

U.S., South Korea to Launch Talks on Free-Trade Accord

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WASHINGTON -- The U.S. and South Korea announced Thursday that they will launch negotiations on a free trade agreement.

A successful deal would be the biggest free trade pact the U.S. has reached since 1993, when agreement was reached to tear down barriers with Mexico and Canada.

The start of talks to link the U.S. with its seventh-largest trading partner were announced Thursday in a ceremony at the U.S. Capitol. The negotiations are expected to take at least a year, and it's an open question whether they will succeed. There is strong resistance, especially among South Korean farmers, to giving up some protections, and there have been violent street protests.

And approval by Congress could face stiff opposition from critics of the administration's free trade policies. Americans would benefit by seeing cheaper prices for such products as South Korean cars, cell phones, televisions and other consumer goods, but critics are concerned that more U.S. jobs might go overseas.

From an economic standpoint, the deal would dwarf any previous U.S. free trade pacts except the 1993 North American Free Trade Agreement that tore down barriers between the U.S., Canada and Mexico.

U.S. Trade Representative Rob Portman and his Korean counterpart, Hyun-Chong Kim, announced the launch of negotiations. "Few countries better represent the promise of open markets, democracy and economic reform than Korea," Mr. Portman said in a statement.

President Bush issued a statement saying a free-trade pact with South Korea "will provide important economic, political and strategic benefits to both countries and build on America's engagement in Asia." Such a pact "advances our commitment to opening markets and expanding opportunities for America's farmers, ranchers, workers and businesses," he said.

Mr. Bush has aggressively pursued free trade deals, pushing the number of foreign countries with such agreements from four -- Canada, Mexico, Israel and Jordan -- when he took office, to 16 currently.

He has reached deals with Chile, Singapore, Australia, Morocco, Bahrain, Oman and the six nations of covered by the Central American Free Trade Agreement -- Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua, which won congressional approval this summer after a hard-fought battle but has not yet gone into effect.

South Korea has the 11th largest economy in the world and U.S. exports into that market totaled \$25.1 billion through November of last year, up 4.6% from the same period in 2004. The biggest U.S. sales came in computer chips, \$4.2 billion; industrial machinery, \$1.4 billion, organic chemicals, \$1.3 billion, and civilian aircraft at \$953 million.

South Korea, meanwhile, shipped \$40.1 billion in products to the U.S. through November, down 5.4% from the same period in 2004. The leading South Korean products sold in the U.S. were passenger cars, \$7.2 billion; household goods, a category that includes cell phones, at \$5.7 billion; computer chips, \$2.8 billion, and computer accessories, televisions and VCRs at \$3.9 billion.

America's trade deficit with South Korea totaled \$15 billion through November, a gap that analysts said could present problems getting a deal through Congress, especially at a time when America's trade deficits with the world have soared to record levels.

Rep. Sander Levin (D., Mich.) complained that South Korea continues to protect its domestic auto industry with high barriers that keep out American autos and auto parts while South Korean producers such as Hyundai enjoy wide access to the U.S. market. In 2004, South Korean auto makers sold 688,700 vehicles in the U.S., or 4.1% of the U.S. market, while American auto makers sold only 5,415 vehicles in South Korea. Mr. Levin said that the car deficit makes up almost half of the U.S. trade deficit with South Korea.

"This agreement presents an opportunity for the Bush administration to stand up for our automotive sector," Mr. Levin said in a statement.

Other U.S. sectors, including farmers, are likely to complain about the high barriers they now face trying to crack the South Korean market, since South Korea has some of the world's highest agriculture barriers.

Because of these factors, some trade experts cautioned that it may not be possible to reach a deal with South Korea before the administration's trade promotion authority -- which allows for up-and-down votes in Congress with no amendments -- expires in the middle of 2007.

"Korea is a very protected economy. It will be a fight in this country and in South Korea to get it ratified," said Gary Hufbauer, senior economist at the Institute for International Economics, a Washington think tank.

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