

**The South Korea-Chile Free Trade Agreement:  
Implications for Regional Economic Integration in  
East Asia<sup>1</sup>**

*Youngshik Bong  
Wellesley College*

*Heoun Joo Jung  
University of Pennsylvania*

**Introduction**

Regionalism has surfaced as one of the focal points in international relations in the new millennium. There has been a dramatic increase in the creation of new regional trading agreements (RTAs) in the past decade. By early 2004, the number of RTAs submitted to the World Trade Organization (WTO) has doubled in the past decade. More than 273 agreements have been negotiated, 190 of which have come into force.<sup>2</sup>

Compared to the European Union (EU), East Asia has long been characterized by the paucity of strong institutional, regional cooperation. However, a new wave of regional groupings has swept the region recently. East Asian states have demonstrated their new enthusiasm by creating regional free trade agreements (FTAs). The Association of Southeast Asian Nations (ASEAN) launched ASEAN Free Trade Area (AFTA) in the early 1990s. In 2002, six ASEAN members reached an agreement to lower their tariffs to less than five percent. Singapore and Thailand have signed FTAs with 18 and 11 countries, respectively. In 2002, China and ASEAN agreed on a framework to establish an FTA within 10 years, and China and Hong Kong reached an economic partnership agreement. In January 2002, Japan signed the Japan-Singapore Economic Partnership Agreement (JSEPA), its first postwar preferential trade agreement (PTA), and continues as of this writing to negotiate with Mexico.

South Korea hopped onto the regionalism train in the late 1990s. Since then, South Korea has launched a series of initiatives for FTAs with countries in and outside Asia, including the United States, Singapore, Chile, Thailand, New Zealand, Japan, and China. The first success of its numerous initiatives came to fruition as the South Korea-Chile Free Trade Agreement (Korea-Chile FTA) which was signed in 2002 and later ratified by both countries in 2004. South Korea also signed another FTA with Singapore in the same year.

Mainly because of its newness, there has been very little

academic research in examining the case of the Korea-Chile FTA. This article seeks to address such a shortfall. It examines the case of the Korea-Chile FTA by addressing three issues: (1) What explains Korea's increased interest in regionalism? (2) What accounts for the dramatic political shift surrounding the Korea-Chile FTA between the early initiation period and the eventual ratification? What caused the political turmoil in 2004 which almost derailed the entire ratification process? (3) What are the implications of the case to Korea's other RTA initiatives and Asian regionalism?

In the field of international negotiations and economic cooperation, IR scholars have paid increasing attention to the role of domestic politics.<sup>3</sup> The majority of current debates on regionalism and economic integration also take into account domestic political institutions and interactions among domestic actors in their analysis.<sup>4</sup> In the same vein, this research examines the evolution of the Korea-Chile FTA—the initiation, negotiations, and ratification process— by looking into the combined effect of changes at the international system and domestic politics

This article argues that the change of state capacity in domestic bargaining determined the political dynamism surrounding the Korea-Chile FTA.<sup>5</sup> At the systemic level, the 1997 Asian financial crisis created favorable conditions for the Korean leadership to cast the issue of economic liberalization as essentially a national security concern in order to garner support it needed to overcome resistance inside the government and from societal interest groups. However, the subsequent institutional changes in domestic politics lessened the traditional party discipline and undermined the government's ability to effectively manipulate the issue-redefinition tactic. As a result, the later phase of Korea-Chile FTA negotiation became paralyzed under the pressure of agricultural coalitions, and side-payments replaced the issue-redefinition as a prominent tactic to pass the free trade bill for ratification. In this regard, there is a great need for policymakers to take into consideration the lessons from the process of the Korea-Chile FTA, not just from the final outcome. The future FTA efforts such as Korea-China-Japan FTA will likely undergo no less difficulty than the Korea-Chile FTA did.

This article is divided into three sections. The first section analyzes the origins of the Korea-Chile agreement by assessing the sources of South Korea's initiatives toward the FTA regime. The second section examines the political dynamics in South Korea during the FTA negotiations with Chile and the subsequent ratification process. It will discuss how the external shocks and institutional changes in domestic politics altered the leadership's incentives and capacity of

pushing the FTA agenda. The third and final section will use the case of the Korea-Chile FTA to discuss the other prospective regional PTAs such as the South Korea-China FTA and the South Korea-Japan FTA. Using different levels of analysis, it will critically review whether the recent proliferation of bilateral FTA initiatives in East Asia is likely to be nested in broader trading arrangements in the long run.

### **Politics of the South Korea-Chile FTA: Motivations, Negotiations, and Capacities**

#### ***South Korea's Activism in the FTA Regime***

As the first bilateral FTA in the modern era, the 2004 Korea-Chile FTA symbolizes South Korea's transformation as an active supporter of regional trade liberalization. Korea's activism in creating RTAs is especially striking, considering its long history of aversion to trade liberalization and economic integration. In the early industrialization period, South Korea demonstrated a remarkable degree of resilience against trade liberalization. Its reluctance in joining free trade regimes did not diminish even after its economy passed the developing stage.<sup>6</sup> Such a persistent aversion to free trade regime has been regarded as an anomaly for a country whose national economy was critically dependent upon and benefited from international trade.<sup>7</sup>

In the recent period South Korea has been extremely active in pursuing FTAs with other countries in and outside the region. Since 1998, it has also engaged in a series of joint studies and negotiations with Japan to reach an agreement on a bilateral FTA. At the ASEAN plus three meeting in November 2001, former president Kim Dae-jung proposed the creation of the East Asian Free Trade Area (EAFTA), which would include ASEAN countries, China, Japan, and South Korea. In the past five trilateral summit meetings since 1999, South Korea has reiterated its support of a trilateral framework for economic cooperation with Japan and China in the area of trade and investment. South Korea has diversified its FTA initiatives and reached outside East Asia: it has continued its negotiations with the United States and New Zealand on liberalizing the terms of bilateral trade and investment.

### **Theories of Regional Trading Agreements**

What accounts for South Korea's new interest in trade liberalization at the regional level? Economists and political scientists have advanced a variety of theories to explain why the new surge in regionalism is taking place around the globe. While conventional explanations tend to focus on a state's expectations for net welfare gains from trade liberalization, a growing number of empirical studies

conclude that political and strategic motivations play an important role in determining the content and characteristics of the PTAs.

