

# **COMPETITIVE FRAMING: AGRICULTURAL PROTECTION AND TRADE LIBERALIZATION IN THE KOREA-US FTA NEGOTIATIONS\***

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<Abstract>

Almost all countries have faced protectionist pressures from their agricultural sector, particularly during trade negotiations. Korea is no exception. This article examines the strategy of competitive framing used by both the farm lobby and Korean government in the context of the Korea-US Free Trade (KORUS) negotiations. Farmers have framed their efforts by appealing to survival, cultural and health advocacy, and the need to resist foreign domination. In its own framing, the government has emphasized Korea's global economic and security position. Although framing has been essential as strategies by both parties, the government has also overcome resistance by reorganizing the government to gain the upper hand in the bureaucracy and compensating farmers to allow negotiations to move forward.

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## I . INTRODUCTION

Since the end of the Korean War, South Korea has succeeded in the global economy in dramatic fashion. From a per capita GDP below that of Kenya and Ghana in 1950 of \$876<sup>1)</sup> and only 9 percent of U.S. GDP per capita, by 2014 South Korea had achieved a per capita GDP roughly 51 percent of that of the United States (Maddison, 2001 and CIA Factbook, 2014). With its sustained focus on trade as an engine of growth, South Korea in 2014 became the 6th largest exporter in the world (“Country Comparison-Exports” 2015). Yet with its heavy reliance on an open global economy, the financial crisis of 1997-1998 and problems in concluding the Doha Development Round (DDR) of the World Trade Organization (WTO)<sup>2)</sup> prompted a dramatic shift in Korea’s trade strategy (Sohn, 2001).

In 1998, Korea began discussions with Chile for a bilateral FTA (Free Trade Agreement), and concluded an agreement in 2003 (ROK MOFAT). Since then it has ratified FTAs with Singapore, the Association of Southeast Asian Nations (ASEAN), Australia, India, the European Free Trade Association (EFTA), the European Union (EU), Turkey, Peru, the United States, and Canada (ROK MOFAT, Free Trade Agreement, 2015).

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1) Note that this and subsequent data in this paragraph should not be directly compared temporally as they are based on different time series and index years. Still, both Maddison’s work and the CIA Factbook calculate real GDP at PPP.

2) The DDR began in 2001.

With the continued inability of states to come to agreement in the Doha Round, FTAs are crucial to give Korean industrialists, particularly in the auto and electronics sectors, greater access to the EU and U.S. markets.

In its pursuit of FTAs, the Korean government has treated agriculture very differently than its other sectors as a result of competitive framing strategies. Specifically, why has the Korean government sought to compensate and in many cases exclude agriculture in its FTA negotiations, all for a sector that in 2014 accounted for only 2.3 percent of Korea's GDP and 5.7 percent of the labor force (CIA Factbook, 2015)?

The answer to this question leads to a second puzzle: How has a relatively small sector been able to build a powerful political coalition that can force the state to pay compensation or exclude some portions of this sector from FTAs? Despite its difficulties in facing down the agricultural lobby, Korea is hardly unique, with Japan, the U.S. and EU, to name only a few, facing similar pressures. In 2012, OECD countries collectively spent \$258.6 billion on agricultural subsidies and China, Japan, and South Korea together spent \$250 billion. However, as in many other countries, total support to agriculture in the form of direct payments, market price support, loan programs, etc. accounted for less than 2 percent of South Korean GDP in 2014, down from around 3 percent in the mid-90s, showing that the relative cost for agricultural support on the South Korean economy has shrunk along with the sector's employment and GDP importance (OECD, 2015). However, this support remains above farm support as a percentage of OECD aggregate GDP (0.8 percent) and direct payments to farmers accounted for over 50 percent of farm receipts in 2014 (OECD, 2015). In 2014, overall higher world prices led to a reduction in support from market price controls (OECD, 2015).

Yet the Korean government has largely succeeded in facing down its agricultural lobby in FTA negotiations—in sharp contrast to other countries. Why is this the case? Here, an understanding of the Korean government's approach to international trade negotiations and domestic compensation efforts are particularly illuminating. Given its politically sensitive nature, and critical importance for Korea, this paper focuses specifically on the negotiation of the Korea-US FTA or KORUS. This agreement, initially signed in 2007 but then subjected to subsequent negotiations, finally came into effect in March 2012.

