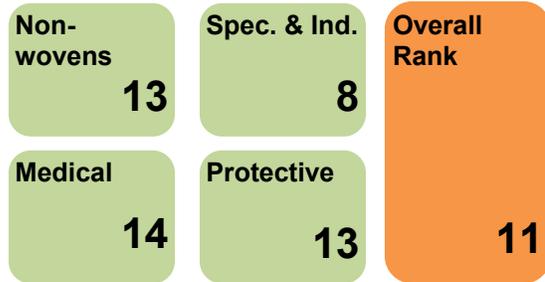




## 2016 Top Markets Report **Technical Textiles** Country Case Study

### Korea

Due to shifting market conditions, Korea refocused its textile industry toward the production of more technical products instead of basic textile and apparel items. It remains, therefore, an attractive export market for technical textiles from the United States. Korea possesses a strong knowledge base in textile and apparel manufacturing technology. Over the past several years, it has become very competitive in developing new technologies for the technical textile market.



Korea was the 13<sup>th</sup> largest market for U.S. exporters of textiles and apparel and the 12<sup>th</sup> largest market for technical textiles in 2015. This is an increase of 26 percent for total textiles and apparel and 40 percent for technical textiles over 2008. This can be explained by Korea being one of the first countries to recover from the global financial crisis. This early recovery allowed the Korean economy to rebound, and one of the factors responsible for this quick turnaround was increased export growth.

As Korea continues to rely on export-generated growth and continued demand for foreign direct investment and technology inputs, it will remain a strong trading partner with the United States.

Korea has set a goal to become the world’s fourth largest export country in textiles and increase production by 63 percent by 2022. The Korean economy wants to boost the textile sector with the goal of creating new jobs, which will lead to growing consumption and higher economic growth. This makes the Korean market a very attractive place for U.S. technical textiles.

Though there is strong competition from Korea in textile manufacturing, the U.S. industry remains globally competitive. The United States is the fourth largest single exporter of textiles to the world. The U.S. industry invests in R&D and develops new technologies, especially in advanced or technical textiles, to develop niche market expertise to remain globally competitive.

Korea took a step closer to its goal on March 15, 2012 when the United States-Korea Free Trade Agreement entered into force. The agreement is eliminating tariffs and nontariff barriers to trade in goods and services, promoting economic growth and enhancing trade between the two countries. The Agreement is also providing reciprocal duty-free access immediately for most U.S. textile and apparel goods that meet the rules of origin requirements.

The free trade pact with the United States has already begun to bolster Korea's textile sector, which has started to regain its past glory by producing high-tech, value-added materials. In recent years, Korea has seen a surge in the demand for advanced industrial textiles, which are gaining popularity, and this has breathed new life into this sector. Such trends have pushed

many companies to set up industrial textile production facilities that are starting to bear fruit.

### **Overview of the Technical Textile Market**

Korean textile production amounted to \$40 billion in 2012, and it has positioned itself as a sustainable industry, accounting for 3.2 percent of the total Korean manufacturing sector. There are 6,043 companies listed in that sector, and the sector employs 230,000 persons or 6.8 percent of the Korean workforce.<sup>1</sup>

Over one-third of all bilateral trade with the U.S. can be categorized as “advanced technology products.” Over the past decade, U.S. exports have supported product development and other forms of R&D in Korea, setting the stage for long-term relationships with Korean partners in advanced technical textile sectors.

Korea is witnessing changes in the textile industry paradigm in the direction of technical textiles; this in turn is creating a rapid increase in demand for these goods. Demand from Korea improved its importance to U.S. manufactures in this sector to 13<sup>th</sup> by 2013, and Korea is projected to climb two steps higher to 11<sup>th</sup> by 2017.

For the five year period (2008 to 2013), exports of technical textiles from the United States to Korea increased 23 percent. For the next four years (2013 to 2017), that figure is projected to increase to 35 percent. This could lead one to the conclusion that there is an increasing demand for technical textiles in Korea.

To continue to build on this growth, Korea has already acknowledged its need for sophisticated technological workers with a high level of knowledge of textiles and technology. Korea is working on a customized mass production technology developed for smart textiles and apparel.

