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South Korea-Chile Free Trade Agreement Ratified

by LADB Staff

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Turbulent street protests and physical confrontations inside the parliament in Seoul were not enough to prevent South Korea from ratifying a free trade agreement with Chile. Agricultural groups and street activists turned out by the thousands each time the pact came up for a vote, but were finally unable to hold off its passage.

The success of the agreement signals the beginning of the Chilean government's attempts to economically integrate more extensively with Asian countries. It is the first agreement of its kind that Korea has signed in its history, but it may be the first of many.

Ratification in Seoul takes four tries

It took the Korean parliament three unsuccessful sessions before it could vote the Free Trade Agreement (FTA) into place on Feb. 16. The governments of Chile and South Korea signed the agreement a year ago in Seoul, but legislators opposed to the FTA's passage used various delay tactics to prevent voting, while thousands of protestors outside repeatedly scuffled with police.

During a Feb. 9 meeting of parliament, agricultural activists joined forces with anti-war protestors to confront 10,000 police on the streets of Seoul. Estimates of crowd strength ranged from 15,000 to 20,000. More than a hundred were injured and many were arrested after an attempt to overturn a police truck.

Discussion was also scheduled on President Roh Moo-hyun's proposal to send 3,000 troops to Iraq for "reconstruction efforts," which may have caused a greater protestor turnout.

Police turned water cannons on demonstrators who were attempting to advance on parliament and throwing stones, bottles and eggs, while some smashed windows on police vehicles. Inside, discussion about whether to have an open vote or a paper ballot went on for three hours, and the assembly's president ultimately postponed actual voting until Feb. 16. In two previous meetings, opposition legislators physically surrounded the assembly's spokesman, preventing the session from coming to order.

The Korean press and President Roh expressed their dismay at the setbacks for ratification. Korean magazines and newspapers carried headlines calling the National Assembly "shameful," "without conviction, lethargic, and crippled," and more concerned about upcoming legislative elections than national interests.

The Ministry of Industry claimed the holdup of FTA approval caused losses of US\$22 million in 2003 in the exportation of domestic electronics and would increase to US\$50 million if it were further

delayed. The ministry also pointed to a reduction in automobile exports to Chile. But on Feb. 16, the unicameral assembly approved the agreement by a vote of 162 in favor, 71 against, and one abstention.

The Chilean House and Senate approved the FTA in August 2003 and January 2004, respectively. Beginning on April 1, 87% of Chilean products will enter South Korea with no tariff charges. Although some products considered "sensitive" were excluded from negotiations with Chile, the Andean nation will suspend all tariffs for cars, trucks, mobile telephones, and other industrial products from South Korea that have a high level of competitiveness.

South Korea will open its borders to Chilean products like copper, animal feed, wheat, wool, tomatoes, and 277 products from the fishing sector. Korean authorities plan more, farmers plan revenge South Korean authorities hope this agreement with Chile will facilitate their economic entry into Latin America as a whole, anticipating negotiations to open the markets of other South and Central American countries to Korean products. After ratifying the FTA, South Korean authorities have also shown intentions of seeking similar agreements with Japan and Singapore.

Collective agricultural opposition groups, however, have sworn revenge against the legislators who approved the trade agreement.

Seo Jung-Eui, president of the Korean Federation of Farmers, warned, "This will kill farmers, farms, and the country's agriculture. We will work to assure ourselves that those who voted in favor of the accord lose their seats in the election." Elections will take place this April.

Last year the government of President Roh proposed an agricultural package of about US\$100 million to pacify the objections of the farmers, who represent 12% of the population and carry political weight greater than their contribution to the GDP.

Korean Finance Minister Kim Jin Pyo says that the market opening will cause losses of 580 billion wons (about US\$497 million) to the farming sector, but he says the government has approved a budget of 1.5 trillion wons (about US\$1.28 billion) for the next ten years to compensate farmers. The compensation packages did little, however, to quell tensions on the streets of Seoul.

South Korean farmers have also been important opponents in the global grassroots movement against trade liberalization both at home and abroad. They helped lead protests at the Cancun ministerial meeting of the World Trade Organization (WTO) in September 2003 and farmer Lee Kyung-hae made international headlines when he committed suicide on top of police barricades there, saying "The WTO kills farmers" (see NotiCen, 2003-09-18).

Chile and China prepare negotiations

As Korean officials set their sights on building economic ties with the rest of Latin America, their Chilean counterparts are advancing plans for Asia. This is the first treaty Chile has signed with an Asian country and its foremost beneficiaries will be the mining and industrial sectors, along with

the agricultural field. Korea is the fourth-largest destination for Chilean exports, with purchases in 2004 that have reached about US\$1 billion. Chile's trade with China is also expanding, and the two countries are preparing an FTA of their own. China is advancing toward becoming the second-largest trade partner of Chile as the two nations "accelerate steps" to negotiate an accord, as Chinese Ambassador Li Changhua says.

In 2003 exchange between the two reached more than US\$2.9 billion, a number similar to the one Chile shares with Japan. China's need for primary materials and its rapid, intense growth combine with the prospect of an FTA to potentially place the country as Chile's second most important export destination. In 2003 Chile exported US\$1.8 billion to China, way up from 1998's total of US\$476 million, and in 2004 it is projected that number will reach US\$3 billion.

The Chilean government is also looking forward to the Asia Pacific Economic Cooperation Forum (APEC) Summit to be held in Santiago this coming November and will invest US\$7 million to finance the meeting. APEC is an intergovernmental economic consultative forum of a noninstitutional character created in 1989, at the urging of Australia and Japan, in response to the growing interdependence among regional economies.

The Asian-Pacific region has the highest level of economic dynamism globally and currently generates about 70% of the world's economic growth. Several anti-globalization organizations are also preparing their own "countersummit," which will take place during the event on Nov. 20-21.

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