

DEBUNKING FIVE MYTHS ABOUT THE KOREA-U.S. FREE TRADE AGREEMENT (KORUS FTA)

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In February 2006, the United States and South Korean governments announced their intention to negotiate a free trade agreement. South Korea is the U.S.' seventh largest trading partner and the U.S. is South Korea's third largest trading partner. In 2006, bilateral trade between the two countries reached \$74 billion in goods and \$14 billion in services,¹ making the Korea-U.S. Free Trade Agreement (Korus FTA) the second largest trade deal since the North American Free Trade Agreement (NAFTA).

Although the exact contents of the proposed Korus FTA have not been made public, the pattern established by the U.S. Trade Representative through recent trade agreements (i.e. Central America, Peru and Colombia) makes abundantly clear what to expect in the Korus FTA. This cookie-cutter approach to trade negotiations fails to take into account the cultural, historical and social, contexts of each trade partner, and instead favors corporate profits over the good of people. This fact sheet refutes five myths often used by free trade advocates and cites ways that the Korus FTA will further concentrate the power of multinational corporations and erode the rights of governments to protect the rights of workers, farmers, and the environment.

MYTH 1: THE KORUS FTA WILL LOWER THE SKYROCKETING \$763 BILLION U.S. TRADE DEFICIT

FACT: THE KORUS FTA WILL LEAD TO MORE KOREAN IMPORTS AND LAYOFFS IN THE U.S.

Many members of Congress believe that a free trade agreement with South Korea would result in more U.S. exports, and would thus decrease the current \$763.6 billion trade deficit. For instance, several representatives have suggested that the trade deal will lead to a “truly open market and more opportunities for U.S. automotive manufacturers to compete.”²

The truth is that ever since President Nixon was granted fast track trade authority in 1973, which paved the way for NAFTA, the WTO, and subsequent bilateral free trade agreements, U.S. trade deficits have skyrocketed due to surging imports.³ According to the UAW (International Union, United Automobile, Aerospace and Agricultural Implement Workers of America), “[t]he elimination of tariffs would lead to a significant increase in U.S. imports... an especially serious problem if an agreement eliminated or significantly reduced the 25 percent tariff on imports of pickup trucks.”⁴ “Our experience with NAFTA shows that liberalizing trade with a country that has a well-developed infrastructure for automotive production and a desire to expand it, as was the case with Mexico, leads to a rapidly expanding U.S. auto trade deficit.”⁵

The UAW predicts that the Korus FTA “would only add to the already large and growing automotive trade deficit that contributes to U.S. job losses and downward pressure on compensation for American autoworkers.”⁶ The over \$763.6 billion U.S. trade deficit has already led to massive layoffs directly caused by competition from foreign companies. Over 3 million good-paying U.S. manufacturing jobs (1 out of 6) were lost since NAFTA and the WTO went into effect.⁷



Sam-bo-il-bae march (3 steps, 1 bow) for 1.5 km from Capitol to Freedom Plaza during 1st round of talks in Washington, DC June 2006

MYTH 2: THE KORUS FTA WILL RAISE WAGES AND WORKING CONDITIONS FOR WORKERS

FACT: THE KORUS FTA WILL WORSEN WAGES AND THE RIGHTS OF ALL WORKERS TO ORGANIZE

Weak labor provisions of FTAs have restricted American workers' ability to bargain for better wages and working conditions. Ever since NAFTA and the WTO, up to 62 percent of U.S. union drives faced employer threats to move operations overseas. In fact, the number of U.S. factories that shut down after successful union drives *tripled* since NAFTA went into effect.⁸

Income and wage inequality has worsened in the United States since free trade agreements have been signed. From 1992 to 2005, the median CEO pay rose by 186.2 percent, compared with the median workers whose wages rose by just 7.2 percent.⁹ Even pro-free-trade economist William Cline at the Institute for International Economics estimates that trade trends account for approximately 39 percent of the increase in wage inequality.¹⁰ Among non-college-educated American workers (72.7% of the US workforce) wages have dropped, on average, 13% since 1993, the year before NAFTA.

From 1994-2006, some 1.5 million U.S. workers have been certified for Trade Adjustment Assistance (TAA) to get extended unemployment benefits. TAA figures are conservative because certification is very difficult—only workers employed in direct manufacturing are covered.¹¹ Many others affected, such as mechanics, are not covered.

