

**THE KOREA-US FREE TRADE AGREEMENT: KORUS FTA  
VIEWS OF EXPERTS AND CONCERNED PARTIES:  
OPINION SURVEY REPORT #2  
AUGUST 31, 2006**

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### **I. Introduction and Background**

As part of the Korea Economic Institute's 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. It is worth noting that 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 program will encompass a rolling series of four focused sets of interviews, of which this is the second. The third report will be issued later this year, followed by a final summary document in early 2007, after the new Congress is sworn in. Each report will be posted on the KEI website.

This second report is based on confidential interviews conducted with 25 individuals during the period August 10-28, 2006. Twenty participated in the first survey, conducted April 7-May 10, 2006, and five are new to this round. Names were drawn from lists available to KEI and PA, comprising the following:

- 14 - trade and business organizations, and interest groups, dealing with Korea;
- 5 - think tanks, policy analysis organizations, academic and other Korea specialists;
- 6 - 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. Each survey in the series will be more focused and specific, as details of the ongoing negotiations enter the public domain.

**II. The Questionnaire , Responses, and Commentary**

The questionnaires, as fielded by Opinion Dynamics Corporation, are set forth verbatim in the pages that follow. Summary responses to each question are presented, with comments by the author. Questions 1-5, which had already been posed to respondents who had participated in survey #1, were asked only of the five new respondents. Questions 6-28 were asked of all 25 participants.

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[Statement made to each respondent by interviewer from Opinion Dynamics Corporation]

**FOR NEW RESPONDENTS ONLY, QUESTIONS 1-28**

“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.

“Please be assured that you will not be identified by name as a respondent in this survey. Your anonymity will be strictly protected. If you would like to see a copy of the report on both this and the first survey, we will be happy to send them to you.”

**FOR REPEAT RESPONDENTS ONLY, QUESTIONS 6-28**

“Thank you for agreeing to talk with me. This is the second round of research being conducted on behalf of The Korea Economic Institute. You were kind enough to participate in the first survey, and we would greatly appreciate your renewed cooperation this time around. You should have received a copy of our first report, and we will be happy to send you a copy of the second one, should you wish to have it.

“As you know, 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 the Republic of Korea in 2007; and how a Free Trade Agreement with South Korea will potentially impact both countries.

“As before, please be assured that you will not be identified by name as a respondent in this effort this effort. Your anonymity will be strictly protected.” **[SKIP TO Q. 6]**

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**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
August 2006 (*)	--	100%	--	--	--
May 2006 (#)	4%	86	6%	0%	4%

(\*) 5 respondents

(#) 50 respondents

All respondents in the new survey opt for the “mostly favorable” view of how Americans view South Korea. This is in line with the clear majority in our earlier survey who made the same assessment.

**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
August 2006	40%	40%	--	--	20%
May 2006	34	58	4	--	4

The five new respondents in this second survey were a bit more divided in their own views of South Korea, although four of the five were in the positive column.

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

Respondents mentioned several points that led them to give a positive reading of their views about South Korea: there are good relations between the two countries; South Korea has been a strong ally; it has made impressive economic advances and is seen as “technically savvy;” and the growing South Korean presence in the United States has added to its appeal.

On the negative side, a trade group representative noted “progress toward more democracy, but Korea still has significant problems with respect to workers’ rights and human rights.”

**4. [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:”

	May 2006	August 2006
Favor these negotiations	86%	80%
Oppose these negotiations	4%	20%
Want to know more details of the negotiations	8	--
Don't know/refused	2	--

A clear majority of respondents continues to support the FTA negotiations. Opposition has been limited, with just one new participant not in favor.

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

Again, strong bilateral ties are cited for favoring the FTA negotiations. Korea is seen as a key market for U.S. exports. Mutual benefits, including increased trade and enhanced opportunities to invest, are likely to accrue.

On the negative side, the trade group representative cited above expressed disagreement with “the U.S. government’s trade policy,” including a lack of “trust [in] the Bush administration to negotiate a trade agreement that will be good for workers in the U.S. or South Korea.”

**[FOLLOWING QUESTIONS ASKED OF ALL 25 RESPONDENTS]**

**6. [The Question]:** “First of all, how closely have you followed the two rounds of negotiations on the proposed Free Trade Agreement between the United States and the Republic of Korea?”

