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The Renewed Neomercantilism
and the Persistent Legacy of the Developmental State in Korea
: Free Trade Agreements with Chile and with the United States

A dissertation submitted in partial satisfaction of the
requirements for the degree Doctor of Philosophy
in Sociology

by

Taekyoon Lim

2012

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ABSTRACT OF THE DISSERTATION

The Renewed Mercantilism and the Persistent Legacy of the Developmental State in Korea
: Free Trade Agreements with Chile and with the United States

by

Taekyoon Lim

Doctor of Philosophy in Sociology

University of California, Los Angeles, 2012

Professor César J. Ayala, Chair

Based on a modified perspective of statist domestic institutionalism, which focuses on dynamic and intertwined interstate and intrastate power struggles, I address a theoretical issue of whether globalization signifies the decline of nation-states or whether globalization advances via the agency of nation-states in this dissertation. Empirically, I examine bilateral free trade agreements (FTAs), one of the so-called latest “neoliberal” globalization phenomena. In particular, I investigate two FTAs that Korea has recently concluded, one with Chile in 2003 and the other with the United States in 2007, by focusing on Korea in a comparative perspective vis-à-vis

Chile and the United States. I analyze how the processes leading up to the conclusion and implementation of the FTAs materialized in relation to the internal and external forces of the nation-states in question.

As for economic regime, I argue that the Korean state, which broke with the developmental state model at a formal institutional level in the mid-1990s, still holds on to the legacy of the developmental state, especially renewed neomercantilism in the case of FTAs. By adopting a new trade policy of FTAs, the Korean state appeared to shift from protectionism to liberalization, as expected by international society in the post-1997 crisis period. However, the adoption of the FTA policy did not signify a genuine neoliberal transformation but the introduction of a new mechanism to continue the practices of the old developmental state, or strategic intervention of the state in the economy, if not as absolutely as in the past.

In a larger aspect of economic globalization, I argue that current FTAs signify a resurgence of neomercantilism, not truly complying with the alleged essence of “neoliberalism.” Unlike the doctrine of neoliberalism, or the deepening of liberalization and deregulation, states intervene in trade policy in a more proactive and legitimized manner through FTAs. Through political processes of power struggles with their domestic forces as well as with their partner states, states involve in a sector-by-sector decision-making process in actual negotiations and implementation of FTAs, and strongly and intentionally promote exports in particular sectors while tacitly, if not readily, giving up other sectors.

The dissertation of Taekyoon Lim is approved.

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Introduction

Economic globalization and nation-states are often posited on the opposite sides of the globalization debate, where globalization either encroaches on the domain of nation-states or is resisted or mediated by them. In my dissertation, I attempt to overcome the limitations of the existing approaches by suggesting that globalization originates in and is developed through both intense intrastate and interstate power struggles; therefore, globalization has different implications for different countries depending on the attributes of their domestic social forces as well as their interstate relations and their locations in the world power hierarchy.

I address a theoretical issue of whether globalization signifies the decline of nation-states or whether globalization advances via the agency of nation-states. I examine one of the latest neoliberal globalization phenomena, the recent resurgence of bilateral free trade agreements (FTAs), as opposed to conventional multilateral trade governance through the WTO or regional trade systems. I ask the following empirical question: what caused states to adopt the trade policy of bilateral FTAs around the turn of the 21st century, and more importantly how did the processes leading up to the conclusion and implementation of the FTAs materialize in relation to the internal and external forces of the nation-states in question? In answering the question, I attempt to shed light on the intensive interstate and intrastate power struggles that constitute global economic changes. I analyze how each state, as an actor in interstate and intrastate relationships, interacted with its counterpart and the demands or resistance of the domestic social forces in the FTA negotiation processes.

Among bilateral FTAs featuring a new phase of neoliberal globalization, I have chosen two that were concluded recently between Korea and Chile and between Korea and the United States. I analyze how the Korean state, as an actor in interstate and intrastate relationships,

interacts with its counterparts and with the demands or resistance of the domestic social forces in each of the FTA negotiation processes.

The FTA between Chile and Korea was signed in February, 2003 and came into effect in April, 2004. It is the first FTA that Korea has ever concluded and one of the first FTAs that Chile has attempted outside of its own region, America. Still, it was the first trans-Pacific FTA in the world. It was the beginning of a series of FTAs for both countries in the 21st century and also the pioneer of cross-regional bilateral FTAs in the world as it broke the rule of geographical proximity. The Korea-Chile FTA was based on the solid principle of comparative advantage to form complementary inter-industry trade. Korea as a newly industrializing and now semi-advanced economy has an economic structure relying on exports of manufactured goods, whereas Chile as a successful developing economy is a well-known exporter of primary commodities. The FTA was an agreement between a retarded student and an advanced student in neoliberal free trade. While both Korea and Chile are characterized by a very high level of foreign trade, the export-led development of Korea was strongly based on protectionism, unlike that of Chile.

The FTA between Korea and the United States was first signed in June, 2007, but it was renegotiated and re-signed in December 2010, and finally came into effect in March, 2012. It was the biggest FTA for Korea and the second biggest for the United States after NAFTA, and it was actually one of the biggest FTAs in the world. Korea is one of the largest economies, whose GDP based on purchasing power parity is \$1.196 trillion as of 2006, and it ranks No. 11 in the world. In terms of trade, its exports and imports are No. 12 and No. 13 respectively. The United States is undoubtedly the largest economy in the world. Its GDP is \$13.06 trillion as of 2006, occupying almost 20 percent of world GDP. The United States is No. 2 after Germany in exports

and No. 1 in imports. In addition to the apparent economic magnitude, the FTA has other significant politico-economic implications to both countries. For the United States, the FTA is expected to serve as a stepping stone for its geopolitical and economic expansion in Asia against a “rogue state,” North Korea, and a rising economic power, China. For Korea, too, the FTA is an opportunity to enhance national security by reinforcing the relationship with the United States and to secure an advantage over Japan and China in the U.S. market as the first partner of the United States among the three. Therefore, the impact of the FTA is expected to be huge for both countries, and its implications for other competing countries may be serious, too.

I focus on Korea vis-à-vis Chile and the United States as my main strategic site. The three economies included have distinct industrial features and developmental stages. Korea is a newly industrializing and semi-advanced economy with a manufacturing-centered industrial structure, Chile is a leading developing economy with a primary commodity export orientation, and the United States is an advanced large-scale economy with highly developed technology and finance industries. They also have different regional and cultural characteristics and political histories. Given the distinct natures of the three economies, examination of the FTAs illustrates how different economies with diverse domestic features become involved in the globalization process. In particular, placing Korea at the center of the analysis makes it possible to examine both downward and upward power struggles with Chile and the United States respectively and their implications for domestic power struggles, and vice versa. This is not simply to consider their locations in the world economic hierarchy per se but their relative power, which comprehends their domestic configurations.

I reach two main findings from the current dissertation regarding the Chile-Korea FTA and the Korea-U.S. FTA. First, as for economic regime, I find that the Korean state, which broke

with the developmental state model at a formal institutional level in the mid-1990s, still holds on to the legacy of the developmental state, especially renewed neomercantilism in the case of FTAs. By adopting a new trade policy of FTAs, the Korean state appeared to shift from protectionism to liberalization, as expected by international society in the post-1997 crisis period. However, the adoption of the FTA policy did not signify a genuine neoliberal transformation of the Korean state but an introduction of a new mechanism to continue the practices of the old developmental state, or strategic intervention of the state in the economy, if not as absolutely as in the past. In fact, throughout FTA negotiations, the Korean state renewed its strong neomercantilist and protectionist inclination, instead of deepening “free” trade. In other words, the Korean state adopted the so-called “neoliberal” apparatuses, or FTAs, as a way to cope with intensifying international competition and to further democratic principles, which is theoretically expected to cause the retreat of the state, but it utilized the new alleged “neoliberal” outfit to secure its involvement in the changing economy, instead of subscribing to the ideology of neoliberalism.

Second, in a larger aspect of economic globalization, I find that current FTAs signify a resurgence of neomercantilism, not truly complying with the alleged essence of “neoliberalism.” Unlike the doctrine of neoliberalism, or the deepening of liberalization and deregulation, states intervene in trade policy in a more proactive and legitimized manner through FTAs. States involve in a sector-by-sector decision-making process in actual negotiations and implementation of FTAs, and strongly and intentionally promote exports in particular sectors that they regard to be beneficial to their own economies while tacitly, if not readily, giving up other sectors. Under the mantra of liberalization of international trade through FTAs, states maintain their intervention in the details of international trade including what, how and when to import and

export. In other words, by creating so-called “neoliberal” rules of trade, or FTAs, through a political process of power struggles with their domestic forces as well as with their partner states, states reinforce their leverage over international trade. Therefore, FTAs do not enhance the transnationalism of the world economy, but allow state intervention in trade in a way that is physically different but similar in nature.

Methodology

I have used comparative historical analysis based on small N, that is, two FTAs between Korea and Chile and between Korea and the United States, with a focus on Korea vis-à-vis Chile and the United States. For data collection, I have relied on both secondary sources of existing literature and primary resources including archives, organizational publications, mass media and interviews.

My research necessitated intensive written-data collection from secondary and primary resources such as existing literature, government archives, the publications of economic, political, and civil organizations, news articles, and magazines for historical analysis to identify the characteristics of the states in question and their domestic sectors and for contemporary analysis to construct a complete and correct narrative of the FTA negotiation processes. My two case studies may be less historical in terms of time range since both of them are very recent events. However, they are still predicated on historical specifics of domestic and international circumstances, without which the contemporary development of economic interactions cannot be explained clearly.

Since my cases are very recent, I have found it necessary to conduct interviews with key informants to verify written data or obtain new information and to accurately establish the

intentions of the actors involved. I carried out semi-structured interviews, which have “a sequence of themes to be covered, as well as suggested questions,” yet at the same time, “an openness to changes of sequence and forms of questions in order to follow up the answers given and the stories told by the subjects” (Kvale, 1996: 124). I have interviewed key informants in Korea, who were deeply involved in the FTA negotiations and struggles, in different governmental and non-governmental organizations and major companies. The interview questions were formulated in a manner specific enough to address the particular sectoral issues and, thereby, varied depending on the interviewee. The interviews were very useful in exploring and clarifying the interactions between different parties involved in the FTAs and to figure out part of the black box associated with the interactions.

Outlines of the dissertation

Chapter 1. Globalization as interstate and intrastate power struggle

In the first chapter, I discuss theoretical approaches to globalization based on existing literature. The two general pillars of globalization discourse, globalism and domestic institutionalism, are discussed. While I generally support the latter in explaining globalization, I find that existing domestic institutionalism as well as globalism holds a dichotomous view toward globalization and nation-states and regards also domestic institutions including the state as an aggregate and stagnant unit as opposed to exogenous pressure. As an attempt to address these weaknesses of the existing approaches, I adopt a modified approach of domestic institutionalism, which focuses on interstate and intrastate power struggles. This approach highlights dynamic interactions among states and their domestic forces, which are manifested in intensive power struggles reflecting the actors’ relative power and characteristics. Free trade

agreements as prominent trade regimes in the recent world economy are good examples to reflect such dynamic process of globalization, where the state engage in intense struggles with its domestic forces and its foreign counterparts, but still manage to maintain the helm, if not unscathed or undamaged.

Chapter 2. Development of bilateral free trade agreements in recent economic globalization

In this chapter, I explain the development of FTAs in the contemporary world economy and address existing explanations for the trade regimes in order to suggest the need for examining the processes of bilateral FTAs as a way of illuminating the most recent economic integration. Most existing studies on international trade regimes focus on WTO-governed multilateralism and the post-mid-1980s' regionalism. They ask whether the latter has a positive or negative influence on the expansion of the former. Given the coexistence of the two for over a decade, many scholars have attempted to account for the origins of the rising preferential regionalism from different perspectives. Though these studies provide some insights to explaining the prevalence of bilateral FTAs around the turn of the 21st century, the recent surging bilateralism is too distinct to be regarded simply as part of the existing regionalism. In particular, few studies focus on processes leading up to the conclusion and implementation of FTAs as opposed to the initial turn of the state to bilateral FTA policy or its entrance into FTA negotiations. Thus, I focus on the neglected aspect of bilateral FTAs in order to understand how globalization unfolds through the most recent phenomenon of economic integration. In the rest of this chapter, I suggest some hypotheses that are investigated in the following chapters.

Chapter 3. The road to the surge of bilateral FTAs in Korea in the 21st century

In this chapter, I explain the historical background of the Korean economy leading up to the adoption of the FTA policy around the turn of the 21st century in Korea. In particular, I pay

attention to the role of the state in the ups and downs of the Korean economy and the origins of the FTA policy. I rely on existing studies on the economic policies of each country as well as on the archives of its different government departments and economic institutions.

Chapter 4. Initiation of FTA negotiations with Chile and with the United States

In this chapter, I explain why and how the Korean state decided on Chile and the United States as its FTA partners among other economies at specific moments in Korean history. To this end, I explain the significance of the potential FTAs with Chile and the United States in various aspects. This chapter provides a foundation for better understanding interstate and intrastate struggles in the actual FTA negotiation processes.

Chapter 5. Korea's intrastate struggles in the interstate struggle with Chile in FTA negotiations

Through the case of an FTA between Korea and Chile, I answer the question of how the Korean state interacted with the domestic sectors to achieve its goals throughout a process of negotiation. Based on the analysis of the characteristics of the two economies and their relations in the previous chapter, I elucidate intrastate and interstate struggles around the FTA between Korea and Chile.

Chapter 6. Korea's intrastate struggles in the interstate struggle with the United States in FTA negotiations

In this chapter, through the case of an FTA between Korea and the United States, I raise the same question as in the previous chapter, that is, how the Korean state interacted with the domestic sectors throughout the negotiations. Based on the analysis of the distinct relations between the two nations illustrated in chapter 4, I explore the intense interactions of the Korean state with its domestic forces and its U.S. counterpart.

Chapter 7. The Korean state in the two FTA negotiation processes: different dynamics toward the same goal

In this chapter, I compare and analyze intrastate and interstate power struggles in the two FTA negotiation processes by revisiting the question of how the strategies of the Korean state and the reactions of the domestic forces differed in the face of the two discrete FTA partners. In so doing, I pay attention to how the state maintained its power in the complex process of FTA negotiations.

Conclusion: Multidimensional Journey to Integration into the world economy and renewed mercantilism

In the conclusion, I discuss the theoretical implications of this study for the integration of the state into the world economy. I bring particular attention to the persistent power of the state in the process of so-called globalization featured with neoliberal apparatuses and also discuss the future of the current FTA system as another manifestation of neo-mercantilism.

Significance

My dissertation contributes to the ongoing discussion on globalization in various ways. First, as explained already, it compensates for the analytic holes of existing studies and provides a theoretical stance to better understand globalization. The misleading assumptions of the existing literature hinder a balanced focus on the different interactions in the process of globalization. My research helps to solve the problem and draw a more thorough picture of global integration. Second, more empirically, it extends the temporal and spatial scope of globalization discourse by accounting for a new phenomenon of globalization: massive bilateral FTAs across economies with different stages of development, unlike existing studies heavily

focusing on conventional multinational governance and the First World. As the global economy has been recently reshaped centering on bilateral FTAs, the discussion of globalization needs to include the resurgence of bilateralism and explain its background and the driving forces behind it. In this sense, my research provides a more comprehensive perspective toward globalization. Finally, the current research is also useful to economic policy makers in various countries that are about to enter bilateral FTA negotiations by alerting them to the larger picture and implications of the prospective FTAs. It may facilitate a positive atmosphere to settle FTA-related struggles between the state and its domestic sectors as it may encourage them to understand each other's situations, especially against their foreign counterparts.

Chapter 1: Globalization as interstate and intrastate power struggle

Globalization as fiction or non-fiction

The concept of globalization is still controversial. Above all, whether the phenomenon is really global or not is the basic issue that has been debated from the incipient stage of globalization discourse. Actually, the word *global* is spurious because many events that are referred to as globalization do not happen universally all over the world or transcend various forms of boundaries between nations. Even much of economic integration that is referred to as transnational is not *global* but regional and, thereby, often culturally bound, for instance, in terms of tendencies to liberalization. Also, much of so-called transnational integration is actually *international*, which has been constructed through or affected by between-nation accords or international organizations. In my dissertation, I do not engage in a lexical debate on the meaning of a word *global*. Instead, I borrow Held et al.'s (1999) comprehensive definition of globalization so as to include general activities and phenomena that pursue economic integration. Thus, globalization is referred to as

“a process (or set of processes) which embodies a transformation in the special organization of social relations and transactions ... generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power” (Held, McGrew, Goldblatt, and Perraton, 1999: 16).

In regard to the reality of globalization, in the first place, is globalization anything new and different from the economic integration that happened in earlier periods in history? Some scholars are sceptical about the novelty of contemporary globalization. From a long historical perspective, they find that it is not unprecedented though a trend toward world economic integration is obvious. That is, international trade and financial flows were as prevalent during a few decades leading up to World War I as in the contemporary world economy (Grassman, 1980;

Lewis, 1981; Krugman, 1995; Hirst and Thompson, 1996; Chase-Dunn, Kawano and Brewer, 2000; Gilpin, 2003). World merchandise trade as a share of world GDP showed a marked increase up to the eve of World War I in 1913, and since then, had not recovered to its 1913 level until the mid-1970s (Krugman, 1995: 330-331). This trend was particularly obvious in major countries such as Britain, France, Germany and the United States (Hirst and Thompson, 1996: 26-27). Chase-Dunn, Kawano and Brewer (2000) suggest a similar argument of the 'resurgence' of trade globalization though they present a new pattern of three globalization waves instead of two. Recent openness to capital flow is not new, either. Grassman (1980) finds that major European and North American economies had a similar degree of financial openness in the pre-World War I period and the post-World War II period, though the oil shock in 1973 triggered a further increase in capital movements. Lewis (1981) also reports that over the thirty years before World War I, capital exports increased steadily, and that their magnitude was much higher than in the post-World War II period (Lewis, 1981:21). In short, globalization is not completely new in quantitative terms.

However, sceptics' evidence does not mean that contemporary globalization is intrinsically the same phenomenon as what happened a century ago. It is qualitatively different. Above all, more national economies are involved in cross-border trade and investment currently than ever before (Levinson, 1997: 5). Not only developed economies but also developing countries seriously began to take part and play an increasing role in the world economy. Especially in the second half of the 20th century, the Four Asian Tigers, or Hong Kong, Singapore, South Korea, and Taiwan, became an economic force to be reckoned with in the world economy as a result of their export-oriented economic development. More recently, Brazil, Russia, India and China (BRICs) emerged rapidly as the influential suppliers of manufacturing

goods and services (China and India) and of raw materials (Brazil and Russia) in world markets. Accordingly, trade and investment across advanced and developing economies increased significantly since the 1990s, and the concentration of capital in the triad of advanced economics of Europe, Japan and North America has diminished though these are still dominant economic forces. However, the incorporation of the Third World into the global economy has been uneven, and many underdeveloped economies have been experiencing persistent marginalization while a limited number of the emerging economies have established firm footholds in world markets. Besides the new expansion of the global economy, the emergence of multinational corporations is a feature of contemporary globalization. A global manufacturing system organized by multinational corporations emerged, in which “production and export capabilities are dispersed to an unprecedented number of developing as well as industrialized countries” (Gereffi, 2005: 163). Krugman (1995) refer to this phenomenon as “the ability of producers to slice up the value chain [by] breaking a production process into many geographically separated steps” (Krugman, 1995: 332). He argues that this value-added chain increased the potential volume of international trade because components to be assembled into goods might be produced in other countries or might be made of subcomponents produced in yet other countries. This intensified the exports of manufactured goods from low-wage to high-wage nations, that is, from the periphery including newly industrializing economies to the core, which unavoidably creates the absorption of the skill-, capital-, and technology-intensive slices of the production by the latter and the concentration of the labor-intensive slices in the former (Krugman, 1995: 334-337). A remarkable breakthrough in communication technology, represented by the internet, is another difference, which has contributed to the current expansion of multinational corporations and their cross-border production. Though the development of communication as well as transportation

technology is not a novel but an already-known contributor to both the past and the current international economic integration, it may be reasonable to say the economic integration a century ago was mainly driven by falling transportation costs whereas the contemporary globalization is heavily driven by plunging communication costs (Levinson, 1997: 5). Cheap and efficient communication networks allow multinational corporations to locate different parts of their production process in different countries and still to have them in close contact and, thereby, under the control of the corporations. In short, the role of communication technology, or information technology, became more prominent than ever before. Another difference is the direction of international labor migration. Voluntary migration in the 19th century was not lower than that in the late 20th century, but the former primarily consisted of migration from the Old Continent to the New Continent to find new resources and markets whereas the latter mostly reflected the growth of migration from developing countries to developed ones and the introduction of ‘guest workers’ (Hirst and Thompson, 1996: 23; Segal, 1993: 16-21). Though both periods of international migration involve the United States as a major receiving country, its implication is different since sending countries and the purpose of sending changed. In sum, recent globalization in the late 20th century is not unprecedented quantitatively but still different from the international economic integration of a century ago qualitatively. Though both periods of globalization have the high levels of product trade, capital mobility and labor migration, they are featured differently, and the new globalization establishes and deepens a world economic hierarchy in its own, specific ways.

Globalist approaches

In the early 1990s, some scholars were already obsessed with a powerful phenomenon going on in the world, globalization, and proclaimed the soon-to-be death of nation-states (Camilleri and Falk, 1992; Horsman and Marshall, 1994). They believed that technological breakthroughs and the subsequent information revolution caused the twilight of sovereignty by facilitating the free flow of knowledge and information and by attenuating state control over domestic and international forces (Wriston, 1992). This perspective, or so-called globalism, generally assumes a negative correlation between globalization and the power of nation-states and asserts that the accelerated process of the former undermines the latter. Increasing cross-border contacts finally yield the collapse of national barriers, basic devices to preserve sovereign nation-statehood, and the unfettered flow of capital and newly created global regulations constrain the leverage of nation-states. In short, globalism sees the relationship between globalization and nation-states as a win-lose logic or zero-sum game.

Globalism is conceptually based on the existence of exogenous universalistic principles, which implies that modern nation-states are imagined communities grounded on a large set of cultural forces that define their sovereignty, boundaries and goals. That is, the rules of the wider cultural system construct and legitimize standardized, rationalized, and universalized nation-state actors, and these actors provide universal and standard models for one another (Meyer, 1999: 129). This conceptual stance completely refutes the idea that the structures and systems of modern nation-states are something that transcends the general imperatives of the world polity. The standardizing impact of the world polity makes the nation-state just one of its constituents which complies with its principles and criteria. However, this conceptualization of global society fails to take into account how the universal imperative is constructed and how it becomes accepted by nation-states. Global principles are formed and transformed through the relations of

nation-states, not anything self-constructed or self-sustaining. Even allegedly universal rules may be crystallized quite differently in different nation-states. Globalization is not a monolithic force, but it is rather an outcome of the ongoing interactions between nation-states.

Extreme globalism, based on the assumption of exogenous global culture, proclaims the end of the nation-state and the advent of one global society. It argues that today's globalization has created a borderless world, and that the nation-state has become an outdated concept which fails to keep up with the dynamics of the world economy. This perspective exclusively focuses on the geographic dispersal of economic activities with the help of technological advance. Ohmae (1995) embraces this extreme globalism by identifying the emergence of what he calls 'region states,' geographical units which are not constrained by the borders of a particular nation or the struggles for political interests. He maintains that industry dynamics, flow of capital investment, information technology, and individual consumer preference together made the traditional function of nation-states unnecessary and obsolete, and that natural economic zones have arisen to efficiently harness global resources and solve local problems. In a similar vein, Strange (1996) argues that technological development and the change of financial structure to cover the costs of new technologies enhanced the power of markets and other non-state authorities over nation-states. That is, technological and financial changes and the accelerated integration of national economies into a single global market have attenuated the authority of the state overall by creating non-state authorities such as mafias, the Big Six accounting firms and international organizations. Global politics is no longer considered as interstate but is composed of transnational relations.

While extreme globalism does not wrongly capture the recent phenomena of cross-border activities, it completely exaggerates their implications for the *raison d'être* of nation-states.

Though it is true that economic transactions today happen more freely than before, that does not mean they are free of the authority of nation-states. For instance, even if freer conditions in industry dynamics, flow of capital investment, information technology and individual consumer preference are acknowledged, what Ohmae calls 'region states' are rather the outcome of state efforts to promote certain prospective regions to eventually achieve overall national development. It is more correct to say that, rather than region states, special economic zones are prevalent, which reflect the strong intention of nation-states to benefit from international trade. Likewise, it is doubtful that Strange's rising non-state authorities are beyond the regulation of nation-states though they may have various ways of connecting to foreign counterparts or they themselves may become links to connect states. After all, extreme globalism erroneously attributes everything simply to the 'invisible hand', or the logic of the free market, and neglects how seemingly borderless activities came about in the first place.

The foregoing pure globalist approach was adopted into the discourse of the change of welfare states by Mishra (1998), who gives full credit to the sweeping impact of globalization on welfare states. Mishra (1998) argues the late twentieth-century globalization has undermined the balanced social order of the post-World War II period between economic development and social protection. That is to say, the neoliberal force of globalization weakened the autonomy of the state in pursuing social equity and exerted downward pressure on social insurance in western welfare states. Though he acknowledges the possible positive aspect of globalization in the sense that the development of supranational social standards may function constructively to maintain or improve the welfare system in the world overall, Mishra's basic assumption is obvious: the sweeping power of globalization dictates the social policies of welfare states, and the power is homogenous regardless of the diverse circumstances of states. This assumption is very

problematic in that he does not take into consideration the variations of the effect of globalization in different countries. Distinct domestic political configurations may well result in diverse globalization effects because the unique configuration of the nation influences how globalization is perceived, mediated and manifested.

Some scholars say that nation-states are not expected to perish in battles against globalization, but only to remain as one of many forces in the process of globalization, gradually devolving their power to regional and worldwide transnational agencies. Scholte (1997, 2000) argues that macro-regional institutions, transworld governance agencies, supranational private regulatory arrangements and global civil society as well as the direct transborder contacts of substate authorities transform the mode of governance from statism to polycentrism. For him, the nation-state is inadequate as the primary actor for governance of global relations, and it is just one of many elements of different dimensional global networks that create supranational order, which in turn dictates the actions of the individual state. Not much differently from the foregoing globalism, this approach limits the analysis of globalization to the level of imposed global rules and overstates the independence of non-state governance apparatuses from the influence of nation-states. Also, it does not take into account how the global precepts are actually implemented, but just assumes that once supranational principles are established, nation-states do not go around them. Basically, it does not seriously reckon with the actual operation of global networks.

In globalism, which regards the nation-state as a minor component of globalization, various non-state entities draw attention as important actors that transcend the state, as alluded above. They include multinational corporations, transnational grassroots activists, international organizations and even subnational economic centers. Multinational corporations create cross-

national commercial activities in different domains such as cultural bazaars, shopping malls, workplaces and financial networks, and they generate the increasing marginalization of people from production or consumption as cost-effective production causes job loss in industrialized countries and keeps underpaid laborers in the Third World unable to afford the good they produce (Barnet and Cavanagh, 1994). Grassroots activists across nations create transnational networks to cope with a downward leveling of legal, environmental, labor, and other social conditions by pressuring the state (Brecher and Costello, 1994; Keck and Sikkink, 1998). International organizations such as the United Nations, the World Bank, the IMF and the WTO also exercise extensive legal influence on the state's external sovereignty as they seek cooperative institutional and normative enmeshment (Khan, 1996). Global cities such as New York, London, and Tokyo have reinforced their leverage according to the need for expanded central management and control of the global network of production in the contemporary geographic dispersal of economic activities (Sassen, 1991). The increasing importance of the non-state actors is not to be disregarded, but they are not free of the influence of the state. They are still grounded on their home nations as their bases of operation though they expand their stage beyond their national boundaries. Multinational corporations are still constrained by the regulations of their home or host countries though they pursue cross-border transactions. Transnational activist groups cannot but be deeply embedded in domestic circumstances because the issues at hand are defined based on particular national cultures in the first place and also are to be dealt with in relation to the state and the concerned social sectors. International organizations do not have practical power in the sense that they do not have the right to domestically enforce the internationally agreed laws. They are also often manipulated by hegemonic powers such as the United States and used as their instruments (George and Sabelli, 1994: 213-216). Global cities are not automatically

created due to changes in production, but they are blessed cities with their own powerful nation-states that are sustaining them. In short, the proliferating alleged non-state actors in the era of globalization are not substitutes for the state but rather new mechanisms through which state power and national particularity are negotiated and exercised.

Taking a step back from the phase-out of nation-states, some scholars argue that globalization has changed or modified nation-states, and they even acknowledge the significance of diverse national characteristics in globalization. What is to note, however, is that the change they mean is not so much a new type of nation-state still with sovereign power as a status of nation-states with reduced roles and capacities. Nation-states now play only limited roles such as promoting national competitiveness to support companies and appeasing social and political forces in the dynamics of an unregulated global economy (Cable, 1995). Schmidt (1995) argues that though national responses to the pressure of internationalization vary depending on their institutional, political and social characteristics, the pressures from the rise of multinational business and international organizations erode “the nation-state’s particular kind of democracy by strengthening executive power vis-à-vis societal interests and freeing business from its traditional constraints” (Schmidt, 1995:85). Even though he acknowledges the national variations of responses, Schmidt does not pay much attention to how different domestic features function as mediators, but just focuses on the liberalizing trend of the macro-economic policies of developed countries. Sassen (1996, 1999), shifting from her stubborn globalist implication of economic globalization in her previous study (1991), argues that while economic globalization and new technologies destabilize state sovereignty, nation-based citizenship, and national institutional apparatus, nation-states remain important actors in globalization because they are largely embedded in national territories in terms of material resources and spaces. In this respect, she

maintains, it is inappropriate to reduce the relationship between nation-state and globalization to a zero-sum game. At the same time, however, she observes that globalization incurs an alteration in the scope of state sovereignty because economic globalization has created “an “incipient denationalization” of several highly specialized national institutional orders – the partial replacement of national legal and regulatory frameworks with “denationalized” ones” (Sassen, 1999: 160). Sassen is right in indicating that the relationship between nation-states and the global economy does not constitute a mutually exclusive dualism, but what she actually argues is not quite the same: the state has not just produced and legitimized a new transnational governance system for global capital markets, but it has also devolved its power to the new system and retreated. In other words, the necessary involvement of states in globalization entails their own phase-out in the end. She overlooks how nation-states continue to function in various international transactions to maintain the process of globalization. Her refutation of the global-national duality seems to be valid only at the starting stage of globalization, and her concepts of partial decentering and denationalizing eventually imply the degradation of nation-states at the mature stage of globalization.

In conclusion, globalist perspectives in general overlook genuine interactions that constitute the process of globalization. Since they take for granted the existence of formidable globalization, they fail to catch the complex interactions of the driving forces behind global phenomena. It is partly because globalist approaches erroneously identify transnational entities as primary actors. They capture the surface-level nature of globalization masked with transnational capital or governance institutions, but they inadvertently tend to assume globalization itself as the main actor and, thereby, suprastate bodies as its key actors as well as its outcomes. Globalization, however, is not an actor but a phenomenon, and transnational

companies or international organizations are not so much primary actors at the helm of globalization as mechanisms to facilitate it, though they loom large. In this vein, globalism fails to seriously grasp power struggles between states, still less within-state power struggles featured with particular political and economic configurations. That is, globalism has paved the way for the analysis of globalization, but has hastily overestimated its universal effects on nation-states.

Domestic institutionalist approaches

As opposed to globalism, domestic institutionalism attributes the changes of nation-states to existing domestic structures, not to globalization. It generally acknowledges the nature of globalization as globalism does, but it highlights variegated globalization outcomes in different nation-states and finds their causes in state capacity and domestic configurations. In other words, globalization itself is not the main source of changes in the contemporary world economy, but how individual nation-states act or react is the most crucial factor.

Domestic institutionalism raises doubts about the sweeping and converging impact of globalization, and focuses on how the state and its constituent social groups interact against the backdrop of a global sea change. Except for only a few scholars such as Pierson (1998), who considers the retrenchment of welfare states solely as an endogenous national phenomenon, domestic institutionalist scholars recognize changes in the global economy as non-negligible pressure on nation-states. Still, they observe that nation-states do not blindly comply with or subject themselves to the external pressure to lead to homogeneity and convergence in their policies, but that they mediate the pressure according to their own capacity and national institutional configurations. Boyer (1996) argues that there is no clear and natural trend of convergence in any of the three aspects of capitalism: pure economic performance in terms of

productivity levels and standards of living; developmental trend toward market economy and democratic order; and political and economic institutional forms. If there is any convergence, it is rather an outcome of particular national institutional arrangement, which may account for other types of evolution as well (Boyer, 1996). Boltho (1996) also observes that even under similar macroeconomic constraints of monetary and fiscal policies, microeconomic policies and institutional configurations remain distinct across nation-states though there may be some benchmarking in monetary policy model for the purpose of improving international competitiveness. In other words, global capitalism does not bypass nation-states, but it is actually authored by them (Panitch, 1996; Evans, 1997). Likewise, while sovereignty has moved farther from the overwhelming supremacy of the state within a given territory due to increasing interstate dependence, it is reinforced as “a bargaining resource for a politics characterized by complex transnational networks” in order to promote national interests in a rapidly internationalizing world economy (Keohane, 2003:155).

Domestic institutionalism highlights the persistent magnitude of nation-states in various aspects of global operations. First of all, domestic institutionalism regards international organizations as the instruments or agencies of states rather than the actual centers of the world order. Rule by international organizations is viewed less as transnational or supranational governance than as intergovernmental struggles. For instance, Pauly (1997) argues that the International Monetary Fund (IMF) is an instrument through which its member states, especially its leading members, preserve their political legitimacy to their citizens in the resurgence of global economic imperatives, and that this fact yields at once the weakness of the principal mandates of the IMF and its stubborn endurance. In fact, the IMF itself openly acknowledged the existence of strong pressure from the IMF’s major shareholder governments, especially the U.S.

government, when it comes to the structural reform of the Korean economy in the face of the 1997 economic crisis (IMF, 2003:110). In a similar vein, Gowan (1999) observes that the IMF and the World Bank are among the mechanisms of U.S. intervention in the world economy, if not mainly through direct conspiratorial manipulation but through hegemonic legitimacy. Mann (1993a) also observes that the European Community (EC), now the European Union (EU), remains an economic planning agency through which member states continue to negotiate, and that the member states largely maintain their own military and foreign policies, which the EC leaves untouched. These accounts are reasonable since international organizations reify their *raison d'être* through constant intergovernmental negotiations directly or indirectly.

Domestic institutionalism even argues that globalization enhances the legal sovereignty of the state both internationally and nationally as a unique authority structure. That is, though it is true that the state is constrained by global pressures in terms of international capital flows and macroeconomic policies, increasing economic interdependence has not affected sovereign statehood in a juridical sense. Krasner (1993) argues that *de jure* state sovereignty has not been eroded, but only the effectiveness of state control, or *de facto* sovereignty, has been challenged by economic interdependence to a limited degree. He goes on to say that even the impact on *de facto* sovereignty varies depending on the ability of the state to adjust to external pressures, and that *de facto* sovereignty itself has never been as solid in history as imagined (Krasner, 1993, 1999). Hirst and Thompson (1996) also maintain that nation-states still play a central role as constitutional arbitrators and law-makers by defining and delineating legitimate authority and actions both externally and internally though they may not hold monopolistic sovereignty in the traditional sense. In short, nation-states remain central as the key source of legitimacy in the

process of power delegation upwards to the international level and downwards to sub-national agencies.

At a more practical level of economic operations, domestic institutionalism advocates the significance of national boundaries in economic transactions. In other words, not just production and consumption patterns but also foreign direct investment, financial markets, the operations of corporations, the production of technology and so forth are still largely defined by national economic borders (Wade, 1996). Moreover, financial integration, which is considered the most globalized area, does not diminish the authority and power of nation-states though it is true that it has produced some unintended consequences and complication for them. Kapstein (1994) observes that nation-states respond to challenges from financial globalization through a particular regulatory structure, or “international cooperation based on home country control”: state officials including central bankers and other financial regulators negotiate and create international agreements to regulate and supervise the activities of financial institutions at an international level; and at a domestic level, the state strengthens its home country control of domestic financial institutions as the only regulatory agency with enforcement power and as the promoter of domestic and foreign economic policy interests (Kapstein, 1994). Helleiner (1998, 1999) also argues that financial globalization encourages states to enhance their regulatory power intrusively at a domestic level and through cooperation between sovereign states. In particular, the new electronic form of money does not erode state control over global financial flows but rather brings back its regulatory power because the movements of electronic money remain dependent on specific geographic centers subject to state regulation (Helleiner 1998).

From the perspective of domestic institutionalism, multinational corporations, another key symbol of the global era, do not transcend national roots, either, though they operate across

national boundaries. Ruigrok and van Tulder (1995) find that the world's 100 largest core companies are not truly global but remain dependent on their national bases. Even the globalization of the most globalized companies in small nations is limited to sales and production, leaving finance, R&D, and human resources management concentrated in their home countries (Ruigrok and van Tulder, 1995: 160-162). Not simply geographic locations of functional areas but also corporate strategies and structures attest to persistent state influence. Doremus et al. (1998) observe that nation-states preserve their political authority over multinational corporations in shaping and steering their operations; therefore, in spite of cross-national economic integration, technological innovation, and structural convergence, longstanding national systems of innovation and investment influence corporate strategies and structures. Multinational or transnational corporations connect multiple nations in their operations, but the characteristics of the operations remain far from global homogenization.

In domestic institutionalism, not only national governments but overall national characteristics matter significantly to the crystallization of globalization. Distinctive institutional and social structures based on particular political and industrial history continue to shape the particular trajectories of national systems of innovation and development in the globalization of markets (Esping-Andersen, 1996; Zysman, 1996; Guillén, 2001). Garret (1998) investigates partisan politics in fourteen industrial democracies and finds that social democratic corporatism, where the political power of the left is allied with encompassing labor market institutions, or a highly centralized system of national-level wage bargaining, enhances economic performance as much as coherent market liberalism in the contemporary world economy while it continues to pursue redistributive policies. That is, "the historical relationship between left-labor party and big government has not weakened with market integration" (Garret, 1998: 11). Similarly, Swank

(2002) observes that in polities characterized by strong “social corporatism, inclusive electoral institutions, concentrated policy-making authority” and “extensive universalism or occupationally based social insurance,” increasing international capital mobility does not produce significant welfare state retrenchment whereas in polities with the opposite characteristics globalization creates substantial retrenchment (Swank, 2002: 8). Thelen and Kume (1999) look specifically into industrial relations systems in Japan and Germany and find significant resiliency in traditional bargaining arrangements due to employers’ continuing attachment to traditional institutions in spite of a neoliberal offensive and new global market pressures. In short, domestic particulars continue to have persistent influence on national economic development in spite of neoliberal globalization.

Domestic institutionalism attaches great importance to the kind of state role and the responses of local capitalists. That is to say, how the state and its constituent social groups interact against the backdrop of the global sea changes determines the impact of globalization. Evans (1995) argues that the adaptation of local firms to the new internationalization “depends on how the local industry had been shaped by prior state policies and the responses of local firms” (Evan, 1995: 185). In his analysis of Brazil, India, and Korea, Evans (1995) observes that midwifery and husbandry, or embedded autonomy, of the state in the 1970s and the 1980s yielded successful outcomes in Korea in the upcoming globalization period, as opposed to the custodial or the demiurgic roles of the Brazilian and the Indian states, which produced unsuccessful adaptation to globalization. The domestic legacies of the nation-state precondition the impact of globalization, and meanwhile, the nation-state continues or adjusts its roles to be beneficial in the world economy.

Unlike the win-lose logic of globalism in global-national relationships, some scholars in domestic institutionalism argue that the characteristics of domestic institutions may create synergy between the influence of the nation-state and the deepening of globalization. Weiss (1998, 2003) criticizes globalism for its unilateral claims that state capacity for policy making and implementation is inevitably constrained by capital mobility and that international political economy undermines the state's autonomy over the domestic economy. She argues that domestic normative orientations and organizational arrangements mediate the impact of globalization at the national level and generate distinctive patterns of enabling the functions of globalization as well as constraining it. For example, competition and insecurity brought about by globalization may generate "incentives for governments to take initiatives that will strengthen the national system of innovative and social protection" (Weiss, 2003: 15). Catalyst states such as Japan, Germany and East Asian developmental states play a role of active facilitator of globalization, rather than being its victims, albeit to different degrees. In short, the configuration of each nation-state may define the function of globalization, and globalization itself cannot be a significant predictor for the changes of nation-states.

Though existing domestic institutionalism correctly highlights the significance of domestic systems and structures in determining the outcome of globalization in different nations, as discussed above, it is more apt to deal with globalization narrowly at an individual nation-state level. It focuses on how domestic factors mediate the external pressure of economic deregulation, that is, economic and monetary nodes between domestic and international capital. This leads to the same important weakness that globalism suffers from: it pays insufficient attention to interactive power struggles at both international and domestic levels. While it recognizes the nation-state as an important actor, domestic institutionalism does not pay much attention to

relative power disparity in the global system and the relevant intrastate power struggles. Globalization itself comes from the combination of the interests of the different nation-states which comprise the global economy, and the interstate dimension of globalization is entangled with varied struggles between domestic forces including the state. Without taking this complex aspect into account, existing domestic institutionalism may not specify the dynamic process of globalization, just like globalism fails to do so for a different reason.

Alternative Approach: Interstate and intrastate power struggle

Globalism and domestic institutionalism hold in common a dichotomous viewpoint toward globalization and nation-states. While it goes without saying that globalist approaches assume the negative effect of globalization on the authority of nation-states, domestic institutional approaches also tend to assume the same logic with an addition, that is to say a 'win-win' relationship only when favorable domestic conditions exist. The dichotomous perspective is too simplistic to analyze the relationship between global pressure and nation-states. The relationship is not so much about which one is more powerful than the other as about how they are intertwined with each other in the dynamic process. This approach may not highlight the supremacy of one over the other but the transformation of nation-states within the process of globalization. Nation-states are not unchanging in the international economic and political order, but they may adapt and reshape themselves to new global circumstances. For instance, Jessop (2002) observes that in the transition of advanced capitalist economies from one economic paradigm to another in terms of the global division of labor, namely from Atlantic Fordism to post-Fordism, nation-states transformed their own roles and forms from the Keynesian welfare national state (KWNS) to the Schumpeterian workfare postnational regime (SWPR). He also

contends that the denationalization of the state, or the devolvement of state power to international and subnational bodies, is linked to the inevitable reinforcement of the role of nation-states as interscalar mediators between supra- or subnational actions and steering agencies in metagovernance (Jessop, 2002: 201-204). In other words, a central political role for nation-states remains, but the role may be redefined.

What is to note in the relationship between globalization and nation-states is interstate power struggles. Globalization does not affect all nation-states in the same way, but its impact varies depending on their positions in the world power hierarchy. Global networks are “modestly segmented by the particularities of nation-states, especially the more powerful ones of the north,” and the “segmentation is mediated by inter-national relations” (Mann, 1997: 495). In other words, globalization itself is generated in power struggles among different nation-states, and its impact produces different outcomes in different states depending on their relative power. In this respect, Shaw (2000) presents insightful findings that globality and nationality are interdependent in western states, but not in others. Shaw divides the modern world into three layers of state power – the western state, quasi-imperial nation-states, and new and proto-states – and argues that power relations between the different statuses of states are crucial to understanding the attributes of globality. In particular, the global order does not induce the decline of the western state but rather the persistence of its power. This is correct because the relative autonomy of the global order is largely based on resources provided by advanced western states. The extraterritorial actions of the advanced economies through international organizations make norms in increasingly globalizing state relations, and the implementation of the norms implies intervention by the western states in peripheral or semi-peripheral states under the pretext of international legitimacy. This logic indicates that relative power relations between nation-states persist

through globalization though the ways in which power is exercised have changed. Of course, sovereignty is not preserved only by world powers, and the exercise of power by hegemonic states is not limitless. States in non-advanced economies do not completely lose their sovereignty, either. For example, while the United States exercises its authority over international geopolitics based on its dominant position in the world system, Middle East countries as client states preserve their statehood through strong nationalism (Mann, 2003: 80-99). However, power disparity is not deniable, and it allows higher, if not absolute, leverage to relatively advanced countries. It also provides different meanings of nation-stateness as well as diverse ways to maintain it.

Interstate power struggles, however, are not determined simply by the relative locations of the nation-states in the hierarchy of the world political economy. The particular attributes of the domestic forces may fortify or weaken the position of the nation-state in relation to global power disparities. This point is often neglected by existing globalism and domestic institutionalism because they tend to regard domestic institutions including the state as an aggregate and stagnant unit as opposed to exogenous pressure. In other words, they limit the scope of analysis to struggles between a set of domestic institutions and a set of external pressures from international institutions or particular nation-states. Globalization does not only consist of interactions between one national entity and one external pressure, but of complex interactions between multiple national or domestic actors and external pressures including their foreign counterparts. The state as an actor may have different goals and interests from its other domestic forces. Needless to say, each of the domestic forces may have discrete interests. What is to note is that their relationships to one another are not stagnant. The goals and interests of the different actors may be redefined by their mutual interactions. Especially, the relationships may

change a lot in the face of different nation-states. This is because the domestic configurations of the economies involved may affect frontline interactions between the states due to the complementary or conflicting interests of the domestic sectors across the economies. Therefore, globalization is a contingent historical process full of contradictions and unpredictability due to the complex interactions of different domains of forces, and its impact is never experienced uniformly by all states but is mediated by a state's position in the global hierarchy as well as by its domestic characteristics (Held, McGrew, Goldblatt, and Perraton, 1999).

Thus, I adopt a modified approach of domestic institutionalism, or more specifically statism, which focuses on multilateral interstate and intrastate power struggles in explaining globalization. I believe that globalization is a dynamic process of interstate and intrastate interactions in which various actors negotiate or fight for their mutual or inconsistent interests, and the interstate and intrastate interactions are not separate or simply juxtaposed but entangled processes. The interests and actions of one state may vary in accordance with the features of other actors, whether these actors are domestic forces or external forces such as other states and international organizations. However, it is also important that a domestic actor in one country may have different interests and actions depending on what characteristics its counterpart in other countries has. In other words, the interactions are not limited to state-to-state or state-to-domestic force relationships separately, but they are an extended overarching and multilateral relationship of states and domestic forces involved. Each actor may have discrete reactions in the face of different combinations of the other actors, and the relative and contingent reactions reflect and are also manifested in power struggles among the actors. In other words, the process of globalization is an intertwined set of power relations among states and their domestic forces that attempt to realize their discrete or overlapping interests.

