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## **The Second Opening of Korea: the U.S.-South Korea Free Trade Agreement**

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On February 2, 2006, the United States and the Republic of Korea (South Korea) announced that they would open talks on a bilateral free trade agreement (FTA) between the two governments that would remove protective trade measures such as tariffs and import quotas. Annual U.S.-South Korean trade tops \$74 billion, and the proposed FTA would be the largest for the U.S. since the controversial North American Free Trade Agreement (NAFTA) was passed in 1994.

Despite the huge impact that this FTA would have on ordinary citizens in both countries, there has been very little American media attention to the talks. While members of Congress often speak of trade issues, until recently few have focused their attention on this specific FTA. Even the vocal opposition to the FTA of Democratic Presidential candidate John Edwards, recently joined by Hillary Clinton, has not drawn significant attention to the FTA.

When FTA negotiations formally opened in June 2006, pro-FTA interests in the U.S. and South Korea's *chaebol* pressed their respective government officials to come to a quick agreement in order to take advantage of "fast-track" authority afforded by the Trade Act of 2002. Fast-track allows the President to negotiate international trade agreements and submit them to Congress for a mandatory vote without possibility of amendment. This authority expires on July 1, 2007. Because fast-track requires that Congress be given at least 90 days to examine any agreement reached by negotiators behind closed doors, the effective deadline for coming to an agreement was April 2, 2007. Not coincidentally, the two sides announced on April 2 that they had come to an agreement resulting in tariff reductions on approximately 90 percent of all imported industrial and agriculture products, covering areas including but not limited to automobiles, competition policy, e-commerce, transparency, pharmaceuticals/medical devices, intellectual property rights (IPR), investment, and services.

However, it has become increasingly clear that negotiators did not have a complete deal in place before the deadline. Instead, they rushed to sign what amounted to an incomplete agreement amidst mass protest in South Korea in an effort to ensure that the FTA would be considered under fast-track. The U.S. Trade Representative (USTR) continues to state that

significant aspects of the FTA will have to be renegotiated in order to get through Congress. That actual negotiations are taking longer is not surprising given that South Korea's FTA with Chile, despite significantly lower trade volume, took three years to negotiate, yet South Korean and U.S. negotiators attempted to rush through a deal in less than 10 months. The text of the FTA was released on May 24—almost eight weeks after the deal was announced—and Congress will not have the opportunity to undergo the mandated 90-day review period before fast-track expires at the end of June. Thus far, the April 2 announcement has provided sufficient political cover for USTR's assertion that the FTA should be considered under fast-track.

Fast-track is inherently a closed process, designed to cut the voices of our Congressional representatives out of the mix. The limited public discourse in the U.S. about its trade policy is reflective of this antidemocratic approach toward trade policy, and unfortunately the 2006 election of the Democratic Congressional majority may not result in a fundamental change. On May 10, a handful of leading Democrats announced a deal with the Bush Administration that likely ensures the passage of FTAs with Peru and Panama, may become a template for the South Korea and Columbia FTAs, and potentially extends fast-track authority beyond July 1. Not a single labor union, environmental or public interest organization, or consumer rights advocate was consulted on this deal, and even the Democratic Caucus was not informed much less consulted about the deal until it was already in place. Proponents of the deal have suggested that it requires FTAs to have provisions protecting labor and environmental standards, but unlike legal rights already given to multinational corporations, there are no guarantees that trade unions and environmental protection groups would be able to enforce these standards in international courts. Not surprisingly, early estimates suggest that a very large majority of Democrats will be voting against the deal.