The literature on PTAs shares a general consensus that countries enter trade liberalization agreements with varying motivations. In economic reasoning, a country enters a regional FTA hoping to benefit from economies of scale, diversification of export markets, technical spill-overs, and so forth.<sup>8</sup> In addition, the creation of expanded regional markets is expected to help a country attract the inflow of foreign direct investment.<sup>9</sup>

RTAs can be also seen as a country's strategic response to multilateralism.<sup>10</sup> As the past track record of the GATT/WTO negotiations indicates, liberalization attempts at the multilateral level can be extremely lengthy, complex, and uncertain<sup>11</sup>. Frustrated by multilateral tracks of liberalization, countries may find regionalism a good alternative.<sup>12</sup> A country may also participate in a regional trading block in order to enhance its bargaining power in multilateral negotiations.<sup>13</sup>

Some emphasize the externalities of RTAs in inter-state and domestic politics. RTAs can be used as a drive for a country to augment its bargaining position with more powerful economic partners.<sup>14</sup> RTAs can also contribute to increasing a country's national security because the economic gains from free trade with partners can be redirected to military uses, as the "security externalities" argument indicates.<sup>15</sup> By definition, PTAs are preferential. The domino theory of regionalism claims that this aspect of discrimination and exclusivity creates pressure for countries to join PTAs. In other words, states enter PTAs so as not to pay the opportunity cost of remaining outside the agreements or to avoid exclusion.<sup>16</sup> From the domestic political perspective, political leaders may sign a RTA to lock-in a domestic policy reform agenda through an external commitment.<sup>17</sup>

As will be discussed in the following section, these theoretical arguments have varying degrees of relevance in explaining the Korea-Chile FTA. A common problem among these theories is that there exists an analytical imbalance between their focus on the demand side of RTAs and that of the supply side. Namely, the theories tend to focus exclusively on explaining a state's motivations in creating RTAs, but pay insufficient attention on a state's capacity to make them. In the context of our discussion of the Korea-Chile case, these theories help identify the initial enabling conditions for Korea's activism in RTAs but do not illuminate the causes of political turbulence in the later phase of negotiations.

**The Politics of the South Korea-Chile Free Trade Agreement  
 Why Chile?**

Applying the theories of regionalism discussed in the previous section to the Korean case, one would first attribute South Korea's new enthusiasm in PTAs to its desire to improve the external conditions of economic growth in the aftermath of the 1997 financial crisis. For an economic system with heavy reliance on international trade, regionalism emerged as a viable alternative to the practice of seemingly outmoded mercantilism and multilateralism that failed to deliver quick market access.

South Korea's move toward PTAs first materialized in its negotiations with Chile. On November 5, 1998, the International Economic Policy Coordination Committee recommended that signing a FTA with Chile was the top agenda of Korea's PTA initiatives. The Committee also cautioned that FTA negotiations with other countries would require further research and inter-ministerial policy coordination.<sup>18</sup> During the APEC meeting in September 1999, both presidents announced a mutual understanding and interest in a bilateral FTA. The first official negotiation was held in December.

The choice of the first FTA negotiation partner outside the region may seem anomalous, considering geographic proximity, economic size, and level of economic interdependence among China, Japan, and South Korea. This article holds that a combination of economic, strategic, and political considerations governed the choice of the partner.

**Table 1**  
**Korea-Chile Trade**

Year	1985	1990	1995	1998	2000	2001	2002.11
Export	0.6	1.4	6.3	5.7	5.9	5.7	4.1
Import	1.5	3.3	10	7.1	9	7	7
Balance (Korea)	-0.9	-1.9	-3.7	-1.4	-3.1	-1.3	-2.9

SOURCE: Samsung Economic Research Institute (SERI) (2003, 44).

On narrow economic grounds, a FTA would have positive effects on bilateral trade (see Table 1). According to the Korean government, the economic effect from the FTA would improve the trade balance by \$329 million and increase the welfare effect on the national economy by \$701 million by 2010. Beyond the bilateral context, a FTA with Chile would allow South Korea to gain access to the South American market which accounts for about half of South

Korea's annual trade surplus.<sup>19</sup> Furthermore, signing a FTA would have the "demonstration effect"<sup>20</sup> to the parties of undergoing FTA negotiations with Korea and potential partners. The FTA with Chile was advertised by the government as an important testing ground for Korea to acquire knowledge and experience required before negotiating a series of "bigger" agreements with Japan, Singapore, the United States, and ASEAN. It was also expected to serve the purpose of trade diversification.<sup>21</sup>

In addition to these economic and strategic reasons, this article argues that the choice of Chile was heavily governed by what can be termed as the "FTA deliverability."<sup>22</sup> Empirical studies show that selling economic agendas in domestic politics on economic grounds is often politically infeasible because a host of industries adversely affected by the agendas tend to mobilize collective resistance. In this regard, domestic politics affects trade liberalization in important ways. Political pressure and support at home not only influence a state's negotiations with other countries but also affect the way policymakers calibrate overall national interests and more specific political gains and risks from liberalization.

From the perspective of the FTA deliverability, Chile was a conscious choice by the South Korean leadership in comparison to the prospective political costs that a FTA with either Japan or China would have inflicted. In this regard, the equation of FTA partnerships for the South Korean government was two-fold. On the one hand, it looked at the aggregate economic benefits from each potential partnership. On the other hand, it calculated the expected opposition from the different coalitions of farmers, small business, big business, and labor.

Chile was an especially attractive prospective partner for the expected impact of its exports to Korea's domestic agricultural industry. Imports from Chile are predominantly composed of metal and timber (84 percent of total volume in 2003). Agricultural products only account for 8.5 percent of its exports (4.9 percent of exports to Korea), which accounts for 0.63 percent of agricultural products Korea imports every year. Moreover, rice and beef are not major agricultural products that Chile exports. Chile and Korea have different harvest seasons for fruits and vegetables.<sup>23</sup>

In sum, judging from the overall economic benefits, long-term strategic effects, and prospective political impact, Chile emerged as an attractive choice for Korea's FTA initiatives, compared to other prospective partners with different economic scales, industrial structures, and political significance.

### Why the Chaos?

The above analysis highlights the economic, strategic, and political calculation behind the choice of partners by the South Korean government. However, it does not offer a good explanation of why this careful choice failed to bring forth a swift success. Indeed, the Korean government subsequently dealt with long and arduous bilateral negotiations and a turbulent ratification process which almost derailed the whole agreement—a hefty political price, exactly what it had hoped to avoid by choosing Chile over other partners.