1. Very closely	68%
2. Somewhat closely	20
3. Not too closely	12
4. Not at all closely	--
5. (Don't know/Not sure/Refused)	--

Most of the participants in this survey have been following the FTA negotiations either “very” or “somewhat closely.” None have paid no attention.

**7. [The Question]:** “As you may already know, the second round of negotiations, held in Seoul in July, was marked by public protests, a walkout by the United States, and a Korean decision to end the second round early. Do you see these events as a normal part of an ongoing negotiation, or do you think they reflect deeper, more serious differences between the two sides?”

1. Normal part of negotiations	48%
2. Reflect more serious differences	44

- |                                  |    |
|----------------------------------|----|
| 4. (Combination)                 | 8  |
| 5. (Don't know/not sure/refused) | -- |

When those who said a combination of two factors – normal part of negotiations v. reflect more serious differences – are evenly distributed, it means a light majority of respondents, 52-48%, sees the second-round difficulties as a natural part of the negotiating process. But the substantial minority that sees problems cannot be lightly dismissed, as we will see below, in looking at possible specific areas of contention.

**8. [The Question]:** On balance, what do you think the impact of these events will be? Will they make conclusion of an FTA before the President's trade promotion authority expires in June 2007:

- |   |    |
|---|----|
| 1. Much more difficult  | 8% |
| 2. Somewhat more difficult  | 24 |
| 3. Have little effect   | 8  |
| 4. Too early to tell, depends on<br>future rounds of negotiations | 60 |
| 5. (Don't know/not sure/refused)                                  | -- |

Interestingly, only two respondents see the Seoul contretemps as making FTA approval “much more difficult.” The clear majority, probably echoing the sense that such developments are par for the course in a negotiating scenario, is ready to take a wait-and-see posture, and look to next rounds of talks.

“A number of issues have assumed primary importance in the first two rounds of negotiations. As I list these disputed areas, please tell me whether you think satisfactory agreement on each can be reached:”

	Yes, can be reached	No, can't be reached	Don't know
<b>9.</b> Pharmaceuticals	68%	24%	8%
<b>10.</b> Agriculture	44	44	12
<b>11.</b> Automobiles	60	28	12
<b>12.</b> The Kaesong industrial complex in North Korea	24	68	8
<b>13.</b> Textiles	76	4	20
<b>14.</b> Financial services	76	12	12
<b>15.</b> Various trade remedies	60	20	20

Considerable optimism is expressed on the possibility of ultimately reaching satisfactory agreements in a number of areas contested in the first two rounds. In descending order of optimism, they are:

Issue	Yes, agreement can be reached
Textiles	76%
Financial services	76
Pharmaceuticals	68
Various trade remedies	60
Automobiles	60

Agriculture is seen as a 50-50 proposition, while the issue of the Kaesong industrial complex in North Korea is viewed as least likely to gain success.

**16. [The Question]:** “Do you think any of these areas is so critical to either the United States or South Korea that failure to reach agreement would kill a possible FTA?”

1. Yes	84%
2. No	12
3. (Don't know/not sure/refused)	4

As noted above, hope that ultimate success is possible is tempered by substantial agreement (21 of 25 respondents) that some areas of contention in the negotiations could prove to be deal-breakers. The next question focused on areas seen as most likely to torpedo an agreement.

**17. [The Question]:** “If so, which issues do you believe would be deal-breakers for the United States?”

Problem area	Number of specific citations
Agriculture	15
Automobiles	13
Kaesong industrial complex	13
Pharmaceuticals	12
Financial services	8
Beef	1
Trade remedies	4
Textiles	3

These specific mentions of potential poison-pill items partially mirror perceptions of potential success or failure in reaching agreement, noted above. Agriculture, automobiles, the Kaesong industrial complex, and pharmaceuticals, in that order, stand front and center. It should be noted that automobiles and pharmaceuticals were seen favorably as open to agreement. Presumably,

some who see those areas as potential deal-breakers hold optimism that they will not, in the end, come into play.

