

# Securitizing trade: the case of the Korea–US free trade agreement

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## Abstract

The Korea–US free trade agreement (KORUS FTA) of 2007 clearly shows how countries simultaneously pursue economic benefits and strategic interests in trade negotiations. This study argues that the surprise launch and the successful conclusion of the KORUS FTA illustrate the joint efforts by the United States and the Republic of Korea to *re-securitize* their bilateral economic relations. Security and strategic calculations held by top policy-makers on both sides catalyzed the official launch of FTA negotiations by removing a number of longstanding trade irritants such as Korea's screen quotas and ban on US beefs. At the post-negotiation stage, however, the lack of bipartisanship—particularly in the United States—to provide trade liberalization for their allies in favor of their own broader strategic interests has led to the legislative stalemate of executive efforts at re-securitization of trade relations. This study concludes that the stalemated ratification process

shows the erosion, not the strength, of US power to provide security and trade liberalization as public goods.

## 1 Introduction

After eight intensive rounds of negotiations since June 2006, the Republic of Korea (ROK) and the United States concluded a landmark Korea–US free trade agreement (KORUS FTA) on 1 April 2007 and signed it on 30 June 2007. The KORUS FTA represents the ever most important FTA for the ROK and one of the most commercially significant FTAs for the United States after the conclusion of North American free trade agreement (NAFTA) in 1993. The negotiation process was not an easy one. Since the signing of the agreement, the two governments have been struggling with even tougher legislative ratification processes. Right before the opening of the G20 summit in Seoul in November 2010, the two sides agreed to rejuvenate the KORUS FTA by resolving bilateral differences over beef and automotive trade. On 3 December 2010, additional negotiations were finally concluded during a ROK–US trade ministers' meeting in Maryland, USA. Presidents Lee Myung-bak and Barack Obama have urged the Korean National Assembly and the US Congress to approve the KORUS FTA as soon as possible, but it remains uncertain that lawmakers on both sides of the Pacific will be convinced any time soon.

From its controversial launch to its successful conclusion to its stalemated ratification process, the KORUS FTA presents a series of intriguing puzzles that are now at the forefront of the minds of both academics and policy-makers. Why did both countries enter into negotiations at that particular moment in 2006? How and why was the deal successfully concluded despite considerable skepticism and criticism from policy analysts as well as the general public? More notably, why does the agreement remain stymied in the ratification phases despite initial optimism by chief negotiators on both sides of the Pacific?

We begin with an observation that economic factors alone cannot fully explain these puzzles. Aside from purely economic goals, countries pursue a variety of security and strategic objectives through FTAs (Harris and Mack, 1997; Shirk and Twomey, 1997; Aggarwal and Urata, 2006; Taylor and Luckham, 2006; Solís and Katada, 2007; Aggarwal

and Koo, 2008; Capling, 2008; Pempel, 2008; Mochizuki, 2009). The KORUS FTA clearly shows how countries can simultaneously pursue economic benefits and strategic interests in trade negotiations. In addition to the goal of maximizing the gains from trade and investment, the ROK wanted to hedge against the growing strategic uncertainties in Northeast Asia by cementing its economic ties with the United States. For its own part, the United States realized that an FTA with the ROK would give Washington a strong foothold to maintain its strategic and economic presence in the region increasingly dominated by its strategic competitor – or vital partner – China.

We investigate how various security and strategic factors along with economic considerations have influenced the sequential stages of pre-negotiation, negotiation, and post-negotiation of the KORUS FTA. We argue that the surprise launch and the successful conclusion of the KORUS FTA illustrate the joint efforts by the two traditional allies to re-securitize their bilateral economic relations. We also contend that the stalemated ratification process shows the erosion, not the strength, of US power to provide security and trade liberalization as public goods.

The remainder of this study unfolds as follows. Section 2 examines the postwar trade and strategic relations between the ROK and the United States, and then outlines key features of securitization, de-securitization, and re-securitization of trade relations as principally designed by the United States. Sections 3 and 4 analyze stages of pre-negotiation, negotiation, and post-negotiation of the KORUS FTA by focusing on the influence of security and strategic calculations on each stage. At the pre-negotiation and negotiation stages, we highlight security and strategic calculations held by top policy-makers on both sides of the governments catalyzed the official launch of FTA negotiations by removing a number of longstanding trade irritants such as ROK's screen quotas and ban on US beefs. At the post-negotiation stage, the lack of bipartisanship – particularly in the United States – to provide trade liberalization for their allies in favor of their own broader strategic interests has led to the legislative stalemate of executive efforts at re-securitization of trade relations. Section 5 draws conclusions and policy implications for the partisan divides that have been the hallmark of politics in both countries for the past two decades.

## 2 Trade-security nexus in United States-ROK relations

In most of the Cold War period, the trade-security nexus between the ROK and the United States has undergone three distinct but related phases moving from *securitization* to *de-securitization* to *re-securitization* of economic relations.<sup>1</sup> The key player in the story has been the United States, but more recently, ROK's proactive role is increasingly becoming evident. For a long time during the Cold War period, security and strategic considerations overshadowed economic interests between the two allies under the hub-and-spokes system designed by the 1951 San Francisco Peace Treaty.<sup>2</sup> Yet, the end of the Cold War and the Asian financial crisis reversed the trend in the 1990s, placing economic policy at the front the trade-security nexus. And yet again, the post-9/11 trade-security nexus is changing in favor of embedding commercial interests to security, although it is yet to be seen whether it would survive the global economic downturn that started with America's subprime mortgage crisis in 2008.

The realist perception was prevalent during the Cold War period with security considerations having overshadowed, if not totally supplanted, bilateral commercial interests between the two allies.<sup>3</sup> Indeed, the subordination of trade policy to security policy was the norm of the day in the wake of US–Soviet confrontation. Hostile geo-strategic atmosphere shaped unique institutional pathways for the two countries to manage

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1 This section is partly drawn from Koo (2011).