In the approach of interstate and intrastate power struggles, the concept of power is fundamental. Weber's conventional definition of power says "the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance" (Weber, 1978: 53). This definition catches well the social-relational aspect of power beyond the dominance of a particular mighty actor. As Block (1987) argues, capitalist rationality is not rooted in the political consciousness of one directive ruling class but in a broader conflict among multiple actors including capitalists, workers, and state managers. The behavior or decision of an actor cannot be completely accounted for without considering that of other actors involved in the power struggle. Still, Weber's definition is insufficient to cover a broader picture of power struggles. As Lukes (2005) states, "the power to control the agenda of politics and exclude potential issues cannot be adequately analyzed unless it is seen as a function of collective forces and social arrangements" (Lukes, 2005: 26). In this regard, Roy (1997) supplements Weber's conventional view with another dimension of power, structural power: "the ability to determine the context within which decisions are made by affecting the consequences of one alternative over another" (Roy, 1997: 13). This perspective allows the inclusion of the issue of alternative choices that actors face in certain historical institutional structures and carries the discourse beyond overt behavior immediately related to particular events of conflict. Thus, it sheds light on the underlying structure of power in which the current power struggles originate and develop and, therefore, makes it possible to examine how the current struggles change or reinforce the existing structure of power. The combination of the two aforementioned concepts of power is very useful to investigating power struggles around globalization not only because it is apparently manifested as a form of overt power struggles among the concerned actors, but also because it is

constrained by particular structural and institutional characteristics that have existed in the involved societies.

In the complex power struggles, I consider the state and domestic forces equally as autonomous and influential actors that have their own interests and goals. First, I regard the state as a key actor as autonomous as other societal actors, unlike faithful Marxist instrumentalist views (Miliband, 1969; Therborn, 1982; Zeitlin, 1980; Zeitlin and Ratcliff, 1988). The state is not simply a stage in which different societal forces voice themselves, but it is an actor itself possibly with distinct interests from other societal actors. The state is a peculiar institution that has significant influence on social configuration. On the other hand, I do not consider the state as an insulated actor, unlike overly statist views (Skocpol, 1979; Evans, Rueschemeyer and Skocpol, 1985). The state is an entity which is in reciprocal relationships with society or societal groups though its institutional features affect the formational and development of the social forces. In other words, state autonomy is not a constant and fixed feature, but it is modulated according to its relations with social forces. As Mann (1993b) said, the power of the modern state concerns “a tightening state-society relation, caging social relations over the national ... terrain, thus politicizing and geopoliticizing ... social life” (Mann, 1993b: 61). Besides, I do not regard the state as a unitary and coherent actor which generates national policies straightforwardly. The state consists of many different components such as various government departments and the parliament, and these may conflict with one another in generating national policies because of the differences of their concerns. Still, I believe that the state core including the President tends to manage to maintain the helm, if not unscathed, in overall national policies in the face of noises from other parts of the state. This may be particularly true of economies like Korea where a strong presidential system is established based on a longstanding success of the developmental

state. In short, I see both the state and domestic forces as entities with certain levels of autonomy and interdependence. The state as an institution has particular functions in promoting economic changes, and at the same time, the functions materialize in constant and dynamic relationships with other domestic actors. In addition, these interactions vary according to external actors, or other states and their domestic forces.

In sum, globalization does not affect all nation-states in the same way, but its impact varies depending on their locations in the world power hierarchy and on their domestic political and social characteristics. This is because nation-states are in power struggles with other states as well as their own domestic forces. That is, globalization derives from interstate interactions of different states with diverse conditions and from intrastate competitions of different domestic forces. Globalization itself is a dynamic process of power struggles among different actors across and within economies. Therefore, an approach that focuses both on interactions and power struggles between the state and its external counterpart and between the state and its domestic forces provides better understanding of globalization in a more comprehensive and proper manner than static domestic institutionalism, much more than globalism.

The surging trade regime of free trade agreement (FTA) is a good example to reflect the aforementioned dynamic process of globalization. Leading up to the implementation of FTAs, the state has to go through intense negotiations with its foreign counterpart and its domestic social forces. It also has to deal with disagreements among its own different components. FTAs entail inevitable and explicit involvement of the state in interstate negotiations and intrastate struggles. As so-called prominent “neoliberal” globalization projects in the recent world economy, FTAs are appropriate to show the intertwined dynamic relationships of the state with international and domestic forces.

Chapter 2: Development of bilateral free trade agreements in recent economic globalization

Economic globalization represented by so-called “neoliberal” economic liberalization has been accelerated in different ways in the past couple of decades. Free trade is the most prominent feature, and it has been rapidly institutionalized across the world.

In the mid-1980s, preferential trade agreements, particularly regional trade agreements, began to resurge. In tandem with the ongoing multilateral trade regime of the General Agreement on Tariffs and Trade (GATT), various regional trade agreements such as the European Union (EU), the North American Free Trade Agreement (NAFTA), and the Southern Common Market (MERCOSUR) featured more than a decade of trade liberalization leading up to the 21st century.

Around the establishment of the WTO in 1995, the number of free trade agreements (FTAs) began to increase rapidly and constituted a new phase of global trade. Among about 186 FTAs that are currently in effect as of the mid-2012, 174 FTAs were created after the establishment of the WTO, and dozens of prospective FTAs are being negotiated or waiting for ratification around the world. What is to note is that most of the recent FTAs are bilateral FTAs as opposed to multilateralism under the WTO or regionalism based on geographical proximity, though some bilateral FTAs are between states within the same region. Bilateral FTAs include FTAs between two states, between one state and one regional bloc, and between two regional blocs, but an absolute majority of the recent bilateral FTAs are between two states with a few exceptions including FTAs with the European Union (EU) or the European Free Trade Association as one party of the FTAs. Therefore, the resurgence of FTAs around the turn of the 21st century constitutes an interesting empirical issue in discourse of globalization.

In the last decade, numerous studies have dealt with world trade, which was characterized by the coexistence of regionalism and multilateralism. Their dominant focus was on the effect of regionalism on multilateralism, that is, the influence of increasing regional preferential trade agreements on global multilateral trade. Half a century ago, Jacob Viner (1950) set the foundation for a series of future analyses by creating the concepts of trade creation and trade diversion in his book *The Customs Union Issue*, where he found that customs unions could have positive or negative effects on members and nonmembers according to net trade-creating and trade-diverting effects. To put the concepts simply, trade creation refers to an increase in trade between members of a preferential trade agreement, and trade diversion refers to a decrease in trade between members, on one hand, and nonmembers, on the other hand, of a preferential trade agreement. Building on Viner's study in one way or another, many scholars argued for a positive and synergetic relationship between preferential trade agreements and multilateral liberalization (Baldwin, 1997; Bergsten, 1994; Eichengreen and Frankel, 1995; Ethier, 1998, 2001; Lawrence, 1996; Schott, 1991; Wei and Frankel, 1995), and many others insisted on a negative and incompatible relationship between them (Bagwell and Staiger, 1998; Bhagwati and Panagariya, 1996; Duina, 2006; Krishna, 1998; Krueger, 1995, 1999; Krugman, 1991; Levy, 1997; McLaren, 2002). In other words, the discussion on preferential trade agreements has generally concentrated on the issue of whether they would be stepping stones or stumbling blocks to global multilateral trade. This question does not have a definite answer yet, but is still up for debate, and it may be more complicated to be answered when it comes to bilateral free trade agreements in particular.

Whether preferential trade agreements are ultimately conducive to multilateralism or not, it is undeniable that regionalism expanded simultaneously with multilateralism in the past couple of decades though different regional agreements have different forms and degrees of integration

and take discrete paths (Hart, 1999). Scholars have attempted to account for the origins of the rising preferential regionalism or preferential trade agreements in general from various perspectives. Pure economic analyses mainly focus on the perceived economic benefits of free trade agreements in terms of trade creation, investment expansion, and emergency financial support (Aggarwal, 2006: 8-9). Standard neoclassical trade theory tends to find a motive for free trade in cross-national comparative advantage whereas new trade theory emphasizes national specialization by industry to account for the promotion of trade. (Krugman and Obstfeld, 1997). Still, neither of the two offers direct explanations for why countries would choose preferential trade agreements (Koo, 2006: 155). Frankel (1997) provides an alternative explanation, the so-called gravity model, for the formation of regional trade agreements as natural trading blocs. He argues that geographical proximity reduces costs from transportation, time lapse, and cultural unfamiliarity, and is conducive to regional trade blocs. None of the economic analyses, however, take into account actors seriously. The calculation of economic incentives is important, but it means little without considering who makes the calculation and economic policy decisions based on that. In short, the foregoing economic approaches are far from providing an answer to what caused the rise of preferential trade agreements.

Beyond naïve economic analyses, the most elementary and general explanation for the resurgence of preferential regionalism is the impact of external world economic changes on domestic policies. While it is generally agreed that national economies are not insulated from the influence of the world economy, Schirm (2002) theorizes it particularly to address the causes of regionalism by attributing states' preferences for new regionalism to the impact of global markets on domestic policies and national economies. He argues that global markets make national governments' inward-looking interventionist policies unviable and stimulate national

preference for regional agreements as an economically efficient and politically acceptable measure of liberalization. Though Schirm does not delineate the general background of regionalist liberalization incorrectly, his explanation deals with a partial and superficial picture of the resurgence of regionalism rather than its pivotal determinants. It is undeniable that global market pressure has prevailed all over the world. However, the pressure has varied across regions and countries and did not generate regionalism everywhere in the same structure, pace or path. In a more sophisticated analysis with the concept of go-it-alone power, or the winners-and-losers dimension of international power politics, Gruber (2001) observes that the initial institutional trade cooperation of certain states restricts options available to other potential participants and leaves them no choice but to join the cooperative system as losers. Gruber's explanation is valid for the expansion of regional trade agreements in terms of contagious dynamics to some extent, but it does not address what actually constitutes the original development of regionalism. In short, the external economic perspective serves only to illustrate general circumstances that are conducive to the rise of regionalism.

In a similar vein but in a dimension of international strategic interaction, Mansfield and Reinhardt (2003) ask why preferential trade agreements have spread in the midst of the unprecedented development of multilateral system. They argue that the GATT/WTO itself has stimulated the formation of preferential trade agreements within the system. They maintain that states enter preferential trade agreements to increase their bargaining power in multilateral trade negotiations and to establish insurance against the adverse consequences of the WTO or its stalling. That is, preferential trade agreements are an insurance or back-up policy. While this observation may be largely accepted, especially for the recent resurgence of bilateralism which Mansfield and Reinhardt do not include in their analysis, it only provides the overall conditions

of international trade system which may be associated with the proliferation of preferential regional trade agreements, like the aforementioned economic explanation. It does not seriously deal with the determinants or actors that actually made the trade agreements happen under the widespread influence of the WTO.

Another exogenous approach focuses on political-military factors. As an attempt to combine neoclassical trade theory with international politics, Pollins (1989a, 1989b) argues that trade flows are significantly influenced by political conflict and cooperation between nations because importers take account of political as well as economic factors in their utility functions in order to “minimize risks of disruption in supply or the possibility of hurting friends or aiding foes” (Pollins, 1989a: 465-466). With even more emphasis on the political-military aspect of security externalities, Gowa (1994) contends that political-military alliances have a direct positive effect on free interstate trade because trade with an ally produces a positive externality whereas trade with an adversary generates a security diseconomy. While both Pollins and Gowa prove that political-military objectives may be significant to the selective promotion of international free trade, they do not examine specific causal relations but only a general association between power politics and the degree of free trade. They actually do not even deal with free trade agreements per se which are much more institutional than the simple degree of free trade. What is more problematic is that this approach is grounded on solid rational choice, in which states are treated as unitary actors who make decisions based on the pure economic logic of Pareto-optimality. That is, the approach of security politics fails to explain possible within-state or domestic power struggles in the process of decision makings.

As opposed to the aforementioned exogenous approaches, some scholars focus on endogenous factors, or domestic political situations. One domestic approach is interest group

politics explanation, which attaches great importance to pressures from domestic groups that are stakeholders in preferential trade agreements. That is to say, trade policy such as preferential trade arrangements is determined by the lobbying of concentrated interest groups (Krishna, 1998: 244). Milner (1997) argues that regional trade agreements reflect a rational response of political leaders to domestic pressures from general consumers and private interest groups, especially firms. He maintains that since political leaders rely on their voters to remain in power, they are pressured to improve consumer surplus to obtain more public votes and, at the same time, to satisfy firms to secure campaign contributions as well as the vote. That is, regional trade agreements are devised as a policy instrument to appease both consumers and firms according to specific industrial circumstances in a given nation. In particular, when there are conflicting domestic pressures from protectionist interest groups and non-protectionist publics, international trade agreements may be a solution for leaders partly because the public cannot exactly know whether a reduction in their economic welfare is caused by an exogenous economic shock or by government's excessive protectionism (Milner, Rosendorff and Mansfield, 2004). In a similar vein, Chase (2003) argues that producers support trading blocs when an integrated regional market enables them to take advantage of economies of scale in production and production sharing across borders in intermediate goods. The interest group politics approach contributes greatly to explaining the differences of preferential trade agreements that derive from the diverse characteristics and interests of economic actors across countries. Unfortunately, most existing studies including the works mentioned above still remain at an abstract level of analysis. They do not pay sufficient attention to the substantive political power struggles, but leave actual narratives around lobbying as a black box.

Another endogenous approach brings political leadership and institutions into focus. Emphasizing the autonomous and proactive aspect of nation-states, this approach takes seriously into account nation-states as the ultimate decision-making authority. Some scholars in this approach particularly appreciate the preferences of individual political leaders as decision makers. Responding to Mansfield, Milner and Rosendorff's (2000) finding that democratic pairs tend to agree on lower trade barriers than mixed pairs of a democracy and an autocracy, Dai (2002) argues that regime types alone are not sufficient to account for the level of trade liberalization, and that aggregate trade barriers depend on political leaders' liberal, moderate or protectionist tendencies. That is to say, trade agreements reflect "economic, political and strategic objectives that policy makers have in mind, as well as the macro-level international constraints they face" (Aggarwal and Espach, 2004: 5). One misgiving about this approach is the simplifying assumption that the state is unitary and rational. It does not sufficiently consider internal dynamics within the state as an institution or a set of institutions. Another problem, which is shared by the interest group politics approach, is that interactions between the state and domestic groups are not fully taken into account partly because they are often not equally perceived as separate, if interdependent, actors that are constantly contesting or cooperating with each other.

The aforementioned various approaches to the origins of preferential trade agreements, mostly regionalism, provide some foundation for explaining the prevalence of bilateral FTAs around the turn of the 21st century. However, the recent surging bilateralism is too distinct to be regarded simply as part of regionalism that arose in the mid 1980s. It is true that it is not easy to completely separate the two phenomena because many bilateral agreements are regional and regionalism sometimes develops from bilateral agreements. This is also why the concepts of

preferential, regional and bilateral agreements are often used interchangeably or without clear lines among them. Still, the recent surge of bilateral FTAs deserves special attention since they go beyond the scope of regionalism and have become the keynote of commercial policy. Most basically, in spatial terms, the recent proliferation of bilateral FTAs expands the scope of free trade from intra-regional to inter-regional integration. The new bilateralism connotes “a shift from the traditional concept of “regional integration” among neighboring countries, a core element of previous regional trade agreements waves, to preferential partnership driven by strategic political and economic considerations that are unrelated to regional dynamics” (Fiorentino, Verdeja and Toqueboeuf, 2007: 2). For they are not limited to regional neighbors sharing in common underlying social values, they risk cultural as well as physical distances. In a similar vein, the number of FTAs between developed and developing countries has been increasing, and to a lesser extent, the number of FTAs between developing countries (Cernat, 2005: 2-3; Crawford and Fiorentino, 2005: 6-7; Fiorentino, Verdeja and Toqueboeuf, 2007: 9-11). This reflects particularly the increasing adoption of reciprocal arrangements by developing countries and, therefore, the further displacement of non-reciprocal, non-discriminative trade system (Fiorentino, Verdeja and Toqueboeuf, 2007: 2). Though regionalism and bilateralism may be considered similar in that both adopt a form of preferential trade agreement as opposed to multilateralism, regionalism generally pursues trade liberalization still based on non-discrimination among members and what Keohane (1986) calls diffuse reciprocity (Dent, 2003: 12). On the contrary, bilateral FTAs around the turn of the 20th century, which arose as an alternative to the two conventional ways of trade liberalization, tolerate or include a substantial level of discrimination and protectionism through specific reciprocity, “the simultaneous balancing of specific quid pro quos by each party with every other at all times,” whether it may

lead to multilateral global liberalization or not (Ruggie, 1993: 11). Another important feature of the recent bilateralism is comprehensiveness going beyond the reduction of tariffs and trade barriers on goods (Alvarez, Clarke and Silva, 2005; Cernat, 2005; Fiorentino, Verdeja and Toqueboeuf, 2007: 13). It increasingly, not uniformly, includes “liberalization of services, investments and labor markets, government procurement, strengthening of technological and scientific cooperation, environment, competition-related provisions (CRPs) or monetary and financial integration” (Cernat, 2005: 3). The increasing emphasis on non-goods provisions particularly reflects increasing FTAs between developed and developing countries, in which the former impose a broadened scope of FTAs on the latter. In short, the recent resurgence of bilateral FTAs shows different characteristics from existing regionalism, not only from GATT- or WTO-governed multilateralism.

Recently, a few studies, among other numerous reports that estimate the economic profit and loss of individual FTAs, have specifically addressed the rise of bilateral FTAs around the turn of the 21st century. As an attempt to explain the emergence of Asia-Pacific bilateral FTAs from the late 1990s, Dent (2003) argues that the incapacity of the WTO, the Asia-Pacific Economic Cooperation (APEC)¹ and the Association of Southeast Asian Nations (ASEAN)² to push ahead trade liberalization in the Asia-Pacific in the face of the 1997 East Asian financial crisis induced many of the region’s states to turn to bilateral FTAs as an alternative trade strategy. For the same issue, Ravenhill (2003) does not consider only the increasing weakness of existing multilateral and regional institutions, but also includes the positive demonstration effects of bilateral arrangements elsewhere and, to a much lesser extent, the changing configurations of

¹ Currently it consists of 21 member economies: Australia, Brunei Darussalam, Canada, Chile, People’s Republic of China, Hong Kong, Indonesia, Japan, Republic of Korea (South Korea), Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Chinese Taipei, Thailand, The United States, and Viet Nam.

² Currently it consists of 10 member states: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

domestic interests. Manger (2005) focuses on the last point of Ravenhill's explanation and argues that in the face of the growing importance of foreign direct investment and the increasing internationalization of production, multinational firms lobby their own states for preferential agreements in order to bolster or defend their competitiveness and to solve or prevent the problem of being discriminated on FDI in the host countries. Pang (2007) incorporates security exigencies as an important factor as he explains the conclusion of the U.S.-Singapore FTA. He observes that both countries intended to embed strategic security policies into the FTA to maintain or reinforce their regional influence. These studies are important in that they pioneered and brought into focus the recent rise of bilateralism as more than just part of the preferential trade agreements of the mid 1980s on. However, they do not seem to have comprehensive and systematic analysis. The failure of international institutions itself is not enough to offer the immediate forces behind the turning to bilateralism. Positive demonstration effects of some FTAs may be offset by negative demonstration effects of other FTAs such as the Australia-United States FTA, known as a seriously lopsided deal for damaging Australia's national institutions, especially quarantine and pharmaceutical benefits scheme, which used to promote national prosperity and provide social protection (Weiss, Thurbon, and Mathews, 2004). Domestic interest groups are represented not by a single but by multiple tendencies and preferences, and national security remains rather a secondary than a central driving force. Above all, the existing studies solely focus on the issue of what made states turn to bilateral FTAs, and not on the process leading up to the conclusion and implementation of the FTAs. These two stages of FTAs, initiation and negotiation, may have different dynamics and the varied involvement of the actors.

The underlying assumption of most existing literature on recent bilateral FTAs is that FTAs comply with so-called “neoliberalism” in that they promote increases in international trade by lowering tariff and non-tariff barriers. However, the concept of neoliberalism is very vague and murky in the assumption, and yet bilateral FTAs are simply alleged to pursue trade liberalization that the ideology of neoliberalism highlights. This is partly because bilateralism surged in tandem with the stalemate of multilateralism in the midst of the expansion of the ideology of neoliberalism and was expected to facilitate international trade. Unfortunately, the nature of bilateral FTAs was not well examined yet.

In the midst of the incipient discourse of bilateralism, Aggarwal provides a fairly comprehensive framework for analysis of bilateral FTAs beyond their origins. Before the rise of bilateralism, Aggarwal (1998) created a notion called institutional bargaining game in analyzing the changes of international institutions, which consists of three interrelated elements: the types of goods; the individual situation of actors, defined by their international power position, domestic coalition, and elite ideologies; and existing international institutions. Aggarwal and Fogarty (2004) and Aggarwal (2006) extend the notion to explaining the origin, evolution, and impact of interregional and bilateral agreements. Aggarwal’s institutional bargaining game forms a useful framework for examining bilateral trade agreements in that it maps power struggles behind them. Unfortunately, he does not develop his analytic framework into a deep investigation of various empirical cases, but remains at the superficial level of case studies so as to generalize his framework. He does not really show the process of power struggle even if he acknowledges its presence. What he does or intends through his framework is a retrospective identification of the involved factors by looking at the final characteristics of trade accords rather than directly looking into the processes leading up to the final accords. This may be because he

focuses on the linkage of the new institution of bilateral FTA with existing trade institutions. In addition, Aggarwal does not fully take into account sectoral struggles. Though he includes domestic interest groups, he does not closely examine the political coalition or contention of different sectors mostly with the state, which varies depending on the country with which the trade agreement is being made.

For an exception, Krever (2006) addresses the process of negotiations leading up to the signing of an FTA. With the case of an FTA between Australia and the United States, he observes that even after the Australian government found that it would not be able to achieve its original goal for the FTA, or an increase in access to the U.S. market for Australian agricultural products, the partisan political goals of the Liberal-National Coalition government such as the enhancement of Australia's strategic political relationship with the United States pushed the government to conclude the treaty though it might not be positive to the national interest. Krever's study, however, is far from a full-fledged analysis and sheds light only a partial aspect of the process, the congress-level partisan politics.

In my dissertation, I focus on the recent surging bilateralism as opposed to existing regionalism and WTO multilateralism, especially its processes leading up to the conclusion and implementation since entrance into the negotiation. This is reasonable for understanding how globalization unfolds through the most recent phenomenon of economic integration because the dynamics of negotiation processes and the relevant struggles may be different from the dynamics that motivates the state to turn to and initiate bilateral trade policies and also because the former may demonstrate the actual and specific features of bilateral FTAs per se better than the latter. That is, the focus on the process as opposed to the initiation of bilateralism relates to how a trade paradigm actually functions and develops; therefore, it provides another important insight on

how globalization develops. Still, I do not neglect but address the initiation of bilateralism before I discuss its processes, and in so doing, I find the potential changes of dynamics before and after the initiation of bilateral FTA negotiations.

Finally, my approach, interstate and intrastate power struggle, is particularly valuable to accurately comprehend the development of bilateralism, and conversely, the analysis of bilateral FTA negotiations itself also proves the advantage of the approach. Bilateral FTAs generally involve two state-level parties, which generate power struggles between them in order to secure more profit out of the deal. They also entail struggles between states and their domestic sectors because bilateral FTAs usually target particular sectors which may be vulnerable in relation to the FTA partner. Domestic struggles may vary according to the sectoral interests of the partner country. In short, a process leading up to the finalization of a bilateral FTA proves a showcase that recent globalization proceeds through complex interstate and intrastate power struggles.

Hypotheses

1. *The entrance of a national economy into the new phase of so-called “neoliberal” globalization, or the resurgence of bilateral FTAs, is a coordinated and voluntary action of the participating nation-state rather than a simple response to international pressure.*

What is the main driving force behind the surge of bilateral FTAs, that is, what caused the state to begin aggressive FTA-oriented policies around the turn of the 21st century?

Bilateral FTAs may be initiated under pressure from trade powers because relatively more powerful nations are likely to obtain more profit through FTAs. However, the apparent disparity of power is rather a background to the FTAs. They begin with a coordinated and voluntary action of each participating nation-state. That is, the entrance of national economies

into bilateral FTAs is not so much a simple reaction to immediate exogenous pressure about market opening as an outcome of deliberate state decision reflecting domestic as well as global political economy. Therefore, a shift of trade policy line to bilateral FTAs is an elaborate state initiative to continue, remodel or take advantage of the existing sophisticated combination of domestic and global institutions.

2. The power of the state relative to the partner state affects its strategies a) for negotiating with the partner state and b) for cooperating, contending, or compromising with its own domestic social forces.

Since the initiation of FTA negotiations, how do processes leading up to the conclusion of FTAs develop, as opposed to the initiation of negotiations? What actors are involved in the negotiation processes through what kinds of interactions? That is, what are the driving forces and how do they function in the negotiation processes, as opposed to the initiation of the FTAs?

In FTA negotiations, the state does not only wrestle with its negotiation partner state, but also cooperates or contends with its domestic sectors. In the positive or negative compromise with domestic sectors, the state under varied open or tacit pressure from the partner state may take different strategies in appeasing the domestic sectors and not breaking off negotiations. Interstate power disparity may induce the state to publish the results of FTA negotiations in a deliberate manner. The state is the main source and controller of information about the negotiations within its own country, and it is able to release the contents of negotiations differently in terms of timing, detail, and emphasis. The relative economic capacity and industrial structure of the state vis-à-vis the partner state is likely to produce unbalanced negotiation results in favor of one party as opposed to the other and in favor of certain domestic sectors. Consequently, the state is induced to strategize the release of the negotiation results in

the way that the state may amplify benefits and abridge losses. This is because the actual negotiation results that reflect relative interstate power are likely to bring about the serious reactions of domestic social forces against the state. Interstate power disparity may also influence state strategies in devising domestic countermeasures or appeasement measures. As the last resort of the disadvantaged sectors, the state is expected to create FTA countermeasures to offset potential losses. In doing so, the state may create different degrees of measures with different attitudes in accordance with the power of the partner state manifested in negotiations. That is, the state is likely to be proactive or reactive in making countermeasures depending on prospective negotiation outcomes.

3. At the same time, the particular configuration of domestic social forces affects state strategies for negotiating with the partner state.

4. The actions of the domestic forces vary depending on their counterparts in the partner country and its own domestic socio-political circumstances.

The way in which domestic economic and social configurations are structured may influence the strategies of the state to contend with its partner in negotiations. Before the state enters into official negotiations, it usually sets an agenda based on potential national profit and loss in the export and import sectors. The export sectors have stronger power than the import sectors because those are the primary sources of national economic prosperity. For the same reason, they tend to receive greater support from the state than the import sectors. The state takes into account its domestic industrial map and decides what to demand or defend from the partner state in negotiations. This is not to say that every state has an obvious industrial policy like the developmental state used to have, but every state has some measures to promote, protect or support its domestic industries against the overseas counterparts. The export sectors include

some multinational corporations, which may be less qualified as domestic actors due to their cross-national operations. However, the multinational corporations still maintain a large proportion of manufacturing plants in their home countries, and their future attempt to expand localization through overseas subsidiaries may benefit from FTAs in that the FTAs prevent potential discrimination against their direct investment in the partner countries. Also, even the localization of production or sales through overseas subsidiaries entails the return of part of their profit to the headquarters in the home countries.

In addition to the existing, static configuration of domestic forces, their ongoing actions or reactions may induce the state to revise its initial agenda of FTAs or its attitude of articulating the agenda so that the state can respond to the immediate demands or, at least, give such impression. The weak sectors tend to react relatively late and intensely by means of conspicuous demonstrations and protests whereas the strong sectors tend to act early and proactively through inconspicuous lobbying. The actions of the domestic sectors may encourage the state to be more aggressive or defensive in FTA negotiations though it may also depend on relative interstate power. What is important is that the domestic sectors may not respond to different FTA partners in the same way. They may behave differently in accordance with the conditions of their counterparts in the partner country and also the domestic socio-political circumstances in relation to the particular sectors. In other words, the complementary or competing relationship of the sectors across FTA partners and their socio-political significance within their own countries may shape how similarly or dissimilarly they would react in the face of different FTA partners. As a result, the dynamic features and leverage of domestic forces may influence state strategies to deal with the FTA partner at the negotiation table.

5. FTA negotiations reinforce the disparities of economic power across domestic forces though they may entail a counter effect in political power and strengthen weak sectors.

How do FTA negotiations affect existing power structures domestically as well as internationally?

An FTA is a negotiation between two or more countries for enhanced economic efficiency and profits, and it may well be a process to reinforce their relative position in the global economic hierarchy and the international division of labor. However, an FTA is also a process to further domestic sectoral power inequalities that have already existed. It brings distant sectoral interests into focus, provokes intense strife from the weak sectors, and produces compensation measures to settle the strong disagreement. This process further undermines the economic power of the weak sectors because they eventually concede to economic restructuring. On the other hand, it may strengthen their political negotiation power depending on their non-economic significance in the home country by providing them with a motive for systematic reorganization. In other words, an FTA negotiation involves domestic power struggles through which existing economic power inequalities are reinforced while political power disparities may be alleviated. Still, the imbalance of economic power may override that of political power in the long term or in the times of economic downturn.

6. The resurgence of bilateral FTAs is a political process driven by the multilateral, complex interactions of various national entities, namely states and different sectors, which tends to lead to sectorally compromised and controlled trade promoting renewed mercantilism.

7. The state remains the most central actor in the multi-interactions with domestic and international actors.

Do bilateral FTAs reflect the further demise of states and the purely deepening liberalization of international trade? How do they affect the evolution of the state?

Recent bilateral FTAs prove that globalization and nation-states do not form a dichotomous and contesting relationship, but that globalization itself is a process of dynamic, complicated interactions between states and domestic sectors. FTA negotiations and struggles, which mainly center on sectoral specificities, tend to pursue a limited and mutually acceptable level of free trade rather than unlimited, full free trade. This trend reveals a self-contradiction that bilateral FTAs, allegedly representing “neoliberal” institution, promote renewed mercantilism through sector-oriented trade promotion and control. Meanwhile, different states may well have different forms and degrees of evolution depending on their existing characteristics. They rather utilize FTAs as one way to maintain its power and remain as the most influential actor in the integration of their economies into the world economy.

Chapter 3: The road to the surge of bilateral FTAs in Korea in the 21st century

In this chapter, I discuss the historical path that Korea took leading up to the policy of bilateral FTA. In the mid-1990s, Korea officially broke with the developmental state model that it used to subscribe to for over 30 years. Especially in the aftermath of the 1997 financial crisis in Asia, Korea adopted a series of so-called “neoliberal” economic policies imported from advanced economies. . However, the alleged “neoliberal” policies that the Korean state adopted turned out to be an institutional disguise, in which the practices of the old developmental state continued.

Defining Neoliberalism

Neoliberalism emerged as a revised political project of classical liberalism in the First World in response to the economic misfortune of the second half of the 1970s when the Bretton Woods system had already collapsed (Campbell, 2005: 191; Lapavistas, 2005: 33). Originally associated with Margaret Thatcher in Britain in 1979 and Ronald Reagan in the U.S. in 1981, following the 1979 Volcker Shock, the underlying contention of neoliberalism was that “states should be rolled back” and “leave economies to the efficiency of market forces,” signifying an official break with Keynesian state politics (Kiely, 2005: 95). In 1989, it was codified in the form of standardised economic policy prescriptions in relation with the crisis-wracked South, especially Latin America, through the Washington Consensus. Representing the views of the U.S. Treasury Department, the IMF, and the World Bank, the Consensus generally featured the three fundamental principles of privatization, deregulation and liberalization under the mantra of “getting the prices right” (see Williamson, 1990, 2003).

By the early 1990s, neoliberalism under the Washington Consensus was not delivering on its optimistic promises of economic growth, and finally, the Asian financial crisis in the late 1990s induced a shift to the expanded neoliberalism of the so-called post-Washington Consensus. In the 1997 *World Development Report*, the World Bank provided the theoretical basis for the post-Washington Consensus, arguing that an effective, not minimal, state is critical to economic and social development as a complementing partner and facilitator of the market (World Bank, 1997: 27). In the same vein, Joseph Stiglitz, then Senior Vice-President and Chief Economist of the World Bank, argued in the 1998 World Institute for Development Economics Research Annual Lecture that effective state regulation is necessary to foster the competition and efficiency of the market (Stiglitz, 1998). Following suit, the IMF also began to pay attention to the regulatory mechanism of the state, in the financial sector particularly (Fischer, 2001). Still, the post-Washington Consensus did not go against the underlying principles of the Washington Consensus as Stiglitz himself stated “once it has performed its catalytic role, the state needs to withdraw” (Stiglitz, 1998: 26). However, it acknowledged the importance of regulatory institutions in economic activities to some extent.

While neoliberalism problematizes the state, it cannot but involve certain forms of governance that encourage institutions and individuals to conform to the norms of the market, i.e. “market governance” (Larner, 2000: 12). Peck and Tickell (2002) expound the modification of neoliberalism in the 1990s as a shift from “roll-back” to “roll-out” neoliberalism. They argue that neoliberalism evolved from the state-authored destruction of Keynesian institutions as a way of creating the rules of interlocal competition to the purposeful construction of alternative regulatory institutions. After all, neoliberalism reaffirms the inevitability and legitimacy of the state institutions to secure the market order (Gamble, 2006).

As Polanyi (2001[1944]) established, markets can never exist and stand on their own without state intervention. Markets are always embedded in the legal, political and ideational frameworks of the state (Block, 2003, 2007). The state always plays a major role in constituting markets; therefore, the state and market economy are not analytically separate realms (Block, 1994; Block and Evans, 2005). This logic certainly applies to the current era of globalization. Vogel (1996) argues that the state is hardly overwhelmed by international market pressure but reorganises its control over private sectors by combining liberalization with re-regulation under the rubric of deregulation, i.e. “freer market, more rules.” Similarly, Levy (2006) argues that contemporary globalization has brought about the redeployment of state initiatives, not the erosion of state activism, in forging policies and regulations, both corrective and constructive, in a new market-supporting orientation.

For the current research, I define neoliberalization as depoliticization, along Burnham (1999, 2001), Krippner (2007), and Lim (2012). Burnham (1999, 2001) describes such state activism based on new regulations as depoliticization, a rule-based, still highly political, governing strategy, as opposed to politicization, a discretion-based governing strategy. In the depoliticized system, the state elite maintain arm’s-length control over critical economic processes while benefiting from its distancing effect. Krippner (2007) employs the concept of depoliticization to explore the evolution of the U.S. monetary policy, and argues the Federal Reserve’s embrace of transparency represents a “neoliberal dilemma” that transfers policy implementation to markets while continuing to regulate markets to achieve closely calibrated economic outcomes. The notion of depoliticization is particularly adequate when it comes to Korea’s neoliberalization. Neoliberalization may be defined as a new accumulation project of state and capital where the former is more supportive of the latter than any time before. In Korea,

however, this practice is what the old developmental state used to do for decades, albeit in a different way from now. A better definition of neoliberalization in relation to Korea is the removal of the arbitrary political influence or leverage of the state from the economic sphere (Lim, 2012).

The Regulated Korean Economy until the End of the 1980s

The developmental state in Korea first emerged at the beginning of the 1960s as the focus of economic policy shifted from post-war reconstruction to industrial development. Korea's economic policy in the 1950s aimed primarily at overall economic reconstruction through import-substitution industrialization, that is, the reconstruction of infrastructure and industrial facilities that were destroyed by the Korean War (1950-1953). In the face of slow economic growth due to the late 1950s' stabilization policy and the projected reduction of aid from the United States at the turn of the 1960s, the military regime of General Chung-hee Park, which seized power through coup d'état in May 1961, initiated the establishment of an institutional framework for industrial development under the new goals of export-oriented industrialization and rapid economic growth. A couple of months after the coup d'état, the Economic Planning Board (EPB) was established, which soon became the key actor of Korea's economic miracle with the then Ministry of Trade and Industry. The EPB launched the First Five-Year Economic Development Plan (1962-1966), which became the starting point of the traditional state-planned industrial development up to the early 1990s when the New Five-Year Plan for the New Economy replaced the 7th Five-Year Economic Development Plan in 1993.

In the 1970s, the Korean state reinforced the state-led economic development by turning its focus from light to heavy industries. The main goal of Korea's economic policy in this period

was the development of the heavy and chemical industries, still maintaining the keynote of export promotion. The Third Five-Year Economic Development Plan (1972-1976) introduced the term of “heavy and chemical,” and finally in 1973, the Heavy and Chemical Industries Promotion Plan (HCI Promotion Plan) was launched. The HCI Promotion Plan began with six key industries of steel, nonferrous metal, machinery (including automobile), shipbuilding, electronics, and chemical industries, and in the Fourth Five-Year Economic Development Plan the focus was narrowed down to machinery, electronics, and shipbuilding (Lee, 1991:432-435). In tandem, in 1975 the government created and supported a group of General Trading Companies (GTCs) consisting of the trading subsidiaries of the large corporations that were important agents for the HCI Promotion Plan. Meanwhile, the role of the government as a guarantee for foreign borrowings continued in the 1970s. Almost 95 percent of all medium- and long-term foreign loans were guaranteed by the government in the 1960s and 1970s (Huer, 1989:168). At the same time, every borrowing still had to be approved by the government, and the government continued to monitor the performance of the borrowers. As a result, the push for the heavy and chemical industry in the 1970s yielded a legacy of distorted credit markets, overly-indebted firms, and a high concentration of industrial power (Smith, 2000:92). Thus, over the 1960s and 1970s, the Korean state was reborn and consolidated as an exemplary developmental state with strong initiative, effective discipline and productive support for the operation of the private sector, particularly future *chaebols*, through corporatist relations (Wade, 1990; Amsden, 1989).

By the time the Korean economy was approaching the 1980s, it was experiencing serious external and internal problems. The second oil shock in 1979 and the world economic downturn were harsh on the Korean economy. In addition, the intensive support of the

government for the heavy and chemical industries discouraged technological innovation as the government guaranteed profit in the private corporate sector without push for higher technology and productivity (Lee, 1991:453-454). These problems together led to the reconsideration of the role of the government in national economic development and to a new line of industrial and financial policy: liberalization.

Financial liberalization was the most important mechanism for the first step toward a private sector-led economic development in Korea. The interest rate gap between policy loans and general loans, or the preferential interest rate for strategic industries or exports, was officially abolished in 1982, and commercial banks were privatized in the early 1980s. As the Korean economy ran a large trade surplus in the second half of the 1980s owing to the high Japanese yen against the U.S. dollar following the Plaza Accord in 1985 as well as low oil prices and low international interest rates, the Korean state attempted to further the liberalization of the financial sector by putting pressure on the Bank of Korea to reduce policy loans.

While the financial system went through liberalization in the 1980s for the first time in Korean history, however, it was still under the strong influence of the government in terms of credit allocation (Smith, 2000:106; Dalla and Khatkhate, 1995). The financial liberalization was largely limited to interest rate deregulation. Throughout the 1980s, policy loans continued to account for approximately 60 percent of the total commercial bank loans, and this indicates that “even though the [Korean] government no longer owned the commercial banks, it did influence their credit allocation through various administrative measures” (Lee, Lee, and Lee, 2002:21).

Rash liberalization of the Korean state in the 1990s leading up to the economic crisis in 1997

Around the turn of the 1990s, the Korean economy faced a severe problem in sustaining the strategy of export-led growth. The deteriorating price competitiveness and the backward technology levels began to hinder Korea from sustaining its economic growth (Kim and Cho, 1999:14-15). The June Struggle, also known as the June 10 Pro-democracy Movement in 1987, and the subsequent surge of organized labor resulted in large-scale wage increases and improvement in working conditions; therefore, Korean firms began to lose their price competitiveness to Southeast Asian and, subsequently, Chinese firms in low-tech, labor intensive businesses. At the same time, the Korean firms were not yet capable of competing with firms from advanced countries in high-tech, capital intensive businesses. The positive effect of the high Japanese yen against the U.S. dollar following the Plaza Accord in 1985, which contributed to the sustenance of Korean exports, was attenuated around the turn of the 1990s.

In the aforementioned deteriorating export conditions, U.S.-educated elites inside and outside the government promoted a neoliberal ideology and neoliberal solutions to the potential but looming export stagnation. Back in the 1980s already, the Korean state included as core economic policy makers many economic technocrats who had been imbued with Anglo-American neoliberal economic ideology through their Ph.D. education in the United States (Woo, 1999:190-191). The neoliberal economic cause, which was slowly adopted in the 1980s, found a reasonable justification at the turn of the 1990s through a domestic consensus among elite bureaucrats and the support of *chaebols*. In March 1990, the Korean government introduced the Market Average Exchange Rate System, in which exchange rates were allowed to fluctuate with a daily band according to daily supply and demand in the foreign exchange market. In 1991, the government undertook a four-step liberalization of interest rates in the domestic financial market. In the same year, it also amended the Foreign Exchange Management Act so that the positive

system of foreign exchange activities was replaced by a negative system to permit basically all activities except those specified. In 1992 the government allowed foreign investors to purchase domestic listed stocks, albeit no more than 3 percent of the shares of each company per individual investor and 10 percent in aggregate (Park, 1996:251).

The liberalization reform accelerated on a large scale as the first civilian President in Korean history, Young-sam Kim, was inaugurated in February 1993, after a series of military dictatorships beginning with Chung-hee Park in 1961. Shortly after the inauguration, the Kim administration promulgated the short-term ‘100-Day Plan for the New Economy,’ which was soon followed by the long-term pro-market ‘New Five-Year Plan for the New Economy.’ The launching of the ‘New Five-Year Plan for the New Economy,’ which replaced the 7th Five-Year Economic Development Plan, was particularly significant because it put an end to the longstanding tradition of strongly centralized investment coordination by abolishing the ‘Five-Year Economic Development Plan’ which began in 1962. In 1994, in the name of government rationalization, the Kim administration also merged the then supreme planning authority, the Economic Planning Board (EPB), with the Ministry of Finance (MOF) to form the Ministry of Finance and Economy (MOFE), which again “symbolized the demise of ‘planning’ in Korea” (Chang, 1998: 1558; Chang, Park and Yoo, 1998:739-740). In tandem with the abandonment of the long-standing economic planning, the administration expedited the dismantling of selective industrial policies, which led to the decline of investment coordination mechanism and finally to deepening overinvestment in certain industries: for instance, the expansion of Hanbo in the steel industry and the entry of Samsung into the auto industry (Chang, Park and Yoo, 1998: 740-741).

The expedited liberalization of the Kim administration played a critical role in increasing the exposure of domestic financial institutions to foreign exchange risks in the 1990s. Along with

the ‘New Five-Year Plan for the New Economy,’ President Young-sam Kim unveiled the ‘Financial Liberalization and Market Opening Plan’ in 1993 to actively promote the opening of the capital market and the foreign exchange market. The plan was basically to further interest rate liberalization, banking deregulation, foreign exchange liberalization, and capital transaction deregulation. The liberalization process was particularly expedited by the government determination to join the OECD by 1996. *Chaebols* supported as well as pressured for the decision since it would be helpful for them to access the advanced markets of the global North. To satisfy the expectations of the OECD, the Korean government hastened the liberalization process without careful consideration of the economic conditions of the time, in spite of criticism from inside that it was premature for the Korean economy to join the OECD (Lim, 1998:362-363).³ The government relaxed restrictions on short-term foreign borrowing by financial institutions while maintaining strict controls on long-term foreign borrowing, which resulted in a drastic increase in the short-term foreign debts of financial institutions for financing the aggressive investment drive of *chaebols* as the economy entered a boom in 1994 (Hahm and Mishkin, 2000:21; Choi, Jen and Shin, 2000:2). In addition, the government newly licensed 9 and 15 merchant banks in 1994 and 1996 respectively, four times the total number of existing merchant banks before 1994, without prudent supervision, which caused a severe imbalance in the maturity structure between borrowing and lending: 64 percent of the foreign borrowings of merchant banks were short-term while 80 percent were lent as long-term loans (Chang, 1998:1558). Though President Kim’s liberalization policies happened against a backdrop of international economic changes such as external pressure from the United States since the late 1980s, increasing international competition at the turn of the 1990s, the Japanese yen’s

³ Korea became a member of the OECD in December, 1996, and that itself was another justification for further liberalization.

depreciation in 1995, and falling prices of semiconductors in 1996, the Korean government was proactive in accelerating liberalization in a rather rash manner when its economic system was not mature enough to carry it out.

The Kim administration promoted the liberalization project with support from the private corporate sector, or *chaebols*. As they became financially more self-sufficient and self-confident owing to the positive trade balance of 1986-1989 and recognized the potential benefits of liberalization, *chaebols* turned in favor of liberalization (Kong, 2000:153-154). In fact, the *chaebols* expected to borrow cheaply from foreign sources to finance their business expansion because U.S. and Japanese interest rates were lower than domestic interest rates (Kong, 2000:30-31). Also, the Kim administration, which was concerned about decreasing investment in manufacturing, the backward technological level, and weakening international competitiveness, needed the cooperation of *chaebols*. While the government anticipated an inflow of foreign direct investment and new technology through liberalization, it also expected and encouraged *chaebols* to reinforce their own investment to cope with the serious negative growth of equipment investment in late 1992 and the early 1993 (Gills and Gills, 2000:33-35).

Meanwhile, the Kim administration promoted labor market liberalization by revising labor laws. The government, which had been postponing the revision of the labor laws in spite of pressure from labor, finally undertook the revision process in 1996 as joining the OECD was approaching. In order to join the OECD to eventually facilitate the inroads of domestic firms into foreign markets, the Korean government had to better comply with the labor standards of the International Labor Organization (ILO), especially in the labor laws that infringed on workers' rights to organize, including prohibitions on multiple unions, third-party intervention, and government employee's and teachers' unions (Kim, 1996). On the other hand, the private

corporate sector pursued the amendment of labor laws to enhance labor flexibility through employee layoffs, flexible working hour systems and leave systems. Between the two conflicting interests, the government favored labor market flexibility for labor cost reduction while it enhanced to a rather limited extent the labor rights of workers regarding collective activity and working conditions (Shin, 2003:160-165). That is, the labor policy over the period leading up to the 1997 economic crisis contributed to the further deregulation of business and the expansion of *chaebols*.

Through a rapid progress of the liberalization policy of the Kim administration under the rubric of *Segyehwa* (*globalization* in Korean), the Korean economy experienced a dramatic change from the longstanding, successful tradition of the developmental state. Chang and Evans (1995) state that “the dismantling of the developmental state was effectively finished ... by about 1995” (Chang and Evans, 2005: 115). The strong intervention of the Korean state in the entire economy seemed to end due to surging neoliberalism promoted by U.S.-educated elites both inside and outside the government in the 1990s. The Kim administration adopted the so-called neoliberal ideology as the most promising response to the changing regional and world economy under the support or the pressure of *chaebols*. Unfortunately, however, the Korean economy was not ready for speedy liberalization, and it should have been accompanied by proper state supervision and *chaebol*’s self-control. The failure of the government in supervising the financial sector and the negligence of the *chaebols* in preparing themselves for increasing financial risks generated the striking moment of the economic crisis in 1997 (Shin and Chang, 2003:65-81).

1997 Economic Crisis and Resurging State Action at the Turn of the 21th Century

The immediate changes that the 1997 economic crisis brought to the Korean economy under the IMF program intensified the alleged neoliberal trend by additional financial liberalization. The structural conditionality that the IMF required the Korean state to implement was based on strong neoliberal market-oriented measures following the doctrine of the Washington Consensus. The IMF urged wholesale reform characterized by liberalization, deregulation and privatization. The reform program was composed of tight monetary and fiscal policies, financial system restructuring, trade and capital account liberalization, corporate governance reform, and labor market reform. Basically, Korea experienced the further apparent retreat of the state for the sake of transparency and efficiency in the immediate post-crisis era.

