



A Study on FTA Between Korea and USA

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Abstract

Korea is still to be developed, there are many industries vulnerable in the Republic of Korea must adhere to the high-tech industry. First of all, the effects of the FTA have little to do with it. Per IT and shipbuilding, the effect is already being conducted by the duty-free. Cars exported to the United States, only 2.5% duty.

Among already exported to the United States, 70% of the cars and the Hyundai-Kia has local production there.

Instead, the Republic of Korea's agriculture, financial services, hospital, high-tech industry seems to be smashed. The Free Trade Agreement (FTA) will be more kinds of products by greatly reducing or even eliminating tariffs on trade between the countries is much cheaper to buy and sell to each other suggesting that agreement.

Traditionally, tariffs and other restrictions between the countries made it difficult for free goods across the border both incoming and outgoing. By eliminating or minimizing such constraints, it is FTA like within same country the buying and selling of goods among other countries.

Key words: Duty-Free; FTA; IT; Shipbuilding; High-Tech industry

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INTRODUCTION

As Korea who is depending on international trade, especially the situation that export volume to USA is absolutely enormous, if FTA between Korea-USA is conducted, green light will be on in the export side. In case export is activated, domestic economic growth rate will be increased into so that point. Additionally, domestically, foreign capital investment increase as well as industrial activation which eventually result in expectation for employment rate increase. With political viewpoint, Signing of FTA between Korea-USA will make improve Korea-USA alliance relationship as well as pave crucial basement that Korea will be developed into hub of Northeast Asia.

On the other hand, when we see NAFTA case, we can figure out failure of Korea-USA FTA. It's only USA who got favor through NAFTA. Per Canada, they got into trouble as they wish to realize welfare policy as well as the unemployed is increased gradually. In case of Mexico,

majority of nation fell down to destitute poor or low-income people and only few wealthy people could enjoy these benefits. Additionally, if we obey prerequisite conditions that US requests in the Korea-USA FTA such as diminish or abolition of screen quota, re-import for US beef, stop re-negotiation for medicine price, easing auto exhaust restriction, even the Korean culture will be subordinated and infrastructure like public service, etc. will be collapsed.

1. THINGS TO BE CONSIDERED IN ADVANCE SIGNING FTA

1.1 Investor-State Dispute (ISD)

It is the most powerful clause that destroys national sovereignty. US-based enterprises (transnational capital) sue Korean law and policy which hamper their profits to international organization.

If US based civilian medical insurance enterprise sue Korea to international organization as they couldn't conduct sales activity in Korea due to Korean national medical insurance system, Korean government has little possibility to win the case as Korea becomes a defendant based on free trade standard instead of social safety net or welfare standard.

It is same case that US-based enterprises made business and got restriction of fire safety law and sue this case to international organization. It may be possible that not only market but also government can pay huge indemnities.

This is not expectation but reality. For example, US waste recycling enterprise had mishandled pollution matters at Mexican land and then, Mexican government restricted it by the Mexican domestic law, of which Mexican government was sued by US-led international organization and the government have to pay a large amount of indemnities.

1.2 Direct Restricted Code for Intellectual Property

Intellectual crackdown for Korean, Korean government and Korean enterprise will be conducted by US-based enterprises. Therefore, per medicine, cheaper copy medicine production is impossible and US-based enterprises original medicine should be imported expensively. The price of one cough pill is US\$10~US\$30 which is not false rumor.

Intellectual property right means not only computer program and sound source right but also medicine. As person who lives in foreign country knows well, a certain medicine company's one pill's price is expensive more than US\$10, of which medicine's kinds are a lot. Especially the antibiotic that multinational medicine enterprise that does not allow copy. Northeast Asian poor countries' people die with plain disease such as malaria.

1.3 Most Favored Clause

When we open market to other countries, automatically, retroactive application to FTA will be done. If FTA with Japan and Korea indicate import of Japanese semiconductor, automatically, we should open semiconductor market to USA.

1.4 Retrogression Prohibited (Ratchet Clause)

Once market is open, retrogression is not available. Therefore, we cannot stop import of US beef even though mad cow disease occurred.

Privatization of national medical insurance corporation and if public corporation such as Korean electricity corporation, water supply corporation, Korea national oil corporation, etc. are come under privatization, set back to previous situation is not available. It means that national authority is not in a position to get way how to fix false direction.

1.5 Non-Violation Petition

In case Korean government give corrective measure to US-based enterprises's illegal act, US-based enterprises may release lawsuit against Korean government that as US-based enterprises do get "expected profits" because of Korean government and ask Korean government to pay back indemnity for "expected profits".

