

# Implementing the KORUS FTA: Key Challenges and Policy Proposals

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United States and South Korean trade officials completed an historic agreement in 2007 that should expand two-way trade and investment in goods and services well beyond the more than \$100 billion recorded last year and buttress the already solid bilateral trade relationship. In terms of U.S. trade and investment interests, the KORUS Free Trade Agreement (FTA) is the largest bilateral U.S. trade initiative since the North American Free Trade Agreement (NAFTA). However, implementation of the Korea-United States Free Trade Agreement (KORUS FTA) has not progressed and remains a major challenge for both governments in 2008. This short paper assesses the current status of the debate in each country and sets out recommendations for advancing the ratification process so that the pact can enter into force in 2009.

At the start, it is worth recalling why each country pursued the KORUS FTA. The idea of a bilateral FTA had been vetted off and on for the past two decades. Original overtures came from Korea in the 1980s, driven primarily by concerns that the U.S.-Canada FTA (and later NAFTA) would put Korean exporters at a competitive disadvantage vis-à-vis North American firms in the U.S. market. Each time, however, U.S. demands that the negotiations include liberalization of agricultural trade put an end to the preparatory consultations.

Times change and so, too, do national objectives and the global economic environment in which trade and investment takes place. From the 1990s on and accelerating since the turn of the century, Korea has faced increasingly

strong competition from China—even as Korean trade and investment with China has soared and China has replaced the United States and Japan as Korea’s leading trading partner.

Keeping up with China (and recently India) and the broad challenges of globalization, adapting to the changing demographics of Korean society, and planning ahead for closer integration with North Korea led Korean policymakers to rethink their economic development strategy. Since 2000, new studies have been commissioned in both countries to assess the economic and political benefits and costs of negotiating a comprehensive FTA.<sup>1</sup> While agriculture remained a formidable obstacle to trade talks, Korean officials realized by mid-decade that they had to do something to increase investment and accelerate productivity growth in their economy. The solution included both domestic reforms and trade liberalization. Korean officials hoped that FTA disciplines would “lock in” economic reforms and thus yield a more open and competitive domestic market, spurring innovation in Korean industry, inflows of foreign direct investment (FDI), and knock-on improvements in corporate governance, the accounting system, and government bureaucracy. These gains, in turn, would enhance prospects for achieving the broader vision of becoming the economic and financial hub of northeast Asia.

While Korean objectives focused primarily on what was needed to change *Korean* policies, U.S. officials sought commitments by Korea to trade and regulatory reforms that would benefit U.S. exporters and investors. The U.S. share of Korean imports has declined sharply since 2000, and U.S. officials hoped to propel U.S. exports by removing barriers to the sale of goods and services in Korea. Agriculture was a priority; Korea is a major market for U.S. farm products, even though the value of U.S. farm exports has fallen since the December 2003 ban on imports of U.S. beef due to health safety concerns (see below). U.S. officials also pushed for Korean regulatory reforms that would open access to U.S. service providers of insurance, express delivery, financial, and legal and accounting services. Across a wide range of goods and services sectors, Korean trade barriers were much higher than those protecting the U.S. market, so freeing up bilateral trade promised new U.S. opportunities

in the Korean market without requiring significant changes in the already largely open U.S. market; indeed, the U.S. tariff profile contains only a few peak tariffs on apparel items and a 25 percent tariff on imports of light trucks that has been maintained since the U.S.-Europe “Chicken War” of 1963.

In large measure, the KORUS FTA achieved the priority goals of each country. The U.S. International Trade Commission (USITC), in its report to Congress in September 2007 on the economic impact of the accord, largely confirmed the positive assessments issued by think tanks in both countries.<sup>2</sup> But politicians have a different metric for judging trade pacts, and neither country has yet ratified the accord. The following sections explain why and what needs to be done.

