The U.S.-Korea Trade Agreement: Opportunities for the U.S. Metals and Ores Sector

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

- Korea is the 6th largest market for U.S. metals and ores 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. metals and ores products to Korea were over $275 million from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and product improvements.
- More than 99 percent of current U.S. metals and ores exports to Korea would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; Korean Metals and Ores tariffs currently average 3.8 percent, ranging up to 8 percent.

Metals and Ores Sector Overview

- The metals and ores sector accounted for $3.5 billion in U.S. exports to Korea over 2008-10 (average) or 11.5 percent of total U.S. industrial exports to Korea.\(^1\)
- Top U.S. metals and ores exports to Korea include ferrous and aluminum scrap, zinc, steel, aluminum, and copper scrap.
- In 2009, U.S. production of metals and ores products was over $246 billion (or nearly 6 percent of U.S. manufacturing output).\(^2\)
- U.S. SMEs exported over $569 million in metals and ores to Korea in 2008.\(^3\)
- The U.S. metals and ores sector employed over 629,000 workers in 2009.\(^4\)

Improved Market Access for U.S. Metals and Ores Exporters to Korea

- Korean metals and ores tariffs average 3.8 percent, ranging from zero to 8 percent.
- More than 93 percent of U.S. metals and ores exports\(^5\) to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on an additional 6 percent of metals and ores exports to Korea would be eliminated over three years and tariffs on a further 1 percent of metals and ores exports would be eliminated over five 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 metals and ores used in this report, unless otherwise cited, includes products within Harmonized System (HS) Chapters 26, 72, 73, 74, 75, 76, 78, 79, 80, 81, and HS Headings 7106 to 7112.
\(^2\) U.S. Department of Commerce, U.S. Census Bureau, selected NAICS codes within 331, 332, and 339. Shipments used as a best available proxy for production.
\(^3\) U.S. Department of Commerce, U.S. Census Bureau, NAICS 331 and 332.
\(^5\) Data based on three-year average for 2008-2010.
Selected Sub-Sectors:

- **Nonferrous Metals:** Korea would eliminate tariffs on 86 percent of U.S. nonferrous metals exports immediately upon implementation of the agreement. Tariffs on 12 percent of U.S. nonferrous metals exports would be eliminated over three years, and tariffs on the remaining 2 percent would be eliminated over five years.

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 Metals and Ores Exporters Could get a 3.5 Percentage Point Tariff Advantage in Korea

- EU exporters will immediately enjoy an average tariff of 0.3 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 3.8 percent until entry into force of the U.S.-Korea Trade Agreement.  

Key States Exporting to Korea


Other Key U.S.-Korea Trade Agreement Commitments for the Metals and Ores Sector

- **Technical Barriers to Trade:**
  The U.S.-Korea Trade Agreement strengthens disciplines to promote transparency in the way governments develop and apply technical regulations and related conformity assessment procedures (e.g., testing and certification). For example, Korea agreed to provide national treatment, or the same treatment applied to Koreans, to U.S. persons for participation in the development of standards, technical regulations, and conformity assessment procedures; and to accreditation, licensing or approval of U.S. conformity assessment bodies.

- **Transparency:**
  The U.S.-Korea Trade Agreement includes strong transparency obligations, with commitments that the national governments of both parties would to the extent possible publish proposed regulations in advance, allow a reasonable opportunity to comment, address significant substantive comments received, publish final regulations in an official journal of national circulation, and provide sufficient time between publication of the final regulation and implementation of the regulation to allow stakeholders to adjust. The U.S.-Korea Trade Agreement also includes strong anticorruption provisions obligating the Parties to adopt and maintain anti-bribery measures in international trade and investment. Parties further commit to maintain appropriate penalties and procedures to enforce such anticorruption rules, and to protect persons who report any of the criminal acts.

- **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.

- **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.

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

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Additional information available at: www.trade.gov/KORUS
KORUS Opportunity Stories

Examples of Specific Companies in the Metals and Ores Sector that will Benefit from KORUS

Marlin Steel Wire Products (Maryland): Marlin Steel Wire Products (www.MarlinWire.com), founded in 1968, is a leading manufacturer of custom wire baskets and other fabricated wire products such as S hooks and wire shelves. The company currently has 28 employees at its Baltimore, Maryland, manufacturing facility; one fourth of them support the company’s export business. Leading customers include the motor vehicle, medical, and aerospace industries in the United States and more than 33 other countries. The company already sells wire products to Japanese motor vehicle producers in Japan and is anxious to gain greater access to the booming automobile market in South Korea.

Drew Greenblatt, President of Marlin Steel Wire, reports that when implemented the KORUS Agreement would immediately eliminate Korea’s 8 percent tariffs on his company’s exports to Korea. As a result, it will be able to better compete to supply Hyundai and Kia, Korea’s leading motor vehicle producers. Greenblatt continues, “Marlin Steel's wire baskets will help Korean auto manufacturers be more efficient in material handling and processing precision parts. By removing the Korean tariffs, we can be more competitive in Korea and we will grow jobs in the USA. We sell to American, European, and Japanese automobile manufacturers, but not to Korean ones. This tariff removal could change that, for the good of the U.S., Baltimore, and Marlin Wire.”

Twenty five percent of Marlin Steel’s employees are mechanical engineers and design engineers. Christopher Elwood, one of Marlin Steel's mechanical engineers, added “Our sheet metal fabrication is top notch with tolerances of +/-0.1mm. Korean companies will make better quality parts with Marlin Steel products by allowing our sheet metal fabrications to be exported to Korea.”

Additional information available at: www.trade.gov/KORUS