Section II examines a theoretical approach to understand the preferences of domestic lobbies, their relationship to the state, and the strategic approaches of lobbyists. Section III summarizes the Korean government's policies to aid the agricultural sector, first during multilateral negotiations under the GATT/WTO and then in negotiations of FTAs. Next Section IV looks at how the agricultural sector, though small, has been successful in framing policies of protection to secure financial compensation. Section V parallels Section IV to consider government interests, organization, and framing strategies to respond to the agricultural sector. In conclusion, we summarize how the relationship between the state and the agricultural lobby has evolved in the context of FTA negotiations.

To highlight our key findings, the paper shows how the Korean government has been forced to bargain with a well-organized agricultural sector that has pursued smart lobbying strategies despite a declining number of farmers. Yet over time, as the importance of Korea's technology and manufacturing sectors have grown, the government has sought to access markets through FTAs and attempted to overcome resistance from the agricultural sectors. To do this, the Korean leadership

has sought to reorganize the government to gain the upper hand in the bureaucracy and pursued its own set of framing and compensation strategies to successfully counter powerful agricultural interests.

## II. ANALYZING TRADE POLICY FORMATION

What does classical political economy theory tell us about the relationship between states and markets? Karl Polanyi argued that economic growth can lead to “the tragic necessity by which the poor man clings to his hovel,” unable to immediately adapt to such change (Polanyi, 1944). But while these transformations occur, traditionally, “society [has] protected itself against the perils inherent in a self-regulating market system.” Because of the effects of economic growth on society, the government must deal with the “losers” while preserving the interests of those pursuing greater economic liberalization.

This central dilemma identified by Polanyi has been the basis of considerable work in the political economy of trade. Here drawing upon a concise summary of the vast literature in this area, as discussed by Michael Hiscox,<sup>3)</sup> we focus on three questions: 1) the basis of group preferences; 2) the political institutions that affect the ability of groups to secure their objectives; and (3) the importance of going beyond a pure political-economic structural account to look at such strategies as issue framing (Hiscox, 2005).

Briefly, the question of policy preferences with respect to trade policy formulation has been analyzed from two perspectives. The first, drawing

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3) This approach is applied by Shin, 2009 for the first two issues, but not very systematically.

on the Stolper-Samuelson theorem, argues that trade will benefit those groups who are factor abundant (focusing on groups such as landowners, workers, capitalists). Thus, as Hiscox notes, one would expect landowners in Australia in the early 1900s to have been pro-free, while owners of capital and labor would be opposed, which indeed appears to have been the case (p.53). Yet as he argues, this approach does not always seem to work, and a “specific factors” model, whereby owners of capital and labor in the same industry may have similar preferences (for example, the steel or textile industry in the U.S. being protectionist as a whole with a labor-capital coalition), thus suggesting that this approach may be more accurate in some cases. He concludes this debate by arguing that current research primarily supports this latter approach, at least for developed countries. Here, we consider the value of a specific factors approach in accounting for the agricultural lobby’s interests, mainly because of the small size of Korean farms and also because Korea has become a highly industrialized developed country and a member of the OECD.

The second issue concerns the nature of institutions in influencing the relationship between lobbies and the state. Here, Hiscox focuses on three key elements: The first concerns democratic versus non-elected governments; the second the nature of the legislature; and the third looks at the role of the bureaucracy (p.65-71). Each of these elements affects how governments respond to pressure groups, and also provide an understanding of the possible interests of the state (as compared to a pure pluralist model where the state has no interests of its own). In the case of Korea, the transition from dictatorship to democracy with the election of President Kim Young Sam in 1993, the overrepresentation of Korean agriculture in the legislature, and the changing relationship within Korea of

different bureaucracies provides the focus of our empirical analysis.

Third, and finally, a pure structural political-economy approach that omits ideas and strategies may be deficient (Hiscox, 2005). Here, we are particularly interested in framing: as Hiscox notes, “the politics of globalization may be regarded...as a competition in issue framing among organized interests on different sides of the debate trying to sway public opinion to their side (p.74).” The basic thrust of this view is to see how groups may overcome their inherent political weakness through innovative strategies. This idea of competitive framing can be seen in the debate over free trade agreements in Korea by contrasting the agricultural lobby—when Lee Kyung-hae “climbed a barricade holding a banner reading “WTO Kills Farmers” —versus the government’s efforts with then Foreign Affairs and Trade Minister Ban Ki-moon’s argument about KORUS stating that “If we can’t go with the flow of the times, there is nothing left but for us to regress (LaMoshi, 2003 and Lee and Koo, 2006).” This competitive framing approach analyzed below may lead to different outcomes than one might expect if one simply focused on interests and organization. In particular, through careful framing, weak groups may be able to increase their power by building up a coalition with like-minded groups.

