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A Race for Free Trade Agreements: The U.S. and EU Battling over South Korea

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In his State of the Union Address on January 27, 2010, the U.S. President Barack H. Obama laid out his plan to strengthen and rebuild America. One important goal for the U.S., said the President, is to double its exports over the next five years. The Obama Administration is convinced that achieving such a goal will support two million jobs in America. Given the international atmosphere, America can no longer sit "on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores. […] And that's why we'll continue to shape a Doha trade agreement that opens global markets, and why we will strengthen our trade relations in Asia and with key partners like South Korea and Panama and Colombia," said the President.

While the Doha Round negotiations have been going on for almost a decade now, reaching a universal consensus among the member states has not been possible. Box 1 highlights the main points of the Doha Round. In a nutshell, they aimed at achieving an internationally unfettered movement of goods. As negotiations came into a standstill in 2008, the World Trade Organization's (WTO) pursuit of global free trade seems to have reached a big impasse. The first-best solution of multilateral free trade – that ideally should strengthen international commerce among nations – has become a real Herculean task. Some of the underlying reasons[i] are adjustment pressures resulting from globalization (including competition from China), new global security challenges as well as increasing resistance to new trade liberalizations in the U.S. and Europe.

Meanwhile, bilateral Free Trade Agreements (FTA) have been mushrooming and flourishing around the world. A recent paper actually posits the presence of a domino effect that is robust to various econometric specifications and samples, and confirms that FTAs are contagious with respect to third nations.[ii] To boost their respective external balances, more and more countries as well as regions turn to FTA; the U.S. is one of them. A recent Economic Report of the President (2010) in the U.S. outlines the trade policy

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that the current Administration follows:[iii] "As the Administration works to expand U.S. market access through a world trade agreement in the Doha Round of multilateral trade talks, it continues to explore its options in bilateral free trade agreements and regional frameworks, such as the Trans-Pacific Partnership. The United States Trade Representative continues to work through previously negotiated trade agreements to lower non-tariff trade barriers and facilitate customs issues to make it easier for U.S. businesses to export."

Box 1: Main Points from the Doha-Ministerial Declaration (November 14, 2001)

- Maintain the process of reform and liberalization of trade policies, and pledge to reject the use of protectionism
- Continue efforts to ensure that developing countries secure a share in the growth of world trade via enhanced market access, balanced rules, and well targeted, sustainably financed technical assistance and capacity-building programs
- Move ahead with negotiations to improve market access through the reduction of tariffs on manufactured goods
- Proceed with negotiations to facilitate trade through quicker customs procedures
- Evaluate the effectiveness of specific provisions concerning the special and differential treatment favoring developing countries
- Negotiate on improving market access for services
- Commit to strengthening the WTO-rules (i.e. antidumping and subsidies)
- Reaffirm the right of members under the General Agreement on Trade in Services to regulate, and to introduce new regulations on, the supply of services
- Endorse multilateral environmental agreements with respect to WTO-rules and the reduction of trade barriers for environmental-friendly products and services
- Acknowledge the need for a multilateral framework to secure transparent, stable and predictable conditions for long-term cross-border investment, particularly foreign direct investment, that will contribute to the expansion of trade
- Aim at substantial improvements in market access and reductions in trade-distorting domestic support for agricultural products

Source: Bundesministerium für Wirtschaft und Technologie.http://www.bmwi.de/BMWi/Navigation/Aussenwirtschaft/Handelspolitik-EU-WTO/wto,did=209624.html.

Apropos of the upcoming G-20 summit in Toronto, Canada, President Obama addressed a note to his G-20 homologues urging them on the international trade agenda. "I am concerned by weak private sector demand and continued heavy reliance on exports by some countries with already large external surpluses," he said on June 16, 2010.[iv] This critical remark was mainly alluded to major export nations such as China, Japan and Germany, which have been enjoying export surpluses with the U.S. In addition, during the recent economic downturn these countries have been mainly focusing on export orientated activities. President Obama implicitly urged China[v] to revise its exchange rate policy. The trade debate is therefore a core issue on the agenda of this upcoming global summit, which aims at setting up ways and rules for a sustainable global recovery.