**18. [The Question]:** “And which would be deal-breakers for South Korea?”

Perceptions of possible deal-breakers for South Korea are considerably more focused. Specific problem areas cited by respondents included:

Problem area	Number of specific citations
Agriculture	17
Kaesong industrial complex	8
Trade remedies	6
Pharmaceuticals	4
Autos	3
Textiles	2
Intellectual property rights	2
Financial services	2

It is worth noting that respondents in this survey tended to see more stumbling blocks on the U.S. side than on the Korean. Agriculture and the Kaesong industrial complex rank high in both countries, while autos and pharmaceuticals are seen as potentially more a problem for the U.S. than the ROK.

**19. [The Question]:** “How important do you think the domestic political situation here in the U.S. will be in influencing negotiations for an FTA?”

1. Very important	44%
2. Somewhat important	36
3. Not too important	16
4. Not at all important	4
5. (Do n’t know/not sure/refused)	--

A near majority sees U.S. domestic politics as a “very important” factor in influencing FTA negotiations. That becomes a substantial majority when those who think such political influences will be “somewhat important” are included in the total.

**20. [The Question]:** “How important do you think the domestic political situation in South Korea will be in influencing negotiations for an FTA?”

1. Very important	68%
2. Somewhat important	32

- |                                  |    |
|----------------------------------|----|
| 3. Not too important             | -- |
| 4. Not at all important          | -- |
| 5. (Don't know/not sure/refused) | -- |

Respondents hold an even stronger sense that domestic political factors will play a role in South Korea. Opinion is unanimous that they will be either “very” or “somewhat important.”

**21. [The Question]:** “Looking ahead, how likely do you think it is that Congress will pass a U.S./ROK Free Trade Agreement? Is passage:”

- |  |     |
|--|-----|
| 1. Very likely   | 24% |
| 2. Somewhat likely   | 4   |
| 3. Not too likely  | 16  |
| 4. Not at all likely   | --  |
| 5. Too early to tell, depends on upcoming negotiation rounds | 56  |
| 6. (Don't know/not sure/refused)                             | --  |

Given the number of problem areas confronting the FTA negotiators cited by participants, these responses may strike the reader as surprisingly optimistic. None of the respondents sees ultimate Congressional approval of a U.S./ROK Free Trade Agreement as “not at all likely,” while seven of the 25 interviewed see passage as “very” or “somewhat” likely. Most express caution, wanting to see what future negotiation rounds hold – a stance foreshadowed in responses to question #8.

**22. The Question]:** “What will be the likely impact on the overall U.S.-Korea relationship if the FTA negotiations succeed?”

“Positive,” “beneficial,” “solidify/strengthen/improve the relationship” – these are the words used by most respondents in answering this question in almost unanimous positive fashion.

Many respondents go further, to say that a successful FTA will bring gains not just in the economic/investment arena, but in enhanced security and political ties, and cultural bonds. As one executive branch official put it “It would represent a model of economic integration for other U.S. trading partners.” Another called it “a bellwether for any other FTA with other countries.” A trade group representative also posited “great pressure for an FTA-type relationship between Japan and the U.S.”

Along with such a generally positive assessment of successful FTA negotiations, some added words of caution. Negotiations and their implementation are likely to generate frictions in the short term, although agreement, as one trade group representative put it, “will be worth it in the long run.” In another cautionary note, a think-tank analyst, while praising the overall benefits, worried that “it will not resolve other fundamental problems and issues in the bilateral relationship such as the alliance and policies toward North Korea.”

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

Many comments reiterated what had been said in response to the previous question, with some interesting embellishments.

Here are some perceptive comments: “Higher trade volume, more business interaction and a high degree of trust among both the public and private sectors.” “In previous negotiations and relations the U.S. traditionally had a dominant role. In the planned FTA, the respective positions will more closely approximate a true partnership.”

A trade group official offered the following: “The agreement will require economic reform and restructuring and will adapt both economies better to the demands of globalization.” Another said “I think with already strong political and military ties adding an economic leg will strengthen the three-legged stool.”

“It will address regulatory and other barriers that inhibit market access.” “The relationship is in need of a new common purpose, and because a Korea-US FTA will place Japan at a competitive disadvantage and bring about needed structural reforms in Korea’s economy.

