The U.S.-Korea Trade Agreement: Opportunities for the U.S. Building Products Sector

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

- Korea is the 7th largest market for U.S. building product 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.
- Estimated duties paid on exports of U.S. building products to Korea were over $63 million from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- More than 91 percent of U.S. building products exports to Korea would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; Korean building products tariffs currently average 7.8 percent, ranging up to 8 percent.

Building Products Sector Overview

- The building products sector accounted for $276 million in U.S. exports to Korea over 2008-10 (average).\(^1\)
- Top U.S. building products exports to Korea include prefabricated buildings, glass, bricks, graphite, and abrasives.
- In 2009, U.S. production of building products was about $53 billion.\(^2\)
- U.S. SMEs exported approximately $75 million in building products to Korea in 2008.\(^3\)
- The U.S. building products sector employed over 315,000 workers in the United States in 2009.\(^4\)

Improved Market Access for U.S. Building Product Exporters to Korea

- Korean building products tariffs average 7.8 percent, ranging from zero to 8 percent.
- Over 62 percent of U.S. building products exports\(^5\) to Korea would receive duty-free treatment immediately upon implementation of the U.S.-Korea Trade Agreement.
- Tariffs on an additional 29 percent of building products exports would be eliminated over three years, and tariffs on a further 6 percent of building products exports would be eliminated over five years. Tariffs on the remaining 3 percent of U.S. building products exports would be eliminated in equal cuts over ten years.

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1 Global Trade Atlas. Calculations by the U.S. Department of Commerce based on import data as reported by Korea. The definition for building products in this report, unless otherwise cited, is based on portions of the Harmonized System (HS) Chapters 25, 68, 69, 70, 90, and 94. This report includes all non-metal, mineral based building products including ceramics and glass.
2 U.S. Department of Commerce, U.S. Census Bureau, within NAICS 327. Shipments used as a best available proxy for production.
3 U.S. Department of Commerce, U.S. Census Bureau, within NAICS 327.
5 Data based on 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.

• EU building products exporters will immediately enjoy an average tariff of 0.9 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 7.8 percent until entry into force of the U.S.-Korea Trade Agreement.⁶

Key States Exporting to Korea

• Top U.S. states exporting building products to Korea include: California, Ohio, Minnesota, Pennsylvania, Texas, Washington, New York, Oregon, Illinois and Georgia.

Other Key U.S.-Korea Trade Agreements Commitments for the Building Product Sector

• 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 would 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 incorporates 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.

• Investment:
  The U.S.-Korea Trade Agreement establishes a stable legal framework for U.S. investors and investments in Korea, backed by a transparent, binding international arbitration mechanism. All forms of investment are protected under the Agreement. With few exceptions, U.S. investors would be treated as well as Korean investors (or investors of any other country) in the establishment, acquisition, and operation of investments in Korea.

• Customs Procedures:
  The U.S.-Korea Trade Agreement requires transparency through the publication of customs measures to ensure that the U.S. and Korean private sectors have access to customs laws and regulations. To the extent possible, those interested will be given an opportunity to comment on generally applicable customs regulations proposed by the United States or Korea. The trade agreement requires simplified customs procedures for the timely and efficient release of goods in order to facilitate “just-in-time” supply chain logistics systems, as well as procedures intended to reduce delays in customs clearance.

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⁶ U.S. Department of Commerce calculations based on EU-Korea FTA and U.S.-Korea Trade Agreement tariff commitments.