2 Calder (2004, p. 138–140) outlines the key defining features of the San Francisco system: (i) a dense network of bilateral security alliances; (ii) an absence of multilateral security structures; (iii) strong asymmetry in alliance relations, both in security and economics; (iii) special precedence to Japan; and (v) liberal trade access to American markets, coupled with relatively limited development assistance.

3 A realist view argues that state actors under anarchy must worry that others will gain more from cooperation than they will, as those relative gains might later be turned into military advantage. Under these circumstances, states may choose to trade with allies in order to avoid granting the gains from trade to adversaries. Gowa (1995) contends that power politics is an inexorable element of any agreement to open international markets, because of the 'security externalities' that trade produces by enhancing the potential military power of any country that engages in it. For her, trade with an ally makes both parties stronger, whereas trade with an enemy creates what she calls 'a security diseconomy'. Arguing that the security externalities created through international exchange affect the willingness of countries to adopt free trade, Gowa supports a realist view of the subordination of economics to security.

their bilateral economic and strategic ties through a combination of US-centric bilateral and multilateral arrangements (Cumings, 1993; Grieco, 1997; Katzenstein, 1997; Aggarwal and Koo, 2008; Pempel, 2008). In pursuit of security-embedded economic stability, both countries agreed to the system that offered the ROK access to the US market in return for a bilateral security alliance with the United States. Together with large US military forces stationed in Japan, the Philippines, South Vietnam, and Guam, the bilateral security ties with the ROK became the backbone of America's hub-and-spokes strategy to contain communist forces in the region. It was evident during the Cold War period that the United States put its geopolitical commitments ahead of its geo-economic needs. To manage global challenges posed by the communist bloc, the United States needed the full support of its East Asian allies, thus buying its allies' support at the expense of American industries (Ikenberry, 2004).

Yet, the 1990s witnessed the reversal of such a trend as the United States began to show less security commitment to the ROK as well as to the East Asian region more broadly. The shifting alliance politics in the immediate post-Cold War period was accelerated by the difficulties facing the American economy. The United States remained competitive and committed to open trade until the late 1970s. However, the second oil shock of 1979 revealed that American manufacturers were unprepared for the dramatic shift of market demand toward high-energy efficiency. The congressional response produced explicit protection for America's industries, voluntary export restraints by foreign manufacturers, and local content legislation (Destler, 2005, p. 77–79). Most importantly, there was a dramatic increase in industrial petitions under the new legislative initiative against unfair trade practices of foreign manufacturers.<sup>4</sup>

Initially, the major target of the US fair-trade policy was Japan. Yet, as the trade imbalance with the ROK increasingly worsened in the late 1980s, the United States also became concerned about ROK's unfair trade practices. As a result, the Bill Clinton administration invoked

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4 The 1988 Trade Act transferred to the USTR from the president not only authority to determine whether foreign trade practices were unfair, but also to take specific retaliatory action. And it added to Section 301's emphasis on specific trade practices a provision commonly known as Super 301, a mandate that the USTR identify 'priority foreign countries' whose acts, policies, or practices impeded US commercial interests and impose up to 100% retaliatory tariffs on foreign exports to the United States (Destler, 2005, p. 129).

provisions of Super 301 in October 1997 to secure a meaningful opening of the Korean market and, particularly, meaningful access to US auto-makers, listing its automarket as Priority Foreign Country Practice (PFCP) (Stevenson, 1997).<sup>5</sup> During this period, much of the United States Trade Representative (USTR)'s energy was directed to what was labeled 'aggressive unilateralism': negotiations aimed at opening specific foreign markets under the threat of closing US market (Bhagwati and Patrick, 1991). In many respects, the 1990s were the heyday of fair trade ideas in the US trade policy circle and these ideas were also justified theoretically by the strategic trade policy theorists (Krugman, 1987; Goldstein, 1988).

Yet again, by the time the 9/11 attack occurred, America's trade policy changed dramatically under the rubric of 'competitive liberalization,' in which global, regional, and bilateral trade negotiations would complement and reinforce each other, as articulated by President George W. Bush's first USTR, Robert Zoellick. Zoellick had long seen such agreements as having geopolitical significance. This view clearly found resonance in the Bush White House (*The White House of the United States of America*, 2002). In justifying this approach, Zoellick and his trade officials identified a series of national interests that fall within four categories: (i) 'asymmetric reciprocity' that advantageously opens markets for US traders and investors; (ii) establishing precedents, models or serving as catalysts and benchmarks for broader trade agreements; (iii) rewarding and supporting domestic market-oriented reformers and advancing democratic institutions; and (iv) strengthening strategic partnerships by allying with a regional leader going beyond cost-benefit calculation of trade liberalization: that is, trade was to be used as an instrument to influence the balance of power among states and affect processes of political and economic change (Zoellick, 2001; Feinberg, 2003).

According to Higgott (2004), the elements of the unprecedented American military preponderance are identified as a strange and

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5 After several intensive rounds of negotiations, the two parties reached an agreement in Washington on October 20, 1998. The Korean side did not give in to the United States demand that import duties on foreign vehicles be cut from the current 8% to 2.5%, but the Korean government did yield to requests to amend its complicated automobile tax system, which penalized large engine displacement cars that the United States has a particular comparative advantage in, and to lift other non-tariff barriers.

paradoxical combination of liberal–idealist fundamentalism, which can in turn be defined as ‘concerted unilateralism.’ For him, the implication of this combination of American ideas and contemporary power led to the ‘securitization of globalization.’ That is, the Bush administration ‘securitized’ the neoliberal economic agenda and its foreign economic policy in the context of its changing view of sovereignty and security in contemporary global affairs.

