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A Free Trade Agreement with South Korea Would Promote Both Prosperity and Security

by Doug Bandow

Executive Summary

President Barack Obama took office with a record of skepticism toward free trade, including several free trade agreements negotiated by the Bush administration. The Democratic Congress was even more hostile to liberalizing international commerce.

Now the president has made trade promotion an administration priority. One of the surest strategies to grow the economy and increase higher-paying employment is to expand trade. Thus he has endorsed the free trade agreement with South Korea—with as yet undefined changes. He hopes to have an amended version ready at the next G-20 Summit, scheduled for Seoul in November.

Although the accord is not perfect, it would substantially increase access to the South Korean market. Both the Republic of Korea and the United States would benefit from increased exports, economic growth, and job creation. The long-term potential is even greater: as South Koreans grow wealthier, they are likely to increase their foreign purchases, and eventual Korean reunification would greatly expand the Korean marketplace for American exporters.

The free trade agreement also offers important geopolitical benefits. China's rapid economic growth has helped expand Beijing's influence throughout East Asia. Indeed, there is now more trade between South Korea and China than between the South and the United States. As American military dominance fades, the large and productive U.S. economy offers an important alternative form of regional engagement. Washington should seek to expand trade throughout the Asia-Pacific. Reducing trade barriers with South Korea is an important first step.

The United States should move ahead even if Seoul resists formal renegotiation of the trade pact. Washington can and should push for further liberalization, but such efforts will be stillborn if the free trade agreement is not soon ratified. This is no time to allow the perfect to become the enemy of the good.

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Introduction

Unemployment remains high, with Washington politicians promising to create more jobs. China is ever more confident, challenging the United States both economically and politically. The People's Republic of China (PRC) has displaced America as the number one trading partner with leading East Asian states, such as South Korea.

How have the Obama administration and Democratic Congress responded to these challenges? By retreating economically from the region. As a candidate for president, then-senator Obama termed the U.S.–South Korea free trade agreement (KORUS FTA) "badly flawed" and urged the Bush administration not to submit it for ratification.[1] At his confirmation hearing in March 2009, President Obama's U.S. Trade Representative Ron Kirk called the agreement "unacceptable" and "just not fair." Although increased trade with the Republic of Korea (ROK) is "one of the biggest opportunities we have," he affirmed that the administration "will step away from that if we don't get it right."[2]

That approach was remarkable for both its economic and geostrategic folly, but to their credit, President Obama and his administration have wisely toned down their earlier objections to the agreement.[3] In fact, administration trade policy now may be undergoing a reset of sorts. The president used his last State of the Union speech to set the objective of doubling exports over the next five years and pushing forward on pending FTAs with Colombia, Panama, and South Korea.

Moreover, he met South Korean president Lee Myung-bak at the June 2010 G20 Summit in Toronto and expressed his desire to revive the Korean agreement. President Obama said, "It is the right thing to do for our country, it is the right thing to do for Korea."[4] He added that the United States intended to work in a "methodical fashion" to meet congressional objections.[5] Administration officials say that primarily means improving the access of autos and beef in the Korean market. "Overall, I think it's a potential good deal for U.S. exporters, but there's certain sectors of the economy that aren't dealt with as effectively, and that's something I'm going to be talking to President Lee about," said President Obama last fall.[6]

The administration hopes to wrap up outstanding issues by the next G20 meeting set for November 11–12 in Seoul, South Korea. As the G20 meeting in Toronto was drawing to a close, the president added, "I want to make sure that everything is lined up properly by the time I visit Korea in November, and in the few months that follow that, I intend to present it to Congress."[7]

Still, the path to ratification is not clear. President Obama spoke of "adjustments" rather than "renegotiation" of the FTA.[8] Yet leading congressional Democrats remain opposed, indicating that the changes would have to be "significant" to win their support.

Moreover, while negotiators for both nations will be meeting for talks, Seoul has little incentive to make concessions to the Obama administration. Trade liberalization remains controversial in the ROK. Two years ago President Lee came under sharp attack for easing restrictions on American beef imports.[9] In July Trade Minister Kim Jong-hoon said: "Taking just one period—one comma—out of the agreement will mean a complete revision. This will not happen."[10] He specifically rejected changing the ROK's policy on beef and auto imports, two key Obama administration demands. (Interestingly, in 2008 the Bush administration refused to revisit KORUS FTA despite South Korean concerns over U.S. beef exports.[11])

