

Korea

Due to shifting market conditions Korea refocused its textile industry towards the production of more technical products instead of basic textile and apparel items. It therefore is currently 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 eleventh largest market for U.S. exporters of textiles and apparel and the thirteenth largest market for technical textiles in 2014. This is an increase of 37 percent for total textiles and apparel and 27 percent for technical textiles over 2009. This can be explained as Korea was one of the first countries to recover from the global financial crisis. This early recovery allowed the Korean economy to rebound in the third quarter of 2009. 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 4th largest export country in textiles and increase production by 63 percent by 2022. The Korean Government wants to boost the textile sector with the goal of creating new jobs, which will lead to growing consumption and higher economic growth.

Though there is strong competition from Korean producers 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 non-tariff 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. Korea has seen a surge in the demand for advanced industrial textiles in recent years, 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 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.⁴⁹

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 research & development 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. manufacturers in this sector to thirteenth by 2013 and is projected to climb one step higher to twelfth by 2016.

For the five year period (2008 to 2013) exports of technical textiles from the United States to Korea increased 23 percent. For the next three years (2013 to 2016) that figure is projected to almost double to 45 percent. This could lead one to the conclusion that there is a rapid increase in 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. Korean apparel companies have also moved manufacturing operations to China, Vietnam, Cambodia and Bangladesh to lower production costs. These companies are producing apparel goods using technical textiles in its foreign operations. 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 of 2012 to ease work visa and citizenship requirements. Allowing foreign workers in Korea is one step towards addressing Korea's labor shortage and maintaining its continued growth.

Furthermore, the Industrial Fabrics Association International (IFAI) has stated that under the U.S.-Korea FTA, goods from Korea would enjoy duty-free entry into the U.S., while U.S. exports to Korea would be subject to a 10 percent value added tax (VAT). The

measure also would allow Korea to raise its VAT rate above 10 percent.

Korea has recognized these inconsistencies and their future impact on trade if left untreated. Korea has been addressing these challenges with the U.S.-Korea FTA and 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.

Their export position should be strengthened by the U.S.-Korea FTA and other trade agreements Korea has entered into. 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, as against the import of cheap clothing from developing countries.

Therefore, there is an increase in demand from new sectors. Korea has stated there is a strong need for medical and health related fibers and products as well as apparels 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, support export-related jobs and enhancing U.S. competitiveness.

Non-wovens

The Asian market of nonwovens 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. Toray Advanced Materials Korea has made global nonwovens market strategy and led R&D as a headquarter with Toray Industry.⁵⁰

This is reflected in the data of nonwoven goods being exported to Korea from the United States. Korea has seen a surge in U.S. exports of nonwoven fabrics from 2008 to 2014. Exports from the U.S. to Korea are

projected to increase 43 percent, increasing from \$29 million in 2008 to a projected \$41 million in 2016.

Specialty and Industrial Fabrics

The U.S. International Trade Commission, a bipartisan federal agency, estimated 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 true as Korea was the seventeenth largest market for specialty and industrial fabrics in 2008 but by 2014 Korea climbed seven spots to become the tenth largest market, only two years after the U.S.-Korea FTA went into force in 2012. Korea is projected to climb one spot higher by 2016.

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 should continue this upward trend to \$51 million by 2016. That is an 82 percent increase over the eight year period.

Medical Textiles

Korea has developed an import dependence on such medical textiles as surgical sutures, artificial blood vessels and wound dressing products. Korea is also dealing with trade deficits in high value-added fields,

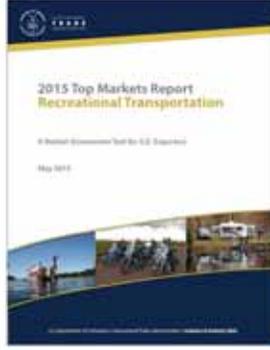
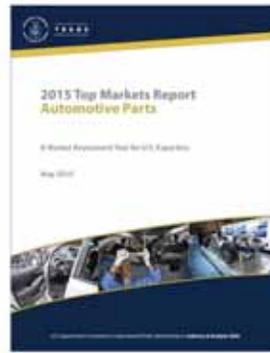
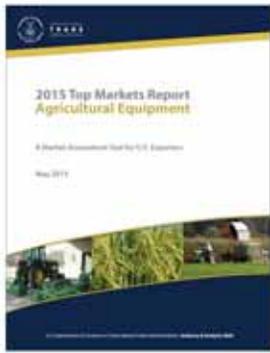
including wound treatment, surgical sutures, transplantation meshes, blood filters and hemodialysis devices.⁵¹

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, Korea has established an MOU among the Korea Textile Development Institute (KTDI), the Korea Dyeing Technology Research Center (DYETEC), the Korea Textile Machinery Research Institute (KOTMI), and the Catholic University of Daegu to pursue R&D activities in the medical textiles sector.

This is all encouraging to U.S. producers of medical textiles, as exports to Korea are expected to increase 23 percent from \$19 million in 2012 (U.S.-Korea FTA entered into force) to \$23.5 million in 2016.

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 \$19 million in 2016.



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