## **Korean Ratification Scenarios**

The KORUS FTA was controversial in both countries while it was being negotiated. In Korea, however, the pact has attracted substantial support since negotiations concluded in April, for two main reasons. First, U.S. officials agreed to exempt rice from the deal, thus assuaging concerns by Korea’s most vocal opponents. Second, immediately after the talks ended, Deputy Prime Minister Kwon Okyu announced broad-ranging programs of adjustment assistance and income support for Korean farmers and industries likely to be adversely affected by the new U.S. competition.<sup>3</sup>

The vagaries of the presidential campaign in Korea delayed consideration of the KORUS FTA by the National Assembly in the Fall 2007. After the election of Lee Myung-bak on December 19, however, both President Roh and President-elect Lee expressed strong support for early ratification of the KORUS FTA. With support from both major parties, passage seems assured.

The open political question is whether the vote in the National Assembly will be held before or after the April election, and whether to align the National Assembly process with the timetable for the congressional debate on the KORUS FTA. Possible scenarios for action by the National Assembly include:

(1) before the end of President Roh's term on February 25, 2008; (2) after National Assembly elections in early April and before the newly-elected members are seated in June; or (3) in the next session of the National Assembly.

The first option was mentioned at the first meeting of the president and president-elect in late December 2007. Clearly, President Roh would like to see the National Assembly ratify his grand initiative before he leaves office. However, politicians may prefer to postpone their vote until after the April election to avoid retribution from those groups adversely affected by the prospective new U.S. competition. In that case, the FTA could be presented at a session in late April or May before the newly elected assemblymen are seated in June. Alternatively, the Korean government could adopt a two-stage process in which the beef issue is resolved in early 2008 but the FTA is set aside until ratification procedures are undertaken simultaneously in the U.S. Congress. Under this option, however, Korea would not benefit by completing the legislative approval process and thus "locking in" the negotiated commitments. For that reason, it is likely that Korea will ratify the pact ahead of action by the U.S. Congress. Ratification of the KORUS FTA by Korea would provide an additional incentive for Congress to act on U.S. implementing legislation; however, the U.S. congressional debate will not be joined until the beef issue is resolved (as discussed below).

## **The U.S. Ratification Debate**

The final negotiations on the KORUS FTA took place at a time when the Congress and the Bush administration were actively engaged in talks aimed at recasting U.S. trade priorities. With the Democrats taking control of Congress after the November 2006 election, the trade initiatives of the Bush administration came under greater scrutiny. Congressional leaders, including Ways and Means Committee Chairman Charles Rangel (D-NY), sought *inter alia* new commitments on labor and the environment in ongoing trade talks with Korea and Panama, and revisions to pacts already signed but not implemented with Peru and Colombia, in return for supporting U.S. implementing legislation.

Partisan friction between the Democrats and Republicans, and divisions within the Democratic caucus, caused delays in those domestic U.S. negotiations (see Destler 2007). As a result, the negotiation of the KORUS FTA concluded on April 1, 2007 (Washington time), before Congress and the Bush administration had decided on prospective changes to U.S. policy. The talks just made it under the wire for using the fast-track procedures of U.S. trade promotion authority (TPA). TPA required that pacts be notified to Congress at least 90 days prior to signature so that members could review and seek clarifications/revisions to the text. Since TPA was due to expire on July 1, 2007, the trade talks had to finish by April 1 to ensure that TPA procedures applied to the implementing legislation.

On May 10, the Bush administration reached agreement with leaders of the Congress on new priorities for U.S. trade policy and trade agreements. In a nutshell, the administration agreed to include *inter alia* new substantive obligations regarding labor and environmental in pending and future free trade agreements and that those provisions would be enforceable under the pact's general dispute settlement mechanism. For its part, congressional leaders reconfirmed that all FTAs signed by June 30, 2007, that reflected the agreed changes in U.S. trade negotiating objectives would qualify for the "fast track" implementing procedures afforded under the trade promotion authority (Title XXI of the Trade Act of 2002). For Peru and Panama, this commitment was regarded as sufficient to secure support for those pacts.<sup>4</sup> For Korea, however, congressional leaders added a blunt proviso that concerns about Korean barriers, particularly in the auto sector, would have to be addressed before they would consider implementing legislation.

