

South Korea free trade pact back on U.S. agenda

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NAPERVILLE, ILL. -- The message may have been familiar recently when the local Chamber of Commerce took up a proposed free-trade agreement between South Korea and the United States.

"Wave the flag," the speaker exhorted the audience. "This is an opportunity to stimulate the U.S. economy at no cost to U.S. taxpayers."

But the man on the podium wasn't the typical business booster. He was South Korean Ambassador Han Duk-soo, who has assumed the unusual role of a foreign official promoting U.S. jobs. With the Obama administration pledging a major new push to ratify the agreement, Han has gone on the stump in cities such as Montgomery, Ala., Peoria, Ill., and Detroit to build American support for free trade and allay concerns that his country is trying to snatch U.S. manufacturing jobs.

"I'd like to see more Ford and [General Motors](#) cars in Seoul," said Han, a Harvard-educated economist and veteran Korean minister who can mix quips about the Cubs and White Sox with the arcana of tariff schedules.

For three years, since it was negotiated by the Bush administration, the free-trade agreement has languished in Congress. Now trade officials from both countries are trying to resolve the problems that have kept it bottled up, including a dispute over U.S. access to the South Korean auto market and restrictions on U.S. beef imposed after the mad cow scare several years ago.

The agreement would eventually eliminate tariffs between the two countries. Because those levies are typically higher on the South Korean side, administration officials estimate the deal could mean more than \$10 billion annually in increased U.S. exports to Seoul and tens of thousands of new U.S. jobs. South Koreans say they would benefit from lower prices -- some tariffs on food imports from the U.S. are as high as 40 percent -- and a more efficient flow of investment in and out of their country.

U.S. opponents of the agreement argue it doesn't do enough to benefit American industry, even as it gives South Korean businesses greater rights in the United States.

But the more fundamental dispute is over free trade itself. Presidents Bill Clinton and George W. Bush had aggressively promoted it. Yet the appeal of free trade has waned amid large U.S. trade deficits and concerns that more American manufacturing jobs will disappear overseas at a time when unemployment remains stuck near 10 percent.

President Obama has placed a priority on export promotion, calling it a key to job growth, and embraced the agreement with South Korea as a opportunity to weigh in on the broader debate over trade policy and advance U.S. interests.

South Korea is an economic powerhouse, a member of the Group of 20 and home to major international brands such as Samsung, LG and Hyundai. Yet it remains in some ways a closed shop with extensive tariffs, a paltry share of its large auto market devoted to imports, and a notorious set of non-tariff barriers that has prompted companies such as Peoria-based Caterpillar to complain that their products are routinely excluded for minor regulatory problems.

Obama criticized the trade agreement as a presidential candidate but has won a commitment from South Korean President Lee Myung-bak for more concessions. Obama wants to have revisions or amendments to discuss with the Korean leader when they meet in November -- after the midterm congressional elections.

U.S. Trade Representative Ronald Kirk, whose job more typically involves overseas negotiations, has mounted a domestic lobbying effort, visiting cities and districts hit hard by the recession to argue that "when you do trade right, America can win."

"In some cases they think I am a three-headed monster" for raising an issue some feel has undercut the U.S. middle class, Kirk said at a recent briefing.

The South Korea agreement would be the most significant free-trade pact signed by the United States since the North American Free Trade Agreement with Mexico and Canada in the mid-1990s. And with the dispute over the South Korea agreement serving as a proxy for the larger trade debate in the United States, both advocates and opponents have mobilized.

The pact is "the acid test" for whether a larger trade agenda can be rejuvenated, said William C. Lane, a lobbyist for Caterpillar. Company executives project Caterpillar would significantly benefit from the agreement -- the firm has less than 5 percent of South Korea's heavy-equipment market -- and hosted Han on a recent tour of its Peoria headquarters, where he met privately with top executives, visited a manufacturing facility and tried his hand driving one of Caterpillar's massive D11T "earthmovers."

Skeptics of the proposed agreement include some major corporate interests such as [Ford Motor Co.](#), which argues that the pact isn't aggressive enough in trying to open the South Korean market. Ford officials, for instance, noted that imports now represent less than 5 percent of South Korea's auto market.

Unions, environmental advocacy groups and other organizations, meanwhile, are urging Obama to keep his campaign promises and stiffen the terms for South Korean access to the U.S. market.

Last month, more than 100 Democratic members of Congress signed a letter asking to meet Obama and discuss the agreement. They characterized it as "job killing" and "another NAFTA-style FTA that we simply cannot support in its current form."

"There are two ways to go, and they have to decide," said Lori Wallach, executive director of the global trade division at Public Citizen, which is critical of several aspects of the Korea agreement. "Push forward Bush's text with minimal fixes -- that would have enormous policy and political fallout -- or they start to translate that old policy into the new model promised in the campaign."

There is more at stake than jobs and money. Asian nations outside China, particularly democracies such as Taiwan and South Korea, have been pressing for a more energetic U.S. presence in the region, worried they need a counterweight to their large and increasingly influential neighbor. Heightened U.S. trade with Asia would be part of that.

But Seoul is just waiting for the United States. South Korea is negotiating trade pacts with the European Union and others. U.S. business officials worry American companies could be left behind.

"Asia is booming. Regional trade is liberalizing," said U.S. Chamber of Commerce Asia vice president Tami Overby, a longtime U.S. business activist in South Korea who helped coordinate the South Korean ambassador's tour.

Trade agreements "are flying fast and furious in Asia," she said. "These things are happening, and [the U.S.] is on the outside."