The president must focus less on the desires of Democratic interest groups and more on the interests of Americans generally. Washington should set as a major objective expanding American investment and trade opportunities in East Asia. The starting point should be to ratify the pending trade agreement with the Republic of Korea.[12]

Expanding Export Opportunities in a Major Market

South Korea possesses one of the world's largest economies—its GDP ranked number 13 in the world at last count—and is among the world's top dozen trading nations. Total bilateral trade in goods between the United States and Korea reached $83 billion in 2008 (before falling to about $70 billion last year), making it America's seventh largest trading partner. Koreans are among the world's top customers for U.S.-exported civil aircraft, semiconductors, industrial machinery, chemicals, plastics, and cereals.[13] In 2008 South Koreans also purchased $14 billion worth of U.S. service exports, making it our 10th largest market.[14]

Unfortunately, despite its stunning trading success, the South has not completely opened its arms to foreign products. Korean business professor Moon Hwy-chang admitted that "Korea has not been a very open economy."[15] Similarly, the Washington-based Korea Economic Institute observed: "Korea remains a very difficult place in which to do business."[16]

Thus, opening up the Korean market offers Americans significant economic benefits. Jeffrey Schott of the Peterson Institute for International Economics reported: "The U.S.-Korea pact covers more trade than any other U.S. trade agreement except the North American Free Trade Agreement" and "opens up substantial new opportunities for bilateral trade and investment in goods and services."[17] Roughly 95 percent of commerce would become duty free within three years and most of the other tariffs would be lifted within a decade. The accord would provide particular benefits for U.S. agriculture, financial services, and American firms seeking access to ROK government procurement.[18] Trade analysts cite significant progress in a number of economic areas.[19]

The Office of the U.S. Trade Representative offered a more detailed analysis: "In addition to eliminating South Korea's 7 percent average tariff on industrial goods, the KORUS FTA effectively addresses a wide range of discriminatory non-tariff barriers to U.S. goods and services. It will improve regulatory procedures and due process in South Korea through the most advanced transparency obligations in any U.S. FTA to date. In addition, the Agreement contains an unprecedented package of automotive related provisions, including a unique dispute settlement mechanism that will level the playing field for U.S. automakers in this important market."[20]

Obviously, the FTA does not eliminate all economic barriers in the ROK—just as it does not eliminate all import restrictions by the U.S. government. For example, Senator Obama pointed to continuing limits on the sale of U.S. autos and agricultural products. But the FTA makes progress, eliminating ROK taxes on large U.S. autos and reducing the tariff on beef. Schott contends that the accord benefits both sides on autos and disproportionately benefits Americans on agriculture."[21] For this reason South Korean farmers stridently opposed the accord.

Liberalizing access by agreement is particularly important since U.S. producers have been lagging in the fast-growing Korean market. During the final KORUS FTA negotiations in 2007, Dr. Cheong Inkyo of Inha University in Inchon, South Korea, observed:

> Trade relations between the United States and Korea have been getting weaker over time. The proportion of exports to the United States out of Korea's total exports peaked at 39.98 percent in 1986 and declined to 14.54 percent in 2005. Korea's share of total imports entering the United States declined from 3.31 percent in 2000 to 2.60 percent in 2005, and Korea's share of U.S. exports declined from 3.58 percent to 3.05 percent during the period.[22]

Both countries would benefit economically from the FTA. The pact could increase South Korea's GDP by up to 2 percent, according to the Korea Institute for International Economic Policy.[23] The U.S. economy is much larger so the relative boost would be smaller, but the increase in exports would be particularly helpful as America recovers only uncertainly from the recession.

According to the U.S. International Trade Commission, the elimination of South Korean tariffs alone should add $10 billion to $12 billion

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to America's GDP.[24] Overall, the ITC figures that American exports to South Korea would go up nearly twice as much in volume as imports from the ROK.[25] Estimates of increased exports start at about $10 billion.[26] In November 2009, the U.S.-Korea Business Council (which is related to the U.S. Chamber of Commerce) figured that the FTA would add $35 billion worth of exports, $40 billion to the national GDP, and 345,000 jobs.[27]

Sector analyses also suggest substantial benefits.[28] For instance, the ROK has ten times as many telecommunications exports as imports with the United States. The Telecommunications Industry Association figures the FTA would improve American access.[29] As noted earlier, American farmers likely would see a marked increase in their exports.[30] Demand for audiovisual and financial services also would likely increase substantially.

