

Tensions overshadow US, South Korea trade negotiations

By Ben McGrath
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The first meeting between the United States and South Korea on the renegotiation of their so-called free trade agreement (FTA), anticipated for this week, is likely to be postponed. Both sides agreed to discussions in principle last month but no specific date, location and agenda has yet been set.

In part, Washington is pushing for a new agreement to increase profits and influence of US corporations in the South Korean market, a component of President Donald Trump's chauvinist "America First" policy. Trump has repeatedly stated that the current Korea-US (KORUS) FTA is a "terrible deal," citing the US trade deficit with South Korea.

On Saturday, the magazine *Inside US Trade* reported that the Office of the US Trade Representative (USTR) sent a request to its industry trade advisory committees for recommendations by August 15 on negotiating a "fair" agreement with South Korea.

Economists Gary Hufbauer and Euijin Jung from the Peterson Institute for International Economics questioned the timing of the renegotiation, saying: "The Trump administration already has its hands full with NAFTA modernization. It makes no sense to re-open the KORUS FTA until NAFTA talks outline the shape of the new US template for trade agreements. That probably won't happen before 2018."

In addition to securing higher profits for US companies, the demand for a new FTA is designed to place pressure on the administration of President Moon Jae-in and the ruling Democratic Party of Korea (DPK). Seoul is attempting to strike a precarious balance between Washington and Beijing, with the US fearing that if Moon moves closer to China, it would cut across the Trump government's war plans in the region.

Prior to the summit between Moon and Trump in

June, US Ambassador to the United Nations Nikki Haley threatened the Moon administration with unstated retaliation should Seoul not toe Washington's line on North Korea and China. "[T]he second we see something that's not going in the favor of protection of our troops, then I know the president will act," she said.

US trade representative Robert Lighthizer formally requested a joint committee to discuss changes to the FTA on July 12. The original FTA requires the two sides to convene the committee within 30 days. The current deadline, August 11, is unlikely to be met.

South Korea is seeking to delay the joint committee meeting, amid disagreements on location, date and agenda. The US trade representative intends the two sides to discuss changes and amendments to the FTA, although it has not outlined a concrete agenda. Seoul, on the other hand, has suggested studying the effects of the FTA since it went into force in 2012.

On July 25, Seoul accepted the idea of holding talks, but Moon's government asked Washington to hold off on a meeting until it finished restructuring its trade bureau, a semi-independent branch within the Ministry of Trade, Industry and Energy.

The bureau's new chief, Kim Hyeon-jong only took office last Friday. At his swearing-in ceremony, he promised: "We will make efforts consistently and aggressively to strike a balance in terms of shared benefits with our major trading partners."

The Trump administration, riven by crisis, hopes to have the negotiations in Washington to give the appearance of "fixing" the FTA, while Kim insists that the original agreement requires the talks be held in Seoul.

Kim led the negotiations for the original FTA in 2007 under the government of President Noh Moo-hyun,

which initiated the trade talks. The agreement removed 95 percent of tariffs on consumer and industrial goods over five years, with the remaining tariffs to be phased out over 10 years. In 2016, total trade in goods and services between the US and South Korea reached \$144.6 billion, with the US deficit standing at \$17 billion.

Washington wants greater access in the South Korean market for goods such as American cars and lower tariffs on rice, which was exempted in the original FTA. This has been an extremely contentious issue for years among South Korean farmers. Trump has also demanded the end of the “dumping” of South Korean steel in the US.

Marc Knapper, the US acting ambassador in Seoul, has tried to address South Korean concerns by saying Washington simply wanted to improve the deal on issues such as energy. Knapper said last month: “The US is eager to begin exporting energy in South Korea. And we are rapidly developing infrastructure and looking for partners to help infrastructure so that we can have the capacity to get this energy to partners like Korea.”

However, Moon does not want to appear as if he is being pushed around by Trump and forced to the bargaining table. Trade, Industry and Energy Minister Baek Un-gyu and Agricultural Minister Kim Yeong-rok have spoken out against the US on trade. Baek has threatened to file a complaint with the World Trade Organization over US protectionist measures while Kim has refused to accept any demand for a lowering of rice tariffs in a new FTA.

In public speeches, Moon has been careful to stress his general agreement with Trump. However, there is a growing divide between the interests of US imperialism and the South Korean bourgeoisie.

The ruling DPK, lacking the same historical ties to Washington that the South Korean conservatives have, prefers closer relations with Beijing and Pyongyang. South Korean trade with China is already suffering as the latter has retaliated economically against South Korean businesses in response to the country hosting a US Terminal High Altitude Area Defense (THAAD) battery, which is directed against China as well as North Korea.

Moon and the Democrats are also well aware that the FTA could become a focal point for anti-government

protests as it did leading up to 2011 when it was signed into law. With broad opposition in the working class to the US war drive in the region, Seoul does not want to risk having possible anti-FTA demonstrations turn into anti-war protests.

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