One Korean affairs specialist offered the following unusual perspective, sweeping in its nature: “It will offset China’s economic influence. It will also strengthen the U.S. economic/political influence in Northeast Asia. If Korea completes the TransKorea railroad and connects to the Chinese system and the TransSiberian railroad, the U.S. and Korea will have ready access to markets throughout the Eurasian continent, from Pusan to Birmingham, England.”

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

Reactions to possible failure of FTA negotiations tended to break into two categories:

1. Expectations of a qualified and limited short-term impact, with damaging but not critically negative long-term effects. This was a view held by about half of our sample. “The economic relationship will not grow as fast as it could under an FTA.” “A missed opportunity for Korea to further lock in economic reforms that would promote its regional competitiveness.” “A limited short-term impact.” “It will sour the relationship somewhat, but trade will continue.”

2. Anticipation of a drastic impact, also held by about half. “A dramatic downturn in relations between the two countries,” a view expressed by one policy analyst. One executive branch official called such a development “very counterproductive. The consequences of failure may well exceed the potential benefits of success.” “Failure will heighten the sense of growing alienation between the two countries and both parties will regret they ever attempted the negotiations.” “It will put a lot of further strain on the relationship, with a finger-pointing blame game, and mutual disappointment.” “Koreans, in particular, and Americans will find themselves questioning each other as credible trading partners and allies.”

3. Finally, one trade representative voiced a note of optimism: “I don’t think the governments will allow [the negotiations] to fail.”

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

As was the case noted in question 23, above, many comments reiterated what had been said in response to the previous question, with some interesting embellishments.

Roughly half the participants pointed to the basic solidity of the U.S-ROK relationship, and suggested that the enduring underlying strength would let the two sides move beyond any short-term defeat.

Several expressed more dire assessments. The following represent the most pointed ones.

“It means that interest groups who are opposed to economic reforms and adaptations to globalization will have won an important victory. It would be the victory of short-term nationalistic interests.”

“The agreement has been hyped by the Koreans and there is a lot of opposition to it in Korea. If [negotiations] fail, it will be interpreted as a tremendous defeat.”

“If the negotiations fail, it will be seen as the first step toward permanently deteriorating the bilateral relationship.”

“We will have two national administrations that will have failed to lead their countries to a satisfactory conclusion.”

**26. [The Question]:** “Do you think strong public statements of support and strong pressure on Congress by President Bush would help prospects for an FTA?”

1. Yes	64%
2. No	36
3. (Don’t know/not sure/refused)	--

Responses to question #19 registered that a near majority (44%) sees U.S. domestic politics as a “very important” factor in influencing FTA negotiations. That becomes a substantial majority when those who think such political influences will be “somewhat important” (36%) are included in the total. And while a majority of respondents does see a strong intervention by President Bush as helping FTA prospects, a large minority thinks otherwise.

**27. [The Question]:** “And what about President Roh? Would similar efforts by him help prospects for passage in the National Assembly?”

1. Yes	76%
2. No	12
3. (Don't know/not sure/refused)	12

Responses to question #20 recorded an even stronger sense that domestic political factors will play a role in South Korea. Opinion is unanimous that they will be either “very” or “somewhat important.” In this case, respondents are slightly more positive in their assessments of whether intervention by President Roh would be helpful in gaining FTA passage.

It should be noted that responses to these two questions are among the most speculative in this survey. Trying to gauge the impact or utility of presidential pressure on legislators is an inherently a risky business.

**28. [The Question]:** “Are there any other points you would like to mention concerning the FTA negotiations?”

This final question elicited only a few responses, as most participants said they had nothing new to offer. Some did elaborate on points already made. A few of those elaborations are worth repeating:

“In Korea, greater public consultation should have taken place prior to the decision to pursue free trade negotiations [including] economic assessment of the impact of the FTA. Because of the size of the economic relationship there would be significant economic effects from an FTA.”

“These will be very difficult negotiations because each side will find it difficult to compromise on key issues. However, the benefits are so great that this will give a powerful incentive to reach agreement.”

“In addition to strong statements by both presidents to their respective legislative bodies, they will need to work closely with opposition parties to insure that whatever is ultimately agreed upon can be ratified and signed into law by the two governments.”

[end]