

A Shift From Japan to USA: Korea's FTA policy

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Korea's FTA policy

- Primary goal: Enlarge export markets
- A simultaneous, multi-track strategy (8/03)
 - “Enlargement,” but a staged approach; stepping stone for a larger market
 - Singapore for ASEAN
 - Mexico and Canada for USA
 - EFTA for EU
 - Japan and China

Radical Shift

- Roh Government: regional focus
 - Northeast Asian Center State
 - Northeast Asian cooperation initiatives
 - Japan and C/J/K
- Market changes
 - The rise of China and the declining US share in Korea's trade
- Nonetheless...from Japan to US

Question

- Why did Korea change its policy orientation from Asia to USA?
- What occurred to the years 2004-6 the Korean Government chose KORUS FTA negotiations?

The nature of FTA deals with US

- US is reactive:
 - Because US is so powerful, it is generally assumed that US initiates and drives most trade negotiations. But it is a follower in FTA games.
 - US typically select and accept the requests proposed by smaller partners; US responded by making calculation of both economic and political interests.
 - Korea has to make more concessions and remove more barriers than does US.
 - Four preconditions (beef, pharmaceuticals, autos, and screen quotas): NO deal unless Seoul demonstrate its ability to deliver compromises.
- High degree of political risk
- But, we did not clearly know why and how both did so.