U.S. Success Stories with Free Trade Agreements

Theoretically, within the international trade framework, there are several options that a country can choose to follow in order to increase its international competitiveness. For example, it can opt to manipulate customs duties, tariffs, non-trade barriers, exchange rate controls, and/or subsidies. To increase its export robustness, the U.S. can choose from the following four options:[vi] enact stronger exchange rates, follow U.S. export controls, apply an expansive fiscal policy or move forward with new trade agreements. Currently, the last option seems to be the most realistic given the currency debate with China, the problem with the Euro, the difficulty of imposing tariffs and the sensitivity of playing with taxes. Besides, as Table 1 shows, the U.S. has achieved a major improvement in its exports after signing and implementing FTA with many countries. Indeed, bilateral trade agreements have turned the U.S.' trade deficit with these countries into a trade surplus, as this occurred with Bahrain, CAFTAR-DR, Chile, Oman, etc.

Table 1: U.S. Bilateral Trade Agreements with Selected Countries

Country Or Region	Type of Agreement	U.S. Trade Balance (+/-) Ex-ante	Date of Signature	Date of Implementation	U.S. Trade Balance (+/-) Ex-post
Australia	FTA	(+)	05/2004	01/2005	(+)
Bahrain	FTA	(-)	09/2004	08/2006	(+)
CAFTAR-DR*	FTA	(-)		03/2006-01/2009	(+)
Chile	FTA	(-)	06/2003	01/2004	(+)
Colombia	TPA**	(-)	11/2006	Awaiting approval by the U.S. Congress	(-)
Israel	FTA	(-)	08/1985	01/1985	(-)
Jordan	FTA	(+)	10/2000	12/2001	(-)
South Korea	KORUSFTA***	(-)	06/2007	Awaiting approval by the U.S. Congress and the S. Korean Assembly	(-)
Morocco	FTA	(+)	06/2004	01/2006	(+)
NAFTA****	FTA	(-)	12/1993	01/1994	(-)
Oman	FTA	(-)	01/2006	01/2009	(+)
Panama	TPA	(-)	06/2007	07/2007	(-)
Peru	TPA	(-)	04/2006	02/2009	(+)

Source: Top US Export Markets: Free Trade Agreement and Country Fact Sheets 2009, Washington, DC (2010); www.trade.gov.

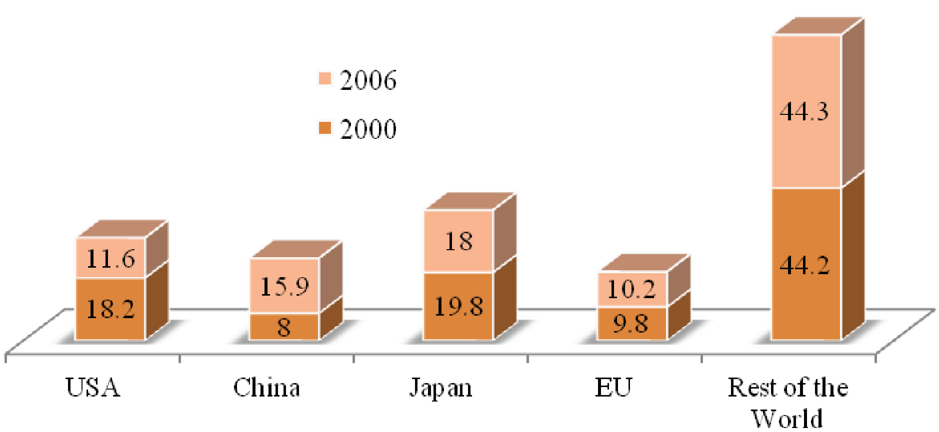
*CAFTAR-DR = Central America-Dominican Republic Free Trade Agreement (El-Salvador, Honduras, Nicaragua, Guatemala, Dominican Republic and Costa Rica); **TPA = Trade Promotion Agreement; ***KORUS FTA = South Korean–U.S. Free Trade Agreement; ****NAFTA = North America Free Trade Agreement.