This move was institutionally bolstered by the ‘Bipartisan Trade Promotion Authority of 2002’ enacted by US Congress. It was a watershed for the Bush administration to end the eight-year lack of the fast-track authority to conclude trade agreements with a simplified ratification procedure.<sup>6</sup> The law set forth overall trade-negotiating objectives: ‘obtain more open, equitable, and reciprocal access.’ On the surface, the president was authorized to conclude trade agreements only on the condition of very close consultations with Congress and trade advisory committees. However, it also left a considerable slack to be enjoyed by the president (and the USTR) in the aftermath of the 9/11 attacks, which justified the urgency to cement America’s trade ties with its allies. The Bush administration used the authority to pursue a parallel track of preferential and multilateral trade negotiations, while embedding the neoliberal economic agenda into its foreign policy goals. To be sure, the trade promotion authority (TPA) allowed the Bush administration to enjoy more degree of freedom in negotiating trade agreements than the Clinton administration did without such an authority.

The audience for this re-securitization – America’s trading partners – was aware of the salience of the relationship between the two closely related but discrete domains of policy. During the Bush administration, America’s trading partners were explicitly considered in a way that connects security with economic cooperation.<sup>7</sup> The Bush

6 The measure was closely contested in the House, where it passed by only a three-vote margin, 215–212 (versus the Senate, where the margin was 64–34) (Murphy, 2002, p. 980).

7 For instance, New Zealand was excluded because of its long-standing refusal to welcome US vessels that might be carrying nuclear weapons. And the signing of the final agreement with Chile was delayed because that nation had failed to give clear support to a US–British resolution authorizing war with Iraq (Destler, 2005, p. 300). The United States turned aside a Taiwanese request for an FTA because such an accord would jeopardize Sino–US strategic relations.

administration put into effect FTAs with Jordan, Chile, Singapore, Australia, and Morocco, and completed free trade deals with Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Peru, Oman, Bahrain, Panama, and Colombia. In the Asia-Pacific, Singapore was one of the first East Asian countries that have been drawn into this direction.<sup>8</sup> Australia followed soon after. The United States also launched negotiations with Thailand in 2004 and with Malaysia in 2006.

For the United States, all were of strategic significance. For instance, the USTR assured: ‘an FTA with Malaysia will advance other important policy goals, including supporting our partnership on security... Malaysia is a moderate Muslim country in a critical part of the world and has been an important partner in the war on terror’ (USTR, 2006a). The USTR continued: ‘these agreements have also reinforced the United States commitment to critical allies and regions of particular geo-strategic importance in the Americas, Middle East, and Asia-Pacific region’ (USTR, 2008, p. 2). In addition, the United States began to advocate the idea of Free Trade Area of the Asia-Pacific (FTAAP) at the Asia-Pacific Economic Cooperation (APEC) Summit in Santiago, Chile, in 2004. US State Department officials approached their counterparts in Japan and Singapore to build coalitional support for the new FTAAP initiative that would prevent the creation of an Asian trade bloc that would ‘draw the line down the middle of the Pacific’ (Dent, 2008, p. 134). President Bush advocated this idea again at the 2006 APEC meeting in Busan, Korea. Set against this backdrop, the next two sections analyze the evolution of the KORUS FTA with a special attention to the role played by security and strategic considerations of both the United States and the ROK at pre-negotiation, negotiation, and post-negotiation stages.

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8 Singapore considered the security factor as the single most important motive for entering an FTA with the United States in 2003, while it considered economic benefits of the agreement insignificant due to its traditional openness and small size of economy. At the same time, Singapore has approached China both economically and diplomatically so that the US-Singapore FTA would not irritate Beijing. As a result, Singapore and China have made conscious effort to improve their political and economic relations for the past years. Singapore’s dual approach to the United States and China shows the changing nature of the economics-security nexus in East Asia (Pang, 2006).



### 3 Entering into negotiations

The then Korean Trade Minister Kim Hyun-chong's announcement in February 2006 that KORUS FTA negotiations would be officially launched within several months came as a complete surprise to most commentators as well as the public. Few expected that the ROK would negotiate an FTA with the world's largest economy, the United States, at such a short notice. A deal with the United States would most likely incur huge adjustment costs to the Korean economy, and thereby political risks to the then Roh Moo-hyun administration (2003–2008) which was suffering from declining popularity. Despite grave concerns about the lack of transparency in the government's decision-making as well as allegedly serious side effects of the prospective agreement on some uncompetitive sectors, Minister Kim made a bold claim in February 2006 that a prospective FTA with the US would be the most important event ever since the signing of the US–ROK military alliance in 1953 (USTR, 2006b, p. 3). To him, it meant more than a means to lowering trade barriers between the two countries. His argument about an economic 'alliance' eventually convinced his once skeptical American counterparts, thus paving the way for an official launch of FTA negotiations in June 2006.

#### 3.1 *What did the US want?*

For the US, an FTA with the ROK would have great economic potentials. If concluded, it would be one of the America's most commercially significant free trade negotiations launched in over 15 years after NAFTA. By the early-2000s, the ROK became the seventh largest trading partner and the sixth largest agricultural market for the US. However, Washington continued to have reservations about Seoul as an FTA partner. As noted earlier, the US gave priority to countries of high-strategic importance, ones that either belong to Americas or play an important role in fighting terrorism. The ROK was not listed as a top priority, but just one of the many candidate countries that had wished to forge preferential economic relations with the United States.

Yet, the rise of China dramatically altered America's strategic calculations with regard to the ROK, as China increasingly threatened American strategists by the mid-2000s. Japan, America's most reliable ally in the region, was also struggling to counter the Chinese initiative.

The Association of Southeast Asian Nations (ASEAN) Plus Three and the emerging East Asia Summit in China's terms would cost America's interests, both economic and strategic. As a result, the need for a counter-balancing strategy began to emerge within the US policy circle (Shambaugh, 2004/5; Sohn, 2010; Terada, 2010).

Max Baucus, US Senator and the chairman of the Committee on Finance, was instrumental in this regard. Senator Baucus judged: 'in the absence of a strong Asia trade policy, Asian countries are looking inward, [and] increasingly, they look toward China.' For him, China was stepping into the void left by America's increasing disengagement in Asia. He said: 'No country has capitalized on this US policy drift more than China.' He claimed that Asian countries want a counter-balancing: 'many Asian countries would like us to be more engaged in Asia, if only to check the rising power of China – a partner to many countries in the region, but also a major competitor' (Baucus, 2004). Baucus' prescription for more active US involvement in the region included the invigoration of APEC as well as bilateral FTAs with the ROK and Japan.