Reinforcing this point, House Speaker Nancy Pelosi, Majority Leader Steny Hoyer, Ways and Means Committee Chairman Charles Rangel, and Ways and Means Trade Subcommittee Chairman Sander Levin called a press conference the day before the official signing of the trade pact to emphasize that they continued to oppose the KORUS FTA—even though the pact had been revised in late June 2007 to incorporate the new provisions covered by

the May 10 agreement. Their statement on June 29, 2007, effectively set a marker for the future ratification debate:<sup>5</sup>

Unfortunately, the KFTA as currently negotiated is a missed opportunity. The agreement does not address in an effective manner the persistent problem of non-tariff barriers, particularly those blocking access of U.S. manufactured products in South Korea's market. That is particularly the case in the automotive sector where last year, South Korea exported more than 700,000 cars into the U.S., while the United States exported fewer than 5,000. These numbers illustrate deep-seated and fundamental problems in market access and a heavily one-sided trading relationship that can be expected only to undercut support for the agreement far beyond the automotive sector. ...As a consequence, we cannot support the KFTA as currently negotiated.

Negotiators and trade officials from both countries, who made a great effort to craft the deal to satisfy the Democrats, were dismayed by the above statement since Korea had accepted the U.S. demands to include new labor and environmental provisions in the pact.<sup>6</sup> Nonetheless, the next day, the United States and Korea signed the deal. Since the pact was signed prior to the expiry of TPA, the agreement qualifies for "fast-track" implementing procedures; in other words, the KORUS FTA is "grandfathered" under the terms of that statute.

Since the formal signing of the FTA, the ratification process has proceeded slowly. By law, U.S. implementing legislation could not be considered until after the submission of the USITC analysis on the economic impact of the pact, which was released in mid-September. Since then, however, the KORUS FTA has remained in political limbo for three main reasons: the partial ban on U.S. beef exports to Korea, the U.S. presidential primaries, and concerns about the auto provisions of the pact. The following subsections summarize each problem.

***Beefs about Beef.*** The problem over beef does not primarily involve the provisions of the KORUS FTA. Korea agreed to phase out its 40 percent

import tariff on U.S. beef over 15 years. However, the FTA does not address the main barrier to the Korean beef market—the import ban on U.S. beef imposed in December 2003 in response to evidence of bovine spongiform encephalopathy (BSE) or “mad cow” disease in the United States. In January 2007, Korea partially lifted the restriction, allowing U.S. shipments of boneless beef from cattle younger than 30 months old. After the World Organization for Animal Health (OIE) reclassified the United States as a “controlled risk” country for BSE in May 2007, Korean officials suggested that their regulatory process would review the matter and likely reopen the Korean market to U.S. imported beef.<sup>7</sup> In the five months after the OIE ruling, U.S. beef exports to Korea totaled about \$112 million (compared to \$4.4 million in January-May 2007). But this amount was still well below the value of U.S. beef exports in 2003 (\$750 million) before the BSE ban (see Table 1).

Unfortunately, a number of U.S. shipments to Korea of the permitted beef contained bones or bone fragments in violation of the new Korean import regulations—reviving Korean concerns about the monitoring of shipments from U.S. meat processing plants. These highly publicized cases were literally “red meat” to the regulatory lions of the Korean government, and predictably set back the approval process.

Throughout the Fall 2007, Korean officials reiterated that they intended to gradually open their market to U.S. beef imports in conformity with the OIE guideline. But statements by Korean ministers in November 2007 raised concerns about the depth of the political commitment to such action. Korean Minister of Foreign Affairs and Trade Song Min Soon noted that it was not realistic to push Korea for a full open market for U.S. beef,<sup>8</sup> and Korean Trade Minister Kim Jong-Hoon said that Korea would look for practical ways to normalize the beef trade but both sides should approach this issue very carefully since it was a public health issue more than a trade issue.<sup>9</sup> These comments elicited the expected responses from U.S. officials, who essentially put the KORUS FTA at the end of the queue of pacts to be submitted to Congress.

As a practical matter, the resolution of the beef problem is a prerequisite to

congressional consideration of the KORUS FTA. The chairman of the Senate Finance Committee, Max Baucus (D-MT), who represents cattle ranchers and normally supports trade agreements, has emphasized that he would not allow the KORUS FTA to move through the Senate unless Korea completely lifts its ban on U.S. beef.<sup>10</sup> This is important for two reasons. First, all the other U.S. farm lobbies support the FTA but are allied with the cattlemen and thus have stayed on the sideline in the political debate—so resolving the beef problem would unblock a large political constituency in favor of the deal. Second, delaying resolution of the beef issue means opponents have an uncontested platform to attack the deal.