While some U.S. representatives may want to revert to protectionism as a strategy to cope with the economic recession, other U.S. senators urge the White House to bring the Republic of Korea – United States Free Trade Agreement (KORUS FTA)[vii] to the top of the list. The Obama Administration is under pressure to proceed with the ratification of the stalled KORUS FTA. KORUS FTA was signed three years ago, on June 30, 2007, by the U.S. and South Korea. Nonetheless, it has not yet been ratified by the U.S. Congress or by the South Korean National Assembly, and it is therefore not enacted. Imports of Korean automobiles and exports of U.S. beef are part of the contentious issues. Proponents argue that this ratification will create thousands of jobs and produce billions in wealth. Some estimates show that U.S. exports to Korea would likely increase by about $9.7-10.9 billion and U.S. imports from Korea would likely increase by about $6.4-6.9 billion, mainly due to lifting tariffs and tariff-rate quota provisions included in the agreement.[viii] The price that the U.S. pays for its inaction is the loss of trading ground in South Korea. The next G-20 summit that will take place in Seoul in November 2010 is expected to address ways to expedite recovery from the global recession.

South Korea's International Trade Relations and Trade Potential

While the U.S. contemplates whether to ratify KORUS FTA, South Korea is rapidly changing its engagement in free trade deals with other countries and regional countries-unions.[ix] China, Japan and the European Union (EU)[x] are now serious U.S. challengers in South Korea. Figure 1 serves as a heuristic example of the U.S. export market share in South Korea from 2000 to 2006, juxtaposed to the other trade challengers. In 2000, Japan and the U.S. were the leading countries exporting to South Korea. Both had almost 40% of the South Korean export market share; China and the EU constituted only 8% and 9.8% of the exports to South Korea, respectively. By 2006, however, China and the EU had significantly increased their export share to South Korea. China almost doubled its export market share in South Korea (from 8% to 15.9%) and the EU expanded its presence in South Korea from 9.8% in 2000 to 10.2% in 2006. In 2006, the U.S. made up only about 12% of export market share in South Korea.

Figure 1: Export Market Share in South Korea



Source: US-Korea Business Council: US-South Korea Free Trade Agreement: Economic Opportunity, Strategic Imperative, Washington, DC, 2008. Under: http://www.usSouth Koreacouncil.org/portal/uskbc/issues/fta.

South Korea becomes more and more attractive in the eyes of foreign nations, promising lucrative business opportunities. A recent survey by the World Bank in 2010 shows that South Korea has tremendously improved its business environment[xi] compared to many other OECD countries. Out of 183 countries in the report, South Korea was on the 19th place regarding the ease of doing business, a much higher rank than its 23rd position a year before (in 2009). Major improvements can be observed in different domains; for example, South Korea ranked 8th out of 183 countries vis-à-vis the easiness of trading. In addition, South Korea has substantially made major cuts in corporate tax rates (from 25% to 22%) that are enticing to businesses.

Besides increasing its exports to South Korea, the EU went a step further by initiating trading agreements with South Korea. Their talks about an FTA started in May 2007. While the agreement was signed, it has not been ratified yet mainly due to Italy's opposition. Italy is holding back arguing that its automobile sector would be unfairly jeopardized by South Korean competitors.[xii] While the FTA with South Korea is on the back burner, Korea pursues trade agreements with other countries. On November 30, 2009, 22 developing as well as emerging countries including Brazil, Egypt and Vietnam signed a deal with South Korea reducing customs duties by 20% on 70% of their trading. Furthermore, on January 1, 2010, China and six other countries from South-East-Asia eliminated the quasi-totality of custom duties on 7,000 products covering 90% of their exchange.[xiii]

Comparing EU's FTA with South Korea to the KORUS FTA, analysts point out that the first surpasses the latter, albeit the later has better clauses for the U.S. The EU-South Korea FTA is the largest bilateral FTA that will immediately eliminate 82% of South Korea's tariffs and 94% of the EU's tariffs. In five years after implementation, the EU-South Korea FTA will also eliminate 94% of South Korea's tariffs and virtually all (99.6%) of the EU's tariffs. Table 2 illustrates the concrete tariff elimination agreements between Korea and the U.S. and Korea and the EU vis-à-vis manufactured goods.

Table 2: Tariff Elimination on Manufactured Goods (in %)

	KOREU FTA				KORUS FTA			
	Korean Commitment		EU Commitment		Korean Commitment		U.S. Commitment	
	No. of Items	Import Value	No. of Items	Import Value	No. of Items	Import Value	No. of Items	Import Value
Immediate removal (A)	90.7	69.4	97.3	76.7	89.9	81.0	87.3	85.5
Removal in 3 years (B)	5.1	22.4	2.1	16.6	6.3	13.2	4.1	6.9
Early removal (A+B)	95.8	91.8	99.4	93.3	96.2	94.3	91.4	92.4
Removal in 5 years	3.7	6.9	0.6	6.7	1.9	1.5	4.0	3.4
Removal in 7 years	0.5	1.3	-	-	-	-	-	-
Removal in 10 years	-	-	-	-	1.9	4.2	4.6	4.2
Total	100	100	100	100	100	100	100	100

Source: Bank of Korea, Republic of Korea Economic Bulletin (2009).