For the US, Japan was naturally the first choice as a security-embedded FTA partner. The US urged Japan to move toward bilateral FTA negotiations for a combination of commercial and strategic reasons. A US–Japan FTA would constitute a critical part in an emerging web of FTAs that the US had worked on in the region. Armitage and Nye (2007, p. 17–18) urged both governments to sign an 'economic alliance agreement' that would send a powerful message to the region, particularly to China. But Japanese exporters showed tepid support for this proposal because US tariff rates to Japanese exports were already very low, while Japan's politically powerful agricultural sector was vehemently opposed to such a trade agreement that would most likely ruin their business. Furthermore, because the then Koizumi administration successfully forged an integrated bilateral alliance with the Bush administration, an FTA with the US as an economic alliance would draw less strategic appeal than what the ROK would expect from such a trade agreement.

Some experts began to suggest that a KORUS TFA could curb the rising tide of Chinese influence by ensuring the US to establish an institutional presence in East Asia. Others added that it could generate a domino effect that leads to other countries like Japan pressing to enter into an FTA with the US (Cooper and Manyin 2007, p. 15). All this

came as the discussions within the APEC as well as US–Japan bilateral discussions were making little progress. Now, the US was ready to move. Minister Kim and his Office of the Minister for Trade (OMT) took this opportunity to drive KORUS FTA negotiations forward. Beginning in 2004, the OMT started proposing a bilateral FTA to the US. OMT's initiative was not surprising because the US often took a follower position in the early stages of FTA games. Initially, the US did not take the OMT's solicitation seriously, questioning Seoul's ability to conclude big commercial deals.<sup>9</sup> Because Minister Kim's American counterparts were not interested in his initial proposal, he decided to approach Canada first as an FTA partner in the belief that such a move would help to motivate a more active response from the US because Canada's trade structure with the ROK is similar to that of the US (an interview with Minister Kim Hyun-chong, May 2009).

Regardless of Kim's tactic, it did not take long for US policy-makers to recognize the strategic significance of an FTA with the ROK as a way to engage in a region, which was increasingly becoming centered on China. At the APEC meeting in Santiago in 2004, Kim's presentation finally impressed USTR Zoellick. The USTR followed: A 'KORUS FTA will strengthen a strategic alliance forged in war and growing in peace [...] will serve the United States' vital interest in maintaining and expanding our partnerships in Asia' (USTR, 2008, p. 14). The same was resonated in the US State Department. As Deputy Secretary Negroponte pointed out, FTAs are 'a vital strategic component of the US' foreign policy of peace and prosperity [...] foster[ing] deeper, stronger, and more extensive bilateral relations between us and our partner economies' (US State Department, 2007).

The US finally agreed to come to the table. In January 2005, the two sides began a six-month bilateral process of feasibility reviews. Once in an FTA game with the ROK, the US explicitly pursued the 'asymmetric reciprocity' as noted in the previous section. The ROK was no exception.

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9 That expectation seemed warranted because the ROK government had enormous difficulties in ratifying an FTA with Chile, a much smaller economy, in 2004. The Korean National Assembly denied ratification five times. The ROK government was also struggling with Japan, the world's second largest economy, for an FTA negotiation that had started in 2003 but stalled ever since November 2004. Furthermore, Korean negotiators were busy completing their existing homework: ongoing negotiations with sizable economies including Canada, Mexico, India, and ASEAN.

At the end of the review, the US demanded sincere action from the ROK to resolve outstanding issues as prerequisite for official FTA negotiations. The US requests included lifting import barriers to American automobiles, pharmaceuticals and beef, and scrapping screen quotas that restricted the showing of foreign (mostly Hollywood) films.<sup>10</sup> For many in the US, Korea's response to these issues would be a litmus test for whether Seoul was politically capable of making the economic compromises that the US would expect from an FTA (Cooper and Manyin, 2007, p. 16–17). Because the US placed high bars in order to achieve asymmetric reciprocity, the prospect for launching FTA negotiations became questionable. This was particularly true, given President Roh's allegedly anti-American stance that had led to frequent strains and clashes with the US over numerous issues including North Korean denuclearization, US forces relocation, dispatch of troops to Iraq, and missile defense (Sanger, 2006).

### 3.2 *What did the ROK want?*

Korean FTA strategy has been driven largely by a dire need to secure export markets. In the aftermath of the Asian financial crisis, Korean policy-makers began to recognize FTAs as promising alternative to the WTO. An FTA approach held strong appeal because it was imperative for the ROK to earn foreign currency by promoting exports. It was against this backdrop that the Kim Dae-jung government (1998–2003) began to pursue an FTA initiative. The Roh government succeeded and further developed the Kim government's FTA policy (Koo, 2009).

President Roh became an enthusiastic supporter of FTA as an instrument of foreign policy. He made two critical decisions. The first was the empowerment of the OMT, which had been established in 1998 during the presidency of his predecessor, Kim Dae-jung. Roh's appointment and personal endorsement of the third OMT Minister Kim Hyun-chong in July 2004 and subsequent decision to increase the OMT's staff power made the agency a natural center of trade policy-making with strong executive power and relative autonomy from other ministries as well as

10 Screen quotas is a policy that enforces a minimum number of screening days of domestic movies in the theater each year in order to protect domestic film markets from foreign competition. In 2006, the ROK government has decided to reduce its 40-year old screen quotas from 146 days to 73 days.

societal actors. The other was the drafting of a comprehensive roadmap of multi-track FTA strategy. While the government's eventual goal was concluding FTAs with its five 'large and advanced' markets including Japan, China, ASEAN, the US, and the European Union (EU), it was necessary to create bridgeheads to those markets – for instance, Singapore as a bridgehead for ASEAN, Canada, and Mexico for the US, and the European Free Trade Association (EFTA) for the EU (Sohn, 2007).