One thing to note is that the details of the measures were designed by the Korean state, albeit with the consultancy of the IMF, and therefore, they represented the views of the Korean state as well as the IMF. Though the program was designed under pressure from international societies including the IMF and the United States, it was not an IMF mandate unilaterally imposed on Korea but a series of memoranda of the economic program that the Korean government made out to implement with the IMF financial aid package. In fact, the IMF program was publicized in the form of letters of intent from Korea. The Korean government submitted 11 letters of intent to the IMF over the period from December, 1997 to July, 2000, and they included the details of the reforms in all the areas of the Korean economy and even their timelines. That is to say, the IMF program may well describe the *formal* aspects of the upcoming institutional changes in Korea, which would be the extension of the existing liberalization process that the Korean state had been implementing since the 1990s, but this time, under the aegis of a strong international organization, the IMF.

Despite the expansion of so-called “neoliberal” institutions in response to the economic crisis, the Korean state undertook the restoration of its power and capacity in the management of the economy simultaneously. As for the financial sector, the Korean state carried out the 6th revision of the Bank of Korea (BOK) Act on December 31, 1997. This act institutionalized the independence of the central bank from the administration to separate monetary policy from fiscal policy, which meant that the Korean government would no longer manipulate the banking system to accomplish particular industrial policies. At the same time, however, the government created a set of new agencies of financial regulation, the Financial Supervisory Commission (FSC) in 1998 and its implementation agency the Financial Supervisory Service (FSS) in 1999, to take over the function of banking supervision from the BOK and considerably reinforce it and eventually to restore government influence in the financial sector, contrary to their original intention. Meanwhile, the Ministry of Finance and Economy, which was at the center of government restructuring to improve financial efficiency and transparency in the aftermath of the 1997 economic crisis, was scaled down through the 1998 revision of the National Government Organization Act, and some of its functions were transferred to other agencies in order to lessen the excessive influence of the MOFE in overall economic policies and to realize appropriate checks and balances within the government. However, the downsizing of the MOFE did not last long. The MOFE soon began to regain power as the supreme ministry of the Cabinet. In early, 2001, the head of the MOFE was promoted from Minister back to Deputy Prime Minister in three years, and the MOFE reinforced its position in coordinating and arbitrating economic policies across different ministries and government agencies. At the same time, it took over the authority to coordinate external economic policies and financial and corporate restructuring from

the Prime Minister's Office and the FSC respectively; therefore, it resumed virtually the function of macro-economic policy making.

In the private corporate sector, the Korean state took immediate actions to reestablish its control over the operations of *chaebols* through the Big Deal and the Workout programs. The Big Deal program was a government-induced project to address the overlapped investment and overcapacity of the five⁴ largest *chaebols* through mergers and acquisitions (M&A) or business swaps between rival companies in particular industries so as to enhance economic efficiency and international competitiveness. In 1998, the government resolutely promoted several Big Deals and reached Big Deal agreements with the five biggest *chaebols*, in which sixteen companies in nine key industries would swap businesses (Yoo et al., 2000: 128, 157). For the sixth to the sixty-fourth largest *chaebols*, the government devised the Workout program, a bank-sponsored restructuring scheme. This was to liquidate unpromising companies with little feasibility of restoration and to restructure restorable companies by adjusting liabilities and offering financial support. Between 1998 and 2000, the government concluded memoranda of understanding on workout with 76 companies including 12 ex-affiliates of Daewoo after its bankruptcy. Through the Big Deal and the Workout programs, the government also intended to lower the high debt-equity ratios of domestic firms. In 1999, the government announced financial guidelines indicating that all *chaebols* should lower their debt-equity ratios below 200 percent by the end of the year regardless of type of business, and put pressure on creditor banks to promote the redemption of the debt of the *chaebols*. On top of the aforementioned direct guidelines, the government subsequently readopted restrictions on equity investment and loan guarantees between the affiliates or subsidiaries of *chaebols*. In 2001, the government prohibited the affiliates or subsidiaries of *chaebols* with assets exceeding 5 trillion won from spending more

⁴ The five largest *chaebols* at the time were Hyundai, Samsung, Daewoo, LG and SK in order.

than 25 percent of their net assets on purchasing or possessing the equities of other domestic firms,⁵ and the following year, it specifically banned mutual equity investment and loan guarantees between the affiliates or subsidiaries of the same *chaebol*. These restrictions on the investment of *chaebols* were reenacted for the first time since 1998 in which the government abrogated such restrictions to facilitate big deals and to protect domestic firms from foreign investors' negative M&A. Thus, under the mantra of the realization of neoliberal standards in the corporate sector, the state implemented a series of so-called neoliberal restructuring, which actually meant the renewed intervention of the state in inter-chaebol relations and investment against neoliberal free market ideology.

Though the Korean state ostensibly broke the chain of collusive ties with *chaebols* by imposing unprecedented harsh structuring, it did not mean to dismantle the *chaebol* system. Even in 1998, right after the economic crisis, the incoming President Dae-jung Kim clearly said that he had no intention to diminish the power, size or purpose of *chaebols* or to break them up, but he rather wanted to encourage their restructuring by offering various incentives such as tax reductions (Cumings, 1999: 39). In fact, in most legal investigations into the financial and political scandals of the *chaebols*, which were conducted over the years following the 1997 financial crisis, final court decisions were much more lenient than expected. Though the chairmen of the *chaebols* had been sentenced to imprisonment in the early stages of the prosecutions, they were often sentenced to probation in the end. Also, regardless of final sentences, guilty *chaebol* chairmen or executives were usually pardoned long before completing their sentences.

⁵ Currently, the criterion for the regulation is *chaebols* with assets exceeding 10 trillion won, and their affiliates or subsidiaries are allowed to spend up to 40 percent of their net assets.

In the post-crisis period, the Korean state was rebuilding mechanisms to regain its influence on the economy and to redress disordered financial and business practices. In the financial sector, alleged neoliberal reforms such as the revisions of the BOK and the installation of the FSC/FSS represented state efforts to insulate economic activities from political manipulation and secure their proper operation in accordance with free-market rules. Still, when it comes to their actual management, the new institutions reproduced the legacy of the developmental state, or the state as a politicized intervener. In the corporate sector, the Korean state discontinued the visible mechanisms of deliberate support for *chaebols*, and pursued efficiency and transparency of corporate governance in accordance with neoliberal free-market principles. However, the state strategy, which seemed to reflect neoliberal rule-based regulation, soon proved to be a disguise for the lingering relationships of the developmental state. The neoliberalization of Korea in the post-crisis era has produced an incongruous combination of formal neoliberal institutions at a macro level and persistent developmental-state practices at a micro level. In other words, the nature of the so-called “neoliberal” apparatuses in Korea was constrained to a large extent by the legacies of the old developmental state, which yielded to the aforementioned dual syncretic nature.

The Advent of Bilateral Free Trade Agreements in Korea

Meanwhile, free trade agreements (FTAs) began to slowly draw attention in Korea in the 1990s, but not seriously until the economic crisis of 1997. As the United States showed some interest in an FTA with Korea in the second half of the 1980s though it expressed concern about political objections from the Korean people in the 1989 report of the U.S. International Trade Commission (USITC), the Korea Institute for Industrial Economics and Trade conducted

research about potential effects of an FTA with the United States with the support of the Korea International Trade Association in 1989 (see Moon and Bang, 1989). However, the government itself did not have sufficient awareness of FTAs, and the people's hostility against further market opening intensified; therefore, no other research followed up (Cheong, 2008: 221). Instead, the Korean government championed the multilateral trading system of the WTO. The government pointed out the negative effects of regional or bilateral FTAs outside the WTO-pursued multilateralism and emphasized the need for tighter regulations against the proliferation of FTAs in international meetings including the first Ministerial Conference of the WTO in Singapore in 1996. This stance of Korea began to shift as various economic circumstances became more unfavorable toward the end of the 1990s. In spite of the launching of the WTO, regional or bilateral FTAs continued to expand and intensified all over the world, and FTA participants gave preferential conditions for trade to each other. As an economy that heavily relies on exports, Korea faced the increasing risk of being isolated from international trade due to the influence of decreasing tariff and non-tariff trade barriers within different FTAs. Also, the Korean government expected bilateral FTAs to be a stepping stone for multilateralism at the moment.⁶

The historic economic crisis of 1997 played a role of catalyst for the implementation of FTA policy in Korea. In the aftermath of the economic crisis, the Korean state desperately needed to restore its sovereign credit rating by improving the balance of payments and by showing its will and capacity for economic reform, and the FTA policy was very useful for this end (Cheong, 2002: 30-31). In March 1998, the Korean government established the Office of the Ministry for Trade within the Ministry of Foreign Affairs and Trade in order to systematically administer trade policies and negotiations. Through the newly established office, the government

⁶ Interview with Chung, ex-Deputy Minister for Trade, who led the 1st – the 3rd rounds of FTA negotiations with Chile, February 2, 2009.

began to fully examine FTAs at a strategic policy level. The Korean government, especially the Ministry of Foreign Affairs and Trade and the Ministry of Commerce, Industry, and Energy (now the Ministry of Knowledge Economy), began to seriously consider FTAs with several economies such as Chile, Canada, Israel, and South Africa, which had complementary industrial structures to that of Korea. The government also undertook studies on an FTA with the United States though it ended up pursuing just a bilateral investment treaty in fear of the potential collapse of domestic agriculture and the non-complementary industrial structure of the United States. Finally, the Korean government officially decided to promote its first FTA with Chile in November 1998. Since then, the government has attempted to conclude FTAs with economies in various regions in the 2000s, although with some change in its FTA policy. In short, FTAs in Korea came up to the surface as a way to overcome the economic crisis through export growth and foreign investment inducement.

While it is obvious that FTAs would facilitate international trade in both commodities and non-commodities by removing different tariff and non-tariff barriers, they surged in Korea as a systematic effort of the state to rectify rash and ill-advised financial liberalization. FTAs were intended not simply to open its market to foreign economies but to strategically enhance the balance of payments. In doing so, the Korean state had to deal with both its foreign counterparts and domestic forces.

In the surge of the FTA policy in Korea, the helmsman was the state which was capitalist-friendly in nature in its economic history. Though the leverage of the private corporate sector, usually represented by *chaebols* in Korea, increased in the 1990s due to the expansion of the *chaebols* into the world market, the corporate sector was still under the influence of a very strong state. Also, the 1997 economic crisis provided good reasons for the Korean state to tightly

supervise the *chaebols* because they were criticized as the main culprit of the historic catastrophe in the Korean economy. It is obvious that the *chaebols* would welcome the FTA policy of the state since it would help them boost exports when the domestic market almost collapsed in the aftermath of the crisis. However, it was the state that intended this because it was the best and only way for the Korean economy to recover from the unprecedented economic crisis. The *chaebols* were not in a position where they could press the state to shift from multilateralism to the FTA policy though they would benefit most from the FTA policy.

Chapter 4: Initiation of FTA Negotiations with Chile and with the United States

In this chapter, I will discuss the motives that the Korean state had regarding an FTA with Chile and an FTA with the United States respectively. The Korean government did not consider only conventional economic reasons in promoting the FTAs, but it took into account other non-conventional economic reasons, which might reduce the effect of the FTAs, and long-term political reasons. Though the Korean state had a smaller and shorter-sighted vision about an FTA with Chile than about an FTA with the United States, the political reasons affected the decision of the state significantly in both cases.

The motives of the Korean state for the Korea-Chile FTA

The Korea-Chile FTA was a treaty between two countries without overwhelming politico-economic leverage over each other though there was quite a difference in the size of the economies. The GDP of the Korean economy was approximately five times greater than that of the Chilean economy, and the GDP per capital of the former was also about twice greater than that of the latter (World Bank, 2010). However, neither of them was in the top or bottom class of the world economic hierarchy, and they did not have a significant political relationship, either. Korea, which was still attempting to advance to a developed economy and was far behind Chile regarding market liberalization, was not in a position where it was able to take the helm over the process of FTA negotiations with Chile. Although it had a higher level of industrialization than Chile, Korea was backward in agriculture, an important sector in Korea's national sentiment, if not in a real economic sense. Chile was one of the most successful cases of economic development in Latin America. Though it was an economy based on agriculture, Chile achieved

a high level of agricultural technology and substantially overcame the pathological poverty that prevailed over Latin America. Also, as one of the most aggressive neoliberal economies in the world, Chile had been generally open to FTAs with many economies, and an FTA with Korea was not likely to affect its industrial structure much. In short, in spite of the apparent disparity of economic scales, Korea and Chile were FTA partners that were fairly equal in terms of negotiating power.

On November 5 1998, the Committee for International Economic Policy⁷ officially decided to create Korea's first FTA with Chile. It was Korea's first attempt of spontaneous market opening rather than out of immediate pressure for opening from trade partners or multilateral trade system.⁸ On the 17th of the same month, the Korean President Kim Dae-Jung and the Chilean President Eduardo Frei Ruiz-Tagle had summit talks during the Asia-Pacific Economic Cooperation (APEC) CEO Summit in Malaysia and agreed to promote an FTA between the two countries. With this meeting of the two heads, the FTA began its long journey of negotiation and effectuation.

Why did Korea choose Chile as its first FTA partner among others? From a conventional economic logic, one of the Korea's motives for an FTA with Chile was to increase benefits from trade with Chile due to the complementary industrial structures of the two economies. While both economies had high trade-to-GDP ratios, they had contrasting export industries. Korea was a world exporter of manufactured goods such as semiconductors, wireless telecommunications equipment and motor vehicles, whereas Chile was well-known as an exporter of primary

⁷ The Committee for International Economic Policy was integrated into the Conference for Settlement of Economic Policy in the Ministry of Finance and Economy in 2001.

⁸ Interview with Chung, ex-Deputy Minister for Trade, who led the 1st – the 3rd rounds of FTA negotiations with Chile, February 2, 2009.

commodities such as copper, fruits, fish products, and paper and pulp.⁹ This stark difference of export commodities would create complementary inter-industry trade between the two economies and not competing intra-industry trade. Especially, through an FTA with Chile, Korea expected to have access to raw materials at a cheaper price and to take a better position in the Chilean market, compared to its competitors.

In addition, an FTA with Chile was expected to provide a bridgehead for Korea to expand its market share in Latin America. Chile was a positive place as a strategic base for the entry and penetration of Korean companies into Latin American markets owing to Chile's FTAs and economic complementary agreements with many Latin American countries (Cheong, 2003: 31-32). As the first Asian country to enter into an FTA with a Latin American economy, Korea anticipated advantage over its Asian competitors such as Japan in making a foray into Latin American markets. The Korean government, especially the Ministry of Foreign Affairs and Trade (MOFAT), stated that the reason why Korea was willing to make its first FTA with Chile was the hope for opening up new export markets in Latin America (MOFAT, November 17, 1998). Since the export of manufactured goods was apparently the primary method to improve or maintain the national economy, Korea might well be obsessed with securing more foreign markets. On the other hand, the FTA with Chile was expected to help Korea secure quality raw materials at a cheap price in order to increase the price competitiveness of Korean manufactured goods, part of which would return to Chile as exports.

More important motives for promoting an FTA with Chile were not the aforementioned conventional economic reasons but non-conventional economic or political reasons. First, an FTA with Chile was not expected to affect the Korean economy significantly but would offer good experience to learn about what was called an FTA and its processes. The size of the

⁹ CIA The World Factbook 2005 <http://www.cia.gov/cia/publications/factbook/geos/ci.html>

Chilean economy was much smaller than that of the Korean economy, and an FTA between them was not expected to seriously affect Korea's international trade. According to World Development Indicators 2009 by the World Bank, in 1998 the GDP of Chile was 79.4 billion dollars while that of Korea was 345.4 billion dollars, and Chile's exports and imports of goods and services were 20.9 billion and 23.5 billion dollars respectively while Korea's exports and imports were 159.5 billion and 115.0 billion dollars respectively (World Bank, 2010). The volume of trade between the two economies further proves the reduced impact one could expect from the FTA. According to the Korea Trade Statistics provided by the Korea International Trade Association, in 1998 Korea's exports to Chile were 567 million dollars which accounted for 0.43 percent of net exports, and its imports from Chile were 706 million dollars which accounted for 0.76 percent of net imports. Chile was the 38th export destination and the 25th import destination for Korea in terms of trade volume (Korea International Trade Association). Generally, the small market size of the FTA partner and the small trade volume between the FTA partners are unfavorable conditions for an FTA because the FTA would not be likely to generate a significant increase in exports. However, for Korea, a first-time FTA participant, those conditions reduced the burdens of cost for the FTA and its potential negative outcomes. In the situation where the Korean state shifted to the FTA policy as a measure to cope with the economic crisis, it was important to lessen potential risks and the following anxiety and resentment of the people.

Instead, the Korean government expected to learn about FTAs through the process of preparation, negotiation, and implementation of an FTA with Chile, an economy which was very experienced in making FTAs. Chile was one of the economies with the most liberal trade policy in the world. Even before the initial discussion of an FTA with Korea, Chile already had 5 free

trade agreements starting one with Venezuela in April 1993 (Chilean Ministry of Foreign Relations). In other words, the Chilean government had substantial know-how about conclusion of commercial treaties, and the Korean government wanted to learn it in preparation for future FTAs with larger economies.

In a similar vein, the long geographical distance between Korea and Chile was not a big problem to the Korean government but rather a positive factor. In principle, short geographical distance reduces transportation time and costs and is conducive to forming trading blocs (Frankel, 1997). This rule of geographical proximity applied to most FTAs including the North America Free Trade Agreement (NAFTA), the European Free Trade Association (EFTA), the Central America Free Trade Association (CAFTA). According to this criterion, an FTA between Korea and Chile was not desirable since Korea and Chile are located on completely opposite sides of the earth. However, this negative geographical condition relieved the Korean state from the burden of the first FTA to some extent, especially in agriculture. While the trade of manufactured goods is not much affected by the long distance thanks to the advancement of transportation technology, agricultural products may still be much affected due to their perishableness. Since the preservation of imported agricultural products entails additional cost, the non-proximity may reduce potential losses in the Korean agricultural industry (Kwak, 2001:289). Also, the seasonal difference of the two countries due to their opposite hemispheric locations would minimize competition in agricultural products.

In the initial discussion of an FTA with Chile, domestic social forces in Korea did not play any significant role. Neither the private corporate sector nor civil society in Korea was aware of the significance of the FTA with Chile until negotiations had advanced substantially. This may be partly because they believed that the actual impact of the FTA would not be great

according to the aforementioned reasons why the state chose Chile as its first FTA partner. Only the agricultural sector mobilized as the negotiations revealed potential risks to domestic agriculture.

On the other hand, as for Chile's motives for an FTA with Korea, Chile expected substantial profit from free trade with Korea. Korea was one of the largest industrialized economies in the world in terms of GDP, and it was the 8th largest destination of Chilean exports, as of 2000. Chile also expected Korea to be a bridgehead to other Asia-Pacific markets. As the size of the Korean economy was large, Chile also expected the FTA to facilitate foreign direct investment from Korea.

In a political dimension, Chile wanted to reduce its dependence on global hubs, especially the U.S., economy through diversification of export markets. While Chile desired an FTA with the U.S., it was concerned about its increasing dependence on it both economically and politically. In fact, after Chile almost finished FTA negotiations with the U.S. and also with the EU, it turned back to Korea for serious progress in FTA negotiations. Now that Chile secured its trade relationship with the global hubs, it tried not to be too dependent on them, which might make the Chilean economy and politics over-influenced by the global powers.

The motives of the Korean state for the KORUS FTA

While the FTA between Korea and Chile had limited significance in economic terms since it would not involve a great change in the volume of mutual trade or concern geopolitical relations, an FTA between Korea and the United States had greater significance to both countries. In the first place, it would be one of the biggest FTAs in the world, which would immediately promote great economic gains by securing favored access to each other's markets. Even a glance at a few

basic economic indicators of each country shows the magnitude of the FTA. The United States is undoubtedly the largest economy in the world, whose GDP (purchasing power parity) is \$13.06 trillion as of 2006, occupying almost 20 percent of the world GDP.¹⁰ The United States is the largest importer and the second largest exporter after Germany.¹¹ Korea is also one of the largest economies, whose GDP is \$1.196 trillion as of 2006 and ranks tenth in the world. It ranks twelfth and thirteenth in the volume of exports and imports respectively.¹² Beyond this apparent and simple economic dimension, however, the FTA between Korea and the United States, or the KORUS FTA, had complicating dimensions both for Korea and for the United States.

First of all, an FTA with the United States was deemed very important to Korea in coping with downward pressure from Japan and upward pressure from China in terms of exports. The United States has been traditionally one of the largest markets for Korea since the Korean War. Currently, it is the second largest destination of Korean exports after China while it is also the third largest source of Korean imports after China and Japan. Compared to the economies that Korea had FTAs with at the time of the outset of the KORUS FTA negotiations, such as Chile, Singapore, European Free Trade Association (EFTA) and Association of Southeast Asian Nations (ASEAN), the United States was distinct in terms of the size of the economy and its current trade with Korea. For Korea, whose dependence on international trade is very high and significant to sustain its economy, the United States market has been inevitably crucial. Around the turn of the 1990s, however, the competitiveness of Korean products began to seriously suffer due to increasing labor costs and retarded technological advance. Korea was far behind Japan in

¹⁰ According to The World Factbook by CIA, the United States ranked No. 1 in GDP (purchasing power disparity) among individual states as of 2006. Only the European Union excels the United States by \$20 billion, but none of individual state economies surpass the United States.

¹¹ The total amount of exports and imports of the United States is \$1.024 trillion and \$1.869 trillion free on board respectively.

¹² The total amount of exports and imports of Korea is \$326 billion and \$309.3 billion free on board respectively.

the level of technology, and more importantly, it was completely outstripped by China in terms of price competitiveness. Though Korea made different efforts to advance its technological level and reduce costs, it was still struggling to catch up with Japan and also not to be caught up with by China, which was investing immensely in R&D. In fact, China improved its market share in the United States to overtake Korea and Japan in 1991 and 2002 respectively and to finally become the largest exporter to the United States in 2007, surpassing Canada. Meanwhile, the market share of Korea in the United States has decreased slowly, especially in the 2000s. Though the decrease was not as great as Japan's decrease in U.S. market share, Korea's high trade dependence made the economy more vulnerable to the fluctuation of exports.¹³ In this situation, an FTA with the United States would provide Korea with advantageous conditions over the Asian competitors by removing or at least lowering trade barriers with the United States earlier than them.

An FTA with the United States was also expected to contribute to the modernization of the economic structure and the enhancement of industrial competitiveness in Korea. Korea's economic development traditionally focused on manufacturing sectors in pursuit of export-oriented industrialization, especially since Korea pronounced a shift to heavy and chemical industries in the Third Five-Year Economic Development Plan (1972-1976). In 1973, the Korean state launched the Heavy and Chemical Industries Promotion Plan (HCI Promotion Plan: 1973-1979) in six key industries: steel, nonferrous metals, machinery (including automobile), shipbuilding, electronics, and chemical industries. In the Fourth Five-Year Economic Development Plan (1977-1981), the focus of the HCI Promotion Plan was narrowed down to

¹³ According to the Korean Statistical Information Service, Korea's trade dependence index (based on (imports + exports)/ GDP*100) was 66.75 % in 2006 and peaked at 92.09 % in 2008. In contrast, the trade dependence of Japan was 28.19 % in 2006 and peaked at 31.69 % in 2008. It is one of the lowest trade dependence though it is a little higher than that of the United States which was 22.07 % in 2006 and peaked at 24.03 % in 2008.

machinery, electronics, and shipbuilding, which became Korea's principal manufacturing and export industries (Lee, 1991:432-435). Owing to the long-standing emphasis on the industrial sectors, the service sector in Korea did not have substantial competitiveness in the world market though it was already the dominant, albeit not powerful, sector. In this situation, the Korean state regarded an FTA with the United States as an opportunity to improve the competitiveness of its service sector because the inflow of U.S. service industries might stimulate their domestic counterpart. This positive forecast was tempered by the negative prediction that the backward service sector would be completely supplanted by the advanced U.S. service industries. Either way, however, the service sector in Korea had to expect some challenges in the face of an FTA with the United States. Not just the service sector but also the traditionally important industrial sectors were expected to accelerate structural adjustment to compete with U.S. industrial products.

In the political dimension, an FTA with the United States meant to Korea the reconsolidation of the political and diplomatic relationship with its greatest ally which then was less smooth than before because of dissimilar approaches to North Korea between the two countries, especially on North Korea's nuclear weapons program. Upon its inauguration in 1998, the Dae-jung Kim administration (1998-2003) adopted a so-called Sunshine Policy toward North Korea to promote détente and cooperation between the two Koreas, and the Clinton administration in the United States supported the engagement policy toward North Korea. The Korean government would coax North Korea into opening its economy for economic cooperation with Korea, and it was expected that the construction of economic relationship would ease military tensions and guarantee national security. The June 15 Joint Declaration in 2000 and the following agreement on the establishment of the Kaesung Industrial Complex

represented a friendly opening of the Kim administration toward North Korea. This policy line was taken over by the subsequent Roh administration (2003-2008) and culminated in the October 4 Joint Declaration in 2007, which implied the separation of political issues such as North Korea's nuclear weapons program from North-South economic cooperation. Meanwhile, the Bush administration backed by neoconservatives replaced the Clinton administration in 2001, and the U.S. policy toward North Korea shifted to a hard line. The Bush administration insisted on the denuclearization of North Korea as a precondition for the normalization of economic relations between North Korea and the United States. It tried to convince North Korea to give up the nuclear weapons program through the Six-Party Talks (North Korea, South Korea, Japan, Russia, China and the United States) which began in response to the withdrawal of North Korea from the Non-Proliferation Treaty (NPT) in 2003. The U.S. approach was at odds with the South Korean approach, which caused delicate conflicts between the two countries. Under such circumstances, an FTA with the United States would provide Korea with an opportunity to create an atmosphere for reconsolidating and reinforcing the relationship with the United States. The improvement of the relationship would also ensure greater support of the United States for Korea's national security.

As a consequence of the aforementioned potential benefits, Korea expected the improvement of its sovereign credit rating in the world economy. Currently, the Korean peninsula is the only spot of the world where two opposing political ideologies are pitted against each other to cause a sense of insecurity. Also, Korea has a rigid economic structure, and its institutions are considered to be lagging behind its level of economic development. As of 2007, among the 30 OECD countries¹⁴, Korea ranked 21st in economic freedom¹⁵, and it ranked 16th

¹⁴ As of the end of 2010, the total number of the OECD countries is 34. However, Chile, Slovenia, Israel and Estonia became members in 2010, and as of 2007, the total number of the OECD countries was 30.

for business environment¹⁶. Both political and economic structural factors posed obstacles to attracting foreign investment. An FTA with the United States would contribute to relieve foreign investors' concern about unexpected troubles in their business and the possible consequent losses. In other words, the FTA was expected to increase the creditworthiness of the Korean economy, especially in terms of the general environment for economic activities. This anticipation undoubtedly reflected the ambition of Korea to rise as the major economic hub connecting East Asia or all of Asia and the United States.

To the United States, an FTA with Korea was meaningful, but based on a greater economic and geopolitical picture not limited to immediate gains from the FTA. First, one important motive of the United States for an FTA with Korea was the expansion of neoliberal economic rules through bilateral relationships to maintain its hegemonic dominance over the world economy. As the WTO system did not succeed in paving the way to further trade liberalization due to the impasse of the Doha Development Agenda (DDA), the United States shifted its strategy from multilateral to bilateral free trade. Korea was one of the best partners in this sense as it was also shifting to bilateral free trade. As of 2006, Korea was the seventh largest export destination of U.S. products and the seventh largest origin of U.S. imports¹⁷, and an FTA with Korea would be the largest FTA for the United States since the North American Free Trade Agreement (NAFTA) with Canada and Mexico in 1994. Besides, an FTA with Korea was expected to put indirect pressure on other major Asian trade partners of the United States such as Japan and China to accelerate market opening because an increase in trade between Korea and

¹⁵ The Index of Economic Freedom (<http://www.heritage.org/Index/>) by the Heritage Foundation reported that Korea scored 67.8. Among the 30 OECD countries, Ireland scored the highest, 82.6, and Turkey the lowest, 57.4. Korea's rank becomes 23rd if four new members of 2010 are included.

¹⁶ *Doing Business 2008* by the World Bank reported the ease of going business of 178 countries benchmarked to June, 2007 (World Bank, 2007: 6). If four new members of 2010 are included, Korea's rank is 18th.

¹⁷ Statistics by the Korea International Trade Association
http://stat.kita.net/top/state/n_submain_stat_kita.jsp?menuId=02&subUrl=n_default-test_kita.jsp?lang_gbn=kor^statid=uts&top_menu_id=db11

the United States might affect their trade with the two economies. Thus, the United States expected to induce freer trade in Asian markets through bilateralism, in which the United States could exercise more leverage than in multilateralism, going beyond immediate potential profit from free trade with Korea.

In a similar vein but in the long term, an FTA with Korea would be a good opportunity for the United States to secure its strategic economic position in East Asia and eventually all of Asia. Through an FTA with Korea, its best ally in East Asia, the United States hoped to be more deeply involved in one of the most productive economic regions in the world. This move of the United States may be explained as part of its effort for the economic integration of East Asian and other Pacific Rim economies. In order to overcome the geographic distance and engage in the East Asian economy more closely, the United States originally intended to utilize the Asia-Pacific Economic Cooperation (APEC) as its primary vehicle (Goto and Hamada, 1997: 103). However, the APEC turned sluggish in pursuing regional economic prosperity through cooperation partly because of the lack of concrete implementation measures, which might be attributed to conflicting interests among the member countries, especially between developed and developing countries, and partly because of the loss of available funds for the progress of economic cooperation in the aftermath of the 1997 Asian financial crisis (Hwang, 2006). The APEC summits focused on general world economic and political issues such as the WTO negotiations, Severe Acute Respiratory Syndrome (SARS), and Counter-Terrorism rather than fundamental APEC issues such as trade and investment liberalization and economic and technological cooperation within the region (Hwang, 2006: 506). In the digression of the APEC from the original purpose, the United States found the APEC no longer useful as a bridge to the East Asian economy. Meanwhile, the launching of the East Asia Summit (EAS) in December,

2005 as a new mechanism to promote regional economic and security cooperation increased U.S. concerns about its declining influence on the region. The first EAS was held by the heads of 16 countries: member countries of the ASEAN, Australia, China, India, Japan, Korea and New Zealand. In a situation where China was growing rapidly as a potential economic power capable of reorganizing the East Asian economic order, the exclusion of the United States from the EAS might well make the United States feel uneasy since it seemed undeniable that the EAS intended the economic consolidation of the region without the strong presence of the United States.¹⁸ Given these circumstances, an FTA with Korea would provide the United States with another chance to reinforce its presence in the East Asian economy. Korea was one of the major economies, if not the most powerful, in East Asia, and was in an inevitably direct political and economic relationship with China and Japan. These relations were both cooperative and strained. The United States expected to check the influence of China as well as Japan in East Asia through a deeper alliance with Korea and to recover its leverage over the entire regional economy of Asia.

An FTA with Korea was significant to the United States in political and military ways, too. The United States had concluded some FTAs which would create little economic benefit, short-term or long-term. The primary purpose of the FTAs was the reinforcement of the political and military role of the United States as the world police in the partners' regions. For instance, the United States signed an FTA with Jordan in 2000 and effectuated it in 2001 though the two economies did not have a significant economic relationship. It was mainly because, for the United States, Jordan was a good candidate through which the United States could facilitate peace between the Arab world and Israel in the Middle East (Moore and Schrank, 2003). Of course, an FTA between Korea and the United States was very different since it would involve

¹⁸ The U.S. Secretary of State and the Foreign Minister of Russia attended the fifth EAS in 2010, and the United States and Russia were officially included in the sixth EAS in 2011.

significant economic interests. Still, Korea was a geopolitically important country for the United States to maintain its political and military supremacy in the world because of the existence of the world's most closed communist state, North Korea, in the peninsula. Upon the collapse of one of the co-leaders of the Non-Proliferation Treaty (NPT), the Soviet Union, in 1991, the United States came to be in a uniquely powerful and responsible position to sustain the NPT regime. In this situation, North Korea mounted a challenge to the uni-polar geopolitical leadership of the United States by withdrawing from the NPT in January, 2003 (Kessler, 2006). In the Six Party Talk, whose first meeting took place in August, 2003 to prevent the North Korean nuclear issue from rushing into extremes, the United States needed Korea's strong support to make progress in pressuring North Korea into giving up the nuclear weapons program. Unfortunately, however, the relationship between Korea and the United States was as not as smooth as before due to their different approaches to North Korea, as mentioned above. Under these circumstances, an FTA with Korea was expected to cement a relationship between Korea and the United States and provide new momentum to cooperate toward progress on the North Korean nuclear issue, which would contribute to the leadership of the United States as world's police.

In sum, an FTA between Korea and the United States had various significant meanings to both parties. To Korea, the significance was related to more immediate gain from the FTA because its motive was primarily to improve its trade balance and economic competitiveness and to reconsolidate its relationship with the United States, both of which were expected to contribute to better sovereign credit rating to attract foreign investment. To the United States, an FTA with Korea had more to do with the preservation and expansion of its economic and political leadership in the world than with tangible and relatively immediate gain though the

latter was not completely neglected. The FTA was expected to secure the position of the United States as the protagonist of neoliberal rules, economic hegemon, and world's police across the globe.

Given the foregoing significance of the KORUS FTA, the Korean government suggested a bilateral investment treaty (BIT) to the United States in 1998 in the aftermath of the 1997 financial crisis as an effort to induce investment from the United States and raise the sovereign credit rating and as a preliminary step to an FTA with the United States in the long term.¹⁹ The heads of the two states agreed to pursue a BIT between the two countries at the U.S.-Korea summit in Washington D.C. in June 9, 1998. In a week, the business communities of both countries advocated the decision at the 11th annual joint plenary session of the Korea-U.S./U.S.-Korea Business Council (June 14-16) in Seoul (*Yonhap News*, June 16 1998). Since then, the two governments made good progress through five official negotiations and other unofficial consultations for the next couple of years, but the negotiation ended in stalemate in May, 2000 mainly due to their distant stances on Korea's screen quota system. The screen quota system is a law that enforces a minimum number of screening days of domestic films in a theater per year for the purpose of protecting the domestic film industry. In its original draft of the BIT, the United States included a clause that would give the investors of the partner's country exemption from the obligations and regulations that were imposed on domestic firms. In relation to the screen quota system in particular, the clause would make the Korean government not be able to require U.S.-invested movie theaters to comply with the screen quota system. Then, the Korean

¹⁹ Comment of the Deputy Prime Minister for Economic Affairs and Minister of Finance and Economy (Feb 2003-Feb 2004), Jin-Pyo Kim, in a Korean Broadcasting System (KBS) television show, Live Late Night Debate, on June 15, 2003. An BIT between Korea and the United States was originally suggested by the United States in 1994, but the then Young-sam Kim administration was unwilling by reason of protecting domestic industries, and there was no further discussion about an BIT between the two countries until 1998 when the Dae-jung Kim administration suggested it out of economic necessity (Lee, 1999, p145).

government would have to repeal the entire system for the sake of fairness with other domestic movie theaters. While the U.S. government insisted on the abolition of the screen quota system, the Korean film sector strongly insisted on maintaining the current screen quota system. The Korean government suggested the reduction of the system to appease both the U.S. government and the Korean film sector and to resume the negotiation to conclude a BIT with the United States, but it failed to find a compromise after several years of unfruitful efforts.

As the BIT negotiation between Korea and the United States was struggling, the two governments were quiet on an FTA between them and showed little interest in it though they were promoting FTAs with other countries. With no formal FTA initiatives at the government level, there were some movements within the private sector and sporadic motions in the political arena, albeit limited. The U.S. business community in Korea, or the American Chamber of Commerce in Korea (AMCHAM Korea), promoted the idea of an FTA between Korea and the United States in the letter of Jeffrey Jones, President of AMCHAM Korea, to President Bill Clinton in June 1999 (Choi and Scott, 2001: 4). More overtly, the Korea-U.S./U.S.-Korea Business Councils first called for an FTA between Korea and the United States at their 13th annual joint plenary session in Seoul in June, 2000, and since then they continually urged the two governments to enter into FTA negotiations (Kim, 2006: 25). In the political arena, while Korean politicians did not think of bringing up an FTA with the United States because they were already occupied with the heated issue of the BIT negotiations and the screen quota system, some U.S. politicians raised the issue of an FTA with Korea, if with little influence on the government and Congress. A Democratic senator and member (now chairman) of the U.S. Senate Committee on Finance, Max Baucus, proposed a bill on November 5, 1999, “the United States-Republic of Korea Free Trade Agreement Act of 1999,” that would authorize the

negotiation of an FTA with Korea and provide what is called fast track negotiating authority, or Trade Promotion Authority²⁰. After the bill was not seriously considered but discarded, Baucus introduced a similar bill on May 23, 2001, “the United States-Republic of Korea Free Trade Agreement Act of 2001,” but the legislative initiative did not go far, either.²¹ Though Baucus’ action led the United States International Trade Commission to hold a public hearing in January, 2002 for discussion of an FTA between Korea and the United States from the perspective of the U.S. business community, four participating manufacturing industries (automobile, textile, footwear, and cosmetics) showed their skepticism about the effect of the FTA because of high non-tariff barriers in Korea as well as the high competitiveness of Korean products (*Yonhap News*, January 30, 2002). In other words, though the U.S. business community in Korea, which was represented by the U.S.-Korea Business Council and the AMCHAM Korea as its secretariat, showed its support for an FTA between Korea and the United States in cooperation with the Korean business community, the U.S. business community back in the United States, especially some manufacturing industries including automobile, did not come to a general consensus partly because they had not considered an FTA with Korea seriously yet.

It was Korea that initiated serious discussion about an FTA between Korea and the United States at the government level, but not until 2004. Meanwhile, there were gradual but significant changes in the trade policy of the Korean government. In 2003 when the Korean government was still experiencing great difficulty having its first FTA, which was with Chile, ratified by the National Assembly, the new administration of President Moo-hyun Roh established the FTA Promotion Roadmap in August in order to utilize FTAs for making Korea the hub economy of Northeast Asia. The FTA Promotion Roadmap categorized FTA candidate

²⁰ The Library of Congress THOMAS, <http://thomas.loc.gov/cgi-bin/bdquery/D?d106:21:./temp/~bdJcL3::>

²¹ The Library of Congress THOMAS, <http://thomas.loc.gov/cgi-bin/bdquery/D?d107:14:./temp/~bdreha::>

economies into short-term (1-2 years) candidates and medium/long-term (3 years or more) candidates. The short-term candidates were Singapore, Japan, Mexico, the ASEAN, and the EFTA²², which were less likely to threaten Korea's weak industries such as agriculture, and the medium/long-term candidates included the United States, China, Northeast Asia (China-Japan-Korea), the ASEAN+3, and the EU, which were expected to yield greater economic profit, and several other countries including Canada and India (Federation of Korean Industries, 2004: 5-7; Kang, 2009:17). The FTA Promotion Roadmap eventually meant to seek FTAs with the large or advanced economies in the latter category, but it prioritized FTAs with the economies in the former category, which were adjacent to the medium/long-term candidates or appeared relatively easy to begin FTA negotiations with, as a way to establish a bridgehead for promoting FTAs with the medium/long-term FTA candidates (Presidential Commission on Policy Planning, 2008: 11). That is, the Korean government adopted a gradational approach to FTAs rather than trying to conclude FTAs with multi-level economies simultaneously (Jung, 2004: 7-10). According to the Roadmap, negotiations for an FTA with the United States were not under consideration in the immediate future. Instead, an FTA with the United States was expected to be pursued after the Korean economy and its vulnerable industries became better capable of dealing with the influx of foreign competitors and also after a domestic consensus about the FTA was better established. In May, 2004, however, the Korean government decided to modify the FTA Promotion Roadmap and promote FTAs with the large economies or economic blocs that had been originally in the long-term FTA category. Especially, the government immediately included Canada and India in the short-term FTA category. Also, it expanded the scope of FTAs beyond tangible goods and pursued comprehensive FTAs which would cover services, investment, government procurement,

²² The European Free Trade Association (EFTA) consists of Iceland, Norway, Switzerland, and Liechtenstein.

intellectual property rights, technical barriers, and so forth (Presidential Commission on Policy Planning, 2008: 12).

Behind this change of trade policy to the aggressive multi-track FTA strategy, there were both international circumstances that aroused further doubt about the feasibility of the WTO multilateralism in the Korean government and, more importantly, a proactive and strong domestic drive within the state elite. Externally, the Doha Development Agenda (DDA) round of the WTO trade negotiations, which was launched in Doha, Qatar, in November, 2001, reached a stalemate in September, 2003. The Fifth WTO Ministerial Conference was held in Cancún, Mexico from September 10 to 14, 2003, largely in order to achieve consensus on modalities for negotiations under the DDA. Unfortunately, it failed to make any significant progress mainly because of disagreement among the WTO members about the inclusion of the so-called Singapore issues in the DDA. The Singapore issues were four issues that were introduced to the WTO agenda at the Ministerial Conference in Singapore in December 1996: trade and investment, trade and competition policy, transparency in government procurement, and trade facilitation. These were the major issues for the conference in Cancún in tandem with other issues such as agriculture, non-agricultural market access, development, and trade-related aspects of intellectual property rights (TRIPS). However, the Singapore issues brought the negotiations to a deadlock because many developed countries insisted on the inclusion of the Singapore issues in the DDA agenda while developing countries opposed it. Needless to say, other major issues failed to reach consensus due to the conflicting interests of developed and developing countries. The stalling of the DDA in Cancún provided great momentum for the Korean government to move further toward bilateralism. For the Korean economy, which was highly dependent on foreign trade and was still at the incipient stage of bilateralism, the stagnancy of multilateralism

might well cause apprehension that Korea would be discriminated by other economies which had already been aggressive toward bilateral or regional FTAs and that it would lose foreign markets to its competitors. The government recognized the necessity for securing foreign markets through a strategic and aggressive approach to FTAs, especially with large economies that were more likely to be profitable as well as risky.

A more important crucial factor behind Korea's change of policy was the proactive and determined will of the core state elite who was in charge of foreign trade. At the center of the state elite was Hyun-chong Kim, Deputy Minister for Trade and later Minister for Trade. Kim was first selected as the Deputy Minister for Trade by President Noh in May, 2003 at the age of 43. This appointment was very exceptional and unprecedented. Kim did not go through public official examination, the symbol of the Korean meritocracy, or have any experience as a full-time official. The only experience that he had with the Korean public service was serving as a legal advisor for the Ministry of Foreign Affairs and Trade (MOFAT) for three years (May 1995 – August 1998) and as a nonpermanent Trade Specialist in the MOFAT for less than a year (August 1998 – May 1999) while working as a professor at a university or as a lawyer at a law firm. He was young and new to the circle of public service, and he skipped all conventional and long steps for advancing to one of the highest-ranking positions in the MOFAT. Kim was a U.S.-educated lawyer who went to Columbia University for B.A., M.A., and J.D. and who began his career in the U.S until coming to the Korean law society in 1989. He was also the first Asian and youngest Senior Legal Advisor for the WTO for 4 years (May, 1999 – May, 2003). While he was the Senior Legal Advisor for the WTO, Kim was invited to a briefing by the Presidential Transition Team of President-elect Noh to give a presentation about current issues of international trade in February, 2003, where he impressed the president-elect with his strategic

mind as well as his expertise and insight on trade (*Joongang Ilbo*, April 6, 2007). In three months, he was appointed to the position of Deputy Minister for Trade, and he began to actively promote bilateral FTAs. Still, the overall trade policy of the early administration of President Noh focused on Northeast Asia and pursued half-fledged gradational bilateral FTAs, like the Presidential Transition Team had set for the presidential election in the previous year (Korean Government Information Agency, 2008: 302-304). Hyun-chong Kim, who was new to the MOFAT and was not even the Minister but the Deputy Minister, was not able to exert dominant influence on overall trade policy but had to deal with insufficient cooperation and support within the MOFAT. However, as he gained deeper trust from the president and therefore expanded his influence in the MOFAT, his prioritization of aggressive bilateralism prevailed and was finally adopted as the key trade policy by the president. The Korean government revised the FTA Promotion Roadmap in May, 2004 and decided to pursue the simultaneous multi-track FTA policy. However, it was not until Hyun-chong Kim was promoted to the position of Minister for Trade that the multi-track FTA policy gained serious momentum. He took the official lead in Korean trade policy as the Minister for Trade in July, 2004 with the full support of President Noh and Prime Minister Hae-chan Lee. In the third meeting of the International Economic Committee of the National Economic Advisory Council, President Noh clearly lent his weight to the proactive FTA policy by articulating the vision of active FTA promotion and aggressive open-door economic policy (Kim, 2010: 50-56). Thus, the strong determination of the core state elite represented by Hyun-chong Kim triggered the shift of the Korean trade policy to full-fledged bilateralism in the midst of the aforementioned international circumstances increasingly unfavorable to the Korean economy.

At the center of the progressive trade policy was Hyun-chong Kim's intention to immediately promote an FTA with the United States. While the Noh administration had already decided on Japan as its first FTA partner even before Kim joined the administration, he insisted on pursuing an FTA with the United States first rather than one with Japan from the beginning of his appointment as Deputy Minister for Trade. This idea of his was new and striking to the Korean government, but it successfully appealed to the Office of the President (or Cheong Wa Dae), the Korean equivalent to the White House. Kim had the EU as well as the United States in mind as the primary FTA partner of the Noh administration, but the EU was not interested in an FTA with Korea, a novice at FTAs. Kim recalls that when he participated in the second Korea-EU Joint Committee Meeting in Brussels in July, 2003, an officer of the EU delegation derogatively and rhetorically questioned how Korea, which had not concluded any FTA yet, would be able to have an FTA with the EU which pursued comprehensive and deep FTAs (Kim, 2010: 35). When Kim had his first meeting with Peter Mandelson, the then new EU Commissioner for Trade, in November, 2004, the Commissioner mentioned that the EU was focusing on multilateralism and was not much interested in bilateral negotiations (Kim, 2010: 67). In fact, the trade policy of the EU had been centering on multilateralism since the mid 1990s, during which the conclusion of the Uruguay Round in 1994 and the establishment of the WTO in 1995 provided a positive expectation about the multilateral trading system, until late 2006 when the EU announced a bilateral drive (Acar and Tekçe, 2008)²³. In contrast, the United States was already actively pursuing bilateral FTAs, and it was the more plausible option, not to mention the

²³ In the face of the collapse of the WTO negotiations in Cancún in September 2003, the reinforced bilateral FTA policy of the United States, and finally the suspension of the DDA in Geneva in July 2006, the EU issued a new trade policy in October 2006 in a document named *Global Europe: Competing in the World*, which included a new program of bilateral FTAs to secure important increasingly important foreign markets including China, ASEAN, Korea, Mercosur, India, and Russia under the name of establishing stepping stones for the WTO-based multilateral liberalization (European Commission, 2006).

larger-scale option, though the United States was not showing much interest in an FTA with Korea yet. The problem was that the United States would not do an FTA that did not include agriculture and Korea was not ready to open its agricultural market.²⁴ As Hyun-chong Kim gained greater trust and support from President Noh and as he was promoted to the position of Minister for Trade in July, 2004, he gradually pushed ahead with his plan to strategically and indirectly induce the United States to an FTA with Korea while gaining increasing confidence from the President by continuing to explain and inculcate him with the importance of the FTA.