Decreux et al. (2010) in their recent report for the European Commission show that the effects of the EU-South Korea FTA on the Gross Domestic Product (GDP) are positive for both the EU (0.08%) and South Korea (up to 0.84%).[xiv] On the other hand, if the KORUS FTA is approved, it would eliminate 94.5% of South Korean tariffs on consumer and industrial products within three years from its enactment, and virtually all tariffs will be eliminated within the following ten years.[xv] Tariffs on Korean small cars and on American cars to South Korea will be removed immediately. However, studies on the potential welfare effects of the KORUS FTA suggest that the KORUS FTA would give a modest boost to bilateral trade and GDP in the U.S. as well as in South Korea.[xvi] More details on the KORUS FTA are presented in Box 2.

Box 2: Essential Benefits from the South Korea – U.S. Free Trade Agreement (KORUS FTA)

- **Tariffs:** Nearly 95% of U.S. industrial and consumer products exports will become duty-free in South Korea within three years of entry into force of the agreement
- **Investment:** All forms of investment are protected under the agreement
- **Services:** The FTA provides meaningful market access commitments that extend across virtually all major services sectors
- **Government Procurement:** The FTA will provide US firms non-discriminatory access to nine South Korean central government entities that are not covered under the plurilateral World Trade Organization Agreement on Government Procurement (GPA)
- **Intellectual Property Rights:** The FTA will provide for improved standards for the protection and enforcement of a broad range of intellectual property right, including trademarks, copyright, and patents

Source: U.S. Department of Commerce, International Trade Administration (2010).

While the U.S. International Trade Administration claims that South Korea was the 8th U.S. export partner in 2008[xvii] with a U.S. export volume of $34,669 million, a different picture emerges when looking at the South Korean trading partners from Korean statistics. As Table 3 shows, while the U.S. constitutes South Korea's fourth destination country for its exports, the U.S. is not the premier seller to South Korea. In 2009, South Korean imports from the U.S. were only about 9% of its total imports. At the same time other countries and regions, such as China, Japan, the ASEAN-countries,[xviii] and the EU have higher holdings of the Korean market. For example, in 2009 South Korean imports from China constituted 17% of the market and China was the first destination country of South Korean products.

Nonetheless, South Korea values FTA with the EU and the U.S. It is concerned that the ratification of the FTA concluded with the EU will be taken hostage by the European Parliament, similarly to KORUS FTA being blocked by the U.S. Congress since 2007. South Korean diplomats are repeatedly raising this issue during their meetings with their European counterparts. "They systematically raise the need to ratify the deal swiftly," a senior French diplomat told Europolitics transport. Chief negotiator Lee Hye-min reaffirmed his country's wish to sign the FTA with the EU in April, just before meeting his European counterpart, in March in Paris.