Estimates made during the FTA negotiations reached similar conclusions. By some estimates an agreement would increase the ROK's GDP by between 0.5 and 2 percent and add an extra 100,000 jobs.[31] America might see an increase of 0.2 percent of GDP, a still significant number for a $14 trillion economy.[32]

The range of estimates was wide, but generally positive.[33] Cheong Inkyo summarized the results of several papers: "A U.S.–Korea FTA would mean economic benefits for both countries, with substantial gains for Korea but modest gains for the United States. Under a bilateral FTA, the GDP and welfare of both countries are expected to improve, favoring U.S. agricultural exports and Korean clothing and textile exports."[34]

Moreover, the long-term gain could be even greater. First, South Koreans remain less affluent than suggested by their national GDP: the ROK's per capita GDP is about $17,000, between 27th and 37th in the world, depending on the estimate. Continued strong growth—especially if spurred by further economic reform in the face of increased U.S. economic competition—would enhance individual buying power, leading to increased purchases of American goods and services. Second, reunification with the North is likely some day. A unified Korea would be an even more important economic market for U.S. producers and consumers.

The Beef over Autos

The agreement does have its critics. Numerous compromises were made for political reasons—including retaining protectionist restrictions for American industries, such as ethanol and sugar.[35] The agreement did not limit U.S. beef exports, but South Korea has restricted U.S. beef imports, allegedly for concern over mad cow disease. In response, the Bush administration agreed to restrict shipments to cattle younger than 30 months.[36] American legislators representing beef-producing states remain committed to fully opening the ROK market, but Trade Minister Kim recently indicated that public opposition made this impossible.[37] The issue is one of legitimate concern to American producers, but it actually has little to do with the FTA. (Seoul also refused to budge on opening the rice market, but that has generated less political flak in the United States.)

Equally serious is criticism of the failure to fully open the South Korean auto market.[38] The United States ran a $10.3 billion deficit in the auto and auto-parts sector in 2007: the ROK sold roughly 80 times as many autos in America as the United States did in South Korea.[39] In terms of tariff reduction, the agreement would deliver the "level playing field" many members of Congress demand. Tariffs on imported passenger cars and parts and accessories are currently 8 percent in Korea and 2.5 percent in the United States. Most of those tariffs would be eliminated upon enactment of the agreement, and all by its full implementation.[40]

Although the FTA reduces South Korean tariffs, American automakers complain that the accord does not address non-tariff restrictions. Minister Kim naturally denies any hidden barriers.[41] In fact, social and cultural barriers may be more important than government policies.[42] One problem is auto size, since American cars are larger than those typically preferred by apartment-dwelling South Koreans. Even if all tariff and non-tariff-barriers were removed, the average

Korean would still be much less inclined to buy a Ford F-150 pickup truck, a Chevy Suburban, or a Jeep Grand Cherokee than the average American would be inclined to buy a smaller, more fuel-efficient Korean-made vehicle such as a Hyundai Sonata. No free trade agreement can change fundamental consumer preferences.

Dr. Choi Byung-il of Ewha Womans University argued "The trade imbalance in autos between Korea and the United States does not represent the protectionism of Korea but, rather, illustrates the failure of U.S. automobile manufacturers to compete in the global market."[43] Jeffrey Schott warned that "U.S. automakers exaggerate the potential for U.S. sales in Korea of cars produced in U.S. assembly plants."[44]

Despite concerns over autos and beef, the accord is a good deal overall. Reported the *Financial Times*: "Bill Rhodes, senior vice chairman of Citigroup and head of the U.S.–Korea Business Council, said [the U.S. Trade Representative Susan] Schwab had won over many skeptical executives on intellectual property reforms, investor protections and services liberalization."[45] Moreover, the FTA should be viewed as a starting point from which Washington could continue to press for further liberalization. Failing to take the first step will ensure that the next one is never taken.

Enhancing American Influence in East Asia

Nor is private trade the sum total of the issue. Cheong Inkyo contended that "an FTA would have substantial political and strategic meaning for both countries."[46] Victor Cha, who handled East Asian issues on the Bush National Security Council, called the FTA "the next big upgrade in this alliance."[47]

The United States remains the globe's sole superpower, with the ability to project power in every region. But mainland China is engaged in a measured military build-up directed at creating armed forces capable of deterring American intervention in areas of its strategic interest.[48] No power, including China, will be capable of threatening U.S. territory, commerce, or other vital interests in the foreseeable future. Washington will, however, find it increasingly difficult to rely upon military force to achieve its objectives in East Asia.