In 2008, the beef issue will need to be reassessed lest this non-FTA issue relegate the KORUS FTA to inactive status. President-elect Lee seems to understand the importance of resolving this matter. During the presidential campaign, he argued that there was no reason to ban bone-in U.S. beef, given the fact that the OIE certified the United States as a controlled risk country; at the same time, however, he called for a new program to aid Korean beef producers.<sup>11</sup> These ideas are now being actively considered by the presidential transition committee. The committee asked the Ministry of Foreign Affairs and Trade to present detailed plans to expedite the ratification of the KORUS FTA by the National Assembly, including how to resolve the beef problem, and recommended that the Ministry of Agriculture and Forestry increase the budget for compensation to farmers. According to reports in the Korean press, consultations continue to consider whether to: (1) phase in the opening of the Korean market (which would clash with Senator Baucus's position); and (2) seek changes in U.S. regulations regarding animal feed and inspections of U.S. meat processing plants.<sup>12</sup>

Taken together, these suggestions set out a useful agenda for bilateral cooperation on beef that would enhance confidence in food safety in both countries, thus mitigating political concerns in Korea that have blocked the lifting of the U.S. beef import ban. Action early in 2008 would remove a major obstacle to congressional consideration of the KORUS FTA.

***Presidential Primary Elections.*** Since the NAFTA was vetted in the early 1990s, the U.S. trade policy debate has become increasingly contentious and partisan. The May 10 accord sought to reverse this trend, but merely provided a short pause before political rhetoric heated up anew in the presidential primaries. These contests usually attract a small percentage of the electorate, weighted heavily toward the activist members of both parties. Labor unions are a core constituency of the Democratic Party and influence the tone and substance of political stump speeches, especially on trade. So it is not surprising that the KORUS FTA and its auto provisions have been criticized, as candidates campaign in Michigan and other states for the presidential nomination of their party.

Throughout the campaign, the major Democratic presidential candidates—New York Sen. Hillary Rodham Clinton, former North Carolina Sen. John Edwards, and Illinois Sen. Barack Obama—have voiced serious reservations about free trade agreements in general and the KORUS FTA in particular. Speaking at an AFL-CIO event in Detroit in June 2007, Clinton pursued labor votes by opposing the KORUS FTA:<sup>13</sup>

While I value the strong relationship the United States enjoys with South Korea, I believe that this agreement is inherently unfair.... It will hurt the U.S. auto industry, increase our trade deficit, cost us good middle-class jobs and make America less competitive.

Other Democratic candidates also have spoken heatedly against the KORUS FTA. In April 2007, Edwards announced his opposition to the KORUS FTA while speaking to a Democratic Party dinner in Michigan.<sup>14</sup> More recently, in a statement to the Iowa Fair Trade Campaign, Obama said that he would “demand equal access to markets abroad for our producers so that centralized discrimination against our auto producers in Korea through taxes and regulation is not repeated in other markets with American goods and services.”<sup>15</sup>

Much of the criticism by the Democratic contenders focuses on the auto provisions of the KORUS FTA, but the intended target of their attack primarily

is concern about globalization and its impact on U.S. production and jobs. Complaints that trade pacts are good for business and bad for workers resonate with voters concerned about the tax policies and spending priorities of the Bush administration. In that regard, trade agreements like NAFTA and the KORUS FTA serve as surrogates for a broader critique.

Traditionally, politicians court their hardcore constituencies during the primaries and then move toward the center of the political spectrum during the general election campaign to attract independent voters. While one should expect some moderation in the campaign rhetoric on trade after the primary season, the candidates will still have to make good on the commitments already made on the KORUS FTA—and that means that some measures will need to be taken to address the concerns of the FTA critics, particularly those regarding the U.S. auto industry.

***Autos and the KORUS FTA.*** The U.S. debate on the KORUS FTA will focus heavily on the auto issue and how the Bush administration addresses the concerns of the Democrats in Congress about the competitiveness of the U.S. industry. The problems cited involve both political and economic considerations, and both will have to be addressed for a timely resolution of the U.S. political impasse over ratification of the KORUS FTA.

