

Us-south korea free trade agreement

Law



There are various reasons underlying the formation of free trade agreement among countries. One of the basic reasons is the easier access to the member's markets due to the reduction or elimination of tariffs and non-tariff barriers. In 1989, the United States entered an agreement with Canada for this purpose (Congressional Research Service, 2006) Protection of local exporters from losing out to foreign companies is another reason underlying the formation of this trade. For instance, proponents of US-Chile foreign trade agreement argued that U. S firms might be at the losing end due to the Canada - Chile FTA

(Congressional Research Service, 2006). Generally, the free trade agreement usually serves the purpose of a catalyst for competitiveness, cost-cutting, greater economic efficiency and consumer welfare (See, 2004). In entering a free trade agreement, there would be tremendous effects on the economies of the two countries that are participating in the agreement. Here, the current and probable effects of a free trade agreement between the United States and Korea will be presented.

Before going into the effects of the agreement, let us first take a look on some of the inclusion in the US-South Korea Free Trade Agreement. The US Korea Free Trade Agreement The US -South Korea Free Trade Agreement (KORUS FTA) was signed by the two countries' representatives on June 30, 2007. This agreement included a range of issues concerning the US-South Korean trading relationship like autos, agriculture, trade remedies (Congressional Research Service, 2007).

The free trade agreement was conducted by both countries despite of a high degree of political risks that would carry over as their legislature debate on <https://assignbuster.com/us-south-korea-free-trade-agreement/>

the merits of the free trade agreement (Congressional Research Service, 2007). Ties between the United States and South Korea are still tight. The US-South Korea alliance began when the United States intervened on the Korean Peninsula and went to battle against a North Korean takeover (Congressional Research Service, 2007). However, the ties between South Korea and United States were showing signs of fraying.

Some argued that the free trade agreement would give strength to the US-South Korea alliance (Congressional Research Service, 2007). Trade frictions between the two countries have lessened over the last fifteen years since leaders have been pushed towards giving a higher priority to foreign policy and security concerns. Moreover, South Korea has introduced some reforms in order to welcome foreign competition and investment. Even though tensions have been reduced, there are still differences in trade and investment relations (Congressional Research Service, 2007).

Outcome of the Free Trade Agreement As mentioned earlier, the free trade agreement touched on the issues in agriculture. During the negotiations, the United States pushed towards a liberalization in agriculture trade; however, South Korea acted towards the exclusion of some products from the complete trade liberalization (Congressional Research Service, 2007). One of the products that were considered sensitive for South Korea is the rice. Fortunately for South Korea, it was able to protect its rice producers by excluding the product from the trade liberalizations.

The United States allowed for the exclusion of the product from the FTA for the preference of having the agreement with South Korea over losing the free trade agreement due to domestic pressures that may come from South

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Korea (Congressional Research Service, 2007). Restrictions were also placed on U. S beef. At the end of the negotiation, the officials from South Korea has yet not provided the US officials with a date by which shipments of US beef could be made (Congressional Research Service, 2007).