



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

Maine

www.export.gov/fta/korea/state

August 2008

The U.S.-Korea Free Trade Agreement Provides Enhanced Market Access

The U.S.-Korea Free Trade Agreement (FTA) offers tremendous opportunities for U.S. exporters. Nearly 95 percent of U.S. exports of consumer and industrial products will enter Korea duty-free within three years of entry into force of the agreement, including computers and electronic products; auto parts; power generation equipment; chemicals; medical and scientific equipment; and certain wood products. Most remaining tariffs will be eliminated within 10 years. Almost two-thirds of U.S. agricultural exports will be immediately duty-free when the FTA is implemented (\$1.9 billion duty-free out of \$2.9 billion 2005-2007 average).

Recognizing that non-tariff barriers in Korea are often as much of an impediment to market access as tariffs, the FTA includes an extensive set of provisions that will eliminate such measures across sectors, including autos, high technology, pharmaceuticals and medical devices, financial services, and telecommunications. The agreement includes strong transparency provisions, including commitments to publish in advance proposed government regulations that affect trade and to allow a reasonable opportunity for interested parties to provide input. The agreement contains strong provisions on technical barriers to trade to enhance transparency of the regulatory process in Korea and ensure nondiscriminatory treatment for U.S. companies that test and certify products to Korean standards.

Maine Depends on World Markets

Maine's export shipments of merchandise in 2007 totaled \$2.7 billion. This was a 25 percent (\$554 million) increase over the state's 2003 export levels.

Exports Support Jobs for Maine Workers –

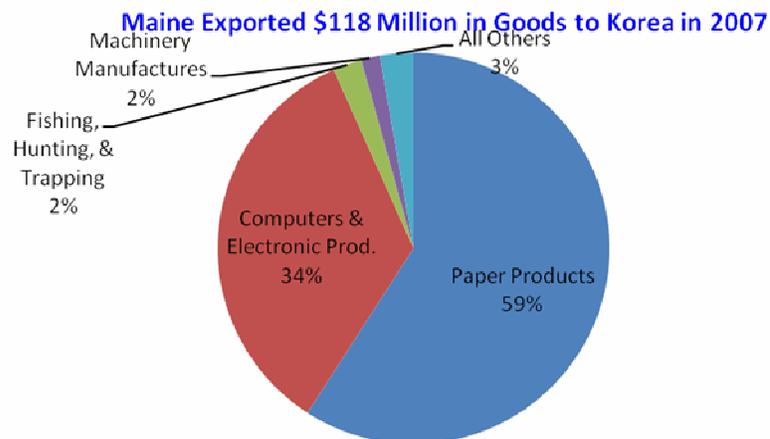
Export-supported jobs linked to manufacturing account for an estimated 3.9 percent of Maine's total private-sector employment. Nearly one-sixth (15.8 percent) of all

manufacturing workers in Maine depend on exports for their jobs. (2006 data are the latest available.)

Exports Sustain More Than a Thousand of Maine Businesses – A total of 1,257 companies exported goods from Maine locations in 2006. Of those, 1,075 (86 percent) were small and medium-sized enterprises (SMEs), with fewer than 500 employees.

Maine SMEs Will Benefit from U.S.-Korea FTA Provisions

SMEs generated nearly half (45 percent) of Maine's total exports of merchandise in 2006, the fifth highest share among the states. SMEs particularly benefit from the tariff-elimination provisions of free trade agreements. The transparency obligations, particularly those contained in the customs chapters, are also very important to SMEs, which may not have the resources to navigate customs and regulatory red tape.



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

immediately, including duties on 87 percent of aircraft and related parts. Duties on a small group of products will be eliminated over three or ten years.

The U.S.-Korea FTA Moves the Trade Relationship to Full Partnership

The U.S.-Korea FTA will level the playing field by rectifying the significant tariff imbalance that currently favors Korean exporters over U.S. exporters. Korea's current applied tariffs on industrial goods average 6.2 percent. The average applied U.S. tariff rate is only 2.8 percent - less than half of the Korean rate. Because of these higher tariffs, U.S. exporters do not have equivalent access to the Korean market. The U.S.-Korea FTA levels the playing field and enhances competition because it moves the U.S.-Korea commercial relationship to full partnership and reciprocal commitments.

The Korea FTA Opens New Markets for Key Maine Exports

Paper Products – Maine's exports of paper products amounted to \$558 million in 2007, up 34 percent during the 2003 to 2007 period. Maine's paper and paper products producers will benefit from the immediate elimination of Korean tariffs on 100 percent of U.S. paper products. Korean tariffs in this sector currently average 0.2 percent. The top U.S. exports to Korea in this sector included graphics paper and paperboard, chemical woodpulp, kraftliner, and newsprint.

Computers and Electronic Products – Computers and electronic products accounted for \$914 million of the state's merchandise exports in 2007. The top U.S. exports in this sector included digital integrated circuitry, magnetic tape and navigational equipment. Korean tariffs range between zero and 13 percent. The U.S.-Korea FTA improves market access for computers and electronic products. With the immediate removal of many of these tariffs, U.S. exports will become much more competitive and affordable to Koreans.

Transportation Equipment – Transportation equipment accounted for \$186 million of the state's export sales in 2007. Maine's exporters of transportation equipment, including aircraft, fishing vessels, locomotives, and other transportation manufactures, will benefit from U.S.-Korea FTA tariff reductions. Duties on most transportation equipment products will be eliminated

U.S.-Korea FTA Creates Opportunities for Maine Agriculture

U.S. exporters shipped \$3.5 billion in farm products to Korea in 2007. With immediate elimination of duties on more than 60 percent of current U.S. trade, the U.S.-Korea FTA 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 the U.S.-Korea FTA, see the fact sheets posted by the U.S. Department of Agriculture at:

<http://www.fas.usda.gov/itp/us-koreafta.asp>

Free Trade Works for Maine

In the first four years (2004–2007) of the U.S.-Chile FTA, Maine's exports to Chile increased by 49 percent and in the first three years of the U.S.-Australia FTA the states exports grew 68 percent. Since the North American Free Trade Agreement's (NAFTA) entry into force in 1994, Maine's exports to Canada and Mexico have grown by 139 percent.

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.