The political problem is easily defined: Given the history of haphazard compliance with bilateral memoranda of understanding on autos in the 1990s, some automakers and the United Auto Workers are skeptical that Korea will comply with the FTA obligations regarding mitigation of various nontariff barriers on the sale of autos in Korea. In addition, they regard the proposed reforms as incomplete and the novel FTA enforcement mechanism (i.e., the auto tariff “snapback” clause) as inadequate.<sup>16</sup> The FTA critics then cloak these concerns in a rhetorical charge that is politically seductive, citing the wide disparity in the number of cars imported in each country (700,000 U.S. imports of Korean cars versus 5,000 Korean imports of U.S. cars in 2006) as de facto evidence of unfair trading conditions.

The economic problem is more complicated but largely involves the competitiveness of the Big 3 automakers (General Motors, Ford, and Chrysler) in the *U.S. market*. As shown in Table 2, Big 3 sales in the United States in 2007 fell 7.3 percent; Ford suffered the largest decline due to weakening sales of its light trucks/SUVs. By contrast, U.S. sales of foreign brands (U.S.-based production plus imports) rose about 3 percent. Hyundai and Kia each increased their U.S. sales by a small amount; together, their sales topped 770,000 in 2007, or 4.8 percent of the U.S. market. Overall, total U.S. sales dropped 2.5 percent, with domestic production (Big 3 plus foreign “transplants”) declining 3.7 percent and imports rising 1.7 percent.

In short, the U.S. auto market is weakening, and Ford and other producers with older plants are facing tough competition from both auto imports and production from newer U.S. assembly plants. That is why Ford and the UAW oppose measures that would add to their competitive struggles at home, especially when they have to deal with legacy costs related to previous commitments on health care and pensions for autoworkers that increase the burden on their U.S.-produced vehicles.

The KORUS FTA cannot resolve those fundamental problems, but U.S. officials seemed to suggest that the trade pact would help by boosting U.S. exports to the Korean market. Apart from North America, U.S. producers generally do not export very much; instead, they invest and produce cars abroad to serve foreign markets. For example, General Motors is doing very well in the Korean market, producing nearly one million cars (most of which are sold abroad in China and other markets).<sup>17</sup> As shown in Tables 3 and 4, compared to the U.S. market with sales of 16 million cars in 2007, the Korean market is small (1.3 million sales) and imports account for a very low share of domestic sales (4 percent versus 23 percent in the U.S. market).

By contrast, U.S. auto exports have had limited success in the Korean market, with only about 6,200 units sold in 2007. U.S.-based exporters can expect a sharp increase in sales to Korea from their current anemic levels—but the U.S. industry won’t strengthen very much based on this export growth. Even

if the U.S. total increased tenfold, effectively increasing the market share for imported cars to 10 percent of the domestic market, it would not make a big difference for Ford and Chrysler (whose U.S. sales in 2007 were 2.5 million and 2.1 million, respectively).

Ironically, continued delay in the ratification of the KORUS FTA could lead to *lower* U.S. auto exports. The European Union-Korea FTA probably will be concluded in the Spring 2008 and quickly implemented; once that pact enters into force, U.S. exporters will be worse off than at present as European firms benefit from tariff preferences in the Korean market.

To address the problems of the U.S. auto industry, the Bush administration will have to do a lot more than just promise incremental increases in exports to Korea. There is little that joint U.S. and Korean initiatives can do to improve the competitiveness of Ford, Chrysler, and GM in the U.S. market; the companies and unions will have to work together, though changes in U.S. policies could provide a more conducive environment for investment in new product development and worker retraining.

## **Prospects for Ratification in 2008**

Congressional ratification of the KORUS FTA is doable in 2008, despite formidable economic and political challenges. But there is only a narrow window for legislative action, and the congressional calendar already is stocked with contentious legislation on important tax and trade issues (including ratification of the U.S.-Colombia FTA). There is no clear timetable for action on the KORUS FTA, since Congress won't begin its work until the beef issue is resolved. The longer the beef issue is put off, the more likely that the ratification debate will be postponed until the next session of Congress and the next U.S. administration.

