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U.S. International Trade Commission
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**THIS DOCUMENT CONTAINS NO
PROPRIETARY INFORMATION**

**Re: U.S.-Korea Free Trade Agreement: Potential Economy-wide
and Selected Sectoral Effects**

Dear Madam Secretary,

The Society of the Plastics Industry, Inc. (SPI) hereby responds to the request for comments by the U.S. International Trade Commission (Commission) concerning the likely economic effects of the U.S.-Korea Free Trade Agreement (FTA), in accordance with the Commission's notice published in the Federal Register.¹ SPI members support the U.S. government's efforts to open foreign markets to U.S. exports and create a fair international trading environment. Thus, for the reasons detailed below, SPI strongly supports the U.S.-Korea Free Trade Agreement.

Introduction

SPI is the only plastics industry trade association representing U.S. companies that operate in all segments of the supply chain – plastics processors and manufacturers of machinery, molds, and raw materials (resins/polymers). Our more than 1,000 members range

¹ *U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, 72 Fed. Reg. 25779 (May 7, 2007). On May 23, 2007, the ITC extended the deadline for the submission of these comments to June 27, 2007. See *U.S.-Korea Free Trade Agreement: Potential Economy-wide and Selected Sectoral Effects*, 72 Fed. Reg. 28997 (May 23, 2007).



from large multinational corporations to small and medium-sized companies, many of which are family-owned businesses, all playing a vital role in the delivery of a myriad of plastic products that enhance every aspect of our lives.

Plastics is a large and growing industry in the United States. The U.S. plastics industry shipped goods worth \$341 billion worldwide and employed 1.1 million workers in 2005. When suppliers to the plastics industry are considered, jobs grow to 2.0 million, and total shipments amount to \$458 billion.² As a whole, the plastics industry is the third-largest manufacturing sector in the United States. Plastic products alone are the fourth-largest manufacturing industry in the United States (by four-digit NAICS code), and hold even greater importance for the U.S. economy when plastic materials and resins, plastics-working machinery, molds for plastics, and captive plastic products are taken into consideration.

SPI represents members whose exports fall into a wide range of product categories under the Harmonized Tariff Schedule of the United States (HTS). Plastic materials and products are primarily covered by Chapter 39 of the HTS, with plastic resins comprising HTS headings 3901 through 3914, and plastic products comprising HTS headings 3915 through 3926. Plastics-working machinery is primarily covered by section 8477 of the HTS, while molds for plastics fall into section 8480 of the HTS. The plastic products that are classified in HTS headings 3916 through 3926 include, among others, home siding, decking and railings, floor coverings, pipes, cables and hoses, plastic plates, sheets, film, foil and strip, retail carrier bags, and various other articles of plastics.

We welcome the opportunity to share the plastics industry's experience with imports from the Republic of Korea. As the Commission knows, Korea is the world's tenth largest

² See Summary, contained in "Size and Impact of the Plastics Industry on the U.S. Economy," The Society of the Plastics Industry, Inc. (2007) at S-1 ("SPI Size and Impact Report").



economy, and the third largest economy in Asia (behind China and Japan). During the past decade, Korea has maintained a strong real average annual gross domestic product growth rate of 4.9 percent, and an even stronger real average annual trade growth rate of 12.5 percent.

Korea is one of the United States' most significant trading partners. In 2006, two-way goods trade between the U.S. and Korea was valued at about \$75 billion. Of this total, the U.S. plastics industry exported goods worth \$1.0 billion to Korea, while U.S. imports amounted to \$1.1 billion. The trade flows for each of the four primary plastic industry segments, namely resins/polymers, plastic products, machinery and molds, were as follows:

Table 1: U.S. Trade Flows with the Republic of Korea, 2006 (in millions)			
Industry Segment	U.S. Imports	U.S. Exports	Trade Balance
Resins/Polymers	376.2	724.8	348.6
Plastic Products	667.2	275.3	(391.9)
Machinery	14.5	15.1	0.6
Molds	37.5	1.4	(36.1)
Total:	1,095.4	1,016.6	(78.8)

Source: U.S. International Trade Commission DataWeb (2006)

In 2006, U.S. plastics exports to Korea increased by 15.1 percent from \$883.3 million in 2005, while imports increased by 3.1 percent from just over \$1 billion in 2004.³ As a result, the U.S. plastics industry's trade deficit with Korea decreased from approximately \$179 million in 2005 to less than \$79 million in 2006. It is to be hoped that implementation of the free trade agreement between the United States and Korea will continue this trend.