At a first glance, the Roh administration's move toward the KORUS FTA came as a surprise because, according to its original FTA roadmap, an FTA with the US was listed next to bilateral deals with Mexico and Canada in North America. Such an unequivocal change in the order of FTA partner selection illustrates an implicit but noticeable inclusion of, and emphasis on, strategic values of FTAs in ROK's FTA equations. Of course, the Roh administration expected handsome economic gains from an FTA with the US. In particular, its top policy elites believed that an FTA with the US would accelerate its market-oriented reform process and upgrade its economy, thus helping overcome the likely scenario of a Korea 'sandwiched' between Japan and China. On this score, Kim Hyun-chong was particularly enthusiastic. He made it no secret that the KORUS FTA would be an effective way of transforming the fundamental structure of Korean economy from a Japan-oriented developmental model to an American style neo-liberal model (an interview with Minister Kim Hyun-chong, May 2009).

Equally important were strategic calculations that Roh made in a new emerging geopolitical landscape surrounding the Korean Peninsula. Three developments were salient. First, ROK's regional policy was increasingly becoming affected by China which offered growing economic opportunities and soft power resources that rival those of the US. As of 2005, China replaced the US as Korea's largest trading partner. China also impressed the ROK by showing more proactive leadership than in the previous decade in dealing with the North Korean nuclear crisis within the Six-Party Talks framework. Indeed, China became the ROK's most important economic as well as strategic partner in the Peninsula affairs (Shambaugh, 2004/5; Kurlantzick, 2007).

The second development was the relative decline of the US. Although the US would remain the world's leading military power, Seoul noticed that Washington's diplomatic vigor, moral authority, and economic

vitality were slowly but steadily waning. Seoul observed that Washington needed to but could not coerce cooperation from China and Russia to pressure North Korea to abandon its nuclear adventurism. The US had to share leadership of the Six-Party Talks with China. The intervention in Iraq and war on terrorism undermined America's moral authority and soft power as well (Nye, 2004). A sense of urgency emerged inside the ROK policy circle that the US would no longer be willing to provide, and be capable of providing, the ROK with security and prosperity for free. This understanding has led to different views between the two countries about how to handle the danger from North Korea and China.

Finally, Japan became increasingly assertive in dealing with regional affairs. Alarmed by the rise of China, Japan wanted China to be balanced. Under the leadership of Junichiro Koizumi, Japan worked hard to tightly embrace the US by strengthening the bilateral military alliance. In the course of 'force transformation' (i.e. joint force modernization and realignment) and 'alliance transformation' (i.e. Japan's more balanced, more equal, and more normal relationship with the US), Japanese ambitions for a great military power became much more evident than before.<sup>11</sup> Having not come to terms with its war past, Japan's nationalist ambitions inevitably led to a conflictual course with its neighbors over the thorny issues of history, territory, and identity.

Under this fluid geopolitical and geo-economic atmosphere, the Roh administration found itself in a difficult position to shape a new survival strategy. It needed to address measures accommodating a rising China while reducing reliance on a declining US and taming an assertive Japan. And it needed to achieve peace on the divided peninsula. President Roh adopted the 'policy of peace and prosperity in Northeast Asia,' or popularly known as the Northeast Asian Initiative.<sup>12</sup> The US–ROK alliance was put to a hard test under Roh's new initiative. In Spring 2005, Roh made a key foreign policy speech. While emphasizing the mutually compatible and complementary nature of the bilateral

11 These efforts were led by the US–Japan Security Consultative Committee—the so-called '2 + 2' meeting.

12 The initiative set out four strategies: (i) balanced and pragmatic diplomacy; (ii) cooperative and self-reliant national defense; (iii) multilateral security institution-building; and (iv) North Korea policy based on trust and engagement (Address by President Roh Moo-hyun in his address on the 62nd Anniversary of National Liberation of Korea on 15 August 2007). For more details (see Lee, 2008, chaps 1–3).

alliance and self-reliant defense, he implicitly suggested that the ROK should be less dependent upon the US and more self-reliant in defending itself from external threats.<sup>13</sup>

Even more controversial was Roh government's strong desire to play a balancing role to bring about an order of peace on the Korean Peninsula and in Northeast Asia by transforming the US–ROK bilateral alliance into a comprehensive, dynamic, and mutually beneficial one and by enhancing cooperative relations with China and Japan. In particular, the multilateral security cooperation was essential to realize the notion of the era of Northeast Asia. The ROK would play a catalyst role in bridging two rival countries – China and Japan – for multilateral cooperation. If successfully implemented, these two strategies combined together would position the ROK not too close to, and not too far from, the US and open a possibility of new security regionalism including both China and Japan.

Viewed in this way, the KORUS FTA was useful as a hedging strategy. For President Roh and his political cohorts, an FTA with the US meant a double-edged sword. Despite perceived economic risks, the ROK not only wanted to hedge against US abandonment by courting economic binding, but it simultaneously wanted to hedge against Chinese predation or the possibility of Chinese economic domination by courting US entrapment. An FTA will help balance the security areas of difference between Seoul and Washington and help provide a new ground for the alliance. Some hoped that successful FTA negotiations would lessen the two countries' disagreements over the North Korean policy. Together, an FTA will help boost ROK's status as a middle-power balancer by ensuring the US to remain a strategic and economic counterbalance to China and Japan.<sup>14</sup>

13 Roh stated: 'the US security strategy has been undergoing changes. It is unbecoming for us to allow our defense policy to unravel and national opinion to go into tailspin every time the strategy of United States changes. Things will not work out against the withdrawal of the American troops. Now it is time for us to accept the changes in reality. During my remaining term in office, I intend to lay a firm foundation for our armed forces to be fully equipped with self-reliant defense capabilities within the next 10 years' (Roh, 2005).

14 Bae Gi-chan, a key foreign policy advisor at the Blue House, believed that, because in the foreseeable future the United States would remain the sole superpower, the ROK should strengthen its bilateral alliance with the United States. A sign of estrangement in the military sphere caused by an ROK's independent course of action would be balanced by a binding with the United States in the economic sphere (an interview with Bae Gi-chan, a former Presidential Secretary for Northeast Asian Affairs, July 2009).

