

# WebMemo



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## Time to Build a Clean Energy Future Through the KORUS FTA

*Anthony B. Kim*

“Clean energy” has become a political and economic buzzword for the broad policy debate on how to deal with energy challenges and achieve green growth in the future. Indeed, the global clean energy industry presents a critical market opportunity for the United States, one that could lead to dynamic exports and job creation. In order to capitalize on such economic opportunities, America’s clean energy strategy must be driven by practical policy actions that, at their core, all promote free trade.

The pending Korea–U.S. Free Trade Agreement, known as the KORUS FTA, is a ready-made vehicle for pioneering a clean energy future and ensuring greater prosperity in the two nations. If President Obama is genuinely serious about clean energy and successfully expanding markets for American entrepreneurs, he should submit the KORUS FTA for congressional ratification without further delay, according to the November 2010 timetable he indicated during the recent G-20 summit in Toronto.

**Freer Trade Is Key to Clean Energy and Protecting the Environment.** When a country lowers its barriers to trade, it opens its economy to competitive opportunities for greater efficiency and dynamic economic growth. Competition spurs the movement of labor and capital from industries that cannot compete to those that can, enabling a nation to both produce more efficiently and attract new investment.

The need to adhere to such a strategy is no less important today than in previous eras. Free trade expands the base for vibrant innovation and

growth. In countries around the world, trade has been shown to be one of the greatest drivers of technological change. Clean energy technology is no exception.

Indeed, the most practical improvements in clean energy technology efficiency and environmental protection over the past decades have not stemmed from government mandates, but by freer trade and economic freedom.

**The KORUS FTA: Compelling Case for Advancing Green Growth.** In 2007, the U.S. and South Korea concluded a free trade pact that in part reflects and in part encourages a virtuous economic relationship between the two nations. The agreement has been characterized as “strong and balanced” and as “an agreement for the 21st century.”

Key features of the agreed trade deal include reducing tariff rates on 95 percent of all consumer and industrial products, improving transparency and intellectual property rights protection, and addressing standards and regulations. Indeed, if timely ratified, America firmly stands to gain from the KORUS FTA, particularly given its competitive edge in innovation, commercialization, and deployment of advanced technologies.

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South Korea has been heralded as a leader in crafting green growth strategies in recent years. Since 2008, South Korean President Lee Myung-bak's long-term vision of "Low Carbon, Green Growth" has driven policy to dramatically expand clean energy usage.

Significant components of the plan aim to attract international partners and foreign technologies. This presents a tremendous market opportunity for American entrepreneurs. According to the U.S. Department of Commerce, most if not all of the targeted economic sectors under the "green growth vision" are in sectors of U.S. competitive strength. Key U.S. exports to those sectors include industrial electronic machinery, auto parts, power generation equipment, and scientific equipment. These exports are all directly or indirectly related to clean energy technology.

**Time for Action.** As America has a comparative advantage over South Korea in commercializing and deploying clean energy technology such as solar, wind, nuclear, and smart grids, the trade pact would capitalize on an existing strength. The U.S. need not fear clean energy competition from South Korea. Business and workers in both countries would benefit.

Unfortunately, the final step for the KORUS FTA has been stymied by U.S. politics. Bowing to domestic labor union pressure, President Obama has not moved the agreement forward for congressional ratification, a decision that is costing America jobs and technological advancement. If America wants to tap into the multi-billion-dollar market opportunity for its entrepreneurs and workers, the time to act is now. Specifically:

- President Obama should firmly abide by his timeline for the passage of the KORUS FTA as that he announced at the G 20 summit in Toronto; and
- Congress should not allow domestic political considerations to trump the tremendous market opportunities available in the KORUS FTA.

South Korea has been actively moving forward free trade deals with other countries. For example, South Korea is poised to ratify a landmark free trade agreement with the European Union, a move that could undermine U.S. competitiveness in various sectors, including clean energy technology. As the Department of Commerce correctly predicts, "U.S. companies would be clearly disadvantaged" if South Korea's other pending free trade agreements become effective without action on the KORUS FTA.

**Liberalizing Trade: A Fundamental Part of Clean Energy.** This year marks the 60th anniversary of the Korean War, a conflict in which America and South Korea fought together in defense of freedom and democracy. There could be no more appropriate time to implement the KORUS FTA.

Accelerating U.S. clean energy innovation and production has become an economic necessity for America's future. Liberalizing trade should be a fundamental part of any U.S. strategy to promote clean energy technology. The KORUS FTA poses a practical policy choice to achieve that goal. Now is the time for President Obama to act.

—Anthony B. Kim is a Policy Analyst in the Center for International Trade and Economics at The Heritage Foundation.