

## **Tough Talks Ahead on S. Korea Trade**

**By Andrew Salmon**  
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SEOUL -- Despite their potential, free-trade talks between Seoul and Washington face significant barriers in South Korea. With the U.S. side effectively setting the end of this year as the deadline, analysts say, the chance of an agreement looks slim.

Proponents say benefits of a free-trade agreement would be strategic as well as economic. Enhanced economic ties would bolster an increasingly shaky security alliance.

"The government concluded that an [agreement] with the U.S. is needed to expand the security-centered bilateral relationship with the U.S. into economic ties," Kim Jong-hoon, South Korea's chief negotiator for the trade talks, told reporters in Washington.

Seoul's JoongAng Daily said in an editorial that Washington had "put aside" 25 other Asian countries to open negotiations with South Korea first. It added that Washington has prioritized agreements with countries with which it has security relationships, such as Mexico, Israel and Jordan.

In 2004, bilateral trade totaled \$72 billion. South Korea, the world's 11th largest economy, is the seventh largest U.S. trade partner. The United States is South Korea's second largest, after China.

Under a free-trade pact, South Korean exports to the United States could rise 15 percent, or \$7 billion, while its imports from the U.S. could rise 40 percent, or \$12 billion, says a report by the Korea Institute for International Economic Policy.

U.S. Trade Representative Rob Portman said the commercial pact could be the most significant for Washington since the North American Free Trade Agreement went into effect in 1994.

Tariff cuts would grant South Korean firms significant pricing advantages in the United States over regional competitors China and Japan. The Federation of Korean Industries, a powerful business lobby, endorses a pact.

"We want this to create a more open, transparent, consistent and predictable environment," said Tami Overby, president of the American Chamber of Commerce in Korea, a U.S. business lobby group known as AmCham Korea. "Industries like autos and pharmaceuticals have had challenges here with previous agreements not being honored. This will make improvements in those areas."

Automobile imports face market-entry and regulatory barriers in South Korea, while pharmaceuticals face approval and intellectual-property hurdles.

Nobody expects easy passage for the agreement in so short a time.

The U.S. government's mandate for trade promotion authority expires in July 2007, and Mr. Portman said that an agreement must be in place by the end of this year to give time for congressional approval before the authority expires.

Sources in Seoul's American community warn that failure to reach a free-trade agreement could strain political ties.

"The political atmosphere for free trade is under attack in Washington," Miss Overby said. "It is a critical date. It has to be done by then."

Analysts in South Korea, while agreeing that a trade agreement with the United States

is in South Korea's best interests, were uneasy about the deadline.

"I think it is not realistic at this point," said Kwak Soo-jong, chief researcher at Samsung Economic Research Institute. "There are so many obstacles to a deal, and at this point the government has had no time to build a consensus."

Kim Joon-gi, a professor of international trade at Yonsei University in Seoul, said, "Definitely, it will be a rocky road. I think there will be significant challenges from affected interest groups."

President Bush has said that trade talks mark a commitment to "expanding opportunities for America's farmers, ranchers, workers and businesses."

Such remarks are inflammatory in South Korea. Furious farmers protested World Trade Organization ministerial talks in Hong Kong in December and have interrupted trade hearings in Seoul.

The South Korean film industry said it intends to battle planned cuts to the protectionist screen quota from 146 days per year to 73. Hollywood lobbyists had made the change a precondition to the talks.

American officials have talked about a fully inclusive, "gold standard" agreement, while South Korean officials have suggested opt-outs for certain agricultural goods. Imported rice is a sensitive social and political issue in South Korea.

Despite these gaps, AmCham says, Seoul seems ready to make tough policy choices. Miss Overby cited announcements of politically unpopular moves -- such as lifting import barriers to U.S. beef and the screen quota action -- as demonstrations of serious intent.

South Korea has free-trade agreements with Chile, Singapore and the European Free Trade Association made up of Switzerland, Liechtenstein, Iceland and Norway.

The first pact, with Chile, took nearly four years to negotiate because of opposition from farmers. A trade agreement with Japan, begun in 2002 and meant to be signed last year, remains deadlocked.