



Asia Pacific Bulletin

South Korea's Policy Choices in the TPP Era

BY JUNE PARK

There have been significant global economic shifts since the WTO was established. The world economy has been greatly impacted by the rise of the Chinese economy since its accession to the WTO in 2001, and the proliferation of free trade agreements (FTA) and bilateral investment treaties (BIT) outside the WTO framework have set the stage for a new economic order. There is also a need for updated rules to govern the expanding sectors of services and intellectual property. These changes are evident in cross-regional trade agreement negotiations – the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP) – and the Trade in Services Agreement (TISA).

June Park, Visiting Fellow at the East-West Center in Washington, explains that “without clear goals, South Korea will face difficulties in achieving an optimal outcome [from the TPP], and may be ‘outcompeted’ by countries that have set their priorities to maximize competitive advantage.”

Both the TPP and the TTIP negotiations are currently driven by the U.S. in an effort to fulfill political and economic expectations both at home and abroad. The Obama administration hopes to be credited with sound foreign economic policymaking by restoring U.S. influence in different regions of the world, and to create domestic jobs by bolstering U.S. export performance. In the case of the TPP, the negotiations are reaching the final stages, but there are immediate hurdles. The U.S. Congress is still considering passing the so-called “Fast-Track” or Trade Promotion Authority (TPA), which would expedite the process of finalizing the negotiations for the mega-trade agreements – be it TPP, TTIP, or TISA.

Even if not finalized during the current administration, it is extremely likely that TPP will eventually be passed. The years of negotiation, and renegotiation, of the Korea-U.S. (KORUS) FTA is a precedent that suggests that economic interests will prevail in the end. Striking a 21st century trade deal – the TPP – is only a matter of time.

If Washington envisages the prospects of aggregating the TPP and TTIP into a full-fledged global trade framework in the longer run, incorporating countries like South Korea, one by one, will need to be based primarily on economic eligibility rather than on U.S. strategic needs or domestic political agenda setting. Disassociating politics or diplomacy completely from economic interests would be impossible, but establishing a new framework that is reliable, tangible, fair, and agreeable to countries around the world would better serve U.S. economic interests and help retain U.S. leadership in the global economy in the decades to come.

Meanwhile, South Korea expressed its interest in joining the TPP in November 2013, and has been in bilateral consultations with TPP member states since 2014. South Korea, heavily dependent on trade, has been at the forefront of signing FTAs, and it is anticipated that it will join the TPP shortly after the current negotiations are concluded.

The economic stakes for South Korea are clear. The Korean manufacturing sector will benefit, while the agriculture and fisheries sectors will be negatively impacted. In the

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interests of the country's economy as a whole, based on the composition of South Korea's export industries that overlap with Japan's – automobiles and electronics, for the most part – it is essential that South Korea gain TPP membership to maintain competitiveness in the global market. Although uncertain, the probability of China or Taiwan joining the TPP in the future makes South Korea's membership all the more imperative.

Leaving issues of foreign competition aside, it is important to acknowledge that the TPP is different from any other bilateral or regional trade agreements. In addition to the abolishment of tariffs, the new rules and standards set for services and intellectual property will be crucial to the future of the South Korean economy. Recognizing the economic and geopolitical stakes of the agreement, the South Korean government launched the TPP Strategy Forum in January, 2015, in an effort to establish a platform for discussion among the Ministry of Trade, Industry and Energy (MOTIE), academics, and policy analysts from think-tanks across four sectors – economy and industry, politics and diplomacy, international trade law, and country analysis on each TPP member state. The TPP Strategy Forum is gathering opinions from experts and interest groups, thereby consolidating South Korea's policy options in order to maximize national interest.

For South Korea to get the most out of the TPP, it must do three important things before signing on. First, South Korean policymakers must take advantage of the opportunity to prioritize key areas of the South Korean economy. For instance, South Korea's strengths in the information and technology (IT) industry demonstrate the country's potential to thrive, especially if supported continuously with research and development (R&D) on software and contents. Without clear goals, South Korea will face difficulties in achieving an optimal outcome, and may be “outcompeted” by countries that have set their priorities to maximize competitive advantage.

Second, based on the public discontent and hardships experienced during the KORUS FTA negotiations, the South Korean government should take ample time and steps to scrutinize each sector to be affected by the TPP, and actively engage and reconcile with the impacted industries through compensatory measures to reach a general consensus among the public. By preempting public outcry and addressing sector-specific concerns in advance, the adoption and implementation of TPP will proceed more smoothly than KORUS.

Third, strategic planning exclusively based on economic interests, without being swayed by security interests, would help South Korea to be focused on what is actually at stake. Given that the TPP is driven by the U.S. and includes Japan, the security alliance factor is clearly embedded in the U.S. motivations for the TPP. While maintaining positive U.S.-Korea bilateral relations is important, South Korea is responsible for promoting its own economic interests. Acquiescence to foreign pressures should be a relic of the past. TPP membership should not be merely another deal in South Korea's trade agreements portfolio. Instead, it is a chance for it to cement its own agenda for short-term and long-term foreign economic policy.

As Washington wrestles with when, or even whether, to pass TPP, South Korea's challenges are of a different nature. Because of the tremendous opportunity that TPP represents, Seoul must focus on getting it right from the beginning.

The *Asia Pacific Bulletin* (APB) series is produced by the East-West Center in Washington.

APB Series Editor: Dr. Satu Limaye
APB Series Coordinator: Alex Forster

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June Park is an Asian Studies Fellow at the East West Center in Washington. She will earn her PhD in Political Science from Boston University in May 2015, and join the Centre on Asia and Globalisation at the Lee Kuan Yew School of Public Policy at the National University of Singapore as a postdoctoral fellow. She can be contacted at junepark@gmail.bu.edu.