The bilateral FTA negotiations were tumultuous and protracted for more than five years (see Table 4). Especially during the period from 2000 to early 2002, negotiations nearly broke down as both sides sharply differed on mutual concessions involving agricultural products and manufactured goods.<sup>24</sup> On October 25, 2002, both sides officially concluded the negotiations. On February 15, 2003, in Seoul, the FTA bill was signed by both governments. The ratification process for the Korea-Chile FTA bill at the National Assembly of Korea was immediately hit hard by a massive protest of farmers' unions.<sup>25</sup> In September, the suicide of a Korean activist at the WTO meeting in Cancun, Mexico, fueled the protest.<sup>26</sup>

The ratification process dragged on and was disrupted by violent protests and confusion in the National Assembly. In November 2003, more than four months after the signing, the Unification/Foreign Affairs/Trade Committee of the National Assembly passed the FTA bill. The votes were divided (twelve to seven, one absent) and the Committee also issued a recommendation for a Four-Point Special Bill on the Korea-Chile Free Trade Agreement to compensate for possible damage to the agricultural sector.<sup>27</sup>

The general voting for ratification was postponed three times (December 29, 2003, January 8, 2004, and February 9, 2004) due to series of organized efforts by lawmakers from rural districts of both the ruling and opposition parties to defeat the bill. Meanwhile, the protest of farmers' unions spread nationwide and became increasingly violent. In stark contrast to the disarray in Korea, the FTA bill easily passed in both houses of the Chilean Congress on August 26, 2003 in the Lower House and unanimously on January 22, 2004, in the Upper House.

In effort to facilitate ratification, the Korean government in principle agreed to create a FTA Special Fund of about 1,000 billion won (8.3 billion) to compensate for the damage to farmers for the next ten years.<sup>28</sup> In addition to this package, the government also proposed to lower the annual interest rate from eight to five percent on the part of the mutual funds loaned to farmers after 2000 (700 billion won out of 1.9 trillion won).

On February 16, 2004, the Korea-Chile FTA was finally ratified in the National Assembly (162 to 71, 1 absent).<sup>29</sup> Eight days after ratification, the cabinet meeting on the annual budget approved increased appropriations to assist agricultural and fishery industries by 7.1 percent, which included \$5.9 billion as a FTA assistance package.

What accounted for this phenomenon? Hyun-Seok Yu (2002) emphasizes the interaction between political actors in coalition politics and the policy coordination mechanism within government. Yu contends that the havoc surrounding the FTA negotiations and the ratification process resulted from the disproportional empowerment of agricultural interest groups in the decision-making process. The penetration of the farming industry and civil activist groups into the decision-making process rendered the strategy employed by the president and the MOFAT to justify the FTA agenda as a crucial matter of national interest increasingly difficult to sustain.<sup>30</sup> As a result, the pro-FTA Ministry of Foreign Affairs and Trade (MOFAT) was increasingly marginalized in the domestic and international negotiations due to the absence of a strong FTA endorsement group and the inability of manipulating side-payments to facilitate negotiations.<sup>31</sup>

Such a coalition politics argument is relevant and useful in highlighting the domestic sources of the FTA deliverability in the case of the Korea-Chile FTA. The main problem with the coalition politics argument is that it tends to explain the ways in which different societal agents compete and interact with each other in the policymaking process while assuming the fixed nature of domestic negotiations. As a result, the argument explains the policymaking process *once the context of domestic bargaining is set in place*, but fails to inquire into how the specific context of coalition politics came into being in the first place.

The sequential analysis of the Korea-Chile case reveals that control of side-payments and the existence of endorsement groups have a different impact on different stages of domestic bargaining. For instance, rather than dictating the entire phase of the FTA negotiations, the issue of compensation for the farming industry became the deal breaker only near the end of the ratification phase. Hence, one needs to account for the tipping point from which side payments substituted for the national interest argument as the key determinant of the FTA negotiations. Moreover, it is unclear what made the MOFAT predominate during the initial phase of negotiations without being able to manipulate the side payment which is so crucial a factor for domestic bargaining according to the coalition politics argument.

Furthermore, the influence of endorsement groups varies across different stages of negotiations. Yu correctly points out that what initially made Chile an attractive FTA partner became a major

impediment to domestic bargaining in ratification.<sup>32</sup> The MOFAT failed to benefit from support from the manufacturing industry and big business because the expected economic benefits from the FTA with Chile were marginal while the costs were expected to be concentrated on the agricultural sector.<sup>33</sup> However, one may ask why the absence of a FTA endorse group was a large impediment in the latter phase of negotiations but not so much a factor in the initial negotiations. If the absence of a strong endorsement group supporting a FTA with Chile proved so crucial, how did the South Korean government manage to launch and maintain its FTA initiatives in the first place?

Juxtaposing the case of the Korea-Chile FTA and that of rice market openings in the early 1990s poses similar puzzles. Findlay et al. point out that bilateral trade liberalization is politically more benign, since FTAs are easier to sell at home than is multilateral liberalization.<sup>34</sup> The benefits of multilateral reform are more diffuse than those of bilateral arrangements, which are more specific and concrete and have political costs which are easier to manage. Considering this difference, it is puzzling why the anti-liberalization coalition was far more successful and influential in the Korea-Chile FTA case than in the case of rice-market openings.

In regard to the political deliverability of trade liberalization, the different pattern of voting in the National Assembly on bilateral liberalization and agricultural liberalization poses a question. Why was there *no* massive defection of party members in opposition to the government's decision for the rice market liberalization in 1993-94? Did the ruling party members during the Kim Young Sam government actually cross party lines and cast their votes against the government decision? In addition, the control over side-payments seems to have been far more crucial in inter-ministerial negotiations in rice-market openings, given the unprecedented impact on the domestic agricultural market. If this hypothesis is correct, it is difficult to explain why it was the MOFAT, not the Ministry of Agriculture and Fisheries (despite its tie with agricultural interest groups) that led the policy negotiations within the government over the issue of rice-market liberalization.

### **Crisis, Democratization, and Domestic Bargaining**

The key insight from literature on domestic sources of international negotiations is that state capacity and strategies matter. The political feasibility of economic policy is not primarily determined by coalition politics among societal interest groups. Policymakers have different capacities of dealing with societal pressure in different domestic bargaining contexts, and thereby adjust their bargaining tactics accordingly. From this perspective, it is important to inquire as

to how the theater of domestic bargaining actually changes according to external shocks and political changes at home, and thereby empowers or limits state negotiation strategies vis-à-vis societal groups.<sup>35</sup>

Concerning the Korea-Chile FTA case, this article argues that it was the economic recovery from the 1997 financial crisis and the effect of democratization that undermined the state's capacity in implementing the FTA with Chile because the new context of domestic bargaining made the issue-definition tactic far less feasible for the South Korean government. Consequently, the South Korean government increasingly relied on side-payments as a primary bargaining tactic in domestic bargaining with societal interest groups.