Table 3: Top 16 South Korean Trade Partners in 2009

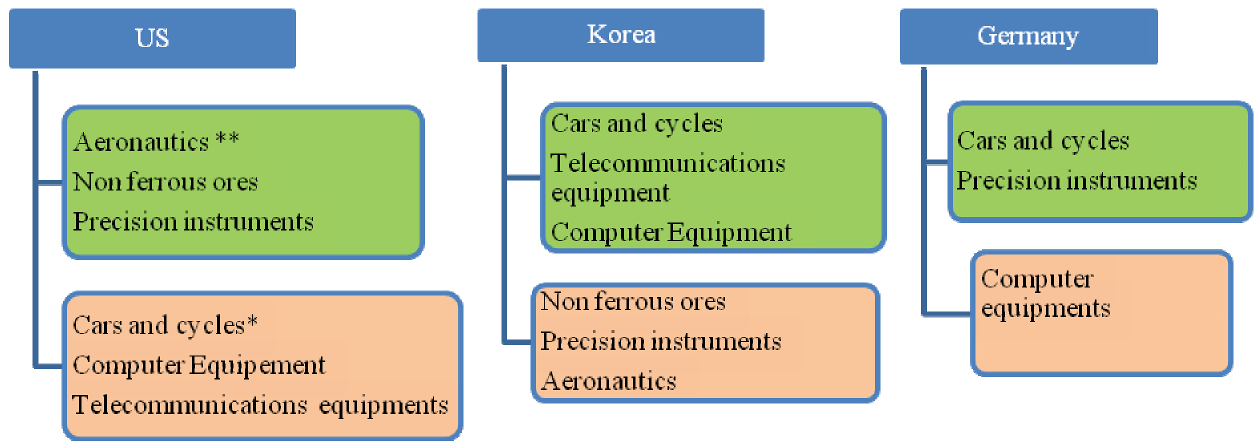
	South Korea Exports to			South Korea Imports from		
Rank	Trade Partner	Millions USD	Share	Trade Partner	Millions USD	Share
1	China	86,703	23.9	China	54,246	16.8
2	EU	46,608	12.8	Japan	49,428	15.3
3	ASEAN	40,979	11.3	ASEAN	34,053	10.5
4	**The United States**	**37,650**	**10.4**	EU	32,232	10.0
5	Japan	21,771	6.0	**The United States**	**29,039**	**9.0**
6	Singapore	13,617	3.7	Saudi Arabia	19,737	6.1
7	Germany	8,821	2.4	Australia	14,756	4.6
8	India	8,013	2.2	Germany	12,298	3.8
9	Mexico	7,133	2.0	Singapore	7,872	2.4
10	Brazil	5,311	1.5	Russia	5,789	1.8
11	Australia	5,243	1.4	India	4,142	1.3
12	Russia	4,194	1.2	France	4,006	1.2
13	Saudi Arabia	3,857	1.1	Brazil	3,744	1.2
14	The United Kingdom	3,797	1.0	Canada	3,535	1.1
15	Canada	3,440	0.9	The United Kingdom	2,896	0.9
16	France	2,911	0.8	Mexico	972	0.3

Source: South Korea Ministry of Knowledge and South Korea International Trade Association South Korea; Own presentation.

Is a Free Trade Agreement with South Korea Meaningful and Beneficial for All?

Revealed Comparative Advantages (RCA)[xix] offers a powerful answer. RCA are simply a country's strong points. They refer to products and services where each country has a comparative advantage in and can export. Products and services that the country needs to import are its weak points. Box 3 illustrates the RCA of the U.S. and South Korea. These RCA are juxtaposed to Germany's RCA. Box 3 documents perfect complementarities of trading between the U.S. and South Korea in three areas. The U.S.' strong points in aeronautics, non ferrous ores, and precision instruments almost perfectly match South Korea's weak points, making it a win-win situation. On the other hand, South Korea has a strong comparative advantage in the sectors of cars and cycles, telecommunications equipment and the manufacturing of computer equipment, and it is in these same sectors where the U.S. is weak and relies on imports. These trade statistics show that the U.S.' commercial relations with South Korea harmoniously follow their respective RCA.

Box 3: Revealed Comparative Advantages (RCA) for Selected Sectors in 2006; Thousandths of GDP in Current USD



Source: Adapted from M. Fouquin and C. Herzog (2009)
** denotes the country's strong points; * denotes the country's weak points.

By integrating Germany in this picture, we see that both the U.S. and Germany have strong RCA with regards to precision instruments, therefore creating competition between them. In this case, the U.S. and Germany appear to be substitutable in the eyes of South Korea. The question is which country can sign a better deal with South Korea? Similarly, both the U.S. and Germany are weak in the manufacturing of computer equipment causing them to rely on imports from South Korea. Once again, South Korea could have an advantage in signing an agreement with either the U.S. or Germany as they appear to be substitute countries in need of computer equipment.

Table 4 provides a more detailed picture of the U.S. exports in 2008. Almost 40% of U.S. exports to South Korea were machinery and transport equipment (SITC section 8). Next, were food, beverages and tobacco (SITC 0+1) followed by chemicals (SITC 5), each making up 14.4% and 14.5% of exports. Other manufactured goods (SITC 6+8) made up 16.6% of U.S. exports to South Korea. Based on the existing trading figures with South Korea, Table 4 reveals that an FTA with South Korea will actually help the U.S. boost its exports and thus balance its current trade deficit.