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Moreover, the U.S.–South Korean military alliance is fraying. The countries have grown apart, with younger South Koreans, in particular, viewing America far less favorably than in the past. Moreover, the two nations, once united by the threat of an obviously dangerous North Korea backed by a hostile China and Soviet Union, now perceive regional security very differently. Most important, the United States can no longer afford to spend billions protecting a prosperous and populous ally well able to defend itself.[49]

America's economic domination in East Asia is slowly slipping as well. This year the People's Republic of China is expected to surpass Japan on all measures as possessing the second largest economy. Moreover, mainland China's rapid economic growth has naturally led to expanded Chinese investment and commerce throughout East Asia.

China's top trading partner is the United States, but the former's second through fifth largest are Japan, Hong Kong, South Korea, and Taiwan. Australia, Malaysia, and Singapore fall in at numbers seven, nine, and ten. In all but the case of Singapore, trade with China increased faster in 2008 over 2007 than did trade with the United States. American companies have been pushed into second and even third place, most notably in South Korea and Japan. As recently as 2003 the United States was number one in the former, but today comes in at fourth, if the EU is counted.

Why has American trade with the ROK stagnated in recent years? The Peterson Institute's Schott explained: "In a word, China. China became Korea's most important trading partner. Korea-China merchandise trade soared from $31 billion in 2000 to $190 billion in 2008, accounting for about 22 percent of total Korean trade."[50] South Korea began investing more in China than in America in 2002. Chinese investment lags behind that of Americans, but as the PRC's economy grows there will be more Chinese investment capital, and more of it will end up in South Korea. Observed Robert Kapp, long-time president of the U.S.-China Business Council: "The growth of Korean-Chinese economic action has been even more impressive than China's expanding ties with other trade and investment partners."[51]

China's increasing economic role will have geopolitical consequences. The U.S.-China Economic and Security Review Commission warned:

> China has linked its growing economic power with strong diplomatic initiatives throughout Asia. China's softer approach to the region has been dubbed a smile campaign or charm offensive, but it is more than just that—China has injected new energy into bilateral partnerships and multilateral trade and security arrangements.[52]

In June Beijing finalized the Economic Framework Cooperation Agreement with Taiwan, and is pressing for free trade agreements with Australia and Japan. Moreover, the PRC and South Korea have discussed the possibility of an FTA. Shortly after Washington and Seoul concluded their negotiations in April 2007, Chinese premier Wen Jiabao visited Seoul and opined that "China and South Korea should develop a mutually beneficial FTA proposal as soon as possible to pave the way for actualization."[53]

The South Korean government reacted cautiously, and no agreement has been reached. The continuing economic and political barriers to such arrangements are obvious. But the fact the PRC is pursuing this strategy—and that America's three leading military allies in the region view FTAs with China as a plausible alternative—symbolizes the geopolitical challenge now facing Washington.

Will U.S. Exporters be Left Behind?

Americans risk being left behind. East Asian countries have increasingly turned to bilateral economic agreements to promote trade.[54] And since the fiscal crisis of 2008, countries in the Asia-Pacific have indicated their readiness to organize their own meetings and create their own organizations without the United States.[55]

South Korea is not waiting for the United States to take the initiative on trade. Victor Cha warned that "South Korea meanwhile has grown impatient and has negotiated FTAs with other major economies, including the European Union and India, to the disadvantage of U.S. businesses."[56]

Last year Seoul completed the world's largest bilateral trade pact, with the European Union.[57] Once that accord is implemented, American manufacturers will find themselves at a significant disadvantage compared to European producers. One estimate is a loss of roughly $30 billion in exports.[58] Professor Choi Byung-il warned that the European agreement "poses a serious and substantial threat to the commercial interests of the United States, including automobiles, legal services, and accounting services."[59] Frank Vargo, vice president of the National Association of Manufacturers, hopes for quick action by Washington: "If the president sends the agreement up in early 2011, we will be able to avoid the export and job loss" that would result from the European–South Korean FTA taking effect.[60]

Most ominously, President Lee of South Korea recently called for a feasibility study of a trade agreement with China. He told *Washington Post* editorial page editor Fred Hiatt that it was "just a matter of time" before his country and the PRC opened negotiations on an FTA.[61] The ROK is in various stages of pressing for FTAs with a number of other nations. Although the threat of "trade diversion" is probably highest with the European FTA, farmers in both Australia and New Zealand compete with American farmers.[62] Even Japan is now viewed by Seoul as a potential FTA partner. The longer Washington waits, the greater the potential cost for Americans. Observed Jeffrey Schott:

> If one includes all the countries with which Korea has concluded FTA nego-

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> tiations . . . the pacts covered $323 billion in two-way trade in 2008, or 38 percent of total Korean trade. However, if one adds together all the countries with which Korea has started negotiating FTAs (including Japan), the trade coverage swells to $542 billion, or 64 percent of Korea's trade. If China joins the roster of active negotiations, then about 86 percent of the total two-way Korean merchandise trade potentially would be subject to FTA preferences.[63]

Nevertheless, South Koreans still desire to strengthen economic ties with America. Wrote Lee Ho-jin of Myongji University: such an accord would help the South "position itself earlier than other regional competing countries as not only an economic hub but also an FTA hub in the Asia-Pacific region."[64] There's also the geopolitical point. Choong-yong Ahn, of Chung-Ang University, argued that this would "mean a bridgehead in Asia when China is expanding its influence."[65] Thus, the accord would allow "Korea to reduce its excessive dependence on the Chinese economy and for the United States to help offset China's economic hegemony in East Asia."[66] Yet the KORUS FTA sits unratified in Washington. The primary benefit of the accord is economic. However, expanding trade ties offers geopolitical advantages as well. The Bush administration argued: "By boosting economic ties and broadening and modernizing our longstanding alliance, it promises to become the pillar of our alliance for the next 50 years, as the Mutual Defense Treaty has been for the last 50 years."[67] Seoul evinces a similar view. Wrote Kozo Kiyota and Robert Stern of the University of Michigan: "Korean officials hope that there will be positive spillover effects from an FTA on the broader bilateral relationship."[68]

The latter is important since Washington's influence in East Asia is slowly ebbing. To meet this challenge Washington should employ American "soft power"—or, more accurately, encourage development of private Americans' soft power through trade, investment, and commerce. Chinese influence will inevitably grow throughout East Asia. But the United States need not yield the playing field; instead, it should actively engage friendly nations. The most profitable and least dangerous means to do so is through private commerce.

Evan A. Feigenbaum, a former State Department official now at the Council on Foreign Relations, argued: "What you've got is an Asian challenge to Obama in the economic area that his predecessors didn't face. Whatever good things the administration is doing—and they are doing good things—there is no substitute for economic engagement."[69]

Conclusion: The High Cost of Rejection

Washington should press for multilateral agreements, particularly the Doha Round of the World Trade Organization, begun nine years ago but long stalled. The United States also should explore proposals for a Trans-Pacific Strategic Economic Partnership, Free Trade Area in the Asia Pacific, East Asian Community, and other substantively similar though differently named regional groupings. The United States should consider negotiating comprehensive FTAs with Japan and Taiwan.[70] So too with ASEAN, the collection of highly trade dependent states which currently host nearly $300 billion worth of U.S. investment.[71]

But first, Congress should ratify the already-negotiated accord with South Korea. The stakes, both economic and security, are high. In fact, Chief of Staff Rahm Emanuel reportedly was the driving force behind the president's new initiative, and he saw the FTA as a mechanism to demonstrate stronger U.S. support for the ROK in the aftermath of the sinking of the ROK warship *Cheonan* last March.[72] ROK President Lee said: "For us, the FTA is not just simply a trade agreement or an economic agreement. It really is much more than that."[73]

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Moving forward will require genuine statesmanship backed by political courage from the Obama administration. If the president and his aides are able to convince the ROK to further open its market, they will make the congres-

Failing to ratify the KORUS FTA would likely result in permanent economic and geopolitical damage.

sional sale easier. But if Seoul insists on the deal as written, then the administration should proceed as well. Failing to ratify the KORUS FTA would likely result in permanent economic and geopolitical damage. This would be a high price to pay at any time, but especially now when China is rapidly expanding its influence throughout East Asia.

Notes

1. Donald Kirk, "Time Running Out for Korean FTA," *Asia Times Online*, June 4, 2008, http://www.atimes.com/atimes/Korea/JF04Dg01.html.

2. Todd Gilman, "Former Dallas Mayor Ron Kirk Breezes Through Senate Confirmation Hearing," *Dallas Morning News*, March 10, 2009, http://www.dallasnews.com/sharedcontent/dws/bus/stories/DN-kirk_10nat.ART.State.Edition1.4aaadb7.html.

3. The United States is a party to only 5 of the 64 trade pacts that have taken effect since 2005. "America Leaves Itself Behind," *Wall Street Journal*, November 11, 2009, p. A20.

4. Quoted in Julianna Goldman and Hans Nichols, "Obama to Set November Deadline to Finish South Korea Free-Trade Agreement," Bloomberg News, June 26, 2010, www.bloomberg.com.