H. Richard Friman and G. John Ikenberry point out that issue-redefinition is one of primary bargaining tactics for policymakers in attempts to facilitate economic negotiations.<sup>36</sup> Playing the security card is a more cost-effective domestic bargaining tactic for policymakers if they successfully persuade others that "the international economic agreement is inextricably bound up with national security issues affecting values of survival, independence, or national welfare".<sup>37</sup>

The issue-redefinition literature hypothesizes that the greater the external security threat, the more likely policymakers are to play the security card.<sup>38</sup> In regard to the Korean case, the economic shock of the financial crisis created a facilitating condition for the Kim Dae-jung government to rely primarily on the security card tactic to alter domestic pressure surrounding the FTA initiatives. The Kim government emphasized that trade liberalization through FTAs was an imperative requirement for the country to restructure its flagging national economy after the crisis and maintain international competitiveness. By recasting the economic issue as a national security issue, the Kim government was able to maintain sufficient public support to launch negotiations for the Korea-Chile FTA.<sup>39</sup>

Nevertheless, the fading memory of and subsequent recovery from the financial crisis increasingly constrained the Korean government's use of the national security tactic. Signing a FTA with a geographically dispersed partner with marginal economic benefits became a hard thing to sell for the Kim government. The strategic and symbolic values of the FTA with Chile gradually yielded to the concern for material compensation for the "loser" as a focal point of domestic bargaining.<sup>40</sup>

The State's capacity for manipulating bargaining tactics became further constrained by the institutional changes in domestic politics. While the post-crisis economic recovery diminished the utility of the national security card tactic for the government, the cumulative effect of democratization undermined its feasibility.

The distinct feature of democratic consolidation in South Korea is the decline of party discipline under the presidential system. Party discipline is defined as the ability of a political party to muster its members' support for policies important to its leadership. Cox and McCubbins and Carey and Shugart argue that, when party leaders secure loyalty or acquiescence from their parties' candidates with control over "party endorsement" and "ballot rank in electoral list system" at hand, they are more able to initiate economic and social reforms.<sup>41</sup> With strong party discipline, the close linkage readily observed by the constituents among party leadership, its preferred policies, and their effects on the constituents gives a greater incentive for the party leaders to provide national public goods. In contrast, when the internal party discipline is loose, individual politicians and law-makers are strongly encouraged to provide public goods on a local basis in order to cultivate their support bases that will finance their campaigns and provide the votes for re-election.

From the perspective of domestic bargaining, the lack of party discipline may mean that there will be a greater need for side-payments to satisfy more political clients affiliated with individual party members. It may cause frequent changes of contact points for significant policy-making between the government and lawmakers. It can also increase costs for policy coordination and monitoring. The time-horizon of local interest groups is likely to be shortened because the low cohesion between the executive branch and the parties will make the leadership's long-term commitment for loser groups less credible. Arguments made by the leadership that their suffering today will be duly compensated someday in one way or another may not sound as persuasive as in the past.

Literature on political institutions and the level of party discipline generally agree that overall party discipline is higher in parliamentary systems than in presidential systems.<sup>42</sup> Besides the institutional characteristics of a presidential system, the democratic consolidation that coincided with a generational change in Korean politics further weakened party discipline. With the end of authoritarian regimes and the "retirement" of old leaders (three Kims), party leaders no longer benefited as much as their predecessors from personal charisma, physical violence, and election finance in order to maintain party discipline.<sup>43</sup>

The chaotic ratification process of the Korea-Chile FTA bill clearly shows how weak party discipline was and how it compelled the leadership to increasingly resort to side-payments for domestic negotiations. The government urged via the mass media the significance of ratifying the FTA bill as a crucial first step to

demonstrate Korea's strong commitment to trade liberalization and a means to improve the life of the majority population. The underlying message was that the national interest must take precedence over the interests of farmers, who accounted only eight percent of the whole population. Offering side-payments for the purpose of pacifying agricultural groups would set a bad example for the future.<sup>44</sup>

Unlike the case of the Uruguay Round rice market liberalization efforts, however, party loyalty and the national interest arguments did not prevail over members' concerns for pandering to local interests. Parliament members from rural districts engaged in collective action and prevented the FTA bill from being put to vote for ratification at the National Assembly for three months. Mindful of the upcoming election, no party announced its official position on ratification, which was extremely rare in Korean politics, and the members supporting ratification demanded that voting be anonymous.<sup>45</sup> With ratification stalemated, granting a rich compensation package for the farming industry remained the only viable solution for breaking the stalemate.

### **Implications of the Korea-Chile FTA for Asian Regionalism**

The analysis of the Korea-Chile FTA case provides important insights for current debates on whether the recent flurry of regional policy initiatives will facilitate or impede the trends toward a deeper regional integration in East Asia. One may ask if this practice of bilateral FTAs will be nested in broader trading arrangements or will evolve in conflict or harmony with the spread of multilateralism in East Asia in the long run. The extant literature on this question is divided into two groups. The first group tends to view the recent proliferation of PTAs by Asian countries as indicators of a new regionalism emerging in East Asia. It stresses the shift in collective orientation among Asian states in favor of the institutionalization of regional economic cooperation in the past few years with the end of the Cold War<sup>46</sup> and the shock of the 1997 Asian financial crisis.<sup>47</sup> Others have responded to this assertion with caution.<sup>48</sup>

One of the dividing issues in this debate is whether the financial crisis has transformed international relations in East Asia in any fundamental ways. Petri argues that the "shock" of historical events has been the key factor behind economic integration in East Asia.<sup>49</sup> Following this argument, many suggest that Asia as a region has embarked on a move toward greater regional cooperation since the Asian financial crisis. The crisis shocked Asian countries, bringing them into close trading relationships and galvanizing their collective effort in institution-building at regional level.<sup>50</sup>

However, the thesis of “Asian regionalism rising from the crisis” is problematic on several grounds. There is no strong evidence to believe that the effect of the crisis will continue to propel the trends toward regional integration beyond the initial stage. As Haggard points out, the effect of historical events may be subject to decreasing, rather than increasing, returns in augmenting intra-regional cooperation.<sup>51</sup> As shown in the case of the Korea-Chile FTA, the political effect of the economic crisis was uneven in different phases of negotiations and the initial momentum gradually dissipated.

Realist arguments on this issue find mixed evidence vindicating the enduring effect of the crisis. If a hegemonic leadership is a necessary condition for economic cooperation as hegemonic stability theory indicates,<sup>52</sup> post-crisis Asia appears to anticipate more favorable conditions for regional institutionalization. Harm Zebregs finds that the dependence of emerging Asia on external demand from Japan has not significantly diminished.<sup>53</sup> Analysis of general (Part A of Table 2) and issue-specific hegemonic leadership (Part B) reveals that Japan’s hegemonic position in the region has not changed in significant ways since the financial crisis, both in chronological or comparative terms.