Table 4: U.S. Exports by Principal Countries and SITC Sections in 2008 (Value in Millions of USD; Percentages of Country Total)

Country	Total	Shares by SITC sections (%)								
		0+1	2+4	3	5	6	7	8	9	Total
The World	1,299,898.9	7.0	6.2	5.9	13.8	9.6	42.8	10.3	4.3	100
Canada	260,890.2	6.7	3.4	6.3	10.4	13.9	44.9	10.7	3.7	100
Mexico	151,524.8	7.7	5.2	7.3	12.6	13.8	41.3	8.6	3.5	100
China	71,456.4	3.5	28.4	0.6	13.0	7.0	40.0	6.5	0.9	100
Japan	66,573.4	19.3	7.4	2.0	16.0	6.2	33.2	13.9	2.1	100
Germany	54,672.1	2.2	4.5	1.2	18.7	6.8	51.2	11.5	3.5	100
The United Kingdom	53,772.0	2.7	4.9	2.0	14.3	6.8	38.0	17.7	13.6	100
The Netherlands	40,220.7	3.3	4.3	14.3	28.1	3.2	30.3	14.9	1.7	100
South Korea	34,806.6	14.4	10.6	3.2	14.5	5.7	39.2	10.9	1.6	100
Brazil	32,909.9	1.7	1.9	6.8	21.7	5.6	54.2	6.4	1.7	100
France	29,948.9	2.2	1.6	6.4	17.1	6.2	47.3	15.7	3.5	100

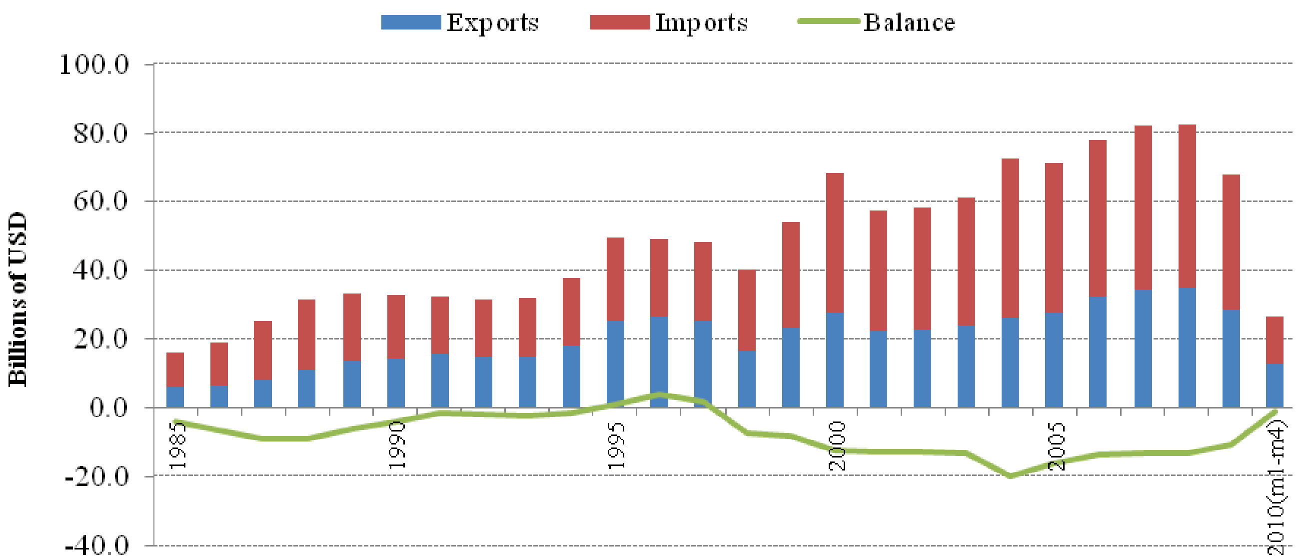
Source: United Nations: 2008 International Trade Statistics Yearbook, New York (2009).

Figure 2 illustrates the U.S. trade with South Korea from 1985 to 2010. The trade balance line lies for the most part on the negative. The latest U.S. trade surplus with South Korea occurred in the period of 1994 to 1997. Over the last decade the U.S. has been importing more from South Korea than it has been exporting. This trend went on until the mid-2000s. Starting in 2007, which also happens to be the year the KORUS FTA was signed, there is an upward trend of the U.S. trade balance with South Korea. Since August 2009, the U.S. monthly trade deficit with South Korea has been below one billion USD, and in March 2010, for the very first time since the glorious period of 1995-1997, the U.S. reached a trade surplus with South Korea of 47.5 million dollars.