In order to attract the United States but not proposing an FTA to the United States, Deputy Minister for Trade Hyun-chong Kim decided to pursue an FTA with Canada first though he was not receiving support from the MOFAT yet. He believed that if Canada tried to conclude an FTA with Korea, the United States would not stay indifferent to an FTA with Korea because Canadian beef and cereal crops might replace its own in the Korean market thanks to the removal or reduction of tariffs (Kim, 2010: 54). Kim was able to positively begin discussion about an FTA with Canada through his acquaintances, the then Assistant Deputy Minister for Asia-Pacific Foreign Affairs and International Trade David Mulroney and the then Deputy Minister for International Trade Leonard Edwards, both of whom had worked in Korea for part of their career as public officials.²⁵ Also, fortunately for Korea, Canada was looking for an FTA partner in Asia for economic cooperation. As Korea and Canada began discussion about an FTA, albeit not through official rounds of negotiations yet, the United States changed its attitude. During the APEC Summit in Santiago, Chile, in November, 2004, then United States Trade Representative (USTR) Robert Zoellick requested a meeting with Minister for Trade Hyun-chong Kim and

²⁴ President Bush's trade agenda: Hearing before the Committee on Ways and Means, U.S. House of Representatives, One Hundred Eighth Congress, second session, March 11, 2004. Serial No. 108-43, Washington: U.S. Government Printing Office.

²⁵ David Mulroney was a Trade Commissioner in the Canadian Embassy in Korea in 1982-1985, and Leonard Edwards was the Ambassador of Canada to Korea in 1991-1994.

suggested a joint feasibility study about an FTA between Korea and the United States. This happened soon after Kim met Zoellick in Washington D.C. in October for the first time to discuss ways to reinforce the economic and trade relationships between the two countries, which included an FTA. The United States and Korea finally agreed to launch a joint feasibility study group at the ministerial meeting while Canada and Korea agreed to launch preparatory talks for the Korea-Canada FTA during the APEC Summit. The United States could not just watch its seventh largest trading partner, Korea, turning to its competitor, Canada. (Kim, 2010: 57-65).

Chapter 5: Korea's intrastate struggles in the interstate struggle with Chile in FTA negotiations

In this chapter, I examine both interstate and intrastate struggles that Korea experienced regarding FTA negotiations with Chile. The negotiations between the two governments took several years to be concluded, and the signed FTA proves that both of the governments secured or protected the items that they thought as sensitive import items in their trade relations. Intrastate struggles were intense in Korea while they hardly existed in Chile. The Korean state had to deal with the explosion of the agricultural sector. Through a comprehensive compensation package for the farmers, especially fruit farmers, the Korean state managed to move the FTA forward while carrying out the modernization of the agricultural sector, which had been part of the government policy about the agricultural sector.

Tight negotiations but apathetic give-and-take

At the APEC summit meeting held in Auckland, New Zealand in September 1999, Korea and Chile agreed to launch official negotiations for an FTA. They had the first round of negotiations in Santiago, Chile in December 1999, and three more rounds of negotiations in Korea and Chile until the end of 2000. They agreed on more than 80 percent of the FTA proposal through the four rounds of negotiations in one year. However, disagreement over a memorandum of understanding on agricultural products put the negotiations at a standstill. Chile did not accept Korea's request for excluding certain agricultural products, especially fruits such as apples and pears from the FTA. Fruits were one of the main exports of Chile, and Korea found itself not ready or willing to fully open its domestic fruit markets to one of the top fruit exporters of the world. The disagreement in fruits was entangled with another conflict in automobiles and

petrochemicals which Chile wanted to make exceptions for, though the latter conflict came to the surface as Chilean reaction to Korea's strong protectionism of its agricultural market.

The tug of war over agricultural items came to an end after mutual concessions of the two countries. After more than one year and a half of impasse and the simultaneous efforts to resume the negotiations, Korea and Chile resumed the negotiations in August, 2002. Through this fifth and the sixth rounds of negotiations, they made concessions to each other, and they finally concluded an agreement on October 25, 2002 and signed it on February 15, 2003. Korea succeeded in excluding 21 items²⁶ such as rice, table apples and table pears from the FTA, which occupied a significant proportion of domestic agricultural production in Korea. It also applied seasonal tariffs to grapes, so from May through October including the harvest season of Korean outdoor grapes Chilean table grape exports would be charged the current WTO tariff, and for the rest of the year Chilean table grapes would be charged decreasing tariff which would phase out over the next 10 years. Negotiations on 373 items including peppers, garlic and onions were postponed until after the Doha Development Agenda (DDA)²⁷ negotiation would finish. Some items such as beef, chicken and plums were offered a tariff rate quota (TRQ) and their negotiations were to be resumed after the final DDA negotiation. The other items were given different numbers of years for tariff phase-out, depending on the domestic influence of their import. In return for various exceptions in agricultural items, Korea accepted the Chilean demand for the exclusion of refrigerators and washing machines from the FTA. Also, tires and

²⁶ Among 21 items, all but apples and pears are different forms of rice.

²⁷ Doha Development Agenda (DDA) is a new round of trade negotiations which was launched in the WTO's fourth Ministerial Conference in Doha, Qatar. It comprises both further trade liberalization and new rule-making. In DDA, agriculture is a key and the most difficult issue to deal with. Agriculture exporting countries such as the United States and the Cairns Group (a coalition of 18 agricultural exporting countries from Latin America, Africa and the Asia-Pacific region such as Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Philippines, South Africa, Thailand and Uruguay) promote the liberalization of agricultural trade whereas agriculture importing countries such as EU, Korea and Japan advocate Non-Trade Concerns (NTC). The two opposite parties have made DDA unsettled and the next negotiation will happen in WTO Ministerial Conference in Hong Kong in December, 2005.

vacuum cleaners were given 10 or more years of grace period until the tariff would be completely removed. On the other hand, the two governments did not sufficiently discuss the areas of financial services and investment in financial institutions but articulated general rules. More specifically, Chile excluded the issue of investment in the financial sector from the FTA and postponed discussion on it until 4 years after the implementation of the FTA. At the same time, Chile stipulated restrictions on payment and capital movements in an annexation of the investment chapters. Through the Annexation 10.11, Chile reserved the right to prohibit Korean investors from transferring investment profits outwardly and also from withdrawing investments within a particular number of years after the date of transfer to Chile. This was to ensure the liquidity of the Chilean currency system, to prevent speculative investment, and to impede capital flight under adverse economic conditions in Chile. Overall, the Korean government was relatively satisfied with the final draft of the FTA with Chile and considered potential losses in agriculture as unavoidable in order to gain greater profit by exporting manufactured goods.

Conflict in relation to the opening of agricultural products was not limited to the interstate-level negotiations, but it actually originated in intra-government dissension in Korea. In the process of the settlement of the FTA, there was dissension between different ministries within the Korean government, especially between the Ministry of Foreign Affairs and Trade (MOFAT) and the Ministry of Agriculture and Forestry (MAF). The MOFAT was the leading body for the FTA and unilaterally promoted it. At the beginning, other ministries were skeptical about the MOFAT-initiated policy partly because of their unawareness of FTAs and partly because of a sense of rivalry between ministries.²⁸ As the President Dae-jung Kim supported it and officially determined to pursue an FTA with Chile, however, most of them agreed with the

²⁸ Interview with Chung, former Deputy Minister for Trade, who led the 1st – the 3rd rounds of FTA negotiations with Chile, February 2, 2009.

MOFAT. The Ministry of Finance and Economy (MOFE, now the Ministry of Strategy and Finance) supported the FTA since it was aware of a need for market opening. The Ministry of Commerce, Industry and Energy (MOCIE, now the Ministry of Knowledge Economy) also stood by it hoping to increase manufacturing exports. Meanwhile, the MAF, which had to represent the interests of the agricultural sector, was in quite a different position from the MOFAT. The MAF objected to the FTA for fear of losses in the agricultural sector at first, though it was finally compelled to go along with it due to potential profits for the entire national economy.²⁹ Since the FTA was exclusively based on potential advantages in manufactured goods, it was obvious that the grievances of the agricultural sector would increase and that the MAF would have to deal with them after the conclusion of the FTA negotiations.³⁰ In this situation, the MAF tried to reduce the impact of the FTA on domestic agriculture. It appealed to revise the contents of the FTA and make exceptions for agricultural products such as rice, apples and pears.

Given the aforementioned controversy regarding agricultural products, struggles about the FTA within Korea centered on conflicts between the state and the agricultural sector. The government pursued the FTA in an effort to improve the faltering economy while the agricultural sector opposed it because of its weak international competitiveness. In fact, the FTA did not draw much attention from the public in Korea until the agricultural sector arose to wage protests against the government. As the mass media began to seriously deliver news about the FTA after the negotiations started, Korean farmers became aware of the potential negative effects of the FTA with Chile on domestic agriculture, especially fruits. Accordingly, the state had to respond

²⁹ Interview with Park, former Deputy Minister for Agriculture and Forestry and former Assistant Deputy Minister for Agriculture and Forestry, February 10, 2009.

³⁰ In fact, over the process of the FTA negotiations and ratification, the Ministry of Agriculture and Forestry (MAF) turned out to be the one that received most of the blame from the agricultural sector in spite of its effort to minimize their losses over the FTA negotiations and also to be the one that had to deal with relief measures for farmers and finally put substantive support in a statutory form later.

to the voice of the farmers with different measures as the negotiations proceeded. This process shows that how the state managed to unfold the integration of its economy into the world economy in relation to domestic forces as well as its counterpart, Chile.

Farmers' Reaction before Congress Ratification

The real trouble for an FTA between Korea and Chile was not negotiations between the two governments but domestic tension over the ratification of the FTA in Korea. Until the settlement of the negotiations, the Korean mass media did not spotlight the FTA with Chile. It was partly because the negotiation was at a stalemate for more than a year and a half in 2001 and 2002 and the resumption of negotiation did not create sufficient expectations on the rapid progress of negotiations. Soon after the settlement, however, the media released a lot of news reports on the potential effects of the FTA, highlighting an increase in exports of manufactured goods and imports of certain agricultural products. Korean farmers came to be fully aware of the FTA with Chile and the expected threat of Chilean agricultural imports. That is to say, the final settlement on the FTA negotiation led to the beginning of violent clashes between the agricultural sector and the state in Korea.

Until the settlement of the FTA negotiation, the attention of Korean farmers had been drawn to the agricultural policies of the government and the opening of the domestic rice market. A series of agricultural reform policies in the 1990s contributed to huge increases in the debt of farming households. In 1994, the Uruguay Round, the eighth round of multilateral trade negotiations within the framework of the General Agreement on Tariffs and Trade (GATT), was finally signed after eight years of negotiations, and launched the WTO system replacing the existing GATT system. The Uruguay Round had particular implications for agriculture in Korea

as the Korean government had to adopt tariffication. In other words, the government had to convert its agricultural non-tariff barriers into equivalent bound tariffs and reduce these tariffs over time. The Korean government was willing to accept this agricultural market opening because it expected greater gains through the expansion of manufacturing exports. This was in line with the traditional economic policy of the Korean state, and the Uruguay Round provided a good reason for the Korean government to move further away from agriculture. As substantial losses were expected in the agricultural sector, the Korean government hurriedly created the Special Law for WTO Implementation in late 1994 and promulgated it in January 1995 in order to protect domestic agriculture from foreign agricultural imports. The government also undertook economies of scale and full-time professionalization in agriculture, especially rice farming, to enhance the productivity and quality of the agricultural sector. In this process, the government loaned a great deal of money to farmers for large livestock barns and greenhouses and large-sized modernized agricultural machinery. However, the new WTO system brought a huge influx of cheap agricultural imports and the consequent drop in farm product prices. Also, the Special Law for WTO Implementation was never followed by enforcement ordinances but became a dead letter. Korean farmers, who invested in the modernization of farming with the government loans in accordance with the recommendation of the government, fell into debt more than ever before. The 1997 economic crisis fueled this already-dire situation of Korean farmers. In the face of the plummeting agricultural conditions, the Korean farmers had an increasingly profound distrust of government policies on domestic agriculture, and directly urged the government to take measures to solve farm household debt. On November 21, 2000, dozens of farmers from twenty-one farmers' organizations rose in protest all over the country to press the government to establish a special law to deal with farm household debt. On December 7, 2000, Korean farmers

staged the second protests. In response, the government enacted the Special Law for Farm Household Debt in January, 2001.

In November 14, 2001, the next multilateral trade negotiation round of the WTO finally began in Doha, Qatar, after several ministerial-level meetings since 1996. The Doha Development Round immediately drew Korean farmers' attention as the mass media highlighted the upcoming new round. The Korean agricultural sector was already aware of the negative impact of the WTO on the domestic agricultural market from the previous negotiation round, the Uruguay Round. As domestic rice prices were plunging that year, the farmers' fear for the upcoming Doha Development Round reached an extreme. On November 13, 2001, twelve thousand farmers from all over the country gathered in Seoul and staged violent protests to object to the WTO system and the potential rise in rice imports. Several other farmers' protests followed in the next few months.

As a result of the aforementioned immediate issues, Korean farmers as well as the mass media did not pay much attention to FTA negotiations between Korea and Chile. The government did not have to draw attention to the FTA negotiation to fuel the grievances of the farmers when the negotiation with Chile did not even proceed well due to conflicting interests in agricultural products. The Korean and the Chilean governments made good efforts to resume the negotiation in 2002, and finally resumed it in August. Until after the conclusion of the FTA in October 2002 and its official signing in February 2003, the government did not clearly publicize the potential disadvantages that the FTA with Chile might cause, especially in the agricultural sector. Korean farmers were mainly concerned about the opening of the rice market under the

WTO system. Most farmers believed that when it came to an FTA with Chile, the Korean government would be considerate of the agricultural sector.³¹

It was not until the conclusion of the FTA in October, 2002 that the agricultural sector in Korea, if not rank-and-file farmers yet, took seriously into account the FTA. The government publicized the details of the agreement, and the mass media began to widely report them. Farmers' organizations began to respond the FTA though their top concern was still the opening of the rice market. Before rank-and-file farmers' awareness of the potential negative effects of the FTA on domestic agriculture became high, the government, to be exact the Ministry of Agriculture and Forestry (MAF), announced that it was considering an FTA Special Law, a law for compensating farmers' losses due to the FTA (*Yonhap News*, November 14, 2002). It was an attempt to minimize the expected farmers' objection to the FTA in the process of ratification. Yoon, director in Bilateral Cooperation Division in the Ministry of Agriculture and Forestry (MAF), admits that because the progress and outlook of the FTA negotiations was hazy, discussion about agricultural countermeasures did not happen until the negotiations came to terms.³² In fact, it was in the face of farmers' increasing rage upon the official signing of the FTA that the government seriously undertook devising post-FTA agricultural support policies, as the farmers' reaction was perceived as unusually serious.

As the FTA was officially signed in February 15, 2003, the media spotlighted it extensively. Now the general public, including rank-and-file Korean farmers, came to be well aware of the FTA, and farmers' organizations began to focus on the FTA as their core agenda. On May 19, 2003, nine existing farmers' organizations launched a huge alliance, the National Farmers Solidarity (*Jeonguk Nongmin Yeondae*), in order to counteract the conclusion of the

³¹ Interview with Moon, a former president of the National Federation of Farmers' Associations, February 1, 2009.

³² Email from Yoon, a director in Bilateral Cooperation Division in the Korea Ministry of Agriculture and Forestry (MAF), August, 21, 2005.

FTA. The nine organizations are the National Federation of Farmers' Associations (NFFA), the Korea Advanced Farmers Association, the Korean Women Peasants Association, the Korean Native Cattle Association, the Korean Catholic Farmers Association, the Korea Dairy and Beef Farmers Association, the Korean Advanced Farmers Federation, the Korean Women Farmers Federation, the Korea Organic Farming Association. These organizations had diverse purposes and political orientations. The National Federation of Farmers' Associations was the most politicized, and the Korean Women Peasants Association was also a politically oriented organization as it originated in the National Federation of Farmers' Associations. The Korea Advanced Farmers Association, the Korean Native Cattle Association, the Korea Dairy and Beef Farmers Association and the Korea Organic Farming Association were the least politicized or militant, and were mostly concerned with the enhancement of productivity and efficiency in their own fields. All the aforementioned organizations represent farmers' interests in general, but until the FTA made its appearance, most of them had operated separately through a small number of activist farmers though they had nationwide networks. In the face of the FTA, they stood together under the same goal, the obstruction of National Assembly ratification of the FTA, in spite of their different purposes or political lines.

The National Farmers Solidarity immediately issued a statement of censure against the government's decision to promote the FTA and began to stage big protests and campaigns against ratification of the FTA in the National Assembly, with the National Federation of Farmers' Associations in the lead. On June 20, 2003, the NFFA held a protest in front of the National Assembly building in Seoul. The original plan of the rally was that approximately 10,000 farmers from all over the country would drive their own trucks to gather in Seoul. However, the police prevented them at ramps and interchanges from entering expressways. Some

farmers made their way into expressways, and they interrupted the traffic by driving slowly or stood their ground against the police here and there on the expressways. Other farmers who were not able to enter expressways staged the same demonstration on different national highways across the country. That day, the whole country suffered from a traffic slowdown. Starting with this countrywide protest, Korean farmers continued to stage sporadic protests. Meanwhile, labor unions in Korea did not take particular action but just supported the farmers as a sign of solidarity.³³ They did not consider an FTA with Chile as a serious threat to them, and they did not put themselves at the center of the anti-FTA movement.³⁴

Farmers' organizations also had a campaign to gather signatures from incumbent National Assembly members who would object to the ratification of the FTA. They warned that they would launch a negative campaign in the next general election in 2004 against the National Assembly members who were supporting the ratification of the FTA. In the early 2003 approximately 60 National Assembly members from rural constituencies participated in the campaign against the FTA, and by the end of July, 147 National Assembly members in total joined it. National Assembly members could not ignore farmers' votes, and their affiliated political parties could not strongly express their support for the ratification of the FTA, either. Actually, the political parties including the ruling party had not decided on an official party platform on this issue, but they let their individual assemblymen react on their own. Regardless of political parties, assemblymen from rural constituencies unusually acted together to prevent the ratification of the FTA. Korean farmers were successfully delaying the ratification by consolidating and utilizing their potential political power in the electoral system.

³³ Interview with Sim, former secretary general of the Korean Metal Workers' Union and current member of the Korean National Assembly, March 15, 2011

³⁴ Interview with Heo, former vice-chair of the Korean Confederation of Trade Unions, February 23, 2009.

Meanwhile, the government tried to achieve the ratification of the FTA and the FTA Special Law in the National Assembly quickly. On July 8, 2003, the government submitted a motion regarding the FTA ratification to the National Assembly, which would be evaluated by the Foreign Affairs, Trade and Unification Committee before being submitted to a plenary session of the National Assembly. The government also wanted to have the FTA Special Law brought before the National Assembly as early as July 11, 2003. The leader of the ruling party, the Millennium Democratic Party, Dae-chul Chung, was planning to submit a motion to establish the FTA Special Law designed by the Agricultural and Fishing Industry Countermeasure Task Force in the Office of the President, which features a special fund of 800 billion won for next 7 years to compensate the potential losses of farmers. The promotion of the establishment of the FTA Special Law was based on the principle of “countermeasures first, ratification later” that the Moon-hyun Noh government had maintained since the presidential election campaign. However, the Agriculture, Forestry and Fisheries Committee of the National Assembly, which was in charge of the evaluation of the FTA Special Law to decide whether to submit it to a plenary session of the National Assembly, obtained and reviewed the bill in advance and decided not to submit it for deliberation in the upcoming provisional plenary session of the National Assembly. The Committee thought that the bill did not include sufficient compensation measures for farmers, and also that it was not appropriate to deal with the FTA Special Law before beginning the deliberations on the ratification of the FTA (*Yonhap News*, July 11, 2003).

As the National Assembly was not likely to push ahead with the ratification of the FTA and the FTA Special Law, the Korean private corporate sector, which had rarely voiced their support for the FTA, officially expressed their support for it. On July 14, the five major

economic organizations³⁵ in business circles sent all assemblymen a letter pleading in favor of a rapid process of FTA ratification (*Yonhap News*, July 14, 2003). Previously, the major economic organizations and individual *chaebols* had announced a welcome statement or expressed their approval through the mass media when the FTA was finally settled between Korea and Chile after a long process of negotiations in October, 2002 (*Yonhap News*, October 24, 2002). However, the welcome was just low-key appreciation for the first step of the government in the FTA policy in general.

Engaged in its first FTA negotiation, the Korean government had failed to encourage active political support from the private corporate sector, or the winner of trade liberalization (Park and Koo, 2007: 269). In fact, the government did not seem to feel the need to mobilize the private corporate sector for political support because the new FTA policy derived from within the government rather than from the pressure of the private corporate sector in the first place and also because the government did not foresee the resistance of the National Assembly in ratifying the FTA. The letter that the five major economic organizations sent collectively to all the assemblymen was the first overt expression of concern in order to expedite the ratification of the FTA. Still, the private corporate sector did not appear to the forefront in fear of incurring the animosity of the agricultural sector and the general public. That is, it did not want to risk becoming the main target of the farmers' protests instead of the government, especially since the FTA with Chile would not immediately produce a significant increase in exports due to the small size of the Chilean economy.

³⁵ The five major economic organizations in Korea's business circles are the Federation of Korean Industries, the Korea International Trade Association, the Korea Chamber of Commerce and Industry, the Korea Federation of Small and Medium Business, and the Korea Employers Federation. The four major economic organizations are the first four organizations.

On July 23, the government finally had a motion regarding the FTA Special Law submitted to the National Assembly by Chae-jung Lim, an assemblyman of the ruling party. Meanwhile, the government, which was aware of the concern of assemblymen about farmers' reactions to them in the upcoming election, issued an explanation of the FTA on July 15 to facilitate and encourage farmers' understanding.

The farmers' movement under the National Farmers Solidarity further intensified in the face of the suicide of an activist farmer in September, 2003. The fifth WTO Ministerial Conference was held in Cancún, Mexico, from September 10 to 14, 2003. A group of Korean activists under the lead of Korean People's Solidarity flew there to stage demonstrations against the WTO, and Korean farmers organizations participated in the corps. The National Farmers Solidarity led a series of big rallies of farmers' organizations from all over the world to stand against the WTO's agricultural policies, especially the opening of agricultural markets which the WTO was promoting under the mantra of freer trade. The protest culminated with the suicide of Kyung-hae Lee, a former president of the Korea Advanced Farmers Association, on the opening day of the WTO ministerial conference on September 10. During the protest to deter the launching of the conference, he killed himself with a knife in front of police lines after declaring "The WTO Kills Farmers." This incident drew the attention of the world though it did not stop the ministerial conference. Especially, it was striking enough to arouse farmers in Korea and functioned as a catalyst to retrigger the farmers' anti-FTA movement, which had not been as intense since June. It provided a momentum for the National Farmers Solidarity to deepen the cohesion of the affiliated organizations. On September 20, several thousand Korean farmers held a send off ceremony of Kyung-hae Lee in Seoul under the auspices of the Korea Advanced Farmers Association. After the ceremony, members of the Jeonlabukdo Provincial Assembly of

the Korea Advanced Farmers Association, of which Kyung-hae Lee was president before he became the president of the national-level association, attempted to turn the hearse and the funeral procession toward the Blue House, the Korean presidential residence. About 700 riot police who were deployed that day immediately blocked the roads and suppressed the 3000 protestors (*Chosun Ilbo*, September 20, 2003). The funeral car was sprayed with fire extinguisher powder by the riot police, and a few dozen farmers were injured. Farmers considered the overreaction of the police as an expression of the anti-agricultural intentions of the government. Meanwhile, the government proposed a bill to reduce the debt of farmers and fishermen and secured a budget to support farmers who might be negatively affected by the FTA. This action was meant to push ahead with the ratification of the FTA in the National Assembly before the end of the year by coaxing the agricultural sector. However, the farmers did not accept the policy-oriented offer of the government, and the assemblymen who depended on their votes and who had joined the campaign against the FTA with Chile continued to object to the ratification of the FTA.

In the heightening strife over the FTA, the private corporate sector organized a meeting with the farmers' organizations on November 4, 2003. Under the auspices of the Korea Chamber of Commerce and Industry, the leaders of the four major economic organizations met the leaders of six farmers' organizations – the Korean Advanced Farmers Federation, the Korean Catholic Farmers Association, the Korean Women Farmers Federation, the Korea Advanced Farmers Association, the Korea Dairy and Beef Farmers Association, and the Korean Grape Farmers' Association – for the sake of exchanging opinions between the private corporate sector and the agricultural sector and working out the differences. This meeting was significant in that it was the first direct contact between the leaders of the private corporate sector and those of the

agricultural sector to discuss exclusively the FTA with Chile. Also, it shows that the private corporate sector stepped up to promote the FTA by direct contact with the agricultural sector. Even after its first serious expression of support and concern in July, the private corporate sector had not made contact with the agricultural sector. Under the circumstances that economic policies including the FTA were designed and promoted primarily by the state, the private corporate sector did not find the need for its own proactive involvement, which might cause the rage of the agricultural sector. The activities of the private corporate sector to urge the ratification of the FTA was done through request and pressure on the National Assembly for the acceleration of the ratification process. The meeting with the agricultural sector was a new attempt of the private corporate sector to facilitate the FTA ratification. However, it was only a sign of greater concern, but did not yet involve any practical compromise with the agricultural sector. Rather, the meeting just reconfirmed the different perspectives of the two sectors about the main issue of the meeting, the support of the private corporate sector for the agricultural sector after the implementation of the FTA. The agricultural sector wanted the private corporate sector to set up a fund to support it because the private corporate sector would benefit from the FTA while the agricultural sector was expected to experience losses. The private corporate sector, however, did not have any intention to support the farmers directly, but argued that it would be desirable to support the agricultural sector with tax revenue since the whole nation would benefit from the FTA. Though the two sectors agreed on creating a committee to discuss and cooperate on the issue of the FTA, they did not develop this first contact with each other in a substantive manner in the future, but just continued to talk to the government as their point of contact on the FTA.

On November 10, 2003 the Foreign Affairs, Trade and Unification Committee in the National Assembly undertook discussion about the motion regarding the FTA ratification, which had been submitted to the National Assembly 4 months earlier. However, laying the motion before the committee itself was not an easy task because there were assemblymen who were still reluctant to the ratification of the FTA. The committee put the matter to a vote after hours of debate, and managed to pass it by 8 to 7 in a vote where only 15 out of 23 committee members participated. This revealed again the conflicting stances of rural-based and urban-based assemblymen. The former objected to the FTA itself or insisted on better compensation for farmers who would be negatively affected while the latter urged the immediate ratification of the FTA for a national economy that relied much on exports of manufactured goods.

In this situation, a moderate faction of farmers voiced their support, if conditional, for the ratification of the FTA. On November 13, 2003, the National Council of Farmers (NCF), which consisted of 20 farmers' organizations, made a public statement that it called upon the National Assembly to ratify the FTA soon and also urged the government to improve FTA compensation measures in accordance with the proposal of the NCF. The proposal included 1) an increase of the FTA Special Fund from 800 billion won to 1300 billion won, 2) an expansion of measures to reduce farmers' debt, 3) a decrease in the annual interest rate of policy-oriented loan from 4 to 3 percent, and 4) the extension of the Special Tax for Rural Development for 10 years instead of 5 years. The NCF pursued maximization of potential subsidies from the existing FTA countermeasures, instead of objecting to the further opening of the agricultural market. This action of the NCF indicated an emerging split within the agricultural sector. The National Farmers Solidarity, which included the two best-organized organizations, the National Federation of Farmers' Associations (NFFA) and the Korean Advanced Farmers Federation, did

not participate in the public statement. Only one organization, the Korean Native Cattle Association, in the National Farmers Solidarity belonged to the NCF and participated in the statement. The government immediately responded to the statement of the NCF, showing that it would be willing to positively consider the preconditions that the NCF suggested in return for its consent to the ratification of the FTA. This government response relieved the concern of the rural-based assemblymen about their constituencies, or farmers, to some extent.

On November 19, 2003, however, the National Farmers Solidarity held a large-scale rally in a park near the National Assembly against the government measures on the FTA and other agricultural policy. Approximately two thousand of charter buses transported 65 thousand farmers from all over the country, and they had violent clashes with the riot police here and there in Seoul throughout the day. Dozens of farmers and policemen were injured, and about 100 protest participants were arrested for using violence that day.

In response to the vehement protest from the agricultural sector, the Agriculture, Forestry, Fisheries Committee of the National Assembly postponed discussion about the FTA Special Law for aiding farmers who would experience losses due to the FTA with Chile. Mindful of farmers' heightened animosity against the FTA, assemblymen from the largest opposition party, the Grand National Party, refused to discuss it. The ruling party, the Uri Party, had to generally support the government's intention of carrying on the ratification of the FTA though it could not force each of its assemblymen to outspokenly agree with the government because of the rural vote. the Grand National Party took this as an opportunity to attract the vote of farmers by stepping back a bit from the government FTA policy, while not completely objecting to it. As the farmers' objection continued, the 4 political parties announced that they would listen and

take into account the opinions of hard-line farmers' organizations to handle the ratification of the FTA and the FTA Special Law.

Meanwhile, on December 22, 2003, the National Assembly passed a revised amendment of the Special Tax for Rural Development that extended the tax for 10 more years until the end of 2014.³⁶ The original amendment, which was to extend the tax for 5 years until the end of 2009, was revised a few days before the vote owing to the request of assemblymen both from the ruling party and the opposition parties. This action was the first of the so-called four special laws that were established in the face of the FTA. It was an immediate response of the government to the demand of the NCF. No political party had reasons to object to the extension of the Special Tax for Rural Development since it would not hurt their reputation among farmers. Regardless of the FTA, this amendment of the law was in favor of farmers anyway, and it was one of the steps to promote the justification of the FTA among the general public, if not so much among farmers.

On December 26, 2003, the Foreign Affairs, Trade and Unification Committee in the National Assembly passed a motion regarding FTA ratification, which now was waiting for submission to a plenary session on December 29. However, the difference of opinions between assemblymen from rural constituencies and from urban constituencies grew acute as farmers' opposition to the ratification of the FTA grew radical in the face of the plenary session. Since December 26, farmers' organizations staged demonstrations across the country, and on December 29, the day of the plenary session, they held a big rally in front of the National Assembly. Concerned about the radicalizing reaction of the agricultural sector, the Agriculture, Forestry and Fisheries Committee in the National Assembly postponed its decision about the FTA Special Law prior to the plenary session, which made impossible to submit the bill to the plenary meeting at the same time as the motion for FTA ratification. The Committee was

³⁶ http://likms.assembly.go.kr/bill/jsp/BillDetail.jsp?bill_id=027399

expected to pass the bill as the Foreign Affairs, Trade and Unification Committee passed the motion for FTA ratification and decided to put it before the plenary session. However, the Committee insisted that the government should persuade farmers first and that it would not be too late to deliberate on the bill after the ratification of the FTA in the National Assembly. The Agriculture, Forestry and Fisheries Committee was predominantly composed of rural-based assemblymen. Though the Foreign Affairs, Trade and Unification Committee included rural-based assemblymen, the majority of its members were urban-based. The reason why the Foreign Affairs, Trade and Unification Committee took so long to pass and submit the motion for the ratification of the FTA to the plenary session was not so much that its members were concerned about their own constituencies. Rather, they were afraid of the potential backlashes of the agricultural sector in the campaign for the upcoming general election in 2004.

As the plenary session began, assemblymen from rural constituencies united regardless of their different party affiliations to deter the ratification of the FTA. They even organized several groups and used their physical force to keep the motion for FTA ratification from being called for a vote. Obviously, assemblymen from rural constituencies would make themselves conspicuous as pro-farmer lawmakers to the agricultural sector at the moment. Meanwhile, assemblymen from urban constituencies were not active enough in pushing ahead the ratification of the FTA because they did not want to be branded as anti-agricultural, which might make them central targets of the negative campaign for the next general election. Because of the conflicting interests within the National Assembly, the ratification of the FTA failed to pass in the plenary session on December 29.

As the Korean National Assembly was reluctant to ratify the long-pending FTA bill, the Chilean Senate postponed its schedule for ratification. The Chilean House of Representatives

passed the ratification of the FTA on August 27, 2003, and in the following month the Chilean Senate planned to vote on the ratification of the FTA. However, as the Korean National Assembly did not push ahead but showed a serious conflict of interests between assemblymen, the Chilean Senate postponed its plans to consider voting on the FTA with Korea until the Korean National Assembly displayed a clear sign of approving the FTA.

On January 8, 2004, the National Assembly held another plenary session to vote for the ratification of the FTA. Farmers' organizations under the National Farmers Solidarity staged large-scale protests near the National Assembly all day long, which was met by the police with tear gas for the first time in 6 years. Inside the National Assembly, there were physical scuffles between rural-based and urban-based assemblymen. As the Speaker of the National Assembly called for a vote for the FTA, dozens of rural-based assemblymen stampeded out and took over the rostrum of the National Assembly to obstruct the session. They argued that the FTA should not be passed without better countermeasures to aid farmers. The floor leaders of the four political parties in the National Assembly had agreed on the ratification of the FTA before the plenary session, but they drew back and connived with rural-based assemblymen to oppose it as the session began. The Speaker of the National Assembly finally postponed the ratification of the FTA for another month.

On January 19, 2004, Prime Minister Kun Goh, who was serving as the acting-president during the impeachment trial of President Moohyun Roh, released a statement regarding the FTA with Chile and presented a comprehensive agricultural plan. This plan included 119 trillion won (approximately 119 billion dollars) of government subsidies for long-term loans and investments and the reduction of the annual interest rate for existing agricultural loans from 4 to 1.5 percent as well as the extension of the term of redemption to 15 years with a 5-year grace period. In

tandem with the new agricultural plan, the Prime Minister promised an expanded FTA Special Fund of 1,200 billion won (approximately 1.2 billion dollars) to compensate farmers' losses and to enhance the competitiveness of pomiculture, the sub-sector that was expected to lose the most. As he promised the policy package of agricultural development, the Prime Minister asked farmers to understand the need for the immediate ratification of the FTA by reminding that the delay might damage the credit worthiness of the Korean economy, which had a very high and increasing level of dependence on trade.³⁷

After several postponements owing to the negative situation in Korea, the Chilean Senate finally ratified the FTA on January 22, 2004 in response to the strong determination of the Korean government for the FTA ratification.³⁸ After the failure of the FTA ratification in the National Assembly on January 8, the Korean government asked the Chilean government for understanding and explained that the President was persuading farmers and the assemblymen to approve the FTA, while the Speaker of the National Assembly promised the ratification of the FTA on February 9. The Korean government also intimated that the ratification of the FTA in the Chilean Senate would facilitate the ratification of the FTA in the Korean National Assembly. The Korean government expected the Chilean action to pressure the Korean National Assembly to approve the FTA because the further delay of the ratification in Korea might damage the credibility of the economy in the international relations.

On February 9, which was the day of the next plenary session, the National Farmers Solidarity held another large-scale rally near the National Assembly. Approximately 10,000

³⁷ Korea's dependence on trade (= (exports + imports)/GDP*100) was 50.3% in 1995, 62.4% in 2000, and 66.2% in 2004. It dramatically increased to 92.3% in 2008 in the face of the world economic crisis from 69.4 in 2007, and remained as high as 82.4% in 2009. For more details, search <http://kostat.go.kr/portal/korea/index.action> provided the Statistics Korea.

³⁸ http://www.sice.oas.org/TPD/CHL_KOR/Negotiations/Approval_CHL_s.doc downloaded at http://www.sice.oas.org/TPD/CHL_KOR/CHL_KOR_s.ASP

members of different farmers' organizations under the National Farmers Solidarity gathered in the afternoon to object to the ratification of the FTA. The farmers held their first rally in a park near the National Assembly and then marched to the National Assembly to stage a pan-national campaign against the FTA with Chile in front of the National Assembly. The farmers had a violent clash with the riot police in the process of the second rally as the latter attempted to preclude it by squirting the former with water from high-powered water hoses and the former hit the police back with sticks and hurled stones at them. The violent clash kept on going throughout the rally, and more than 100 people were wounded and evacuated to nearby hospitals.

While farmers were engaged in severe confrontation against the government outside the National Assembly, rural-based assemblymen were opposing the ratification of the FTA desperately inside it. As it began to deliberate the ratification of the FTA, the National Assembly faced a problem of whether to accept the request of the rural-based assemblymen for an open ballot. The leaders of the Uri Party, the ruling party, and the Grand National Party, the majority party, opposed the request and insisted on a secrete ballot because of concerns about being targets for the negative campaign of the farmers' organizations and other civic organizations in the upcoming general election in April, which might draw back even urban-based assemblymen from ratifying the FTA. However, an open ballot was chosen by vote. The leaders of each political party were afraid that the motion for FTA ratification would be voted down, so they gave up putting the motion to a vote and withdrew their assemblymen (*Chosun Ilbo*, February 9, 2004). As a result, the third attempt to approve the FTA was adjourned, owing to scanty attendance.

As the National Assembly failed to ratify the FTA with Chile again, the government expressed great concern about the potential negative effects of the failure of the ratification. This

time, the government was in a very awkward position because it explicitly supported the Chilean Senate to ratify the FTA first by assuring that the Korean National Assembly would not postpone but approve the FTA in the third attempt. However, the Korean government was concerned less about a decrease in its diplomatic power in the bilateral relationships with Chile than about a potential decline in the overall creditworthiness of the Korean economy. It was worried about the negative image that the Korean economy was hesitant in promoting market opening and economic restructuring.

Meanwhile, the private corporate sector expressed their criticism and deep concern about another delay of the ratification of the FTA. On February 10, the Federation of Korean Industries, the Korea International Trade Association and the Korea Chamber of Commerce and Industry separately released critical remarks about the third failure of the FTA ratification in the National Assembly (*Yonhap News*, February 10, 2004). On February 15, the five major economic organizations announced a joint letter expressing great disappointment and urging the ratification of the FTA at the National Assembly. The private corporate sector directly blamed the delayed ratification of the FTA for the weakening of Korean manufacturing exports to Chile. While it had tried to advertise the advantages of the FTA thus far, it now turned to stress the negative effects of not completing the FTA. Basically, the private corporate sector more overtly seconded the perspective of the government by stating its concern about the negative impact of the repeated delay of ratification on the sovereign credit rating and on exports to Chile and Latin America. The mass media intensively highlighted the concerns of the private corporate sector, which was quite misleading to the public in that it portrayed the delayed ratification as the cause of decreasing export of some manufactured goods to Chile.

After the simultaneous action of the state, the private corporate sector, the stance of National Assembly was better established in favor of ratification of the FTA in the next plenary session on February 16, 2004. The de facto ruling party, the Uri Party³⁹, and the majority party, the Grand National Party set ratification of the FTA as an official goal in their party platforms. The leader of the Grand National Party, which included many rural-based assemblymen, even said that he would take it as insubordination if anyone objected to the ratification of the FTA, and told the objecting assemblymen not to participate in the vote. Though the third party, the Millennium Democratic Party, did not decided on a party platform about the FTA, its leader pressured its assemblymen by his support for the ratification of the FTA for the sake of Korea's sovereign credit rating. The Prime Minister, Kun Goh, met a dozen rural-based assemblymen and proposed extra aid from the government in addition to the laws that were being considered to assist farmers. In return, the rural-based assemblymen promised that they would not take over the rostrum of the National Assembly to obstruct the session (*Joongang Ilbo*, February 16, 2004a). The Speaker of the National Assembly affirmed that rural-based assemblymen promised not to interrupt the vote by physical force and that if they did so, he would exercise his authority to mobilize security guards to carry on the session. He was quite optimistic about passing the motion for FTA ratification (*Yonhap News*, February 16, 2004). Finally, the National Assembly passed the motion for the ratification of the FTA in the forth attempt after 7 months since the motion was initially submitted to the National Assembly in July, 2003. The voting process was smooth and quick without any debate on the pros and cons. Out of the 271 incumbent Assembly

³⁹ The Millennium Democratic Party was the ruling party until October 2003 when President Moo-hyun Roh broke away from it. By the time, a large number of reformist lawmakers in the Millennium Democratic Party, who were supporting the President, defected from the party. They created the Uri Party in November, 2003, and President Roh joined it in May, 2004, soon after the presidential impeachment against him was dismissed by the Constitutional Court. While the impeachment was still pending, the Uri Party a majority of seats in the 17th National Assembly through a general election in April, 2004. Thus, the Uri party became the majority ruling party in Korea. The Uri Party was integrated into the United New Democratic Party, which combined with the Democratic Party (the Millennium Democratic Party until May, 2005) to make the United Democratic Party in February, 2008.

members, 234 participated in the open vote, and 162 voted for the ratification of the FTA while 71 voted against it and 1 abstained. In tandem with the ratification of the FTA, the National Assembly also passed a Special Law on Debt Relief for Farmers and Fishermen and a Special Law for Improving the Quality of Life of Farmers and Fishermen to minimize the losses of farmers due to the FTA (*Joongang Ilbo*, February 16, 2004b).

Outside, a few thousands of farmers in different farmers' organizations under the National Farmers' Solidarity held a rally near the National Assembly to claim the abandonment of the FTA but only to face the failure of the overall effort to do so. As they heard the news that the National Assembly had just passed the ratification of the FTA, the farmers attempted to march to the National Assembly. The police confronted them by shooting water with high-powered water hoses and even tear gas. Since the police used tear gas against farmers on the day of the second attempt for the ratification of the FTA in the National Assembly in January for the first time in 6 years, they fired it on the days of the second and the third attempt to pass the ratification of the FTA in the plenary session. After the violent clash between the farmers and the police, the protesters dispersed on their own late in the afternoon. This was the practical end of farmers' struggles against the FTA with Chile, and no more serious rallies or protests of the farmers took place after that day.

Instead, the farmers' organizations declared that they would judge the assemblymen who consented to the ratification of the FTA in the general election that was coming up in April 15 through the politicization of farmers in coalition with workers. Farmers' organizations had warned about the FTA-related negative campaign in the upcoming general election since mid 2003, though the warning of negative campaign had existed even before that in connection with the opening of the rice market. This action of the farmers' organizations was learned from the

Citizen's Alliance for the 2000 General Election, which was the first proactive and direct movement of Korean people to utilize voting power as a means to reform the government. In early February, the Citizen's Alliance for the 2004 General Election was launched with 274 civic organizations under the lead of the People's Solidarity for Participatory Democracy, and more than 100 other civic groups were considering participating in it (People's Solidarity for Participatory Democracy, January 27, 2004). The farmers' organizations wanted to use the tactic of the negative campaign to make them better heard in politics.

However, farmers' organizations were not at the center of the nationwide negative campaign, and the issue of the FTA with Chile faded from people's attention. The main group of the negative campaign initiated by the People's Solidarity for Participatory Democracy was urban citizens rather than farmers or people in rural areas, and their primary concern was not the ratification of the FTA but the general quality of individual candidates such as corruption, illegality and antidemocratic history. The 2004 negative campaign focused on judging the assemblymen of the opposition parties who approved a motion for the impeachment of the president against public opinion. On March 12, 2004, the National Assembly passed a bill to impeach President Roh for violating the neutrality obligation concerning elections in the campaign of the upcoming general election. This incident, which had been drawing the increasing attention of people since January, 2004, shifted public attention away from the FTA with Chile, and farmers in Korea did not have the ability to organize themselves as a political force on their own though they certainly grew politicized through the active struggles of farmers' organizations against the FTA in the preceding two years.

A few major farmers' organizations actually tried to mobilize farmers as a class, but the effort was not effectively or directly connected to the FTA-related struggles. Also, the outcome

of the effort was very limited among rank-and-file farmers though the organizations themselves made their way to the national politics through alliance with other social forces. The most active farmers' organization in the politicization of farmers was the National Federation of Farmers' Associations (NFFA). The NFFA began to seriously discuss politicization in April, 2003, by establishing the Political Committee. It decided to support the Democratic Labor Party (DLP), Korea's only leftist, progressive political party, as a practical way to politicize farmers, and suggested political negotiation with the Democratic Labor Party in September. The DLP also wanted the systematic participation of farmers in politics since it did not have any base of political support in rural areas, which still constituted a great number of constituencies. The NFFA and the DLP came to an agreement about the politicization of farmers on October 15, and the NFFA resolved to join the DLP in its representatives' meeting on November 4. A bit after the NFFA, the Korean Women Peasants Association (KWPA) also decided to support the DLP in its representatives' meeting on January 8, 2004. Like the NFFA, the KWPA expected the DLP to represent the voice of farmers who were at increasing risk of losses due to the opening of the agricultural market. Thus, the NFFA and the KWPA came to officially support the DLP in the upcoming general election in April, 2004. Unlike the two foregoing farmers' organizations, the Korean Advanced Farmers Federation (KAFF) was cautious about support for the DLP though it agreed on the importance of farmers' politicization. Rather, the KAFF compared the responses of political parties to the Korea-Chile FTA and their pledges to rural areas in the upcoming general election. In fact, however, several ex-leaders of the KAFF had already joined the Uri Party, which aroused the suspicion that the KAFF supported the reformist ruling party, the Uri Party, rather than the progressive DLP, though the current leadership of the KAFF denied it (*Voice of People*, February 12, 2004). On the other hand, the National Farmers' Solidarity was not able to

declare its position on the general election because of its organizational nature, representing many farmers' organizations with diverse interests gathered in a coalition to fight against the FTA with Chile. After all, in the 2004 general election, Gi-gap Kang, one of the vice presidents of the NFFA, and Ae-ja Hyun, the president of Jeju Island Regional Council of the KWPA, became the assemblypersons of the DLP by proportional representation, and Hong-soo Park, the ex-president of the KAFF, became the assemblyman of the Uri Party through proportional representation. In spite of this visible outcome in the general election, however, the politicization of farmers through the process of the general election did not contribute much to continued rank-and-file farmers' mobilization, and the agricultural issues including the FTA drifted away from the core of national politics.

The Korean state failed to encourage the spontaneous cooperation of the agricultural sector and faced unprecedented violent objection. The unprecedented intensity of the farmers' movement affected the process of congressional ratification, although to a limited degree. The strong objection to the FTA gained significant support from assemblymen, especially those from rural constituencies, and delayed the ratification for one year after the official sign of the FTA though it was not able to reverse the government's decision on the FTA. The assemblymen's support for the agricultural sector, however, had more to do with their own politically underhanded motives than pure favor and concern about farmers. Elected by rural constituencies, they were responsible for representing farmers' interests, and what is more, they had a general election coming up in April, 2004. By the time the FTA was ratified by the National Assembly on February, 16, 2004, however, many of those who were against it withdrew and the National Assembly finalized the process. The uprising of the agricultural sector had its voice heard in the main political arena, but at the same time it was strategically bypassed by politicians and their

parties. On the other hand, although the strong reaction of the agricultural sector fell into a political game of politicians, it was conducive to the positive response of the government in terms of immediate counter-FTA agricultural policies.

Meanwhile, intrastate negotiations in Chile were quite easy. There was no significant objection or resistance from domestic sectors. The manufacturing sector represented by the Sociedad de Fomento Fabril (Sofofa) and the Instituto Textil de Chile expressed their concerns about an FTA with Korea, but only to a limited extent. The ratification process in the Chilean National Congress was not difficult, though it was delayed several times due to the negative situation in Korea. The Chilean Congress finally ratified the FTA on January 22, 2004, in response to the firm promise of the Korean government to ratify the FTA in the near future.