Another strategic factor that affected ROK's decision was the issue of securing preferential treatment for products made in the Kaesong Industrial Complex (KIC) located inside North Korea. The Roh administration envisioned the KIC as a way to ensure stability on the Korean Peninsula by introducing global economic standards to North Korea and tie North Korea to the global economy. In a sense, it viewed the US position on the KIC as a litmus test for the US commitment to the peace and prosperity of the Korean Peninsula.<sup>15</sup>

Such strategic and economic calculations led to the Roh's FTA gamble with the US. By the end of January 2006, his government offered preliminary concessions to the US in all four sectors including automobiles, pharmaceuticals, beef, and screen quota, thus paving the road for official FTA talks. Roh gave a strong mandate to Prime Minister Lee Hae-chan, a longtime political comrade and close friend on whom Roh depended a great deal. Prime Minister Lee was instrumental in sealing the early stage of negotiations. As an exceptionally powerful prime minister by a Korean standard, Lee helped to meet the aforementioned preconditions by orchestrating the intra-government coordination, and paved the way for FTA talks with the US (an interview with HE Lee Tae-sik, July 2009).<sup>16</sup> Immediately after the announcement of the launching of official negotiation, the Korean society was sharply divided. This placed Roh in a very difficult position because key support groups of his government including civil groups, labor unions, and farmers' associations were among staunch opponents.<sup>17</sup> Anti-American forces on the left of Korea's political spectrum allied with traditional anti-liberalization groups such as farmers and unions, leading to a formidable campaign against the KORUS FTA. They asserted that the

15 However, the Bush administration, which had dubbed North Korea as a part of the 'Axis of Evil', adamantly opposed the inclusion of KIC in the trade agenda. As a result, no concrete measures were agreed upon the KIC, although the United States backed away from its the principle of not ever expanding the KORUS FTA to North Korea-made products, which itself was a significant achievement for the ROK (Cooper and Manyin, 2007, p. 28–31).

16 As an Ambassador to the United States from June 2006 to March 2009, HE Lee's major task was to help the KORUS bill to be ratified in US Congress.

17 While the proponents of an FTA with the US stressed the long-term benefits including export increase and job creation, the opponents were worried that ROK's uncompetitive sectors such as the agriculture would be decimated and the whole economy would fall into structural dependency on the US economy. Roh's decision was followed by a series of mass demonstrations against FTA negotiations with the United States.



ROK would fall into a semi-colonial status while the *chaebol* alone would gain from the FTA. Given such a difficult circumstance, the Korean team fought an uphill battle with a tough negotiating partner.

## 4 Closing the deal and after

Once in FTA negotiations, the two countries focused on how to balance economic concessions. In the past, the US often set the agenda of bilateral trade talks, with Korean officials typically reacting to US demands. This is simply due to the asymmetric nature of the relationship between the two countries. The ROK is far more dependent economically on the United States than the United States is on the ROK. Together, the ROK is heavily dependent on US military protection. In the KORUS negotiations, although Korean officials were more proactive than they typically had been in the overall bilateral relationship (Cooper and Manyin, 2007, p. 27–28), it was still the United States that largely set the agendas of the negotiations. The rule of the game was the ‘level playing field’ – implicitly in favor of the United States. The United States raised during the negotiations the issues with regard to the level playing field that cut across many sectors, but the key areas included the agriculture, autos and autoparts, intellectual property rights protection, services in telecommunications, finance, and other professional areas. In turn, the ROK made two critical demands: preferential treatment of products made in the Kaesung Industrial Complex and revisions of trade remedies in the United States (i.e. the use of anti-dumping and countervailing duties law). Overall, the United States was on the offensive and the ROK was on the defensive.

Throughout the negotiations, the agriculture and automobiles were the two most contentious issues. The United States pressed for complete trade liberalization in agriculture while the ROK wanted a number of products to be excluded, especially rice. In automobiles, the United States had wanted the ROK to revise various tax regimes cited as barriers to American competition in the Korean market. The latter proved to be a highly contentious issue that was resolved only at the last moment of the negotiations. In both cases and many others, the results of negotiations were the product of compromise, but favorably inclined toward the US position. On the above two Korean demands, the United States gave up little.

In light of the 2007 deal, it was President Roh who made a crucial decision to make those concessions to move forward the final negotiation process that had been threatened to be slowed down, if not completely stalled. In effect, Roh became a champion of FTA as a diplomatic tool to strengthen strategic ties with the United States.<sup>18</sup> He thus supported Minister Kim's idea at the expense of his loyal constituents. He clearly understood the strategic or securitized nature of FTAs. Equally important was the fact that Roh became a true believer of free trade and market opening as a key to economic growth (in an interview with Minister Kim Hyun-chong, May 2009). This was in stark contrast to his allegedly anti-American, progressive background. Amidst the controversy over the costs and benefits of the KORUS FTA, he openly identified himself as a 'leftist neoliberal' – a 'leftist' because he desired a self-reliant, 'nation-first (*minzok useon*)' Korea, and 'neoliberal' because he believed in the magic of free trade.<sup>19</sup> President Roh was determined to endorse the OMT and its Minister Kim, which effectively enhanced OMT's autonomy in foreign negotiations even though many protectionist veto players within the ROK questioned OMT's domestic legitimacy (Koo, 2009, p. 190).

From one perspective, the USTR worked closely with American industries and Congress as well to address ROK's existing tariff and non-tariff barriers to American goods and services. In auto negotiation, for instance, the USTR made diligent efforts to eliminate the engine displacement tax, to address a number of regulatory issues, to mitigate the anti-import bias, and to deal with the transparency issues. The USTR also successfully included an unprecedented package of automotive-related provisions, including a unique dispute settlement mechanism – namely, a snapback provision that if the ROK does not live up to the provisions of this sector's requirements, the tariffs currently in place would immediately fall back and be a permanent punitive action to the ROK (Cooper and Manyin, 2007, p. 9).