What needs to be done? Simply put, both sides will have to resolve domestic problems that threaten to delay the bilateral accord. Korean officials should pursue the pragmatic steps that President-elect Lee has proposed for quickly

removing the beef import ban. U.S. officials should complement those Korean reforms by upgrading procedures for inspecting U.S. meat processing plants. This could and should be done by early Spring 2008, followed by a ratification vote in the National Assembly in late April or May.

The U.S. action agenda is a little more complicated. As a first step, the U.S. Congress and administration need to discuss changes in U.S. tax and expenditure policies that could provide an immediate benefit for U.S. automakers. Current efforts to legislate a fiscal stimulus package to respond to the broader weakening of the U.S. economy would be an appropriate vehicle for such U.S. policy initiatives, and could contain refundable investment tax credits that would benefit the U.S. auto industry. It is unclear, however, whether such domestic negotiations will be sufficient to overcome the political problems related to the auto provisions of the FTA and allow the U.S. ratification process to proceed. If not, U.S. and Korean officials may need to consider additional measures that would complement the KORUS FTA and provide reciprocal benefits for bilateral trade in goods and services. An early summit meeting between Presidents Bush and Lee could establish the framework for this constructive dialogue, and help propel the implementation of the KORUS FTA in both countries.

**Table 1. U.S. beef export to Korea**  
(Monthly comparison between years 2003 and 2007)

	Quantity (metric tons)		Value (thousand dollars)	
	2003	2007	2003	2007
January	15,013	17	46,618	59
February	16,704	19	53,366	57
March	16,033	1	52,304	3
April	15,166	55	50,733	150
May	15,107	975	54,017	4,109
June	22,246	2,142	83,037	10,163
July	23,201	11,040	85,107	47,949
August	23,571	1,915	85,685	10,562
September	13,484	6,076	50,949	33,453
October	18,832	1,989	66,285	10,026
November	17,755	47	61,530	250
December	16,336	na	60,870	na
<b>Total <sup>a</sup></b>	<b>213,448</b>	<b>24,276</b>	<b>750,501</b>	<b>116,781</b>
<i>Memorandum:</i>				
World Total <sup>a</sup>	859,736	425,662	3,150,232	1,841,027

a. December export data for year 2007 are not yet available. Both total and world total figures for year 2007 do not include December data.

Source: U.S. Meat Export Federation website (available at <http://www.usmef.org/TradeLibrary/Statistics.asp>)

**Table 2. U.S. auto (light vehicle) sales by company <sup>a</sup>**

	<b>2007 (Units)</b>	<b>2006 (Units)</b>	<b>% Change</b>
Chrysler Group	2,076,062	2,142,505	-3.1
Ford	2,502,015	2,849,604	-12.2
GM	3,824,551	4,067,554	-6.0
<b>Big 3 Total</b>	<b>8,402,628</b>	<b>9,059,663</b>	<b>-7.3</b>
Honda	1,551,542	1,509,358	2.8
Hyundai	467,009	455,520	2.5
Isuzu	11,301	13,543	-16.6
Kia	305,473	294,302	3.8
Mazda	296,113	268,786	10.2
Mitsubishi	128,993	118,558	8.8
Nissan	1,068,507	1,019,481	4.8
Subaru	187,206	200,703	-6.7
Suzuki	101,884	100,990	0.9
Toyota	2,620,826	2,542,524	3.1
<b>Asia Total</b>	<b>6,738,854</b>	<b>6,523,765</b>	<b>3.3</b>
BMW	335,840	313,603	7.1
Mercedes	253,218	247,886	2.2
Porsche	34,693	34,227	1.4
Volkswagen	324,079	325,256	-0.4
<b>Europe Total</b>	<b>947,830</b>	<b>920,972</b>	<b>2.9</b>
<b>TOTAL LIGHT VEHICLES</b>	<b>16,089,312</b>	<b>16,504,400</b>	<b>-2.5</b>
<i>Memorandum <sup>b</sup></i>			
Domestic Light Vehicles	12,333,398	12,812,886	-3.7
Import Light Vehicles	3,755,914	3,691,514	1.7

a. Light vehicles are cars and light trucks (GVW Classes 1-3, under 14,001 lbs)

b. Source is country of manufacture. Domestic are from U.S., Canada, Mexico. Imports are from overseas.