5. Ibid.

6. Quoted in Sam Youngman, "President Obama Wants Approval for South Korean Trade Deal," *The Hill*, November 18, 2009, http://thehill.com.

7. Quoted in P. Parameswaran, "In Signal to Pyongyang, US, SKorea Beef up Ties," Agence France-Presse, June 27, 2010, www.afp.com.

8. Jung Seung-hyun and Jung Ha-wan, "Korea not to Budget on FTA Concessions to U.S.," July 1, 2010, *JoongAng Daily*, http://joongangdaily.joins.com/article/view.asp?aid=2922565.

9. Choi Byung-il, "Whither the KORUS FTA? The Moment of Truth," Navigating Turbulence in Northeast Asia: The Future of the U.S.–ROK Alliance, U.S.–Korea Academic Symposium, 2010, pp. 51–53.

10. Jung and Jung.

11. Burt Herman, "South Korea Agrees to Resume U.S. Beef Imports," *Washington Times*, June 22, 2008, p. A6.

12. Some have argued that bilateral accords undercut real free trade. See, e.g., Martin Wolf, "A Korean-American Strand Enters Trade's Spaghetti Bowl," *Financial Times*, April 4, 2007, p. 11. However, with the Doha round of the World Trade Organization stalled, there appears to be little support for broader liberalization. Bilateral and multilateral agreements offer the best hope for progress. Moreover, bilateral accords can reduce, if not end, contentious trade disputes.

13. U.S. Census Bureau, Foreign Trade Statistics, Department of Commerce, "End-Use Data: Country by 5-digit End-Use Code, Annual totals," http://www.census.gov/foreign-trade/statistics/product/index.html.

14. Bureau of Economic Affairs, *Survey of Current Business*, U.S. Department of Commerce, October 2009, Table 2, p. 42.

15. Quoted in James Brooke, "South Korea and U.S. Start Talks on Free Trade Pact," *New York Times*, February 8, 2006, p. C6.

16. "KEI Trade Brief," Korea Economic Institute, October 2005, www.keia.org.

17. Jeffery Schott, "The Korea-US Free Trade Agreement: A Summary Assessment," Policy Brief PB07-7, Peterson Institute for International Economics, August 2007, p. 1, http://www.petersoninstitute.org/publications/pb/pb07-7.pdf.

18. For a detailed analysis of the agreement, see Troy Stangarone, "Anatomy of a Deal: The KORUS FTA," *Korea Insight* 9, no. 4 (April 2007); Office of the United States Trade Representative, "Free Trade with Korea: Summary of the KORUS FTA," Trade Facts, April 2007, www.ustr.gov. For an earlier review of U.S. objectives and the negotiating process, see William H. Cooper and Mark Manyin, "The Proposed South Korea-U.S. Free Trade Agreement (KORUS FTA)," Congressional Research Service, February 20, 2007.

19. See, e.g., Claude Barfield, "Tout Seoul," American.com, April 5, 2007, www.american.com/archive/s007/april-0407/tout-seoul.

20. "FTA Trade Facts," Office of the United States Trade Representative, October 2008, http://www.ustr.gov/sites/default/files/uploads/factsheets/2008/asset_upload_file851_15189.pdf.

21. Schott, "The Korea-US Free Trade Agreement: A Summary Assessment," pp. 3, 6.

22. Cheong Inkyo, "East Asian Economic Integration: Implications of a U.S.-Korea Free Trade Agreement," *Korea's Economy 2007* 23 (2007): 56.

23. Junkyu Lee and Hongshik Lee, "Feasibility and Economic Effects of a Korea-U.S. FTA," Korea Institute for International Economic Policy, NRCS Joint Research Series on FTA Issues 05-05-02, December 30, 2005, www.kiep.go.kr.

24. Office of the United States Trade Representative, "Korea—U.S. Free Trade Agreement," press release, undated, www.ustr.gov.

25. Korean imports do not reach uniformly across the U.S. The ROK is a particularly significant export market for Alaska, Oregon, Missouri, Vermont, Texas, California, and Hawaii, for instance. See, e.g., "Facts for Each State in the U.S.," The U.S.-Korea VWP Coalition, www.welcome-korea.org (no longer active), undated.

26. "U.S.-Korea Free Trade Agreement: Potential Economy-Wide and Selected Sectoral Effects," United States International Trade Commission, September 2007, USITC Publication 3949, p. xvii.