18 It is well known that Roh supported the KORUS FTA idea because he was inspired by Bae Gi-chan's book, *Korea Dasi Saengjoneui Kiro E Seoda* [Korea at the Crossroad Again].

19 In the forum arranged for the third anniversary of his inauguration on 5 February 2008, Roh argued: 'some label me as leftist while others neoliberal. What is important is adopting necessary policies to our economy. In that sense, my government could be called leftist neoliberals.'

Nonetheless, the USTR under the Bush administration pursued national interests beyond sectoral ones. In many respects, the KORUS FTA shows that the United States (and the ROK as well) pursued economic benefits and strategic interests simultaneously in trade negotiations. Such an initiative was well integrated into USTR officials' statements, though some of them might be dismissed as little more than diplomatic rhetoric. For instance, the then Deputy USTR Karan Bhatia claimed that the agreement would offer a unique preferential advantage to American companies in the Korean market at a time when many of America's global competitors were actively seeking to lock-up East Asia's fast growing economies into economic relationships that excluded the United States and its firms (Bhatia, 2007). In a similar vein, the then USTR Susan Schwab argued that the United States must not be on the sidelines as the ROK and other countries in East Asia were deepening and strengthening their trade ties (URTR, 2007a). In addition to compelling economic benefits, she emphasized, the KORUS FTA represented a broader historical geopolitical and strategic opportunity: 'For over 50 years, the United States and Korea have built an alliance of shared sacrifice in war and shared values in peace. The KORUS FTA is the ideal way to build on that relationship and ensure the next 50 years will be one of the shared prosperity and security' (USTR, 2007b).<sup>20</sup>

Yet the closing of the negotiation was neither easy nor smooth because a stronger congressional opposition followed the Democrats' victory in the 2006 midterm election. On numerous occasions, Democratic Congress, typically a 'fair trade' proponent, urged caution in trade negotiations with the ROK, citing the persistent imbalances in autotrade. On 2 March 2007, for instance, 15 members of Congress, including the Chair of the Ways and Means Committee, Charles Rangel, and the Chair of the Way and Means Trade Subcommittee,

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20 She even sounded like an evangelist spreading the gospel on the merits of free trade agreements: 'the task before us now is to ensure that both Korea's National Assembly and the US Congress approve the KORUS FTA. I wish I could say that this will be a lot easier than concluding the deal. But, we have a lot of work ahead of us to educate lawmakers. I use the word educate rather than convince because I firmly believe that as members of both our legislatures come to appreciate the enormous benefits of the Agreement—and once the myths our critics have already started to spread are dismantled—the KORUS FTA will attract broad support. But let me emphasize that this education process will take energetic and passionate efforts by all of those who support the KORUS FTA' (USTR, 2007a).

Sander Levin, wrote President Bush with a proposal along the lines of the ‘performance metric’ and the ‘snapback’ approaches ([Letter to President George W. Bush from Representatives Rangel \*et al.\*, 1 March 2007](#)). One day prior to the signing ceremony of the KORUS FTA on 30 June 2007, key House Democratic leaders, including Speaker Nancy Pelosi, Majority Leader Steny Hoyer, Chairman Rangel, and Chairman Levin, declared that they could not support the KORUS FTA because it did ‘not address in an effective manner the persistent problem of non-tariff barriers, particularly those blocking access of US manufactured products in South Korea’s market. That is particularly the case in the automotive sector [...]’ ([Pelosi \*et al.\*, 2007](#)). Furthermore, congressional leaders were very critical of the Bush administration in what they perceived as its failure to consult with Congress before and during the trade negotiations with the ROK. They were concerned about USTR’s lack of congressional involvement from the beginning of the trade negotiations. At a congressional hearing on the KORUS FTA, for instance, Democrat Bill Pescrell complained to Deputy USTR Karan Bhatia: ‘Korea is not the problem. You’re the problem – USTR’ ([Sullivan, 2007](#)).

Such congressional concerns portended an even tougher legislative ratification process. It was President Roh’s successor, Lee Myung-bak (2008-present), who took the heat first. In the hope of increasing the possibility of the KORUS FTA to be ratified in US Congress, the Lee government decided to reopen the Korean market to US beef right before the then new President Lee visited the Camp David for a summit with President Bush in April 2008. In Seoul and elsewhere in the country, the visit was met by the public outrage over the deal that allegedly neglected the safety issue concerning US beef, that is, bovine spongiform encephalopathy or popularly referred to as ‘mad cow disease’. Numerous internet and TV coverage of the beef issue helped to spread the rumor that the Lee government sacrificed Koreans’ public health in return for his successful visit to the US. Popular nationalism surged. Public protests escalated, spinning out of control. Calls for the beef agreement to be renegotiated or scrapped virtually paralyzed the Lee government until the summer of 2008. The ratification of the KORUS FTA thus seemed politically impossible in Seoul.

But the Lee government bounced back. Just as the protest subsided over that summer, so the government’s efforts for ratification resumed. It

worked hard to justify the KORUS FTA to the Korean public, and propagated it as a means to enlarging Korea's 'economic territory', a metaphor that caters to the interest of an export-oriented economy like the ROK. In April 2009, the National Assembly Committee on Unification, Foreign, and Trade Affairs passed a ratification proposal and the agreement waits to be ratified by a National Assembly plenary session.

The heated debate inside the Washington Beltway over renegotiating the KORUS FTA demonstrates the lack of America's willingness and capability to provide public goods. Many in Congress believed that the Lee administration had yet to ensure the access of US beef to Korean markets in accordance with international standards, and that the non-tariff barriers to the automotive sector effectively deny the American access. In particular, many Congressmen, automakers, and organized labor believed that the autodeal was badly flawed and biased such that it would not increase US autosales in the ROK sufficiently enough. As a result, they called for renegotiation that would require more commercial concessions from the Korean side.

