

FTA Policy and Strategy of Korea

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1. Current Situation

Korea, whose economy relies considerably upon foreign export markets, had traditionally been antipathetic about regional trade arrangements ('RTAs') that intrinsically cause discriminatory treatment for products from non-party economies. Such policy tendency has been based on the premise that, as an economy with a global trading exposure, RTAs are not helpful to promote Korea's trading interests and that these arrangements may lead to mutually exclusive trading blocs which undermine the multilateral trading system. Korea therefore participated in regional economic cooperation arrangements such as APEC and took part in a limited number of preferential tariff arrangements such as the Global System of Trade Preferences (GSTP), Trade Negotiations among Developing Countries (TNDC), the Bangkok Agreement Among Developing Member Countries of the Economic and Social Commission for Asia and the Pacific, and since 2000, unilateral tariff concessions to least developed countries. However, Korea did not become a party to any RTAs such as the free trade area or customs union until recently. Korea indeed remained as a very few WTO Members that did not establish any free trade agreement (FTA) relationship with other countries until 2004.¹

This policy toward RTAs was dramatically changed in the late 1990s when the Korean government recognized that it became isolated from most economic integration initiatives and suffered from trade diversion due to tariff disadvantages. The RTAs are increasingly seen as an effective way of maintaining export markets and for inducing foreign direct investment into Korea. On 5 November 1998, the Committee for Internal Economic Policy Coordination chaired by the Prime Minister determined that the Korean government launched the first FTA negotiation with Chile.² It was the first time for the Korean government to formally decide on the FTA policy matters. The Government Report submitted to the Trade Policy Review of Korea in September 2000 clearly denotes the change in policy:

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¹ As of September 2006, Mongolia was the only WTO Member without any FTA arrangement.

² KREI and KIEP, White Paper on the Korea-Chile FTA, 83 (2004, in Korean, hereinafter "White Paper").

As an economy that has benefited greatly from the openness in global trade, Korea has traditionally valued the multilateral trading system and has not supported bilateral or regional free trade agreements. Though its commitment to multilateralism is still firm, Korea has recently begun to be more flexible with regard to the FTAs in the world trading system. Korea is now of the view that FTAs, if properly concluded and managed in accordance with relevant rules, can supplement the multilateral trading system and contribute to market opening in the world through bilateral and regional acceleration of trade liberalization.³

For the first FTA negotiation, the Korean government established “Korea-Chile FTA Committee” and five working parties on market access, quarantine and standards, investment and service, trade rules, and dispute settlement. On the APEC Summit meeting in September 1999, presidents of both countries agreed to begin the FTA negotiation. Four formal meetings for the FTA negotiation in December 1999, February, May, and December 2000 were held before the FTA negotiation was stalled mainly due to the strong opposition from Korean agricultural sectors. The negotiation appeared a failure after the fifth formal meeting in March 2001 could not be held despite the original schedule.⁴ But, at the APEC Summit Meeting in Shanghai in October 2001, two countries agreed to continue the FTA negotiation. Finally, on 24 October 2004, both countries announced the conclusion of a bilateral FTA after the full one week negotiation at Geneva.⁵ The FTA was signed on 15 February 2003.

But, the last hurdle for the first FTA came from the National Assembly of Korea. When the FTA text was moved to the National Assembly for ratification in October 2003, there was vehement opposition especially from congressmen representing farming sectors. After long battles in the legislative body – especially, after three consecutive failures at the floor voting, the first FTA was ratified on 16 February 2004 only with an enormous subsidy package for farming sectors.⁶ This first FTA entered into force on 1 April 2004.

There are several reasons why the Korean government chose Chile as the first FTA partner. Firstly, the opposite seasonal environment and the long geographical distance were considered favorable conditions to alleviate agricultural trade and thus problems for domestic agricultural sectors. Secondly, it wanted to have an access to the Chilean market that already established many FTA relationships.⁷ Particularly, they thought that the extensive FTA network of Chile in the western hemisphere might work as an important gateway for Korea to get an access to increasingly integrated American markets. In addition, the Korean government thought

³ WTO, WT/TPR/G/73 (dated 28 August 2000), para.67.