27. Laura M. Baughman and Joseph F. Francois, "Failure to Implement the U.S.-Korea Free Trade Agreement: The Cost for American Workers and Companies," U.S.-Korea Business Council, November 2009; Edwin Chen and Julianna Goldman, "Obama Aims to Allay Auto Lobby Concern on Korea Trade," Bloomberg News, November 19, 2009, www.bloomberg.com. Other estimates are positive, but lower. See, e.g., Renan Zhuang, et al., "Implications of the U.S.-Korea Free Trade Agreement for Agriculture and Other Sectors of the Economy," Center for Agricultural Policy and Trade Studies, Agribusiness & Applied Economics Report no. 619, October 2007, p. 8.

28. Kozo Kiyota and Robert M. Stern, *Economic Effects of a Korea-U.S. Free Trade Agreement* (Washington: Korea Economic Institute, 2007), pp. 41–42.

29. Telecommunications Industry Association, "U.S.-Korea Free Trade Agreement Benefits to the Telecommunications Sector," undated, www.tiaonline.org.

30. United States Department of Agriculture, Foreign Agricultural Service, "U.S.-Korea Free Trade Agreement: Benefits for Agriculture," September 2009; Zhuang, et al., pp. 16-24.

31. See, e.g., Junkyu Lee and Hongshik Lee; Lee Tae-sik, "U.S.-South Korea Trade Ties," *Washington Times*, February 19, 2006, p. B3.

32. Alexander Vershbow (U.S. Ambassador to the ROK), "U.S.-Korea Free Trade Agreement: A Path to Sustainable Growth," Remarks to the Institute for Global Economics (Seoul), February 14, 2006, http://usinfo.state.gov.

33. Kiyota and Stern, *Economic Effects of a Korea-U.S. Free Trade Agreement*, pp. 5–19, 50.

34. Cheong, p. 64.

35. "Progress Imperiled," *San Diego Union-Tribune*, April 3, 2007, p. B6.

36. Steven R. Weisman, "U.S. Said to Compromise on Beef for South Korea, *New York Times*, June 20, 2008, p. A10; Evan Ramstad and SungHa Park, "South Korea's Lee Vows Changes after Flap over U.S. Beef," *Wall Street Journal*, June 20, 2008, p. A7.

37. Jung and Jung.

38. The European automakers have proved to be among the strongest opponents of the EU-ROK FTA. See, e.g., "One-Way Street," *Economist*, July 10, 2010, pp. 63–64.

39. Matthew Mosk, "Obama to Send N. Korea Nuke Talks Envoy," November 19, 2009, www.washingtontimes.com; Peter Cohn, "Korea Deal Expected to Get Bumpy Ride," CongressDailyPM, June 28, 2010.

40. See Sang-yirl Nam, "Implications of Liberalizing Korea-U.S. Trade in the Automobile Sector: Potential Impact of the Korea-U.S. Free Trade Agreement," Academic Paper Series, vol. 3, no. 1, Korea Economic Institute, February 2008, p. 8.

41. Jung and Jung.

42. Evan Ramstad, "Korea Trade Focus: Cars," *Wall Street Journal*, March 29, 2007, p. A8.

43. Choi, p. 49.

44. Jeffrey J. Schott, "Free Trade Agreements and the Future of U.S.-Korean Trade Relations," Navigating Turbulence in Northeast Asia: The Future of the U.S.-ROK Alliance, U.S.-Korea Academic Symposium, 2010, p. 67.

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46. Cheong, p. 66.

47. Quoted in Kirk, "Time Running Out of Korea FTA."

48. "Military and Security Developments Involving the People's Republic of China: 2010," Office of the Secretary of Defense, Annual Report to Congress, Fiscal Year 2010.

49. See, e.g., Doug Bandow, "The U.S.-South

Korean Alliance: Outdated, Unnecessary, and Dangerous," Cato Institute Foreign Policy Briefing Paper no. 90, July 14, 2010.

50. Schott, "Free Trade Agreements and the Future of U.S.-Korean Trade Relations," p. 63.

51. Robert Kapp, *China's Impact on the Korean Economy*, Joint U.S.–Korea Academic Studies, vol. 17, 2007, p. 45.

52. U.S.-China Economic and Security Review Commission, *2004 Report to Congress* (Washington: U.S.-China Economic and Security Review Commission, June 2004), http://www.uscc.gov, p. 102.