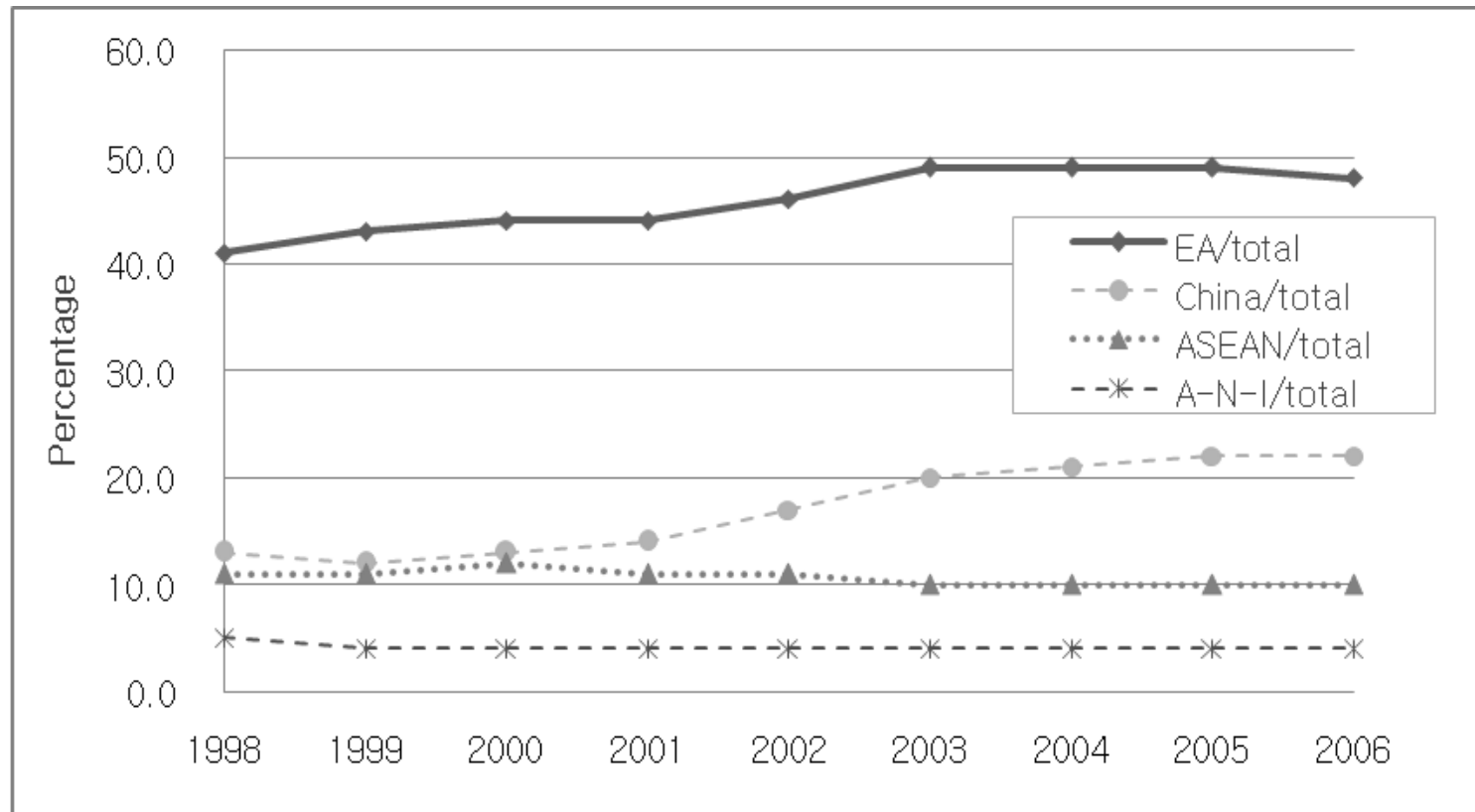
The rise of KORUS FTA idea

- Spring 2004: The Korea-Canada FTA idea floated.
- Fall 2004: APEC
- Spring 2005: contact with the US
- September 2005: Roh's decision
- Winter 2005-6: Four preconditions
- February 2006: beginning
- Constraint: TPA

Trade as...

- Trade is a means to increase wealth.
- Trade is an extension of foreign policy.
- Trade is intimately intertwined with domestic policy.

Korea's trade with Asian countries, 1998-2006



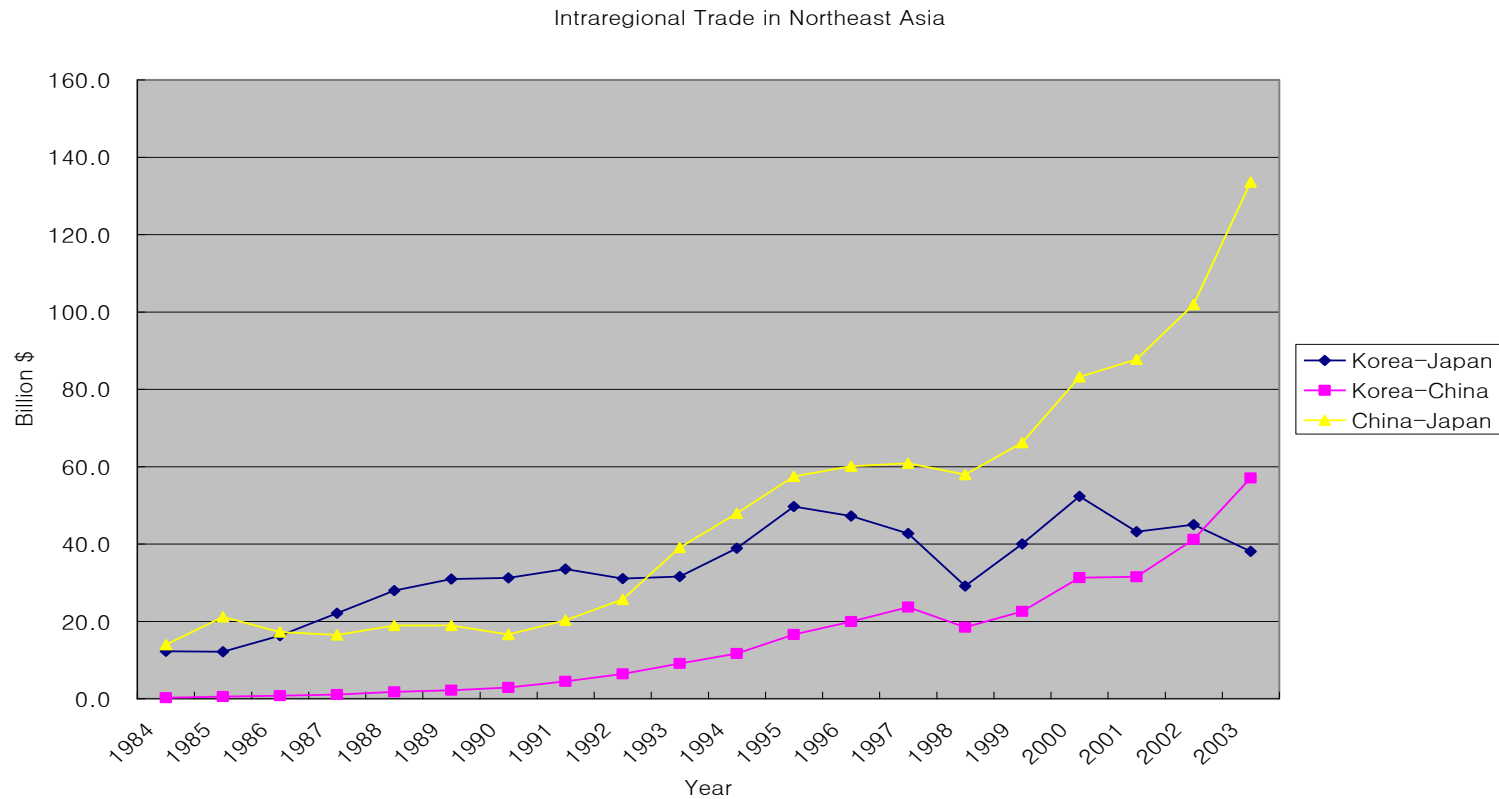
US Trade Dependence: Korea, Japan, China and ASEAN

