

South Korea Weighs Potential TPP Entry After Negotiations Are Concluded

SEOUL — A senior South Korean trade official said his government is weighing the prospect of requesting entry into the Trans-Pacific Partnership (TPP) after the negotiations are completed but before major parties like the United States have ratified the deal, in order to avoid a drawn-out TPP accession process.

Choi Kyonglim, Korea's deputy minister for trade, told *Inside U.S. Trade* in a Sept. 12 interview here that Korea has floated this idea with all current TPP parties — including the U.S. — and that all have said it is a “possible” option. But Choi stressed that, at this point, Korea is still on the fence about whether it will ask to join TPP at all.

“We feel that it is not the right time to make a decision because the overall outlook for the negotiations is still very much uncertain,” he said. “We would like to have more clarity, especially regarding when the negotiations will come to an end, and also what the final agreed level of ambition is like.”

Korean officials have held consultations with TPP parties on the sidelines of the last three rounds of TPP talks, including the most recent round in Hanoi, Choi noted. Still, as far as the Korean government can discern, much about what will happen with the agreement still appears up in the air, he said.

Choi's comments represent a clear shift from the position he took in a Dec. 2013 interview with *Inside U.S. Trade*. At that time, he said Korea was considering the possibility of seeking to join the ongoing negotiations if they dragged on much longer (*Inside U.S. Trade*, Dec. 6, 2013). The U.S. has repeatedly made clear that it wants to conclude the TPP talks with the current 12 countries.

His comments in the interview seem to signal that Korea has taken a more cautious attitude toward joining TPP. He said that his government is basically in a “wait-and-see” mode when it comes to the trade initiative.

Choi explained that the idea of seeking to join TPP prior to ratification by other parties is motivated by the notion that it would enable Korea to join more quickly and from a stronger negotiating position than if it were requesting to become a TPP party after the deal had been implemented by the original 12 members.

This approach would theoretically be quicker because it would allow Korea to skirt the formal accession process that would be required once the agreement enters into force. TPP countries have said they are negotiating a “living agreement” that would allow countries to accede to the deal after entry into force.

According to Choi, this approach also would put Korea in a stronger negotiating position if all TPP parties shared the mutually agreed deadline of concluding Seoul's entry negotiations prior to ratification.

From Seoul's perspective, that would be better than being subjected to an open-ended accession process after entry into force, which would enable other TPP parties to press Korea indefinitely for concessions — similar to the accession process under the World Trade Organization. By contrast, if two trading partners share a deadline, they are on more equal footing when it comes to leverage, Choi reasoned.

Underpinning this logic are a number of assumptions, Choi explained. At the same time, he acknowledged it is not clear whether the conditions Korea is envisioning would ultimately prove acceptable to other TPP parties.

Separately, one observer supportive of TPP last week expressed doubt that other parties would be so accommodating to Korea, given how complicated the talks already are. This source also warned that Seoul would likely come under more pressure than it seems to expect to resolve bilateral trade irritants and further liberalize trade in sensitive products, regardless of whether it joined before or after other parties ratified the deal.

If other TPP countries allowed Korea to negotiate its entry after the talks are concluded but prior to ratification, Choi said he expected Korea to take the same position as the U.S. regarding bilateral market access talks — that it would not re-negotiate with any partners with whom Korea already has a free trade agreement in place. That would leave only negotiations with Mexico, New Zealand and Japan.

Choi also held open the possibility that Korea could seek certain exceptions or special phase-in periods for some TPP rules that go beyond the Korea-U.S. (KORUS) FTA, such as those relating to state-owned enterprises (SOEs), or even seek to renegotiate them if the other parties agreed. But he added that whether Korea would view any such step as necessary is purely hypothetical at this point, given that many of the controversial TPP rules issues are still outstanding.

The Korean government still has a number of domestic procedural hurdles to clear before potentially requesting to join TPP, according to Choi. Those include a positive decision to join TPP by all cabinet ministers dealing with some aspect of international economic affairs; an additional formal public hearing; and reporting to Korea's legislature, the National Assembly, about the probable economic benefits and impacts of joining the deal.

