

WebMemo



Published by The Heritage Foundation

No. 1253

November 14, 2006

An Agreement Among Allies: Advancing the Korea–U.S. FTA

Anthony B. Kim

This year's annual Asia and Pacific Economic Cooperation (APEC) meeting in Hanoi, Vietnam, presents a unique opportunity for both President Bush and South Korea's President Roh to solidify their partnership. The meeting should generate positive momentum for ongoing free trade agreement (FTA) negotiations between the two countries. By renewing and reaffirming their support for and commitment to the Korea–U.S. (KORUS) FTA, the two leaders should capitalize on the November 18 and 19 APEC Economic Leaders' Meeting as a special opportunity to reinforce their economic and strategic partnership.

Back to Basics: Why a KORUS FTA?

The United States and South Korea have more in common today than ever before in a relationship that has endured for more than 50 years. This special friendship includes shared values of open markets, free trade, respect for the rule of law, and democratic principles. In fact, South Korea remains one of the U.S.'s most important allies, and the values and goals shared by the two countries far outweigh their points of disagreement. As South Korea has developed into one of Asia's most vibrant market-oriented democracies, its economic relationship with America has steadily grown stronger and become one of the most important pillars supporting the alliance.

South Korea, which is about the size of Indiana, generates almost one trillion dollars and imports about \$250 billion worth of goods every year. Trade with the U.S. exceeded more than \$70 billion in

2005, making South Korea the U.S.'s seventh largest trading partner.¹ Many major American companies have established a substantial presence in South Korea—their direct investment has totaled nearly \$30 billion over the past decade. Given the significant levels of trade and foreign investment between the U.S. and South Korea, a bilateral trade agreement is logical step for further strengthening economic relations between the two dynamic and competitive partners.

The KORUS FTA would go beyond promoting free trade, increasing economic benefits, and bolstering the broader bilateral relationship. Agreement and cooperation on economic issues provide a strong basis from which to reinforce collaboration in the political and security arenas. An FTA would undoubtedly reinvigorate and strengthen the dynamic and comprehensive U.S.–South Korea partnership, the cornerstone of peace and stability in Northeast Asia for more than five decades.

Steady Progress in the KORUS FTA Negotiations

In February 2006, South Korea and the U.S. announced their mutual desire to begin negotiating a bilateral Free Trade Agreement (FTA). After four

This paper, in its entirety, can be found at:
www.heritage.org/research/tradeandforeignaid/wm1253.cfm

Produced by the Center for International
Trade and Economics (CITE)

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

rounds of negotiations, the two longtime allies have made steady progress toward an agreement that will enhance both countries' economic freedom and prosperity while strengthening the partnership. Wendy Cutler, the U.S. chief negotiator for the FTA, noted "a big step forward from the previous round" at the conclusion of the fourth round of the FTA talks. "Overall, the discussions have moved forward, and we now have agreement on the general concepts of various provisions and are in a good position to start tightening key aspects of the text," she said.²

Certain issues, such as remanufactured goods, customs administrations, and the financial sector negotiations, have seen more progress than other issues. For instance, the talks produced no breakthroughs in key areas including agricultural products, textiles, and automobiles.

However, these challenges to the negotiations are an expected and constructive part of solving policy issues through trade talks. Maintaining strong momentum is critical for completing the negotiations within an ambitious time frame. Both sides hope to sign a deal before President Bush's Trade Promotion Authority expires on July 1, 2007. The fifth iteration of the KORUS FTA nego-

tiations will begin in Montana on December 4, and an additional round is tentatively scheduled for early next year.

A stronger partnership cemented by advancing the KORUS FTA negotiations makes sense for both countries. Solid progress would augment the bilateral and regional strength of the two countries. Accordingly, a successful conclusion of negotiations would serve the national interests of both South Korea and the U.S. by strengthening their strategic and economic alliance.

Conclusion

America and South Korea should capitalize on the KORUS FTA as a special opportunity for both countries to reinforce the strategic and economic alliance. The APEC meeting should serve as a positive venue for mutual understanding and serve the national interests of both countries. The meeting should provide momentum that would allow the U.S. and South Korea to come closer to concluding the FTA and begin earning the solid, tangible benefits it will provide.

Anthony Kim is Research Associate in the Center for International Trade and Economics at The Heritage Foundation.

1. U.S. Census Bureau, Foreign Trade Statistics, "Top Trading Partners - Surplus, Deficit, Total Trade," November 13, 2006, at <http://www.census.gov/foreign-trade/statistics/highlights/top/top0512.html>; and Korea International Trade Association, "Korea's Foreign Trade Statistics," November 13, 2006, at <http://db.kita.net>.
2. Office of the United States Trade Representative, Korea FTA Press Releases (10/27/06), available at http://www.ustr.gov/Document_Library/Press_Releases/2006/October/Assistant_USTR_Wendy_Cutler_Closing_Press_Statement_at_the_Conclusion_of_Round_4_of_the_KORUS_FTA_Talks.html.