One of the reasons behind such noiseless intrastate negotiations in Chile was the persistence of the industrial structure in favor of mining and agriculture. Chilean society was traditionally based on mining and agriculture, and therefore, Chile's national sentiment was established in favor of those sectors. The current Chilean economy is still heavily dependent on mining and agribusiness. The manufacturing sector did not have a chance to grow since the 1970s. In an FTA with Korea, the traditionally strong sectors of mining and agribusiness were the main beneficiaries whereas the weak manufacturing sector was the potential victim. Thus, the longstanding hegemony of the mining and agribusiness sectors, the national sentiment in favor of them, and potential profits from the FTA for those sectors worked together to prevent significant resistance from domestic forces. This was very different from the Korean situation where the basis of the national economy had shifted from agriculture to industrial sectors, but national sentiment still sympathized with agriculture to a substantial extent. Though the agricultural sector is no longer strong in terms of significance in the national economy, expected losses from

the FTA in agricultural sector provoked the grievances of the people so that they largely embraced the mobilization of the farmers against the government, if not to the end.

Also, in Chile, strong labor unions are concentrated in the mining sector, but not in the manufacturing sector. Therefore, labor unions did not have strong reasons to go against the FTA. They might have been against the FTA if they had been politicized enough, like their Korean counterparts. However, labor unions in Chile under the Concertación, which was a coalition of center-left political parties, did not politicize themselves against the democratic regime that came in power in place of the right-wing military regime of Pinochet that oppressed them severely in the past. Their politicization against the Concertación might help the conservatives regain their popularity and legitimacy.

Another reason behind the easy intrastate negotiations in Chile was the experience of the “Miracle of Chile” in the 1980s. Chile successfully overcame the 1982 Latin American debt crisis and experienced an admirable economic growth in the 1980s. This so-called “Miracle of Chile” happened under the liberal and free market orientation of the national economy. Therefore, the nation and its people tended to have a positive perception toward free trade.

Along with that, public support for market economy and liberalization is high. Through a longstanding socialization process in economic history, Chilean society cemented an idea of “market as welfare enhancer,” which “facilitate[d] the implementation of Chile’s external trade policy in a consensual way by economic and political elites” (Wehner, 2009). According to a survey by the Consejo Asesor Presidencial Trabajo y Equidad (Presidential Advisory Council on Employment and Equity), people tend to consider economic success as the consequence of individual factors such as self-initiative, self-responsibility and hard work. In contrast, only 3% of the respondents emphasized the role of the state as the main factor of economic success

(Meller et al., 2008). Another survey by the Latinobarómetro shows that 65 percent of the valid respondents agreed or strongly agreed with the claim that the market economy is the only pattern with which the country can achieve development (Latinobarómetro, 2008).

Two Incompatible Characteristics of Post-FTA Policies

On February 17, 2004, the day after the ratification of the FTA, the Agriculture, Forestry and Fisheries Committee of the National Assembly approved the FTA Special Law by unanimous consent to be submitted to the plenary session of the National Assembly for voting. A couple of weeks later, on March 2, the National Assembly passed an FTA Special Law, which was the last of the four special laws for the opening of the agricultural market and the measure most directly related to the FTA with Chile. The law stipulated an FTA Special Fund of 1,200 billion won (approximately 1.2 billion dollars) for the next 7 years, and since the negative effect of the FTA was expected to concentrate in pomiculture, the fund and the law in general were designed mainly to support fruit farmers. The law was put into effect on April 1, 2004, the day of the effectuation of the FTA. However, the enforcement ordinances of the FTA Special Law were not established until the day of the FTA effectuation, and the enforcement regulations were not enacted until almost a couple of months later on May 24, 2004. This laggardness of the government made farmers, especially the farmers growing particular fruits such as grapes and to a lesser extent peaches and kiwis, worry and fret about the promised support and aid for them.

Post-FTA support policies around the FTA Special Law are largely divided into two groups in terms of main operating bodies: a central government program and a local autonomous program. The central government program consisted of projects to which the same criteria had to

be applied in all localities: business cessation⁴⁰ support, income preservation, and orchard scale-up. The business cessation project offered compensation to farmers who grew greenhouse grapes, peaches, or kiwis if they would stop cultivating them. Since the three fruits were expected to experience the most damage, the compensation was limited to them, and it was supposed to be offered over the next 5 years to different farmers. Income preservation provided direct payment to greenhouse grape- and kiwi farmers in times of crisis. When domestic average prices of the items in the fiscal year drop below standard prices due to the increase of Chilean fruit imports, the government compensates 80 percent of the difference between the two prices. Peaches were excluded because they were unlikely to be imported due to import quarantine. The other big project, orchard scale-up, was meant to encourage farmers to increase their orchard size. It covered all fruits and provided low or no interest loans for farmers who purchased additional orchards or took up a long-term lease on them. The local autonomous program comprised projects that needed to reflect discrete local characteristics and needs: modernization of equipment and facilities for quality production, improvement of production infrastructure, equipment lease, establishment of local distribution centers, support for quality seedling development, and modernization of processing facilities. For these local projects, the central government presented only general guidelines and criteria, and the local government worked out plans and details for its own area. The local program aimed particularly at the improvement of product quality and the modernization of production in order to build up competitiveness. It offered financial support for new facilities and equipment in existing farms, but not in new farms, to enhance productivity and product value.

⁴⁰ Business cessation does not mean giving up farming forever but stopping cultivating table grapes, peaches, and kiwis for 5 years.

The post-FTA policies are worth being noted in that they took into account farmers' practical needs, or the stability of agricultural income and business. One measure was income preservation through direct payment, which was a project of the central government program. The income preservation project, which was adopted in Korea for the first time partly as a result of pressure from the agricultural sector, was to protect the possible impact of price drop due to Chilean agricultural imports. Unlike existing direct payment systems,⁴¹ it guaranteed a substantial level of income from farming so that farmers could be encouraged to farm with less concern for market instability. Though it would last only for 7 years from 2004 under the FTA Special Law, the income preservation was an active way to give the agricultural sector a chance to adapt itself to new market circumstances. The other measure to meet farmers' immediate need was compensation for business cessation, another central government project. This was a kind of direct payment similar to that for the paddy field handover⁴² which had been in effect since 1997, but this time there was no age limit but it was open to anyone who was currently growing the relevant items such as greenhouse grapes, peaches, and kiwis but would give up cultivating them. These two projects came under the category of business stability. They might be hastily-made policies, but they still appealed to farmers who wanted to avoid the risk of producing the vulnerable items. Looking at the FTA Special Law more comprehensively, however, proves that the post-FTA policies presented another important aspect, structural adjustment.

Structural adjustment in Korean agriculture normally signifies the promotion of large-scale fulltime farming and high-quality production, envisioning the transformation of agriculture

⁴¹ Korea has been implementing direct payment systems for paddy field handover (including both selling and leasing) since 1997, for environment-friendly agriculture since 1999, and for rice production since 2002. These offer farmers subsidies according to the size of farms but do not take into account the outcome of production, whose market price may vary a lot each year.

⁴² This direct payment was limited to farmers in their 63~69 who sold or leased for more than 5 years their farmland to the Korea Rural Community and Agriculture Corporation or to farmers with over 4.94 acres of arable acreage at the age of less than 56.

into high value-added export agro-industry.⁴³ Such structural adjustment implies the reduction of small-scale farmers, who constitute the overwhelming majority of Korean agriculture, and therefore threatens their fundamental livelihood. Korean agriculture achieved a high level of productivity over the last few decades owing to the enhancement of mechanization and technology. Korean agriculture, however, failed to escape the natural impediments of the Mann-Dickinson thesis that agricultural production has inherent impediments to the development of a capitalist agriculture because the nonidentity of production time and labor time creates obstacles to capitalist investment and the use of wage labor (Mann and Dickinson, 1978; Mann, 1990). It mainly consisted of small family labor farms⁴⁴, and its technology, unlike in its neighbor Japan, was not advanced enough to buffer or minimize cheap foreign imports. In other words, it was not yet capable of competitive agricultural production in terms of price and quality. There was little capitalist involvement, either. Davis (1980) argues through the U.S. case that family farming is not incompatible with capitalist development but it can be transformed into a capitalist labor process through “contract farming”⁴⁵ between non-farm capitalist firms and independent agricultural producers. In the Korean agricultural context where the small farm size and the relatively high prices of production inputs posed limitations on low-cost mass production and where cheap foreign agricultural products were available to domestic capitalist firms, however, capitalist relations of production were not common in agriculture. In this situation, structural

⁴³ This is a generally accepted definition about structural adjustment of agriculture in Korea and is found in various official statements of the government. Recently, the Deputy Secretary of the Ministry of Finance and Economy, Park, restated it in a regular briefing in Nov. 2005 (Ministry of Finance and Economy, 2005)

⁴⁴ According to *2005 Agricultural & Forestry Statistical Yearbook*, as of 2004, the average size of cultivated area per farm household is 3.56 acre and 86 % of farm households have the size of cultivated land less than 4.94 acre (equivalent to 2.0 ha). As of 2002, family labor occupies 109.20 out of 129.60 days of farm-household labor hours, and hired labor takes only 15.55 days.

⁴⁵ In this form of farming, a non-farm firm “provides many of production inputs while participating in many production decisions and holding full title to the contracted product of the farmer’s labor” (Davis, 1980: 142).

adjustment by state intervention, which intended to direct agricultural production toward capitalist high-quality agro-industry, was an ambitious and challenging task.

The post-FTA policies reflected the strong will of the state for structural adjustment, and this was clear when it came to the allocation of the FTA Fund (Table 1). The majority of projects were designed to improve competitiveness, and accordingly the majority of the fund was allocated to this goal, though the two measures for agricultural business stability drew most attention from the media and the public. According to the investment plan of the FTA Fund, all 6 projects of the local autonomous program are under the category of improvement of competitiveness, and one central government project, orchard scale-up, also belonged to it. These projects were to converge onto the structural adjustment of pomiculture since they all dealt with efficient production, reasonable distribution and economies of scale. In terms of the amount of the fund, 69 percent was allotted for competitiveness, but only 29 percent was spared for the stability of the agricultural economy.⁴⁶ Two main projects of structural adjustment, modernization of equipment and facilities for quality production and orchard scale-up, occupied 53 percent of the total fund.⁴⁷ What was more important is that the projects under the category of improvement of competitiveness were favorable to the farmers who were already financially capable. Those projects provided only partial support and involved loans and the farmers' own expense. Pure support was at most 50 percent of the expense that farmers would spend on the projects, and the other half remained the farmers' burden in the form of debt or direct expenditure. Therefore, only the farmers who could afford their own part of the expense and had a certain level of property to mortgage were able to take advantage of the state support. Lee, a Chief of the Department of General Affairs in a township office in Gimcheon and grape farmer,

⁴⁶ Out of 1.2 billion dollars of the FTA Fund, 830.3 million dollars was for improving competitiveness, 348.8 million dollars for business stability, and 209 million dollars for overhead costs.

⁴⁷ The modernization was assigned 421.6 million dollars and the orchard scale-up 214 million dollars.

says, “Those who have money can get a loan and those who don’t have money cannot. To say simply, it’s a business. The government doesn’t lend money to random people.”⁴⁸ The post-FTA policies showed favoritism toward already capable and promising farmers.

The character of the post-FTA policies was closely connected with the current general goals of agricultural policy in Korea. The Ministry of Agriculture and Forestry (MAF) had as its basic keynotes of agricultural policy, first, efficiency-oriented agriculture as an industry and, second, security of farmers’ livelihood, which means the development of agroecology through structural improvement. These keynotes trace back to the late 1980s when Korea began opening its agricultural market under the pressure of the United States. Korea set a goal that it would reinforce its international competitiveness of agriculture against the upcoming inflow of agricultural products and pursued the expansion of farm size and technological innovation. Since then, though it made limited achievement, the Korean government maintained in principle the position that it would put forth its energy on the overall structural enhancement of agriculture, which was reflected over a series of laws such as the Special Measures for Agriculture and Fishery Development and the Agricultural and Rural Basic Law (Kim, 2002: 69-74). The post-FTA policies which heavily emphasized agricultural structural adjustment fit the existing idea and were a renewed serious undertaking towards its accomplishment.

However, the post-FTA policies entailed self-contradiction between the two categories of policies: improvement of competitiveness and business stability. The strong promotion of economies of scale⁴⁹ signified a total transformation of Korean agriculture into the type of big-sized agricultural industry, which meant that the majority of small farmers had to disappear in

⁴⁸ Interview with Lee, Chief of the Department of General Affairs in a township office in Gimcheon, August, 11, 2005, Gimcheon, Korea

⁴⁹ Economy of scale in Korean agricultural context is not simply a pursuit of mass production. It meant favoritism and support for financially and technologically potent farmers, who are also relatively large-scale farmers by the standards of Korean agriculture.

one way or another. The post-FTA policies also explicitly stated that financial support for production modernization would be preferably or exclusively provided for the farmers who had management capability and technology and who had the potential for competitiveness. The majority of Korean farmers, however, were small-scale farmers who were barely capable of keeping up with innovative state policies. In other words, the majority of farmers could not but be disadvantaged and their economic status was likely to lead to more serious instability. The restoration of agroecology through structural adjustment seemed to risk the collapse of a large part of the existing agricultural population before it could create a group of economically stable farmers in the future.

What is to note is that even the post-FTA projects particularly designed for farmers' pecuniary stability were actually more conducive to economies of scale than to farmers' stable livelihood. They consisted of support for business cessation and income preservation as discussed earlier. The former was the most immediate and visible measure responding to the farmers' uprising, and the state poured a great deal of money into it. In the first-year budget of the FTA Special Fund, 37,560 dollars would be allotted per hectare.⁵⁰ This definitely attractive support, however, was likely to induce the closedown of farms rather than to encourage farmers to move toward more advanced and productive farming which might lead to their genuine stable livelihood. In 2004 only, more than 12,000 farm households of greenhouse grapes, peaches or kiwis applied for business cessation, and the total area was 4,516 hectares, 24.6 percent of the entire area under cultivation of house grapes, peaches, and kiwis (*Yonhap News*, March 15, 2005). The latter project, or income preservation, was more constructive and was likely to make farmers feel safe cultivating the soil. However, the government did allocate much less money

⁵⁰ In total, 13.9 million dollars was distributed to 2,514 hectares for income preservation, and 23.4 million dollars to 623 hectares for business cessation support.

than it did to business cessation. Only 5,530 dollars per hectare were allocated for income preservation in the first-year budget. That is, the set of policies for farmers' stable livelihood implied the reinforcement of agricultural structural adjustment, but not so much the real stabilization of farmers' lives. In addition, business cessation support targeted greenhouse grapes, peaches, and kiwis whereas the direct payment excluded peaches out of the three because Chilean peach exports to Korea were not allowed due to plant quarantine at that time. This inconsistency of the policies made the goal of the projects suspicious and gave rise to farmers' doubts about state policies.

To sum up, the state responded to the demands of the agricultural sector, but it did not yield to it but rather maintained its keynotes of agricultural policy. The post-FTA policies focusing on fruits, especially, greenhouse grapes, peaches, and kiwis, presented substantial support plans, and they adopted systematic strategies of central-led and local-led projects. This reflected the influence of the agricultural sector on state actions. The policies, however, were inconsistent and contradictory goals: structural improvement and stable livelihood in agriculture. The state were not as concerned about farmers' livelihood as it was faithful to the general idea of structural adjustment. In other words, the state appeared to adopt the opinions of the agricultural sector, but still kept its own existing standpoint, which was incompatible with the farmers' demands.

Implications of the Post-FTA Policies

As the FTA with Chile was ratified and the post-FTA policies were enacted, attention shifted to the implementation of the post-FTA policies and their implications. The implementation of the post-FTA policies was first affected by the position of the Korean state about the impact of the

FTA. The state predicted that the FTA with Chile would not have any serious impact on Korean pomiculture or any other agricultural production. Han-soo Kim,⁵¹ Deputy Director General for FTA Affairs at the Ministry of Foreign Affairs and Trade (MOFAT), maintained that Chile was not a premier agricultural exporter but occupied only a trivial proportion, 0.6-0.7 percent, of world agricultural exports, and that it had competitiveness only in a limited number of fruits. He emphasized that Chile rarely exported cereal crops, which were the primary concern of Korean agriculture all the time. Kim also insisted that the government had substantially minimized the expected loss of the few vulnerable fruits in the FTA negotiations.⁵² Cheong (2001), the chief of the FTA research team in the Korea Institute for International Economic Policy (KIEP), focused on the fruit sector, especially grapes, and argued that Korean grapes would not have losses due to the importation of Chilean grapes (Cheong, 2001: 32-36). He argued that Chilean and Korean grapes were not competing with each other since their varieties and marketing seasons were different owing to geographic and climatic reasons. He observed that the sale of Chilean grapes in the Korean market took place mainly from March through June and did not overlap with that of Korean outdoor-cultivated grapes. Though domestic greenhouse-cultivated grapes that usually came into market in May might compete with Chilean grapes, he maintained, the higher quality of the local greenhouse grapes would minimize the impact of the latter.

Although the Korean government held that agriculture would not be greatly affected, it did not totally exclude potential losses in agriculture. The government re-estimated the loss through different institutes such as the Korea Rural Economic Institute (KREI) in 2002 and

⁵¹ Kim was appointed as the director general of the newly established FTA Bureau at the MOFAT in December 2004.

⁵² Press release of the Ministry of Foreign Affairs and Trade, January 6 2004.

http://www.mofat.go.kr/help/include/newopenmofat.jsp?MOFATNAME=%ED%99%88&INDEXNAME=MOFAT_HOME&PK=292105KEY235&SEQNO=292105&PARTNAME=TYPE_DATABASE&CATEGORY=%ED%99%88%20%EC%96%B8%EB%A1%A0/%ED%99%8D%EB%B3%B4&LOCATION=%ED%99%88%20%3E%20%EC%96%B8%EB%A1%A0/%ED%99%8D%EB%B3%B4

Hanyang University in Seoul in 2004. Choi, Eor, Suh, Park, and Lee (2002) in the KREI predicted that the expected loss would be 3 million dollars in 2004 and would increase up to 45 million dollars in 2010. Moon and Hong (2004) in Hanyang University released an estimation that the expected loss would be approximately 10.4 million dollars for the first year, 2004, and 103.9 million dollars for the tenth year with increasing amounts in the interim years, which would sum up to about 586 million dollars (Moon and Hong, 2004:45-46). The government adopted this most negative estimate when it set support policies including the FTA Special Law, even though both estimates had a limitation in that they did not consider ripple effects⁵³ on other fruits and fruit vegetables but focused only on direct impact of the imports of a few specific fruits that have drawn most public attention.

Through the post-FTA policies, the Korean state attempted a change of the policy implementation process, from a top-down to a bottom-up approach. That is to say, the state devolved substantial leverage over policy making from the central government to local governments through a series of local autonomous projects. Korea began its serious decentralization in 1995 when it elected local government heads and local assemblymen for the first time in about 35 years. The role of local governments in agricultural development, however, remained insignificant. One reason is that local governments usually had low financial self-reliance. According to the 2004 Local Financial Open Systems presented by the Ministry of Government Administration and Home Affairs, more than 90 percent of *goon* governments and about 80 percent of local municipal governments excluding metropolitan cities have less than 30

⁵³ The imports of certain produces may have a substitution effect. For instance, the increase of orange imports in 2000 caused consumption substitution for other fruits and fruit vegetables, which therefore suffered a sharp drop in prices.

percent and 50 percent of financial self-reliance respectively.⁵⁴ Kim, an assistant manager in the Department of Agricultural Policy in Youngdong-*goon*, said the local government did not have sufficient financial capacity and therefore could not plan or implement significant agricultural policies.⁵⁵ Another reason is that there was no adequate mechanism that would connect local-level needs to central policies well. Policies were usually set in the central government with little reflection of local characteristics and were imposed on local areas to barely produce satisfactory results. In the foregoing situation, the post-FTA policies was one of the first practical attempts of the central government to work through local governments to meet diverse local demands in rural areas, especially the demands of farmers in the fields. The central government provided general guidelines on local autonomous projects, and the local governments autonomously established their own development plans for pomiculture. The local governments also organized the Experts' Councils, which consisted of approximately 10 experts from pomicultural industry, academia, government and research institutes, to gather opinions from different perspectives. Through communication with the councils, the local governments prioritized pomiculture support plans submitted or suggested by local farmers' groups in accordance with their development plans. The priority order given by the local governments was reevaluated by the provincial government⁵⁶ before being submitted to the Ministry of Agriculture and Forestry (MAF) for final decisions. Through this process of "selection and concentration" based on the bottom-up approach, the Korean state attempted to properly represent farmers' needs and to look

⁵⁴ *Local Autonomous Government 2004 Fiscal Year Budget Indicator Analysis* on Local Financial Open System (<http://lofin.mogaha.go.kr:8100/help/PDSRead.jsp?type=&word=&num=1&pg=1>) by the Korea Ministry of Government Administration and Home Affairs

⁵⁵ Interview with Kim, an assistant manager in the Department of Agricultural Policy in Youngdong *goon*, August, 18, 2005, Youngdong, Korea

⁵⁶ A provincial government here means a high level of local government, or *do*, as opposed to a *goon* or municipal government.

forwarded to the modernization of fruit production and the enhancement of local pomicultural competitiveness.

However, the bottom-up approach of the state faced an obstacle: the lack of expertise of local officials, caused by the inefficiency of the basic bureaucratic system. To achieve the expected outcomes of the new agricultural policies, officials in charge of the beginning of the bottom-up process had to be skillful and competent in the relevant tasks in the first place. Many officials in the lowest level of local government offices in small towns, however, were transferred to other jobs or even to other offices every two years, or sometimes more often than that. Even during the period in which different FTA-related projects were being formulated and implemented at the local level, the officials were transferred to new jobs. As a result, some officials were not even familiar with the tasks when they were the ones in charge of the beginning of the post-FTA policies. They probably worked as well as they could, but they still needed some time to adjust themselves to their new jobs. This problem had a negative influence on the effective fulfillment of bottom-up strategy. The local officials, who actually contact farmers or work with them and therefore are critical in the bottom-up operation of policies, did not seem ready to carry out the new policies.

The post-FTA policies incurred the unexpected responses of rank-and-file farmers in a substantive aspect. One is the huge number of applications for business cessation. The number of farm households that applied for business cessation turned out to be far more than the government expected. The total number of applications for business cessation in 2004 amounted to 7.7 times more than expected. The budget allocated to business cessation for the first two years was originally 23.4 million dollars, but the applications for 2004 alone needed 180 million dollars. In the end, 24.7 million dollars and 53 million dollars were allotted to 573 hectares and

1,293 hectares of business cessation in 2004 and 2005 respectively (Ministry of Agriculture and Forestry, 2006: 238).⁵⁷ The state did not expect a great deal of business cessation at once but a gradual increase because the abolition of the tariff barrier was being carried out slowly and over time. The unexpectedly large number of immediate business cessation applications became a burden to the state because it had to provide the promised support in the face of the wrath of the agricultural sector, at least for the time being, though the business cessation of small fruit farmers itself was the intention of the state in agriculture.

Another reaction of rank-and-file farmers was that farmers who had already completed or applied for business cessation transferred to other kinds of fruits or vegetables as the business cessation was limited only to greenhouse grapes, peaches and kiwis. While support for business cessation tended to induce old farmers to retire early, it did not stimulate the majority of small farmers to renovate their production. In the orchards that received support for business cessation, the replanting of greenhouse grapes, peaches, and kiwis was prohibited for the next 5 years. The farmers either should give up farming and look for non-agricultural occupations or should start growing new items. In a situation where rural areas provided few non-agricultural occupations and aging rural farmers were not willing to leave for urban areas, the majority of farmers would start producing new items unless they were too old to do so. They received some funds in return for quitting the cultivation of greenhouse grapes, peaches or kiwis, and used the money to begin new items, which regenerated small farms in other items. Chung, a Chief of the Department of Pomiculture and Horticulture in Agricultural Technology Center in the city of Youngcheon, said that quite a few farmers who applied for business cessation in his area were those who already had plans to quit farming the concerned items, and that they just moved the timing forward a

⁵⁷ In 2006 and 2007, 66.8 million dollars and 60.3 million dollars were spent on business cessation Ministry of Agriculture and Forestry, 2007: 340).

couple of years or so in order to receive some compensation from the government.⁵⁸ In addition, the farmers who would change their items of cultivation did not care much about the imports of Chilean fruits. Since apples and pears were excluded from the FTA, farmers could transfer to those protected items. However, their choices were the items that had been produced in their areas before and were not unfamiliar to them. For instance, most farmers considering business cessation in the city of Gimcheon planed to shift to cherry tomatoes which fit the natural environment of the area and had been produced there in tandem with grapes. For them, that was the best way to minimize the risk as long as markets for their new item were not under dire conditions. Meanwhile, farmers' change of cultivation items had a potential negative ripple effect on the markets of the substitute items due to overproduction. The efforts of the state to minimize the impact of the FTA did not seem to take into account or be interested in such ripple effects.

The primary reason for the aforementioned farmers' reactions is that they were skeptical about state policies. Even though they appreciated substantial state subsidies as a part of the post-FTA policies, farmers did not believe that the state was carrying out the policies truly for them. Yoo, a township chief in Okcheon *goon*, said, "The government does not accomplish what it promises to do. It should not simply try to pay lip service to soothe farmers."⁵⁹ Huh, another township chief in Youngcheon *goon*, also said, "The government provides at the beginning but later withdraws furtively. It has been doing so, and all farmers will think that way."⁶⁰ Actually, many farmers suspected that the government would stop supporting the FTA Special Fund in a couple of years, and this was an important reason why many farmers rushed to apply for business

⁵⁸ Interview with Chung, a Chief of the Department of Pomiculture and Horticulture in Agricultural Technology Center in Youngcheon, August, 16, 2005, Youngcheon, Korea

⁵⁹ Interview with Yoo, township chief of Shinheung, Okcheon, August, 24, 2005, Okcheon, Korea

⁶⁰ Interview with Huh, township chief of Daejae, Youngcheon, August, 17, 2005, Youngcheon, Korea

cessation to receive compensation as soon as possible. They wanted to secure some money when they could, and then would start something for the future on their own. In other words, farmers' skepticism was not just from their disappointment with the historically industry-oriented state which had shifted away from the agricultural sector, but from their sense of betrayal by the state which had been rough-and-ready and capricious in creating and implementing agricultural policies often without any legitimate reasons. For instance, in 1991 the Korean state created the Measure for Structural Improvement of Agriculture and Fishery and invested huge funds amounting to 42 billion dollars from 1992 through 1998, but the plan, which actually did not fit the situation of Korean agriculture, failed to achieve its wished-for results and ended up further destabilizing the agricultural sector (Kim, 2002: 69-112). With the advent of the World Trade Organization (WTO) system after the conclusion of the Uruguay Round in 1995, the Korean state established the Special Law for the Implementation of the WTO Agreement to minimize the impact of the first opening of the agricultural market, especially the rice market. The law, however, was not even followed by any enforcement ordinances but ended up becoming a dead letter. Meanwhile, farming household liabilities increased 241 percent between 1994 and 2004 whereas farming household income increased only 42.8 percent over the same period.⁶¹ More specifically, the state formulated a grape development plan in 1983 to invest 260 million dollars in building 5 wine processing plants over the following 10 years. The state rescinded the plan in 5 years, however, when wine began to be imported. Since then, wine supply has been mostly

⁶¹ According to the statistics on farming household economy provided by Korea National Statistical Office, farming household income increased from 20,316 dollars in 1994 to 29,001 dollars in 2004, and farming household liabilities increased from 7,885 to 26,892 dollars over the same period. The high debt reflects the failure of state support in that one-time pork-barrel support of easy loan without systematic follow-ups ended up producing an accumulation of farm liabilities but relatively low improvement of farm living conditions.

relying on imports due to lack of domestic wine processing facilities while domestic demand for wine increased in the 1990s.⁶²

Although farmers had little confidence in the state, they did not move beyond the boundary that the state set for them. The farmers' unexpected overreactions were not attempts to challenge state policies, but they were merely down-to-earth efforts to benefit more from what the state would provide for them. Farmers actually acknowledged that they had no choice but to draw on the state policies since they have little power. Rather, they believed that their minor capitalization on the post-FTA policies were a practical way to survive for them, albeit hardly significant enough to affect the attitude of the state. For Korean agriculture was already in a dire situation and had no alternative to reliance on state protection or subsidies, the state was the only realistic source of support for the stabilization of agriculture.

Unlike the "dissident" political orientation of collective farmer's organizations, individual rank-and-file farmers were still lethargic. Though they seemed mobilized through the FTA struggles for a while, it turned out that they did not diverge much from the "alienated" political orientation which Boyer and Ahn (1991: 85-98) characterized Korean farmers a couple of decades ago. Rather, the FTA struggles made them feel more helpless. Lee, one of the early farmers who completed his business cessation of greenhouse grapes in return for government support, said, "We were too busy to go to demonstrations. Greenhouse farming needs us to stay and take care of it all the time."⁶³ Song, the youngest farmer in his village, said, "The more participation in demonstrations and protests, the harder my farming becomes. No one is going to work instead of me."⁶⁴ Kim, another farmer, also sighed, "It is of no use doing demonstrations or

⁶² Interview with Kim, ex-president and current honorary president of National Association of Grapes, August, 11, 2005, Gimcheon, Korea

⁶³ Interview with Lee, August, 12, 2005, Gimcheon, Korea

⁶⁴ Interview with Song, August, 18, 2005, Youngdong, Korea

protests. We farmers are just the most miserable.”⁶⁵ Farmers did not think that their reactions would change the attitude of the state though they appreciated the strenuous work of activists and organizations for them. Nonetheless, they acknowledged that state support, whether reliable or not, was the only possible source for them to improve the general dire situation of Korean agriculture.

The implementation of the post-FTA policies involved not only the central government and a few farmers’ organizations but local governments and a large number of rank-and-file farmers. The local governments were expected to function as mechanisms for bottom-up type of policy implementation to directly reflect local demands in state policies. However, this role of the local governments faced a basic obstacle within them: lack of local officials’ expertise due to inefficient job transfer. Meanwhile, individual rank-and-file farmers in the fields diverged from the collective organizations of activist farmers in the struggles against the FTA and agricultural market opening. They remained passive and only managed to capitalize on state policies within the boundary set by the state. Although they did not react to the post-FTA policies in the exact way that the state predicted, the farmers could not go beyond the state-imposed boundary since they acknowledged their limited choices in the already dire situation of agriculture.

Conclusion

The Korean state pursued an FTA with Chile to gain economic profits through increasing exports of industrial goods to Chile and cheap imports of mineral resources, especially copper, in the short term and, more importantly, to establish a bridgehead for making an inroad into greater Latin American markets in the long term. The state focused only on the positive effect of the FTA concentrating on the industrial sector, but not its negative impact in the agricultural sector.

⁶⁵ Interview with Kim, August, August, 17, Youngcheon, Korea

It did not pay much attention to the backwardness of the agricultural sector though the FTA partner, Chile, had a modernized agricultural sector as an important source of export. The industry-centered motives of the Korean state for the FTA aroused an unexpected strong reaction from the agricultural sector. The “dissident” political orientation of Korean farmers was more intense than at any other time before in Korean history. In response, the state created a set of post-FTA policies to minimize the potential negative impact of the FTA on the agricultural sector and to mollify the resistance of farmers. In the establishment and implementation of the post-FTA policies, the state tried to reflect the demands of the agricultural sector and expanded the post-FTA support package in terms of total amount of support and policy contents. Especially, the state adopted a bottom-up approach to the implementation of the post-FTA policies. However, the Korean state maintained its key note in agricultural policies: structural adjustment through modernization and scale-up. While it listened to some demands of farmers to justify its efforts for the protection of agriculture, the state furthered its policy key note more systematically through the post-FTA policies. In short, the Korean state did not brandish its power, but it still constrained the options of the agricultural sector.

Meanwhile, individual rank-and-file farmers tried to maximize their interests, albeit within the boundary of the state policies. They capitalized on the state policies beyond the expectation of the state. This was because the farmers were skeptical of what the state did judging from the unreasonable practices of the state in agricultural policies. The farmers believed that the state would properly implement the policies to benefit them practically. Still, their reactions did not go beyond the policy boundary set by the state. Since they had nothing else to turn to for financial support, the farmers just accepted the state offer but tried to exploit it in their own ways. Though the preparation of the state might be perfunctory, the farmers could not but

depend on the state because their choices were already constrained in the industry-centered economy. The dissident political orientation of the Korean farmers in the struggles leading up to the conclusion of the FTA did not last long, but the farmers turned back to the old “alienated” political orientation and a state of helplessness.

In the intensifying neoliberal globalization process, the Korean state failed to incorporate the disadvantaged sector of agriculture but further promoted the growth of industrial sectors as its traditional pattern of economic development. The unprecedented mobilization of the agricultural sector in the face of the new threat, FTA, did not induce the state to establish stable mechanisms for the inclusion of farmers. Rather, the state managed to drive the farmers to pursue short-term profits within the boundary of state policy.

Chapter 6: Korea's intrastate struggles in the interstate struggle with the United States in FTA negotiations

In this chapter, I examine both interstate and intrastate struggles that Korea experienced regarding FTA negotiations with the United States. The scope of the FTA between Korea and the United States, or the KORUS FTA, was much greater than the Korea-Chile FTA. Also, it entailed more intense negotiations between the two governments as domestic forces in Korea exploded in rage due to the dogmatic attitude of the Korean government in regard to the FTA and the agricultural market opening to the United States, especially beef market. The Korean state had to go through tough political negotiations with its domestic forces. However, in spite of the intense resistance of the domestic forces against the government's trade policy in general, the Korean state managed to maintain its fundamental trade policy of FTA. The tough process of interstate and intrastate negotiations attests that an FTA was just a trade policy pursuing economic profits in relationship with another economy but a complicated political process in which the state contends with other multiple players inside and outside of its national boundary to maximize their own interests and continues to exercise leverage as the main actor in the arena of national economy and politics.

Early tough road to the outset of negotiations between the Korean and U.S. governments

Even after Korea and the United States agreed to seriously discuss a potential FTA between them, it was still a long way until they confirmed the launching of actual FTA negotiations. Korea made efforts to gain support for the FTA from U.S. political and business circles by stressing the necessity and the bilateral benefits of the FTA. Minister for Trade, Hyun-chong Kim, made a couple of additional trips to the United States to meet leading figures in and out of government to

appeal for support, and Korean business leaders together with their U.S. counterparts urged the launching of the FTA negotiation through the U.S.-Korea Business Council. Luckily for Korea, the U.S. business communities in general were already as positive as Korean business communities about an FTA between the two countries, and both of the business communities had been advocating the FTA at annual plenary sessions of the U.S.-Korea/ Korea-U.S. Business Councils.⁶⁶ What is more important was that the two governments had to resolve long-lasting outstanding trade issues between them. Between February and April of 2005, they held three joint meetings to assess the benefits, risks and logistics of a Korea-U.S. FTA. After the joint feasibility study, however, in early June, 2005, the United States Trade Representative (USTR), Robert Portman, reportedly told the Minister for Trade, Hyun-chong Kim, that it was premature to launch actual negotiations for an FTA before key outstanding trade issues between the two countries were resolved, especially Korea's ban on U.S. beef imports and its screen quota system (*Inside U.S. Trade*, 2005: 6). The major trade issues also included Korea's non-tariff barriers to imports of U.S. automobiles and pharmaceuticals, which with the two foregoing issues turned out to constitute 4 preconditions that the U.S. demanded of Korea for the initiation of FTA negotiations. Beyond the immediate economic dimension of these issues, many U.S. officials also regarded Korean government action on these issues as a litmus test for whether it was politically capable of making potential concessions or compromises that the United States would demand in an FTA agreement (Manyin, 2006: 25). Portman also suggested to Kim that substantial progress on the major trade issues should be made by October if FTA negotiations were to be launched so that the decision would be announced at the APEC Economic Leaders'

⁶⁶ The U.S.-Korea/ Korea-U.S. Business Councils set up a subcommittee for the Bilateral Investment Treaty (BIT) and the FTA at the seventeenth annual plenary session in July, 2004, and they also stipulated their strong willingness to support an FTA between the two countries in the joint statement at the eighteenth annual plenary session of the U.S.-Korea/ Korea-U.S. Business Councils.

Meetings, or the APEC Summit, in Busan, Korea, in November, 2005 (*Inside U.S. Trade*, 2005: 6). Portman reiterated to Kim that more significant progress in resolving the key outstanding trade issues was needed to launch FTA negotiations, when Kim visited Washington D.C. after his trip to Mexico and New York to accompany President Noh in September, 2005 (*United Press International*, September 20, 2005).

The Korean government offered substantial concessions in the alleged preconditions to four key trade issues by January, 2006, though they were not completely resolved, but remained for further debate. First, the Korean government halted a plan for pharmaceutical reform including a shift of the selection system of pharmaceuticals for government reimbursement from a negative to a positive list system. Korea's pharmaceutical subsidy policy used to be based on a negative list system that automatically authorized government reimbursement for all medicines and medical devices except for particular pharmaceuticals that the government specifically excluded. Due to the aggravating finances of the National Health Insurance, however, in 2005 the Korean government planned to shift to a positive list system in which only cost-effective pharmaceuticals selected by the government would be included in the National Health Insurance for reimbursement. While the positive list system would contribute to the financial soundness of the National Health Insurance in Korea, the United States was concerned that its own national pharmaceuticals would be disadvantaged on the selection process or be underpriced for their innovative value. On October 30, 2005, the Korean government announced a tentative halt to the discussion of pharmaceutical reform. Second, the Korean government allowed a partial grace period for the application of new exhaust emissions standards. On December 10, 2003, the Korean government promulgated the Enforcement Regulations of the Clean Air Conservation Act about permissible levels for vehicle exhaust emissions, which tightened the regulation for

gasoline and liquefied petroleum gas vehicles to the Ultra-Low Emission Vehicle level and the regulation for diesel vehicles to the Euro 4 level in 2006 (*Donga Ilbo*, December 9, 2003). As the date of enforcement approached, however, the U.S. government demanded the relaxation of new exhaust emissions standards as a precondition for FTA negotiations. On November 6, 2005, the Korean government provided a two-year grace period for manufacturers that sold 10,000 or fewer vehicles per year in Korea to meet the new regulations, which meant all foreign vehicle manufacturers including U.S. manufacturers were allowed another two years. The aforementioned two concessions did not create serious repercussions on Korean society, though they resurfaced as important issues on the actual negotiating table later on. That was partly because the decisions were made quietly within the government and were not well publicized and partly because they were in the industrial sectors which were not the main potential victims of an FTA with the United States. As for the planned pharmaceutical reform specifically, it might give advantage to a few big Korean pharmaceutical firms, but the reform was basically promoted by the government, which intended to improve the finances of the National Health Insurance, rather than by the pharmaceutical industry. Actually, the Korean pharmaceutical sector did not reach a consensus on the adoption of the positive list system for practical reasons. Rather, it considered the adoption of the positive system too early for the domestic pharmaceutical industry (*Health and Social Daily News*, May 30, 2006). No matter what, the sector was not powerful enough to affect the decision making since it did not consist of any major *chaebols*. As for the enforcement of tightened exhaust emissions standards, though the Korean automobile industry would not like the fact that the government made an exception for foreign automobile manufacturers, it was already ready for the new exhaust emissions standards which were publicized a couple of years earlier and, more importantly, it wanted negotiations for an FTA with the United States to be

launched soon since the Korean automobile sector itself would be the biggest beneficiary of the FTA.

Unlike the foregoing two concessions, the other two concessions were issues that had already been popular and controversial among the Korean people, although the decisions were also quietly made by the government. For the third concession, the Korean government lifted the ban on U.S. beef imports. The prohibition on U.S. beef import had been in effect since December, 2003, when a cow was diagnosed with Bovine Spongiform Encephalopathy (BSE), or so-called mad cow disease, in the state of Washington. This issue loomed large as the United States and Korea began to discuss an FTA between them, and U.S. pressure for the resumption of U.S. beef imports became blunt as the World Organization for Animal Health (OIE) made a significant change in the chapter on BSE in the Terrestrial Animal Health Code in May, 2005 that deboned meat from cattle under the age of 30 months from countries with BSE risk might be freely traded without risk on a few conditions including ante-mortem and post-mortem inspections, the removal of specified risk materials, and the use of approved slaughter processes.⁶⁷ Despite the detection of another BSE case in Texas in the following month, the United States successfully pressured Korea to resume importing U.S. beef, albeit partially and with some delay. On January 13, 2006, Korea and the United States agreed on an initial protocol that would reopen the Korean market to deboned meat from U.S. cattle less than 30 months old under a beef export verification program (USTR, 2006).⁶⁸ Finally but not the least, the Korean government changed the screen quota system and reduced the yearly minimum number of screening days of domestic films in the theater by half. The screen quota system in Korea began in 1967 in order to protect domestic

⁶⁷ Chapter 11.5 “Bovine Spongiform Encephalopathy” in the Terrestrial Animal Health Code of the World Organization for Animal Health, or OIE. Downloaded at http://www.oie.int/index.php?id=169&L=0&htmfile=chapitre_1.11.5.htm

⁶⁸ The United States expected the reopening of Korea’s beef market to begin toward the end of March, but it did not happen until October 2006.

films from foreign films supported by huge capital and high infrastructure. The imposed protection was crucial for the development of Korea's financially and infrastructurally poor film industry until the early 2000s, when big companies such as CJ Corporation began to participate in the film industry. The existing screen quota, which was revised in 1985, required every movie theater to show domestic films at least for two fifths of the screening days, or 146 days, each year. The screen quota system was an obstacle to a bilateral investment treaty (BIT) between the United States and Korea, and actually put the BIT negotiations to a stalemate in early 2000s. The United States refused to sign a BIT without a significant reduction of the screen quota. This time, the United States again required it as an essential precondition for FTA negotiations. On January 26, 2006, the Korean government, which had failed to cut down the quota due to the strong resistance of the film sector, except theater owners, announced the reduction of the quota to 73 days in July in accordance with the demands of the United States. These two concessions created huge repercussions in Korea as they were publicized after the decisions were already made between the Korean and the U.S. governments. As for the screen quota system, the film industry already had experience in successfully hindering the government from relaxing the screen quota system a few years earlier, and the issue was easy to draw people's attention thanks to the participation of famous stars. As for the U.S. beef imports, Korean people had been concerned about BSE for a few years already and feared that the disease would affect them through foreign beef imports.

In all the four preconditions that the United States demanded for the onset of actual negotiations for an FTA, the Korean government made substantial concessions and the two governments officially announced the beginning of FTA negotiations on February 3, 2006. This announcement was more a reiteration of both sides' intention than a marked turning point since

the process up to the point was already conspicuous enough to make FTA negotiations *a fait accompli*. The decision of the Korean government on the launching of an FTA with the United States was practically made before the government made official concessions to U.S. preconditions. On October 8, 2005, President Noh held a meeting with Prime Minister Hae-chan Lee and other ministers whose departments were related to the promotion of the FTA. In spite of some concerns of the Minister of Agriculture and the Minister of Environment, the President decided to enter into an FTA with the United States and ordered preparations for a public campaign to persuade the people (Kim, 2010: 98-103). Actually, the President's mind seemed to have been made up during his visit to Mexico in the previous month. Upon the request of the Minister for Trade, Hyun-chong Kim, President Noh held a meeting to discuss the FTA with the United States, where Minister Kim explained the significance of the FTA in terms of economic effects and other strategic aspects. In the meeting, the President made up his mind to launch an FTA with the United States and asked Minister Kim and Chief of the Office for Government Policy Coordination, Young-joo Kim, to lead external negotiations with the United States and domestic negotiations respectively (Kim, 2010: 90-93).

Close-pitched Tug of War between Korea and the United States

The Korean government and the U.S. government held a couple of informal preparatory meetings before the start of formal negotiations. In the first preparatory meeting on March 6, 2006, they decided on the negotiation schedule and other procedural issues, and in the second meeting on April 17 and 18, 2006, they set the framework of the negotiations by deciding to have 17 negotiating groups and also agreed to use "the KORUS FTA" for the official English title of the FTA between the two countries. After the two informal preparatory meetings, Korea

and the United States had the first round of FTA negotiations in Washington, D.C. on June 5 through 9, 2006. There was no official deadline for the conclusion of the FTA, but both sides assumed the FTA negotiations should be completed no later than March, 2007, because the Trade Promotion Authority (TPA) that the U.S. president was granted from Congress would expire on June 30, 2007, and Congress would have 90 days to consider the agreement for an up or down vote before the expiration date of the TPA.⁶⁹ The TPA was intended to facilitate the FTA, in particular, when the Democrats were expected to become the dominant party in Congress in the upcoming general election of November, 2006. Thus, the U.S. political circumstances virtually set the deadline and made the Korean government hurry. The Korean and the U.S. governments tried to come up with a comprehensive consensus on different issues based on the initial FTA drafts that they had exchanged a couple of weeks earlier, rather than to reach detailed agreements yet, and in this sense, they made decent progress by drawing up language for 11 of the 17 negotiation areas.⁷⁰ If two other areas separately negotiated in Geneva, Switzerland, were included, 13 out of the 17 areas of negotiations established basic consensus in document. However, the issues that each government had been pressing as their main demands became apparent to be potential conflict makers. From the first round of negotiations, Korea and the

⁶⁹ Under the TPA, international trade agreements negotiated by the executive branch and submitted to Congress by its head, or the President, are only subject to an up or down vote without any amendments in Congress.

⁷⁰ The FTA negotiations had 17 negotiating groups and 2 special working groups. The 17 negotiating groups include national treatment and market access for goods, agriculture, textiles and apparel, rules of origin and customs procedure, trade remedies, sanitary and phyto-sanitary measures (SPS), technical barriers to trade (TBT), investment, services, financial services, telecommunications/electronic commerce, competition, government procurement, intellectual property rights, labor, environment, and general provisions. The 2 special working groups are for the sectors of automobile and pharmaceuticals and medical devices. In the first round of negotiations in Washington, D.C., 17 out of 19 issues were addressed, and the remaining two negotiating groups in government procurement and TBT were separately held in Geneva, Switzerland over the week right before the first round in Washington. Throughout the first round including two negotiating groups in Geneva, Korea and the United States drew out a general consensus on 13 negotiation groups while 4 negotiating groups in agriculture, SPS, textiles, and trade remedies failed to do so. The 2 special working groups agreed to proceed to negotiations without a particular document of consensus.

United States clearly put their core agendas on the table to address specific areas or items that they would defend or attack and reaffirmed their diehard stances to each other.