Unit: US \$ millions

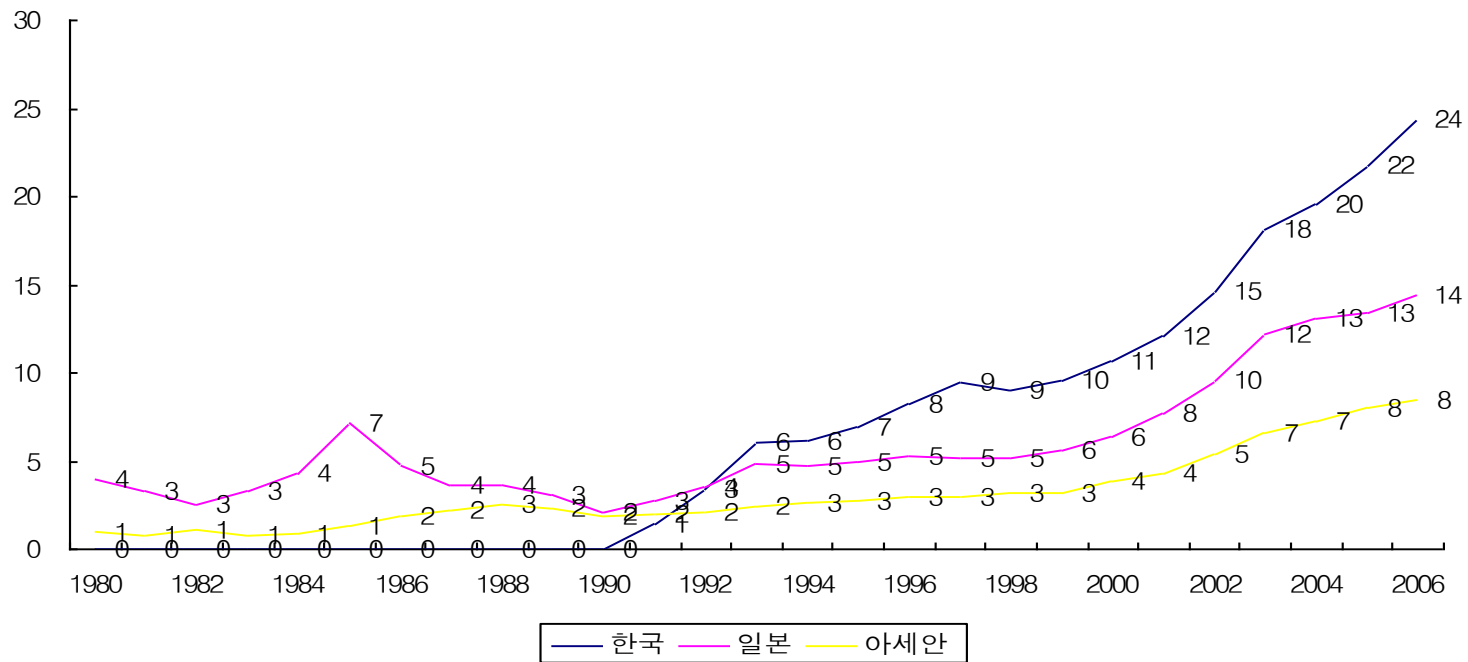
		1997	1999	2001	2003	2005	2006	1997-2006변화
Korea	To US	21,850	29,600	31,358	34,369	41,500	43,306	2 times
	To World	144,102	143,881	150,436	193,802	284,333	334,675	2.3
	%	15%	21%	21%	18%	15%	13%	
China	To US	74,655	84,530	97,915	135,665	211,058	252,900	3.3
	To World	372,930	370,912	459,088	664,937	1,054,322	1,288,660	3.4
	%	20%	23%	21%	20%	20%	20%	
Japan	To US	118,383	130,195	122,701	117,384	136,002	147,230	1.2
	To World	421,466	419,456	403,517	471,906	594,887	646,779	1.5
	%	28%	31%	30%	25%	23%	23%	
ASEAN	To US	65,429	72,021	69,315	75,121	93,978	109,985	1.7
	To World	356,833	358,933	386,259	472,144	652,921	780,726	2.2
	%	18%	20%	18%	16%	14%	14%	