⁴ For more detailed history of the Korea-Chile FTA negotiation, see *supra* note 2, “White Paper”. See also Appendix 1.

⁵ It is noted that the first FTA for Korea was signed at Geneva, not Seoul nor Santiago. In some sense, it shows how controversial the conclusion of the first FTA was to the Korea government.

⁶ The Korean government announced a comprehensive farming support program in an amount of more than \$100 billion (equal to 119 trillion Korean won). Although the whole amount of \$100 billion would not be provided as lump sum payment to farming sectors, it still included massive subsidy programs. On the other hand, the farming support program in an amount of 119 trillion won was reportedly prepared to take the image of “emergency” from the emergency call number in Korea that is “119”.

⁷ Before dealing with Korea for FTA, Chile had FTA relationship with EC, US, Mexico, Canada, Costa Rica and El Salvador.

that the supplementary industry structure of two economies based on traditional comparative advantages would maximize gains from trade incurred by the FTA. Other than those, learning effects from the Chilean FTA experience, sharing similar policy principles for open economies are also noted as relevant factors to choose Chile. Lastly, Chile was one of the few countries that actually showed the willingness to engage in a FTA negotiation with Korea, because most other countries did not take Korea's offer seriously.⁸ The long history of Korea as the strong opponent to RTAs probably made other countries suspicious about the change of the Korean government's trade policy.

<Table 1. FTA Situation for Korea as of April 2010>

FTA Partner	Status of Negotiation
Chile	2004.4.1 entry into force
Singapore	2006.3.2 entry into force
EFTA (Switzerland, Norway, Liechtenstein, Iceland)	2006.9.1 entry into force
ASEAN	2006.8.24 Framework Agreement 2007.6.1 Agreement on Goods entry into force 2009.5.1 Agreement on Services entry into force 2009.9.1 Agreement on Investment entry into force
India	2010.1.1 entry into force
US	2007.6.30 signed
EU	2009.10.15 provisionally signed
Japan	2003.12.22 negotiation began 2004.11.1 negotiation suspended
In Negotiation	Canada, Mexico, GCC, Australia, New Zealand, Peru, Columbia, Turkey
In Preparation	China, MERCOSUR, Russia, SACU Israel, SACU

As summarized in <Table 1>, after the first “experimental” or “pioneering” FTA, the Korean government aggressively pursued FTA policies. In 2006, two more FTAs entered into force. With these strategically well-dispersed three FTAs, one with Latin American country, one with Asian economy and one with European countries, the Korean government basically finished a “warm-up” stage of FTA policy implementation. It had accumulated divergent experience to deal with not only geographically different countries, but also developed (Singapore), developing (Chile) and a group of countries (EFTA).

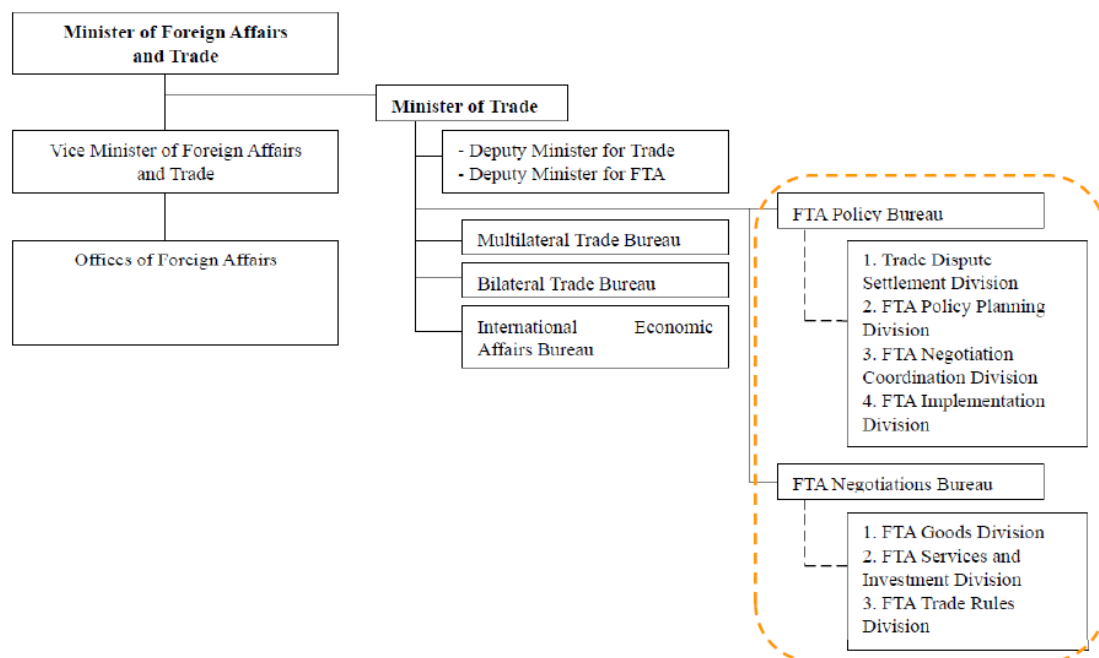
Unlike most other countries in FTA races, the Korean government then moved directly to major trading partners for FTA negotiation. The FTA negotiations followed right after those warm-up FTAs include Japan, the United States, European Union, India and Canada. Also, it is examining the feasibility of FTAs with various countries including the Russia, MERCOSUR, and China.