53. Ryu Jin, "Roh, Wen Discuss FTA," *Korea Times*, April 10, 2007, http://times.hankooki.com.

54. See, e.g., Cheong, pp. 58–59.

55. Thomas Fuller, "Asian Leaders Focus on Freer Trade," *New York Times*, October 26, 2009, p. B2; James Hookway, "Asian Nations Push Ideas for Trade," *Wall Street Journal*, October 26, 2009, p. A12; Daniel W. Drezner, "Trade Malaise," *National Interest*, November 12, 2009, www.nationalinterest.org/PrinterFriendly.aspx?id=22466.

56. Quoted in "N. Korea Nuke Talks Top Obama Agenda in Seoul," Agence France-Presse, November 18, 2009.

57. The accord has run into political opposition in Europe for many of the same reasons as in the United States. See, e.g., Andrew Willis, "Landmark EU-Korea Trade Deal Moves a Step Closer," www.EUObserver.com, June 23, 2010, http://euobserver.com/9/30351; Andrew Willis and Teresa Kuchler, "Korean Trade Deal Could Fall Under Lisbon Rules," www.EUObserver.com, January 14, 2010, http://euobserver.com/9/29268. There are many similarities, but some differences, between the U.S. and EU FTAs. Office of the United States Trade Representative, "USTR Releases Preliminary Analysis of Korea-EU Free Trade Agreement," October 2009, www.ustr.gov.

58. "Korean Trade Epiphany," *Asian Wall Street Journal*, June 29, 2010, http://epaper.wsj-asia.com.

59. Choi Byung-il, p. 51.

60. Quoted in Cohn.

61. Quoted in Fred Hiatt, "Will the U.S. Commit to Free Trade with South Korea?" *Washington Post*, April 12, 2007, p. A17. South Koreans seem more reluctant than enthusiastic about the possibility. Observed Robert Kapp: "The factor that makes Koreans powerfully uneasy is the speed with which China is advancing up the ladder of technological sophistication and value-added manufacturing. This is what gives analysts the sense that a window of opportunity is already closing and that the advantages Korea has reaped in the short history of its economic engagement with China to date may soon run their course." Robert Kapp, 2007, p. 54.

62. Choi Byung-il, p. 51.

63. Jeffrey Schott, p. 72.

64. Lee Ho-jin, *Economic Interdependence Between Korea and the United States*, Joint U.S.–Korea Academic Studies, vol. 17, 2007, page 12.

65. Quoted in Donald Kirk, "Obama in Korea: Warmer Welcome than in China, Japan?" *Christian Science Monitor*, November 18, 2009, www.csmonitor.com/2009/1118/p0s16-woap.html. Some variant of this argument has been made by many South Korean analysts. See, e.g., Choi Byung-il, p. 54.

66. Choong-yong Ahn, "The Long Road to the Korea-U.S. Free Trade Deal," *Global Asia* 2, no. 1 (Spring 2007): 95.

67. KORUS FTA Trade Facts.

68. Kozo Kiyota and Robert Stern, "Issue in U.S.-R.O.K. Economic Relations," Discussion Paper no. 570, University of Michigan, p. 5, http://www.fordschool.umich.edu/rsie/workingpapers/Papers551-575/r570.pdf.

69. Quoted in John Pomfrey, "U.S. is Reaching Out to East Asia's Powerful Nations," *Washington Post*, November 7, 2009, p. A6.

70. The Democratic Party of Japan government has evinced greater interest than its predecessors in freer trade, both multilateral pacts as well as an FTA with the U.S. However, the U.S.-South Korea agreement sparked the last Japanese government's interest in negotiating a similar pact with both nations, lest Japan fall behind. Michiyo Nakamoto, Anna Fifield, and Amy Kazmin, "Japan's Eagerness to Talk Trade with Seoul and U.S. Reflects Exclusion Fears," *Financial Times*, April 4, 2007, p. 2. Countries have been inhibited from forging FTAs with Taiwan because of its uncertain international status. However, Taipei expects China to eliminate its objections to new trade agreements after finalizing the ECFA with Beijing in June. See, e.g., "Taiwan Has Chance to Sign FTAs with Trading Partners: President," Focus Taiwan, July 1, 2010, http://focustaiwan.tw; "Premier Wu Urges Beijing not to Block Taiwan's FTA Efforts," Focus Taiwan, June 30, 2010, http://focustaiwan.tw.

71. Ernest Z. Bower, "A U.S. Strategy for ASEAN,"

The Globalist, May 26, 2010 www.theglobalist.com/printStoryId.aspx?StoryId=8488.

72. See, e.g., David Wessel, "Free-Trade Winds May Be Picking Up Again," *Wall Street Journal*, July 1, 2010, p. A2.

73. Quoted in Hiatt.

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