### **Challenges and Barriers to Technical Textile Exports**

There has been a decline in the number of operations and employees in recent years in Korea due to labor shortages, rising costs and growth in competition from other Asian countries with far lower production costs. Additional challenges are intense market competition and the enhancement of the Chinese industry. Korea could face a fall in its potential growth rate without

immediate action. This in turn could negatively affect the United States’ export growth in technical textiles to Korea.

The Korean government announced steps in November 2012 to ease work visa and citizenship requirements. Allowing foreign workers in Korea is one step toward addressing Korea’s labor shortage and maintaining its continued growth.

Korea has recognized these inconsistencies and their future impact on trade if left untreated. Korea has been addressing these challenges with the ongoing FTA negotiations Korea is engaged in with China.

### **Opportunities for U.S. Companies**

Korea has acknowledged that in order to maintain its textile sector it will require increasing the demand for sophisticated technological workers with a high level of knowledge, technology and textile expertise. Korea’s export position should be strengthened by the U.S.-Korea FTA and other trade agreements into which Korea has entered. These FTAs will necessitate the introduction of advanced technology; thus, there is an urgent need to achieve a differentiation in textile fabrics and textile products to oppose the import of cheap clothing from developing countries.

Therefore, there is an increase in demand from new sectors. Korea has stated that there is a strong need for medical and health related fibers and products as well as apparel for protection and health care.

With the already developed technical textile sector in the United States, U.S. exporters are in an ideal position to take advantage of this need. The U.S.-Korea FTA provides a framework in this effort by strengthening trade and investment ties, establishing strong enforcement provisions, creating export opportunities, supporting export-related jobs and enhancing U.S. competitiveness.

### Non-wovens

The Asian market of non-wovens is experiencing huge growth because of explosive baby diaper needs from emerging ASEAN countries and adult diaper needs from Korea and Japan due to their aging societies. To satisfy these needs, technical textile producer, Toray Advanced Materials Korea, has extended its capacity in Korea, China and Indonesia.<sup>2</sup>

This is reflected in the data of non-woven goods being exported to Korea from the United States. Korea has seen a surge in U.S. exports of non-woven fabrics from 2008 to 2015. Exports from the U.S. to Korea are projected to increase 23 percent, increasing from \$29 million in 2008 to a projected \$38 million in 2017.

#### Specialty and Industrial Fabrics

The U.S. International Trade Commission predicted that the U.S.-Korea FTA will lead to increased U.S. textile exports to Korea of specialty and industrial fabrics. The USITC has been proven correct as Korea was the 17<sup>th</sup> largest market for specialty and industrial fabrics in 2008, but by 2014, Korea climbed seven spots to become the 10<sup>th</sup> largest market only two years after the U.S.-Korea FTA went into force in 2012. Korea is projected to climb two spots higher by 2017.

In dollar terms, the U.S. has seen the value of exports of specialty and industrial fabrics increase from \$28 million in 2008 to \$44 million in 2014, and the U.S.-Korea FTA should continue this upward trend to \$66 million by 2017. That is a 136 percent increase over the nine year period.

#### Medical Textiles

Korea has developed an import dependence on medical textiles, such as surgical sutures, artificial blood vessels and wound dressing products. Korea is also dealing with trade deficits in high value-added fields, including wound treatment, surgical sutures, transplantation meshes, blood filters and hemodialysis devices.<sup>3</sup>

It has become vital for Korea to continue its pursuit of developing medical textile technologies. R&D in medical textile fields has become more active in provincial areas. Additionally, the Korea Textile Development Institute (KTDI), Korea Dyeing Technology Research Center (DYETEC), Korea Textile Machinery Research Institute (KOTMI) and the Catholic University of Daegu have entered into a Memorandum of Understanding (MOU) to pursue R&D activities in the medical textiles sector. This is all encouraging to U.S. producers of medical textiles.

#### Protective Apparel

There is ongoing R&D in aramid fibers for anti-ballistic applications and fire resistant products. In 2008, the U.S. exported \$15 million in protective textiles and apparel to Korea. This should continue to increase to \$20 million in 2017.

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<sup>1</sup> "Korean textiles today and in the future" Textile-Future.com

<sup>2</sup> Toray Advanced Materials Korea makes extension in Indonesia." Torayamk.com, December 18, 2014

<sup>3</sup> "Medical Textiles Tapping New Blue Ocean." Korea Textile World. September 2011.