The highly organized working class in South Korea, that emerged from the 1960s military dictatorship era of Park Chung Hee's state and corporate repression and hyperexploitation of workers, has seen its labor rights gains rolled back due to the 1997 Asian financial and subsequent International Monetary Fund (IMF) loan crisis. Today, South Korean workers are fighting off declining working conditions, wages and benefits as more than half are "irregular workers" who possess fewer labor rights.¹² Korea's labor laws still fail to meet the standards of the International Labor Organization (ILO) and last year over 200 workers were arrested, including three vice-presidents of the Korean Confederation of Trade Unions (KCTU), with most still serving time in prison.¹³ The 2005 U.S. Department of State Country Report on Human Rights

Practices identified several worker rights violations in South Korea, including restricted freedom of association for public sector workers and the right to organize unions and bargain collectively. Recently the president of the Korean Metal Workers' Federation was arrested for his participation in a protest against the government's hiring of more temporary or irregular workers—which comprise more than half of Korea's workforce.¹⁴ U.S. labor unions fear a repeat of the past where U.S. corporations take factories and jobs to Korea to exploit lower wages and weaker government enforcement of labor laws.¹⁵



Mural of rice farmers resisting U.S. military base in Daechuri, South Korea

MYTH 3: THE KORUS FTA WILL HELP AMERICA'S FAMILY FARMS AND LEVEL THE PLAYING FIELD

FACT: THE KORUS FTA WILL BENEFIT U.S. AGRIBUSINESSES AND NOT FAMILY FARMERS, WHILE DRIVING OVER 200,000 KOREAN FARMERS OFF THE LAND

National Farmers Union (NFU) President Tom Buis says, “the Free Trade Agenda threatens America’s ability to produce our nation’s food in the future.” The NFU, with a membership of over 250,000 farm and ranch families, says that every FTA the U.S. has signed has opened U.S. borders to cheaper, less expensive imported food without regard to how it is produced.¹⁶ “The current administration has used rural America as a bait to help promote a trade policy that has decimated our nation’s agricultural trade surplus.”¹⁷

While pro-free traders argue that more exports saves America’s small family farmers, when we follow the money, we see that the billions in subsidies spent by the U.S. government and rich countries don’t go to small family farmers. According to Anuradha Mittal of the Oakland Institute, “Subsidies go overwhelmingly to large, capital-intensive agriculture as support is closely linked with production levels and land ownership.”¹⁸ Despite the billions of dollars in subsidies, the average farm-operator household earns only 15% of its income from the farm. 10% of America’s 2 million farms receive 74% of these billions of dollars in annual subsidies. Rice, the most heavily subsidized crop in the U.S. received over \$10 billion in subsidies from 1995-2004, and 25 percent of these subsidies went to the top 1 percent of producers.¹⁹ As of August 2006, the U.S. became a net importer of food, contradicting predictions made by free traders that claimed that they would become the “breadbasket to the world.”²⁰ According to Public Citizen, during the NAFTA-WTO period, 226,695 small farms went into bankruptcy “while average net cash farm income for the poorest farmers dropped an astounding 200 percent.”

Korus FTA will hurt also the Korean farmers. It is estimated that over 200,000 Korean rice farmers would be forced to stop farming if the FTA is signed.²¹

Finally, as national, state and local governments around the world struggle to implement policies to combat climate change, free trade encourages long-distance travel of food. Since 1961, the tonnage of food shipped between nations has grown fourfold and today, food typically travels between 1500 and 2500 miles from farm to plate.²² Global food trade may offer unparalleled choice, but at the cost of wiping out family farmers, local cuisines, biodiversity, food security and consuming staggering amounts of fuel.

THE KORUS FTA ACTUALLY WIDENS THE UNEQUAL PLAYING FIELD: American and Korean rice farmers are not equal—not in farm size, number of farmers, subsidies

or purpose. The average rice farm in the U.S. is 397 acres, compared with the average rice farm in Korea of 3.5 acres. Of the 2 million farmers in the U.S., 8,000 are rice farmers compared to Korea where over half the 1.4 million farmers are rice farmers. Rice is the most heavily subsidized crop in the U.S. to the tune of \$10.5 billion from 1995-2005. U.S. government subsidies for rice has been so lucrative that many farmers have switched to growing rice, which has led to overproduction and the need to find new markets for surplus U.S. rice. U.S. rice farmers now depend on the global market for half its annual sales, whereas most of Korea’s rice is for domestic consumption. By removing the tariffs on imported rice that supports the domestic production of rice and South Korea’s food sovereignty, Korean farmers would not be able to “compete” with the massively-subsidized U.S. agribusinesses.



