Korea

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Change in 2004 from 2003:

U.S. trade deficit: Increased $5.7 billion (39 percent) to $20.1 billion
U.S. exports: Increased $2.5 billion (11 percent) to $25.0 billion
U.S. imports: Increased $8.1 billion (22 percent) to $45.1 billion

- The U.S. trade deficit with Korea grew $6.5 billion (48 percent) during 2000–2004 to reach its highest level ever in 2004. The growth in 2004 imports from Korea was in marked contrast to the 2 percent average annual decline during 2000–2003. This pattern reflects an increased demand for Korean products, driven by the recovery of the U.S. economy following 3 years of slow growth.[1] U.S. exports to Korea increased 11 percent in 2004, following an average annual decline of 4 percent during 2000–2003 (table KOREA-1). This increase reflects strong demand from Korean export-oriented manufacturers that required U.S. inputs,[2] strengthening Korean consumer demand,[3] and the dollar's 15 percent depreciation against the won during 2004.[4]

- The large U.S.-Korean trade deficit is mirrored in Korea's overall trade surplus, which hit a record $38.2 billion in 2004. Although total Korean imports grew by approximately 25 percent in 2004, total exports grew by 30 percent.[5] Much of the growth in exports is attributed to strong demand for Korean automobiles and mobile phones[6] in China, Japan, and the United States,[7] Korea's largest export markets. The strong performance of the export sector in 2004 was also the main force behind Korea's gross domestic product growth of 4.6 percent.[8]

U.S. exports

- Leading export shifts in 2004, both in absolute and percentage change terms, include capital goods and intermediate inputs. Examples include semiconductor manufacturing equipment and machinery; iron and steel products and scrap; and organic and inorganic chemicals (table KOREA-2). The principal factor driving increased U.S. exports in these categories was robust demand in Korea's export-oriented manufacturing sector. Increasing raw materials costs also inflated U.S. export values in these categories, as such

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[1] Economist Intelligence Unit (EIU), "South Korea Economy: Exports Surged In November," *EIU Viewswire*, Jan. 28, 2005, found at *http://www.viewswire.com*, retrieved on Apr. 5, 2005.
[2] EIU, "South Korea Economy: GDP Growth Picks Up," *EIU Viewswire*, Mar. 22, 2005, found at *http://www.viewswire.com*, retrieved on Apr. 5, 2005.
[3] Ibid.
[4] Based on won per dollar rates of 1,035.1 on Dec. 31, 2004, and 1,192.0 on Dec. 31, 2003. U.S. Federal Reserve, "Korea-Spot Exchange Rate, Won/US$, H.10 Foreign Exchange Rates," found at *http://www.federalreserve.gov/releases/h10/Hist/dat00_ko.htm*, retrieved on Apr. 5, 2005.
[5] EIU, "Korea-Current Account and Terms of Trade," *EIU Viewswire*, Mar. 4, 2005, found at *http://www.viewswire.com*, retrieved on Apr. 5, 2005.
[6] EIU, "South Korea Economy: Exports Surged In November."
[7] EIU, "South Korea Economy: Quick View-Record Trade Surplus," *EIU Viewswire*, Feb. 1, 2005, found at *http://www.viewswire.com*, retrieved on Apr. 5, 2005.
[8] EIU, "South Korea Economy: GDP Growth Picks Up."

Table KOREA-1

Korea: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2000–2004[1]

Item	2000	2001	2002	2003	2004	Change, 2004 from 2003 Absolute	Change, 2004 from 2003 *Percent*
	Million dollars						
U.S. exports of domestic merchandise:							
Agricultural products	2,978	3,085	3,085	3,307	2,863	-444	-13.4
Forest products	808	561	659	699	696	-4	-0.5
Chemicals and related products	2,664	2,455	2,779	3,320	4,388	1,069	32.2
Energy-related products	519	340	334	472	674	202	42.7
Textiles and apparel	202	170	184	207	208	1	0.7
Footwear	10	7	6	12	12	-1	-5.5
Minerals and metals	1,101	1,124	924	1,138	1,497	360	31.6
Machinery	3,682	2,452	2,521	2,713	3,293	580	21.4
Transportation equipment	2,970	3,510	3,364	2,809	3,126	317	11.3
Electronic products	10,562	6,479	6,380	7,085	7,388	303	4.3
Miscellaneous manufactures	363	346	508	344	453	109	31.5
Special provisions	444	372	407	419	398	-21	-4.9
Total	26,302	20,900	21,151	22,525	24,994	2,470	11.0
U.S. imports of merchandise for consumption:							
Agricultural products	210	230	254	266	296	30	11.3
Forest products	394	348	404	467	517	51	10.9
Chemicals and related products	1,424	1,446	1,544	1,672	2,178	507	30.3
Energy-related products	372	465	276	286	553	267	93.3
Textiles and apparel	3,479	3,316	3,287	2,986	3,030	44	1.5
Footwear	140	103	66	50	51	1	1.7
Minerals and metals	2,177	1,768	1,644	1,478	2,168	690	46.7
Machinery	2,301	2,297	2,554	2,505	2,771	267	10.6
Transportation equipment	6,152	7,810	8,282	9,836	12,241	2,405	24.4
Electronic products	21,400	15,409	15,411	15,955	19,699	3,744	23.5
Miscellaneous manufactures	1,109	984	799	715	699	-16	-2.2
Special provisions	670	742	764	714	860	146	20.4
Total	39,829	34,917	35,284	36,930	45,064	8,135	22.0
U.S. merchandise trade balance:							
Agricultural products	2,768	2,855	2,831	3,041	2,567	-474	-15.6
Forest products	413	212	255	232	178	-54	-23.4
Chemicals and related products	1,240	1,009	1,235	1,648	2,210	562	34.1
Energy-related products	148	-125	59	186	120	-65	-35.2
Textiles and apparel	-3,276	-3,146	-3,103	-2,780	-2,822	-42	-1.5
Footwear	-130	-96	-59	-38	-40	-2	-4.0
Minerals and metals	-1,077	-643	-720	-341	-671	-330	-96.9
Machinery	1,380	154	-33	208	521	313	150.4
Transportation equipment	-3,182	-4,300	-4,918	-7,027	-9,115	-2,088	-29.7
Electronic products	-10,838	-8,930	-9,031	-8,869	-12,311	-3,441	-38.8
Miscellaneous manufactures	-746	-638	-291	-370	-246	124	33.5
Special provisions	-227	-370	-357	-295	-462	-166	-56.3
Total	-13,526	-14,018	-14,133	-14,405	-20,070	-5,665	-39.3