In South Korea, FTA negotiations have unfortunately been marked by a return to the authoritarian practices of past dictatorships. In March of 2006, some 270 civic organizations representing millions of workers, farmers, intellectuals, artists, and citizens announced the formation of the Korean Alliance Against the Kor-US FTA (KoA). In response to KoA and South Korean labor union efforts, police issued summons and warrants for more than 170 social movement leaders, raided local offices of civic organizations, detained leaders of farmers and workers organizations and even made threatening phone calls to potential participants of public rallies. Tens of thousands of police officers were deployed on major roads leading to Seoul to prevent workers and farmers from exercising their freedom of assembly and travel. South Korea's National Human Rights Commission has suggested that the government's tactics are inconsistent with the South Korean Constitution, but this did not stop the administration of former labor lawyer-turned-President Roh Moo Hyun from outlawing public demonstrations opposing the agreement and blocking anti-FTA advertising from appearing on television while simultaneously airing pro-FTA government commercials.

The attempt to control public debate has driven the widespread sense that the government illegitimately locked farmers and civic organizations out of the democratic process. Polling in late March saw 83 percent of the South Korean public voicing opposition to

having the Roh administration concluding the trade agreement, favoring instead having the next South Korean government negotiate any accord.

### **Historical relations of trade**

South Korean public engagement with the FTA has been ubiquitous since negotiations began, and important sectors of South Korean civil society mobilized early and often to bring attention to the FTA. The Korean peninsula's intense focus on trade relations with the U.S. has deep roots, and South Koreans are more likely than Americans to have some familiarity with the historical relations of trade between the U.S. and Korea. In 1866, the heavily-armed gunship *General Sherman* entered Korean waters in an effort to negotiate trade relations. There without permission, the ship declined to turn back after being told it was unwelcome. Accounts differ as to who fired first, but in the end the ship was burned down and the mercenary crew was killed.

This led, five years later, to the first explicit U.S. military incursion into Korea when the U.S. government, determined to force Korea into trade relations, sent ships and Marines to demonstrate both U.S. intentions and strength, leading to the deaths of several hundred Koreans. Inequality between the two nations was formalized through the 1882 Treaty of Chemulpo, negotiated not by the U.S. and Korea, but by the U.S. and China. The U.S. acquired extraterritorial rights, consular representation, fixed tariffs, and port concessions in Korea while China maintained Korea as a geographic buffer.

Koreans received no material benefits from the agreement, but understood the treaty as obliging the U.S. to protect what was left of Korean sovereignty from encroachment by other nations. This impression was dashed in 1905 when the U.S. and Japan signed the secret Taft-Katsura Agreement that ensured American noninterference in the Japanese colonization of Korea, and Japanese noninterference in the U.S. colonization of the Philippines. The total loss of Korean sovereignty was formalized in 1910 by Japan's annexation of Korea, and effectively rendered trade relations between Korea and the U.S. as relegated and mediated by America's relationship with Japan.

U.S. trade with Korea per se was thus a non-issue until after the hot phase of the Korean War ended in a military armistice, after which Korea was divided. The U.S. positioned the southern half of the peninsula as a buffer for its interests in developing post-World War II Japan. The U.S. decision to base much of the industrial support of the Korean War in Japan helped propel Japan's economic rise; even as the Korean peninsula was being laid to ashes, Japanese industry developed rapidly in order to service U.S. forces. (South Korea's economy received a similar jumpstart from the destruction of Vietnam.)

It was not until the early 1960s that U.S. economic policy toward South Korea began to emphasize developing the South Korean economy through the extraction of manual labor. The development of South Korean industry could also be folded neatly into the Japanese economy by ensuring that Japanese technology undergirded South Korean manufacturing, so that South Korean economic gains would inevitably help Japan, and thus conform to US economic planning for Northeast Asia.

The economic development of South Korea was also important for U.S. Cold Warriors who sought to present it as an example of a functioning non-communist economy. The central U.S. foreign policy interest in South Korea was, after all, anti-communism, and not the democratization of South Korea nor the development of a laissez-faire capitalist economy. The U.S. supported the military dictatorship of Chung Hee Park so long as the regime remained intensely anti-communist, and it backed Park's economic plan although it heavily emphasized state manipulation of the economy. The U.S. tolerated South Korea protectionism of its developing industries and opened key U.S. markets for these industries. U.S. interests changed with growing U.S. trade deficits beginning in the 1970s and the collapse of the Soviet Union, leading the U.S. to no longer support Korea's protectionist policies.