This fact seems not to fit well with the fear expressed by some U.S. officials in the past. For instance in June 2007, the then Presidential candidate Hillary R. Clinton opposed the KORUS FTA by saying "*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.*"[xx]

By delaying to enact the KORUS-FTA, the U.S. missed some opportunities that would have boosted its exports balance with South Korea. Recent exchange rates evolutions substantiate this argument. For instance in February 2009, the year-on-year percentage change of Won-/US-dollar was 61.8%. The Won-/Euro-rate during that period was 35.6%.[xxi] In spite of the slight appreciation of the US-dollar in 2009, it remained below its level before the financial crisis of 2008 (Figure 3). In such a situation, an FTA

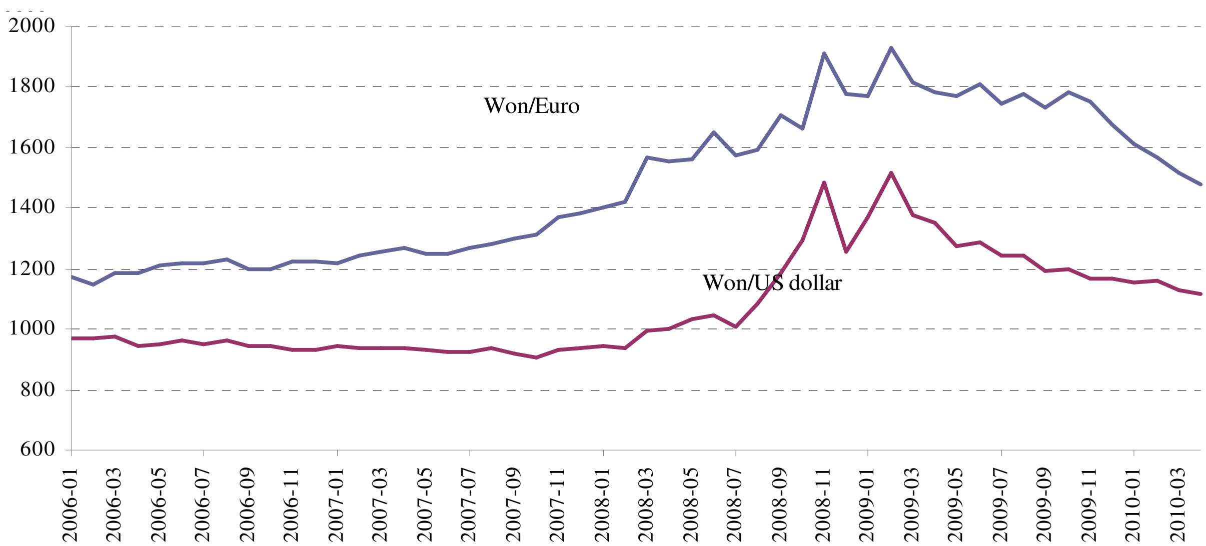
Figure 2: US Trade in Goods with South Korea



Source: U.S. Census Bureau and International Trade Administration; Own presentation.

with Korea would have undoubtedly been beneficial for American exporters, therefore boosting the U.S. trade balance with South Korea.

Figure 3: Monthly Won-/Euro and Won-/USD Exchange Rates (2006-2010)



Source: Bank of Korea (2010; 2008).

Concluding Remarks

In the shadow of the agonizing Doha Round talks, there is an unspoken ‘battle’ between the EU and the U.S. as well as China over South Korea’s international trade. South Korea is currently the 8th largest export economy of the world and comes at the top on the Global Innovation Index, ahead of the U.S. (2nd) and Japan (3rd). It has been putting a great deal of efforts to achieving its goal of becoming an FTA hub in Asia; a goal achieved through expanding its exports and fostering the global competitiveness of its economy, especially since the early 2000s when its economy quickly rebounded from the Asian financial crisis in 1997-1998.