Source: Ward's AutoInfoBank (available at <http://wardsauto.com/keydata/USSalesSummary0712/>)

**Table 3. Korea's monthly auto production, sales, exports and imports in 2007 <sup>a</sup> (Units)**

	Production	Exports	Domestic Sales		
			Korea	Imports <sup>b</sup>	Total
January	318,076	215,813	95,228	4,365	99,593
February	290,889	199,289	89,564	3,425	92,989
March	366,190	255,359	106,529	4,561	111,090
April	374,700	254,364	99,632	4,145	103,777
May	369,650	255,537	104,553	4,570	109,123
June	354,743	252,597	106,267	4,429	110,696
July	282,542	203,423	102,391	4,360	106,751
August	290,239	196,227	99,508	4,544	104,052
September	289,939	200,632	91,904	4,109	96,013
October	406,209	277,662	105,841	4,984	110,825
November	401,403	284,359	103,432	5,295	108,727
December	341,593	251,179	114,867	4,603	119,470
<b>Total</b>	<b>4,086,173</b>	<b>2,846,441</b>	<b>1,219,716</b>	<b>53,390</b>	<b>1,273,106</b>

a. Figures include passenger cars, buses, trucks and SPVs.

b. Imports are only for passenger cars which are newly registered to the Ministry of Construction and Transportation.

Source: Korea Automobile Manufacturers Association (KAMA, [www.kama.or.kr](http://www.kama.or.kr)); Korea Automobile Importers and Distributors Association (KAIDA, [www.kaida.co.kr](http://www.kaida.co.kr))

**Table 4. Comparison of auto sales and employment data between the United States and Korea (2007)**

	U.S.	Korea
<b>SALES</b> (Thousands of Units):		
Total Sales	16,089.3	1,273.1 <sup>a</sup>
Imports	3,755.9	53.4 <sup>b</sup>
<i>Imports/Sales (%)</i>	<i>23.3</i>	<i>4.2</i>
GM/GM-Daewoo	3,824.6	130.5 <sup>c</sup>
Hyundai/Kia	772.5 <sup>d</sup>	897.6 <sup>c</sup>
Chrysler	2,076.1	3.9
Ford	2,502.0	2.0
<b>EMPLOYMENT:</b> <sup>e</sup>		
Total Employment Manufacturing	14,032.4	2,910.9 <sup>f</sup>
Auto Employment	1,000.6	263.9 <sup>f</sup>
<i>Auto/Total Mfg (%)</i>	<i>7.1</i>	<i>9.1</i>

a. Combines total sales from production in Korea and total imported passenger cars registered to Korean Ministry of Construction and Transportation (from table 2).

b. Total imported passenger cars registered to Korean Ministry of Construction and Transportation (from table 2).

c. Preliminary

d. Includes U.S. produced autos and imports from Korea

e. Monthly average

f. Data for 2006. Employees for companies which have more than 5 employees.

*Source:* Ward's AutoInfoBank (available at <http://wardsauto.com/keydata/USSalesSummary0712/>); Korea Automobile Manufacturers Association (KAMA, [www.kama.or.kr](http://www.kama.or.kr)); US Department of Labor ([www.bls.gov](http://www.bls.gov)); Korean Statistical Information Services (<http://www.kosis.kr>)