By the end of the 1980s, the U.S. successfully applied bilateral pressure through Section 301 of U.S. trade law and multilateral pressure through international economic agreements to force South Korea into lowering its trade barriers. The changing policies toward Korea are thus a historical reflection of shifting U.S. interests and its position in the world. U.S. interests were served by "opening" Korea in 1866, and they were served by closing Korea through Taft-Katsura in 1905. During the Cold War, U.S. interests were served by protecting South Korean industries, but today U.S. interests are being served by an ongoing "second opening" of Korea for U.S. corporate and agribusiness access.

### **Labor rights, wages, and lessons from the past**

Of course, not all sectors of the U.S. will benefit from this second opening. In particular, U.S. labor unions fear a repeat of past experiences with South Korean trade relations. The economic development of South Korea that began in earnest in the 1960s was accompanied by a decline of manufacturing jobs in the U.S. and the weakening of organized labor, as U.S. corporations took their factories to Asia and other parts of the world. Park's iron fist ensured intense state and corporate-sponsored repression of workers who suffered in some of the worst working conditions in the world. The hyper-exploitation of South Korean workers meant that American manufacturers in the early 1960s could calculate that the labor cost saving for firms willing to move to Korea was a factor of 25, since South Korean workers were paid one tenth of American wages but were 2.5 times more productive given, for example, the extraordinary number of hours they put in per day, the lack of overtime, and the six-day work week.

The migration and transformation of good jobs in the U.S. into bad jobs in South Korea is thus inextricably linked to the historical and continuing labor exploitation in South Korea. U.S. labor unions cannot be happy about the passage of the FTA given the implications of the current state of South Korean worker's rights and labor conditions. The country's economic freefall during the 1997 Asian financial crisis afforded the South Korean state and the *chaebol* an opportunity to reverse hard won gains of the South Korean labor movement, and since then workers have been fighting off declining working conditions, wages, and benefits. "Irregular workers," who possess fewer labor rights and benefits and are hired on a temporary basis, currently constitute over half of all South Korean workers.

Widespread state efforts to prevent the rise of independent unions have been a staple feature of South Korea since right-wing groups with U.S. backing created the Federation of Korean Trade Unions (FKTU) in 1946. Lacking a grassroots base, the FKTU *raison d'être* was to compete with and destroy independent labor organizations. Although the FKTU has changed considerably since then, the South Korean government continues to demonstrate a willingness to intervene in the internal affairs of independent unions that emerged despite intense state and corporate-sponsored violence against workers.

Labor demonstrations and protests were regularly broken up in the 1960s and 1970s by violent (public and private) police actions, and this continues to occur under Roh Administration. South Korean practices still do not reach international standards for worker's rights and benefits. Key deficiencies include the prohibition of multiple unions at the enterprise level, continuing restrictions on government employee rights to organize, an overly broad definition of "essential public services" where the right to strike is repressed or prohibited, the prohibition for unemployed or dismissed workers to become or remain trade union workers, and the requirement for notification of third parties to industrial disputes.

### **Agriculture and Korea's culture**

The rapid rise of industrial development in South Korea whereby good jobs in the U.S. turned into bad jobs in South Korea also saw a migration of Koreans from the countryside into the cities. In order to generate the labor force necessary to generate such rapid industrial development in urban areas during the 1960s and 1970s, Park kept grain prices below market rates and thus artificially expanded the labor pool in industrial centers as farmers were driven off their land even when they had bumper harvests. South Korea experienced an extraordinarily rapid—and generally unwilling—population shift from rural areas to the urban core, with farmer-turned-worker's wages kept down as management rationalized that labor could be paid less since the market cost of food fell during this time due to the state's pricing policies.

This migration is relevant to current FTA talks because the negotiation of free trade policies covering agriculture are socially and politically complicated by the fact that so many South Koreans living in cities, only one generation ago, were living on family farms. Many South Koreans continue to have strong connections to their rural roots given how recently their personal lives diverged from decades if not centuries of family farming.