[1]Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table KOREA-2
Leading changes in U.S. exports to and U.S. imports from Korea, 2000–2004[1]

Sector/commodity	2000	2001	2002	2003	2004	Change, 2004 from 2003 Absolute	Change, 2004 from 2003 *Percent*
	Million dollars						
U.S. EXPORTS:							
Increases:							
Semiconductor manufacturing machinery (MM087A)	1,648	807	602	928	1,618	690	74.3
Chemicals and related products:							
Organic commodity chemicals (CH010)	144	47	130	264	595	331	125.2
Certain organic chemicals (CH012)	597	478	565	758	1,004	246	32.5
Organic specialty chemicals (CH011)	213	180	204	231	274	43	18.7
Miscellaneous inorganic chemicals (CH013)	219	222	248	266	304	38	14.2
Minerals and metals:							
Iron and steel waste and scrap (MM023)	242	190	234	352	490	138	39.2
Steel mill products (MM025)	49	30	24	46	73	27	57.4
Decreases:							
Agricultural products:							
Cattle and beef (AG002)	536	385	636	789	1	-788	-99.9
Certain miscellaneous animals and meats (AG001)	29	34	49	63	18	-45	-71.3
All other	22,625	18,527	18,459	18,828	20,617	1,790	9.5
TOTAL	26,302	20,900	21,151	22,525	24,994	2,470	11.0
U.S. IMPORTS:							
Increases:							
Telephone and telegraph apparatus (ET017)	3,306	4,527	4,556	5,936	8,668	2,732	46.0
Motor vehicles (ET009)	4,792	6,369	6,847	7,913	10,033	2,120	26.8
Decreases:							
Ships, tugs, pleasure boats, and similar vessels (ET014)	4	80	4	333	79	-253	-76.2
All other	31,727	23,941	23,877	22,748	26,284	3,536	15.5
TOTAL	39,829	34,917	35,284	36,930	45,064	8,135	22.0

[1]Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

numbers are recorded in nominal currency terms. The dramatic increase in raw material costs in the past few years is attributed to strong demand for raw materials in China.[9]

- The largest decline in U.S. exports, both in absolute and percentage change terms, occurred for cattle and beef, which declined from $789 million in 2003 to $1 million in 2004. Similarly, certain miscellaneous animals and meats declined by $45 million (71 percent) in 2004. The dramatic decline in these sectors is largely attributable to the discovery of Bovine Spongiform Encephalopathy (BSE) in the United States in December 2003.

U.S. imports

- Although Korea exports to a large number of foreign countries, the bulk of products sold in these markets falls into a narrow range of traditional export categories, largely electronics and automobiles.[10] In keeping with this trend, the leading import shifts in 2004 occurred in telephone and telegraph apparatus and motor vehicles, as economic conditions in the United States improved (see table KOREA-2).

- The largest shift in U.S. imports occurred in the telephone and telegraph apparatus category, which increased $2.7 billion (46 percent) to $8.7 billion in 2004; mobile phones accounted for the bulk of imports in this segment. Sales by Samsung Electronics, South Korea's largest electronics firm and the world's second-largest manufacturer of mobile phones, accounted for most of the growth in this category. Building on its strengths in digital technology, Samsung has increased its share of the U.S. mobile phone market by specializing in mobile phones equipped with cameras and color screens. Samsung also increased sales of mobile phones by targeting the high-income segment of the U.S. mobile phone market.[11]

- U.S. imports of motor vehicles from Korea increased $2.1 billion (27 percent) to $10.0 billion in 2004. This surge in automobile imports is largely attributed to increased sales by Hyundai Motor and its subsidiary Kia. Hyundai and Kia increased their share of the U.S. market from 3.8 percent in 2003 to 4.1 percent in 2004[12] by emphasizing the sale of sport-utility vehicles, improving design and quality, and enhancing their brand image. In the U.S. market, South Korean cars are increasingly seen as an acceptable substitute to Japanese cars.[13]

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[9] "The Hungry Dragon," *Economist*, Feb. 19, 2004, found at *http://www.economist.com*, retrieved on Apr. 6, 2005.

[10] EIU, "South Korea Economy: Exports Surged In November."

[11] Ibid.; and EIU, "South Korea Economy: Trade Surplus Widens Further," *EIU Viewswire*, Jul. 30, 2004, found at *http://www.viewswire.com*, retrieved on Apr. 5, 2005.

[12] "U.S. Light-Vehicle Sale By Nameplate, December & 12 Months 2004," *Automotive News*, Jan. 10, 2005.

[13] EIU, "South Korea Economy: Trade Surplus Widens Further"; and EIU, "South Korea: Automotive Forecast," *EIU Viewswire*, Oct. 11, 2004, found at *http://www.viewswire.com*, retrieved on Apr. 5, 2004.