**Table 2**  
**Part A: Overall Capabilities Method: Share of regional GDP originating in largest regional partner.**

Country	Actual/Proposed Arrangement	Country GDP/Regional GDP			
		1970	1980	1990	2003
Germany	EU	26.0	27.1	25.4	23.8
U.S.	NAFTA	89.3	85.5	87.0	88.5
Brazil	Mercosur	56.3	75.3	80.9	60.3
Indonesia	ASEAN/AFTA	29.8	39.3	33.2	25.2
U.S.	APEC	66.6	57.1	51.6	44.4
Japan	EAEG/EAEC	54.0	67.2	72.3	74.5

**Part B: Issue-Specific Method: Share of total exports from regional trading partners going to largest regional trading partner.**

Country	Actual/Proposed Arrangement	Share of total exports to largest regional partner		
		1990	2003	Change (%)
Germany	EU	18.3	16.4	-11.4

U.S.	NAFTA	74.4	88.2	15.6
Brazil	Mercosur	14.9	13.9	-7.2
Indonesia*	ASEAN/AFTA	2.1	1.1	-90.9
Singapore*	ASEAN/AFTA	10	14.4	30.6
U.S.	APEC	33.3	35.7	6.8
Japan	EAEG/EAEC	14.6	12.7	-15.0

SOURCE: Grieco (1997, 174, Table 7.2) updated by authors.

\*Indonesia is the largest country in the ASEAN/AFTA in terms of GDP; Singapore is the largest ASEAN recipient of exports from other ASEAN members.

However, the relationship between the existence of a hegemonic leadership and economic integration may not be so straightforward. One interesting realist approach helpful to the discussion of East Asian regionalism is the “relative disparity shift” hypothesis advanced by.<sup>54</sup> The hypothesis assumes that “when the relative disparities in capabilities within a region are shifting over time, disadvantaged states will become less attracted to institutionalization and the later will become less likely to occur”.<sup>55</sup> On the one hand, if the pattern of intra-regional economic interactions in the recent past has been associated with stability in relative economic capabilities, less powerful countries will become more willing to lock themselves into institutional settings to promote closer economic ties with stronger partners. On the other hand, if less powerful countries are experiencing rapid deterioration in their relative capabilities, they are likely to shy away from institutionalization of regional partnerships, fearing the perpetuation of regional imbalance, in favor of the relatively strong partners.<sup>56</sup> In other words, both a hegemonic leadership and stable power relationship in the region are necessary for an economic integration to gain momentum.

**Table 3: Changes in Asymmetries in Distribution of Wealth.**

Actual/Proposed Arrangement	Ratio of GDP/capita of wealthier to poorer regional partners (Change in %)			
	1970	1980	1990	2003
EU	3.0	3.0	3.0	1.1
NAFTA	7.1	5.9	8.8	6.0
Mercosur	0.9	1.2	1.5	1.0
ASEAN/AFTA	1.6	4.3	6.3	9.2
APEC	23.0	21.6	41.0	36.8
EAEG/EAEC	8.5	12.5	29.4	32.8

SOURCE: Grieco (1997, 177, Table 7.3); updated by authors.

Table 3 presents the level of power disparity across different regional economic groupings. The “relative disparity shift” hypothesis helps account for the success of the European Union and the stalemate of the APEC and East Asian Economic Caucus before the turn of century. In comparison with Europe, the East Asian case not only continues to suffer from a widening gap in relative capabilities between the leading group of states and that of less powerful ones but also demonstrates an unstable pattern of power fluctuations. This point may be especially relevant to the future of regional cooperation in reference to the rapid rise of China and renders weak support for the current state of East Asian regionalism.

Judging from the impact of the financial crisis on regionalism, the likelihood of the institutionalization of economic cooperation in East Asia looks dim. Such a finding casts doubt on the success of Korea’s current initiatives for creating bilateral or trilateral FTAs with Japan and China. Considering the fact that the negotiations and implementation of regional trading liberalization measures hinge on domestic bargaining, the political deliverability of a bilateral or regional PTA involving South Korea seems low.

As seen in the case of the FTA negotiations with Chile, the FTA initiatives with Japan and China are expected to be dominated by the logic of domestic bargaining. As Chung-in Moon argues, the competitive economic structure, divergent visions of economic community, the salience of relative gains, and the political (mis)use of nationalism easily prevail over economic justifications for PTAs among these three major economies.<sup>57</sup> Although bilateral and regional FTAs are expected to produce positive sum outcomes for three countries and especially benefit Korea,<sup>58</sup> the triangular relationship between Korea, China, and Japan is particularly fertile for the specter of nationalism and susceptible to the political cost of economic restructuring.

For example, a bilateral FTA between South Korea and Japan needs to address the opposition from the South Korean manufacturing industry. From the Japanese perspective, the comparative advantage of South Korea’s agricultural goods will entail the problem of protecting its own farmers.<sup>59</sup> Meanwhile, a FTA with China will exonerate South Korean leadership from this concern. However, China maintains a comparative advantage in agricultural products.<sup>60</sup> Hence, the South Korean government needs to deal effectively with the militant agricultural sector and its urban allies. Such a delicate position in terms of the South Korean economy vis-a-vis China and Japan will make the balancing act by South Korean leaders in domestic bargaining with societal interest groups extremely difficult, if not impossible. The

dissipation of external shocks will only exacerbate the political feasibility of the FTA initiatives, for it deprives the leadership of playing the national security card over paying hefty side-payments to placate the potential domestic opposition.<sup>61</sup>

In short, the prospect for deepening of East Asian regionalism remains at its nascent stage. As Aggrawal and Koo suggest, the danger remains that the new appetite for bilateral FTAs is mainly tactical “hedging” or “bandwagoning,” not inevitably bound to be developed into widening and deepening regionalism.<sup>62</sup> It remains to be seen whether the FTA negotiations among three major Asian economies will evolve in competing bilateral arrangements or become nested within broader multilateral institutions.<sup>63</sup>

## Conclusion

This article concludes that the signing of the first bilateral FTA by South Korea with Chile belies the underlying political dynamism at work. It suggests that the political feasibility of FTA initiatives can be best understood within the framework of domestic negotiations between the state and societal interest groups in which the state chooses between the national security card and side-payments as predominant bargaining tactics. As the effect of the financial crisis of the 1990s dissipated, the South Korean government increasingly relied on the provision of side-payments in order to ratify the Korea-Chile FTA.

The case of the Korea-Chile FTA offers a useful window to investigate the future of regional FTAs and their implications to regional institutionalization. It is suggested that a number of impediments lying ahead for the regional FTAs will be effectively negotiated, ratified, and implemented. The jury is still out, but the trends toward full-fledged region-building require sophisticated political engineering and extraordinary circumstances.

## Endnotes

<sup>1</sup> The Authors sincerely thank Alyze Zhang and Yoon Seon Choi for their research assistance.

