

Seoul rethinks TPP by Jessica J. Lee

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During her visit to Washington, DC last week, South Korean President Park Geun-hye stated her support for East Asia's third largest economy to join the Trans-Pacific Partnership (TPP). She described the Republic of Korea as "a natural partner" in TPP, in part because it has bilateral free trade agreements (FTA) with all but two TPP parties. But if South Korea is a logical member of TPP, why has it taken so long to join? Park's assertion that Korea wishes to join TPP reflects a shift in Seoul's thinking about TPP. Once considered principally an FTA, it is now seen as a strategic partnership among countries that will define global trading standards in the 21st century.

The Trans-Pacific Partnership was conceived in 2003 by Singapore, New Zealand, and Chile to promote economic liberalization in the Asia-Pacific region. In 2008, President George W. Bush announced that the United States would join the negotiations. President Obama continued US participation, promising a regional agreement that will have "high standards worthy of a 21st century trade agreement" as part of the rebalance to Asia. Between 2011 and 2013, Canada, Mexico, and Japan joined TPP; now the founding members include 12 countries. In November 2013, South Korea announced its interest in joining the agreement but did not make a formal request to join.

Seoul's position on TPP was informed by South Korea's national security priorities under conservative presidents Lee Myung-bak and Park Geun-hye. In both administrations, securing free trade agreements was a high priority. Seoul concluded the Korea-U.S. Free Trade Agreement (KORUS) in 2007. In 2009, South Korea reached an FTA with the European Union (EU). Three years later, South Korea joined the Regional Comprehensive Economic Partnership (RCEP), a proposed FTA between 10 member states of the Association of Southeast Asian Nations (ASEAN) as well as Japan, China, Australia, India and New Zealand. In 2014, South Korea completed an FTA with China, its largest trading partner.

For Lee, KORUS served the dual purposes of strengthening ties with the US and laying the groundwork for FTAs with China, Japan, and the EU. Having secured a bilateral FTA with the US, President Park laid out an ambitious agenda for South Korea in her 2013 Trade Policy. Under her leadership, South Korea would become a "linchpin" of economic integration in Asia through aggressive pursuit of FTAs.

Given this ambition, why didn't South Korea seek to join the TPP negotiations? Seoul has been "cautiously studying

TPP" for years. The deputy minister for FTA negotiations has hosted 18 TPP Strategic Forums featuring experts and industry stakeholders to evaluate the macro and sectoral implications of TPP on the Korean economy, while the Ministry of Trade, Industry and Energy (MOTIE) has been analyzing the TPP's effect on South Korea's economy and national interests. Given Seoul's enthusiasm for other deals, why the caution when it comes to TPP?

Seoul's reluctance to join the TPP is perceived by some as a South Korean desire to distance itself from US-led regional architectures, possibly for fear of upsetting China. In reality, the answer is far more complex.

The main reason South Korea did not ask to join TPP was the perception within the Korean government that it would be redundant to do so given that South Korea has bilateral free trade agreements with nearly all the TPP parties, including the US. In addition, Korean policymakers relied exclusively on economic data to assess the merits of TPP without weighing other, less tangible benefits. Finally, Seoul was intent on finalizing an FTA with the People's Republic of China and therefore had limited capacity to pursue other deals.

According to Tae-ho Park, South Korea's minister of trade between 2011 and 2013, the US trade representative encouraged Seoul to join TPP but the Korean government felt that it had enough on its plate, including implementing FTAs with the US and the EU.

Moreover, TPP was analyzed through a narrow economic prism. According to a 2014 study by the Korea Institute for International Economic Policy, a government think tank, joining TPP would increase Korea's GDP between 1.7 and 1.8 percent over 10 years. This analysis misses the fact that TPP's inherent value reflects far more than mere GDP increases. It is also about extending global standards to the region at a time when regional powers are vying to dictate how business gets done. According to Il-houng Lee, president of the Seoul-based Korea Institute for International Economic Policy, Korean policymakers did not see any "geopolitical or intangible economic benefits" to joining TPP.

Delaying TPP is also a result of South Korea's intention to finalize its FTA with China. There have been doubts about whether the newly organized MOTIE, which took the trade portfolio from the Ministry of Foreign Affairs and Trade in March 2013, had the capacity to pursue multiple trade deals while implementing FTAs with the US and Europe. There are 172 staff members who handle trade issues in MOTIE, or 13.4 percent of the MOTIE staff. By contrast, a MOTIE official noted, there are more than 100 staff members in Japan who deal with TPP. Korea needs to devote more resources to match TPP countries.

Whatever the reason behind Seoul's decision to drag its feet, South Korea missed the strategic benefits of being an inaugural member of TPP. President Barack Obama backed TPP, not just because of the economic benefits but because it would allow the United States to set the rules for regional trade. Defense Secretary Ashton Carter stated that "deepening our alliances and partnerships [by]...passing TPP is as important to me as another aircraft carrier." That logic motivated Japanese Prime Minister Abe Shinzo to buck powerful domestic opposition and join the negotiations. He declared that TPP will allow his country to "take the lead to build a market that is fair, dynamic, sustainable and is also free from the arbitrary intentions of any nation," highlighting TPP's role in spreading the rule of law.

By choosing not to participate in TPP at an early stage, South Korea has ceded influence to other countries in determining the standards that will govern trade in Asia. By being a "rule taker" rather than "rule maker," Seoul cannot shape the terms of the agreement, particularly in areas where it competes with Japan, such as the automotive sector in the US market. It reinforces the narrative that South Korea privileges relations with China over the United States. Finally, Seoul's reluctance to join TPP early undermines Korea's goal of becoming a "linchpin of East Asian economic integration."

President Park's announcement in Washington that South Korea stands ready to join TPP could reflect a recalculation of South Korea's strategic interests. The Blue House and the National Assembly appear ready to activate the bureaucracy to pursue TPP. During the National Assembly audit of the Strategy and Finance Ministry, Deputy Prime Minister and Strategy and Finance Minister Kyung-hwan Choi told Assembly members that they will "actively consider joining the TPP." Seoul may finally be realizing that to be a regional player, it needs to consider both tangible and intangible benefits of trade deals. That logic drove the decision to join the Asian Infrastructure Investment Bank as a founding member; it should be equally applicable to TPP. TPP is a learning opportunity for MOTIE as it transitions to be the chief agency responsible for trade issues. Trade intersects economy and foreign policy; as such, the Ministry of Foreign Affairs must be at the table to ensure that economic policy supports South Korea's foreign policy imperatives.

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