The Korean peninsula has maintained a domestic agrarian economy for millennia, and the significance of farming goes beyond the economic into every aspect of South Korean society and culture, and especially in ordinary South Koreans connection to the land. Because Korean society was—and continues to be—so intimately tied to agricultural society, much of Korean culture as a whole is intimately based upon customs that have emerged through the cultivation of land.

For many South Koreans, the relationship of low prices to the demise of family farms is not the theoretical abstraction that it is for advocates of neo-liberal policies who have not experienced the personal consequences of these policies, including rapid social, familial, and geographical dislocation. South Koreans experience the demise of South Korean agriculture as a loss of both national and family history and culture. Consequently, much of the South Korean population finds it not just appropriate but necessary to protect indigenous agriculture and support measures that they view as preserving South Korea's national heritage and their family history. The importance of protecting agriculture not simply as an industry but as Korea's history, culture, and land, has been reinforced by the rise of a middle-class environmental movement, the farmer and peasant movement, and their urban-based allies.

In a particularly powerful example of the importance of agriculture to the average South Koreans, the three largest department store chains in South Korea—Lotte, Hyundai, and Shinsegae—each independently decided against purchasing cheaper imported rice and offering it to consumers, for fear of a public backlash against their chains that will influence their ability to sell other products offered at their stores.

The South Korean agricultural sector is not export-oriented but instead strives to be self-sufficient in rice, horticultural products, and livestock production. Except for rice that works under a quota system, South Korea places a substantial tariff on agricultural products in order to protect these industries. Nevertheless, South Korea already imports about 60 to 0 percent of its agricultural products, and this percentage is certain to rise under the proposed FTA. South Korea currently has roughly 3.5 million farmers, or about 7.5 percent of the population.

All farming in South Korea is done by individual farmers with small- to medium-size holdings, and the average American farm is 58 times larger than the average Korean farm. Like small family farmers in the United States, South Korea's farmers cannot compete with large U.S. agribusiness capable of producing low-priced goods with the aid of significant U.S. government subsidies that will continue whether or not the FTA passes. Agricultural provisions in the new KORUS-FTA is likely to obliterate this indigenous base of family farmers, with at least half of Korea's farmers expected to lose their farms. Those who can will enter urban areas in search of work, but half of South Korean farmers are now over 60 years old.

Because we are not talking about simply about dollars and cents and won, but rather, about South Korean concerns over the preservation of its cultural and familial heritage (and for some South Koreans, their sovereignty as a food-secure nation), the rise of American agribusiness and the concomitant decline of South Korean family farmers are likely to result in intensified anti-Americanism not only in the agricultural sector, but through various sympathetic sectors within civil society. The sense of cultural loss and anti-Americanism is likely to be exacerbated by the recognition that the demise of South Korean family farms will come not at the hands of other family farmers, but rather by the entry of subsidized U.S. agribusiness.

## Conclusion

The FTA negotiations between the U.S. and South Korea come at the height of strained relations between the two countries, with anti-Americanism on the rise in South Korea. The relationship between Washington and Seoul has declined considerably during the Bush Administration, with clear policy differences in their approaches to Korean reunification and the North Korean nuclear crisis. The deployment of South Korean troops to Iraq continues to be divisive and unpopular in South Korea, and South Korea's attempt to link their support of the war in order to induce a more flexible Bush Administration posture toward North Korea clearly failed. Bush is widely unpopular in South Korea, as is the U.S. war on Iraq, and more South Koreans see the U.S. as a threat to their safety than they do North Korea.

Passage of the FTA is no slam dunk, and no one should be surprised if it goes down to defeat. Should the FTA be enacted, the historical alliance between the U.S. and South Korea is likely to undergo further stress as anti-Americanism becomes tied not just to the Bush Administration policies in Iraq and toward North Korea, but also potentially to the negative consequences of an FTA that would significantly change the landscape—both literally and figuratively—of South Korea.

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