<sup>2</sup> Samsung Economic Research Institute (SERI), “*Hanggui FTA jeollyak* (Korea’s FTA Strategies),” Issue Paper. ([http://www.wto.org/english/tratop\\_e/region\\_e/region\\_e.htm](http://www.wto.org/english/tratop_e/region_e/region_e.htm)), May 22, 2003, pp. 1-86. With respect to the use of terminology, the term “regional trade agreements (RTA’s)” and “preferential trade agreements (PTA’s)” are used interchangeable. The concept of “regional trade agreements” will be used in a broad sense to cover trade agreements between countries those are not geographically contiguous such as the United States-Israel Free Trade Area. See Edward D. Mansfield and Helen V. Milner,

“The Political Economy of Regionalism: An Overview,” in Edward D. Mansfield and Helen V. Milner, eds., *The Political Economy of Regionalism* (New York: Columbia University Press, 1997), pp. 1-19. For a classification of various trade arrangements at regional and multilateral levels, see Vinod K. Aggarwal and Min Gyo Koo, “The Dynamics of Formal Economic Integration in East Asia,” mimeo, (2004), pp. 1-40.

<sup>3</sup>Robert D. Putnam, “Diplomacy and Domestic Politics: The Logic of Two-Level Game,” *International Organization*, vol. 42, no. 3, (Summer 1988); Helen V. Milner, “International Theories of Cooperation among Nations: Strengths and Weaknesses,” *World Politics*, vol. 44, no. 4, (1992), pp. 466-496; Robert O. Keohane and Helen V. Milner, eds., *Internationalization and Domestic Politics* (Cambridge: Cambridge University Press, 1996).

<sup>3</sup>Peter F. Cowhey, “Domestic Institutions and the Credibility of International Commitments: Japan and the United States,” *International Organization*, vol. 47, no. 2, (Spring 1993), pp. 299-326; Helen V. Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton: Princeton University Press, 1997); Mansfield and Milner, “The Political Economy of Regionalism”.

<sup>4</sup>Peter F. Cowhey, “Domestic Institutions and the Credibility of International Commitments: Japan and the United States,” *International Organization*, vol. 47, no. 2, (Spring 1993), pp. 299-326; Helen V. Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations* (Princeton: Princeton University Press, 1997); Mansfield and Milner, “The Political Economy of Regionalism”.

<sup>5</sup>Following Theda Skocpol, state capacity in this paper is defined as the ability “to implement official goals, especially over the actual or potential opposition of powerful social groups.” See Theda Skocpol, “Bringing the State Back In: Strategies of Analysis in Current Research,” in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), p. 9.

<sup>6</sup>For example, in 2004 South Korea was ranked the 12<sup>th</sup> largest trading country in the world with an annual trade volume of \$280 billion. Yet, the country had remained the only nation among the entire 146 members of the World Trade Organization (WTO) without at least one FTA with another member country until it ratified the bilateral trade agreement with Chile. *Chosunilbo*, February 11, 2004.

<sup>7</sup>Eliot Kang (2003) suggests the institutional and cognitive “drag” of the developmental state may survive democratic consolidation and impede the liberalization of an economic system in the era of globalization. See Eliot Kang, “The Developmental State and Democratic Consolidation in South Korea,” in Samuel S. Kim, ed., *Korea’s Democratization* (Cambridge: Cambridge University Press, 2003), pp. 220-244.

<sup>8</sup>Milner, *Interests, Institutions, and Information*; K.A. Case, “Economic Interests and Regional Trading Arrangements: The Case of NAFTA,” *International Organization*, vol. 57, no. 1, (2003), pp. 137-74; Paul Krugman, “Is Bilateralism Bad?” in E. Helpman and A. Razin, eds., *International Trade and Trade Policy*, (Cambridge, Mass.: MIT Press, 1991).

<sup>9</sup>Dani Rodrik, “Promises, Promises: Credible Policy Reform via Signaling,” *Economic Journal*, vol. 99, no. 397 (1989), pp. 756-72; R. Z. Lawrence, *Regionalism, Multilateralism, and Deeper Integration*, (Washington, D.C.: Brookings Institution, 1996)

<sup>10</sup>Chantal P. Nielson, “Regional and Preferential Trade Agreements: A Literature Review and Identification of Future Steps,” FØdevareØkonomisk Institut Report, no. 155, (Copenhagen: FØdevareØkonomisk Institut, 2003), pp. 1-153, (<http://www.foi.dk/Publikationer/Rapporter/rap155.PDF>).

<sup>11</sup>M.E. Burfisher and E.A. Jones, eds., *Regional Trade Agreements and U.S. Agriculture*, Agricultural Economic Report, no. 771, (Washington, D.C.: Economic Research Services, U.S. Department of Agriculture, 1998).

<sup>12</sup>Jagdish Bhagwati, “Regionalism and Multilateralism: An Overview,” mimeo, (1992).

<sup>13</sup>M. Schiff and L.A. Winters, eds., *Regional Integration and Development*, (Washington, D.C.: World Bank, 2003).

<sup>14</sup>A.S. Milward, *The Europe Rescue of the Nation-State* (London: Routledge, 1992).

<sup>15</sup>Joanne Gowa, *Allies, Adversaries, and International Trade*, (Princeton: Princeton University Press, 1994); Edward D. Mansfield and Rachel Bronson, “The Political Economy of Major-Power Trade Flows,” in Mansfield and Milner, *op. cit.*, pp. 188-208.

<sup>16</sup>R.E. Baldwin and T. Venables, “Regional Economic Integration,” in G.M. Grossman and K. Rogoff, eds., *Handbook of International Economics*, vol. 3, (1995).

<sup>17</sup>Stephen Haggard, “Regionalism in Asia and the Americas,” in Mansfield and Milner, *op. cit.*, pp. 20-49; R. Fernandez and J. Portes, “Returns to Regionalism: An Analysis of Nontraditional Gains from Regional Trade Agreements,” *The World Economic Review*, vol. 12, no. 2, (1998), pp. 197-220.

<sup>18</sup>Inkyo Cheong and Kyunghye Lee, *Han Chile jayumujeokhyeopjung ui chujinbaegyeong, gyeongjeok hyogwa mit jeongchaejuk sijnjeom* (*Background, Economic Effects, and Policy Considerations Regarding the*

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*Korea-Chile FTA*), Policy Research Series 00-07, (Seoul: Korea Institute for International Economic Policy [KIEP], 2000.