Massive anti-Korus FTA protest in Seoul in July 2006

MYTH 4: FREE TRADE STRENGTHENS ENVIRONMENTAL, HEALTH AND PUBLIC INTEREST LAWS

FACT: PUBLIC INTEREST LAWS ARE VIEWED AS BARRIERS TO TRADE

ENVIRONMENTAL LAWS THREATENED BY FREE TRADE: Fearing millions in trade sanctions, the U.S. government has already weakened environmental protection policies considered by trade tribunals as barriers to trade. For example, NAFTA's Chapter 11 "Investor State Provisions" gives corporations superior rights over governments, such as the right to sue a foreign government if they believe that their right to profit has been threatened. Chapter 11 has prompted a flurry of investor-state suits where corporations are using the tribunals to challenge important environmental, health and safety legislation. One case, *Sun Belt Water, Inc. vs. Canada*, was filed in 1998 by Sun Belt Water, Inc. of Santa Barbara, CA, which signed a contract with the Canadian province British Columbia (BC) to export water to California for profit. The residents of British Columbia were outraged when they found out about the contract and successfully demanded both its cancellation and a permanent ban on the export of bulk water. In response, Sun Belt used NAFTA to sue Canada for \$220 million in damages, including potential future lost profits. According to Sun Belt's CEO Jack Lindsay, "Because of NAFTA, we are now stakeholders in the national water policy in Canada." This case is still pending.

Also under NAFTA, the United States must now allow trucks from Mexico, which have not met U.S. driver safety standards (numbers of hours driven) and emission standards, to enter and travel freely throughout the U.S.²³

We can expect the same under the Korus FTA, which we have already seen during pre-negotiations. Contrary efforts to scale back global warming, the U.S. imposed, as a precondition to begin trade negotiations that South Korea lower its emission standards to allow U.S. autos to enter the Korean market. "Dearborn, Michigan, based-Ford and Detroit-based General Motors Corp., the two largest US automakers... complained that South Korea's emissions rules amounted to a structural barrier that would choke off their already meager exports to the nation. The South Koreans, under pressure, from the Bush administration, agreed to a temporary exemption from those regulations-- which are tougher than U.S. federal standards."²⁴

PUBLIC HEALTH LAWS BECOME BARRIERS TO TRADE: The extension of intellectual property rights given to pharmaceutical companies through free trade agreements are weakening governments' ability to provide affordable health care. With the WTO's Trade Related Intellectual Property provisions, the United States was forced to extend pharmaceutical companies' drug patents from 17 years to now 20 years, costing U.S. consumers \$6 billion dollars in higher drug prices and the U.S. government an additional \$1.5 billion in Medicare and Medicaid costs for drugs.²⁵ According to the Center for Policy Analysis on Trade and Health, provisions on government procurement seen in FTAs like the one with Colombia "could compromise procurement decisions related to state health facilities intended to promote or protect public health, or stimulate local economic development."²⁶ For example, Martha Baker, R.N. at Jackson Memorial Hospital in Florida and President of SEIU Local 1991 warned, "We receive funds from the federal and state government in recognition of the disproportionate share of our caring for the poor. We receive the proceeds of a half-cent tax in the county because the citizens of this county voted to tax themselves to ensure that we maintain the world-class public hospital to provide high quality care to everyone in our community. All of these funds would be challenged as unfair subsidies which are barriers to the competition of private-for-profit foreign corporations."²⁷ Trade agreements like the Korus FTA pose greater challenges to local, state and federal governments to manage health care costs and cover the 46.6 million people in the U.S. without health insurance.²⁸

