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State still waiting to feel impact of Korea deal

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When Han Duk-soo, South Korea's ambassador to the United States visited Connecticut in September, he argued that a U.S.-South Korea free trade agreement would be a boon to the state's manufacturers.

At the time, he called the free trade agreement "an economic stimulus package with no additional cost to taxpayers."

The two countries reached an agreement in December, and if all the pre-agreement talk made the deal seem to good to be true for Connecticut manufacturers, it's probably because it may well be.

The state's high tech and industry experts say there's nothing on the horizon for Connecticut manufacturers as a result of the free trade agreement. And manufacturers say the industry that gets the most help from the agreement is the automotive industry, which does not have a major presence in the state.

As part of its efforts to bring its automobile manufacturing up to American and Japanese levels, South Korea has typically given those countries the cold shoulder when it comes to trade in that industry.

And large-scale auto-related manufacturing is no longer a major player in Connecticut.

In fact, the state may not even be on the radar of Korean auto manufacturers.

"Hyundai Motor America has no major facilities in Connecticut beyond our independent franchised dealers," said Jim Trainor, a company spokesman. "We cannot speak as to any specific benefit to the state from the Korean American Free Trade Agreement. We have no comment concerning any future technologies in our vehicles."

That's probably not great news for a state that estimated it was missing out on thousands of jobs because of slow progress by the U.S. Congress toward signing the Korean free trade deal.

The state shipped \$518 million in goods there in 2009 alone. But Congress's failure to ratify the free trade agreement could be costing Connecticut \$247 million in exports and \$588 million in gross state and domestic product, according to a 2009 report by the Trade Partnership Worldwide.

That amounts to 4,048 lost jobs, the report said.

Kurt Goddard, vice president of investor relations at Danbury-based Fuel Cell Energy, said many companies like his, which develops fuel cell power systems, have been doing business in South Korea for years.

"We have a partnership in South Korea that we have had for a number of years. We're already doing business, some things get high tariffs, but for clean tech, that doesn't really impact us," Goddard said.

In fact, South Korea is already Connecticut's seventh-largest export partner.

Peter Gioia, a Connecticut Business and Industry Association economist, said the free trade agreement should be seen as a way to "improve our existing relationship, and set the stage for more activity over time."

As far as which Connecticut companies could benefit from the agreement, "I don't know if there's anything specific," Gioia said. South Korea "is always looking for technology, energy-related equipment and component parts for the major companies that they have."

Matthew Nemerson, president and CEO of the Connecticut Technology Council, agreed that it will take time for Connecticut to see the benefits of the trade agreement. He noted that to take advantage of more open borders, Connecticut companies are going to need some serious fortitude.

Korea, he said, is the most productive country in the world when it comes to turning research and development into patents.

"I think we can learn a lot from Korea," he said. The trade agreement "is going to bring more Korean products into the U.S.," but "I don't know if Connecticut will be part of that supply chain or not."

Korea may better serve as an example on how to compete on the international scene, he suggested.

"The time is coming when most of your flat-screen TVs and high-end components are going to be Korean," Nemerson said. Once that becomes a reality, Korea will

certainly be more open to joint agreements. Eventually, off of these trade agreements are moving toward open borders.”

But for now, Korea is focused on taking Japan’s place as Asia’s technology, R&D and manufacturing powerhouse, said Nemerson, who recently visited South Korea.

South Korea “doesn’t have a lot of truck with the Japanese. As soon as they have a product that can compete with Japan, it’s almost required” that those products take the place of Japanese products on the market. Taking such a hard line forces Korean companies to be much more creative in their research and manufacturing technology, Nemerson said.

In that way, Korea, rather than becoming an even larger part of the Connecticut export sector,



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