* 출처: IMF, the Direction of Trade Statistics

Intraregional Trade in Northeast Asia



China Trade (Korea, Japan, ASEAN)



Securitization

- FTA as a means to broader foreign policy objectives.
 - High level of economic interdependence reduces the likelihood of war.
 - Security externalities: deepening of economic interdependence causes a spill-over effect to political side.
 - Gowa: Trade with an ally makes both parties stronger, whereas trade with an enemy creates what is called “a security diseconomy.”
- Securitization: broader notion of security
 - Trade policy is thought of as realizing strategic and diplomatic objectives.

Securitized trade in East Asia (US)

- From security-embedded economic relations to de-securitization of economics
 - During the CW period: SF system and “political bargain”
 - During the 1990s: the heyday of American neoliberalism
 - Political pressure for market opening (*gaiatsu*)
- Re-securitization of Economic Relations in the post-9/11 World?
- The transformation of American trade policy
 - Bipartisan Trade Promotion Act of 2002(Trade Promotion Authority)
 - Competitive liberalization (and the rush towards bilateralism)
 - Balancing economic and strategic (security) considerations
 - National Security Strategy of the USA(2002, 2006)

US Trade Policy during the Bush years

- Robert Zoellick

- “Competitive liberalization”: supplement multilateralism with bilateral and regional negotiations.
- TPA
- Partners with strategic interests

- The Democratic Party

- Labor and environmental regulations

What does US want?

- FTA with Singapore and Australia
- FTA negotiations with Thailand and Malaysia
- Korea as the largest economy since NAFTA

Re-securitization

- Reinforce friendly democratic regimes in a politically troubled region.
 - In KORUS case, economic interdependence has already deepened that political effects of further deepening might be not so substantial in the near future.
- Establish a bridgehead in a rapidly integrating Asia centered on China as well as help to spur liberalization in northeast Asia.

Strategic concerns

- Curb the rising tide of China's economic and political influence in the region.
- China's ascendancy:
 - Trade volumes up
 - ASEAN Plus Three
- An FTA would ensure that US has an institutional presence in East Asia.
- Anticipate “domino effects” (i.e., Japan)

What does Korea want?

- Economic incentives
 - Market access (not substantially large)
 - Global standards (intangible assets)
- Domestic political risks
- Strategic incentives: strengthening bilateral ties
 - Alliance drifting?
 - Northeast Asian community → A balancer in Northeast Asia → Economic balancing?
 - History issues

To Conclude

- “first” strategic/securitized FTA
- The President and Minister for Trade
- Vested interests
- Stalled: America’s domestic politics; Beef and Candlelight