<sup>19</sup> According to the Ministry of Foreign Affairs and Trade, South Korea's annual volume of exports to Chile is expected to increase by \$544 million and imports by \$224 million. In 2002, South Korea recorded a trade surplus of \$10.34 billion, \$5.12 billion of which is accounted for in its trade with South American countries. For more information, see Ministry of Foreign Affairs and Trade, *Press Briefing on the Korea-Chile Free Trade Agreement*, February 24, 2004, pp. 1-3.

<sup>20</sup> Christopher Findlay, Haflah Piei, and Mari Pangestu, "Trading with Favourites: Free Trade Agreements in the Asia Pacific," *Pacific Economic Papers*, no. 335, Australia-Japan Research Centre, (January 2003), p. 7.

<sup>21</sup> Moreover, in regard to the geographic distance and security externalities that trade could produce, Chile was the most unthreatening to the security concerns for South Korea among potential FTA partners. According to Gowa, free trade is most likely within military allies or those countries that pose few threats to partners because the gains from free trade and enhanced efficiency could be used for military purposes. See Gowa, *op.cit.* Also, Chile was the least threatening candidate with few negative repercussions, from other regional powers as well. In this sense, the choice of Chile as a partner also could satisfy strategic considerations.

<sup>22</sup> FTA deliverability refers to a government's overall capability of increasing and maintaining a sufficient level of public support for a given trade liberalization agenda by manipulating economic, strategic, and political components of it.

<sup>23</sup> Cheong and Lee, *op. cit.*, pp. 61-75; MOFAT, *op. cit.*

<sup>24</sup> Hyun-Seok Yu, "*Han-Chile Jayumuyeokhyopjung Hyopsangeui Kuknaejungchi (Domestic Politics of the Korea-Chile Free Trade Agreement Negotiations)*," *Hankukjungchihakhwebo*, vol. 36, no. 3, (2002), pp. 181-183.

<sup>25</sup> *Joongahngilbo*, June 20, December 17, 29, 2003.

<sup>26</sup> *Joongahngilbo*, September 11, 20, 2003.

<sup>27</sup> *Joongahngilbo*, December 26, 2003.

<sup>28</sup> The amount of loss in the agricultural industry incurred by the import of fruits from Chile was estimated to reach about \$58.6 billion (\$48.3 million) in the next decade. *Joongahngilbo*, February 16, 2004.

<sup>29</sup> *Joongahngilbo*, February 24, 2004.

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<sup>30</sup> Yu, *op. cit.*, p. 186-7, 191, 193.

<sup>31</sup> Yu, *op. cit.*, p. 183-4, 193.

<sup>32</sup> Yu, *op. cit.*, p. 194, fn 24.

<sup>33</sup> Yu, *op. cit.*, p. 186-189.

<sup>34</sup> Findlay et al., *op. cit.*

<sup>35</sup> In his analysis of the Korea-Chile case, Yu likewise discusses the importance of domestic institutions in determining the domestic bargaining (2000, especially 189-192). Our argument is different from his analysis in two aspects. First, while Yu's discussion of domestic institutions emphasizes their influence on the coordinating mechanism within the government, our focus is on the policy capacity of the state vis-à-vis societal interest groups. Second, we are interested in articulating the sources of the domestic institutional changes and assessing their impact on the state's actual choice of bargaining tactics, rather than treating the changes as given.

<sup>36</sup> H. Richard Friman, "Side-Payments Versus Security Cards: Domestic Bargaining Tactics in International Economic Integrations," *International Organization*, vol. 47, no. 3, (Summer 1993), pp. 387-410; G. John Ikenberry, 1988, "Conclusion: An Institutional Approach to American Foreign Economic Policy," *International Organization*, vol. 42, (Winter, 1988), pp. 219-43.

<sup>37</sup> Friman, *op. cit.*, p. 392.

<sup>38</sup> According to Friman, "[E]xternal security threat refers to specific international challenges that place the country's survival, independence, or national welfare at risk." See, Friman, *op. cit.*, p. 402.

<sup>39</sup> Playing the national interest/security card was particularly instrumental to the early negotiations with Chile, given the low public interest. According to the survey conducted by the *Jeongyengryon* (Federation of Korean Industries, FKI) in September 2000, most companies (94.3%) agreed that Korea should make FTAs with other countries. Among the candidate partners, 42.8% chose China with 36.5% selecting U.S. as a primary negotiating partner. Japan was preferred only by 7.9% and Mexico by 6.4%. Chile was chosen only by 1.6%. Cited in Yu, *op. cit.*, p. 189).

<sup>40</sup> Our argument accepts the fact that, in reality, there are exceptions in which the manipulation of the national security card and side-payments may not be totally zero-sum. We do not deny that these two tactics can overlap in a particular context of domestic bargaining and in the short term, but merely emphasize the trade-off between the two tactics in the long run. For an application of a similar perspective on the cases of East Asian territorial

disputes, see Bong, "Thinking Outside the Box: Asking the Tokdo Question Using Theories and Comparison," *Korea Observer*, vol. 35, no. 1, (Spring 2004), pp. 63-86.

<sup>41</sup> Gary Cox and Mathew McCubbins, "The Institutional Determinants of Economic Policy Outcomes," in Stephen Haggard and Mathew McCubbins, eds., *Presidents, Parliaments and Policy*, (New York: Cambridge University Press, 2001); John M. Carey and Matthew Shugart, "Incentives to Cultivate a Personal Vote: A Rank Ordering of Electoral Formulas," *Electoral Studies*, vol. 14, no. 4, (1995), pp. 420-421.

<sup>42</sup> Jose Antonia Cheibub and Fernando Limongi, "Democratic Institutions and Regime Survival: Parliamentary and Presidential Democracies Reconsidered," *Annual Review of Political Science*, vol. 5, (June, 2002).

<sup>43</sup> Sejong Institute and National Endowment of Democracy, "Democratization of Political Parties in East Asia," (March, 2000), (<http://www.sejong.org:10002/korea/data/EDF2000-01.pdf>).

<sup>44</sup> *Joongahngilbo*, December 29, 2003, February 9, 10, 11, 16, 2004.

<sup>45</sup> Only the Grand National Party (GNP) announced its official position in favor of ratification on the eve of the voting in February 2004. 129 out of 147 GNP members voted (98 in favor and 30 in opposition). The President of the Democratic Party, the ruling party during the Kim Dae-jung administration, confirmed his support for the bill and strongly urged party members to vote for it. Despite his effort, 29 of 53 party members voted against the bill. *Joongahngilbo*, February 16, 2004.

<sup>46</sup> S. Breslin and R.A. Higgott, "Studying Regions: Learning from the Old, Constructing the New," *New Political Economy*, vol. 5, no. 3, (2000).

