



## The United States-South Korea FTA: The Foreign Policy Implications

**Christopher Hill, Assistant Secretary for East Asian and Pacific Affairs**

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Subcommittee on Terrorism, Nonproliferation, and Trade  
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### Introduction

The United States' relationship with South Korea is changing and growing. It is transforming into a mature, healthy and balanced partnership. One of the greatest examples of the dynamism in our bilateral relationship is the recently concluded United States-South Korea Free Trade Agreement (or KORUS FTA).

While the agreement achieves many of our economic goals, it is important to note that the impact of this FTA will go far beyond bilateral commercial benefits. The KORUS FTA is a powerful symbol of the U.S.-South Korea partnership, augmenting our longstanding bilateral security alliance and the robust ties between the South Korean and American people. It will create a new dynamic, reflecting both the growing sophistication of our relationship, and the Republic of Korea's (ROK) increasingly positive global role. It will strengthen our relations with one of our most important and reliable allies, serving as a pillar for the alliance in the 21st century as the mutual defense treaty did during the last half century. And it will decisively anchor the U.S. presence in the most dynamic and rapidly-growing economic region on the globe.

### Benefits of KORUS FTA

I'll let my colleague Karan Bhatia, who oversaw the negotiation of this historic agreement, including through several sleepless nights in Seoul leading up to our April 1 conclusion of the deal, explain the benefits of the KORUS FTA for U.S. commercial interests and our global trade liberalization strategy – which are significant. His familiarity with the details of the agreement far exceeds my own. Instead, I will focus my remarks on the agreement's foreign policy implications.

**First, the KORUS FTA will strengthen the U.S.-South Korea partnership.** It will help ensure that the U.S. partnership with South Korea, long centered on defense ties, remains a vital force for stability at a time of change and challenge on the Korean peninsula and in the broader Northeast Asian region. It will be concrete proof to South Korea that we are committed to broadening and modernizing our alliance.

Over the years, the U.S. relationship with South Korea has been tested in many ways. But I've always been optimistic about it, because I always have seen the real benefits of a strong relationship between the U.S. and the ROK. Our two countries are bound by shared interests and shared values, underpinning the long-term commitment of both Americans and Koreans to making the relationship work.

South Korea is a country that is not just a regional power, but it's growing in global importance. Korean people are active all over the world as students, diplomats and missionaries, and South Korean companies are major investors in many economies. More and more, our relationship with South Korea is growing to be a multi-faceted, cooperative partnership for a more closely knit world.

South Korea is the third-largest contributor of troops to the coalition forces in Iraq and has played an important role in Afghanistan as well. Nowadays when Secretary Rice meets with her ROK counterparts, they talk not just about the situation on the Peninsula, but also about the Middle East, climate change, the spread of democracy and other global issues of shared concern.

We've been working hard lately on modernizing our security relationship with South Korea. We are realigning our troops to make sure that they are placed and equipped most intelligently to deter any thought of aggression by North Korea. I think we're doing that very effectively.

We've also been working very closely with our friends from the ROK in the Six-Party Talks to deal with the issue of North Korea's nuclear program. Ultimately, as we move forward in the six-party process, it's very important that we move beyond denuclearization in North Korea to try to create stronger multilateral mechanisms for problem-solving in the region and for developing a greater sense of community in the region. I think in this regard, South Korean and U.S. interests are very much aligned.

**Second, the KORUS FTA strengthens our ties to a good friend that has done good things.** I had the privilege of serving in South Korea in 1987 and witnessed the flowering of democracy there. I then went back as Ambassador in 2004 to see what had happened since. It is really quite an inspiration for all of us who believe that democracy is the wave of the future. South Korea has shown the way and become an example for political reform in many parts of the world, especially in Asia.

The FTA will also provide a boost to the steady progress that South Korea has made on economic reform in the last decade. South Korea is one of the world's great success stories in terms of achieving broad prosperity through commitment to a market economy and openness to global trade. By liberating the vitality of its citizens and exposing them to international competition, South Korea has gone from being one of the world's poorest countries at the end of the Korean War to a vibrant democracy, a member of the OECD with a per-capita GDP approaching \$20,000. South Korea also has strong labor laws and environmental protections. All this makes South Korea an excellent trading partner for the United States.

Along with our expanding trade ties, I should also point out the very substantial people-to-people ties between our two countries. There are now over two million Americans of Korean descent living in the United States. They have had a huge positive impact on our country and continue to provide a vital and unique link between the two nations. U.S.-ROK academic ties have also blossomed; in 2006, more than 58,000 South Korean students studied in the U.S., and South Korean students are now the third largest group of foreign students in the U.S. The FTA has the potential to join our two countries together even more closely.

**Third, the KORUS FTA will anchor our strategic economic position in East Asia.** East Asia and the Pacific region are undergoing a wave of economic integration, with countries binding themselves closer together through steady progress in liberalization of trade and investment. Several plurilateral free trade agreements are in play, and some 19 free trade agreements have gone into force between Asia-Pacific Economic Cooperation (APEC) economies, with at least an equal number of future agreements under negotiation or exploration. The United States has participated as a leader via our gold-standard FTAs with Australia and Singapore. Ratification of the KORUS FTA will further cement U.S. leadership in the dynamic Asian region and debunk critics who falsely complain that we've neglected this part of the world.

South Korea, like the United States, has taken an aggressive approach toward binding trade liberalization. It has completed FTAs with Chile and the European Free Trade Area (EFTA) and is working on a second phase of negotiations with five of the ten ASEAN countries (having already completed a framework and trade in goods agreement). South Korea is also in the final stages of FTA negotiations with Canada, negotiating an agreement with India, just starting negotiations with the EU, and is studying the feasibility of launching an FTA with China. Negotiations with Japan have been on hold the last two years, but it is possible they could be revived. Thus, by ratifying the KORUS FTA, our firms will enjoy a competitive advantage in South Korea – Asia's third-largest economy – ahead of others. On the other hand, if we fail to ratify, we will not just stand still, we will move backwards.

**Fourth, and finally, the KORUS FTA will give impetus to global trade liberalization:** By demonstrating that two large, advanced economies can conclude a high-quality agreement eliminating both tariff and non-tariff barriers to trade and investment, the KORUS FTA could help spur further trade liberalization both within the Asia-Pacific region and globally. It will send a signal to our other trading partners, encouraging them to open their economies and creating a competitive dynamic that would spur more rapid progress on the multilateral trade liberalization front.

**Conclusion**

The impact of this FTA will go far beyond bilateral commercial benefits. It is a powerful symbol of the U.S.-South Korea partnership, augmenting our longstanding bilateral security alliance and the robust ties between the South Korean and American people. It will create a new dynamic, reflecting both the growing sophistication of our bilateral relationship and the Republic of Korea's increasingly positive role in the world.

Thank you for the opportunity to appear before the Subcommittee. I am happy to answer your questions.

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