⁸ The countries that showed early interest in a FTA with Korea included Israel, Jordan and South Africa.

2. Major Features

1) Simultaneous multiple FTA negotiation strategy

The Korean government publicly announced the “simultaneous multiple FTA negotiation strategy”. In other words, the Korean government has sought as many FTA negotiations as possible at the same time. This strategy is supposed to make up relatively late participation into a FTA race. Also, it is to enhance bargaining leverage of the Korean government by having various alternatives for FTA negotiation. This FTA strategy, however, required substantial expansion of FTA related government capacity. On December 10, 2004, the Ministry of Foreign Affairs and Trade (MOFAT) established the new bureau specialized for FTA negotiation, “FTA Bureau”, led by a Director-General level official with four departments where more than 30 officials were recruited. Later, one more bureau was added to assist FTA negotiation. <Figure 1> shows the current MOFAT structure to deal with trade policies.



<Figure 1. Organizational Structure of MOFAT>

One of the problems of the “simultaneous multiple FTA negotiation strategy” is caused by sequential, not simultaneous, conclusion of FTA negotiations. Sequential conclusion and thereby sequential application of FTAs may entail vastly different economic consequences depending on the order of FTAs, at least unless they are concluded within a relatively short span of time. Trade diversion problems may be created with different orders

and thereby causes controversial political battles among different economic sectors.

Also, massive economic impacts to domestic markets due to “simultaneous” FTA negotiations have provoked huge political resistance to trade policies in general of the Korean government, not merely to FTA policies. For example, the trade policies become more vulnerable to the challenges concerning legitimacy and preparedness.

2) Comprehensive “WTO plus” approach

Next, the Korean government generally adopts comprehensive “WTO plus” approach for market liberalization undertaken by FTA negotiations. Since trade barriers at borders of major trading partners are typically very low or scarce, Korea endeavors to work on non-tariff issues such as trade remedy system, investment, trade in services, intellectual property protection, cooperation in science and technology. In this regard, it is noted that the Korean government has adopted *sui generis* FTA trade remedy systems.

For example, the Korea-Chile FTA included special safeguard mechanism for agricultural products.⁹ The Korea-Chile FTA generally resorts to the WTO Agreements for its safeguard mechanism. Chapter 6 stipulates that both parties maintain WTO rights and obligations concerning safeguard matters. Safeguard actions would be dealt with exclusively by the WTO dispute settlement system. Notwithstanding Chapter 6, Article 3.12 sets forth a special safeguard system for agricultural goods in case an import increase causes or threatens to cause serious injury or “market disturbance”.¹⁰ This special agricultural safeguard provision substantially differs from the special safeguard mechanism under the WTO Agriculture Agreement that employs an automatic triggering system. Moreover, although ‘material injury’ and ‘threat of material injury’ are defined in line with the WTO Safeguard Agreement, the concept of ‘market disturbance’ is not specifically stipulated and completely unprecedented. The lack of clear definition on the latter element for safeguard actions in the Korean statutory system may lead to serious controversy in actual application of the provisions in a near future, unless it is elaborated with more specific guidelines or criteria.¹¹

The exclusion of FTA parties from the WTO safeguard action, first adopted in the NAFTA, has also been discussed and will soon appear in the formal text of the FTA involving Korea. The FTA negotiation with India at the conclusion stage will include the first case of NAFTA style safeguard exception clauses. Such clause is very likely to be adopted in the

⁹ For more general discussion on FTA trade remedy systems, see Dukgeun Ahn, “Foe or Friend of GATT Article XXIV: Diversity in Trade Remedy Rules”, *Journal of International Economic Law*, Vol. 11, No.1, 107-133 (2008).

¹⁰ Laws on Investigation of Unfair Trade and Safeguard, Article 22.3 (Public Law 7093, promulgated on Jan. 20, 2004).

¹¹ Article 22.3 of the Law on Investigation of Unfair Trade and Safeguard was elaborated by Article 22.3 of the Implementing Regulation (Presidential Order 18565, promulgated and entered into force on Oct. 21, 2004). But, the Implementing Regulation did not clarify the concept of “market disturbance” either.

KORUS FTA

The Korea-Singapore FTA adopted additional commitments for the anti-dumping mechanism: prohibition of zeroing and the “lesser duty” rule. Article 6.2 of the Korea-Singapore FTA stipulates that:

3. Notwithstanding paragraph 1, the Parties shall observe the following practices in anti-dumping cases between them in order to enhance transparency in the implementation of the WTO Anti-dumping Agreement:

- (a) when anti-dumping margins are established on the weighted average basis, all individual margins, whether positive or negative, should be counted toward the average; and
- (b) if a decision is taken to impose an anti-dumping duty pursuant to Article 9.1 of the WTO Agreement on Anti-dumping, the Party taking such a decision, should apply the ‘lesser duty’ rule, by imposing a duty which is less than the dumping margin where such lesser duty would be adequate to remove the injury to the domestic industry.

The above provisions are noteworthy in that they are the first kind of a modified FTA trade remedy system adopted in the East Asia.

While the Korea-EFTA FTA retains basically all the rights and obligations under the WTO Anti-dumping Agreement, it also adopted the above mentioned a “lesser duty” rule. In addition, the Korea –EFTA FTA stipulates that parties “shall endeavor to refrain from initiating anti-dumping procedures against each other” and consult “with the other with a view to finding mutually acceptable solution”, although it does not mandate any specific additional legal requirements. Interestingly, the parties under the Korea-EFTA FTA shall review whether there is need to maintain anti-dumping measures after five years of application. On the other hand, the Korea-EFTA FTA requires at least a 30 day period for mutual consultation before parties initiate countervailing investigations.

In this regard, the future FTA negotiations with Japan and China may bring about potentially significant precedents for the WTO system. Since three East Asian countries are most like-minded WTO Members in terms of trade remedy negotiations in the WTO Doha Round. Given that three countries are among major players in relation to trade remedy actions in the WTO system, how much or what they can agree among or between themselves about modifying the current WTO trade remedy rules will have crucial implications for future development of the WTO trade remedy system.

Moreover, the Korean government accepted higher protections for intellectual property rights than those protected under the WTO TRIPS Agreement both in Korea-US FTA and Korea-EU FTA. For example, the Korean government extended the copyright protection from the authors’ life plus 50 years to the authors’ life plus 70 years.¹² In addition, patent protection “shall compensate for unreasonable delays that occur in granting the patent.”

¹² Article 18.4 of Korea-US FTA.

Article 18.8(b) of Korea-US FTA stipulates that “with respect to patents covering a new pharmaceutical product that is approved for marketing in the territory of the Party and methods of making or using a new pharmaceutical product that is approved for marketing in the territory of the Party, each Party, at the request of the patent owner, shall make available an adjustment of the patent term or the term of the patent rights of a patent covering a new pharmaceutical product, its approved method of use, or a method of making the product to compensate the patent owner for unreasonable curtailment of the effective patent term as a result of the marketing approval process related to the first commercial use of that pharmaceutical product in the territory of that Party.”

It is noted that WTO plus elements such as Article 18.8(b) is actually subject to the most-favored nation treatment (MFN) principle under the TRIPS agreement that does not permit FTA exceptions such as Article XXIV of GATT or Article V of GATS. Likewise, additional commitments under Korea-EU FTA concerning geographical indications would also be subject to MFN obligation. In other words, the intellectual property protection has been gradually strengthened through FTAs in Korea.

3) Special treatment for “internal trade” between South and North Korea

Currently, South Korea is treating products from North Korea basically as domestic products and does not impose any tariff or other trade measures applicable to importation. In fact, South Korea enacted a special implementation law for WTO Agreements in 1995 and declared that it would treat North Korean products as domestic goods. Article 5 of the “Special Law on Implementation of World Trade Organization Agreement”, subtitled “Intra-Nation Transaction”, provides that “the trade between South and North Korea constitutes an internal trading within an economy and as such shall not be regarded as that between countries”.¹³ Notwithstanding this domestic regulation, the exemption of tariffs and other trade measures may invoke most-favored nation (MFN) treatment problems under the WTO system since North Korea appears to satisfy all the legal requirements to be treated as “independent customs territory”.¹⁴

As transaction between South and North Korea grows especially using Gaesung Industrial Complex, special North Korean district where South Korean companies manufacture products for consumption or further processing in South Korea, a counterpart for Korea’s FTA negotiation has raised a issue whether those products should be benefited under the FTA arrangement. The Korea-Singapore FTA first made a formal recognition of “internal”

¹³ Public Law No. 4858. See also Moon-soo Chung, “Implementation of the Results of the Uruguay Round Agreements: Korea” in *Implementing the Uruguay Round* (eds. by John Jackson & Alan Sykes) 375 (1997).

¹⁴ Dukgeun Ahn, “Legal Issues for Korea’s ‘Internal Trade’ in the WTO System”, in *Multilateral and Regional Frameworks for Globalization: WTO and Free Trade Agreements* (eds. by Lim and Torrens, 2005).

trade between South and North Korea. But, transaction between South and North Korea was not categorically recognized as “internal” trade. Instead, the following “outward processing” provision articulates the specific conditions carefully designed to embrace products from Gaesung Industrial Complex to render preferential treatment:

ARTICLE 4.4 : OUTWARD PROCESSING

1. Notwithstanding the relevant provisions of Article 4.2 and the product-specific requirements set out in Annex 4A, a good listed in Annex 4C shall be considered as originating even if it has undergone processes of production or operation outside the territory of a Party on a material exported from the Party and subsequently re-imported to the Party, provided that:

- (a) the total value of non-originating inputs as set out in paragraph 2 does not exceed forty (40) per cent of the customs value of the final good for which originating status is claimed;
- (b) the value of originating materials is not less than forty-five (45) per cent of the customs value of the final good for which originating status is claimed;
- (c) the materials exported from a Party shall have been wholly obtained or produced in the Party or have undergone there processes of production or operation going beyond the non-qualifying operations in Article 4.16, prior to being exported outside the territory of the Party;
- (d) the producer of the exported material and the producer of the final good for which originating status is claimed are the same;
- (e) the re-imported good has been obtained through the processes of production or operation of the exported material; and
- (f) the last process of production or operation^{4.1} takes place in the territory of the Party.

2. For the purposes of paragraph 1(a), the total value of non-originating inputs shall be the value of any non-originating materials added in a Party as well as the value of any materials added and all other costs accumulated outside the territory of the Party, including transportation cost.

^{4.1} The last process of production or operation does not exclude the non-qualifying operations stipulated in Article 4.16.

Goods listed in Annex 4C include plastics and articles thereof (HS Code Chapter 39), nuclear reactors, boilers, machinery and mechanical appliances; parts thereof (Chapter 84), electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles (Chapter 85), ships, boats and floating structures (Chapter 89), optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof (Chapter 90).

This provision was similarly adopted in the Korea-EFTA FTA. Annex I of the Korea-EFTA FTA has the provision regarding the exemption for territoriality principle as follows:

APPENDIX 4 TO ANNEX I
EXEMPTIONS FROM THE PRINCIPLE OF TERRITORIALITY

1. In accordance with Article 13 of Annex I, the acquisition of originating status shall not be affected by working or processing carried out outside the territory of a Party on materials exported from the Party concerned and subsequently re-imported to that Party, provided that:

(a) the total added value as set out in paragraph 5(a) does not exceed 10 percent of the ex-works price of the final product for which originating status is claimed; and

(b) the materials exported from the Party concerned shall be wholly obtained in that Party or having undergone working or processing going beyond the insufficient operations listed in Article 6 prior to being exported outside the territory of that Party.

2. Notwithstanding paragraph 1, for products listed in the Table set out at the end of this Appendix, the acquisition of originating status shall not be affected by working or processing carried out in an area, for instance an industrial zone, outside the territory of a Party, on materials exported from the Party concerned and subsequently re-imported to that Party, provided that:

(a) the total value of non-originating input as set out in paragraph 5(b) does not exceed 40 per cent of the ex-works price of the final product for which originating status is claimed; and

(b) the value of originating materials exported from the Party concerned is not less than 60 per cent of the total value of materials used in manufacturing the re-imported material or product.

The product coverage under the above provision was expanded from that of the Korea-Singapore FTA by including, *inter alia*, rubber products, articles of leather; apparel and clothing accessories, footwear, glass and glassware, precious metals, articles of iron or steel, vehicles other than railway or tramway rolling-stock, miscellaneous manufactured articles.

Although the above approach to treat products from North Korean territories was accepted by Singapore and EFTA, other FTA negotiation partners such as Japan and the United States have vehemently opposed to the adoption of similar provisions. In fact, the Korea-US FTA came up with the different approach to leave the important decision in the future. Annex 22-B of the Korea-US FTA stipulates “Committee on Outward Processing Zones on the Korean Peninsula” to address the issues for products manufactured from North Korean territories as follows:

3. The Committee shall identify geographic areas that may be designated outward processing zones. The Committee shall establish criteria that must be met before goods from any outward processing zone may be considered originating goods for the purposes of this Agreement, including but not limited to: progress toward the denuclearization of the Korean Peninsula; the impact of the outward processing zones on intra-Korean relations; and the environmental standards, labor standards and practices, wage practices and business and management practices prevailing in the outward processing zone, with due reference to the situation prevailing elsewhere in the local economy and the relevant international norms.

4. The Committee shall determine whether any such outward processing zone has met the criteria established by the Committee. The Committee shall also establish a maximum threshold for the value of the total input of the originating final good that may be added within the geographic area of the outward

processing zone.

5. Decisions reached by the unified consent of the Committee shall be recommended to the Parties, which shall be responsible for seeking legislative approval for any amendments to the Agreement with respect to outward processing zones.

Although the above provision enlarges the scope of the outward processing zones to broader areas than Gaesung Industrial Complex, it substantially strengthens the criteria to apply for the provision by including various non-economical and even diplomatic as well as military issues. This provision was adopted similarly in the Korea-EU FTA.¹⁵ Whether this approach would be employed in the same way or substantially modified in future FTAs – for example, Korea-China FTA – is a very important issue for the Korean government.

3. Assessment

1) Challenges for East Asian Countries

Another major FTA for Korea that may begin shortly is a FTA with China. President Myungbak Lee already mentioned the necessity of a FTA with China in several occasions and the Ministerial Meeting for External Economic Affairs determined to conclude the joint study stalled since June 2008 by the first half of 2010. Therefore, it is very likely that the Korean government initiates a formal FTA negotiation with China by the end of this year. If so, the currently suspended FTA with Japan is also very likely to be resumed. Furthermore, in case China-Taiwan FTA is finalized, we cannot exclude the possibility to have Taiwan-Korea FTA – especially after Korea-China FTA is concluded.

This chain reaction of FTAs in East Asian region would have significant implication for economic cooperation among East Asian countries. In that regard, what to be included in FTAs between East Asian countries is particularly important since, as in many other FTAs, those arrangements will work as crucial precedents for subsequent FTAs. The recent FTAs by East Asian countries already show noteworthy developments in many aspects of FTAs. For example, China accepted the MFN provision for service trade in China-New Zealand FTA. As explained above, Korea tried very hard to adopt modified trade remedy system in FTAs. Japan also focused on investment rules to develop more elaborated disciplines for investment protection. It appears formidable challenges for East Asian countries to develop FTA rules that harmoniously serve their unique economic interests and does not undermine the global trading system by fragmented disciplines.

2) Coherence with WTO Negotiations

More FTAs in recent years are indeed raising various problems for the WTO system.

¹⁵ Annex IV of Protocol Concerning the Definition of 'Originating Products' and Methods of Administrative Co-operation.

One notable situation is the increasing difficulty of many WTO Members including Korea to embrace Doha negotiation commitments – especially agricultural subsidy commitments. For example, the Korean government has typically addressed the opposition from agricultural sectors with more lenient subsidies allegedly to compensate the damages inflicted from market liberalization. All those subsidy programs might need to be restructured after Doha commitments are finalized. Moreover, after market liberalization has been expedited through FTAs, the benefits of Doha negotiations in terms of market access seem substantially diluted. Given this situation, accepting Doha packages appears to cause much more damages and controversy.

It is actually a very unique situation for Korea that has always been ardent supporter for multilateral trade liberalization. This awkward situation gets even more serious when Korea joins global forums such as OECD or G-20 Summit Meeting where Korea should strongly support WTO Doha negotiations. Increasing numbers of FTAs are now raising difficult problems to Korea in terms of embracing coherent positions for different regional and global institutions.

3) Due Process Concern in Terms of Legislative Procedure

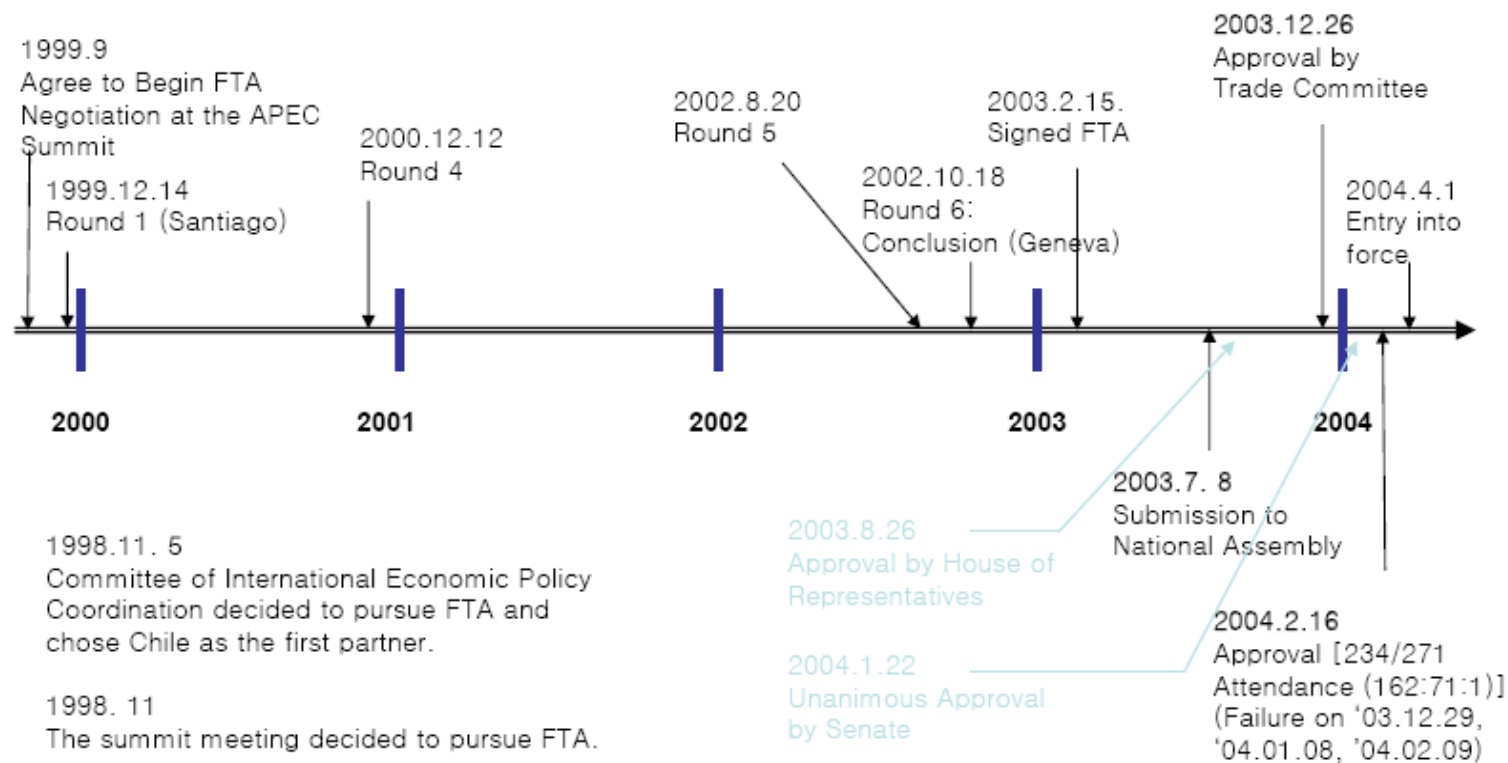
The controversy relating to the Korea-US FTA led the Korean government to establish a considerably developed FTA negotiation system. While the actual FTA negotiation with the US delegation is conducted mostly by the Ministry of Foreign Affairs and Trade, “The Presidential Committee on the Korea-US FTA” was also established to address domestic conflicts among interest groups and industries.¹⁶ In addition, apart from the “Unification, Foreign Affairs and Trade Committee” that has the primary responsibility on trade matters, the National Assembly constituted a “Special Committee on the Korea-US FTA” to monitor the progress of the FTA negotiation and facilitate the cooperation with the government throughout the negotiation.¹⁷ This development set an important model for future trade policies of the Korean government.

Increasingly complex nature of FTA negotiations in respect of domestic policy coordination inevitably highlighted the roles of legislative bodies and procedures. Although similar situations can be observed in many other countries actively involved in FTA negotiations, which system fits best to a particular country requires deeper scrutiny on constitutional structures of that country as well as political consensus among social constituency. This difficult task, however, would be able to contribute to fortifying democratic process of the East Asian countries.

¹⁶ This special committee was established on August 11, 2006 with 14 committee members: 6 government officials and 8 private sector representatives. The chairman is Dr. Duksoo Han, former Deputy Prime Minister (or Minister of Finance and Economy).

¹⁷ This committee was consisted of 20 congressmen, 10 from the ruling party (Uri Party), 8 from the major opposing party (Hannara Party), 1 from Democratic Party and 1 from Democratic Labor Party. It is supposed to work for the period of 30 June 2006 to 30 June 2007.

<Appendix 1. Procedural History of Korea-Chile FTA>



<Appendix 2. Comparison of Two Major Korean FTA Negotiations>

	Korea-Japan FTA	Korea-US FTA
<i>Framework Aspects</i>		
Nature	Private sector driven (bottom-up case)	Government sector driven (top-down case)
Negotiating Position	Korea in a receiving side (Japan more aggressive)	Korea in a proposing side (US less enthusiastic)
Procedural Due Process	Procedural legitimacy (Joint study report and numerous public hearings)	Procedural problem (No joint study process and public hearing)
Time	Two years (1 year proposed by Japan)	Less than one year under the TPA constraint
Economic Background	Huge chronic trade deficit	Traditional major source of trade surplus
Characteristics	Almost purely economical FTA	Politically as well as economically loaded
<i>Substantial Aspects</i>		
Agricultural Trade	Surplus in both agricultural and fishery products	Deficit (rice import)
Investment	Aggressively attracting (BIT already established)	Not actively inducing (No BIT)
Trade Conflicts	None (in the middle of negotiation, one WTO case raised by Korea)	Many WTO disputes
Trade Remedy	Rarely used	Major target and user relation
Focus of Concession	Manufacturing sector	Services sector
Conclusion	Currently Suspended	Signed but Not Yet Ratified