First, the United States strongly demanded that Korea open its agricultural markets including rice, which is the most sensitive item to Korea, without safeguards. Korea used to maintain high tariffs on most agricultural products to protect its underdeveloped agricultural sector. According to *World Tariff Profiles 2006* released by the World Trade Organization (WTO) (2007), the simple average of Korea's final bound duties on agricultural products is 59.3 percent, which is 10 times greater than that of the United States, 5.2 percent (WTO, 2007: 10, 12). In particular, the tariff that Korea levies on cereals and preparations is 179.7 percent, which reflects strong protection of the rice market (WTO, 2007: 102). Meanwhile, the United States demanded the repeal of the planned pharmaceutical reform known as the positive list system, which one month before the first round of negotiations the Korean government officially decided to introduce. The Ministry of Health and Welfare announced a pharmaceutical reform named "the Economic Evaluation for National Reimbursement of Pharmaceuticals" in May 3, 2006, which meant the reversal of one of the 4 concessions that Korea made the year before. The United States also demanded that the Korean government change its vehicle taxation criteria from engine displacement-based to fuel mileage-based, on top of the removal of tariffs. At the moment, Korea charged vehicle acquisition, registration, and ownership taxes based on a five engine size band system of below 800cc, below 1000cc, below 1600cc, below 2000cc and above 2000cc. The United States wanted Korea to reduce taxes levied on vehicles imported from the United States since U.S. vehicle production was centered on relatively large engine displacement vehicles. The pharmaceutical reform and the vehicle taxation criteria in Korea might be perceived by the United States as non-tariff barriers, but the U.S. demands on them were

particularly important in that they were significant intervention in national policy- and law making by requiring changes in the relevant domestic laws. The United States brought up another issue, which was regarded as solved before the kickoff of the official negotiations, as a potential deal breaker: import of U.S. beef into Korea. The United States insisted that Korea completely open its beef market to U.S. beef, both boneless and bone-in. This was not about a removal or phaseout of tariff, but about a resumption of imports. It might be considered as a non-tariff barrier issue, but the actual way that the United States pushed the issue was less of negotiation of the criteria of sanitary and phytosanitary inspection than of expansion and reinforcement of the WTO agreement on the Application of Sanitary and Phytosanitary Measures (SPS), which strongly pursues the facilitation of free trade by requiring importing countries to provide solid scientific evidence of the negative effects of the trade item on the environment and human health in order to restrict its trade (Vallely, 2004).⁷¹ That is, the United States attempted to use the FTA to delegitimize the Korean state's caution about Bovine Spongiform Encephalopathy. The United States turned more blunt and plain-spoken on what it immediately wanted out of the FTA with Korea.

Meanwhile, Korea also raised several tariff and non-tariff issues against the United States, and it also included an issue related to North Korea, which was political to some extent. Korea pushed the United States to clear the tariff on vehicles, especially tariffs on passenger cars and pickup trucks, which were 2.5 percent and 25 percent respectively. Though U.S. tariff on passenger cars was only 2.5 percent, which was much smaller than the Korean tariff on passenger cars (8%), the magnitude of automobile exports to the United States was great enough

⁷¹ Vallely (2004) explicates that the WTO SPS Agreement was to balance environmental concerns against free trade concerns, unlike the Cartagena Protocol which was established in 2000 to protect biological diversity from the potential risks created by living modified organisms and which purely emphasizes environmental concerns of individual states. 143 countries are parties of the protocol, and the United States is in the tiny minority that has never considered joining it. On the contrary, Korea signed the protocol in 2000 and ratified it in 2007.

for Korea to address even the modest tariff. Automobile exports have usually occupied the largest proportion (20-25%) of the total amount of Korean exports to the United States. Thus, Korea tried to remove or lower the U.S. tariff as even the small change might increase automobile exports considerably. As for the U.S. tariff on pickup trucks, though Korea was not manufacturing or exporting any pickup trucks yet, the large U.S. market of pickup trucks was something that Korea could not ignore. In terms of non-tariff barriers, Korea pressured the United States to remove the yarn-forward rule of origin⁷² and the safeguards. The textile and apparel industry was one of the few sectors where the United States, the world biggest consumer, had low competitiveness and Korea had a comparative advantage over the United States. The two measures were important for the United States to protect its textile and apparel industry. Especially, the yarn forward rule is a rule that countries producing yarns or fabrics of the end products should be considered as the countries of origin. That is to say, in order for Korean apparel to qualify for the benefits of the KORUS FTA the apparel must be made of yarns or fabrics produced in Korea or the United States. Against this rule, Korea argued that when yarns or fabrics were imported from a third country and produced into a textile end product through complete processing, the country which produced the end product should be acknowledged as the country of origin. Beyond the tariff and non-tariff barriers, Korea demanded an improvement in the measures of U.S. trade remedies such as antidumping and countervailing duties. The amount of antidumping and countervailing duties that Korean companies were levied by the U.S. government from 1983 through 2005 was 37.3 billion dollars, which is equivalent to almost 7 percent of the total exports to the United States over the same period (*Yonhap News*, July 9, 2006). In a sense, Korea's demand about trade remedies was a counterpart of the U.S. demands

⁷² The yarn-forward rule of origin is a rule that the textile and apparel product must be produced from yarns spun or extruded and finished in one of the FTA countries to qualify for full FTA benefits.

on the vehicle taxation and the pharmaceutical reform since they all involved changes in the domestic law of each of the countries. In addition to the plain economic issues, Korea intended to incorporate its recent economic cooperation with North Korea into the realm of the FTA. Korea insisted on accepting the Kaesung Industrial Complex in North Korea as an outward processing zone of Korea. That is to say, products produced in the Kaesung Industrial Complex are to be acknowledged as Korean since more than 60 percent of the parts and materials of the products are Korean. Korea suggested that the United States and Korea establish the Committee on Outward Processing Zones on the Korean Peninsular to deal with the issue in the FTA negotiations. The aforementioned issues that the United States and Korea emphasized early in the negotiations remained controversial throughout the negotiation process as potential deal breakers, though there were other important issues to be dealt with as well.

Heated conflict between the two parties rose to the surface and intensified in the second round of negotiations. The second round was held in Seoul, Korea, a month after the first round, according to the rule of hosting negotiation rounds by turns. Korea and the United States embarked upon serious and direct negotiations on controversial issues and their details, but each side basically opposed to the other's primary demands. As to tariffs on imported vehicles, the United States would not respond to Korea's request of tariff removal on cars and pick-up trucks unless Korea first provided a positive answer to the U.S. requests: change in car taxation criteria from engine displacement-based to fuel mileage-based and the removal of the tariff on U.S. vehicle imports. Korea resisted the demands because the change of car taxation criteria would shake the fundamentals of the whole car taxation system. The area of agricultural products also came to a standstill as Korea remained protectionist, especially on rice, by proposing prolonged tariff reduction. Korea suggested the exclusion of rice from the FTA and the 5 steps of tariff

phaseout for the rest of agricultural products over the next 16 years. However, the United States insisted on the principle of no exception, which meant the inclusion of rice, and a maximum 10 years for tariff phaseout. Other issues such as the Kaesung Industrial Complex in North Korea and textiles also caused serious tensions. The United States articulated that the FTA would deal with products made in Korea or the United States only, and not outside of them. As for textiles and apparel, too, both sides repeated their own demands to each other.

Among other issues, the pharmaceutical pricing policy reform that Korea decided to implement came up as the most contentious. On the second day of the second round, the working group on pharmaceuticals and medical devices had its first meeting of the round, but it broke off negotiations because the United States objected to Korea's planned pharmaceutical reform, or adoption of a positive list system, and refused to continue negotiations on other relevant issues. The United States believed that the new pharmaceutical pricing policy based on a positive list system would discriminate against innovative medicines made by U.S. companies., and insisted that Korea rescind the reform plan immediately and devise an alternative through mutual consent between the two countries. Korea maintained that the pharmaceutical reform was a domestic policy and not a subject of FTA negotiations. The second meeting scheduled for the next day did not take place due to the wide gap of the two sides' stances on the pharmaceutical reform, and it affected other negotiating groups for the rest of the second round of negotiations. The United States did not participate in the negotiating groups for trade remedies and for services on the fourth day, and in return, Korea refused to show up at other negotiating groups for national treatment and market access for goods and for environment on the last day. They ended up officially canceling the rest of the scheduled negotiation meetings for the round. The conflict over the adoption of a positive list system suspended the process of the FTA negotiations. After

the second round, the United States conceded the positive list pharmaceutical reform to Korea, but instead, it suggested discussing the procedural details of the reform in the working group on pharmaceuticals and medical devices. Accordingly, both sides held the working group in a third country, Singapore, a couple of weeks before the third round of negotiations, and the United States suggested 16 agendas related to the implementation of the positive list system as if it required compensation for its concession to the introduction of the reform.

In the following rounds of the FTA negotiations, Korea and the United States continued to reiterate their clashing positions on major issues though they were narrowing their gaps in less controversial areas. In the third round of negotiations, the working group on pharmaceuticals and medical devices continued to be highly contentious, but another negotiating group that drew attention as a potential deal breaker was trade remedies. The United States did not want to name the negotiation group ‘trade remedies’ because if so, it would include antidumping and countervailing duties into the FTA negotiations. Instead, the United States proposed that the negotiating group be called ‘safeguard’ to reduce the scope, unlike Korea, which insisted on ‘trade remedies.’ Korea and the United States did not even enter any serious negotiations on the area but were only pitted against each other about the very basic task, the title of the negotiating group.

While the third round of the FTA negotiations was taking place in Seattle from September 6 through 9, the Korea government finally announced the resumption of the imports of boneless U.S. beef, which was agreed in January but had been delayed because Korea found 7 U.S. beef factories violating the safety guidelines against the BSE on on-site inspection. The resumption was expected to serve as momentum for the progress of the FTA negotiations, in

particular, the negotiating group on agriculture, though the Korean government stated that the resumption of U.S. beef imports had nothing to do with the FTA.

In the fourth round of the negotiations in Jeju, Korea from October 23 through 27, both sides made some general concessions to each other, but the core contentious issues remained unsolved. For instance, the United States accepted Korea's special safeguard on agricultural products, and Korea also agreed on the special safeguard of the United States on textile. Still, both sides were not satisfied with each other's revised suggestions on specific issues such as the Yarn Forward Rule of Origin, the Kaesung Industrial Complex, and antidumping and countervailing duties.

Between the fourth round and the fifth round of the negotiations, three shipments of U.S. beef arrived in Korea, but all of them were sent back to the United States or dumped because bone chips, import-restricted material, were found in each of the shipments of beef in violation of the imported beef sanitary conditions agreed back in January. The Korean government did not tolerate the violation but immediately repealed export licenses given to the U.S. beef plants in question as well as returning the entire shipments of beef, not just the boxes where bone-in meat was found. Though this incident did not lead to another official prohibition of U.S. beef imports, Korea's action was bitter enough to stimulate the nerves of the United States. In fact, the United States brought up the issue of beef imports to the forefront in the fifth round of the FTA negotiations.

While Korea and the United States made substantial progress in several areas including national treatment and market access for goods, investment, and services as the FTA negotiations went on, the intense disagreement on some key issues remained unresolved. In the fifth round of

the negotiations, Korea proposed a revision of 5 U.S. antidumping rules⁷³ – establishment of the Committee on Trade Remedies; notification and consultation before an antidumping or countervailing duty investigation; non-cumulation of imports from different countries in assessing injury to American industries; suspension of agreement in an antidumping or countervailing duty case; and discontinuation of dumping margin investigation on the basis of facts available⁷⁴ – and non-application of the WTO safeguard rules, or the Article XIX of GATT 1994 and the Agreement on Safeguards. However, the United States refused to accept the suggestion, and Korea discontinued the negotiating group on trade remedies and also stopped the working groups on automobile and pharmaceuticals and medical devices in order to pressure the United States. Criticizing the unchanged stance of the United States on trade remedies, Korea refused to hold negotiations for the three groups in the sixth round. Meanwhile, criticizing Korea's criteria for beef quarantine inspection, the United States strongly demanded the complete opening of the Korean market to U.S. beef, both bone-in and boneless, which revealed the intention of the United States to link the beef issue with the FTA though it ostensibly agreed on Korea's stance that the beef issue was not a subject of the FTA negotiations. Due to the distant stands, Korea and the United States postponed the negotiation group on sanitary and phyto-sanitary measures (SPS) that was planned to be held separately about 10 days after the fifth round of negotiations. At this stalemate, both sides decided to hold a separate technical consultation to discuss the fundamental issue of the safety of cow bone chips in relation with BSE in the near future apart from the FTA negotiations. The technical consultation was planned to take place in January, 2007 before the sixth round of negotiations (January 15-19), but it was

⁷³ Korea had asked the United States to revise 14 antidumping rules in the fourth round of negotiations, and it reduced the number of items to 5 in the fifth round because the United States was stubborn on the previous proposal.

⁷⁴ "Facts available" dumping allegation means that the domestic administering authorities may use domestic petitioners' allegation or adverse inference in antidumping investigation when they perceive foreign firms are not satisfactorily cooperative. See Moore (2002) for more discussion.

delayed one month and held a few days before the seventh round of negotiations (February 11-14). Meanwhile, the United States refused to participate in the negotiating group on sanitary and phyto-sanitary measures (SPS) in the sixth round, and made its position clear by reaffirming that U.S. Congress would not approve any FTA with Korea without the complete opening of the Korean beef market to the United States. The technical consultation in early February failed to reach agreement on beef safety and left the issue to be a serious deal breaker because it would be not dealt with in the SPS negotiating group but would affect the present and future status of the FTA.

As the FTA negotiations were moving onto the seventh round of the 8 planned official rounds, Korea and the United States tried to make negotiations proceed more effectively. Unlike the previous rounds, they introduced the so-called two track negotiations in which the relatively less contentious issues would be negotiated in normal negotiating and working groups, while key controversial issues would be discussed in separate high-level meetings of chief negotiators and negotiating or working group leaders. In the seventh round, trade remedies, auto tax and tariff, and pharmaceutical reforms were dealt with in the separate meetings, and in the final, eighth round (March 8-12), additional controversial issues including textiles, agricultural products, investor-state dispute (ISD) were also considered there. In the eighth round, Korea and the United States made rapid and substantial progress in many areas such as customs procedure, competition, government procurement, technical barriers to trade (TBT), telecommunications/electronic commerce, and environment. However, several key issues including agriculture, textile, automobile, trade remedies and the Kaesung Industrial Complex remained far from mutual concurrence, which required a couple of additional high-level meetings. The Two high-level meetings took place in Washington (March 19-22) and then in

Seoul (March 26 – April 2), and the meeting in Seoul was a ministerial meeting, which had to be the last meeting of negotiations because the assumed deadline of the FTA conclusion was the end of March due to the expiration of the Trade Promotion Authority (TPA) of the United States. In this final meeting, Korea and the United States reached dramatic agreement through give-and-take and concluded a historic FTA between them 10 months after they undertook the first official round of negotiations.

The final outcome of the long tug of war mirrored the close-pitched negotiation process. The agreement items reflected the mutual concessions of Korea and the United States to each other's interests, not the unilateral interest of one party. Above all, Korea successfully excluded from the FTA its staple food, rice, which was the most politically sensitive item in Korea in the entire liberalization process. The United States did not bring the rice issue to the negotiating table until the last ministerial meeting though the Assistant USTR for Japan, Korea and APEC Affairs and Chief U.S. negotiator, Wendy Cutler, mentioned once in a while throughout the FTA negotiations that the negotiating group on agriculture would not allow any exception. This was partly because the United States acknowledged that rice was a very sensitive item in Korea and that blunt pressure for the inclusion of rice into the FTA would incur strong national resistance against the FTA in Korea. On the other hand, Korea used the Achilles heel of the United States, the Jones Act, to counter U.S. pressure on the rice market. Korea confronted the United States by raising the issue of the Jones Act as the United States pressed for the inclusion of rice in the last ministerial meeting in Seoul. The Jones Act, whose official name is the Merchant Marine Act of 1920, is a U.S. Federal statute that limits U.S. cabotage traffic only to vessels that were built in the United States, owned by U.S. citizens, and registered under the law of the United States, and also requires all officers and at least 75 percent of the crew of the U.S.-flagged vessels to be U.S.

citizens.⁷⁵ Without the Jones Act, Korea, with the world's No.1 shipbuilding industry, was capable of making threatening inroads into the ever-protected U.S. shipbuilding industry. The potential U.S. losses resulting from the abrogation of the Jones Act, which affects not only Korea but also other countries, were much greater than the expected gains from the opening of Korea's rice market. According to the Korea Shipbuilders' Association, while the United States might expect an increase in its rice exports to Korea by about 100,000 tons, or 50 million dollars, per year, through the opening of the Korean rice market, Korea would be able to make available at least \$3 billion of the U.S. shipbuilding market to encroach on (*Yonhap News*, April 8, 2007). Korea also secured its newly planned pharmaceutical reform, or the positive list of reimbursement pricing for pharmaceuticals, and refused U.S. demands for a guarantee of minimum price for new medicines. On the other hand, the two governments agreed to establish a committee for medicines and medical devices in order to discuss relevant particulars of the agreed items in the pharmaceutical area.

As for automobiles, the United States agreed to remove the 2.5 percent tariff on passenger cars not exceeding 3000cc immediately on the effective date of the FTA and those over 3000cc in two equal annual stages, and instead secured 9 equal annual stages of tariff removal before completely clearing the 25 percent tariff on pickup trucks. Korea agreed to change its automobile tax structure for large vehicles, which the United States claimed was discriminatory. Korea also adopted the fleet average system that if the average of the exhaust emissions of a manufacturer's vehicles met the exhaust emissions standards, some models of the manufacturer's vehicles would be allowed a relaxed exhaust emissions standard. This was a retreat of the Korean government which had originally planned to only give a couple of years of

⁷⁵ See Whitehurst (1985), Francois, Arce, Reinert and Flynn (1996), and Zeller (1999) for further discussion about domestic economic and political implications of the Jones Act.

grace period to foreign manufacturers that were selling 10000 or fewer vehicles per year in Korea.

As for the Kaesung Industrial Complex, Korea and the United States agreed on establishing the Committee on Outward Processing Zones on the Korean Peninsula to discuss whether products made in the Kaesung Industrial Complex would be considered as made-in-Korea in the form of outward processing. For Korea, this settlement was significant in that it opened a way to designate the industrial complex as an outward processing zone. On the other hand, the United States included some preconditions such as progress in the denuclearization of North Korea, improvement in the labor conditions and management system of the Kaesung Industrial Complex, and a consideration of the potential effects of designating the Kaesung Industrial Complex as an outward processing zone on the relationship between North Korea and South Korea. In so doing, the United States related the economic issue of the Kaesung Industrial Complex with the political issue of denuclearization.

As for textiles, Korea and the United States agreed on adopting the yarn forward rule as the principle of origin with exceptions for 33 items though Korea originally wanted to exclude at least 85 items from the yarn forward rule. The United States agreed to immediately eliminate tariffs on approximately 61 percent of the textile goods and have 10 years of tariff phase-out for the rest.

Korea and the United States verbally agreed to reconsider the issue of U.S. beef imports to Korea after the World Organization for Animal Health (OIE) reassessment of the status of the United States in regard to the BSE. The United States had demanded that Korea import U.S. beef including bone-in cuts regardless the age of the cattle while Korea had prohibited all bone-in cuts and stipulated that cattle must be slaughtered before the age of 30 months. At the end of the FTA

negotiations, Korea verbally promised that it would respect the announcement of the OIE in May, 2007 and reconsider the issue accordingly. Thus, though the resumption of U.S. beef imports to Korea was not an official part of the FTA negotiations, the United States successfully related the issue to the FTA and pressured the Korean government.

Despite the dramatic settlement between the two governments at the last minute, the FTA negotiations did not seem to end, but initiated another race. Soon after the FTA negotiations were completed, the U.S. government remarked that it would revise the FTA with Korea to reflect new U.S. trade policy guidelines forged by Congress and the administration. The Korean government responded that there would not be any further negotiation to revise the deal. Especially, the Korean government did not like the contradictory attitude of the United States that it was applying a double standard to Korea (Kim, 2010: 229-230). While the U.S. government classified Korea as a developing economy in relation to labor and environment and tried to enforce the equivalent labor and environment standards on Korea, it classified Korea as an advanced economy in regard to pharmaceutical intellectual property rights and tried to apply high standards. At the same time, while the U.S. government required tighter environmental standards, it demanded looser exhaust emissions standards for U.S. vehicles that were imported to Korea. In a couple of months, however, when the United States officially suggested additional negotiations on 7 issues including labor rights and environmental standards, Korea acceded to the suggestion. While the Korean government took some political risk of domestic criticism for yielding to the U.S. pressure, the 7 issues were not the most contentious issues of the FTA that would arouse strong public grievances. In addition, the TPA of the U.S. government, which would expire on June 30, hurried the United States into pressuring Korea so as to expedite the renegotiation process. If the renegotiation failed to reach an agreement by June 30, Congress

would be able to intervene more directly in the FTA renegotiation process by bringing some of the contentious issues other than the 7 issues. Under this justification, the U.S. government demanded the inclusion of its proposal on the 7 issues in the FTA that was expected to be signed on June 30 in Washington, D.C. For the Korean government, the expiration of the TPA before signing the agreement would be a serious challenge in finalizing the FTA process because the then dominant party in the United States, the Democratic Party, was not likely to support the FTA promoted by the Republican administration of President Bush. Thus, Korea and the United States held a couple of additional negotiation meetings in Seoul on June 21-22 and in Washington, D.C. on June 25-27. The Korean government accepted the U.S. proposal to make some changes in the pending FTA. In return, it gained a written promise that the U.S. government would be cooperative in including Korea in the Visa Waiver Program⁷⁶ and increasing professional visa quotas for Korea. The United States also agreed on 18 months of grace period for the pharmaceutical “patent linkage” system.⁷⁷ Thus, the Korean government and the U.S. government signed the KORUS FTA on June 30, 2007. However, the FTA still had a long way to go to be completely finalized, ratified and implemented.

Incipience of anti-KORUS FTA movements

Leading up to the launching of FTA negotiations with the United States, the Korean government was secretive enough not to politically arouse the public. However, as it made concessions to the U.S. government about beef imports and the screen quota system in January, 2006 and subsequently announced the beginning of the FTA negotiations on February 3, 2006, the Korean

⁷⁶ The Visa Waiver Program is a program of the United States which allows nationals of certain countries to travel to the United States for tourism or business for 90 days or less without obtaining a visa. As of December 2011, 36 countries including Korea are eligible for this program.

⁷⁷ The “patent linkage” system is a system in which if the patent of the original drug is still in effect, the general version of the drug cannot be approved by drug regulators for marketing until the patent expires.

government could not avoid a strong backlash from the people any longer. Especially, the film sector and the agricultural sector began to react strongly to resist the FTA negotiations. First, the film sector rose up against the government decision to curtail the existing screen quota. On January 26, 2006 when the government announced that it would reduce the quota to 73 days in July, approximately 100 Korean film professionals held an urgent press conference (*Yonhap News*, January 26, 2006). They labeled the government decision as a countercultural coup and demanded its immediate retraction. Beginning on February 8, the film sector staged several mass protests, in which many famous Korean movie stars participated. Also, well-known film professionals staged a relay of one-person demonstrations from February 4 for 146 days.⁷⁸ The protests of the film sector drew public attention very quickly because of the active participation of the top movie stars. At the same time, however, the prolonged resistance of the film sector aroused some public disapproval against it because the strong reactions were often considered as measures for their own sectoral interests apart from the interests of the people in general.

Meanwhile, the agricultural sector also expressed its grievances against the government decision to begin FTA negotiations with the United States, albeit not as strongly as the film sector yet. The government held the first public hearing about the FTA on the morning of February 2 since it was required to take opinions from stakeholders and experts through a public hearing before launching FTA negotiations under the domestic regulations of the procedures of FTA conclusion. About 100 members of the several farmers' organizations tried to obstruct the hearing by demanding the cessation of the discussion of the FTA. After three times of prorogation, the Office of the Minister for Trade finally adjourned the hearing and just ended it without presentations and open discussion. The hearing was called to meet the formalities more

⁷⁸ This number of days refers to the number of days that the film sector tried to maintain against the government decision to reduce it to 73 days.

than to really take opinions from various circles of the society. On the afternoon of the same day, however, the government held the meetings of the Committee for International Economic Policy to listen to the substanceless result of the hearing and resolved to launch FTA negotiations with the United States, which was followed by an official announcement of the launching by both USTR Robert Portman and Minister for Trade Hyun-chong Kim in Washington, D.C. the next day. On February 17, approximately 250 members of the National Federation of Farmers' Associations (NFFA) had an anti-FTA rally in the daytime and then held a candlelight vigil with film professionals at night under the title of "Rice and Film." Still, the farmers' actions were relatively peaceful because actual negotiation rounds had not begun yet and the issues of rice and agricultural products had been fairly obscured by the four preconditions of the FTA.

The Korean Alliance against the Korea-U.S. FTA (KoA) was formed as a large umbrella body of civil organizations to oppose the proposed KORUS FTA on March 28, 2006. It consisted of more than three hundred progressive organizations, as of July, 2006, such as labor unions, farmers' organizations, students' associations, and other NGOs. Labor unions joined the anti-FTA movement in a stance of labor and consumer activism and nationalism, rather than just for the sake of solidarity with farmers as in the case of the Chile-Korea FTA.⁷⁹ The KoA organized several big and small rallies in downtown Seoul, starting with the first Pan-national Anti-FTA Rally with thousands of participants including farmers, film professionals, and workers on April 15, 2006, in order to mobilize the public against the FTA and globalization, more generally. As the first official round of the FTA negotiations approached, the KoA began to organize overseas activities in the United States. The KoA sent a protesting delegation of approximately 40 labor and farmer activists to Washington, D.C. for anti-FTA protests during the first official round of the FTA negotiations. They were joined by a couple of hundred local anti-FTA and anti-

⁷⁹ Interview with Heo, a former vice-chair of the Korean Confederation of Trade Unions, February 23, 2009

globalization activists, and they held rallies near the White House during the negotiation period. Since then, the KoA organized the overseas protests for every negotiation round held in the United States, or all odd-number rounds of the negotiations. Of course, for the negotiation rounds held in Korea, too, the KoA organized rallies near the negotiation venues. For some of the KoA rallies mainly led by labor unions, the delegations of the U.S. counterparts such as the AFL-CIO and the Change to Win Federation attended to support the anti-FTA movement. By the early rounds of the negotiations, the anti-FTA movements under the general organizational leadership of the KoA remained relatively non-violent and peaceful.

Meanwhile, the KORUS FTA Industry Alliance was created by approximately 40 industrial organizations and research institutes in manufacturing, services, and agriculture and fisheries for the sake of conveying the opinions of the different industries about the FTA to the government. The chairmen of the Federation of Korean Industries, the Korea International Trade Association, the Korea Chamber of Commerce and Industry, the Korea Federation of Small and Medium Business, the National Agricultural Cooperative Federation, and the Korea Federation of Banks took its co-leadership. Though agriculture and fisheries were officially included, their interests were undoubtedly quite distant from those of the other industries in the organization, especially manufacturing industry which was the major force of the organization primarily on behalf of *chaebols* that supported the FTA in general. Thus, the KORUS FTA Industry Alliance was de facto a counterpart of the KoA that represented the interests of the *chaebols*. Farmers' organizations and other progressive organizations criticized the National Agricultural Cooperative Federation for joining such pro-FTA alliance though it might have had an intention to deliver the voice of the rank-and-file farmers and did not actually support the FTA. In fact, the chairman of the National Agricultural Cooperative Federation did not act in concert with the rest

of the co-leadership of the KORUS FTA Industry Alliance after its inauguration. Still, the joining of the National Agricultural Cooperative Federation in the KORUS FTA Industry Alliance itself was seen to the farmers as providing an excuse for the business circles to promote the FTA. The co-leadership of the KORUS FTA Industry Alliance except for the chair of the National Agricultural Cooperative Federation announced a statement to ask for refraining from the anti-FTA movement and supporting the settlement of the FTA negotiations in June, 2006, but the KORUS FTA Industry Alliance did not take significant actions afterwards. It renamed itself the FTA Industry Alliance in May, 2007 to respond to the upcoming simultaneous FTA negotiations with multiple foreign economies that the Korean government was considering. As the ratification of the KORUS FTA was delayed, the co-leadership of the FTA Industry Alliance urged the National Assembly to approve the FTA through statements and a visit at the end of 2007 and the beginning of 2008, but such action did not last long as the issue of U.S. beef imports resurged.

As the FTA negotiations went on and more of the potential and alleged effects of the FTA became known to the public, anti-FTA protests began to turn radical and violent. By the fourth round of the FTA negotiations, Korea and the United States began to make substantial progress in the area of agriculture through serious discussion. While the Korean government successfully secured safeguards for sensitive Korean agricultural products, it offered a revised proposal on the greater opening of its agricultural market in return. However, the new proposal was not very different from the original one and was far from satisfactory to the United States. Still, it included tomatoes and lettuce, which used to be considered sensitive items in Korea. Regardless of the degree of opening on agricultural products, the fact itself that agricultural products were seriously discussed on the negotiating table and the Korean government began

actions to open the domestic agricultural market, if to a minor extent yet, was enough to worry and provoke Korean farmers. Accordingly, at the center of the radicalization of anti-FTA movements were the farmers. On November 11, 2006, over 70 thousand people of local civil organizations simultaneously held rallies in 13 major cities in Korea, and the farmers participating in the rallies in the provinces violently exploded with anger against the government. Even though the militancy of the day's nationwide protests was not systematically promoted by the KoA, the farmers' violent actions were not accidental but locally planned, considering the great deal of illegal protest equipment confiscated by the police (*Yonhap News*, November 23, 2006).

As anti-FTA protests became violent, the police tried to preclude the protests. The police did not give permission to the KoA for rallies, on account of the potential outbreak of violence. Despite the prohibition, the KoA held rallies owing to the support of the Democratic Labor Party (DLP), that is to say, the DLP held a rally under the permission of the police earlier that day and then the KoA took over the site from the DLP for an anti-FTA protest. The participants in the rally of the DLP usually stayed for the following anti-FTA rally, but the placards of the DLP were replaced with those of the KoA that propagated the anti-FTA movement. For other times when the police not only forbade but also forestalled KoA's anti-FTA rallies by blockading the venues for which the KoA applied for a permit, the KoA protestors moved to other locations and staged guerrilla-style protests here and there. Sometime the KoA did not bother to apply for a venue for a rally but staged protests since the police would not permit anything.

On April 1, 2007, a day before the tentative final settlement of the FTA negotiations, a member of the Korean Confederation of Trade Unions attempted to burn himself to death, and in

15 days he finally died at a hospital. Though this suicide did not have remarkable repercussions for the anti-FTA movement, it was a sign of the radicalization of the anti-FTA movement.

The KORUS FTA Industry Alliance renamed itself the FTA Industry Alliance in May, 2007 to respond to the upcoming simultaneous FTA negotiations with multiple foreign economies that the Korean government was considering. As the ratification of the KORUS FTA was delayed, the co-leadership of the FTA Industry Alliance urged the National Assembly to approve the FTA through statements and a visit at the end of 2007 and the beginning of 2008, but such action did not last long as the issue of U.S. beef imports provoked the rage of the people.

Growth and Transformation of Anti-FTA Movement into Anti-U.S. beef imports and Anti-government Movement

Anti-FTA movements in Korea seriously intensified with the reemergence of the beef issue after the signing of the FTA. Since the first settlement on April 2, 2007, U.S. Congressional Democrats had threatened to quash the Bush administration's FTA deal with Korea if the Korean government would not completely open its market to U.S. beef. Democratic senator and Chairman of the U.S. Senate Committee on Finance Max Baucus, who had originally endorsed an FTA with Korea, said that he would not allow the FTA to pass the Senate unless Korea completely lifted its ban on U.S. beef imports (McClatchy Washington Bureau, April 2, 2007). Since the FTA had to be considered by the Senate Committee on Finance before advancing for Congress ratification, Baucus had substantial clout on the process of the KORUS FTA. In such a situation, the issue of U.S. beef imports to Korea drew renewed attention as the Korean government suspended issuing quarantine certificates for U.S. beef in August and again in October because of a chip of bone found in a U.S. shipment. According to the extant beef trade

regulation between the two governments, only deboned meat from U.S. cattle less than 30 months old were allowed to be imported to Korea. Upon the ban of the U.S. beef imports in October, the U.S. government suggested a discussion for lowering the Korean quarantine standards for U.S. beef imports. In May, 2007, the OIE classified the United States as a *controlled risk* country in regard to BSE, which means that U.S. fresh beef including bone-in cuts and beef products from cattle of all ages may be safely traded, except for tonsils and distal ileum. In the first round of beef talks on October 11 and 12, 2007, the U.S. government urged the Korean government to apply the OIE standards to U.S. beef imports and to drop the restrictions on them. In contrast, the Korean government insisted on not importing any specified risk materials, leg bones, tails and internal organs and on keeping the age restriction of 30 months or less. After the first round of beef talks, the United States pressured Korea more bluntly by conveying the negative stance of Congress toward the KORUS FTA with the beef issue unresolved. Assistant USTR for Japan, Korea and APEC Affairs and Chief U.S. negotiator Wendy Cutler stated that Korea would have to fully open its market to U.S. beef in order for the KORUS FTA to gain support from Congress (*Yonhap News*, October 16, 2007). Secretary of the U.S. Department of Commerce Carlos Gutierrez also asserted that U.S. beef was safe and that U.S. lawmakers would not support the FTA until Korea reopened its beef market completely (*Yonhap News*, January 11, 2008). The Korean government drew one step back and considered relaxing the restrictions in January, 2008. The Ministry of Agriculture submitted a double-phase plan of the import of U.S. beef to the Presidential Transition Team of President-elect Myung-bak Lee that in the first phase the Korean government would retain the age restriction of less than 30 months in return for accepting boned beef and in the second phase it would fully open its market to U.S. beef in accordance with the OIE standards if the U.S. government reinforced a ban on the

feeding of ruminant material to ruminants, or the ruminant feed ban (*Yonhap News*, January 18, 2008). However, even after the Korean government proposed the gradual reopening of its beef market, the U.S. government turned down the proposal on the plea of the opposition of the U.S. beef industry and insisted on the full reopening of the Korean beef market all at once. The two governments held a second round of beef talks on April 11-17, 2008, where they held fast to their own stances until the last moment. On April 18, 2008, the U.S. government finally made a concession, at least in appearance, to the gradual reopening of the Korean beef market that the Korean government had proposed.

Unfortunately, the settlement of the issue of U.S. beef imports to Korea triggered a full-scale mobilization of the Korean people against their own government as well as the KORUS FTA as the details of the beef agreement turned out to be almost the same as the original demand of the U.S. government. First, according to the new beef agreement, the Korean government would not be able to immediately stop U.S. beef imports even when BSE broke out in the United States, unless the OIE deprived the United States of the status of a *controlled risk* country. Only when specified risk materials were found in a shipment of U.S. beef, the Korea government might return or discard the shipment, and if the same plant in the United States caused the problem twice, it might completely block shipments from the plant. Second, the Korean government allowed the second phase of U.S. beef imports upon the promulgation of a reinforced ruminant feed ban by the U.S. government as opposed to its implementation. On April 25, a week after the end of the beef talks, the U.S. government promulgated an amended ruminant feed ban whose effective date would be a year later, April 27, 2009. That is to say, the two-phase opening plan lost its meaning even before the Korean government made an official ministerial notification to confirm the plan. As a matter of fact, it is suspected that the U.S.

government already had the scenario in mind before the end of the beef talks. The amendment that the U.S. government promulgated was actually drawn up on April 18, 2008, which would hardly give time for the U.S. government to seriously consider the new agreement. What is more, the beef agreement did not clearly specify what was meant by the reinforcement of the ruminant feed ban. The so-called enhanced ruminant feed ban was criticized by some Korean experts, because it was hardly different from the existing feed ban. Though the new amendment expanded the scope from ruminant-to-ruminant to ruminant-to-all animals by prohibiting the use of certain cattle origin materials in the food of all animals as well as ruminants, it was not as strict as the October, 2005 proposed rule in that the new amendment, unlike the proposed rule, did not require materials from cattle less than 30 months of age to be inspected for human consumption (Department of Health and Human Services, 2008). In a nutshell, it turned out that the Korean government basically acceded to all the demands of the United States in regard to the beef issue. By doing so, Korea became the only country that completely lifted restrictions on the ages and parts of U.S. cattle among major importers of U.S. beef except Canada. As a beef exporter that had BSE cases in 2003 and gained the OIE status of a *controlled risk* country with the United States in May, 2007, Canada was fully open to U.S. beef imports because if it imposed restrictions on the U.S. beef, it would not be able to justify its demand for the import expansion of Canadian beef to other beef importing countries.

The lopsided agreement on U.S. beef imports evoked acute anxiety about health from civil society in Korea. Soon after the second round of the beef talks, many progressive civil organizations in various fields held press conferences to criticize the Myung-bak Lee administration for making the settlement. They denounced the government as a traitor who gave up the health of the people, and they urged the rescindment of the beef agreement. In tandem,

apprehension about BSE among the general public heightened dramatically, and the public began to unite through cyber space and participate in different civil movements against U.S. beef imports and the Lee administration. In the midst of the growing public resentment, an ombudsman program of the Munhwa Broadcasting Corporation (MBC) called PD Note broadcast an episode “Is U.S. beef really safe from mad-cow disease?” on April 29, 2008, to point out the problems of the beef talks and report the risk of BSE. This show functioned as a critical catalyst to drastically spread a fear of BSE and accelerate the anti-U.S. beef and anti-government movements.⁸⁰ After the broadcast of the first episode in late April, the public began full-fledged reactions to the government decision on U.S. beef imports. The electronic bulletin board of the Office of the President, or Cheong Wa Dae, was inundated with a plethora of writings denouncing the government. The personal mini-homepage of President Lee was also inundated with postings of complaints, and it had to be shut down temporarily (*Choongang Ilbo*, May 1, 2008). The cyber communities opposing the government decision rapidly gained huge public support and participation so that they launched tangible movements on the street. Among other cyber communities, the Headquarters of the National Campaign for the Impeachment of Myung-bak Lee initiated and organized a candlelight vigil on May 2, 2008, to oppose U.S. beef imports, and over 10,000 citizens gathered for the demonstration at the heart of Seoul. The vigil was relatively peaceful without violent clashes between demonstrators and riot police, but it was significant in that it started off a series of the on-the-street anti-U.S. beef campaigns of the general public. The following day, another cyber community, the Citizens’ Solidarity for Anti-Policy(정책반대시민연대), organized another candlelight vigil, and not only the young in their 20s and 30s but also teenagers and families with children participated in the rally. Thus, the beef

⁸⁰ PD Note aired four more episodes about BSE and the beef talks over the next three months and continued to happen to arouse the public resentment against the government.

talks between Korea and the United States induced previously inactive groups of the people to mobilize and turn active in Korean social movements. After the beginning of the massive rallies led by the general public, existing progressive civil organizations joined the citizen-led grassroots candlelight vigils that followed, and the candlelight vigils became established as one of the powerful social movement tactics in Korea and was called “candlelight cultural festivals” as they actually involved different performances denouncing U.S. beef imports and the government. The government tried to soothe the fear of U.S. beef and the public resentment against the government by holding a joint press briefing, where the Minister for Food, Agriculture, Forestry and Fisheries and the Minister for Health, Welfare and Family Affairs explained the safety of U.S. beef. The U.S. government supported the effort of the Korean government. On May 4, 2008, the U.S. Department of Agriculture held an urgent press conference for Korean correspondents in Washington, D.C. and advertised the safety of U.S. beef. Despite the efforts of both governments, anti-U.S. beef candlelight vigils spread throughout the country in Korea though major vigils happened in Seoul. On May 6, 2008, over 1,500 civil organizations, cyber communities and opposition political parties formed the People’s Association for Measures against Mad Cow Disease. It issued a statement of 4 demands against the government: nullification of the import of U.S. beef at risk of BSE and renegotiation on the issue; dismissal of the lead negotiators, Minister for Food, Agriculture, Forestry and Fisheries Woon-chun Chung and Trade Policy Advisor to the Minister and Korea’s chief negotiator to the beef talks Dong-seok Min; President Lee’s public apology to acknowledge the fault of the government; and enactment of a special law for BSE prevention (People’s Association for Measures against Mad Cow Disease, May 6, 2008). With the launching of the People’s

Association for Measures against Mad Cow Disease, the anti-U.S. beef movement gained momentum in pressuring the government.

In response to the growing anti-government sentiment of the public, the Korean government promised the people strong measures for a reoccurrence of BSE in the United States. On May 7, 2008, President Lee stated that the government would suspend U.S. beef imports if these generated any occasion where the public health would be threatened (*Yonhap News*, May 7, 2008a). On the same day, Minister Chung also announced that the government would immediately stop importing U.S. beef if BSE broke out again in the United States (*Yonhap News*, May 7, 2008b). The sudden change of the Korean government in its attitude toward U.S. beef imports went against the results of the beef talks which forbade the Korean government to immediately suspend U.S. beef imports. However, the shift was unavoidable and urgent in order to quiet down public sentiments against the government. The government had to clearly show its will that it would exert sovereignty over U.S. beef imports for the sake of the health of the people.

However, the anti-U.S. beef movement of the public continued to intensify. On May 9, 2008, candlelight vigils took place in several cities of Korea at the same time. In the vigil in Seoul in particular, which was organized by the People's Association for Measures against Mad Cow Disease, at least 10,000 citizens participated and approximately 60 percent of them were elementary, middle or high school students. The candlelight cultural festival consisted of various cultural performances and citizens' free speeches and lasted for 3 hours and a half. The People's Association for Measures against Mad Cow Disease held candlelight cultural festivals in Seoul every night from May 13 to 17. Individual civil organizations such as the Korean Confederation of Trade Unions and several professors' organizations also held press conferences to call for the annulment of the beef agreement.

Meanwhile, the opposition parties took the offensive against the government and the ruling Grand National Party and pressed for postponing the ministerial notification, or the effective date, of the beef agreement. The government planned to issue the notification on May 15, 2008, which meant that the reopening of the Korean market to U.S. beef would immediately go into effect on the same date, according to the beef agreement. On May 11, the Unified Democratic Party, the dominant party in Korea's 17th National Assembly, made an official announcement that it would not approve the KORUS FTA in the upcoming final session of the 17th National Assembly in May if the government did not renegotiate with the U.S. government about U.S. beef imports (*Yonhap News*, May 11, 2008). Though the majority of lawmakers in the Unified Democratic Party were generally against the KORUS FTA regardless of the beef agreement, the party itself had not officially linked the issue of U.S. beef imports to the FTA ratification because that might cause a diplomatic problem with the United States. This time, however, the Unified Democratic Party turned towards an aggressive attitude at the risk of a domestic or international political deadlock. The other opposition parties shared the stance of the Unified Democratic Party and cooperated.

In response, the Korean government decided to postpone the ministerial notification of U.S. beef imports. At a National Assembly hearing about the KORUS FTA on May 14, the Minister for Food, Agriculture, Forestry and Fisheries said that the government received 334 opinions and suggestions, which was an unusually high number, on the safety of U.S. beef and other issues relevant to the beef agreement, and that it would not be feasible to finish reviewing them and go ahead with the notification as scheduled. The government decided to delay the ministerial notification for up to 10 days for the review process. A day before this decision, the U.S. government made a statement to support the stance that the Korean government had

expressed a week before through the statements of President Lee and Minister Chung. USTR Susan Schwab⁸¹ stated that every government was responsible for protecting its own people from any risk of health and safety and that the United States acknowledged that the Korean government had a right to take measures to protect the health of its people under Article 20 of GATT⁸² (*Yonhap News*, May 13, 2008). Though the statement of USTR Schwab did not specifically say that the U.S. government would agree on the immediate suspension on U.S. beef imports to Korea in case of another BSE in the United States, the Korean government promptly announced that the United States conceded to Korea's stance to alleviate the anxiety of the people. On May 20, the two governments stipulated the statement of USTR Schwab in the form of a diplomatic letter, which was to guarantee Korea's sovereignty over U.S. beef imports without revising the beef agreement.

The anti-US beef movement of the public, however, did not calm down. Instead, it further criticized the government for repressing the freedom of assembly. The People's Association for Measures against Mad Cow Disease held a press conference on May 16 and denounced the overreaction of the police against candlelight vigil participants, especially teenagers. They claimed that though the candlelight cultural festivals were peaceful events without violence, the police traced down the identities of the main organizers and the actively participating netizens and even visited a high school student participant at his school for investigation (People's Association for Measures against Mad Cow Disease, May 16, 2008). In fact, on May 13, 2008, the Commissioner General of the Korean National Police Agency

⁸¹ Susan Schwab served as Assistant United States Trade Representative from 2005 to 2006 under United States Trade Representative Rob Portman, and then served as the 15th United States Trade Representative from June 2006 to January 2009 until being succeeded by Ron Kirk.

⁸² Article 20 of GATT stipulates general exceptions to international trade. Article 20 (b) specifically describes an exception for protecting human, animal or plant life or health. For more details, see page 37 in *The Text of the General Agreement on Tariffs and Trade* (GATT 1986).

announced that the police would consider the recent candlelight cultural festivals illegal rallies and take legal action against the vigil organizers (*PRESSian*, May 13, 2008). In spite of the threat of the police, the citizens did not give up candlelight vigils but continued to take to the street almost every night.

As the general public was not soothed, President Lee finally made a live broadcast statement to the nation on May 22, 2008, 78 days after his inauguration, to apologize to the people and ask for their cooperation. The President's apology was unusually serious as he used humble and straightforward expressions. He clearly acknowledged that the government did not make sufficient efforts to canvass the opinions of the public and to ask for their understanding, and said that he humbly accepted the criticism of the people. He also attributed the shortcomings of the government in the early period of his administration to himself and promised that he would strive to revive the economy all the more. However, the President did not say much about the government decision on U.S. beef imports, still less recall the decision. Instead, the statement focused on asking for support for the ratification of the KORUS FTA in the 17th National Assembly that had only a week before the end of its term.⁸³ While the statement of President Lee unfortunately failed to appease the anger of the general public, the government tried to push ahead with the ministerial notification of the beef agreement, or the new U.S. beef import conditions. On May 29, 2008, the Minister for Food, Agriculture, Forestry and Fisheries requested that the Ministry of Public Administration and Security publish the ministerial notification in the official gazette in a few days. However, as public opinion about U.S. beef imports became further aggravated, the ruling Grand National Party suggested another

⁸³ See the entire statement of President Lee on the website of the Office of the President, or the Blue House, at http://www.president.go.kr/kr/president/speech/speech_view.php?uno=50&article_no=13&board_no=P04&search_key=&search_value=&search_cate_code=&order_key1=1&order_key2=1&cur_page_no=1&cur_year=2008&cur_month=05

postponement of the ministerial notification. On June 2, 2008, the Ministry for Food, Agriculture, Forestry and Fisheries accepted the suggestion and requested the Ministry of Public Administration and Security to defer publishing the ministerial notification in the official gazette. The next day, the Korean government requested the U.S. government that no beef from cattle older than 30 months old be shipped to Korea, although several U.S. beef companies promised that they would provide age information on their shipments to Korea for up to 120 days (*Yonhap News*, June 3, 2008). Again, the request of the Korean government was against the beef agreement that was settled on April 18, but it was inevitable for the government in order to deal with the increasing apprehension about BSE among the general public.

