

## **To Bring Closer Relations between Korea and L. America : The Chile-South Korea FTA Entered into Force**

The FTA is aimed to project our relations strategically. For that purpose, both countries agreed this week on the creation of an IT center in Santiago," said Chilean Ambassador Fernando Schmidt, toasting to celebrate the implementation of the Chile-South Korea FTA, which can be defined as the cornerstone of the relationship in the future.

"We are surrounded by the flowers that show us that spring has begun. The cycle of nature provoke us joy and hope in the future. Same feelings come out today with this new agreement between both countries, which is aimed to be an instrument to bring closer and make deeper the relations between Northeast Asia and Latin America."

Amb. Schmidt added, "Let's celebrate this moment of joy. Let's celebrate the beginning of a new step in the relations between our countries."

The Free Trade Agreement (FTA) between the Republic of Chile and the Republic of Korea came into effect on April 1, 2004. Chilean Ambassador Fernando Schmidt invited about 60 distinguished guests and ambassadors, including National Assembly Speaker Park Kwan-yong; Ban Ki-moon, minister of Foreign Affairs and Trade; Rep. Suh Chung-hwa, chairman of the Unification and Foreign Affairs Committee of the National Assembly; Kim Chil-doo, vice minister of Commerce, Industry and Energy; and Kang Shin-ho, chairman of the Federation of Korean Industries, at a reception to mark the day at Sanchung-gak in Seoul.

In his congratulatory remarks to celebrate the implementation of the Korea-Chile FTA on April 1, 2004, Korean National Assembly Speaker Park Kwan-yong said, "Through dialogue and compromise, Korea and Chile created a mutually beneficial FTA. It is a victory for Korean and Chilean trade. The victory of dialogue and compromise is equivalent to the victory of diplomacy."

Amb. Schmidt also had the Chilean naval ship Esmeralda docked at the Busan Port in time for the pre-opening ceremony of the 2002 Busan Asian Games and also provided an opportunity to have a cordial meeting on the ship.

According to the National Speaker's message, Speaker Park and his Chilean counterpart, Speaker of the Chilean Senate Andres Zaldivar, were afraid that they might not be able to leave the Chilean naval ship unless we pledge to endorse the bilateral FTA at our respective parliaments. Only after we reaffirmed our commitment to full cooperation in endorsing the FTA bill were we able to go ashore again.

The two speakers were also joined by Minister Ban Ki-Moon. Ban took the helm of the ministry at a time when Korean diplomacy was in a most difficult period. He enjoys bi-partisan support for the Korean National Assembly.

Speaker Park said, "Minister Ban is well known for his persuasive capability at the National Assembly. In just 24 hours after he became the Minister of Foreign Affairs and Trade, he showed up at my office and persuaded me to rally the National Assembly to ratify the FTA bill."

The Korean Ambassador to Chile, under Minister Ban's leadership, sent heart-wrenching

example showed, the Korean government and the National Assembly had a dramatic moment of dialogue and compromise. Moved by these efforts, legislators finally gave a go-ahead to the bill through dialogue and compromise. This is how the Korea-Chile FTA was born.

An FTA is a promise between nations, and the promises are made to be kept. A well-kept promise ushers in peace and mutual prosperity. Likewise, we can ensure stability and prosperity of Korea by abiding by its Constitution and laws, which is a promise between the government and the people. The impeachment motion endorsed by the National Assembly was a decision made strictly according to the process provided by the Constitution and relevant laws.

Speaker Park expressed, "Korea is not in a state of national emergency where the constitutional government is brought to a halt. It is only that the Presidential power has been temporarily suspended according to the law. Unprecedented as it may be, what the Koreans are going through is something that any advanced democratic nation could have experienced.

"Only a society that cherishes dialogue and compromise and a rule of law can enjoy stability and prosperity. It is my firm belief that Korea is at a historic moment to prove this to the rest of the world."

Park also added, "The same goes true for the international community. Only a community that cherishes dialogue and compromise and honors its international commitments can enjoy peace and common prosperity."

In his congratulatory remarks at the reception, Foreign Affairs Minister Ban Ki-moon said that after signing the FTA with Chile, the Government has been able to step up negotiations on FTA's with Japan, Singapore and other ASEAN countries. He also believes that Chile's hosting of the APEC Summit in November this year will generate additional welcome momentum for the expansion of FTA regimes among APEC countries.

According to Minister Ban, the Korea-Chile FTA will benefit the two countries in many ways. First, the FTA will serve as a catalyst for both Korea and Chile to develop a more intensive economic partnership with each other, which is firmly rooted in common interests and shared values of free trade and market economy.

It is expected that the FTA will promote the exchanges between Korea and Chile over a whole spectrum of other activities, bridging the geographical distance between our two countries.

The FTA will also contribute to the efforts to share the benefits of globalization more widely with other countries in Northeast Asia and South America. An aspect to note in this regard is that Korea and Chile are strategically located in their respective regions.

Korea will play the role of a bridgehead for Chile to open up the dynamic market of Northeast Asia, while Chile will function as a gateway for Korea to explore the vast potentials of the South American market.

Finally, this FTA, the first one Korea has ever signed with a foreign country, will provide strong added impetus to Korea's efforts for pursuing similar agreements with other countries.

On Feb. 16, 2004, the South Korean National Assembly finally ratified the long-pending South

setting a significant precedent for the nation's trade dealings with other countries. Korean farmers resisted the ratification of the FTA, fearing that the first FTA would bring similar pacts requiring the opening of the agricultural market.

They insisted that the ratification would spell death to their livelihood, which is already suffering from mounting debt due to slow markets. They convinced that the FTA would allow cheap Chilean agricultural products to dominate their local market.

The Korea-Chile FTA was expected to pave the way for the nation's manufactured products – automobiles in particular – to overtake Japanese manufacturers operating in the Chilean market. South Korea would remove import tariffs on all Chilean goods with electric copper cathodes being the only exception. Chile would free tariffs on 224 agricultural items in the first year including cows, pigs, chickens, furs, wool and wheat.

Automobile trade between Korea and Chile is a prime illustration of this situation. From 2003, other global competitors like the U.S. and Mexico, European Union member nations, and Brazil exported their cars tariff-free under their FTAs with Chile, causing serious market loss to Korean automakers.

We expect that the ratification would bring not only certain economic benefits but more FTAs with larger trade partners. According to the report of the Trade Research Institute (TRI), the Korea-Chile FTA ratification is especially important for Korea's future FTA policy because other potential agreements will depend heavily on the first model. The TRI report also pointed out that the biggest impact of the Korea-Chile FTA would restore the damaged national credibility abroad.