

## **KOREA CHAIR PLATFORM:** What's at Stake in the KORUS FTA

By Victor D. Cha

President Obama is headed to Asia in a week. It is imperative that he begin to lay the groundwork for passage of the KORUS FTA. The agreement signed by the Bush administration in June 2007, still awaits passage of implementing legislation by the Congress. The administration has not supported the agreement because of concerns over trade issues regarding beef and automobiles.

Concerns about the auto sections of the agreement may be valid and may require some form of side agreement, but the roots of inaction go back to the democratic primaries in 2008. Then-candidate Obama was cautious about the FTA, but did not oppose the agreement. When then-candidates John Edwards and Hillary Clinton voiced opposition to the agreement while campaigning in key states, Obama's domestic advisors let pragmatism rule and moved their candidate in opposition to the agreement.

Obama, the person appears to be an internationalist who supports free trade institutions and sees an open international economic order as a key component of global stability and financial recovery. Obama, the president, however, has not had the political inclination to take on the union base of the party over the FTA as he wrestles with health care reform.

The economic benefits of this agreement are already well known to both sides. The nonpartisan International Trade Commission estimates that enacting KORUS could boost U.S. GDP by as much as \$11.9 billion and merchandise exports as much as \$10.9 billion—a free economic stimulus without driving up U.S. debt.

There are rumors afloat in Washington that USTR may move the agreement forward in January or February ahead of the South American FTAs. If true, this is very welcome news. With South Korea hosting the G20 summit in 2010, it would be truly embarrassing for the U.S. to attend this summit about financial recovery and expansion of the global economic pie while it opposed the largest FTA since NAFTA. Moreover, there are broader strategic stakes for the U.S. First for the alliance, the FTA would constitute a demonstrable “upgrade” to the alliance. An FTA contributes to the deepening and expansion of a traditional military alliance

into a more comprehensive partnership. The U.S. FTAs with Singapore in 2004 and with Australia in 2005 have done just that to these bilateral relationships.

Second, the Koreans have proven that they will not wait for the U.S. to catch up on free trade. Seoul's FTA with the European Union is a major accomplishment which could give first-mover advantages in the Korean market to many European service and manufacturing companies at the expense of American competitors waiting to benefit from the KORUS FTA. Japan, Korea, and China emerged from recent trilateral talks expressing hope for a trilateral FTA.

Third, U.S. support for the FTA, and its general support for free trade, are indispensable to the sustainability of American leadership in Asia. At an annual conference this past summer at the East-West Center in Hawaii which brought together senior wisemen from Asia, the single most asked question of American interlocutors was about where Obama would be on free trade. At a time when China is negotiating free trade agreements throughout the region, and Korea just signed an FTA with the European Union, the lack of U.S. support for free trade constitutes a blemish on the record of American leadership that can easily metastasize. A key component historically of American strength and stature in Asia are the public goods it provides. Throughout the cold war, these goods included security against tyranny, freedom of navigation, and free trade. But if China is now the most active country supporting free trade in Asia through the sheer volume of its negotiated free trade agreements, then this does not bode well for U.S. leadership – especially when the financial meltdown is certain to limit the future U.S. ability to provide other public goods and diminished amounts of foreign assistance.

The likely response from inside Washington is that such “grand strategy” arguments do not sway FTA votes because FTAs are ultimately domestic political agreements, they are not grand strategy agreements. Politicians in favor of free trade fear noisy and powerful domestic constituencies who can threaten to throw the bums out of office if they vote for agreements that hurt their interests. Presumably, these calculations were at play in the decisions of democratic presidential candidates to oppose the KORUS FTA.

But here is a piece of academic trivia. A new study published in international relations theory found that there is no statistically significant correlation between a politician's support of a free trade agreement and their probability of getting re-elected. The study looked at the extent to which American voters held politicians accountable for their support of the Central American Free Trade Agreement

(CAFTA). It found that voters generally did not have knowledge of how their representative voted on CAFTA, nor held the representative accountable in subsequent elections.

Rarely do theory and policy intersect in the world today, but this is one case where the White House should read some of the latest research on political economy rather than listening to the instincts of its so-called political advisors.

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*The Office of the Korea Chair invites essays for consideration for the Platform. For inquiries, please email [KoreaChair@CSIS.org](mailto:KoreaChair@CSIS.org). The inaugural holder of the CSIS Korea Chair is Dr. Victor D. Cha.*

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