

**South Korea's Business Sector and the
Transformation of the ROK-U.S. Alliance:
A Case Study of KORUS FTA***

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Introduction

This article examines the influence and role of Korean businesses in shaping the ROK-U.S. alliance, studying the case of the Korea-U.S. free trade agreement (KORUS FTA). For more than half a century, the ROK-U.S. alliance has played a security role in preserving peace and stability on the Korean Peninsula and in Northeast Asia. Based on common ideology and values, the alliance has also functioned as an important institutional foundation for a strong bilateral economic and commercial relationship that has underpinned common security and prosperity. Despite fluctuations in the global security and economic environment, the bilateral partnership has widened and deepened in all dimensions of inter-state relations through security, economic, and cultural ties.

However, the last ten years has seriously tested the ROK-U.S. alliance. U.S. reassessment of Korea's strategic value for the twenty-first century called for some structural adjustments to the alliance. Similarly, responding to both domestic and external changes, Korea sought a more equal relationship with the United States. Differences over policy toward North Korea highlighted divergent views between the two allies.

A new vision for the ROK-U.S. alliance was set forth in June 2009. A major catalyst of such realignment of the alliance is the KORUS FTA. The proposed KORUS FTA would serve as an agent of momentum transforming the alliance from a solely military alliance to a comprehensive security-economic partnership. This strengthened framework for Korea-U.S. cooperation would provide a much stronger basis for peace and prosperity in Northeast Asia in the future.

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The Korea-U.S. military alliance has served as a sturdy pillar of peace and security on the Korean peninsula for more than 50 years. Security cooperation will continue to be a key pillar of the ROK-U.S. alliance in the twenty-first century. However, it is no longer the only pillar. The United States and Korea enjoy deep and strong economic ties, evidenced by the dramatic expansion of the bilateral economic relationship.¹ This economic and commercial relationship is another core pillar of the Korea-U.S. partnership.

Then, what are the domestic roots of the transforming ROK-U.S. alliance? More specifically, what roles have Korean big businesses played in the evolution of the alliance and emergence of the KORUS FTA? The changing characteristics of the alliance should be traced to both international and domestic forces on the one hand, and both political and economic forces, on the other.² This suggests that it is very difficult and even foolhardy to try to single out a few key variables to explain the emerging changes in Korea-U.S. relations.

In fact, many studies on Korea's foreign policy in general and the Korea-U.S. relationship in particular, appear trapped in the so-called analytical double divide: between high and low politics, and between state and society as a key actor. Korea-U.S. relations have been considered, for the most part, as high politics in which security and strategic concerns dominate the discourse and the decision-making powers reside in state actors, primarily top executives. Under the so-called imperial presidentialism, presidents have had overwhelming authority in making foreign policies. Thus, there was little room for an independent role of both low politics and societal actors like business interests in the formation of Korean foreign policy including ROK-U.S. alliance policy. To that extent, the need for studying the role of societal forces on foreign policy has been relatively minimal.

However, such a closed system of foreign policymaking began to open under the Kim Dae Jung administration. More fundamental changes were made under the Roh Moo-hyun administration, when foreign policy issues including issues related to the ROK-U.S. alliance often stood at the center of debate among Koreans. Under these circumstances, a multi-stakeholder model becomes more relevant in explaining Korean foreign policy behavior.³

Using a case study of the development of the KORUS FTA, this paper explores the influence of Korean business stakeholders on the transformation of the ROK-U.S. alliance, a question

¹ Korea is the United States' seventh-largest trading partner and among its largest markets for agricultural products. The United States is Korea's third-largest trading partner, second-largest export market, third-largest source of imports, and its second largest supplier of foreign direct investment (FDI).

² For an analysis of domestic factors, see Allison (1989).

³ According to Ruggie (2005), there are two different traditions in diplomacy. In the traditionalist culture, state actors take key part, whereas the modernist culture emphasizes the role of a wide range of internal and external stakeholders.

which has been largely neglected in existing studies. The paper's primary finding is that, since South Korea's 1987 democratization, the Korean business community has increased its voice and influence on foreign policy toward the United States, and has contributed to strengthening the domestic support base for KORUS FTA negotiations, mainly through building internal and external advocacy networks.

The paper is organized as follows. The next section reviews the foundations of the Korean business sector's influence on the ROK-U.S. alliance. I underline that there was a historical affinity between the growth and interests of Korean businesses on the one hand, and the alliance as well as the government, on the other. In Section II, along with a discussion of its strengths and weaknesses, I sketch the background, process, and current status of the KORUS FTA. Section III analyzes the roles the Korean business community has played in moving the KORUS FTA forward, with a focus on the Federation of Korean Industry (FKI), a representative organization of business interests in South Korea. This analysis is followed by an inquiry into FKI's priority concerns and strategies in expanding Korea-U.S joint business interests and involvement in the ROK-U.S. alliance. In Section IV, I draw some implications of Korean businesses' increasing influence on the deepening of Korea-U.S cooperation. I conclude by discussing the potential benefits of the KORUS FTA on bilateral, regional, and global dimensions.

Historical Overview

The Korean Business Sector and the ROK-U.S. Alliance

A historical review of the influence of the Korean business sector on the ROK-U.S. alliance indicates that it has been, at best, marginal until the 1990s, but turned relatively striking in the 2000s. One reason for this limited role was that the Cold War and inter-Korean division did not allow any government to seriously challenge the reason of existence of the alliance. Also, for most of the time period under analysis, the Korean government had been a patron vis-à-vis the business community. The latter was simply a client heavily dependent upon the benefits provided by the Korean government. Therefore, supporting the ROK-U.S. alliance was the default position of businesses and other societal actors, and as far as the alliance was concerned, it was an area of government monopoly. As the proposed KORUS FTA became more important in the new millennium, the voice of businesses became more assertive in emphasizing the need for strengthened Korea-U.S cooperation than ever before.

The post-1945 evolution of Korea-U.S. relations illustrates well the development of a unique interaction between military alliance and economic cooperation. During the Cold War, close security cooperation actually led to friendly political relations between the two countries. And the relative benefits of South Korea's military alliance with the United States were not confined solely to the area of security, but extended to the economic realm as well. The Korea-U.S. bilateral relationship during that period represents some characteristics of a "patron-client relationship" in which the client state receives security assistance at the cost of political autonomy, and the patron supports the client's economy for military and ideological reasons.⁴

This patron-client relationship at the inter-state level was reproduced in the government-business relations of Korea. Very few Koreans had owned or managed large corporations under Japanese colonial rule. The birth of Korean capitalists was linked to the military alliance between Korea and the United States, in the sense that they emerged under the shield of the U.S and Korean governments. After the departure of the Japanese in 1945, the American military authority allowed some Korean businessmen to obtain the assets of some of the Japanese firms, many of which grew into the *chaebol* (business conglomerates) of the 1990s

There were two channels through which American assistance helped Korean big businesses take off. First, the firms could either get aid money directly or purchase aid materials through rationing or competitive auction bidding. They acquired resource materials and facility equipment necessary for production activities, and made big profits since the difference between real and nominal exchange rates was large at the time. Second, of more importance were the counterpart funds which were formed with U.S economic aid and managed by the Korean government. These funds were the main source of Korea's treasury loans and investments, most of which were provided to the large firms.⁵

In fact, this U.S economic aid was primarily military-related since the use of the counterpart funds was thoroughly controlled by the United States under the "Meyer Agreement" of 1952 on ROK-U.S. economic coordination, which stipulated that the Combined Economic Board controlled operation and disposal of the funds. In particular, the military purpose of the funds appeared clear in Article 1(a) of the Agreement's guiding principles: "The Board will consider all economic aspects of the Unified Command programs for assistance to the Republic of Korea and all pertinent aspects of the economy and programs of the Republic of

⁴ For a discussion of the positive relationship between military alliance and trade cooperation, see Gowa and Mansfield(1993).

⁵ The cumulative counterpart fund between 1954 and 1964 amounted to 83.3 billion won, 57.37 percent of the total treasury loans and investments of 145 billion won.

Korea, in order that each of the Board's recommendations may be a part of a consistent overall program designed to provide maximum support to the military effort of the United Nations Command in Korea, relieve the hardships of the people of Korea, and develop a stable Korean economy.” Thus, in the 1950-60s, Korean big businesses were one-sided beneficiaries and important supporters of the ROK-U.S. alliance, which shaped the formation of Korean business group attitudes toward Korea-U.S. relations.

The anti-communist and authoritarian regimes of South Korea considered the ROK-U.S. alliance as the most important pillar of peace and prosperity for Koreans, and pushed the strategy of export-oriented industrialization (EOI). Since 1973, the Park Chung-Hee government emphasized greater economic independence as well as military build-up, and promoted heavy and chemical industries. Main policy instruments included encouraging monopolistic production, reducing tariffs on capital equipment, raising tariffs to protect infant industries, and providing favored sectors with privileged access to bank loans. These shifts in economic policy favored large firms, as a result of which the top 30 *chaebols*' share of manufacturing shipments amounted to 35 percent and their share of total exports 41.3 percent in 1985 (Jee 1997). Taking a leading role in promoting economic growth and holding huge economic resources, these big businesses began to have a greater influence on the Korean political economy.

The 1980s saw the previous patron-client relationship between businesses and government transforming into a symbiotic one in which the government still played a leading, yet not unilateral, role in decision making of both domestic and foreign affairs. As trade frictions in the mid-1980s showed, Korea-U.S. relations were also diverging from a patron-client relationship. After South Korea's democratic transition in 1987 and the collapse of the Soviet Union in 1991, state-society relations were realigned in favor of societal actors including business sectors. At the same time, low politics seemed to become more important through economic cooperation with former communist countries and trade conflicts with the United States.

However, South Korea's foreign policymaking process remained largely intact. As long as Korea-U.S. relations were concerned, high politics still dominated low politics. Foreign policymaking remained primarily in the domain of the president, who was largely insulated from democratic control and public participation (Jaung 2005: 51). There was no serious conflict of interests between the government and societal actors about the indispensability of the ROK-U.S. alliance, so concerns of the Korean business community were confined to the economic arena. In reality, the Federation of Korean Industry, the umbrella interest group of large firms, showed little interest in foreign policy and even appeared incompetent in

promoting their agenda to the government. Although the portion of FKI's policy proposals with an international orientation amounted to only 0.7 percent in the 1995-2000 period, their overall rate of acceptance was as high as 70 percent (Choi 2005).

During the 2002 presidential campaign, Korea-U.S. alliance issues suddenly emerged as politically salient issues when a U.S. Military Court's acquittal of U.S. soldiers who accidentally killed two middle-school girls during off-base training exercise triggered nationwide candle-light vigils against the actions of both the American and Korean governments in November 2002. The role of Korea-stationed American troops and the future of the ROK-U.S. alliance became crucial issues in the campaign, ahead of South Korea's first democratic election in which foreign policy played a major role (Jaung 2005). Since the beginning of the Roh Moo-hyun administration, foreign policy issues often stood at the center of debate in Korea, including U.S. alliance-related issues such as troop dispatch to Iraq, the realignment of the ROK-U.S. alliance, and KORUS FTA negotiations.

As societal stakeholders have actively participated in foreign policy debates, Korean big businesses have functioned as a stronghold for justifying the ROK-U.S. alliance. It was not an accident that Samsung Economic Research Institute (SERI) published a paper on ROK-U.S. relations for the first time in 2004, arguing that the then looming cracks of the alliance might have detrimental effects on the Korean economy, and calling for strengthening Korea-U.S. cooperation at the security, economic, and social levels (SERI 2004).⁶ The report also emphasized that a free trade agreement between the two nations would expand the previous security-oriented alliance into a more comprehensive framework of cooperation. As discussed below, Korean business groups have argued that the KORUS FTA would strengthen Korea-U.S. relations by transforming the military alliance into a military-economic alliance.

Progress of the KORUS FTA

The idea of a Korea-U.S. FTA is traceable to the 1980s, when South Korea's accessibility to U.S markets was increasingly squeezed by U.S trade laws and the conclusion of the Canada-U.S FTA. The Korean government had an interest in a bilateral trade pact with the United States as a means to avoiding further discrimination against Korean exports to the U.S market. But U.S interests centered mainly on how an FTA could further open Korean markets and help promote the multilateral process of trade liberalization at the GATT rounds. Initial ROK-U.S. FTA talks failed to go beyond informal discussions, although a number of studies

⁶ The publication sought to examine the most outstanding political and economic issues for CEOs and policy makers.

in both nations explored the potential economic and geopolitical implications of an FTA (Choi and Schott 2001).⁷ While these early attempts bore no fruits, interest in a bilateral trade pact resurfaced in the late 1990s.

For Korea, the economic crisis in late 1997 forced a thorough review of development strategies. The government thought that new trade agreements could help make the Korean economy more efficient by promoting inflows of foreign capital and management skills, and by infusing new competition into the domestic market. At the same time, there has been a dramatic resurgence of bilateral trade deals in the Asia-Pacific region. Japan began FTA talks with Singapore in January 2001, has held extensive consultations with Korea on the possibility of entering free trade negotiations, and has explored the idea of trade talks with Mexico with support from a bilateral business working group. At the APEC summit meeting in 2000, Singapore agreed with Australia and with the United States to launch FTA talks.

Nonetheless, the subject of a Korea-U.S. FTA had not been discussed formally between the two governments until December 2000. Ahead of these negotiations, the U.S. business community in Korea promoted the idea of a bilateral FTA in a letter to President Clinton in June 1999.⁸ Senator Max Baucus, ranking minority member of the Senate Finance Committee, introduced the United States-Republic of Korea Free Trade Agreement Act of 1999 in November of that year that would authorize FTA negotiations with Korea as well as “fast-track” procedures to implement the resulting agreement. In January 2001, leading Korean and U.S. businesses both expressed their support for a potential Korea-U.S. FTA.⁹

The Korean Ministry of Foreign Affairs and Trade (MOFAT) proposed an FTA to the U.S. government in 2004. After the four preconditions on rice, beef, screen quota, and emission standards of imported cars were cleared, both governments announced the launch of the first official round of FTA negotiations on February 3, 2006. The KORUS FTA was signed on June 30, 2007, but ratification of the agreement stalled over differences between the George W. Bush administration and a Democrat-controlled U.S. Congress that expressed objections to the treaty related to concerns over bilateral trade in automobiles and U.S. beef exports.

Nearly three years later, on June 26, 2010, Presidents Obama and Lee Myung-bak agreed that they would direct their governments to resolve remaining obstacles to the agreement by November 2010. After intensive discussions including talks during the November 2010 G-20

⁷ The U.S. International Trade Commission concluded in 1989 that a U.S.-Korea FTA was premature, citing possible negative political effects (Choi and Schott 2001).

⁸ Letter from Jeffrey Jones, president of the American Chamber of Commerce in Korea, to President Clinton, June 29, 1999.

⁹ The 14th Joint Steering Committee Meeting of the U.S.-Korea Business Council, January 21-23, 2001.

Seoul summit, the two presidents announced on December 4, 2010, that a deal had been reached.¹⁰ On February 10, 2011, the United States and Korea exchanged the legal texts – signed by U.S. Trade Representative Ron Kirk and Korean Trade Minister Kim Jong-Hoon – setting the stage for Congressional consideration of the KORUS FTA.

The pending KORUS FTA seeks to bring benefits to both sides. The view that South Korea wants greater access to the world's richest market and that the FTA will help revive its economy, is generally accepted in Korea. President Lee in his National Assembly address in July 2008 stated that the KORUS FTA “will boost the nation's economy.” Korea's interest in enhanced access to the U.S. market was recognized by U.S. Trade Representative Susan Schwab, who indicated that the FTA would exchange much higher Korean barriers for access to the American market. Also, the United States would like to use the FTA to prevent its own exclusion from Asia, a potential reality with the formation of Asian regional groupings. The FTA provides the United States a way to move Korea towards a more open economy and away from past practices of regulation and industry protection.

For the United States, an FTA with Korea would increase bilateral trade and investment, with an increase in agricultural and services exports to Korea in particular. The United States could also use its expanded access to the Korean market as a platform for sourcing throughout Northeast Asia. The KORUS FTA could also serve as a catalyst to jump-start the next stage of regional free trade movements within APEC and as a building bloc to the further progress of the multilateral trading system. Politically, the United States could benefit from a further strengthening of its security ties with Korea that could result from an FTA. The trade agreement would send a signal of firm U.S. commitment to a prosperous Korea and to peace and stability on the Korean peninsula and in Northeast Asia.

Despite such opportunities, there still exist challenges to be dealt with by both governments. Among others, ratification of the FTA has been delayed in both countries longer than expected. There is also strong opposition from the potential losers in both Korea and the United States. Furthermore, the nature of the issues has turned ideological rather than economic in Korea, as a result of which pro-American groups and conservatives have collided with anti-American groups and progressives. The following section analyzes the domestic impact of the KORUS FTA and overviews the distribution of business sector interests. Then, it discusses the priorities of leading Korean businesses and their roles in pushing forward the FTA.

¹⁰ Under the renegotiated trade pact, concessions were granted to the United States on trade in automobiles. Tariff reductions for Korean automobiles were delayed for five years, and U.S. autos were granted broader access to the Korean market. At the same time, the negotiators agreed to set aside disagreements over U.S. beef exports for the time being.

Korean Businesses and Politics of the KORUS FTA

Sectoral Impact of the KORUS FTA

A trade pact has significant distributional implications because it is likely to change the previous allocation of benefits and costs among domestic interests. The preferences of different domestic stakeholders in foreign economic policymaking can be analyzed by using Rogowski's (1989) commerce and coalitions model. The premise of this model is that economic cleavages between stakeholder constituencies are formed on the basis of their exposure to trade which is assumed to have either beneficial or adverse effects on them.

A number of studies have estimated the economic impact of a possible Korea-U.S. FTA in the last decade, including those of the U.S. International Trade Commission (ITC), several Korean and U.S. research groups and other researchers. Wang and Cheong (1998) produced the first published computable general equilibrium analysis of the topic in 1998. Both the Peterson Institute for International Economics and the ITC in Washington have published a series of estimates for a U.S.-Korea FTA.¹¹ Regardless of model, base year, and liberalization scenario, they predicted that total U.S. exports to Korea would increase by more than the increase in total imports from Korea, in both percentage and value terms.

For Korea, the agriculture and service sectors are expected to be on the losers' side, whereas manufacturing industries, except pharmaceuticals,¹² will remain relatively immune from the negative effects of the FTA (see table 1). Under the KORUS FTA's provisions on agricultural trade, Korea immediately would grant duty-free status to almost two-thirds of current U.S. agricultural exports. Tariffs and import quotas on most other agricultural goods would be phased out within 10 years, with the remaining commodities and products subject to provisions that phase out such protection. Korea also agreed to eliminate its 40 percent tariff on beef imported from the United States over a 15 year period, while holding rights to impose safeguard tariffs on a temporary basis in response to any potential surge in imports of U.S. beef meats above specified levels. For the United States, as the American Farm Bureau Federation has estimated, the KORUS FTA, once fully implemented, could increase U.S. farm exports to Korea by \$1.6 billion, a fact which may explain why the KORUS FTA is supported by more than 40 U.S. agricultural and food associations.¹³ On the contrary,

¹¹ Choi and Schott (2001), Schott et.al(2006), Schott(2010), U.S ITC (2001, 2007).

¹² Under the new trade agreement, the United States agreed to extend the grace period of a pharmaceutical "patent linkage" system to three years instead of 18 months, which may reduce the predicted losses of Korean companies by 110 billion to 238.2 billion Won.

¹³ USTR. "KORUS FTA: New Opportunities for Agriculture." KORUS FTA Facts, June 2008.

Korea's farmers would be the biggest losers from the FTA. Some experts have estimated that the FTA would result in 1 million job losses in Korea's agricultural sector.¹⁴

Table 1. Sectoral Effects of the KORUS FTA in South Korea

Sector		Export	Import	Losses
Agriculture		X	●	●
Manufacturing	Textile/clothing	●	X	X
	Automobile	○	○	X
	Electronics/IT	◐	○	X
	Pharmaceutical	X	●	●
Services	Finance	X	●	◐
	Education	X	●	◐
	Legal/medical	X	◐	◐

Source: SERI(2006), ●= very great, ◐= great, ○= small, X= negligible

Trade in autos and auto parts has proved to be among the most difficult issues tackled by U.S. and Korean negotiators, pitting an increasingly competitive Korean industry seeking to increase its U.S. market share against a U.S. industry that wants Korea to eliminate policies and practices that seemingly discriminate against U.S. auto imports. Under the renegotiated agreement the U.S. car tariff - currently at 2.5 percent - will be maintained for four years until January 2016 and then eliminated. In turn, for Korea, the 8 percent Korean car tariff will be reduced to 4 percent upon entry into force of the pact and then eliminated at the same time as the elimination of the U.S. car tariff. Also, rather than a 10-year tariff phase-out, tariffs on electric cars and plug-in hybrids will be phased out in five years. In addition, the U.S. tariff on light trucks will be maintained for seven years until 2019 and then phased out over the next three years. Originally, the light truck tariff was to be phased out in 10 equal annual increments, but Korea did not slow its own tariff reform, meaning that the 10 percent Korean truck tariff will be eliminated upon entry into force of the agreement.

The KORUS FTA would cover a broad range of other areas. Most U.S.-Korean trade in consumer and industrial products would become duty-free within three years after the agreement enters into force, and virtually all remaining tariffs would be lifted within 10 years. The two countries agreed to liberalize trade in services by opening up their markets beyond what they have committed under the rules of the World Trade Organization (WTO). About 60 percent of bilateral trade in textiles and apparel would become duty-free immediately, and

¹⁴ Under the new agreement, the 25 percent Korean tariff on imports of a major category of U.S. frozen pork will be phased out by January 2016 instead of January 2014.

the KORUS FTA would provide a special safeguard mechanism to reduce the impact of textile and apparel import surges.

In sum, the Korean producers of autos, textiles and clothing, and electronics will be winners and farmers will be losers. This suggests that most Korean export-oriented, especially large multinational, manufacturing businesses will benefit from--and hence strongly support--the KORUS FTA.

Role of Korean Big Businesses

The main concerns of the Korean business community have been whether an FTA would provide increased access to the U.S market and hence lead to economies of scale. Until the first half of the 2000s, Korean big businesses seemed very cautious about a free trade deal with the United States. For example, LG Economic Research Institute (1998) concluded that a Korea-U.S. FTA would aggravate the current account deficits of Korea, but the positive effect of improving the deficits was not certain. SERI (SERI 2003) also pointed out that the strongest candidates for an FTA partner included Japan and China, and that an FTA with the United States should be approached from a strategic and long-term perspective. In a similar vein, Korea Economic Research Institute (KERI) published a policy brief indicating that the lineup for FTA candidates should be ordered as Japan first, then Mexico, ASEAN, BRICs and the United States last (Kwon 2004). Thus, at the early stage, Korean big businesses placed a low priority on the United States.

Nonetheless, once FTA negotiations between Korea and the U.S were officially launched on February 3, 2006, Korean businesses took various proactive steps to move it forward. The following section analyzes this in two dimensions - key players and activities - of pro-KORUS FTA movements, as shown in table 2. Notable players include the five biggest business organizations: the Federation of Korean Industry (FKI), the Korea Chamber of Commerce and Industry (KORCHAM), the Korea Federation of Small and Medium Business (Kbiz), the Korea International Trade Association (KITA), and the Korea Employers Federation (KEF). Of FTA-related networks, the KORUS FTA Industry Alliance and the Korea-U.S Business Council played an important role in pro-FTA campaigns either within Korea or between the two nations.¹⁵

¹⁵ The movement against the FTA deal was staged mainly by the Korea Alliance against the Korea-U.S. FTA.

Table 2. Key Player and Activity of Pro-KORUS FTA Campaign

Player		Activity	
Organization	Network	Advocacy	Education
FKI (KORCHAM, Kbiz KITA, KEF)	KORUS FTA Industry Alliance	Petition	Statement
		Proposal	Report
	Korea-U.S Business Council	Meeting	Public hearing, conference, seminar, forum

The activities in support of KORUS FTA are categorized into advocacy and education. According to Duverger (1972: 121-125), the modes of political participation are either direct or indirect. Direct participation is associated with policymaker-oriented, advocacy activities, whereas indirect participation is related to mass-level, educational ones. Advocacy is performed through both open and private channels which link business leaders to various decision makers such as government ministers, bureaucrats, legislators, and regulators. The basic objective of business leaders is to change the government's policy positions in accordance with their business interests. Widely-used methods of engaging policy makers are meetings and policy petitions, recommendations, and proposals. Educational activities aim to widen the support base of the mass public through public hearings, statements, reports, and scholarly conferences.

The subsequent analysis focuses on the advocacy and educational roles played by FKI, which has been not only an umbrella organization of Korean business conglomerates, but also the focal point of pro-KORUS FTA movement networks in Korea including the Industry Alliance and the Korea-U.S. Business Council.¹⁶ Table 3 shows FKI's pattern of political participation between 2003 and 2010. The portion of FKI's advocacy activities directly engaging policymakers has ranged from 17 percent in 2008 to 31 percent in 2010. FKI's main focus has been overwhelmingly on the executive branch during the whole period under study. But the legislative branch received a relatively weaker spotlight from FKI than the executive counterpart given that the portion of advocacy activities focused on the legislative branch went beyond 6 percent only in the years 2004 and 2009.

¹⁶ FKI's membership increased from 13 since its inception in July 17, 1961 to 486 companies in 2010.

Table 3. FKI and Modes of Political Participation

Year		2003	2004	2005	2006	2007	2008	2009	2010
Advocacy	Executive [A]	30	25	36	40	34	19	27	37
	(A/D)	22.39	16.13	23.84	25.00	25.00	13.77	20.00	25.69
	Legislature [B]	4	15	3	7	3	5	10	8
	(B/D)	2.99	9.68	1.99	4.38	2.21	3.62	7.41	5.56
Education [C]		100	115	112	113	99	114	98	99
	(C/D)	74.63	74.19	74.17	70.63	72.79	82.61	72.59	68.75
Total [D]		134	155	151	160	136	138	135	144

Source: Author's calculation from *FKI Chronology*

It was not until the establishment of the bilateral investment treaty (BIT)/FTA Task Force under the Korea-U.S. Business Council in 2003 that FKI entered into the landscape of KORUS FTA politics in Korea. Signing a Memorandum of Understanding with MOFAT in March 18, 2003, FKI also opened an official circuit through which its voice was transmitted into the foreign economic policymaking procedures. FKI in April 23, 2004, established an internal agency, the Committee on Commerce and Trade, which, with the participation of MOFAT officials, aimed to prepare business-level strategies to cope with international economic challenges and to voice business sector concerns at the phase of not only negotiating an FTA deal, but also selecting an FTA partner country. Six months later, the Committee called for a Korea-U.S. FTA and became an important foundation for forming the KORUS FTA Industry Alliance in February 3, 2006.

The KORUS FTA Industry Alliance was a domestic policy network in which government officials, corporate managers, and economists participated.¹⁷ The alliance is comprised of some 42 groups including the Korea International Trade Association and FKI. The main purpose of the alliance was to promote the interest of Korean businesses. Its activities include to review major issues in FTA negotiation groups, and to examine possible countermeasures and responses by sector and by industry. It monitored developments of negotiations, tried to reflect industrial opinions in the course of government negotiations, and exchanged information and opinion between industries to increase mutual understanding.

The Korea-U.S. Business Council has served as FKI's important international network, the premier business organization promoting the bilateral relationship between the United States and Korea. The Council also serves as secretariat of the KORUS FTA Business Coalition, a broad-based group of over 400 American businesses and associations that is working to secure Congressional approval of the FTA. In 1999, FKI assumed responsibility as secretariat

¹⁷ This group was recently renamed "FTA Industry Alliance" as it seeks to discuss strategies for promoting the interests of Korean businesses in FTAs in general, including the KORUS FTA.

of the Korea-U.S Business Council, and in 2002, the U.S. Chamber of Commerce became secretariat of the U.S. counterpart, the U.S.-Korea Business Council. The founding mission of the two councils was to foster better business ties between the United States and Korea, and to promote the bilateral economic and political relationship in order to expand trade and investment. Through dialogue, joint working groups, and other unilateral and joint initiatives, the councils for twenty years have led efforts in both the United States and Korea to improve the bilateral trade and investment environment.

More importantly, the councils were early advocates for a Korea-U.S. FTA, first urging U.S. and Korean government leaders in 2000 to consider entering into FTA negotiations in order to boost bilateral trade. The councils actively worked to promote the conclusion of BIT negotiations and led calls for the opening of bilateral FTA negotiations.¹⁸ The Korea-U.S. Business Council established the BIT/FTA Task Force in January 2003 to discuss possible solutions to commercial tensions between Korea and the United States, and in February 2006, launched the U.S.-Korea FTA Business Coalition in conjunction with the announcement by the U.S and Korean governments of their intention to enter into FTA talks. The two business councils have represented an important institutional linkage lobbying both Korea's National Assembly and the U.S Congress for early ratification of the trade pact.

Based on the above institutional foundations, Korean businesses could make the government adopt 27 out of 51 policy proposals concerning KORUS FTA negotiations.¹⁹ The pro-KORUS campaign was slightly different in focus between the pre- and post-2007 periods: during the earlier period, it surveyed the interests of member firms and tried to promote them in the negotiation process, while in the later period, efforts were made to shape opinion in favor of early ratification of the signed KORUS FTA. On the one hand, the FKI leadership, aligned with the chairmen of other large business associations, had several times visited the National Assembly and major political parties to persuade Korean legislators (see table 4). On the other hand, FKI promulgated the joint statements of business associations, published op-ed articles, released TV and newspaper commercials, and sponsored seminars and forums to emphasize the positive economic, political, and security implications of the KORUS FTA.²⁰

¹⁸ Joint Statement, the 13th Joint Conference of Korea-U.S./U.S.-Korea Business Councils, June 20, 2000.

¹⁹ *FKI Annual Report 2007*.

²⁰ *FKI Annual Reports 2008 and 2009*.

Table 4. Lobbying Activities for KORUS FTA Ratification

Date	Organization	Activity
2007.6.14	Korea-U.S Business Council	Statement
2008.1.9	FKI	Statement
2008.1.14	FTA Industry Alliance	Visit to National Assembly
2008.2.5	FKI	Statement
2009.2.18	Four Business Associations	Visit to National Assembly
2009.2.24	Six Business Associations	Statement & Visit to National Assembly
2009.4.24	Five Business Associations	Invitation of Speaker of National Assembly
2009.11.18	FTA Industry Alliance	Visit to National Assembly

Source: *FKI Chronology*

KORUS FTA and the ROK-U.S. Alliance: Bilateral and Regional Benefits

The KORUS FTA is expected to broaden and deepen the ROK-U.S. alliance. Although Korean businesses have been interested primarily in the economic effects of the FTA, they also are attentive to its implications for the alliance and general bilateral cooperation. For instance, Kang Shin-Ho, chairman of FKI indicated in 2006, “The Korea-U.S. FTA is expected to greatly contribute to developing the nation's service industry and helping the nation secure transparent accounting system, flexible labor market, and other global standards.” He added, “The Korea-U.S. FTA will also strengthen diplomatic and security relations between the two countries and have positive impacts on the peace of the Korean Peninsula and maintenance of order in Northeast Asia.”²¹ The U.S.-Korea Business Council has also indicated that the FTA would significantly expand bilateral trade and investment, and bring new vitality to the U.S. partnership with Korea, and in doing so contribute to Asia’s future trade and investment environment.²²

²¹ FKI. “Korea-U.S. FTA Should Be Used as a Springboard for Take-off Toward Advanced Country.” FKI Newsletter, CEO Message. Vol. 35, 2006-03.

²² “U.S.-Korea Business Council Applauds Signing of U.S.-Korea Free Trade Agreement.” Statement of U.S.-Korea Business Council. June 30, 2007.

Thus, the impact of the KORUS FTA may go far beyond bilateral commercial benefits. It would represent a powerful symbol of the Korea-U.S. partnership, augmenting the longstanding bilateral security alliance and robust ties between the Korean and American people. It will create a new dynamic, reflecting both the growing sophistication of the bilateral relationship and Korea's increasingly positive global role.

There are several mutual bilateral and regional gains that could be achieved from the KORUS FTA. First, the KORUS FTA is expected to significantly strengthen the bilateral strategic partnership between Korea and the United States amid the always-fragile political and security dynamic of Northeast Asia. North Korea's nuclear tests and military provocations have prompted speculation of a future arms race in the region, as a result of which the global community has grown more convinced that the Korean peninsula should seek wiser policies to deal with peninsular security issues and avoid a resurgence of Cold War thinking in the region. The presence of more than 30,000 U.S. troops in Korea makes the United States an interested party in security matters. The KORUS FTA, as Washington's first free trade agreement in East Asia, would mark the beginning of a more fruitful bilateral partnership going forward. The FTA is desirable for Korea as a means to develop a better strategic relationship with the United States, allowing Korea's opinions on East Asia and North Korea to carry more weight.

The KORUS FTA would serve as a stepping stone to integrating North Korea into the global community. In particular, part of the FTA provides for the establishment of a Committee on Outward Processing Zones on the Korean peninsula. Under this provision, products made in designated "outward processing zones" in North Korea and financially supported by Korean firms could eventually be recognized as Korean-made and entitled to duty-reduced or duty-free import into the United States. Such provisions may help end North Korea's isolation and contribute to conditions for lasting peace on the peninsula.

In addition, the KORUS FTA would deepen people-to-people ties between the Korea and the United States. There are over two million Americans of Korean descent living in the United States. They have had a huge positive impact on the United States and continue to provide a vital and unique link between the two nations. Korea-U.S. academic ties have also blossomed: in 2006, more than 58,000 Korean students studied in the United States, the third largest group of foreign students in the country. The KORUS FTA has the potential to join the two peoples together even more closely. It would transform the previously security-oriented alliance into a comprehensive partnership by integrating both economic and cultural cooperation at the bilateral, regional and global levels. With the KORUS FTA, the Korea-U.S.

relationship could grow to be a multi-faceted, cooperative partnership for a more closely-linked world.

Second, it is worth emphasizing the regional implications of the KORUS FTA. Korea was the third-largest contributor of troops to the coalition forces in Iraq and has also played an important role in Afghanistan. Both Korean and U.S. governments have discussed not just the situation on the Peninsula, but also the Middle East, climate change, democracy, and other global issues of shared concern. They have been working hard on modernizing their security relationship on a global dimension.

The United States is now realigning its troops stationed in Korea to more effectively deter aggression by North Korea. The United States has also been working very closely with partners of the Six-Party Talks to deal with North Korea's nuclear program and move beyond denuclearization. Ultimately, the talks may evolve into a stronger multilateral mechanism for regional problem-solving and for developing a greater sense of community in the region. In this regard, the KORUS FTA can be a bridge for ensuring geopolitical stability between the Korean Peninsula and Northeast Asia.

The KORUS FTA can function as an institutional anchor that stimulates regional economic cooperation in East Asia, a region intricately intertwined with the United States in economic matters.²³ In 2006 alone, the United States incurred a deficit of \$232.6 billion with China, \$88.5 billion with Japan, \$13.3 billion with Korea and \$15.2 billion with Taiwan. Since the U.S. current account deficit is the cause of a number of global economic imbalances, the KORUS FTA could help to resolve such issues. U.S. companies may also be able to use the FTA to strengthen competitive advantage over China and Japan. As the smallest of the three East Asian countries, Korea can use this opportunity to increase its political and economic clout as a "counterweight" in the region.

Finally, the caveat is that a more consolidated ROK-U.S. alliance promoted by the KORUS FTA might make China and North Korea feel isolated and destabilize rather than stabilize the regional political economic situation. This possibility is further reinforced by the idea of extending an upgraded and updated Korea-U.S. security-economic alliance to a tripartite alliance between Korea, Japan, and the United States. China may perceive such a move as a renewed effort of containment against China and be driven to take more unilateral and

²³ The KORUS FTA would also provide the United States with a strong economic presence in Northeast Asia and allow South Korea to reduce its economic dependence on China. Former U.S. envoy Christopher Hill alluded to this strengthening of America's strategic presence in Northeast Asia when he stated that "South Korea can solidify a role as America's economic bridge in the Northeast Asian region" through an FTA. Christopher R. Hill, "Remarks at American Chamber of Commerce General Membership Meeting," October 5, 2004.

aggressive actions against the trilateral partnership. The potential isolation of China would do more harm than good to resolving the North Korean nuclear issue and enhancing East Asian regional cooperation. In a worst case scenario, the KORUS FTA could diffuse U.S.-China rivalries in East Asia onto the global stage.

Conclusion

This article has examined the influence and role of Korean businesses in shaping the ROK-U.S. alliance, using the KORUS FTA as a case study highlighting momentum toward the transformation of the military alliance into a comprehensive partnership based on close security, economic and cultural ties.

The existing dominant perspectives on Korea's foreign policy and relations with the United States have focused on high politics and state actors while overlooking the roles of societal actors, business sectors in particular. To fill this void, I analyzed the influences of Korea's big businesses on the development of the KORUS FTA and implications for the ROK-U.S. alliance. Until recently, the room for societal actors in influencing the alliance was very limited. In particular, Korean big firms benefited from Korea-U.S. security cooperation in the past as a client vis-à-vis their patron, that is, the Korean government and the United States, the provider of various economic assistance. Facing the challenges to, and skepticism about, the ROK-U.S. alliance in the first half of the 2000s, Korean businesses became more assertive supporters of the alliance and the KORUS FTA.

Under the signed FTA, Korean large firms would be on the side of winners, and farmers on the opposite side. To push their FTA agenda to both governments, Korean businesses made use of advocacy and educational initiatives and formed policy networks at both domestic and international levels. The U.S.-Korea Business Council and the FTA Industry Alliance monitored government-level FTA negotiations, disseminated policy briefs and reports to government officials, and mobilized domestic supporters through educational activities.

The KORUS FTA would have major positive implications bilaterally and regionally, and on strategic and economic relations between Korea and the United States. It could be a catalyst for deepening the Korea-U.S. security, commercial, and cultural partnership. It would serve as a stepping stone to inducing North Korea to integrate into the global community and thereby reduce geopolitical uncertainty on the peninsula. Given that Korea is a bridging nation in East Asia politically and economically, the KORUS FTA would not only accelerate

the process of East Asian integration, but also strengthen the stabilizing role of the United States in the region.

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