However, the candlelight cultural festivals of the general public intensified further. The People's Association for Measures against Mad Cow Disease launched a 72 hour continual demonstration in downtown Seoul on June 5, which consisted of sporadic rallies in the day time and a collective candlelight vigil at night. Each night, tens of thousands of citizens came out around the city hall. On the night of June 6, approximately 56 thousand (police estimate) or 200 thousand (organizer estimate) citizens gathered and demanded the annulment of the beef agreement (*Yonhap News*, June 7, 2008). With the 72 hour demonstration as a stepping stone, the People's Association for Measures against Mad Cow Disease organized the June 10 Grand March on the 21st anniversary of the June Democracy Movement, which turned out to be the biggest candlelight vigil against U.S. beef imports. Approximately 80 thousands (police estimate) or 700 thousand (organizer estimate) citizens occupied the main thoroughfare of downtown Seoul and the nearby streets (*Yonhap News*, June 10, 2008). While the police put up barricades with shipping containers to block the main roads to the Office of the President, or Cheong Wa Dae, on the morning of the day, the candlelight vigil went smoothly without

particular clashes between the police and demonstrators. In dozens of other cities besides Seoul throughout the country, too, 62 thousand (police estimate) or 300 thousand (organizer estimate) people held candlelight vigils at the same time that night.

The increasing backlash from the general public reflected their deep distrust of the government on the issue of U.S. beef imports. The Korean government had failed to keep a consistent stance toward the issue and changed its stance several times in order to maneuver the situation between the people and the U.S. government to carry on the KORUS FTA. Until the end of 2007, the Korean government strongly insisted on the limit of 30 months of age on U.S. cattle. According to the report of the Livestock Policy Bureau in the Ministry of Agriculture on September 11, 2007, the Korean government had the 30 months of age restriction as the bottom line for U.S. beef imports because it was concerned about the safety of beef from U.S. cattle older than 30 months in spite of the decision of the OIE that classified the United States as a *controlled risk* country in regard to BSE (Ministry of Agriculture, 2008). However, in early 2008 it suddenly gave up the strong stance and turned to the phased removal of the age restriction. Especially after the beef agreement was reached on April 18, 2008, the government began to advocate for the OIE decision to justify the safety of U.S. beef and cautioned against excessive apprehension about BSE (*Yonhap News*, May 2, 2008). As the general public got enraged at the beef agreement, however, the Korean government ran counter to the agreement and announced that it would suspend U.S. beef imports if BSE reoccurred in the United States. In early June, the Korean government requested that the U.S. government refrain from exporting beef from cattle older than 30 months to Korea, which was equivalent to suggesting de facto renegotiations. The recklessness of the Korean government in pushing ahead with U.S. beef imports and its late responses to the backlash from the general public caused the whole nation to lose confidence in

the government on the issue of U.S. beef imports and the related issue of KORUS FTA. Though the inconsistency of the government was not new in regard to trade negotiations, the recent events on the issue of U.S. beef imports took place with the inauguration the Myung-bak Lee administration, which had a strong pro-U.S. inclination. Therefore, the general public tended to express their anxiety about the issue of U.S. beef imports in the form of antipathy toward the Lee administration. They criticized the Lee administration for risking their health without sensible justifications.

In the midst of unsoothed public resentment, the Grand National Party, the Ministry for Food, Agriculture, Forestry and Fisheries, and the Office of the President (Cheong Wa Dae) sent their respective delegations to Washington, D.C. on June 9. Each of them met their U.S. counterparts and explained the current Korean situation regarding U.S. beef imports to ask for their cooperation. On June 12 Minister for Trade Jong-hoon Kim announced that he would have additional negotiations with USTR Susan Schwab in the United States the next day to devise a practical and effective way to prevent the import of U.S. beef from cattle older than 30 months in response to Korean public concern about U.S. beef (*Yonhap News*, June 12, 2008). Thus, the two governments began additional negotiations on June 13, and after 5 official and 2 unofficial ministerial meetings, they finally reached an agreement on June 19. They basically agreed on three items. First, the U.S. government promised to establish the Less Than 30 Month Age-Verification Quality System Assessment (QSA) for Korea in response to the demand of the Korean government for a USDA Export Verification (EV) Program for U.S. beef exports to Korea. The QSA was to verify that U.S. beef shipped to Korea would be from cattle less than 30 months of age. While the QSA, unlike the EV as a government-enforced program for all exporters, had a limitation that it was a government-administered program for the exporters who

voluntarily participated in it, it was operationally identical to the EV for the participants. Also, the tentatively organized Korean Meat Import Council (Korean Meat Import Association since July 15, 2008) announced that its members would not import U.S. beef from cattle more than 30 months of age, which would make the QSA as effective as the EV in regulating U.S. beef imports. Second, the two governments agreed that brains, eyes, skull, and spinal cord even from cattle less than 30 months of age would not be imported to Korea unless Korean importers placed orders for those products. Third, they also agreed that the Korean government would have the right to include in an audit of U.S. beef specific plants that it deemed necessary to audit. If Korean auditors found a suspicious non-compliance with the requirements for U.S. beef exports, the Korean government might immediately consult the U.S. government for tightened quarantine inspections of subsequent beef and beef products from the plants concerned. Also, if two or more food safety hazards were detected in the following five shipments, the U.S. government would suspend the relevant plants upon the request of the Korean government.⁸⁴

On June 19, a day before the final official ministerial meeting, President Lee held a special press conference for his second apology to the nation. The degree of the apology was more serious this time than the May 22 statement. Using more emotional vocabulary, President Lee reproached himself for not serving the people well. While he honestly said that he had been worried about the delay of the KORUS FTA due to the refusal of U.S. beef imports and that the beef negotiations had appeared to him inevitable, he expressed great regret about not having paid attention to what the people would think of the potential results of the beef talks. He promised that he would make sure that no U.S. beef from cattle more than 30 months of age would be imported to Korea. Fortunately, the President was able to say this somewhat confidently because

⁸⁴ See the press release of the MOFAT on June 25, 2008, downloaded at http://www.mofat.go.kr/webmodule/htsboard/hbd/hbdread.jsp?typeID=6&boardid=235&seqno=313772&c=&t=&pagenum=1&tableName=TYPE_DATABOARD&pc=&dc=&wc=&lu=&vu=&iu=&du=

a few hours before the press conference the two governments agreed on the general principle of no beef from cattle over 30 months of age at the fourth official negotiation meeting in order to calm down the Korean people and increase their trust in the safety of U.S. beef.

Within a week after the conclusion of the additional beef negotiations, on June 26, the Korean government published a ministerial notification of the Import Health Requirements for U.S. Beef and Beef Products in its official government gazette. The next day, import quarantine inspection of U.S. beef resumed in almost 9 months. Now, the issue of U.S. beef imports became a domestic issue that the Korean government would have to deal with against opposition parties and the antagonistic general public, while the government wanted to focus more on other current issues including the KORUS FTA.

Over the additional beef negotiations, the Korean public continued to wage anti-U.S. beef demonstrations. Despite the special press conference of President Lee and the settlement of the additional negotiations of U.S. beef imports, they continued to rally for candlelight vigils in downtown Seoul, which were organized by the People's Association for Measures against Mad Cow Disease, to insist on a complete renegotiation on U.S. beef imports and later the abolition of the ministerial notification of the Import Health Requirements for U.S. Beef and Beef Products. From the evening of June 20 through the evening of June 22, the People's Association for Measures against Mad Cow Disease waged a "48-hour-urgent action of the people" with a candlelight cultural festival at the first onset. As the government planned to publish the ministerial notification on June 26, the association waged another serious candlelight vigil on the night of June 25. That night's demonstration led to scuffles and tussles between the police and demonstrators and caused many injuries on both sides. As some demonstrators enraged with the ministerial notification turned violent, threw stones and brandished rods, the police aggressively

reacted and suppressed them. The police used water cannons and fire extinguishers against the demonstrators, and that night alone, they arrested more than one hundred demonstrators (*Yonhap News*, June 26, 2008). Such violent clashes continued after the publication of the ministerial notification. The People's Association for Measures against Mad Cow Disease organized a two day and one night demonstration on June 28-29, in which approximately 18 thousand (police estimate) or 200 thousand (organizer estimate) citizens participated. It was the biggest candlelight vigil since June 10, and it turned out more intense and violent than any other anti-U.S. beef demonstration. The People's Association for Measures against Mad Cow Disease estimated that 300-400 citizens were injured from it. On the other hand, the police reported that 112 policemen were injured, and that 55 demonstrators were arrested (*Yonhap News*, June 29, 2008).

As anti-U.S. beef demonstrations involved disturbances, the government stated that it would take stronger actions against candlelight vigils than before. On June 29, the Minister of Justice, the Minister of Public Administration and Security, the Minister of Culture, Sports and Tourism, the Minister of Employment and Labor and the Minister of the Prime Minister's Office released a joint statement about the recent candlelight vigils. They criticized the candlelight vigils for becoming politicized as well as violent for the sake of opposing the policy implementation of the government beyond the issue of U.S. beef imports. They asserted that the police would apprehend violent protestors and their instigators and take strict legal action against them (Ministry of Public Administration and Security, June 29, 2008). The police began to try to forestall illegal demonstrations, or candlelight vigils, by blocking key locations, and demonstrators still waged sporadic rallies here and there in downtown Seoul. On the early morning of June 30, the police conducted searches and seizures in the offices of the People's Association for Measures against Mad Cow Disease and its main member organizations, the

People's Solidarity for Participatory Democracy and the Korea Alliance of Progressive Movements, and confiscated goods and data related to anti-U.S. beef candlelight vigils. From the afternoon of June 29, through the early morning of June 30, 131 demonstrators were arrested by the police.

In the intensification of the relationship between the police and demonstrators, religious circles attempted to discourage violence in the anti-U.S. beef movement. Especially, the Catholic Priests' Association for Justice released a statement at a Mass for the Current State of Affairs on June 30, both to criticize the violent overreaction of the police to anti-U.S. beef demonstrations and to encourage citizens to keep the principle of non-violence in the demonstrations (Catholic Priests' Association for Justice, June 30, 2008). The Mass was followed by a street march, in which 8 thousand (police estimate) or 120 thousand (organizer estimate) people participated. As Catholic priests led the march at the front, it went peacefully without particular clashes between the police and the participants. After the march, priests affiliated with the Catholic Priests' Association for Justice went on a sit-in fast of five days. Unlike the day before, the police did not suppress the march, and the People's Association for Measures against Mad Cow Disease also affirmed the principle of non-violence. On July 5 the People's Association for Measures against Mad Cow Disease organized a candlelight vigil named the Candlelight Cultural Festival for Declaring the People's Victory in downtown Seoul. Approximately 50 thousand (police estimate) or 500 thousand (organizer estimate) people participated in the vigil, which became the biggest demonstration since the June 10 Grand March, but without noticeable violence.

After a climax on June 10, however, candlelight vigils against the U.S. beef imports dwindled. They did not regain as much participation or support from the people as in the June 10 Grand March though a sizeable number of people showed up in 2 or 3 candlelight vigils after

that. According to a public opinion poll on June 30, 60.9 percent of the respondents said that the anti-U.S. candlelight vigils should come to an end whereas 34.8 percent said they should continue (*Munhwa Ilbo*, July 1, 2008). Another public opinion poll on June 5 showed that only 28.5 percent of the respondents agreed on the continuation of the candlelight vigils while 65.7 percent disagreed on it, though 72.2 percent, 67.5 percent and 59.9 percent of the respondents had sympathy with the general cause of the candlelight vigils, had anxiety about U.S. beef imports and felt the necessity for renegotiations on U.S. beef imports, respectively (*Hankyoreh*, July 7, 2008). On July 14, another public opinion poll reported that 67.1 percent of the respondents agreed on the discontinuation of the candlelight vigils, and that 55.2 percent thought the vigils had a negative effect on the economy, though 57.1 percent disagreed on the forestallment of the candlelight vigils by the police (*Seoul Shinmun*, July 18, 2008). As time went on, the anti-U.S. beef candlelight vigils were losing the support of the general public even though the cause of the vigils was still appreciated.

A few major reasons account for the decline of the public support. On the surface, the candlelight vigils tended to drag out for too long and citizens seemed to be tired with every night's rallies. The anti-U.S. beef candlelight vigils began with the initiative of the cyber communities of the general public and then continued almost every night under the leadership of the People's Association for Measures against Mad Cow Disease. While the candlelight vigils gathered great momentum based on the anxiety of the public about the safety of U.S. beef leading up to the June 10 Grand March on the 21st anniversary of the June Democracy Movement, over a month of the protracted candlelight vigils as well as the government's change of attitude toward U.S. beef from cattle over 30 months of age contributed to the decline of the spontaneity and interest of the public soon after the extensive demonstration. More

fundamentally, however, the general public felt concerned and uneasy about the new development of the anti-U.S. candlelight vigils at the peak.

At the June 10 Grand March, the People's Association for Measures against Mad Cow Disease made a statement demanding that the government rescind the beef agreement and undertake complete renegotiations on U.S. beef imports by June 20, and said that if the government refused to do so, it would launch a national movement for the resignation of the Lee administration (People's Association for Measures against Mad Cow Disease, June 10, 2008). The following day the association released another statement that reinforced its will to promote an all-out anti-government movement by expanding the subject of the candlelight vigils to checking the overall policies of the government such as privatization of the national health insurance and state-owned companies and the Pan-Korea Grand Waterway project (People's Association for Measures against Mad Cow Disease, June 11, 2008). The statement indicated the potential transformation of the anti-U.S. beef movement into an outright political struggle. In fact, netizens began to have heated debates about whether to politicize and move toward a movement for bringing down the current administration, whether to expand the subject of the candlelight vigils and whether to advance on the Office of the President (*Munhwa Ilbo*, June 16, 2008). Even at the candlelight vigils took place debates on these and other related issues among the demonstrators, which made the vigils less effective and end early. This situation reflected the misgivings that the public had about the politicization and radicalization of the candlelight vigils. In early July, the Korean Confederation of Trade Unions (KTCU) seriously joined the anti-U.S. beef movement, crystallizing the transformation of the anti-U.S. beef movement led by the People's Association for Measures against Mad Cow Disease. On July 2, the KCTU, mostly the Korean Metal Workers' Union, began a 2-hour strike every day against U.S. beef imports as well

as against privatization of the public sector, the price policy of the government and the Pan-Korea Grand Waterway project. It also openly participated in the candlelight vigils, which gave the vigils the image of political struggles as opposed to the pure civic movement for the sake of national health. Another important explanation for the decline of the candlelight vigils is increasing public concern about the deterioration of the national economy. As economic indicators showed signs of economic downturn, the public came to be more concerned about the direct and indirect negative effect of the prolonged demonstrations and the recent strikes of the workers of the KCTU on the national economy. The reports of the government and the conservative mass media about losses for the local shops in downtown Seoul and even a decrease in the number of foreign tourists also affected the anxiety of the public, though the reports were somewhat arguable.

The stern reaction of the government since the late June also contributed to the attenuation of the anti-U.S. beef candlelight vigils by disrupting the leadership of the candlelight vigils. On June 27, the police issued arrest warrants for several leaders of the People's Association for Measures against Mad Cow Disease, which was followed by the June 29 statement of the government about strict legal actions against violent demonstrations. As some of the leaders were arrested and others wanted, the People's Association for Measures against Mad Cow Disease was not able to function properly to organize large-scale candlelight vigils and encourage the public. At the same time, the police sued the People's Association for Measures against Mad Cow Disease for damaging police equipment and injuring policemen while merchants and residents in the sites of the candlelight vigils also sued it for damages.

As the momentum of the candlelight vigils weakened, the People's Association for Measures against Mad Cow Disease announced on July 7 that it would no longer organize

candlelight vigils on a daily basis, but only on particular occasions. The vigils did not discontinue right away despite the considerable retreat of the People's Association for Measures against Mad Cow Disease, but the momentum tapered off rapidly. Finally, on August 7, the People's Association for Measures against Mad Cow Disease announced that it would not organize anti-U.S. beef candlelight vigils any longer after August 15, Independence Day.

Meanwhile, the private corporate sector was fairly silent since it did not want to direct the hostility of the general public to itself. Though major economic organizations occasionally expressed their concerns about the potential negative effects of the U.S. beef issue on the progress of the KORUS FTA, they tried not to provoke the anger of the general public against the private corporate sector. They did not side with the government or the public, but rather remained neutral hoping for an amicable settlement of the U.S. beef issue between the two governments (*Yonhap News*, May 3, 2008).

Negotiations and Struggles within the Legislature and between the Governments at the State Level

As President Bush visited Korea in early August, other issues related to the United States, including the KORUS FTA, resurfaced to the surface in tandem with the issue of U.S. beef imports, which began to fade out of the public attention. On August 5, the day of President Bush's arrival, the People's Association for Measures against Mad Cow Disease organized a candlelight vigil in cooperation with other organizations such as the Korean Alliance against KORUS FTA and the Korean Action against Dispatch of Troops to Iraq, and clamored against U.S. beef imports, dispatch of Korean troops to Iraq, the KORUS FTA, U.S. Armed Forces in Korea, and so forth. The next day, President Bush and President Lee held a summit and discussed various issues

including the KORUS FTA and the denuclearization of North Korea. When it came to the FTA, they reaffirmed its potential benefits to both economies and assured to each other that they would cooperate with the legislature for quick ratification of the FTA, though it was not quite positive that the lawmakers of both countries would be very cooperative.

In such circumstances, the 18th National Assembly convened its first regular plenary session at the beginning of September, 2008, where the ratification of the KORUS FTA stood out as one of the biggest issues. Though the session held a hearing on the beef negotiations on September 5, it was not more than a dispute between the ruling party and the opposition parties. As the momentum for anti-U.S. beef demonstrations had faded and as U.S. beef was already on the Korean market, the hearing in the National Assembly did not draw much attention from the public. Instead, as the issue of the KORUS FTA reappeared on the surface, the agricultural sector began to react. The Committee for Emergency Measures against the KORUS FTA in Agriculture, Forestry and Fisheries, consisting of dozens of relevant civil organizations, held a press conference in front of the National Assembly Hall on September 9, where it made 5 demands on the National Assembly including a refusal to ratify the KORUS FTA. On November 25, 11 thousand (police estimate) or 20 thousand (organizer estimate) people from all over the country rallied in Seoul to protest against the agricultural policies of the government including the KORUS FTA and clamored for governmental measures to guarantee farmers' right to maintaining a decent living. However, the farmers' reaction did not last long or remain active, and failed to draw much attention from the public or the government.

Thus, the KORUS FTA mainly became an issue for the National Assembly, where the ruling party tried to ratify the FTA in cooperation with the government while the opposition parties tried to forestall the ratification. The private corporate sector made more statements to

urge the National Assembly to ratify the KORUS FTA as civil society de facto retreated from the scene, but the action of the private corporate sector was not significant. The conflict between the ruling and opposition parties went to extremes to cause total chaos in the National Assembly, which highlighted another dimension of the struggles in the process of the KORUS FTA ratification. On December 18, 2008, the Foreign Affairs, Trade and Unification Committee put forward a motion regarding the ratification of the FTA in a brief session, with only the lawmakers of the ruling Grand National Party present. To this end, the chairman of the Foreign Affairs, Trade and Unification Committee exercised his authority to mobilize National Assembly security guards the day before to prevent the potential violent interruption of the lawmakers of the opposition parties at the committee meeting scheduled at 2 p.m. the next day. Not surprisingly but more intensely than expected, there were total chaos around the meeting room on the day leading up to the meeting. The Grand National Party blocked up the entrances of the meeting room early in the morning after its own 11 lawmakers, who were part of the committee, entered, and the lawmakers of the opposition parties who arrived later broke the doors with hammers but failed to enter the room in the face of the resistance of the security guards and the lawmakers of the ruling party. In the course, the lawmakers and the security guards even sprayed water and set off fire extinguishers against each other. Meanwhile, the 11 lawmakers of the ruling party including the chairman of the Foreign Affairs, Trade and Unification Committee laid the motion as the clock hit 2 p.m., and within a few minutes they decided to proceed with the evaluation of the KORUS FTA. Soon after that, the largest opposition party, the Democratic Party, occupied the room of the chairman of the National Assembly and began a sit-in demonstration insisting on the nullification of the motion on the KORUS FTA. The lawmakers of the Democratic Party also occupied the meeting rooms of the Committee on Culture, Sports,

Tourism, Broadcasting, and Communications, the Public Administration and Security Committee and the National Policy Committee, which had important issues to deal with such as the revision of the media law, in order to keep the lawmakers of the ruling party from entering. On December 26, the Democratic Party occupied even the main hall of the National Assembly, and the Democratic Labor Party joined it. The ruling and opposition parties failed to narrow the gap between their stances on the pending issues, especially the revision of the media law and the motion regarding the KORUS FTA. The opposition parties did not withdraw from the chairman's room until January 1, 2009, and from the main hall and the meeting rooms until January 6, 2009. On January 6, both the ruling and opposition parties stepped back from their stubborn stances and made a joint statement that they would get the proposed bills through sometime soon. However, this consensus seemed to be a stopgap and did not resolve any of the sources of the confrontation. It was no more than a superficial gesture for the normalization of the 18th National Assembly, which had not been functioning properly since the outset. As for the KORUS FTA, the ruling and opposition parties agreed to discuss and deal with it soon after the inauguration of the Barack Obama Administration. Concerning law affecting the media, they simply said they would make efforts to come to an agreement soon. Such ambiguous consensus without clear and substantive contents failed to remove the potential for another crippled operation of the National Assembly around the same issues.

As the new administration of President Obama came into office in the United States in January, 2009, a change of attitude in the U.S. government toward the KORUS FTA portended another round of negotiations. In Congress the dominant Democratic Party had always been against the current form of the KORUS FTA, and was uncooperative in moving the KORUS FTA forward. The former Bush administration failed to deal with the opposition of the

Democrats. Now that the Democrat President was in office, the KORUS FTA was expected to go through a rougher path to ratification, if not outright defeat. About a week before the inauguration of President Obama, the Secretary of State nominee Hillary Clinton clarified her position against the KORUS FTA on behalf of the Obama administration and indicated the need for reviewing the FTA to guarantee conditions for fair trade between Korea and the United States, especially in the areas of automobile and beef (*Yonhap News*, January 14, 2009). Two months later, USTR nominee Ron Kirk stated that the KORUS FTA was unacceptable as it stood (*Yonhap News*, March 10, 2009). However, the U.S. government did not explicitly suggest renegotiations of the KORUS FTA but expressed its intent to deal with the issues that it thought were problematic in the FTA. In fact, Deputy USTR Demetrios Marantis stated that USTR Kirk wanted to solve concerns about the KORUS FTA without renegotiations, and at the same time stressed that fair competition for U.S. vehicles in Korea and the reopening of the Korean market to U.S. beef still needed to be addressed to move the KORUS FTA forward, though the U.S. government itself acknowledged that the KORUS FTA would be of great economic benefit to both Korea and the United States, and that it would strengthen their geopolitically strategic relationship as allies (*Yonhap News*, May 8, 2009).

The Korean government firmly responded to the nuanced actions of the U.S. government by consistently making it clear that there would be no renegotiation of the KORUS FTA. It repeatedly stated that the KORUS FTA was a fair and balanced agreement, and that there was no need for any change in it. On April 12, the Ministry of Foreign Affairs and Trade reported by referring to *Inside U.S. Trade* (April 10, 2009) that Assistant USTR for Congressional Affairs Daniel Sepulveda told business representatives that the USTR intended to address outstanding issues on the pending FTAs with Panama, Colombia and Korea without renegotiating their texts.

Encouraged by the report of the “without renegotiating,” the Foreign Affairs, Trade and Unification Committee in the National Assembly passed the motion regarding the KORUS FTA on April 22, to be finally submitted to a plenary session of the National Assembly for a vote for ratification. Most committee members from both the ruling and opposition parties agreed to go ahead with the motion, as they had agreed to do so in January, though some opposition party members still opposed it. In fact, on February 23 and 25, the Judiciary Subcommittee of the Foreign Affairs, Trade and Unification Committee discussed and approved the motion without disturbance though the subcommittee members of the Democratic Party did not participate in the vote but wanted an affirmation of the government that the original KORUS FTA reached on June 30, 2007, would be passed in the U.S. Congress without any changes (Foreign Affairs, Trade and Unification Committee, 2009a, 2009b). The passage through the Judiciary Subcommittee heralded the trouble-free passage of the FTA through the Foreign Affairs, Trade and Unification Committee, as the government reaffirmed the principle of no renegotiation in the following months.

While there was nuanced tension between the two governments, the Obama administration began to take official actions on the KORUS FTA in July, 2009. On July 27, the USTR published in the Federal Register a request for comments concerning the KORUS FTA to be submitted by September 19 (National Archives and Records Administration, 2009). This drew attention partly because it happened about a month after a summit between President Obama and President Lee on June 16, where they issued a joint statement named the Joint Vision for the Alliance of the Republic of Korea and the United States of America. The statement included a clear vision for the KORUS FTA, indicating that the two governments would continue to deepen their bilateral economic, trade and investment relations through the KORUS FTA (Office of the

Press Secretary of the White House, 2009). After the process of collecting extensive opinions from various areas of industry, however, the U.S. government took a moderate stance, like at the beginning of the Obama administration. Assistant USTR for Japan, Korea and APEC Affairs Wendy Cutler stated that the KORUS FTA garnered overwhelming support but there were some concerns in the area of vehicles addressed by two of the three major automobile companies, Ford and Chrysler, and by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America, better known as the United Auto Workers.⁸⁵ She also mentioned that the Obama administration was still reviewing the KORUS FTA to try to find a way to assuage the concerns and that it hoped to reengage in dialogue with the Korean government on the issues of concern (*Yonhap News*, October 15, 2009).

In response, the Korean government announced that there would be no renegotiation on the KORUS FTA. Deputy Minister for Trade Ho-young Ahn dismissed the possibility of renegotiation by stating that the FTA was a balanced agreement reflecting well the interests of the both countries (*Yonhap News*, October 21, 2009). Within a week, Deputy Minister for FTA Hye-min Lee indicated again the basic stance of the Korean government that it would not renegotiate the KORUS FTA which had been already signed (*Yonhap News*, October 26, 2009). Meanwhile, President Lee said at a joint press conference after a summit with President Obama at the Office of the President, or Cheong Wa Dae, on November 19, that if the issue of automobiles became a problem in the United States, the Korean government was open to re-discussing it and having opportunities to understand each other. In the same press conference, President Obama said that the United States had put its teams in place to cover all the issues that might be barriers to the final ratification of the FTA. Immediately, however, the Korean

⁸⁵ GM was neutral on the KORUS FTA partly because it bought out the Korean auto company, Daewoo, which meant that GM Daewoo would be able to export cars to the United States at lower tariffs under the FTA.

government cautioned against the overinterpretation of President Lee's and President Obama's remarks and reaffirmed its stance that there would be no renegotiation on the KORUS FTA. In a briefing in the Office of the President on the same day, the Minister for Trade explicitly stated that there would not be even an additional negotiation and that President Obama's remark reflected only the U.S. domestic situation and not anything discussed between the U.S. and Korean governments (*Yonhap News*, November 19, 2009).

Notwithstanding the renewed will of both presidents to move the KORUS FTA forward, albeit still in slightly different directions, prospects for the FTA were not quite rosy due to the domestic political situation of the United States at the time. Not to mention the opposition of some lawmakers of his own Democratic Party in heavy industry regions such as Michigan and Ohio, President Obama was not focusing on the FTA but on health care reform, for which he needed support from labor unions and the Democrats who were against the KORUS FTA. Thus, the KORUS FTA was not expected to come up for discussion in U.S. politics until the health reform was completed. Also, if the health reform was not completed early the following year, the KORUS FTA might not be dealt with until after the gubernatorial elections in November, 2009, because sensitive issues such as trade might be too risky to deal with once the election campaigns began in July. In fact, the Korean lawmakers who were visiting Washington, D.C. at the invitation of the Korea Economic Institute mentioned that the KORUS FTA was pushed back on the list of policy priorities by the Obama administration partly due to political burdens about the sectors that expected to be negatively affected by the FTA, such as the automobile sector, and that the ratification of the FTA was unlikely to be completed until after the gubernatorial elections (*Yonhap News*, January 16, 2010). The health care reform was finally rounded off with the approval of the House of Representatives on March 25, 2010 – and previously approved by

the Senate 3 months earlier, but the U.S. government did not show particular action to move the FTA forward until late June. At a bilateral meeting of President Obama and President Lee at the G20 summit in Toronto, Canada, President Obama said that it was time for the USTR to work closely with the Korean Minister for Trade to initiate new discussions to resolve outstanding issues by November so that he might present the FTA to Congress in a few months (The White House, 2010). In fact, according to the briefing of Minister for Trade Jong-hoon Kim, President Obama had already instructed USTR Ron Kirk to cooperate with his Korean counterpart on outstanding issues of the FTA, before leaving Washington, D.C. for the G8 summit and the G20 summit that followed (Ministry of Foreign Affairs and Trade, June 30, 2010). The Office of the USTR stated in a press release on the same day of the bilateral meeting that the President requested USTR Ron Kirk to initiate new discussions with his Korean counterpart, Minister for Trade Jong-hoon Kim, to “resolve outstanding issues in a way that [would] level the playing field for U.S. workers and producers, with the objective of completing that process [before] President Obama’s [next] visit to Korea for the next G20 meeting in November” so as to submit the KORUS FTA to Congress in the following months (Office of the USTR, June 26, 2010). Through the same press release, USTR Ron Kirk responded,

“During the past year, USTR has conducted extensive discussions with a wide range of stakeholders and with congressional leaders to gain a detailed understanding of their concerns about this agreement. Now, at President Obama’s direction, we look forward to finalizing ways to address these concerns, level the playing field for U.S. workers and producers in the key sectors of autos and beef, and deliver to Americans the jobs and economic opportunity this agreement can bring. I expect to speak to Minister Kim today to express our intention to get to work as quickly as possible. USTR will be consulting

closely with Congress and stakeholders before we initiate further discussions with our South Korean counterparts, to ensure that our proposals adequately address outstanding concerns – and these consultations will continue throughout the process. (Office of the USTR, June 26, 2010)”

While President Obama appeared to take a political risk with the gubernatorial elections ahead, USTR Kirk’s remarks explicitly showed the President’s will to revise the KORUS FTA in favor of the United States in regard to automobiles and beef, that is to say in accordance with the demands of the Democrats and stakeholders such as Ford, Chrysler and the United Auto Workers. In this sense, the action of the President was not risk-taking but an effort to politically embrace both the supporters and opponents of the FTA. In other words, a potential political fight over the FTA would not become heated until the Obama administration finalized the discussion of the FTA with its Korean counterpart and presented the FTA bill to Congress, which was not likely to happen until the next year. In fact, most objectors in Congress were Democrats, who were politically supposed to support Democratic President Obama, and they remained quite passive, in order not to take a political risk in the face of the upcoming November gubernatorial elections.

The Korean government welcomed the concrete plan that President Obama presented, but at the same time, it continued to try to prevent his remarks from being interpreted as a demand for “renegotiations.” Minister for Trade Jong-hoon Kim explicated at his briefing of the bilateral meeting that President Obama had said what the U.S. government wanted was not ‘renegotiations’ but ‘adjustments’ to push the FTA through Congress (Ministry of Foreign Affairs and Trade, June 30, 2010). However, the difference between “renegotiations” and “adjustments” was not clear though the latter sounded less serious than the former.

In the statement of USTR Ron Kirk on June 26, the Obama administration indicated that it would focus on automobiles and beef in the upcoming discussions on the KORUS FTA. According to *Inside U.S. Trade* (July 2, 2010), though they did not explicitly rule out other issues, the officials of the administration signaled in briefings to business and congressional stakeholders that they would keep the outstanding issues narrowly focused on autos and beef. In fact, the lawmakers who objected to the KORUS FTA were primarily concerned about the automobile provisions and, to a lesser extent, Korea's restrictions on U.S. beef imports.

In such a situation, Minister for Trade Jong-hoon Kim and USTR Ron Kirk had an official meeting on October 26, for the first time since President Obama announced the desired FTA timeline in June. However, it did not involve practical discussions about the KORUS FTA but just heralded them in the near future. Soon after the U.S. gubernatorial elections ended with the victory of the Republican Party on November 2 and as the next G20 meeting in Seoul was coming up on November 11, actual discussions on the FTA took place on November 4, 2010. Deputy Minister for Trade Seok-young Choi and Assistant USTR for Japan, Korea and APEC Affairs Wendy Cutler held meetings for practical negotiations on November 4 through 6, where the United States officially conveyed specifications that it wanted to be reflected in the FTA. After that, the higher level of ministerial meetings between Minister for Trade Jong-hoon Kim and USTR Ron Kirk took place on November 8 through 10. On November 9, the Korean mass media simultaneously reported that the discussion on the KORUS FTA was virtually completed. Unlike the report, however, it turned out the next day that Minister for Trade Jong-hoon Kim and USTR Ron Kirk failed to reach an agreement on the outstanding issues. It was not until after about a week that it became clear why they failed to make a settlement. On November 16, Minister for Trade Jong-hoon Kim attended a meeting of the Foreign Affairs, Trade and

Unification Committee and explained the contents of the FTA discussions with the U.S. counterpart. According to his report, the United States wanted to mainly discuss autos and beef, but Korea maintained that U.S. beef imports had nothing to do with the FTA per se; therefore, the discussion basically focused on autos. The United States made several suggestions about two general issues about autos: 1) greater Korean market access for U.S. autos and 2) protection of U.S. auto market.⁸⁶ In particular, the United States suggested a delay in the previously agreed plan of tariff clearing, which required substantial revisions in one of the most crucial areas of the FTA. Thus, the discussion between the Korean government, which insisted on no change in the agreed text of the FTA, and the U.S. government, which wanted to address the outstanding issues through adjustments in the FTA, ended in a stalemate.

The two governments held another round of ministerial meetings near Washington, D.C. to discuss the FTA on November 30 through December 3, 2010, and in the end they reached a final settlement in the KORUS FTA about 4 years and 6 months after the first official round of the FTA negotiations in June, 2006 and about 3 years and 5 months after the signing of the FTA on June 30, 2007. It turned out that the United States gained what it wanted in the area of autos while Korea managed to exclude the issue of beef and gained some delays and extensions in the areas of pork, pharmaceuticals and visas. First of all, the two governments delayed the clearing of the tariff on passenger cars for four years. In the original text of the FTA, Korea was supposed to immediately remove its tariff (8%) on all passenger cars on the effective date of the FTA, and the United States was supposed to remove its tariff (2.5%) on passenger cars not exceeding 3000cc upon the implementation of the FTA and phase out its tariff (2.5%) on passenger cars exceeding 3000cc in two equal annual stages to finally make duty-free on January 1 of year three. In the recent adjustment, however, Korea would reduce its tariff from 8 percent to 4 percent on

⁸⁶ For more details, see *Minutes of the Foreign Affairs, Trade and Unification Committee* (294th session 9th meeting).

the effective date of the FTA and then remove it on January 1 of year five, and the United States would keep its tariff (2.5%) for the first 4 years of the FTA and then remove it on January 1 of year five. As for electric cars, both Korea and the United States were going to phase out their tariffs in nine equal annual stages, according to the original FTA. In the adjusted FTA, Korea would reduce its tariff from 8 percent to 4 percent on the effective date of the FTA and phase it out in four equal annual stages while the United States would phase its tariff (2.5%) out in four equal annual stages. As to trucks including pickup trucks, while there was no change in Korea's immediate removal of the tariff (10%) on U.S. trucks upon the implementation of the FTA, the United States would now keep its tariff (25%) on Korean trucks for the first 7 years and then phase it out in two equal annual stages instead of removing the tariff immediately on the effective date of the FTA. Besides the adjustments of the tariffs, both sides introduced a safeguard clause that they might exercise a safeguard for maximum 4 years within the first 10 years after the effective date of the FTA. As for safety standards, U.S. auto manufacturers that sold no more than 25,000 vehicles, instead of 6,500, in Korea during the previous calendar year would be exempt from the Korean Motor Vehicle Safety Standards once their vehicles complied with the U.S. Federal Motor Vehicle Safety Standards. With regard to regulations pertaining to automotive fuel economy and greenhouse gas emissions, the new adjustment allowed U.S. auto manufacturers who sold no more than 4,500 vehicles in Korea in 2009 to comply with a 19 percent more lenient level than the fuel economy or the CO emissions level of Korea's new regulation from 2012, the effective year of the new regulation, through 2015. The above-mentioned adjustments in the KORUS FTA were basically due to the request of the United States. In return, the Korean government, which did not want any further discussions on the signed FTA, gained a few favorable adjustments in less contentious areas, in addition to

managing to exclude beef from the discussion. Korea delayed the removal of the tariff on “frozen other” pork, the category which accounted for the largest share of U.S. pork exports to Korea, for 2 years until January 1, 2016. It also extended the grace period for the pharmaceutical patent linkage system from 18 months to 3 years after the effective date of the FTA. Korea also had the United States increase the visa validity period for intracompany transferees (L-1 visa) to five years from 1 or 3 years for Korean nationals.⁸⁷

The additional discussions on the KORUS FTA between Korea and the United States turned out virtual renegotiations, albeit limited to the most outstanding issues. The Korean government had been objecting to renegotiations on the FTA, and both governments used the vocabulary of “discussions” and “adjustments” instead of “renegotiations.” The mass media also avoided using “renegotiations” as the Korean government strongly denied any intention for renegotiations. Even in the final stage of the discussions, the Korean government affirmed that it would not allow any changes in the original text of the FTA. However, the outcomes proved that the discussions for adjustment were not different from renegotiations on the issues that the United States brought up, and that they were equivalent to the reopening and revision of the original text. Though the two governments did not literally amend the original text of the FTA but reflected the newly agreed adjustments in the forms of ‘Exchange of Letters’ and ‘Agreed Minutes,’ these documents carried legal binding force to replace the original text of the FTA in the relevant items. Upon the settlement of the additional discussions, the Korean mass media began to call them “additional negotiations,” if not “renegotiations.” In fact, Minister for Trade Kim expressed his apology to the people at a meeting of the Foreign Affairs, Trade and

⁸⁷ For more details of the adjustment of the FTA, see Exchange of Letters between USTR Ron Kirk and Minister for Trade Jong-hoon Kim, Agreed Minutes on regulations pertaining to automotive fuel economy and greenhouse gas emissions, Agreed Minutes on intracompany transferee (L-1) visas, and Handbook of the Exchange of Letters of the KORUS FTA (2011.2.10).

Unification Committee on December 17 that, despite the repeated affirmation of ‘no renegotiation’ of the KORUS FTA, the fact that he was there to report the outcomes of the additional negotiations was quite a different scenario from the original stance of the government, and that he was very sorry for this situation.⁸⁸ The Minister basically admitted that the Korean government failed to keep its promise and made a concession to the U.S. government.

Continuing Struggles within the National Assembly Leading up to the Implementation of the KORUS FTA

The two governments finally signed the letters of the results of the additional FTA negotiations on February 10, 2011. By the time, anti-FTA movement in Korea was fairly quiet though some civil organizations such as the Korean Alliance against KORUS FTA, the KCTU and the National Federation of Farmers’ Associations occasionally held press conferences and rallies. In the United States, the AFL-CIO released a statement against the FTA, but was not influential in the issue of the KORUS FTA. On the other hand, the United Auto Workers and the United Food and Commercial Workers International Union expressed their support for the results of the additional negotiations.

Now the Korean government and the U.S. government had only to deal with the domestic ratification process of the FTA in the National Assembly and the Congress respectively. However, the Ministry of Foreign Affairs and Trade found errors in the Korean translation of the original FTA which was signed on June 30, 2007, approved by the Foreign Affairs, Trade and Unification Committee in the National Assembly on December 18, 2008, and then waiting for ratification by the National Assembly. The Foreign Affairs, Trade and Unification Committee

⁸⁸ For more details, see *Minutes of the Foreign Affairs, Trade and Unification Committee* (294th session 16th meeting).

withdrew and rescinded it on May 4, 2011, upon the request of the Ministry of Foreign Affairs, and the government made a corrected translation of the FTA reflecting the additional negotiations of late 2010 and submitted it to the National Assembly on June 3 for a new process of ratification. In the midst of the objection of the opposition parties, the chairman of the Foreign Affairs, Trade and Unification Committee belonging to the ruling party put down a motion regarding the FTA ratification on his own authority as chairman on September 16. As the Senate and the House of Representatives ratified the KORUS FTA on October 12 after some compromise between the Republicans and the Democrats, the Korean government and the ruling Grand National Party tried to expedite Korea's domestic ratification process to keep up with the move of their counterparts. The chairman of the Foreign Affairs, Trade and Unification Committee attempted to pass the motion at the meetings of the Committee a couple of times in October and early November by exercising his authority to mobilize National Assembly security guards to maintain order, but due to the intense physical resistance of the opposition party members, the meetings ended in a stalemate.

The opposition parties insisted on deleting the provision of investor-state dispute (ISD) from the FTA, which they seriously brought up since the settlement of the additional negotiations. The confrontation on the issue of the ISD between the ruling and opposition parties led to the cancellation of the plenary session of the National Assembly on November 3 and 10. In response, on November 15, President Lee promised to the chairman of the National Assembly and the leadership of the ruling and opposition parties that he would request renegotiation on the ISD issue from the United States after the National Assembly ratified the FTA. The U.S. government immediately supported President Lee's statement in an interview with a Korean news agency, Yonhap News, and said that the U.S. government was open to discussing the issues

of service and investment through the Committee on Services and Investment that the two governments had agreed to establish upon the enforcement of the KORUS FTA (*Yonhap News*, November 11, 2011). Putting the gesture of President Lee to shame, however, on November 22, two days before the scheduled plenary session, the lawmakers of the ruling Grand National Party including the chairman of the National Assembly entered the main hall of the National Assembly for a sudden plenary session without notice so that they would be able to enter the hall without difficulty before the lawmakers of the opposition parties arrived. In the midst of the resistance of the opposition parties that showed up later, a lawmaker of Democratic Labor Party set off a teargas bomb in front of the hall a little before the start time of the session, to create absolute chaos. It was an unprecedented incident in Korean history that a teargas bomb exploded in the National Assembly. After about 20 minutes of cleaning, the session began with the intense complaints and protests of the lawmakers of the opposition parties near the rostrum. The ratification process went quickly owing to the lawmakers of the ruling party, who occupied the majority of seats in the National Assembly. The vice-chairman of the National Assembly, who led the session in place of the chairman, laid the KORUS FTA before the plenary session for a vote for ratification on his own authority as acting chairman. The FTA was ratified and then 14 KORUS FTA implementation bills were also approved in about 30 minutes.

Meanwhile, the Korean government also announced Comprehensive Countermeasures to Reinforce the Competitiveness of Agriculture and Fisheries under the FTA on August 2011, which was to revise and complement the FTA Domestic Countermeasures against the KORUS FTA established in November, 2007 in the face of the original settlement of the KORUS FTA. The government increased the existing budget of the FTA Domestic Countermeasures for 10

years from 2008 through 2017 from 21.1 to 22.1 trillion won.⁸⁹ Among others, the government generally focused on income preservation through direct payment and competitiveness improvement through modernization of equipment and facilities. It eased the standards for the income preservation by 5 percent and increased the preservation rate by 5 percent. It also increased support for various ways of modernization by shifting the redundant parts of the budget. Apart from the increased budget, the government reinforced tax benefits in the agricultural and fishery sectors.⁹⁰ In reaction to the demands of the opposition parties, the government adjusted and increased the support of the 2011 Comprehensive Countermeasures on January 2012. It increased the budget of the FTA countermeasures again from 22.1 to 24.1 trillion won⁹¹ and further improved the Comprehensive Countermeasures to Reinforce the Competitiveness of Agriculture and Fisheries under the FTA in favor of the beneficiaries.⁹² However, these changes in the FTA countermeasures were mainly to pacify the opposition parties and provide an inactive and reactive excuse for the government to pursue the KORUS FTA against the complaints of the relevant sectors. In fact, the FTA Domestic Countermeasures of 2007 was not really a policy designed to deal with potential losses after the implementation of the KORUS FTA. It was a modified offshoot of the 2004 comprehensive plan established in tandem with the FTA Special Fund, which was mainly to offset the immediate impacts of the Korea-Chile FTA. Thus, the FTA Domestic Countermeasures was designed to enhance the competitiveness of the agricultural sector against the backdrop of the multiple FTA and DDA negotiations that Korea was involved in. It was not really meant to deal with the impact of the

⁸⁹ In U.S. dollars, the increase is approximately from 21.1 billion dollars to 22.1 billion dollars.

⁹⁰ For more details, see *Additional countermeasures in response to the ratification of the KORUS FTA* provided by the Ministry for Food, Agriculture, Forestry and Fisheries (2012).

⁹¹ In U.S. dollars, the increase is approximately from 22.1 billion dollars to 24.1 billion dollars.

⁹² For more details, see *Additional countermeasures in response to the ratification of the KORUS FTA* provided by the Ministry for Food, Agriculture, Forestry and Fisheries (2012).

KORUS FTA. This general keynote showed in the briefing of the 2007 plan of the Ministry of Agriculture and Forestry at the 2007 Plan Briefing with the People on March 20, 2007.⁹³ In fact, Minister of Agriculture and Forestry Hong-soo Park stated at the briefing that though the government would adjust and expand the 2004 agricultural plan, it would not set up measures of adding up more money simply because of the KORUS FTA (*Yonhap News*, April 1, 2007). Thus, the agricultural countermeasures of the Korean government against the KORUS FTA were mainly intended to continually push forward its existing keynote on agriculture rather than providing fundamental support for the rural population.

After a few months of reviewing all the necessary domestic legal and procedural conditions in order to implement the FTA, Korea and the United States exchanged diplomatic notes agreeing to bring the FTA into effect on March 15, 2012. Thus, 5 years and 8 months after the outset of the negotiations and 4 years and 10 months after the original settlement of the FTA, the two governments finally set the FTA to work in enhancing the trade between their economies, although disputes about the FTA were still to be dealt with domestically and internationally.

Conclusion

The Korean state regarded an FTA with the United States as a milestone and a breakthrough for the Korean economy in the midst of heightening competition of international trade. Among other potential FTAs, an FTA with the United States was considered to be the most beneficial to the Korean economy by the particular leadership of the economic bureaucrats as well as the Presidents. The Korean state proactively pursued it to enhance its trade balance and national competitiveness and to reconsolidate its relationship with the United States. Even before the

⁹³ For more details, see *2007 briefing with the people: Rural areas with hope, farmers opening the future* (Korean Government, 2007).

outset of the FTA negotiations, however, the Korean state had to deal with the preconditions that the United States demanded, which caused the spread of anti-KORUS FTA sentiment among the Korean people. Both the interstate and intrastate struggles were not easy for the Korean state to handle because the demands of the United States and the expectations of the Korean people were quite incompatible, especially in beef imports and the screen quota system. Eventually, the Korean state made substantial concessions so as to get FTA negotiations started since it was the one that initiated and suggested the discussion of an FTA between Korea and the United States, to begin with. After the two governments undertook FTA negotiations, the Korean state was not overpowered by its U.S. counterpart but led close-pitched negotiations to secure its national interests, which indicated the substantially high standing of the Korean economy in the world economy.

As the FTA negotiations drew attention from the mass media and became better known to the people, the Korean state could not avoid stronger backlashes from the public. The civil organizations began to mobilize themselves against the ongoing FTA negotiations. Ironically, it was not until after the original signing of the FTA that the anti-FTA movement seriously intensified. As the issues of U.S. beef imports reemerged upon the request of the United States and as the incoming Korean administration of President Lee responded to it in a very favorable way, the general public, who had not been mobilized or organized, arose through cyber communities and in physical form, organizing candlelight vigils beyond government control. The public denounced the government for giving up its sovereignty to protect the health of its people. Thus, the anti-FTA movement expanded and was transformed into an anti-U.S. beef imports movement, then into an anti-government movement. The Korean state was at a loss and sandwiched between the U.S. government, which persistently insisted on the complete opening

of the Korean market to U.S. beef, and the general public, who demanded the recovery of Korean sovereignty over U.S. beef imports and thus over the health of the people. Due to the unprecedented strong reaction of the general public, the Korean state asked the United States for additional negotiations on U.S. beef imports and obtained some nuanced concessions from the United States. Though the Korean public was still not happy about them, the Korean state pushed forward the modified beef agreement and put it into effect. Meanwhile, the protraction and politicization of the candlelight vigils and the people's concern about the negatively affected national economy induced the decline of the anti-U.S. beef movement and thereby the anti-KORUS FTA movement.

