

South Korea ratifies free trade deal with US

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Despite mass protests by workers and farmers, the ruling Grand National Party (GNP) in South Korea last Tuesday ratified a free trade agreement with the US, known as the KORUS FTA. The US had already ratified the deal, with US President Barack Obama signing it into law in October. It is set to take effect in January 2012.

The ratification vote in South Korea's National Assembly underscored the sharp divisions within the political establishment over the FTA, which was first agreed in 2007. Ratification had been stalled for years, especially by the opposition Democratic Party.

Since May, the Democrats, supported by the union-based Democratic Labour Party, had been physically attempting to disrupt any vote in the National Assembly. The conservative GNP holds 168 seats out of 295. Tensions were so sharp that the GNP hastily convened the parliamentary session last Tuesday to catch the Democrats by surprise. A Democratic Labour Party lawmaker sought to obstruct the vote by setting off a tear gas canister, and the police were called in to remove him.

What concerned the Democrats was not the impact on the working class through the loss of jobs, but concerns among less competitive sections of business that they would be placed in a less favourable position compared to rival American companies.

The Democrats held up the ratification over an Investor-State Dispute clause (ISD), that would allow firms in the US or Korea to bypass domestic courts and refer disputes to an international arbitration panel. The Democrats claimed it would give too much power to US investors to sue South Korean corporations and the government.

The Democrats are exploiting the issue to whip up nationalism and rally support before next year's elections. It was in fact former Democrat President Roh Moo-Hyun who negotiated the pact with the George W. Bush administration in 2006-07.

Under the agreement, nearly 95 percent of tariffs will be eliminated on bilateral trade in consumer and industrial goods within five years, and the remaining tariffs will be abolished within ten years. Tariffs on agricultural products will be scrapped or phased out as soon as the FTA comes into effect.

The deal will benefit mainly large South Korean companies in automobile, chemical and machinery trades. It will be devastating for farmers and disadvantage a section of small and medium companies in industries such as textiles.

When the KORUS FTA was first signed in 2007, the Korean Rural Economic Institute predicted that up to 130,000 agricultural jobs would be lost as a result. The estimate is in sharp contrast to the government's projection of just 2,000. The anger in rural areas was expressed in a statement by a farmers' association in North Gyeongsang province. It declared that farmers would like to "throw hand grenades at the [National] Assembly."

The American auto industry, backed by the United Auto Workers union, supported the agreement after Seoul agreed to allow the import of US vehicles under American safety and environmental standards, not the stricter Korean standards. As the biggest trade deal for Washington since the 1994 North American Free Trade Agreement, the KORUS FTA is expected to boost American exports by \$10.9 billion in the first year.

American agricultural and food processing companies, as well as drug and medical devices corporations, are likely to expand rapidly in the South Korean market.

While President Obama claimed the FTA would create up to 70,000 new jobs, a federal study quoted in the *New York Times* last December concluded that job creation “would likely be negligible.” An Economic Policy Institute report last July warned that 159,000 jobs in the US would be lost within seven years, due to increased South Korean competition.

Protests in South Korea last month supporting the “Occupy Wall Street” movement in the US demonstrated a growing sentiment of international solidarity with American workers and youth in a common struggle against the super-rich “one percent” who control the global economy.

The numbers of protesters was relatively small on October 15—the date for a joint action around the world for the Occupy protests. But the fear in ruling circles is that the protests foreshadow a broader working class movement over the impact of the deepening global financial crisis on jobs and living standards.

Immediately after the passage of the KORUS FTA, some 2,500 protesters clashed with police last Tuesday as they occupied the streets. The police responded with water cannons, and arrested 19 people. The protests continued for a third day last Thursday, with 6,000 protestors confronting police in Seoul.

The Democrats and their union allies have sought to divert anger away from Korea’s wealthy elite into nationalistic opposition to the KORUS FTA. Farmers’ associations and trade unions have planned mass protests. The Federation of Korean Trade Unions (FKTU) and Korean Confederation of Trade Unions (KCTU) promote anti-American protectionism to deflect attention from the real cause of job losses—the profit system itself.

The KCTU, which emerged as a militant illegal union grouping in the 1980s, is now thoroughly integrated into the political establishment. In the wake of the 1997-98 Asian financial crisis, the KCTU collaborated

with the Democrat President Kim Dae-jung in implementing savage restructuring measures to meet the dictates of the International Monetary Fund.

Now the KCTU is promoting the illusion that the election of Democrats in 2012 will be the means for defending jobs and conditions. At a mass rally in Seoul against the KORUS FTA on November 13, KCTU leaders called on workers to pressure the government on the Investor-State Dispute clause. The union’s perspective is to force President Lee Myung-bak to resign and by implication make way for a Democrat.

The Democrats have not raised objections to other free trade deals, most recently with the European Union, which were similar to KORUS FTA. The US agreement is bound up with Obama’s efforts to cement closer relations with Washington’s military allies in Asia, including South Korea, in a bid to undermine China’s growing influence.

Opposition to the deal reflects concerns in the ruling elite that South Korea will be dragged into the developing US confrontation with Beijing, impacting on South Korea’s trade with China. A KCTU statement in January reflected these fears, declaring: “We are also concerned that the agreement will promote confrontation between geographical forces and result in increasing military tension in our region between US-Japan-South Korea and China-North Korea-Russia.”

The divisions in South Korean ruling circles are another sharp reflection of the political tensions being generated throughout the region by the aggressive US drive to strengthen its economic and strategic domination at China’s expense.



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