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Trade Dispute Undercuts Obama's Korea Trip

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Little drama is expected during President Barack Obama's visit to South Korea. Such relative calm is, in itself, quite significant, particularly in light of the expansive and violent anti-U.S. beef demonstrations that transfixed Seoul last year as well as the strained bilateral relations during the Roh Moo-hyun administration (2003–08). The Obama Administration's adoption of a firm policy toward Pyongyang in response to North Korean provocations has brought Seoul and Washington closer together, removing what could have been a strong policy dispute.

The U.S.–South Korea security relationship is strong and enjoys far greater confluence of policies than areas of contention. Progress has been made on transforming the two countries' military relationship into a strategic alliance. For example, Seoul's announcement that it will send civilian and military personnel to support coalition efforts in Afghanistan is an indication that South Korea is adopting global responsibilities commensurate with its capabilities. As such, it marks a sharp contrast with the new Japanese government's reluctance to do more than provide economic assistance.

But the Obama Administration's trade protectionism and its unwillingness to push Congress to ratify a pending free trade agreement with South Korea will provide a significant though muted undercurrent of discord between the two allies. Although both sides will highlight the importance of the free trade agreement (FTA) and pledge to resolve outstanding issues, Seoul is growing impatient with U.S. reluctance to approve an agreement—especially one widely touted as providing significant economic and geostrategic benefits to

both countries. Despite its proclamations of being free-traders, it is increasingly obvious that the Obama Administration is willing to sacrifice an important strategic agreement on the altar of auto sector protectionism.

Coordinating Policies toward North Korea. The North Korean nuclear threat will figure prominently in the summit agenda. Although Pyongyang's belligerent provocations of earlier this year have been replaced by its current charm offensive, North Korea has still refused to fulfill its pledge to abandon nuclear weapons. Presidents Obama and Lee Myung-bak should ensure that their policies toward North Korea are closely coordinated, both to maximize negotiating leverage and to prevent divisions that Pyongyang would exploit.

An apparent contretemps arising from President Lee's proposal in September for a "grand bargain" with North Korea has since been resolved. Lee advocated a more comprehensive approach to supplant the piecemeal action-for-action approach of the six-party nuclear negotiations. A senior Obama Administration official claimed to have been unaware of the proposal when it was unveiled by Lee—despite its similarity to the U.S. "comprehensive approach" and bilateral discussions at the working level.

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Look for the U.S.–South Korean joint statement to underscore the closely integrated policy toward North Korea as a reassuring signal, particularly in the run-up to bilateral talks between Washington and Pyongyang. Ambassador Stephen Bosworth, Special Envoy for North Korea, is expected to travel to North Korea by the end of the year to urge Pyongyang to return to the six-party talks.

Seoul and Tokyo remain nervous about being cast aside by any unilateral American outreach to North Korea. Obama officials have privately commented that they will not repeat the failures of the Bush Administration's approach, led by Ambassador Christopher Hill, in accepting illusory progress with North Korea or keeping secrets from U.S. allies. It behooves the U.S. to engage frequently with South Korea and Japan both to provide reassurances that America's North Korean policy will continue to be closely coordinated with U.S. allies and to repeat pledges to defend America's allies using the full spectrum of military means.

Bilateral Alliance Is Strong. During the past year, there has been positive movement in strengthening and transforming the U.S.–South Korean military relationship. Earlier frustration with the lack of progress has largely dissipated, although U.S. officials caution that the planning and implementation process will be “evolutionary rather than revolutionary.” The Lee government has expressed greater interest than its predecessor in pursuing an integrated missile defense system to better guard against the North Korean missile threat. However, key decisions on whether to pursue a limited peninsular system or a regional network integrated with the U.S. and Japan remains unresolved.

The Lee administration announced its intention to increase its participation in Afghanistan Provincial Reconstruction Teams from 25 to 125 with an accompanying 300 military personnel to provide defense. The decision is a bold and courageous reversal of South Korea's previous withdrawal from Afghanistan. In 2007, Roh removed all 200 South Korean troops—one of the Taliban's demands for the release of 23 kidnapped Korean missionaries. The Korean media has been largely supportive of the Lee administration's initiative, but the progressive opposition party has pledged to prevent the deployment.

Trade Impasse Hinders Economic Progress. Despite Obama's pledge to listen more carefully to foreign countries, his Administration has ignored pleas to move forward on trade issues, a refusal that drew strong criticism from several foreign leaders during Obama's recent Asia trip. Although the Obama Administration pays lip service to free trade, it has allowed a strategically important trade agreement with South Korea to be held hostage to a single industrial sector: automobiles. The FTA would increase U.S. GDP by at least \$10 billion. As such, it would be both an economic stimulus package and a jobs creation program without requiring any additional government spending or adding to the U.S. deficit. Yet the Obama Administration and Congress continue to allow the agreement to languish in limbo.

U.S. Trade Representative Ron Kirk and Commerce Secretary Gary Locke extolled the virtues of the South Korea FTA, but both declared that it would have to wait in favor of pursuing President Obama's domestic political agenda. The Obama Administration and Congress have complained about an unequal playing field for sales of U.S. autos to South Korea but reject the very agreement that would remedy the problem. However, the two years since the June 2007 signing of the FTA exposed the falsehoods of the auto sector's blaming others for its poor competitiveness: GM and Chrysler did not go bankrupt as the result of South Korean non-tariff barriers.

As the Obama Administration and Congress have dithered, the world has not stood still. South Korea ratified an FTA with India and initialed an agreement with the European Union. In recent years, China, Japan, and the EU have all surpassed the U.S. as South Korea's major trading partners. Even Democratic Senator Max Baucus (D-MT) lambasted the Obama Administration for lacking a “comprehensive trade agenda.” Furthermore, continued failure to ratify the FTA will have tangible consequences. The U.S. Chamber of Commerce estimated that failure to implement the FTA while America's trading partners go forward with their Korean FTAs would lead to a decline of \$35.1 billion in U.S. exports and a loss of 345,000 jobs.

Supporting Strong Allies. South Korea is a stalwart U.S. ally that has long been overshadowed by

Washington's repeated references to Japan as the "cornerstone" of U.S. security in Asia. Growing strains in the U.S.–Japanese alliance following the Democratic Party of Japan's accession to power highlight Tokyo's unwillingness and inability to play a major international security role. South Korea, on the other hand, has demonstrated the ability and willingness to engage on the world stage in support of such shared values as freedom and democracy.

As such, the Obama Administration should affirm its commitment to defend South Korea against security threats, welcome its return to coalition efforts for rebuilding Afghanistan, and signal U.S. commitment to free trade by ratifying the South Korea FTA.

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