<sup>47</sup> D. Webber, "Two Funerals and a Wedding? The Ups and Downs of Regionalism in East Asia and the Asia-Pacific after the Asian Crisis," *The Pacific Review*, vol. 14, no. 3, (2001), pp. 339-72; Hyun-Seok Yu, "Explaining the Emergence of New East Asian Regionalism: Beyond Power and Interest-Based Approaches," *Asian Perspective*, vol. 27, no. 1, (2003), pp. 261-288.

<sup>48</sup> Chung-in Moon, "Regionalism and Nationalism in Northeast Asia," Paper Presented at the Annual Convention of the American Political Science Association, Philadelphia, PA, August 27-31, 2003, pp. 1-21; Aggarwal and Koo, *op. cit.*, pp. 1-40.

<sup>49</sup> Peter A. Petri, "The East Asian Trading Bloc: An Analytical History," in Jeffery A. Frakel and Miles Kahler, eds., *Regionalism and Rivalry: Japan and the United States in Pacific Asia*, (Chicago: The University of Chicago Press, 1993), pp. 21-48.

<sup>50</sup> Kevin Cai points out that the crisis has laid "a new background for regional cooperation in Northeast Asia." See Kevin G. Cai, "is a Free Trade Zone Emerging in Northeast Asia in the Wake of the Asian Financial Crisis?" *Pacific Affairs*, vol. 74, no. 1, (Spring 2001), p. 11. Hyun-Seok Yu agrees that it served as a watershed event to transform the collective identity of Asian countries in search for a new framework of regional cooperation. See Yu, *op. cit.*, pp. 283-285. Others find similar trends with regard to regional initiatives for financial cooperation. See Herbert Dieter, "Monetary Regionalism: Regional Integration without Financial Crises," FES Publications, (May 2000), (<http://www.fes.or.kr/Publications/pub/Monetary%20Regionalism.htm>); Randall C. Henning, "The Complex Political Economy of Cooperation and Integration," in Gordon de Brouwer and Yunjong Wang, eds., *Financial Governance in East Asia: Policy Dialogue, Surveillance and Cooperation*, (New York: Routledge, 2004), p. 83.

<sup>51</sup> Stephen Haggard, "Comment," in Frankel and Kahler, *op. cit.*, p. 51.

<sup>52</sup> Robert Gilpin, *U.S. Power and the Multinational Corporation: The Political Economy of Foreign Direct Investment*, (New York: Basic Books, 1975).

<sup>53</sup> Harm Zebregs, "Intraregional Trade in Emerging Asia," IMF Policy Discussion Paper, Washington, D.C.: International Monetary Fund, April, 2004, pp. 17-18.

<sup>54</sup> Joseph M. Grieco, "Systemic Sources of Variation in Regional Institutionalization in Western Europe, East Asia, and the Americas," in Mansfield and Milner, *op. cit.*, pp. 175-185.

<sup>55</sup> Grieco, *op. cit.*, p. 176.

<sup>56</sup> Grieco, *op. cit.*, p. 176.

<sup>57</sup> Moon, *op. cit.* The need for bilateral and trilateral PTA arrangements are mostly made on economic grounds. In a survey conducted by Hangook Muyeokhyeophoe (Korea International Trade Association, KITA) in January 2003, 36% of respondents chose China as a country South Korea needs to sign a FTA with. Japan was second with 24% (22% for U.S., 9% for Mexico, 8% for Singapore, and 1% for EU). *Hankyung*, January 10, 2003.

<sup>58</sup> The MOFAT of South Korea estimates that a FTA with Japan will bring about a long-term increase in GDP by 2.88% despite the short-term malign effects of a trade deficit, approximately \$60.9. The balance sheet of Korea's exports in the world economy will benefit from the FTA: the balance will be exacerbated by \$1.5 billion in the short term, but eventually improved by \$3 billion. In addition to the trade benefits, the Korea-Japan FTA will promote competition, economy of size, allocation of resources, and the like MOFAT, *Policy Briefing on a Korea-Japan FTA and its Economic Effects*. February 26, 2004. See also

Chung-in Moon and Taehwan Kim, "South Korea's International Relations: Challenges to Developmental Realism?" in Samuel S. Kim, ed., *The International Relations of Northeast Asia*, (New York: Rowman & Littlefield, 2004), pp. 251-279; Inkyo Cheong, et. Al. *2003 nyeon han.jung.il FTA hyeopdongyeongu chonggwol bogoseo 2003 Comprehensive Studies on China-Japan-Korea FTA*, (Seoul, Korea: Korea Institute for International Economics Policy [KIEP], 2003) and *han.jung.il FTA ui chujin danguseong gwa seonhanggwaje (Justifications and Tasks Involved in the Korea-China-Japan FTA)*, KIEP Working Paper , (Seoul, Korea: Korea Institute for International Economic Policy [KIEP], 2003, pp. 03-23, 1-266; Nakgyoon Choi, Soon-Chang Park, and Chang-Soo Lee, *Analysis of the Trade Negotiation Options in the East Asian Context*, (Seoul, Korea: Korea Institute for International Economic Policy [KIEP], 2003).

<sup>59</sup> Yoichiro Sato, "Free Trade Agreements in the Asia-Pacific: Competitive Aspects of Sub-Regional Trade Institution Building," in Jim Rolfe, ed., *The Asia-Pacific: A Region in Transition*, (Honolulu: Asia-Pacific Center for Security Studies, 2003), pp. 219-38, ([http://www.apcss.org/Publications/EditedVolumes/RegionalFinal\\_chapters/BOK\\_for\\_website.pdf](http://www.apcss.org/Publications/EditedVolumes/RegionalFinal_chapters/BOK_for_website.pdf)).

<sup>60</sup> Choi et al., *op. cit.*, pp. 76-90.

<sup>61</sup> It is interesting that many government-sponsored studies on FTAs in South Korea actually address the salience of political feasibility. A survey conducted by the KIEP in May-July 2003 indicates that the success of a trilateral FTA among Korea, Japan, and China depends on compensation package for the potential losers (54%) and strong political leadership (32%). Farmers' groups strongly prefer a FTA with Japan to be signed first (53%). Labor unions and NGOs strongly oppose any types of FTAs with Japan and China (84% and 93%, respectively). For more information, see Cheong et. al., *han.jung.il FTA ui chujin danguseong gwa seonhanggwaje (Justifications and Tasks)*, Appendix, pp. 245-266.

<sup>62</sup> Aggrawal and Koo, *op. cit.*

<sup>63</sup> Youngjin Jung, "China's Aggressive Legalism: China's First Safeguard Measure," *Journal of World Trade*, vol. 36, no. 6, (2002), pp. 1037-1060; Won-Mog Choi, "Regional Economic Integration in East Asia; Prospect and Jurisprudence," *Journal of International Law*, vol. 6, no. 49, (2003), pp. 50-75.