At first, Korean officials showed no intention of altering the *status quo*. In January 2010, Kim Jong-hoon, who had succeeded Kim Hyun-chong as OMT Minister in August 2007, declared that, despite objections from US lawmakers, his OMT had absolutely no intention of renegotiating the KORUS deal. He reassured the Korean public: 'We are standing firmly in that there should not be any renegotiation' (Ensinger, 2010a). On the US side, there have been some scattered but recurring congressional efforts to salvage the deal until recently.<sup>21</sup> Inside the Capitol Hill, however, support remained significantly weak in the wake of the 2008–2009 global economic crisis and there was little appetite to affirmatively deal with the KORUS pact. This in turn indicates that executive efforts at re-securitizing trade relations between the ROK and the United States were stalled by the polarization of domestic politics.

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21 In May 2010, for instance, the Senate's two ranking members on the Foreign Relations Committee sent a letter to President Barack Obama urging him to move forward with the stalled trade pact, claiming that the KORUS FTA would create much-needed jobs and wealth in the US Senator John Kerry, the chairman of the committee, along with Senator Dick Lugar, the ranking minority member of the committee, asked the president to resolve any outstanding issues between the two countries in a timely fashion and send the three-year-old deal to Congress for ratification (Ensinger, 2010b).

Eventually, it was a security consideration that allowed both sides to end the stalemated situation without being the loser. In 2010, the security conditions surrounding the Korean Peninsula went from bad to worse in the aftermath of the *Cheonan* incident in March and North Korea's sudden artillery attacks on the ROK's *Yeonpyeong* Island in November.<sup>22</sup> To warn against the North and its main patron, China, the United States and the ROK conducted a series of large-scale joint drills off the Peninsula involving an American aircraft carrier, the nuclear-powered *George Washington* (Koo, 2010, p. 5). The dire need to cement their bilateral alliance to tackle growing security threats from North Korea (and potentially from China) led both the United States and the ROK to meet at a halfway point of the stalled trade negotiations. During the additional negotiations held in Columbia, Maryland from 30 November to 3 December 2010, the ROK made concessions to the United States in the automobile sector, while gaining American concessions in the areas of pork, pharmaceuticals, and visas. Assessments of the additional deal are mixed. Some believe that the final deal represents balanced bilateral interests, while others complain that the results only reflect US interests (KBS World News, 2010).

## 5 Conclusion

Countries pursue a variety of security and strategic objectives through international trade. For a long time during the Cold War periods, security considerations overshadowed US economic interests under the San Francisco system. Although the end of the Cold War and the outbreak of the Asian financial crisis reversed the trend, placing economic policy at the front the trade-security nexus, the post-9/11 trade-security nexus has changed again in favor of embedding trade to security. It is important to note that the landmark KORUS FTA of 2007 was negotiated and concluded against this backdrop. The KORUS FTA clearly shows how countries simultaneously pursue economic benefits and

22 On 26 March 2010, an ROK Navy ship, the *Cheonan*, carrying 104 personnel, sank off the country's west coast in the Yellow Sea, killing 46 seamen. The United States and the ROK have blamed the North for sinking the *Cheonan*. About eight months later, the North launched a surprise artillery attack on the island, killing two civilians and two marines and effectively paralyzing inter-Korean relations.

strategic interests in trade negotiations. In addition to the goal of maximizing the gains from trade and investment, both countries securitized trade with each other, leading to the successful conclusion of the deal.

In this surprising story, the key player has been the United States, but ROK's proactive role has been equally evident. Few expected that the ROK would negotiate an FTA with the world's largest economy, the United States, at such a short notice. ROK's argument for an 'economic alliance' eventually convinced its once skeptical American counterparts, thus paving the way for an official launch of FTA negotiations in June 2006. The United States responded because the KORUS FTA would give the United States a strong foothold to maintain its strategic and economic presence in the increasingly China-centered region. Once in FTA negotiations, the ROK and the United States focused on how to balance economic concessions. But strategic calculations held by chief negotiators on both sides were crucial in reaching the agreement.

At a glance, the combination of American neoliberal ideas and its overwhelming hard power has led to the securitization of globalization and the Bush administration upheld this trend. If we look beneath the surface, however, the United States approach to the trade-security nexus is incomplete. During the Cold War period, the United States was willing to provide public goods – that is, trade liberalization – for its East Asian allies including the ROK because it considered East Asian countries' free-riding tolerable and beneficial to its own national and strategic interests in containing the Soviet Union. When compared to its securitization strategy during the Cold War period, a fundamental difference can be found in the post-9/11 world. The delayed ratification of the KORUS FTA and a call for renegotiation shows that America's willingness to provide the public good and to put its geopolitical commitments ahead of its geo-economic needs is waning. The executive's initiative to re-securitize US trade policy has not been fully supported by key domestic veto powers that are still under the influence of fair trade ideas from the 1990s. At the center of the legislative deadlock is the lack of bipartisanship. The partisan divides have been the hallmark of politics in the United States for the past two decades and would likely cause handsome strategic losses to Washington. The latest global economic slump is further weakening bipartisanship that would enable the United States to reconnect the ties between trade and security, as its ability, as well as willingness, to shoulder the burden of growing trade deficits with the

region is decreasing. By now, the current re-securitization of America's trade relations with its allies stands on a shaky ground.

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## **Appendix. Chronology of KORUS FTA negotiations, 2004–2010**

### Pre-negotiation stage

- November 2004: ROK Minister Kim presented proposal for FTA to USTR Ambassador Zoellick.
- January 2005: A six-month bilateral feasibility reviews began.
- September 2005: ROK President Roh decided to go for FTA.
- October 2005: The United States requested four prerequisites for official negotiations.
- January 2006: The ROK made concessions in all four prerequisites.

### Negotiation stage

- February 2006: The ROK and the United States announced launch of official FTA negotiations.
- June 2006: Negotiations began.
- October 2006: American beefs imported after the ban was lifted.
- April 2007: Negotiations concluded.
- June 2007: US President Bush signed the deal.

### Post-negotiation stage

- November 2010: Additional negotiations began.
- December 2010: Negotiations concluded.