³ Unless otherwise noted, the source of trade statistics cited in this submission is the statistical report "Global Business Trends, Partners, Hot Products," The Society of the Plastics Industry, Inc. (2007).



I. SPI Supports the U.S. Korea Free Trade Agreement

As a representative of the U.S. plastics industry, SPI supports government policies that enhance the competitiveness of U.S. manufacturing and the U.S. plastics industry. It is for this reason that SPI supports the U.S. Korea Free Trade Agreement.

A summary of the benefits offered by the FTA to the plastics industry is indicated in Table 2 below. Specifically, SPI has reviewed the tariff elimination schedules to the FTA and determined the portion of tariffs that will be eliminated on each of the four primary industry segments within three years and five years of implementation of the agreement.⁴ As this table indicates, tariffs on most plastics exports to Korea will be eliminated within the first three years.

Table 2: Summary of Tariff Relief for U.S. Exports to Korea Under the FTA					
Industry Segment	Typical Tariff in Korea (percent)	Value of Exports to Korea (\$ millions)	Tariff Relief within 3 Years (percent)	Tariff Relief within 5 Years (percent)	Tariff Savings (millions)*
Resins/Polymers	6.5	725	>88	>90	47
Plastic Products	6.5	275	>64	>99	19
Machinery	8	15	100	N/A	1.1
Molds	8	1.4	Tariffs Eliminated Immediately		0.2

* Based on 2006 level of U.S. exports to Korea. Tariff relief data is for U.S. exports to Korea based on the elimination of Korean tariffs on U.S. plastics exports.

During the negotiation process, SPI worked closely with the office of the U.S. Trade Representative in determining what the United States’ market access priorities should be for the plastics sector. We are pleased that all of the products designated by SPI as being “highly

⁴ SPI notes that it has not attempted to determine the partial benefit to the U.S. plastics industry from reduced tariffs under the negotiated phase-out periods. Rather, SPI restricted its analysis to determining the weighted-average percentage of exports that will be tariff-free within three years and five years of implementation of the FTA.



sensitive” to competition from Korean exports will benefit from five- to ten-year transition periods in the phase-out of U.S. tariffs on imports of plastics from Korea. In particular, in light of the significant trade imbalance in the plastic products segment of the industry, SPI emphasized the need for a lengthy transition period for this part of the industry during the FTA negotiations. SPI is glad to report that this need is reflected in the FTA’s tariff elimination schedule. As indicated in Table 2 above, tariffs will be eliminated on over 64 percent of U.S. exports of plastic products to Korea within three years of implementation of the FTA, and on over 99 percent of U.S. plastic products within five years. Conversely, less than one percent of the duties imposed on U.S. imports of plastic products from Korea will be eliminated immediately, and only 16 percent of duties imposed on these entries will be phased-out in five years. The vast majority of the duties imposed on imports of plastic products from Korea will be phased-out over ten years.

With regard to the other three industry segments, tariffs in both markets will be eliminated immediately for molds, eliminated within three years for machinery, and based on a mostly reciprocal schedule for resins/polymers. Yet again, therefore, the agreement reflects SPI’s concern that the market access provisions provide reciprocal benefits to both trading partners. As a result, the FTA offers significant potential for the plastics industry. Indeed, even if exports to Korea remained steady, the tariff savings after full implementation of the FTA would exceed \$67 million, based on U.S. exports of plastics to Korea in 2006.

II. Conclusion

The U.S. plastics industry is facing unprecedented global competition and recognizes that the challenges brought forth by such international pressures and rising domestic pressures have led to domestic economic changes. To address these changes, SPI supports government policies that enhance the competitiveness of U.S. manufacturing and the U.S. plastics industry.



ONE VOICE. ONE VISION.

the society of the plastics industry

In light of the reciprocal market access provisions contained in the U.S.-Korea FTA, SPI enthusiastically endorses the agreement.

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We hope the U.S. International Trade Commission finds this information helpful as it considers its advice to the President on the probable economic effect of implementing the U.S.-Korea free trade agreement. If you need additional information or have questions, please do not hesitate to contact the undersigned.

Respectfully submitted,

Neil C. Pratt, Esq.
Senior Director, International Trade
and Trade Counsel
(202) 974-5333