Understanding the benefits of the KORUS FTA the Obama Administration has shown interest in pursuing the FTA negotiations with South Korea. However, it has lost momentum and needs to move ahead with speed if it wants to reverse its trade deficit and increase its exports. Given South Korea’s potential, there is a rising interest by other major global players to strike trading agreements with South Korea. This, along with Japan’s narrower vision of an East Asia Community that would implicitly exclude the U.S. (as claimed by former Japan’s Prime Minister Yukio Hatoyama) constitutes a major imperative for the current Administration to move ahead.[xxii]

With regards to the feasibility of boosting the U.S. exports, there is strong evidence based on existing trade data that such a goal is achievable. As shown in the present brief, the U.S. has always been able to balance its trade deficit vis-à-vis specific countries after signing/implementing FTA with them. In fact, the U.S. is gaining a momentum in terms of balancing its trade deficit with South Korea since the signature of the KORUS FTA in 2007. Given South Korea’s importance and potentials, enacting the KORUS FTA would undoubtedly help the U.S. boost its exports. It is in the interest of the current Administration as well as of the Congress to move forward and ratify the KORUS FTA promptly. This imperative message is also valid for the EU as well as for Germany. If they want to secure trade advantages with South Korea, they have got to hurry up.

Endnotes

[i] Schott, J. J. 2008. The Future of Multilateral Trading System in a Multi-polar World. *Peterson Institute for International Economics*, Washington, DC. www.iie.com/publications/papers/schott0608.pdf.

[ii] Baldwin, R. and Jaimovich D. June 2010. Are Free Trade Agreements Contagious? *NBER Working Paper No. w16084*.

[iii] White House: Economic Report of the President 2010: p. 134. http://www.gpoaccess.gov/eop/download.html.

[iv] White House, mimeo. 2010. On this transatlantic debate see Zimmermann, K. F., *DIW Wochenbericht Nr. 23/2010, 20*.

[v] China responded by announcing that it will revise its currency peg with the U.S. dollar. However, one should be cautious judging this action hastily and wait to see how things will unfold.

[vi] Bergsten, C. F. February 3, 2010. How Best to Boost US Exports. Op-ed on the Washington Post. http://www iie.com/publications/opeds/print.cfm?researchid=1481&doc=pub.

[vii] It was former U.S. President G. W. Bush, who had initiated the free trade agreement with South Korea.

[viii] Schott, J. J. 2009. FTAs and the Future of US – Korean Trade Relations. *Peterson Institute for International Economics*, Washington, DC.

[ix] South Korea began to be considered as a “developed” or “high-income” country (with a GDP per capita of $28,000) by major development organizations such as the World Bank and the International Monetary Fund in the mid-1990s.

[x] Note that the EU is an economic and political union of 27 country members with a population of more than 500 million citizens, thus de facto becoming a tremendous market.

[xi] World Bank 2010. Doing Business 2010: Reforming through Difficult Times. Washington, DC.

[xii] Miller, J. W. May 18, 2010. EU, Central America Reach Trade Agreement. *Wall Street Journal* http://online.wsj.com/article/SB10001424052748703957904575252133131893888.html.

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[xv] Stangarone, T. 2009. South Korea-EU FTA Represents a Challenge for the United States. South Korea Insight, *South Korea Economic Institute*, Washington, DC.

[xvi] For more details on these studies and reasons for delays in the implementation of the KORUS FTA see Schott, J. J. 2008. Implementing the KORUS FTA: Key Challenges and Policy Proposals. *Peterson Institute for International Economics*, Washington, DC.

[xvii] Canada, Mexico, China, Japan, Germany, the United Kingdom and the Netherlands were respectively the top seven export partners in the U.S.

[xviii] ASEAN-Association of South-East Asian Nations (Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam).

[xix] For more details on RCA see Schrooten, M. and Koenig, P. 2006. Exportnation Deutschland – Zukunftsfaehigkeit sichern. *DIW Wochenbericht 41/2006*, 545.

[xx] As mentioned in Schott, J. J. 2008. Implementing the KORUS FTA: Key Challenges and Policy Proposals. *Peterson Institute for International Economics*, Washington, DC, 2008: 87.

[xxi] Bank of Korea September 2008. Statistical Appendices. *Republic of Korea Economic Bulletin*, Vol. 30, No. 9 and Bank of Korea May 2010. Statistical Appendices. *Republic of Korea Economic Bulletin*, Vol. 32, No. 5.

[xxii] Barfield, C. and Levy, P. January 28, 2010. Comment on “Tales of the South Pacific: President Obama, the Trans-Pacific Partnership and US Leadership in Asia,” *VOX*, entry posted January 28, 2010. http://vox.cepr.org/index.php?q=node/4533.