



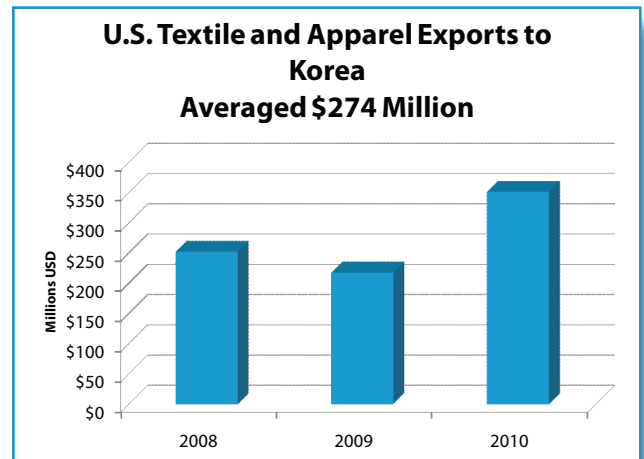
The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Textiles and Apparel Sector*

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

- Korea is the [10th largest](#) market for U.S. textile and apparel 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.
- Ninety-eight percent of Korea's tariff lines, accounting for approximately 73 percent of U.S. textile and apparel exports to Korea by value would receive duty-free treatment immediately upon implementation of the U.S.-Korea Trade Agreement; Korean textile and apparel tariffs currently average 10.2 percent, ranging up to 13 percent.

Textile and Apparel Industry Overview

- The textile and apparel industry accounted for almost \$274 million in U.S. exports to Korea over 2008-2010 (average).¹ U.S. exports of textiles and apparel to Korea increased by 62% percent between 2009 and 2010.
- Top U.S. textile and apparel exports to Korea include fabric (felts/nonwovens, specialty and industrial); yarn (filaments and spun); men's and boys' knit t-shirts and trousers; women's and girls' suits and sweaters; infant wear; robes and dressing gowns; underwear; and bedroom furnishings.
- In 2010, U.S. production of textiles and apparel was over \$66.3 billion.²
- The U.S. textile and apparel industry employed an average of 395,500 workers in the United States in 2010.³



Improved Market Access for U.S. Textile and Apparel Exporters to Korea

- Korean textile and apparel tariffs average 10.2 percent, ranging from zero to 13 percent.
- Approximately 98 percent of tariff lines, representing 73 percent of U.S. textile and apparel exports to Korea, would receive duty-free treatment immediately upon entry into force 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.

¹ Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea. The definition for textiles and apparel used in this report, unless otherwise cited, is based on Harmonized System (HS) Chapters 50-63 and selected products within Chapters 42, 64, 65, 70, and 94.

² U.S. Department of Commerce, U.S. Census Bureau, NAICS 313, 314 and 315. Shipments used as a best available proxy for production.

³ U.S. Department of Labor, Bureau of Labor Statistics, NAICS 313, 314 and 315 (based on non-seasonally adjusted data).

- EU textile and apparel exporters will immediately enjoy an average tariff of 0.1 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 10.2 percent until entry into force of the U.S.-Korea Trade Agreement.⁴
- China is the leading exporter of textiles and apparel to Korea, with almost \$5 billion or over 57 percent of Korea's total imports over 2008-2010 on average. The EU27 (\$742 million), Japan (\$406 million), and the United States (\$274 million) are the other leading exporters to Korea.⁵

Key States Exporting to Korea

- Top U.S. states exporting textiles and apparel to Korea include: California, Georgia, Illinois, New Jersey, New York, North Carolina, South Carolina, and Texas.

Other Key U.S.-Korea Trade Agreement Commitments for the Textile and Apparel Sector

- **Textile Specific Safeguard:**
The U.S.-Korea Trade Agreement includes a special textile safeguard mechanism which will provide for temporary re-application of MFN tariffs, if imports under the Agreement increase either absolutely or relative to the domestic market, and are shown to be causing or threatening to cause serious damage to domestic industry.
- **Rules of Origin:**
The U.S.-Korea Trade Agreement adopts a "yarn forward" origin rule, meaning that, generally, apparel and other textile products using yarn and fabric from the United States and Korea will qualify for preferential tariff treatment.
- **Elastomeric Yarn Requirement:**
Consistent with other U.S. free trade agreements, elastomeric yarns must be sourced from the United States or Korea for textile and apparel products to qualify for preferential treatment.
- **Streamlined Processes to Address Commercial Availability:**
The U.S.-Korea Trade Agreement includes a unique transitional streamlined commercial availability determination process that will allow fibers, yarns, or fabrics that are deemed not commercially available in the United States to be used in the production of articles that still qualify for preferential treatment, subject to a quantitative limit in each of the first five calendar years in which the Agreement is in force.
- **Customs Procedures:**
The U.S.-Korea Trade Agreement includes specific cooperation language for enforcing their respective measures affecting trade in textile and apparel goods, for ensuring the accuracy of claims of origin, and for preventing circumvention of the Agreement's rules of origin. These provisions provide for significant information sharing between Korean and U.S. Customs authorities, and allow U.S. authorities to conduct verification activities in Korea to ensure that textile products being imported into the United States meet applicable rules of origin and allow U.S. Customs and Border Protection (CBP) to take action whenever textile exporters are breaking the rules – including the denial of entry to suspect goods.

These provisions are in addition to the regular CBP processes to ensure vigilance against illegal transshipment from third countries. CBP gathers information on suspected illegal shipments and submits the products to further inspection, and maintains an office in Seoul to act as its "eyes on the ground."

To make sure CBP has the most recent data and information, it also conducts post-importation verifications and summary reviews of goods to ensure their origin. These verifications entail reviewing documentation to support the country of origin claim.

⁴ U.S. Department of Commerce calculations based on EU-Korea FTA and U.S.-Korea Trade Agreement tariff commitments.

⁵ Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea.