

**THE KOREA-US FREE TRADE AGREEMENT: KORUS FTA  
VIEWS OF EXPERTS AND CONCERNED PARTIES:  
OPINION SURVEY REPORT #1  
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### **I. Introduction and Background**

As part of the Korea Economic Institute's (KEI) ongoing effort to provide information and source materials relating to negotiations to complete a Free Trade Agreement between the United States and the Republic of Korea, KEI has contracted for a series of opinion surveys, seeking to learn the views on this topic of individuals with an interest and knowledge of Korean affairs. The negotiations for a Free Trade Agreement have been given the acronym "KORUS FTA."

William Watts, president of Potomac Associates (PA), a non-partisan research organization that has conducted a number of opinion surveys on U.S.-Korea relations, organized the KEI survey. Field work is being carried out by Opinion Dynamics Corporation, a national survey research organization led by John Gorman, located in Cambridge, Massachusetts.

The survey will encompass a rolling series of four focused sets of interviews, of which this is the first. Subsequent reports will be issued in mid-summer, late fall, and a final summary document in early 2007, after the new Congress is sworn in. Each report will be posted on the KEI website: [www.keia.org](http://www.keia.org).

This first report is based on confidential interviews conducted with 50 individuals during the period April 7-May 10, 2006. Names were drawn from lists available to KEI and PA, comprising the following:

- 31 – trade and business organizations, and interest groups, dealing with Korea;
- 10 – think tanks, policy analysis organizations, academic and other Korea specialists;
- 9 – current and former U.S. government executive and legislative branch officials, all with extensive Korea experience.

Because of the limited size of the survey sample, the findings do not lend themselves to drawing conclusions on the basis of strict statistical reliability. Rather, responses and comments should be seen as indicative and impressionistic, reflecting the outlooks of a group of interested, engaged, and knowledgeable individuals who have informed opinions to offer. As we move ahead with later surveys, these views likely will be more focused and specific, as details of the ongoing negotiations become known.

## II. The Questionnaire, Responses, and Commentary

The questionnaire, as fielded by Opinion Dynamics Corporation, is set forth verbatim in the pages that follow. Summary responses to each question are also presented, with interpretive comments, where appropriate, by the author, clustered by the three categories of respondents just noted.

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[Introductory statement made to each respondent by the interviewer  
from Opinion Dynamics Corporation]

“Thank you for agreeing to talk with me. This research is being conducted on behalf of the Korea Economic Institute, a non-profit institute incorporated and located in Washington, DC. Our goal is to better understand how South Korea is viewed in the United States; attitudes toward a proposed Free Trade Agreement between the United States and Korea in 2007; and how a Free Trade Agreement with South Korea will potentially impact both countries.”

**1. [The Question]:** “First of all, how do you think South Korea is generally viewed in the United States today? Is the view of the public at large very favorable, mostly favorable, mostly unfavorable, or very unfavorable?”

	Very favorable	Mostly favorable	Mostly unfavorable	Very unfavorable	Don't know refused
May 2006	4%	86%	6%	0%	4%
February 2003	10	48	23	8	11
February 2002	9	45	25	8	13
November 2000	5	44	28	10	13
September 1979	9	49	19	8	15

The substantially more positive estimates of opinion of the general public given by respondents in our survey, as compared with measurements in earlier PA studies, reflect a remarkably sympathetic reading of feelings of Americans at large. Our respondents attribute warmer feelings to the public at large than were registered in earlier studies.

**2. [The Question]:** “And what about you, yourself? Is your overall opinion of South Korea very favorable, mostly favorable, mostly unfavorable, or very unfavorable?”

	Very favorable	Mostly favorable	Mostly unfavorable	Very unfavorable	Don't know refused
May 2006	34%	58%	4%	0%	4%

The views of respondents in our study are more positive than is their sense of how the public feels, with a larger proportion in the “very favorable” column.

**3. [The Question]:** “On balance, how do you feel about entering into negotiations to conclude a Free Trade Agreement between the United States and South Korea? In general, do you:”

Favor these negotiations	86%
Oppose these negotiations	4
Want to know more details of the negotiations	8
Don't know/refused	2

**4. [The Question]:** “Why do you feel this way?”

Virtually all respondents who favor an FTA focus on a range of generalized views: free trade will be good for both countries; greater market opening is beneficial and desirable; and the closer economic ties inherent in an FTA will strengthen the overall bilateral relationship, with positive implications in the political and security arenas.

Opportunities for greater market access stand out as key to FTA support among trade and interest groups. The potential removal of non-tariff barriers is seen by many as an important consideration.

Specific economic sectors are singled out as meriting support, including the automobile industry, electronics, and textiles. These reflect direct individual interests: “I see benefit to the US economy and benefit to my employer;” “It’s good for my business, and a win-win situation.”

An opposing voice in the trade group cohort registered concern over a perceived pattern of failure of the Korean government to implement agreements. He was seconded by an academic observer, who preferred multilateral to bilateral agreements, and a member of a think tank, who worried that such bilateral arrangements can prove detrimental to larger regional trade liberalization.

The generalized sense that an FTA represents a positive step in strengthening bilateral links was expressed widely by all groups in the survey. Thus, one policy observer stated that “an FTA can take economic and political relations to the next level.” The potential upside in the political-economic-security-military nexus was warmly endorsed by current and former US government officials.

**5. [The Question]:** “If a US-South Korea Free Trade Agreement is ultimately approved, who do you think will benefit the most?”

United States	8%
Republic of Korea	22
Both equally	62
Don't know/refused	8

Close to two-thirds of respondents foresee equality in benefits to both sides stemming from the outcome of a successful FTA. But the balance of those who see one side gaining more than the other is clearly tilted toward South Korea.

**6. [The Question]:** “What do you think the principal overall benefits of an FTA will be to:”

#### A. United States

Increased market access, elimination of non-tariff barriers, and lessened duty levies are cited by all groups as key benefits to the U.S. (Access for agricultural goods was singled out by several respondents.) The ability to get U.S. goods into the Korean market, at reduced prices, has a broad appeal, as well as reduced prices for U.S. consumers. Other areas of potential improvement that draw specific mention include: intellectual property rights, investment protection, financial services markets, transparency on rules and regulations, and technology exchange.

Policy analysts and academic specialists join some in the trade/interest group in believing that an FTA could ease anti-American feelings in Korea, dampen opposition to the United States, and lead to “improved economic and political friendliness.”

Awareness of the growing importance of Asia – a desire for enhanced American commitment both to the region and the U.S.-South Korea relationship – is evident in many responses. Even among trade and interest groups, geopolitical considerations often surface. Throughout, we found an oft-stated feeling that an FTA could help strengthen the important bilateral ties across the board. “A public success story will build a historic alliance relationship.” “The single most important benefit is a stronger presence in Asia for the U.S.”

#### B. Republic of Korea

“Enshrined market access” and lower tariffs are seen as potential gains for South Korea, mirroring a parallel sense for U.S. benefits noted above. Auto products and textiles are singled out as likely winners, while support for domestic reforms in films and agriculture were cited by one former government official as areas that need to be addressed.

Of note was the widely-expressed view, most of all among Korea specialists and present and former US government officials, that an FTA would help to rationalize and modernize the

Korean economy, improve efficiency and transparency, enhance Korean economic competitiveness, and provide further strategic benefits. Some illustrative quotes: “The principal benefit would be movement to the top tier of advanced industrial democracies,” “... modernizing the economy by reducing outmoded protectionism,” “... strengthen the overall U.S.-South Korean relationship and take it beyond the military area,” and “... access to the largest market in the world and support for economic domestic reforms, especially in agriculture.”

**7. [The Question]:** “Which U.S. stakeholders stand to gain the most from an FTA?”

Agriculture in general, and rice in particular, are cited across the board as potential gainers. So too are consumers. Other areas noted widely include pharmaceuticals, telecommunications, financial services, and exporters and manufacturers.

**8. [The Question]:** “Which U.S. stakeholders stand to lose the most from an FTA?”

The largest segment of respondents (almost half had no opinion) clustered around the theme that there would not be any losers, pithily summed up by one Korea specialist as follows: “No one, because it’s not going to be approved if it’s not a winner for America.”

Several skeptics mentioned the automobile industry as a potential loser, while a few pointed to electronics, textiles and clothing manufacturers, and American workers in general.

**9. [The Question]:** “Which Korean stakeholders stand to gain the most from an FTA?”

Respondents in all categories expect the auto industry to be a gainer, along with the manufacturing sector (*chaebols*), electronics, the service sector, and Korean consumers/general public. Mirroring prospective FTA benefits to Korea, noted above in question 6b, one trade group member made the following supportive comment: “I think the Korean consumers at large will [gain the most] because this will open their economy to more competition and it will have a beneficial effect on consumers. ... This will force and help spur economic reform in Korea, make their economy more efficient and will lead to more robust economic growth which will benefit Koreans across the board.”

**10. [The Question]:** “Which Korean stakeholders stand to lose the most from an FTA?”

In one of the few near-unanimous findings in this survey, the Korean agriculture sector is seen as most likely to lose from an FTA. Financial institutions also were seen by several as potential losers, but nowhere close to the consensus around agriculture.

The Korea specialist cited above in question #8 repeated his “no-loser” belief: “... again, no one. It’s not going to be approved if it’s not a winner for Korea.”

**11. [The Question]:** “During April public hearings on the proposed FTA, held in the offices of the United States Trade Representative in Washington, several issues concerning Korean government policies and practices were raised. As I read off some of these, please tell me which you think are the two or three most important issues to deal with in an effective FTA?”  
[Interviewer: I can repeat this list, if you wish.]

* elimination of non-tariff barriers	66%
* greater transparency and regulatory openness	64
* protection of intellectual property rights	44
* overall market access	44
* rules on foreign investment	20
* auto access and safety standards	16
* dealing with corruption	12
* pharmaceuticals	12%
* film content	6
* other	4
* none	2
* don't know	2

Items at the top of the wish list include concerns that have been widely registered in virtually all public commentary about the FTA proposal.

**12. [The Question]:** “What other problems or problem areas do you think an FTA must address?”

For the most part, respondents took the opportunity here to repeat – and often stress – points made in earlier questions. These included:

- \* discriminatory policy practices and various non-tariff barriers
- \* demand for greater market access
- \* transparency
- \* pharmaceutical pricing
- \* agriculture (rice in particular)
- \* beef and related sanitary barriers
- \* autos
- \* intellectual property rights
- \* customs regulations
- \* a generalized commitment to competitive practices: “There must be no exceptions.”

One particular item that came up concerned rules of origin, and the special industrial trade zone in Kaesong, located north of the Demilitarized Zone in North Korea.. As one policy analyst put it: “Well, you do have the problem of the Kaesong economic zone. I do not see how the United States can allow a free trade agreement to cover the Kaesong economic zone in North Korea. But I understand that the Koreans will really push for this.”

Finally, several respondents referred to more generalized concerns: “More global cooperation;” “cultural differences;” “the emotional attachment of the Korean people to certain issues;” “how to educate people that it’s better for everyone concerned and don’t yield to special interest groups;” and “immigration and freer movement between the two countries.”

**13. [The Question]:** “How likely is it that Congress will pass a US/ROK Free Trade Agreement?”

Very likely	34%
Somewhat likely	44
Not very likely	8
Not at all likely	0
Don’t know/refused	14

**14. [The Question]:** “What do you see as the principal obstacles to getting passage of an FTA?”

A variety of prospective stumbling blocks stood out among respondents in the survey:

- \* electoral politics in the United States, exacerbated by pressures from special interest groups
- \* related to this, “jingoism, beleaguered by foreign peoples. We’re in a political year and it’s good to attack something nobody understands”
- \* alleged Congressional suspicion and ignorance about the issues involved
- \* general protectionism on both sides
- \* U.S. labor union opposition, especially in the auto industry
- \* the looming expiration of “fast track authority” for passage of an FTA; “it’s late in the game”
- \* skepticism and concern over Korean motives and their impact
- \* Korean nationalism, unwillingness to provide market access, to compromise and negotiate
- \* potential loss of American jobs

**15. [The Question]:** “How would you assess the security relationship between the US and South Korea? Is it:”

Very strong	16%
Stable	32
In flux	28
Getting weaker	12
Don’t know/refused	12

**16. [The Question]:** “Why do you feel this way?”

It is striking that most representatives of trade and interest groups consider the security relationship to be either “very strong” or “stable.” Policy analysts as well as current and former US government officials, on the other hand, are more likely to see ties as “in flux” or “getting weaker.”

Reasons that push toward a more positive assessment focus on the history of the relationship, close military ties, mutual security concerns in dealing with North Korea, and an overall web of mutual interests in both regional and bilateral terms.

Feelings of stability in the relationship, based on history and the U.S. military commitment, continue to resonate with several policy analysts, Korea specialists and current and former US government officials. But more see ties as “in flux” or “getting weaker,” largely due to two factors:

- \* perceived differences in dealing with North Korea. Thus,
  - “The two governments have disagreed repeatedly on a strategy to deal with North Korea. Public displays of anti-Americanism in Korea have weakened the political commitment in the United States to a costly defense of Korea in a crisis.”
  - “The traditional foundation of the alliance is a common threat perception, particularly regarding North Korea. That perception is diverging and no consensus on a purpose for the alliance has been defined..”
  - “South Korea no longer feels threatened by North Korea.”
- \* a changing regional environment: Thus:
  - “South Korea is changing its perception of its place in the world as it becomes a mature democracy.”
  - “Because of demographic and political changes in South Korea.”
  - “Changing U.S. global strategic priorities, changing South Korean regional relationships, adequacy of Korea to defend itself.”

**17. [The Question]:** “What will be the impact on the overall US-Korea relationship if the FTA negotiations succeed?”

On this question, the verdict is virtually unanimous. With only a few cautionary reservations, the perception is that a successful FTA will lead to “a general strengthening of the overall relationship.” One trade representative put it this way, “It would deepen the ties between the two countries and make it more about economic affiliation than a mutual defense and support relationship.”

On the down side, concern was noted that an FTA could result in “a ballooning trade deficit with South Korea, because the U.S. is already open. The net beneficiary would be Korea.” That sentiment is in accord with what we noted above in question #5: more respondents who think that one side will be the net beneficiary of an FTA name Korea, rather than the United States. And a few see potential short-term stresses, as the details get hammered out.

Two useful summary evaluations are worth noting: (trade representative) “Better. Not perfect. But better,” and: (former U.S. government official) “It will be a validation of the resilience and long-term future prospects of the alliance.”

**18. [The Question]:** “Why do you feel this way?”

Responses here tended to elaborate on what was recorded in the previous question. We found close to universal agreement that a successfully negotiated FTA will increase economic opportunities for both sides, bring the two countries and peoples closer together, and deepen and broaden the bilateral relationship. Thus:

- “Increase trade and economic growth.”
- “Strengthen the overall political relationship.”
- “Trade agreements have the effect of improving relationships between the trading partners. It enshrines trade rules for both countries to increase market access. As trade to both countries increases, more and more have a stake in the access. It improves relationship and keeps them on an even keel.”
- “Greater trade leads to increased interaction, understanding, and mutual interest.”
- “It will bring the two countries closer together. It will deepen the economic interchange between the two countries and it will improve the efficiency of the South Korean economy.”
- “It would signify a new link between the two countries. It would signify to the South Korean public that they have a stake in a relationship with the United States.”

One current government official put forward a perceptive professional comment that illustrates the framework within which negotiators will carry forward their efforts: “Negotiations always cause tension. They bring out nationalistic impulses and sensitivities and there are unavoidable disagreements that must be resolved by hard bargaining. But after it’s all over, the expansion of trade and investment and interpersonal ties draws the two societies closer together.”

**19. [The Question]:** “What will be the impact on the overall US-Korea relationship if the FTA negotiations fail?”

Possibly reflecting the optimism over passage of the KORUS FTA, noted above in question #13, views among trade and interest groups about the impact of a failed round of negotiations showed less concern than one might have expected. While more in this cohort saw a negative impact, a substantial number were less concerned.

Those who saw failed negotiations as a negative development mentioned such things as “missed opportunity,” “very bad news,” “a big blow to the relationship,” “worse, the relationship will be worse than it is now,” “worsen the political environment,” “a sign to the South Koreans that the US government is not interested in pursuing greater trade relations,” and “create general hard feelings. There are a lot of young Korean people who aren’t anti-American but they are not

comfortable with U.S. policies abroad.”

A smaller number among this cohort tended to minimize the problem: “it will damage the relationship somewhat, but I don’t think it will destroy it,” “somewhat harmful, not hugely, but somewhat harmful,” “it will probably sour the relationship a little bit,” and “I can’t imagine the relationship would suffer much.”

This relatively benign assessment of the impact of failed negotiations was not shared by policy analysts, Korea experts, and current and former US government officials. A range of comments included: “it wouldn’t be very good for us,” “very bad, very negative, very very negative,” “it will cause the usual accusations of bad faith, and the other party being too difficult.” and “one more example of difficulties in coordination and managing new elements in the relationship.”

**20. [The Question]:** “Why do you feel this way?”

Comments elicited among the trade and interest groups reinforced this relative lack of serious concern over the possibility of failed negotiations. Respondents said this would have “little or no impact. The relationship is a strong one already;” “It’s solid. I can’t see anything shaking the decades that we have spent being allies.” “At the end of the day the two countries have enough common interests to be together and will find a way to do so.” Expressing a note of understanding or sympathy should negotiations fail, another respondent said “I think both countries understand the difficulty and complexity related to reaching a free trade agreement.”

On a less positive note, some did raise the specter of increased protectionism: “shutting the door doesn’t send a very positive message to the world.” Such an outcome would “leave a sour taste, some bitterness,” “dashed expectations,” and could lead Koreans to feel “that the United States does not feel it is an important partner.”

Policy analysts, Korea specialists, and current and former US government officials, perhaps more sensitive to broader policy and strategic implications of failed negotiations for the overall bilateral relationship, registered more pointed concerns: “The military relationship is weakening, so if the economic relationship does not go forward it would further increase the negative feelings of the Korean public about the United States and the American public about South Korea.” “It will demonstrate the difficulties we have in developing a new relationship.” “It shows that our countries are unable to move to the next stage.”

Others noted that the impact of failed negotiations will depend on causes of failure. “If it fails due to a lack of American interest to do business in Korea, it would be very damaging.” “Much will depend on how the negotiations fail, whether as a consequence of the short US political timetable, the too narrow scope of the negotiations, or an obstacle in one major market of key interest to the United States.” “There is already a tendency for each of the two countries to point the finger of blame at the other for failings in the relationship.”

**21. [The Question]:** “Are there any other points you think should be taken into account during the FTA negotiations?”

Responses to this final question provided individuals with the opportunity to enter additional points of interest or concern. Indeed, many comments repeated thoughts expressed earlier.

Among the trade and interest group, individuals urged “the recognition by Korea of the significant policy changes that need to be addressed,” and the need in Korea for the media “to insure that the public is getting accurate information about the agreement ... The media [pay] a lot more attention ... and public opinion can be swayed by a lot of misperceptions and misunderstandings about what these trade agreements do and don’t do.” Another suggested that there be “less on the mechanics and more on the context. There is more to be gained in the images of a free trade agreement than in actual free trade. It creates the image of international cooperation and diplomacy.” In a similar vein, one policy analyst noted: “The free trade negotiation is about far more than just the narrow negotiation of the economic agreement. There is more at stake...”

Touching on regional issues, a trade/interest group respondent raised the issue of transshipment of goods and products from China through Korea. “...Some is done surreptitiously.... it creates problems that need to be addressed.” Related to that, support was voiced for “looking at the regional balance of power.... to use [the US] relationship with Korea to further its goals in the region,” and “The impact of this agreement on America’s strategic position in Asia needs to be considered.”

One US government official made a strongly pointed statement about the Kaesong industrial zone, already touched upon in question #12, above: “Any attempt to include the Kaesong industrial zone in the FTA while North Korea is continuing to counterfeit U.S. currency will lead to the rejection of the free trade agreement by the U.S. Congress and the American people. America will not import goods made in a country that is counterfeiting our currency.”

Policy analysts, Korea specialists, and a former US government official referred to other points previously noted:

-- time pressures and the prospective lapse of “fast track authority” for negotiating an FTA: “There is a time factor here... There is a danger in the pressure of this deadline that could jeopardize the agreement.” “The Koreans consider this the number one issue between the United States and South Korea until the window of opportunity runs out.”

-- the current political landscape in both countries: “The domestic political climate in neither the U.S. nor the Republic of Korea seems particularly favorable for a push on the FTA, despite interest in the same among some business and government elements in both countries.”

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