

The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Wood and Lumber Sector*

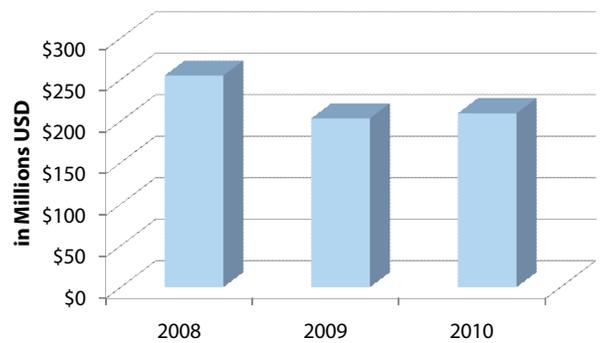
The U.S.-Korea Trade Agreement would provide significant commercial opportunities for U.S. exporters:

- Korea is the **6th largest** market for U.S. wood and lumber 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. wood and lumber to Korea were over **\$18 million** from 2008 to 2010. Tariff elimination could allow U.S. firms to reinvest in technology and production improvements.
- **More than 92 percent** of U.S. wood and lumber exports to Korea by value would receive duty-free treatment within three years of implementation of the U.S.-Korea Trade Agreement; Korean wood and lumber tariffs currently average 5.9 percent, ranging up to 12 percent.

Wood and Lumber Sector Overview

- The wood and lumber sector accounted for \$222 million in U.S. exports to Korea over 2008-10 (average).¹
- Top U.S. wood and lumber exports to Korea include coniferous wood in the rough, wood in chips or particles, and nonconiferous wood in the rough.
- In 2009, U.S. production of wood and lumber products was over \$54 billion.²
- U.S. SMEs exported over \$42 million in wood and lumber to Korea in 2008 and made up at least 69 percent of all U.S. firms in the sector exporting to Korea in 2008.³
- The U.S. wood and lumber sector employed approximately 449,000 workers in 2009.⁴

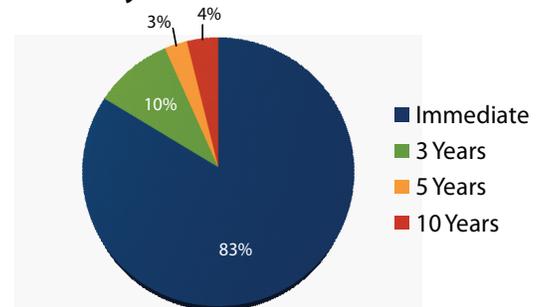
U.S. Wood and Lumber Exports to Korea Averaged \$222 Million



Improved Market Access for U.S. Wood and Lumber Exporters to Korea

- Korean wood and lumber tariffs average 5.9 percent, ranging from 1 to 12 percent.
- Nearly 83 percent of U.S. wood and lumber exports⁵ to Korea would receive duty-free treatment immediately upon implementation of the trade agreement.
- Tariffs on an additional 10 percent of wood and lumber exports to Korea would be eliminated over three years and tariffs on a further 3 percent of wood and lumber exports to Korea would be eliminated over five years. Tariffs on the remaining 4 percent of U.S. wood and lumber exports would be eliminated in equal cuts over ten years.

More than 92% of U.S. Wood and Lumber Exports to Korea Would be Duty-Free Within Three Years



¹ Global Trade Atlas. Calculation by the U.S. Department of Commerce based on import data as reported by Korea. The definition for wood and lumber export figures used in this report, unless otherwise cited, is based on Harmonized System (HS) Chapter 44.

² U.S. Department of Commerce, U.S. Census Bureau, within NAICS 321 and 337.

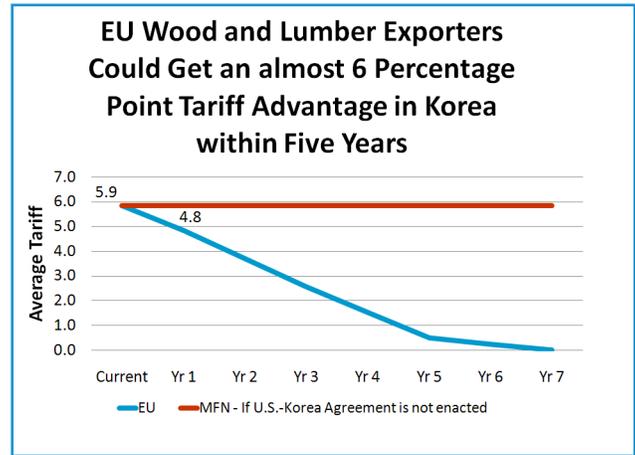
³ U.S. Department of Commerce, U.S. Census Bureau, NAICS 321 and 337.

⁴ U.S. Department of Labor, Bureau of Labor Statistics, within NAICS 321 and 337.

⁵ 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 wood and lumber exporters will immediately enjoy an average tariff of 4.8 percent upon entry into force of the EU-Korea FTA, while U.S. exporters will face an average most favored nation (MFN) tariff of 5.9 percent until entry into force of the U.S.-Korea Trade Agreement.⁶



Key States Exporting to Korea

- Top U.S. states exporting wood and lumber products to Korea include: Washington, Alaska, Alabama, Oregon, California, New York, Illinois, Ohio, Michigan, and Minnesota.

Other Key U.S.-Korea Trade Agreement Commitments for the Wood and Lumber Sector

- **Rules of Origin:**
The U.S.-Korea Trade Agreement rules of origin allow only products that are produced in the United States and Korea to receive preferences under the Agreement. The trade agreement rules of origin provide clear requirements for a good to be considered originating, including that a good must be wholly obtained or produced entirely in the territory of the United States or Korea as well as requirements on materials that are used in the production of the good. Importers may claim preferences under the trade agreement based on a certification by the importer, exporter, or producer or based on the importer's knowledge that the good is originating, but certifications need not be in a prescribed format.
- **Intellectual Property Rights:**
The U.S.-Korea Trade Agreement provides for robust protection and enforcement of intellectual property rights, including the extension of patent terms to compensate for unreasonable delays in granting an original patent. The trade agreement also has specific provisions for the protection of copyrighted works including measures designed to prevent piracy and unauthorized distribution over the Internet. Provisions to combat trademark counterfeiting include customs enforcement against goods-in-transit and streamlined customs procedures to increase efficiency of enforcement.
- **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.

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