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## Chapter 4 Notes

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- 1 Both countries expect the pact to have positive spillover effects on the broader bilateral relationship and on cooperation in dealing with North Korea, but I will defer analysis of that dimension to the other papers in this series.
- 2 USITC (2007) concluded that the KORUS FTA would give a modest boost to bilateral trade and to GDP in both countries. These results are comparable to those reported by Schott, Bradford, and Moll (2006), Schott (2007) and KIEP et al. 2007.
- 3 See, "Domestic Compensation Measures in light of the Conclusion of KORUS FTA," statement by Korean Deputy Prime Minister and Minister of Finance and Economy Kwon Okyu on behalf of other Korean ministers issued after the conclusion of the FTA talks on April 2, 2007. Accessed at [www.english.mofe.go.kr](http://www.english.mofe.go.kr) on August 7, 2007.
- 4 The House of Representatives and the Senate approved the Peru FTA in November and December 2007 respectively. President Bush signed the implementing legislation on December 14. Pelosi spokesman Brendan Daly said that Peru was approved because the White House and Congress worked in a bipartisan fashion to address Democrats' concerns, and Korea and Colombia trade deals should go back to that model and address the serious concerns Democrats have with these agreements. See "Bush and Congress seem headed for trade deal clashes," *Washington Post*, December 14, 2007.
- 5 See, Speaker Nancy Pelosi, press release, June 29, 2007. Available at the Speaker of the House's website, <http://www.speaker.gov/newsroom/pressreleases?id=0235>.
- 6 Lawyers for Congress and the administration first had to translate the political commitments in the May 10 accord into treaty text; this process took longer than expected and left little time for Korean trade officials to consider the additional FTA provisions prior to the deadline for signing the pact on June 30 (after which TPA would no longer be available).
- 7 Japan has accepted bone-in and boneless beef from cattle under 21 months of age but has not yet fully opened its market to U.S. beef. For details, see *Inside US Trade*, December 14, 2007.
- 8 See his remarks at the Woodrow Wilson Center, November 9, 2007, reported by *Yonhap News*.
- 9 In addition, he added that the U.S. should improve the system it uses to protect against BSE by tightening its feed ban. For more details, see *Inside US Trade*, November 30, 2007.
- 10 Senator Baucus reiterated this point in a letter to USTR Susan Schwab on January 23, 2008. He insisted that USTR "conclude a new import protocol with Korea that provides full access for U.S. beef" and added that he would not move implementing legislation "until such an import protocol is in place, and U.S. beef is flowing to Korea." Text of letter accessed at [www.insidetrade.com](http://www.insidetrade.com), January 25, 2008.
- 11 See "US MEF: Optimism in Wake of South Korean Election," *Cattlenetwork*, December 21, 2007. Available at <http://www.cattlenetwork.com/content.asp?contentid=185343>. Lee also mentioned in late 2007 that people are overly sensitive about bone-in beef and argued that people should look at the benefits from lower prices. See "AMCHAM Urges New Gov't to Help Ratify FTA," *Korea Times*, December 20, 2007. Available at <http://abcnews.go.com/Politics/story?id=3070540&page=1>.

- 12 See, for example, *Joongang Daily*, “Beef imports hold key to passing FTA: USTR,” January 21, 2008, [http://kr.news.yahoo.com/etc/print\\_htm?articleid=20080121224055485g0](http://kr.news.yahoo.com/etc/print_htm?articleid=20080121224055485g0), accessed January 25, 2008.
- 13 See “Hillary Clinton slams proposed US-Korea trade pact,” Reuters, June 10, 2007. Available at <http://www.reuters.com/article/domesticNews/idUSN0939324020070610>.
- 14 See “Clinton and Obama Follow Edwards on Trade,” ABC News, April 23, 2007. Available at <http://abcnews.go.com/Politics/story?id=3070540&page=1>.
- 15 “New, Comprehensive Information on 2008 Presidential Candidates’ Positions on Trade and Globalization - Candidates’ Responses to Iowa Fair Trade Campaign Letter of Principles,” accessed at [www.insidetrade.com](http://www.insidetrade.com) (January 13, 2008)—see “Democrat Candidates Offer Details on Trade Policies in Run Up to Iowa Caucus, January 3, 2008. Also, in the democratic debate, Obama said: “I am for it (U.S.-Peru FTA) and I plan to vote for it because it is a small country... I am opposed to CAFTA. I have been opposed to South Korea.” See the candidate debate transcript on November 15, 2007. Available at [http://www.nytimes.com/2007/11/15/us/politics/15debate-transcript.html?\\_r=1&oref=slogin](http://www.nytimes.com/2007/11/15/us/politics/15debate-transcript.html?_r=1&oref=slogin).
- 16 For a description of the snapback clause, see Schott, Bradford, and Moll (2006).
- 17 General Motors also ships Cadillacs to Korea from the United States, but only sold 312 in 2007 (data from KAIDA, accessed at [www.kaida.co.kr/ets/SM/ModelMonth/BrandMonthSearch\\_free.jsp](http://www.kaida.co.kr/ets/SM/ModelMonth/BrandMonthSearch_free.jsp)).