Like environmental laws that are threatened as barriers to trade, public health regulations are also at risk. Investment rules, such as NAFTA's Chapter 11, and government procurement rules in free trade agreements are working to undermine laws that promote and protect public health. For example, Article 10.5 in the US-Colombia Free Trade Agreement (fashioned after the US-Singapore and Chile FTAs) says state court actions are subject to review by international trade tribunals.²⁹ Chapter 11 of NAFTA permits private companies to challenge public-health related regulations, like the lawsuits filed by Glamis Gold Ltd. against the state of California, where the private company is challenging California's environmental and extractive industry regulations. Another example is the lawsuit filed by the Grand River Enterprises Six Nations Ltd. challenging state and local regulation of the tobacco industry. None of this is surprising given the unfair representation on the advisory committee to shape U.S. trade policy: Of the 19

advisory committee members, there are several from the pharmaceutical industry, tobacco, alcohol, processed foods and health insurance, but not one voice from the public health field.³⁰

KOREANS' ACCESS TO HEALTHCARE AND MEDICINE IS THREATENED: The Korus FTA threatens South Korea's universal, low-cost healthcare system and severely restricts Koreans' access to medicine. U.S. pharmaceutical corporations are trying to further manage South Korea's healthcare system by expanding upon the 1999 "A7 pricing agreement" where the U.S. forced South Korea to raise the price of pharmaceutical drugs to that of A7 prices.³¹ For Koreans, whose GDP is half that of the seven wealthiest countries, this means making innovative medicine unaffordable to ordinary people. Secondly, the U.S. wants expensive patented pharmaceuticals to be included in Korea's "positive drug list," which is a popular and widely used system by American states and health insurance companies like Kaiser where drugs that are proven to be effective and cost-efficient are reimbursed. The inclusion of patented non-generic pharmaceuticals would bankrupt Korea's universal healthcare system and force healthcare to be privatized. Lastly, the FTA would extend the patents by an additional five-year minimum and grant pharmaceutical company's exclusive rights to drug data, which drug companies depend upon to produce generics, which are crucial to providing affordable medicine to people all over the world.³²



NO to the FTA and NO to "mad-cow" diseased U.S. beef, poster from the Nov. 22 protest in Seoul, Korea

MYTH 5: THE KORUS FTA PROMOTES AND STRENGTHENS DEMOCRACY AND FREEDOM

FACT: THE KORUS FTA HAS ROLLED BACK SOUTH KOREA'S FRAGILE DEMOCRACY

Although South Korean law requires that interested stakeholders and the public must have the chance to register their concerns about a potential FTA, South Korean president Roh held a hearing for only twenty minutes before shutting it down due to massive opposition, and announcing the start of trade talks. To further silence dissent, the state-run Korean Advertising Review Board blocked the airing of an ad produced by Korean farmers and filmmakers because the ad voiced opposition to the FTA. Meanwhile, a \$3.8 million ad by President Roh's Committee to Support the Conclusion of the Korea-U.S. FTA has aired daily. In response, over 280 civil society organizations representing millions of people ranging from workers, peasants, health care providers, students, and artists formed the Korean Alliance Against the Korea-U.S. Free Trade Agreement (KoA).

South Korean protestors in opposition to the FTA have been met with violent repression reminiscent of Korea under martial law. Ever since over 100,000 Koreans mobilized throughout the country in opposition to the FTA on Nov. 22, 2006, the government has outlawed all FTA-related public demonstrations. The police issued summons and warrants for over 170 social movement leaders, raided local offices of civic organizations, detained 19 leaders of farmers' and workers' organizations, and made threatening calls to potential participants of public rallies. South Korea's National Human Rights Commission has called the Roh administration's tactics unconstitutional and demands lifting the ban. For the 8th and final round of trade talks in Seoul, thousands of farmers, workers, and students gathered in Seoul to protest the FTA, but their peaceful gathering was met with sticks, shields and water cannons despite the freezing temperature. In response Jung Dae-Hwan of KoA said, "Our spirit and struggle will not be stopped by police violence."

CONCLUSION

Under the Bush Administration's free trade regime, labor standards, environmental protections, and public health regulations have been slashed, and the people have borne the brunt of these misguided policies. Members of Congress will be forced to accept or reject what

unelected officials have negotiated behind closed doors. Our elected representatives should oppose a Korus FTA agreement that has not been negotiated in the interest of the American public and poses tremendous threats to U.S. workers, farmers, the environment, and public health laws. Congress needs to take back its right to fully consider trade agreements, oppose re-authorizing fast track authority, and get behind a new trade policy that benefits working people and strengthens the rural and urban communities of both countries.

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