But in light of all the uncertainty surrounding TPP, the Korean government has no firm timeline for taking any of these steps, the deputy minister said. Korea has so far held two public hearings on the impact of joining TPP, he added,

but feels it still needs to conduct more due to the breadth of the deal.

“Since the TPP negotiations involve a large number of participants, and also the scope of negotiation is quite broad, our consultation process for the TPP negotiation is more extensive [compared with] previous negotiations,” he said.

One aspect of this consultative process is a series of studies carried out over the past year by the Korea Institute for International Economic Policy (KIEP), a semi-governmental research center. KIEP in April completed a study predicting that Korea’s GDP would grow between 1.7 and 1.8 percent over 10 years if it joined TPP, and has also carried out a more detailed sectoral analysis of the agreement’s effects on the country’s economy.

Korea has long been skeptical about joining TPP, but now faces somewhat of a different dynamic than it did two years ago, before Japan joined the initiative.

Bark Taeho, who served as South Korea’s trade minister between 2011 and 2013 and is now a professor at Seoul National University’s Graduate School of International Studies, said in an interview here that the Office of the U.S. Trade Representative had at one point actively encouraged Korea to join TPP. That was hinted at in public remarks made by USTR officials in spring of 2013 (*Inside U.S. Trade*, April 5, 2013).

But Bark said that Seoul at the time believed it needed to focus on implementation of the KORUS and Korea-EU FTAs, rather than take on another agreement, especially in light of the fact that Korea already had free trade deals with most TPP parties. Bark, who was trade minister at the time, said he did not regret taking that position.

But he acknowledged that, as the deal has grown larger with Japan’s entry, the incentive has grown for Korea to be at the table to help write the rules and ensure that it is integrated into the global value chains that TPP helps create. Now, however, USTR has made clear it wants to conclude the talks with the 12 parties first before inviting new entrants.

Giving Korean businesses more flexibility in sourcing from around the TPP region continues to be one of the major potential benefits of participating, Bark said. Still, he painted Korea’s joining of TPP as something that is inevitable at some point, and did not appear to buy in to the sense of urgency that some companies here seem to feel.

Korea is a major competitor with Japan in key industries, including textiles, and some Korean firms have been wary that being left outside of TPP could impact their competitiveness in the region and in the U.S. market specifically (*Inside U.S. Trade*, May 16).

Due to a range of complaints about implementation of the KORUS FTA, some U.S. business representatives have been skeptical about the idea of Korea joining TPP. They have used Korea’s interest in the deal as an opportunity to press Seoul to resolve bilateral trade irritants — some of which Korea has taken significant steps to resolve — while questioning the direct value for U.S. business of Korea being part of the deal.

But Amy Jackson, president of the American Chamber of Commerce in Korea, argued in an interview here that there are at least two key benefits for U.S. businesses of allowing Korea to join TPP. First, Korea would be bringing itself up to the presumably higher standards negotiated in TPP, including on issues that were not a part of KORUS like SOEs.

Jackson said that competition with SOEs is not a major commercial issue for U.S. firms here, but argued that from the perspective of having consistent trade and economic policy in the region, this would be a positive development.

Perhaps a more direct benefit, Jackson said, would be that Korea and the U.S. could be able to join forces in pressuring Japan to open its auto market. Both Korean and U.S. automakers have faced difficulties in selling cars in Japan despite the fact that Japan does not have any tariff on imported passenger cars, she noted.

Bark, however, said he expected the Korean auto industry would be skeptical of joining TPP in light of Japan’s involvement and the fact that Korea has an 8 percent tariff on imported cars. Without a real sign that Japan would be able to give Korean automakers greater access, they — like their U.S. counterparts — could be reluctant to support a deal with Tokyo that would eventually eliminate Korea’s auto tariffs. — *Ben Hancock*