1.6 Responsibility for Government's Verification

There are responsibilities that scientific method should verify any restrictions that are indispensable. Namely, mad cow disease occurs and though Korean government try to restrict import of US beef, Korean government should verify mad cow disease directly and during verification period, mad cow disease will be spread.

1.7 Compensation for Damage About Indirect Accommodation

The Americans and US enterprise advance into Korea are applied by clause of Korea-USA FTA instead of Korean government law as superior law.

Therefore, even though US-based enterprises conducts illegal act, Korean government cannot restrict US-based enterprises according to Korea-USA FTA clause and in case Korean government try to restrict them, they will release law suit against Korean government in the name of hinder of sales activities.

1.8 Concession to Non-Business Set-Up Right

Even though US-based enterprises do not establish advance entry into Korea enterprise, they are available to run their own business.

Overseas affiliated company who do not report registration is not able to be restricted, punished or tax levied by Korean domestic law.

1.9 Absolute Privatization for Public Corporation and Abolition of Restriction to Foreigner's Holding Shares

US-based enterprises and capitalism can take over Korean high-valued public enterprise. US enterprise and US capitalism can attend tender for privatization for medical insurance corporation, Korea electricity, Korea oil corporation, KT, Korea agricultural & fishery product corporation, Korea housing corporation, Korea water resource corporation, KBS, Korea railway corporation, Korea subway corporation, Korea postal corporation, etc. In case the public corporations who give crucial effects to ordinary people economy is transferred into US enterprise or US capital system and is out of control from Korean government, a great rise of public utility charges cannot be controlled at present. As they get out of profits only instead of re-investments, national major industries will be devastated.

1.10 Absolute Open for Finance and Capital Market

US based capital can possess 100% shares of Korean domestic banking institutions. US capital can establish loan company in Korea and interest rate will be managed through autonomy system.

1.11 Clause of No Re-Negotiation

Above 11 clauses are not allowed to re-negotiate under any circumstances.

2. ANALYSIS OF COMPETITION POWER BETWEEN KOREA AND USA

In order to understand competition power of industry between Korea-USA, it is required to use several traditionally useful analysis methods. Namely, they are trade intensity index,

trade specialization index, revealed comparative advantage index. Even each competition power measurement index could be fragmentary analysis method to see a certain one side as well as containing concerned problems, it is helpful to see trade structure which industrial competition power made.

Trade intensity index analyze competition relationship by import absorptive power of import country and comparative advantage of export country as well as between 2 countries and comparative trade intensity index is competition power analysis table which is considered overall world trade flow. Trade specialization index has a little problem to consider only 2 countries (export, import country) transaction without considering world total trade flow. Additionally, even though revealed comparative advantage index show realized competition power of export country, it has problem that import absorptive power is not considered at all such as market situation of import country. Even though international trade is decided in the point that import demand of import country converge with supply power of export country, revealed comparative advantage index has fault to consider comparative export rate of export country.

Detailed estimating method and incoming index through this method are as follows;

First of all, trade intensity index is suggested by I. Yamazawa shows export comparative market focus rate of export country against import country. Therefore, trade intensity index can be defined as follows:

$$I_{ij} = \frac{(X_{ij}/M_{jw})}{(X_{iw}/M_{ww})} \text{ -----(1)}$$

I_{ij} = I country's trade intensity index against j country

X_{ij} = I country's export against j country

X_{iw} = I country's total export

M_{jw} = j country's total import

M_{ww} = world total import (=total export)

We see economic meaning of trade intensity index. As I country's export rate against j country is getting larger in a certain field or dominating rate of j country's import against world total import is getting lower, this index is getting higher.

3. EXAMPLE OF WRONGFUL FTA

The most typical example is Mexico. The half of the nation's population are down into the poor. Small & medium enterprises are collapsed and national medical system also collapsed by adopting US style medical system. We all watch out all this kind FTA situation with top attention in order for the nation's people do not get pains.

Additionally, negotiation of FTA is done as prohibit of environmental pollution crackdown and they insist abolition of car pollution inspection and eventually, most of non-regular workers era will come.

CONCLUSION

When we see above poisonous clauses, it looks like slavery document instead of bilateral agreement or Korea-Japan agreement that is very harmful agreement toward Korean side. Those in power in USA and central and south America has conducted privatization of public corporations after signing FTA as they conducted privatization of public corporations who are responsible for national peoples' basic life activities and basic rights that government should have responsibility are collapsed according to its results as well as it cannot guarantee mentioned nation people's rights and therefore, they are devastated horribly.

Under the circumstance of signing FTA, the most problems of FTA clauses are poisonous clauses. There is possibility to give catastrophe toward nation's people if government does not proceed very cautiously and carefully.

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