Iowa locations in 2008.
- 2,141 of Iowa exporting firms were small and medium-sized enterprises (SMEs), with fewer than 500 employees.
- SMEs generated over one-quarter (27.1 percent) of Iowa's total exports of merchandise in 2008.

#### Trade Works for Iowa

Recently implemented trade agreements have benefited Iowa. For example, since the U.S.-Chile trade agreement entry into force in 2004, Iowa's exports to Chile have grown by 280 percent. Since the U.S.-Singapore trade agreement entry into force in 2004, Iowa's exports to Singapore have grown by 188 percent. KORUS can similarly benefit Iowa.

Iowa Exported an Average of \$199 Million in Goods to Korea from 2008-2010



Source: U.S. Department of Commerce, International Trade Administration

## KORUS Opens New Markets for Key Iowa Exports

**Processed Foods** – Iowa exported an average of \$105 million per year in processed food products to Korea between 2008 and 2010. KORUS, when implemented, will stimulate new opportunities for Iowa businesses in this sector. Korea is a growing market for consumer-oriented foods, creating new opportunities for U.S. exports of snack foods, cheese, and juices. KORUS will enhance these opportunities by eliminating tariff and non-tariff barriers that currently hamper exports of U.S. food and consumer products to Korea. Many processed food products will receive immediate duty-free treatment such as frozen french fries and many other processed food tariffs will be eliminated in five years or less.

**Machinery Manufactures** – Iowa's exports of machinery will benefit from KORUS tariff reductions. Machinery manufactures accounted for an average of \$18 million per year of the state's merchandise exports to Korea from 2008 to 2010. Many machinery manufactures will receive duty-free treatment immediately upon entry into force of the agreement, including products such as refrigeration compressors, valves, renewable energy equipment, air pollution control equipment (pumps), water filtering and purifying equipment, and piston engines and engine parts. One hundred percent of agricultural and construction equipment, including tractors, lawn mowers, straw balers, conveyors, loaders, bulldozers, mechanical shovels, boring and sinking machinery, derricks, and dumpers, will continue to receive duty-free treatment. The elimination of Korean tariffs on U.S. machinery manufactures will provide a competitive boost to U.S. exporters, who will no longer face tariffs as high as 13 percent.

**Primary Metals Manufactures** – One of Iowa's key manufactured export categories is primary metals manufactures. Exports to Korea in this sector accounted for an average of \$17 million per year from 2008 to 2010. U.S. exporters to Korea will be more competitive as tariffs on over 90 percent of primary metal manufactures will be eliminated immediately upon entry into force of the Agreement, including ferrous metals, aluminum, zinc, steel, lead and copper ores, and titanium. All remaining tariffs will be phased out within five years. Major infrastructure projects and private sector-led development should continue to provide opportunities for U.S. exporters in this sector.

## KORUS Creates Opportunities for Iowa's Agriculture

Iowa's agricultural exports to all countries, estimated at \$6.5 billion in 2009, supported about 52,000 jobs, both on and off the farm. These export sales make an important contribution to Iowa's farm economy, which had total cash receipts of \$21.0 billion in 2009. KORUS eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for U.S. agricultural products like those produced in Iowa such as pork, corn, soybeans, beef, and dairy. With immediate elimination of duties on nearly two-thirds of U.S. agricultural exports to Korea, KORUS gives U.S. exporters improved access to the Korean market for many of the products that have been highly protected.

For more information on agricultural exports and KORUS, see the fact sheets posted by the U.S. Department of Agriculture at: <http://www.fas.usda.gov/itp/us-koreata.asp>

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to state based on transportation origin, i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about "export production" in a state should not be made solely on the basis of the OM state export figures.

Sources: Bureau of the Census, U.S. Department of Commerce, Origin of Movement Series; U.S. Department of Agriculture.

Prepared by the U.S. Department of Commerce, International Trade Administration.