After the decline of the social movement against it, the KORUS FTA became an issue mainly within the legislature and between the Korean and the U.S. governments. The ruling Grand National Party, which tried to push the FTA forward, and the opposition parties, which objected to its ratification, intensely debated in the National Assembly. This struggle further intensified as the U.S. government suggested additional discussions on the original KORUS FTA for adjustments and as the Korean government made concessions to the demands of the United States. The KORUS FTA became a political issue in the national politics beyond an interstate trade issue. The Korean state finally pushed the adjusted FTA forward in spite of the extreme resistance of the opposition parties.

The Korean state proactively promoted so-called "neoliberal" globalization by dogmatically pursuing an FTA with the United States. In the course, the Korean state faced the unprecedented antagonistic mobilization of the general public and had to take their voices into consideration for the ongoing negotiations with the United States. Still, the Korean state did not compromise its fundamental principles. The dramatic mobilization of the general public became

attenuated due to inauspicious changes both in the civic movement itself and in economic circumstances. Though the Korean state was not able to avoid a serious political mess in its national politics, it managed to deal with the interstate negotiations with the United States to move further toward the new trade regime of bilateral FTA.

Chapter 7: The Korean state in the two FTA negotiation processes: different dynamics toward the same goal

Internal and External Circumstances of the Korean state in regard to the Two FTAs

Around the turn of the 21st century, Korea adopted a trade policy that was very innovative relative to its traditionally protective economic policies: bilateral FTAs. As discussed in the previous chapters, the FTA with Chile was the first FTA that Korea ever signed, and the FTA with the United States was the biggest FTA that Korea has signed so far. Not only were the scales of the FTAs different, but the various domestic and international circumstances that the Korean state was facing were quite dissimilar, although the general trend of the world trade toward bilateral FTAs did not change but intensified.

When Korea first began to discuss an FTA with Chile, it was going through the tragic aftermath of the 1997 financial crisis. As one of the urgent remedies for the crisis-stricken economy, the Korean state promoted bilateral FTAs in order to restore the balance of payments and, more importantly, to impress the international community with its effort and capacity for economic reform, which would largely contribute to the recovery of the national sovereign credit rating. The international community including the IMF expected the Korean state to further liberalize international trade and to open its domestic market in accordance by giving up protectionism. In such circumstances, the Korean state, without previous experience with FTAs, rushed to find its first FTA partner and decided to pursue an FTA with Chile. The Korean state chose Chile because the impact of the FTA was not expected to be too big due to the small trade volume between the two economies. Also, Chile had several FTA experiences from which Korea would be able to learn. The Korean state regarded Chile as a good practice partner for future

FTAs with greater economies. This way, external and internal pressures originating in the economic crisis contributed to Korea's pursuit of an FTA with Chile significantly.

However, it is not reasonable to attribute the promotion of the Korea-Chile FTA only to the immediate economic predicament that Korea was facing. While that was a significant trigger for the first FTA in Korean economic history, the Korean state was already in the course of self-transformation by breaking with the old protectionist developmental state model and pursuing so-called "neoliberalism" in the 1990s. It had already acknowledged the limitations of its export-oriented economy, which were sandwiched between advanced economies with high technology and developing economies clawing their ways up with cheap labor. The Korean state liberalized the economy in the early 1990s in order to make a breakthrough in the deteriorating status of the economy. Unfortunately, however, the hasty and imprudent liberalization, especially of finance, induced an unprecedented economic crisis in late 1997. In the aftermath of the 1997 crisis, the Korean state began to systematically push what it called "neoliberal" ideology forward rather than retreating from it. Though apparently there was market-opening pressure from international creditors, the Korean state took advantage of the external pressure as a legitimate excuse to overhaul and further advance the economic principle that it had already begun to implement. Thus, the FTA with Chile was an important part of the incipient stage of Korea's alleged "neoliberalization."

In contrast, the FTA with the United States was an effort of the Korean state to deepen so-called "neoliberal" principle in its economy. The initiation of the FTA with the United States involved much more deliberate and careful consideration than the FTA with Chile. The Korean state took FTAs as one of its main economic policies and established an FTA Promotion Roadmap reflecting its gradational approach to FTAs. In 2004, however, the Korean state shifted

to an aggressive multi-track FTA strategy, and decided to begin FTA negotiations with the United States. Behind this change of FTA policy were the stalemate of multilateralism promoted by the WTO and the proliferation of bilateral FTAs in the world. Unlike its early promise, the WTO failed to make progress in expanding multilateral free trade, and therefore, many economies began to turn to bilateral or regional FTAs as an alternative. For the Korean economy, which was traditionally heavily dependent on foreign trade, these situations were enough to cause serious concern about potential losses to its competitors in foreign markets.

A more important factor, however, was the proactive and resolute mind of the core state elite in charge of Korea's foreign trade. While the Korean state was turning to FTAs in handling the worsening trade environment, the core elite with Hyun-chong Kim, Deputy Minister for Trade and later Minister for Trade, as the central figure, urged aggressive and full-fledged bilateralism as opposed to the initial conservative approach to FTAs. At the time, President Noh was fully supportive of the idea. It was also Kim who first suggested and prioritized an FTA with the United States over FTAs with other economies. Influenced by the innovative elite, the Korean government decided to target the U.S. market immediately through an FTA so that it might develop inroads into the market earlier than its competitors though that might entail a higher risk as well as a higher profit than a slow and gradational FTA policy. This shift of the Korean state in trade policy was quite proactive when none of its immediate competitors, especially China and Japan, had dared to initiate an FTA with the United States yet. Actually, the action of the Korean state alerted them to bilateralism with greater economies. By entering FTA negotiations with the United States, the Korean state became one of the most active FTA promoters in the world and began to contact other economies, including the EU, for FTAs. Though an increase in exports was an imperative for Korea as always, the radical shift of trade

policy in favor of active multi-track bilateral FTAs with large economies reflected the intention of the Korean state, which wanted to make a breakthrough in its economy.

Thus, in both FTAs with Chile and the United States, the Korean state pushed forward its new trade policy. Though the financial crisis and the standstill of WTO-led multilateralism provided important backdrops for the outset of the FTAs respectively, the Korean state, which was already officially departing from the old developmental state model and promoting the so-called “neoliberal” model of the economy around the turn of the 21st century, remained an active pathfinder for its own integration into the world economy. This supports hypothesis 1: *the entrance of a national economy into the new phase of neoliberal globalization, or the resurgence of bilateral FTAs, is a coordinated and voluntary action of the participating nation-state rather than a simple response to international pressure.* One caveat is that this may apply more to states with a certain level of economic development and strength, because states without basic capacity to maintain their own economies and politics may have no choice but to be swayed by external pressures.

Relative power of the Korean state vis-à-vis the Chilean and the U.S. counterparts in the world economy

The Korean state had a favorable factor to pave its own way to the world market, which was its considerable status in the hierarchy of the world economy. It was already a sizeable and semi-advanced economy that would be a significant trade partner in the world market. No foreign economy would look down on or coercively affect its decisions on its own way into the world economy, unlike many developing economies in the Third World, though it was under the pressure of the deteriorating trade environment. Also, after decades of miraculous

industrialization, the Korean state was experienced and shrewd enough to take advantage of the internal and external circumstances, albeit with a huge mistake causing the 1997 financial crisis.

While the general status of Korea in the world economic hierarchy contributed to the spontaneous and proactive attitude of the Korean state to engage in FTAs, its power relative to its FTA partners, or Chile and the United States, and its industrial complementarity with each of them put the Korean state in an favorable or unfavorable position when it came to negotiations. Of course, since it was the Korean state that first suggested discussion on an FTA in both cases, the state had to put up with its weak negotiating position at the beginning. However, its relative power and industrial structure vis-à-vis its counterparts made it take different attitudes toward the two FTAs as negotiation processes went on.

In the negotiations with Chile, Korea enjoyed as much negotiating power as Chile, but not more than Chile in spite of its higher status in the world economy. Korea had a higher level of industrialization and trade volume than Chile. It was already a member of the OECD and was considered distant from other developing countries. Its technological advancement in electronics and automobiles in particular contributed to the high status in the world market. While Korea was well-known for its industrialization and economic development, it had a backward agricultural sector which had been a scapegoat in the industrialization process. In contrast, though Chile was not as industrialized or wealthy as Korea, it was known as a successful case of the modernization of agriculture, especially pomiculture, and was one of the leading economies among Third World countries. It also had a open economy which was very proactive and experienced in FTAs. While the industrial structures of the two economies were complementary to each other, the existing trade volume between them was not significant or expected to become significant even under an FTA. Also, while Korea had reasons to choose Chile as its first FTA

partner, Chile did not necessarily have to have an FTA with Korea at the moment though it would be good for exports of primary goods to Korea. Thus, the Korean state did not have greater leverage vis-à-vis its Chilean counterpart in the negotiations.

In FTA negotiations with the United States, Korea was in quite a disadvantaged position, reflecting gap between the two in the world economy. In the situation that the United States was much more significant to Korea in terms of trade than the other way around, the Korean state might well have weaker negotiating power than its U.S. counterpart. In order to obtain substantial market opening from the United States in particular manufactured goods, the Korean state inevitably had to make concessions to various requests of the United States including the four preconditions for the start of FTA negotiations. In fact, the Korean state, which had been always concerned about pressure for further opening of the agricultural market including rice, was already in a disadvantaged position. Besides the economic dimension, for which the FTA between Chile and Korea had most implications, the FTA between Korea and the United States had a significant geopolitical aspect. As for Korea surrounded by North Korea, China, and Japan, the diplomatic and military power of the United States would help ensure national security, and an FTA with the United States was expected to be conducive to a consolidated and reinforced relationship between the two nations. Thus, the Korean state was not able to exercise much leverage over the negotiation process. Of course, it does not mean that the Korean state made concessions all the time. It utilized some weaknesses that the United States had such as the Jones Act in order to protect or promote the profits of its capitalists. However, in most critical moments, the United States brought up outstanding issues repeatedly and the Korean state positively responded, which induced domestic turmoil in Korea.

Not surprisingly, the attitude of the Korean state toward the two FTA negotiations varied considerably due to the economic structure and power of the partners and their geopolitical significance in the Korean peninsula. Though both the gap between the Korean and Chilean economies and that between the Korean and U.S. economies in the world economic hierarchy were significant, the Korean state did not enjoy much leverage over the negotiations vis-à-vis Chile due to the insignificant existing trade relationship with Chile and the limited implications of the FTA for both nations. In contrast, the U.S. state enjoyed its leverage in the negotiation process vis-à-vis the Korea state because of the longstanding and strong economic and political dependence of Korea on the United States. Though the Korean state sometimes resisted the demands of the United States and sometimes insisted on its own demands, it could not but be somewhat submissive to the United States in order to gain what it intended to gain; greater opening of the U.S. market to Korea's manufacturing exports. The relationships of the Korean state with its Chilean and U.S. counterparts over the FTA negotiation processes contradict hypothesis 2.a: *once the state enters an FTA, its interstate power relative to the partner state affects its strategies for negotiating with the partner state*. While the relative power of the state vis-à-vis its counterpart in the world economic hierarchy may be still significant, the existing economic and political relations between the two economies, which undoubtedly reflect their industrial and social structures, may offset or augment the leverage or intention of the state in actual negotiation processes. In this sense, *the particular situations of the domestic sectors may affect the negotiation strategies of the state* more than the objective hierarchy in the world economy may do, as speculated in hypothesis 3.

Reactions of civil society

The domestic forces reacted strongly to the state decisions on the FTAs with Chile and with the United States. Interestingly, however, the actions of the domestic forces were not necessarily divided by whether they concerned export or import sectors. In the Korean context where the export sectors had been traditionally favored and supported by the state, the import sectors were more likely to be less protected by the state for the sake of the export sectors and therefore be negatively affected by FTAs. Thus, it might be reasonable to predict that the domestic forces would be divided into the import and export sectors, and that the former would be the ones that would rise against FTAs. Whereas in the case of the Korea-Chile FTA, the agricultural sector, which was expected to be negatively affected, was the main group of the population in the anti-FTA movement, in the KORUS FTA it was not a particular sector by field or industry but entire civil society, as opposed to the private corporate sector, that exploded against the state and its policies. For instance, labor unions, a majority of which were from the automobile sector, which was expected to benefit from the FTA, participated in anti-FTA movement, albeit not as a very significant and leading actor. The division was hardly capitalists vs. non-capitalists, either, since the anti-FTA movement did not involve noticeable class-based actions. Thus, the domestic struggles around the FTAs were among the state, civil society, and the private corporate sector, rather than among the state, non-capitalists, and capitalists or among the state, the import sectors, and the export sectors.

Given the above, the reactions of civil society in Korea were a huge and integral part of the negotiating processes of the two FTAs. Under the general leitmotif of anti-neoliberalism, civil society arose and marked milestones in the history of Korean civil movements. While in both cases Korean civil society actively engaged to have its voice heard by the state elites on the

negotiation tables, what part of the civil society participated and when they did so varied much across the two FTAs.

In the case of the FTA with Chile, the main actors of the civil society that took part in anti-FTA movement were farmers. Due to the repeated failure of the agricultural policy of the Korean state and the beginning of the Doha Development Round, the grievances of the Korean farmers and their fear for the potential opening of the domestic agricultural market were soaring in 2000 and 2001. In this situation, the conclusion of the Korea-Chile FTA in late 2002 fueled the anger of the Korean farmers because Chile was known as an exporter of the primary goods. Not only fruit farmers but almost all Korean farmers consolidated themselves to stage protests against the FTA. Soon after the official signing of the FTA in early 2003, major farmers' organizations and many others gathered together regardless of their political orientations and launched a huge alliance named the National Farmers Solidarity, though many fruit farmers were still in the vanguard of the anti-FTA movement. This represented the serious onset of the protest of Korean civil society against the Korea-Chile FTA, where the farmers mobilized as a substantial political force. The National Farmers Solidarity at the instigation of the National Federation of Farmers' Associations conducted campaigns against ratification of the FTA in the National Assembly and also negative election campaigns against the lawmakers who were supporting the ratification. These actions of the Korean farmers delayed the ratification process substantially. The anti-FTA movement of the farmers intensified in tandem with the continuing WTO meetings promoting the opening of agricultural markets under the mantra of freer trade. The two events concerning the agricultural sector, the WTO system and an FTA with Chile, created an additive effect to intensify the solidarity of the Korean farmers against market opening in general.

Korea's private corporate sector, which was a hegemonic sector mainly represented by the *chaebols*, supported the effort of the Korean government in soothing the farmers in order to move the Chile-Korea FTA forward. The private corporate sector attempted to play some visible roles in pacifying the rage of the agricultural sector because the FTA was practically an exchange of primary and manufactured goods between the two economies and also because the farmers constituted a weak and small portion of the entire population. The private corporate sector organized a special meeting with farmers' organizations to exclusively talk about the FTA and to find a way to reduce the gap between their stances, besides issuing statements or pleas to promote the ratification of the FTA in the National Assembly. However, the private corporate sector did not go beyond a superficial level of actions because it did not want to risk being the main target of the anti-FTA movement, especially when the FTA was not expected to create an immediate substantial increase in exports of manufactured goods. Even the meeting with the farmers' organizations, which the private corporate sector spontaneously organized, ended up reconfirming the distant standpoints of the two sides and did not produce any practical outcomes conducive to moving the FTA forward or appeasing the farmers.

In the negotiations with the United States, the rise of the civil society was not limited to a particular group, but it was an explosion of the entire general public in Korea. As the FTA with the United States involved four preconditions that the United States demanded for the launching of FTA negotiations, especially the abolition of the screen quota system and the resumption of U.S. beef imports, the anti-FTA movement began to develop seriously much earlier than in the case of the Korea-Chile FTA. The film sector was the first to mobilize and rapidly drew public attention because famous movie stars and film professionals actively located themselves at the forefront of the movement against the relaxation of the screen quota system. The rise of the film

sector did not receive continuous support from the public, as it was considered to be pursuing its own sectoral interests apart from the interests of the people in general. Still, it contributed a lot to the increasing recognition of the FTA by the public, which induced the formation of the Korean Alliance against the Korea-U.S. FTA (KoA), a huge umbrella body of progressive civic organizations. As the negotiations made substantial progress, especially in the area of agriculture, and as more of the potential negative effects of the FTA became known to the people, the anti-FTA movement gained great public support and thereby important momentum. However, it was not until the issue of U.S. beef imports reemerged between the two countries after the original settlement of the FTA that an unprecedented full-fledged civic movement of the general public developed. The lopsided agreement on U.S. beef imports between the two governments evoked great anxiety among the Korean general public and also a sense of betrayal that the government gave up the health of the people. Thus, the anti-FTA movement happened to narrow and at the same time expand its focus and became an anti-U.S. beef imports as well as an anti-government movement. This renewed civic movement mobilized previously inactive grassroots citizens including office workers, teenagers, and families with children and made them the main actors of the movement. Not existing civil organizations but new civic organizations, with the People's Association for Measures against Mad Cow Disease in the lead, unfolded the movement and created a new and unique form of social movement in Korea, the candlelight cultural festival, which was the outcome of the people's effort to maximize their voices in a peaceful but impactful way. It was less politically oriented and more inclusive than any other civil movement in the past and marked another era in the development of Korean social movements.

Meanwhile, the private corporate sector was fairly silent though it occasionally announced statements to call for fast ratification of the FTA. It did not really have a part to play

in the struggle that civil society was waging because the issue of U.S. beef imports had already gone beyond the FTA issue or foreign trade and involved the issue of the quality of life of the people of a sovereign nation. When the majority of the benefits of the KORUS FTA were expected to go to the private corporate sector, or the large exporters of manufactured goods, a rash action of the private corporate sector might just incur huge and immediate hostility from the public.

Over both FTA negotiation processes, civil society in Korea mobilized and reacted intensely against the state that was pushing the FTAs forward, but the ways in which it responded were quite different across the two cases. The rise of civil society in the case of the FTA with Chile was fairly limited to farmers, that is, to those who were most likely to be affected by the FTA. Though the public in general gave the farmers support at the beginning of the anti-FTA movement, the support tapered down as the movement turned radical and violent. While agriculture was something that most Korean people appreciated emotionally as the basis of the Korean society, it was far from their bread and butter issues except for the small percentage of the population working in agriculture. On the other hand, the farmers failed to expand the issue of agriculture and elicit positive participation from the greater population not engaging in agriculture.

The surge of civil society over the negotiation process of the KORUS FTA was quite different as the outstanding issues, especially U.S. beef imports, concerned not only a particular sector directly engaging in the livestock industry, but the general public. It was considered by the public as an issue of public health beyond international trade, as their fear for BSE dramatically increased. The grassroots movement against U.S. beef imports and the Korean government was meaningful because the existing civil organizations that used to be in the vanguard of civil

movements with strong political orientations remained in the supporting role. In fact, as they came forward with the political tones at the culmination of the anti-U.S. beef movement, the general public began to withdraw, worrying about the politicization of the originally grassroots civic movement for the sake of the interests of the particular old civil organizations.

The reaction of the private corporate sector was more visible in the Chile-Korea FTA negotiations than in the KORUS FTA negotiations, but it did not come to the forefront of the domestic struggles, which were mainly between civil society and the state. The private corporate sector obviously wanted fast implementation of the FTAs, but it did not want the public anger to turn to it. Since the Korean state already had a firm mind in favor of the FTAs, the private corporate sector did not have to place itself in a confrontational situation with civil society. It was easy and safe for the private corporate sector as a hegemonic sector to become a free rider by giving the government support behind the scenes. Even if the relatively weak civil society made itself heard better in Korean politics through the FTA negotiation processes, the private corporate sector was able to maintain its hegemonic economic power owing to the state policy that was in favor of it. As hypothesis 5 suggested, *FTA negotiations reinforce the disparities of economic power across domestic forces though they may entail a counter effect in political power and strengthen weak sectors.*

The ways in which civil society responded to the FTA negotiations also show that *the actions of the domestic forces vary depending on their counterparts in the partner country and the domestic socio-political circumstances*, as hypothesis 4 suggested. The existing complementary or competing relationship of the industrial structures across the FTA partner economies tends to affect who become the main actors/groups of the civil society. However, the relative relationship of the industrial structures may soon be overwhelmed by the ongoing

domestic socio-political circumstances such as the unexpected spread of acute anxiety about the FTAs, the explosion of civil society's distrust of the state, and the mismanagement of the state.

Maneuver of the Korean state in dealing with civil society

The Korean state, which had a longstanding and successful history as a developmental state, faced very strong and organized backlashes from the previously weakly organized part of the civil society as it went through FTA negotiations with Chile and the United States. As the anti-FTA movement developed in diverse ways in the two cases, the ways in which the Korean state dealt with the reactions of civil society were different, too. The state was not very successful in embracing civil society as this grew powerful enough to mobilize to an extent that the state failed to predict. Still, the state maintained the keynote of its trade policy in favor of free trade under the justification of potential gains in exports and thereby an economic breakthrough in the intensifying international competition.

The Korean state was not skillful or clever in disclosing information about the FTA negotiations that were about to begin or were already under way. The state did not publicize the potential effects of the FTAs until after it made significant decisions. When the state did so, that incurred strong criticism from civil society that the state stabbed it in the back without sufficient effort to canvass the public. In the case of the FTA with Chile, the Korean state did not publicize well the details of the FTA and its potential negative effects until after the conclusion. In the FTA with the United States, too, the Korean state was quiet on what the FTA would be like and what the Korean state offered as preconditions for the FTA, until the launching of FTA negotiations. Even after that, the state denied for a while that there existed preconditions for the FTA, and insisted that the four issues that it was discussing with the United States had nothing to

do with the FTA. Over *de facto* renegotiations of the FTA, the Korean state did not admit the fact that the FTA was under additional negotiations or renegotiations until after the settlement of the additional negotiations. Such a tight-lipped attitude of the Korean state was not acceptable to Korean civil society any longer.

Over the negotiations with Chile, the Korean state responded to the rage of the farmers by expanding post-FTA agricultural policies, but within its original policy keynote about the agricultural sector. Assemblymen from rural constituencies, who needed support from the farmers in the upcoming election, induced the state to establish and improve the FTA Special Law, which was mainly meant to support fruit farmers who were mostly likely to be negatively affected by the FTA. In fact, the government made substantial concessions to the demands of the agricultural sector and promised a great deal of support and aid. However, the apparent action of the Korean state did not mean that it gave up its early intention for agricultural industry, which was the overall structural adjustment of the agricultural sector. Though the total amount of the FTA Special Fund and two projects for agricultural stability (business cessation support and income preservation) drew exclusive attention from the mass media and the public, the allotment of the fund showed that the primary goal of the state was the improvement of competitiveness. The FTA Special Law and the FTA Special Fund strongly emphasized the promotion of modernized large-scale farming and eventually the transformation of Korean agriculture into high value-added export agro-industry. This underlying focus inevitably and implicitly facilitated the decline of the Korean agricultural population, the majority of which were engaging in small-scale farming.

In the long negotiations with the United States, the Korean state responded mainly to the grievances of the public against U.S. beef imports, which was an issue officially outside the FTA

negotiations but practically linked to it, but the state did not give up its policy toward free trade. The state faced the unprecedented physical mobilization of the general public against the regime, and acceded to their denunciation and complaints about the state's decisions on U.S. beef imports. It asked the United States for modification on the beef agreement, which later made it hard to resist the demand of the United States for additional negotiations on the FTA. Still, the Korean state did not fully embrace the objections of civil society to the beef issue though it acknowledged its faults. It was partly because the demands of civil society would affect negatively the FTA policy of the Korean state and partly because the United States intentionally included the issue into the discussion of the FTA to pressure the Korean state. Instead, the Korean state waited until the civic movement tapered off to push the beef issue and the FTA forward. Now, the KORUS FTA became an issue within the National Assembly and between the two governments, leaving civil society out of the scene. This indicated another political stage of the FTA negotiations where the state eventually found a way to the ratification and implementation of the FTA, albeit through intense inter-political party struggles for the sake of political support.

In short, the clumsy maneuver of the Korean state caused great backlashes from civil society, but the state was still moving toward what it originally meant to achieve. The capability of the civil society remained insufficient to reverse the state policy, although it substantially affected the ways that the state unfolded its policy. As the FTA processes went on, struggles within the legislature between rural-based assemblymen and urban-based assemblymen in the case of the Chile-Korea FTA and between the ruling party and the opposition parties in the case of the KORUS FTA were intense, but the politicians did not tend to go further against the state policy after securing a certain level of political support from the public. Also, the prolonged

negotiations between the governments, which were more serious in the KORUS FTA due to its great implications for both economies, did not offset the policy line of the Korean state but unleashed an intense process of securing the national interest.

Meanwhile, the relative power of the Korean state vis-à-vis the U.S. state limited the ways in which and the degree to which it was capable of responding positively to civil society, as suggested in hypothesis 2.a: *The power of the state relative to the partner state affects its strategies for cooperating, contending, or compromising with its own domestic social forces.* However, the power disparity itself between Korea and Chile in the world economy did not affect much the maneuver of the Korean state but was offset by other existing circumstances between the two economies. It was mainly the explosion of the agricultural sector rather than the stronger economic power of Korea vis-à-vis Chile that made the Korean state generous towards farmers in the post-FTA support. In fact, even in the KORUS FTA negotiations, the maneuver of the Korean state in dealing with civil society was affected by its firm keynote of trade policy as well as pressure from the United States.

The continuing power of the state in the complex process of globalization

The Chile-Korea FTA and the KORUS FTA were dissimilar in various aspects, including the economic levels of the parties involved, the complementarity of their industrial structures, the reasons of the Korean state for engaging in them, and international circumstances. Due to the distinct internal and external situations, the Korean state faced great resistance from the agricultural sector as the main hurdle in FTA negotiations with Chile, whereas it encountered the unprecedented antagonistic mobilization of the general public as well as intense negotiations with the contending state as the double major hurdles in FTA negotiations with the United States.

The processes of the negotiations illustrate hypothesis 6: *The resurgence of bilateral FTAs is a political process driven by the multilateral, complex interactions of various national entities, namely states and different sectors, which tends to lead to sectorally compromised and controlled trade promoting renewed mercantilism.* The intense interstate and intrastate struggles reflect the efforts of the state and its domestic forces to maximize national or sectoral profits, often in the form of give-and-take, and involve the politicization of FTAs making the negotiation and implementation processes of the FTAs more complicated and protracted. In the processes, the participating economies were pursuing neo-mercantilism rather than free trade, under the name of ‘free trade’ agreement which was generally perceived as “neoliberal” in Korea. As for the Korean case, the hegemonic private corporate sector, which the state itself virtually created and advocated in Korean history, continued to be championed through the FTAs, because that was the best option for the state to advance the national economy in terms of international economic standards. Through domestic and intergovernmental negotiations, the state pursued deliberately the further growth of the hegemonic sector while neglecting the non-hegemonic sector or conceding it to the contending state.

Throughout the long struggle leading up to the implementation of the FTAs, the Korean state kept in mind and carried on with its original policy allegedly based on neoliberalism, which emphasized trade liberalization and the relevant structural adjustment. Of course, the state constantly negotiated with the domestic forces as well as with the partner states and made compromises so as to appease them. The FTAs did not only involve interstate negotiations, in which the contending states were theoretically supposed to be the ideal representatives of their national interests. However, the Korean state sometimes tried to conceal information from the domestic social forces that were expected to object to the FTAs, instead of proactively

embracing the different interests of the society and being the optimal representative. This problematic situation was more serious in Korea than in Chile or the United States due to its economic and social configuration vis-à-vis the other two economies. Still, the Korean state, which was determined to promote such so-called neoliberal trade institutions as FTAs for a breakthrough in its economic performance, managed to maintain the keynote of its trade policy. It persistently promoted exports of the manufactured goods backed by the *chaebol*-dominant private corporate sector at the cost of the opening of the domestic market in the weak sectors, especially the agricultural sector, and attempted to adjust the domestic economic structure accordingly. In other words, *the state remained the most central actor in the multi-interactions with domestic and international actors*, as hypothesis 7 suggested.

Conclusion: Multidimensional Journey to Integration into the World Economy and Renewed Neomercantilism

My dissertation research shows that in the process of globalization, the state tries to strategically manipulate the situations and promote what it considers to be the best for the national economy or for the state elite themselves. While I find the state and domestic forces equally autonomous and influential actors that have their own interests and goals, the state core including the President tends to manage to maintain the helm, if not unscathed, in overall national policies in the face of noises from opposing forces. At an international level, as cross-border contacts between economies become more frequent, states may well be influenced by one another depending on their relative economic and political power. The state of a better-off economy is more likely to keep its power vis-à-vis its foreign counterparts. However, even the better-off economy may not exert as much leverage as expected because of its current trade relation with partner economies, their particular economic policies, and strong resistance from domestic forces. Interstate power struggles are not just affected by the relative power of the states, but also by outstanding issues that the states are negotiating in their particular economic and diplomatic relations, which would create the varied reactions of the domestic forces depending on the progress of the negotiations. At a domestic level, the state is experiencing the increasing participation and resistance of domestic social forces as democratic ideologies are more prevalent than at any time before in most of the world; therefore, the state may not enjoy its autonomy as much as before. Still, the state, especially the state elite, is not likely to abandon what it thinks is the best for its economy and thereby for maintaining its power vis-à-vis the domestic forces in the face of resistance from some of them. While the state is not always coherent, it still tends to have some roadmap for its economy and adhere to it because the core

state elite may not necessarily be supplanted by the new elite with completely new economic policies in a new economic or political regime. The state contrives to pursue the keynote of its economic policy though it may have to negotiate and compromise with resisting domestic forces once in a while and make visible but incidental concessions in the forms of compensation and indemnity. In the integration of the economy into the world economy, the state remains the primary actor both in interstate and intrastate struggles though the ways in which it performs vary with the intertwined situations surrounding them.

At an institutional dimension, the state tends to adopt the so-called “neoliberal” economic and political apparatuses as a way to cope with intensifying international competition and to further democratic principles, which theoretically causes the retreat of the state, in the contemporary world economy. However, the state utilizes the alleged “neoliberal” apparatuses to secure its involvement in the changing economy, instead of truly subscribing to the ideology of neoliberalism. When it comes to the Korean state in particular, the Korean state, which broke with the developmental state model at a formal institutional level in the mid-1990s, still holds on to the legacy of the developmental state model, especially renewed mercantilism in the case of FTAs. By adopting a new trade policy of FTAs, the Korean state appeared to shift from protectionist trade orientation to liberalization, as expected by international society in the post-1997 crisis period. It was good for enhancing its sovereign credit rating since the Korean state was criticized for not having satisfied international standard of economic freedom including free trade recommended by advanced economies. However, the adoption of the FTA policy did not mean a genuine neoliberal transformation of the Korean state, but an introduction of a new mechanism to manage to continue a legacy of the practices that the old developmental state used to do, or strategic intervention of the state in the economy, if not as absolutely as before. The

Korean state promoted the export of manufacturing goods at the cost of the agricultural sector, which it had desired to restructure. Once it was determined, it manipulated situations to deal with domestic resistance by compromises, appeasement, and compensation. It had to go through tremendous noises and step back from the details of its stance, but the Korean state was still able to maintain its policy keynote with the tacit support of the private corporate sector, which had been in a longstanding cooperative relationship with the state in spite of some state actions for corporate restructuring in the immediate post-1997 crisis period. While the state made concessions to the resisting forces once in a while, it still held quite an authoritarian approach in suppressing oppositions and making progress in congressional procedures. Also, throughout FTA negotiations, the Korean state showed its strong protectionist inclination, unlike the original reasons for pursuing FTAs. This was partly because of potential political backlashes from the general public when it comes to agricultural products, but the Korean state persistently tried to protect some sectors that Korea had strong international competitiveness, for instance, automobiles.

In a larger scope of economic globalization, the state adopts one of the alleged “neoliberal” institutions, FTAs, on the pretext of trade liberalization, but what it really intend is not open trade free from state intervention but more profit through selective trade where the state intensely negotiates with its counterpart states as well as its domestic forces. The state thoroughly analyzes potential losses and gains from FTAs, and tries to minimize the opening of its own market in the sectors in which its economy is relatively weak, while maximizing the opening of the partner’s market in the sectors in which its economy is relatively strong. In other words, under the new mantra of “neoliberal” trade policy, the state maintains its intervention in the details of international trade such as what, how and when to import and export. By creating

so-called “neoliberal rules of trade,” the state reinforces its own leverage in a different way from the past. Thus, the adoption of “neoliberal” institutions at a formal level may not signify compliance with the ideology of neoliberalism. The state may promote the formal aspects of neoliberalism as an innovative attempt to thrive in the world market with increasing international competition, but not the ideology of neoliberalism per se. In fact, it may be rather risky for the state to subscribe to the theoretical essence of “neoliberalism” unless all the states prioritize pure capitalistic order over particular national interests.

In similar fashion, the state tends to retain its power over the private corporate sector in the dualistic “neoliberalization” process. My study shows that a limited number of privileged members of the hegemonic, private corporate sector, which do not necessarily follow industrial sectoral divisions but dominate society in terms of economic influence, tend to be favored by the state because they constitute an important part of the economy in which the state may enjoy a comparative advantage vis-à-vis its competing economies. This may appear to mean that the pressure of the private corporate sector upon the state affects the tacit favoritism of the state toward it. Though this may be true to some extent, the private corporate sector is not likely to overpower the state because the latter is the one who sets the basis and rules through negotiations with other states for the former to work with.

My study indicates that the future of the current FTA system is a resurgence of neo-mercantilism or the continuation of its legacy. Unlike the doctrine of “neoliberalism,” or the deepening of liberalization and deregulation, the state intervenes in trade policy in a more proactive and legitimized manner through FTAs. The state strongly and intentionally promotes exports in particular sectors that it regards to be beneficial to its economy while tacitly, but not readily, giving up other sectors. While free trade through the WTO multilateral system has not

made substantial progress due to the conflicting interests of the member countries, “free trade” through bilateral FTAs, which have surged to compensate the stalemate of the multilateralism, has rather been based on and perpetuated neo-mercantilist practices. Instead of the WTO multilateralism which does not intrinsically accommodate their distinct trade interests, the WTO member countries have turned to bilateral FTAs to maximize exports while minimizing imports that are unavoidable in return for an increase in exports. As far as the essence of the FTAs is to satisfy the distinct interests of the participating states through the maximization of exports, the further proliferation of bilateral FTAs is not likely to naturally lead to multilateral world trade but bears the legacy of neo-mercantilism.

As for theoretical implications for discourse on globalization in general, my dissertation research observes that the integration of a national economy into the world economy involves a set of complicated interactions between different actors. Not just international level- but domestic level actors interact and struggle to constitute an extensive process of globalization. The dynamics of the interactions may vary depending on the relationships among the actors in regard to particular issues at particular moments. Thus, globalization is a political process where both intrastate and interstate power games are going on for the actors involved to pursue their interests to the best of their capacity.

Globalism that posits an overwhelming influence of globalization on the power of the nation-state or the domestic institutions proves not valid in the current study. The alleged sweeping power of globalization to undermine the influence of the domestic factors is not always true or is not true at all. Though external pressure is present, the nation-state does not passively embrace what is prescribed to it. Even when it appears to do so, it may have its own intentions apart from the foreign pressures, and instead, it may take advantage of the pressures to move its

original goals forward. When the external pressure is perceived to infringe on national sovereignty, the state itself or its domestic forces tend to mobilize to defend the sovereignty.

My dissertation study shows evidence in favor of domestic institutionalism, more specifically statism, rather than globalism regarding globalization, but it also differs from and contributes to existing domestic institutionalism in that it focuses on dynamic and intertwined interstate and intrastate power struggles. Unlike the existing domestic institutionalism as well as globalism, my study sees the nation-state and its domestic social forces as separate actors and not as an aggregate group of cooperative actors. My study also shows that globalization does not only reflect the preexisting structure of the economy and the accordingly established relationship between the state and domestic forces. Interactions and struggles around globalization of an economy proves political processes that concern the on-going responses of the actors involved and the outstanding issues that they are dealing with at the moment.

In the first place, the state and its domestic actors are not always cooperative with each other, but some domestic forces turn antagonistic towards the state as their interests are incompatible with those of the state. This is where globalization literally becomes a domestic power struggle in which external pressure grows less visible or out of attention within the nation. Domestic power struggles are often caused by state decisions, and at the same time state decisions on how to pursue the integration of the economy into the world economy tend to be affected by the longstanding relationship between the state and different domestic forces. As the domestic forces often group themselves by industrial sector, the sectors that the state used to strategically support are likely to stay favored by the state and those that the state used to be aloof from are likely to be sacrificed. The division of domestic social forces, however, does not always follow industrial sectors. Depending on the outstanding issues that they are facing,

different domestic forces may consolidate their power together regardless of their industrial sectors or classes. Here, it is also important to note that domestic forces in one economy may focus on different issues and take varied actions depending on the characteristics of their foreign counterparts. In other words, globalization is a dynamic process of interstate and intrastate interactions in which various actors negotiate or fight for their mutual or inconsistent interests, and the interstate and intrastate interactions are not separate or simply juxtaposed, but entangled with each other. The interactions and struggles are not limited to state-to-state or state-to-domestic force relationships, but they take place in complicated relationships of states and domestic forces. In short, the process of globalization is an intertwined set of power relations among states and their domestic forces that attempt to realize their discrete or overlapping interests.

My dissertation research may incur some concerns about its generalizability due to the particular politico-economic character of the Korean state. The Korean state is a traditionally strong state domestically and semi-advanced economy internationally, which has developed based on export-oriented industrialization. This particular background has been undoubtedly favorable to the persistent leverage of the state in current globalization. States in underdeveloped economies without established domestic power and substantial international politico-economic leverage may be more affected by external pressure institutionally and ideologically. Still, they remain rule makers within the national economy and representatives of the nations in the world economy. More fundamentally, the state and the economy are inseparable analytic spheres, and “state action always plays a major role in constituting economies, so that it is not useful to posit states as lying outside of economic activity” (Block, 1994: 696). While there may well be quantitative difference in state actions across economies in globalization, what is more important

is qualitative difference in it, which significantly contributes to variegated development outcomes. In this sense, my study reasonably sheds light on the theoretical implication that the state remains an integral part of capitalist development, and that the qualitative variation of the state across economies and its ways to interact with other actors should be a main focus of the current globalization discussions.

Appendices

Timeline of main events in regard to the Chile-Korea FTA

Nov. 5, 1998	The Committee for International Economic Policy decided to pursue Korea's first FTA with Chile.
Nov. 17, 1998	Korea and Chile agreed to promote an FTA between them at the APEC CEO summit in Malaysia.
Sep. 12, 1999	Korea and Chile agreed to begin negotiations for an FTA between them at the APEC CEO summit in New Zealand.
Dec. 14-17, 1999	The first round of FTA negotiations in Santiago, Chile.
Feb. 29-Mar. 3, 2000	The second round of FTA negotiations in Seoul, Korea.
May 16-19, 2000	The third round of FTA negotiations in Santiago, Chile.
Dec. 12-15, 2000	The fourth round of FTA negotiations in Seoul, Korea.
Aug. 20-23, 2002	The fifth round of FTA negotiations in Santiago, Chile.
Oct. 18-20, 2002	The sixth round of FTA negotiations in Geneva, Switzerland.
Oct. 25, 2002	Announced the conclusion of an FTA between Korea and Chile
Feb. 15, 2003	Signed the FTA in Seoul, Korea.
May 19, 2003	The establishment of the National Farmers Solidarity (<i>Jeonguk Nongmin Yeondae</i>)
Jun. 20, 2003	The first countrywide farmers' protest against the FTA
July 8, 2003	Submitted a motion regarding ratification of the FTA to the National Assembly.

July 23, 2003	Submitted a motion regarding ratification of the FTA Special Law to the National Assembly.
Sep. 10, 2003	Suicide of a former president of the Korean Advanced Farmers Association at the protest against the fifth WTO Ministerial Conference in Cancún, Mexico.
Nov. 4, 2003	Meeting between the private corporate sector and farmers' organizations
Nov. 13, 2003	The National Council of Farmers made a public statement in favor of the FTA.
Nov. 11, 2003	The National Farmers Solidarity held a large-scale rally near the National Assembly (approximately 65 thousand farmers).
Dec. 26, 2003	The Foreign Affairs, Trade and Unification Committee in the National Assembly passed the motion regarding FTA ratification.
Feb. 16, 2004	The National Assembly passed the motion for ratification of the FTA.
Apr. 1, 2004	The FTA was put into effect.

Timeline of main events in regard to the KORUS FTA

Aug., 2003	The Korean government established the FTA Promotion Roadmap.
May, 2004	The Korean government modified the FTA Promotion Roadmap to promote FTAs with large economies immediately.
Feb. 3, 2005	The first meeting for assessing the feasibility of an FTA between Korea and the United States

Mar. 28-29, 2005	The second meeting for assessing the feasibility of an FTA between Korea and the United States
Apr. 28-29, 2005	The third meeting for assessing the feasibility of an FTA between Korea and the United States
Jun. 3, 2005	The USTR told the Korean Minister for Trade that
Oct. 30, 2005	The Korean government announced a tentative halt to the discussion of pharmaceutical reform.
Nov. 6, 2005	The Korean government allowed a partial grace period for the application of new exhaust emissions standards.
Jan. 13, 2006	The Korean government agreed on an initial protocol that would reopen the Korean market to deboned meat from U.S. cattle less than 30 months old under a beef export verification program.
Jan. 26, 2006	The Korean government announced the reduction of the quota from 146 to 73 days in July.
Feb. 3, 2006	The USTR and the Minister for Trade announced the official beginning of FTA negotiations at a joint press conference in Washington, D.C.
Feb. 4, 2006	Film professionals began a relay of one-person demonstration for 146 days.
Feb. 8, 2006	The film sector staged the first mass protest.
Mar. 28, 2006	Establishment of the Korean Alliance against the Korea-U.S. FTA (KoA)
Apr. 15, 2006	The first Pan-national Anti-FTA Rally organized by the KoA
Jun. 5-9, 2006	The first round of FTA negotiations in Washington, D.C., USA.

Jul. 10-14, 2006	The second round of FTA negotiations in Seoul, Korea.
Sep. 6-9, 2006	The third round of FTA negotiations in Seattle, WA, USA.
Oct. 23-27, 2006	The fourth round of FTA negotiations in Jeju, Korea.
Nov. 11, 2006	Militant anti-FTA rallies of the farmers in 13 major cities in Korea.
Dec. 4-8, 2006	The fifth round of FTA negotiations in Big Sky, MT. USA.
Jan. 15-19, 2007	The sixth round of FTA negotiations in Seoul, Korea.
Feb. 11-14, 2007	The seventh round of FTA negotiations in Washington, D.C.
Mar. 8-12, 2007	The eighth round of FTA negotiations in Seoul, Korea.
Mar. 19-22, 2007	An additional high-level meeting in Washington, D.C.
Mar. 26-Apr. 2, 2007	An additional ministerial meeting in Seoul, Korea.
Apr. 2, 2007	Settlement of FTA negotiations between Korea and the United States, or the KORUS FTA
Jun. 21-22, 2007	Additional negotiations on the FTA in Seoul, Korea
Jun. 25-27, 2007	Additional negotiations on the FTA in Washington, D.C.
Jun. 30, 2007	Official signing of the KORUS FTA
Aug. 1, 2007	A chip of bone was found in a U.S. shipment to Korea.
Aug. 2, 2007	The Korean government suspended issuing quarantine certificates for U.S. beef.
Aug. 24, 2007	The Korean government resumed quarantine inspections on U.S. beef.
Oct. 5, 2007	The Korean government suspended issuing quarantine certificates for U.S. beef, due to a chip of bone found in a U.S. shipment to Korea.
Oct. 11-12, 2007	The first round of beef talks between Korea and the United States
Apr. 11-17, 2008	The second round of beef talks between Korea and the United States

Apr. 18, 2008	Settlement of the beef talks: the double-phase reopening of the Korean market to U.S. beef imports
Apr. 25, 2008	The U.S. government promulgated an amended ruminant feed ban.
Apr. 29, 2008	PD Note, an ombudsman show of the Munhwa Broadcasting Corporation (MBC), broadcast an episode “Is U.S. beef really safe from mad-cow disease?”
May 2, 2008	The first candlelight vigil against U.S. beef imports
May 6, 2008	Establishment of the People’s Association for Measures against Mad Cow Disease
May 20, 2008	President Myung-bak Lee’s apology to the people on the issue of U.S. beef imports and his request for cooperation
Jun. 5-8, 2008	72 hour continual demonstration against U.S. beef imports in Seoul
Jun. 10, 2008	June 10 Grand March against U.S. beef imports in Seoul: the biggest anti-U.S. beef candlelight vigil
Jun. 13-19, 2008	Additional negotiations about U.S. beef imports to Korea in Washington, D.C., USA.
Jun. 19, 2008	President Myung-bak Lee’s second apology to the people on the issue of U.S. beef imports and his request for cooperation
Jun. 19, 2008	Settlement of beef negotiations
Jun. 22-24, 2008	“48-Hour-Urgent Action of the People” against U.S. beef imports
Jun. 26, 2008	The Korean government published a ministerial notification of the Import Health Requirements for U.S. Beef and Beef Products in its official government gazette.

Jun. 28-29, 2008	A two-day and one-night demonstration against U.S. beef imports: the biggest anti-U.S. beef candlelight vigil since the June 10 Grand March
Aug. 7, 2008	The People's Association for Measures against Mad Cow Disease announced that it would not organize anti-U.S. beef candlelight vigils any longer after August 15, Independence Day.
Dec. 18, 2008	The Democratic Party occupied the room of the chairman of the National Assembly and began a sit-in demonstration insisting on the nullification of the motion on the KORUS FTA.
Dec. 26, 2008	The Democratic Party and the Democratic Labor Party occupied the main hall of the National Assembly.
Jan. 1, 2009	The opposition parties did not withdraw from the chairman's room.
Jan. 6, 2009	The opposition parties did not withdraw from the main hall of the National Assembly.
Jan. 20, 2009	The incoming administration of President-elect Obama clarified its position against the current form of the KORUS FTA and indicated the need for reviewing the FTA to guarantee conditions for fair trade between Korea and the United States, especially in the areas of automobile and beef.
Nov. 4-6, 2010	Additional negotiations on the FTA, focusing on automobiles and beef
Nov. 8-10, 2010	Additional negotiations on the FTA
Nov. 30-Dec. 3, 2010	Additional negotiations on the FTA
Dec. 3, 2010	Settlement of the additional negotiations
Feb. 10, 2011	Official signing of the results of the additional negotiations

Oct. 12, 2011	The Senate and the House of Representatives of the United States ratified the KORUS FTA.
Nov. 22, 2011	The National Assembly of Korea ratified the KORUS FTA
Mar. 15, 2012	The KORUS FTA was put into effect.

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