

U.S.-Korea Free Trade Agreement

Market Access Results

Industrial Goods

Trade and Tariffs

The category of industrial goods includes all products not subject to the WTO Agreement on Agriculture or the Agreement on Textiles and Clothing. Industrial goods represented, on average, 89 percent of total U.S. exports to Korea in 2003-2005, totaling \$24.8 billion. Top U.S. industrial exports to Korea are in the information technology, chemicals, environmental goods, and metals sectors.

Korean tariffs on industrial products range from zero to 63 percent, with an average of approximately 6.2 percent. The highest tariffs on industrial goods apply to fish products, especially croaker and brined shrimp.

Korean industrial goods exports to the United States averaged nearly \$38 billion in 2003-2005, or 91 percent of Korea's total exports to the United States.

The United States applied tariffs range from zero to specific tariffs equivalent to 58 percent on industrial products.

Tariff Elimination

The U.S.-Korea FTA will eliminate all industrial tariffs in the United States and Korea within 15 years of implementation, with most tariffs eliminated within 10 years. Tariffs will be eliminated according to seven staging categories: immediate elimination; linear cuts over three, five, or ten years; or nonlinear cuts over ten, twelve, or fifteen years. Tariff elimination under the nonlinear ten-year staging category will proceed with a 5 percent cut in the tariff in years one and two, a 7 percent cut in years three through five, a 10 percent cut in years six and seven, a 12 percent cut in year eight, a 17 percent cut in year nine, and a 20 percent cut in year ten. Tariff elimination under the nonlinear twelve-year staging category will proceed with 25 percent cuts in years nine through twelve. Tariff elimination under the nonlinear fifteen-year staging category will proceed with 20 percent cuts in years eleven through fifteen.

Overall, 80.6 percent of U.S. industrial exports by value to Korea will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on 13.4 percent of exports will be eliminated over three years, 1.5 percent of exports over five years, and 4.3 percent of exports over ten years through linear stagings. Duties on the remaining 0.1 percent of U.S. exports will be eliminated through nonlinear staging over ten, twelve, or fifteen years. Some products subject to nonlinear staging include certain fish and wood products. Certain U.S. export priority fish products (croaker, Alaska pollock, flatfish) will be subject to tariff-rate quotas, with in-quota volumes receiving duty-free treatment and increasing annually until the tariff is phased out in 12 or 15 years.

Priority exports that will be provided rapid tariff elimination in Korea include many products in the following sectors: information technology, aircraft equipment, auto parts, chemicals, infrastructure and machinery, consumer goods, medical equipment, travel goods, and metals.

For U.S. imports from Korea, 87.2 percent of imported goods from Korea will receive duty-free treatment immediately upon implementation of the Agreement. Tariffs on 7.4 percent of imports will be eliminated over three years, 2.3 percent of imports over five years, and 3 percent of imports over ten years through linear staging. Duties on the remaining 0.1 percent of U.S. imports from Korea will be eliminated using nonlinear staging over ten or twelve years. Some products subject to nonlinear staging include certain ceramic tiles, canned tuna, certain rubber footwear, and certain pipe fittings.

Non-Tariff Barriers

Korea will allow the importation of remanufactured products, as defined in Chapter Six - Rules of Origin, on entry into force of the Agreement.