



Organization: The American Chamber of Commerce in Japan

Contents: Public Comments Regarding the United States-Korea Free Trade Agreement

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Introduction

The American Chamber of Commerce in Japan (ACCJ) is grateful for the opportunity to submit comments to the Office of the United States Trade Representative concerning the free trade agreement (FTA) between the United States and the Republic of Korea (Korea) signed on June 30, 2007.

The ACCJ welcomed the conclusion of U.S.-Korea FTA negotiations in April 2007 and continues to support passage of this agreement as an important opportunity to further the United States' leadership role in shaping Asia's emerging trade and economic architecture.¹ U.S. leadership in Asia is a key element of the overall effort to improve America's long-term economic competitiveness, which is essential to achieving sustained economic growth and job creation to the benefit of U.S. workers, farmers, ranchers, businesses, and consumers.

Passage of the U.S.-Korea FTA (after fully addressing any outstanding issues) would also lay an important foundation for enhanced U.S.-Japan economic integration, which, particularly given the new administrations in both the U.S. and Japan, the ACCJ believes is the best way to leverage the close U.S.-Japan relationship to the benefit of both countries, specifically by creating incentives for Japan to overcome its own domestic obstacles to meaningful economic integration with the United States.

These goals are wholly consistent with, and would further progress

¹ See, e.g., [http://www.accj.or.jp/UserFiles/Image/PressReleases2007/020-2007-04-13%20ACCJ%20Welcomes%20the%20U.S.-Korea%20Free%20Trade%20Agreement%20\(English\)%20.pdf](http://www.accj.or.jp/UserFiles/Image/PressReleases2007/020-2007-04-13%20ACCJ%20Welcomes%20the%20U.S.-Korea%20Free%20Trade%20Agreement%20(English)%20.pdf)

toward achievement of, the purposes, policies, priorities, and objectives of Section 2012 of the Bipartisan Trade Promotion Authority Act of 2002 (TPA Act). In addition, given the shared values between the United States and Korea and Japan, passage of the U.S.-Korea FTA and enhanced economic integration with Japan would be in accord with the May 10, 2007, Congressional– Executive Agreement on Trade Policy.

Asian economies are integrating rapidly

Although growth has been impacted by recent economic turmoil, trade, investment, and business operations have been integrating across Asia at a breathtaking rate. In the private sector, for example, multinational corporations, including many from Japan, have built production networks and supply chains stretching across Asia – heedless of borders – to benefit from the comparative advantages of individual countries. The investment necessary to create these networks and the resulting intra-Asia trade as goods are shipped and services are provided around the region before being sent or provided to their final destination has served to create an increasingly intertwined Asian economy. For example, in 2006, intra-regional trade as a share of East Asia’s total trade reached 55 percent, lower than the EU’s 65.8 percent but significantly higher than NAFTA’s 44.3 percent.²

This level of economic integration is remarkable, particularly given that Asia has achieved it largely in a de facto, rather than de jure, manner to date. That East Asia’s intra-regional trade as a share of total trade could reach a level more than 10 percent higher than that of NAFTA – a high-standard FTA between nations that share borders – and just 10 percent lower than that of the “single market” EU, demonstrates the tremendous momentum behind Asian economic integration.

Initiatives for Asia-only integration are emerging

In the public sector, Asia-only regional trade agreements are being pursued, particularly in East Asia. In addition to a number of

² Asian Development Bank, “Regionalism as an Engine of Multilateralism: A Case for a Single East Asian FTA.”

“ASEAN+1” agreements (separate FTAs between ASEAN nations and individual countries including China, Korea, and Japan) in effect or nearly completed, there are several broader regional trade agreements being officially studied. These include the “Northeast Asia Free Trade Area” (China, Korea, and Japan); the “East Asia Free Trade Area” (ASEAN+3 nations³); and Japan’s own proposal, the “Comprehensive Economic Partnership in East Asia,” or CEPEA, which would encompass only ASEAN+6 nations.⁴

Expanding the role of the United States in Asian trade

As a response to the Asia-only trends outlined above, along with negotiation of the “Trans-Pacific Partnership Free Trade Agreement” (TPP), passage of the U.S.-Korea FTA could provide a starting point for creating a new Asian economic architecture with the United States at its core. The ACCJ believes that the United States and Japan – as close allies sharing common values and the world’s two largest economies – are natural partners in forwarding key economic initiatives in Asia. Failure to move ahead with the U.S.-Korea FTA would substantially undermine the United States’ ability to take the lead in Asian trade.

In their February 2007 bipartisan follow-on report on the U.S.-Japan alliance, Richard Armitage and Joseph Nye describe “getting Asia right” as, in part, “economic prosperity based on market principles, free and open trade, and protection of intellectual property rights, labor rights, and the environment. ... greater political freedom ... transparency in the military field ... [and] application of national assets to the common good.”⁵ It is hard to imagine a single partnership other than the one between the United States and Japan better equipped to lead Asia in line with these important values.

However, before such a vision can be realized, divergent views between the United States and Japan regarding the appropriate scope and

³ “Plus Three” nations are Japan, China, and Korea.

⁴ “Plus Six” nations are Japan, China, Korea, Australia, New Zealand, and India.

⁵ Richard L. Armitage and Joseph S. Nye, “The U.S.-Japan Alliance: Getting Asia Right through 2020,” February 2007.

ambition for economic integration need to be addressed. The fragile political climate in Japan also remains a key impediment. Simply put, more time is needed to forge a full consensus regarding the way forward in both countries.

In the ACCJ's view, a "building block" approach – with a robust Cabinet-led government to government economic dialogue mechanism at its center – offers the best prospects for cementing the United States' leadership with Japan in Asian trade and economic integration. Ideally, the U.S.-Korea FTA will be an important first step toward setting the foundation for further integration between the United States and Japan by acting as an incentive for overcoming domestic political obstacles in Japan.