Both the Korean government and the agricultural lobby use a wide variety of identity strategies to create support for their measures. In research of issue framing, public audiences have been shown to be generally favorable toward spending on specific sympathetic minorities when welfare spending is framed as such, (Jacoby 2000: 757) but that the public also tends to use the ethical appeal of the framer in assessing its credibility, with ‘expert’ and authority (Druckham 2001:22) being as important as self-victimizing. The farm lobby has positioned itself as

both an expert and a victim in its ongoing struggle for protectionist controls.

### III. KOREAN GOVERNMENT SUPPORT FOR THE AGRICULTURE SECTOR

How has the Korean government addressed pressures from the agricultural sector in the past? South Korean agricultural policies have made Korea virtually self-sufficient in rice through the use of annual subsidies of around ₩1.5 million (\$1,320) per hectare of rice paddy, special policy loans with 2 percent interest for farmers, with a total of ₩15.1 billion (\$13.1 million) earmarked in the 2016 fiscal year budget alone, and plans to exact the highest rice tariff possible under the WTO agreement (FAO, 2014). This has led Korean consumers to pay up to five times as much for rice and twice as much for general food prices as the international market price as of 2014 (LaMoshi, 2003 and OECD, 2015). At the same time, to address the fact that consumption of rice is declining as people turn to wheat and protein-rich foods, the government in the Rice Income Compensation Act has set a new price floor for rice, and will pay 85 percent of the difference between the target price and the market price ₩3 million (\$2,640) per year for a paddy that lies fallow for 3 years (Dyck, 2015).

Despite its promises to open up its rice market up to cheaper exports in the Uruguay Round, Korea has continually renewed waivers to postpone the liberalization of the rice market. Most recently, under pressure from its trade negotiating partners, Korea agreed to increase its rice import quotas



from the 4 percent of consumption in 2004 to 8 percent in 2014 (“South Korea rice import,” 2004). Yet although resistant to opening its rice market, Korea began the process of agricultural liberalization in previous GATT negotiations in the 1980s, and as one source notes: “To keep overseas markets open for its economy, South Korea slowly began to reduce the subsidies and started opening the doors on food imports in the late 1980s (“Suicide highlights Korean farm problems,” 2003).” As we shall see, this shift stimulated the agricultural lobby to resist further trade opening.

During its first FTA negotiations with Chile (concluded in 2003 and implemented in 2004), protesting farmers hindered the liberalization process—leading to the exclusion of many commodities such as apples, pears, and kiwis. The Korean agricultural lobby argued that Chilean farm products were far superior to Korean products and would create unfair competition. As a result, the Korean government had to appease the agricultural sector with extensive financial compensation in order to ratify the agreement (Yu, 2005).

Why was there so much opposition to a treaty with such a small country like Chile? The farming sector opposed the agreement because they feared this FTA would set a precedent for future negotiations (Yu, 2005). The Ministry of Agriculture and Forestry and National Agricultural Cooperative Federation (NACF) also opposed the FTA, demanding that the agricultural sector be excluded from the FTA. These organizations provided strong resistance, and it was not until the government agreed to provide significant subsidies to the agricultural sector that lawmakers were able to pass the FTA. These subsidies included the creation of a 10-year ₩119 trillion (\$133 billion in current dollars) package to aid the

agricultural sector for the 2004-13 period via a special tax on nonedible consumer goods. Another \$1 billion (\$1.3 billion) was committed for the period 2004-10 for horticultural specifically (Dyck, 2015).

Given the critical importance of the U.S. market and the strategic significance of the U.S. for Korea, we focus on the political economy of KORUS. From an export standpoint, the Korean sectors that benefited most from passage of the KORUS FTA are the automotive and electronic industries. From an import standpoint, the most affected domestic sector is agriculture. Korean farmers were most affected by U.S. imports of beef, pork, mandarin oranges, and beans, which have increased dramatically after the ratification of the FTA (Williams, 2014 and Cooper and Manyin, 2007).

To allay opposition to KORUS, the Korean government reiterated its support for the agricultural sector, by expanding the agricultural and farm loan program with another ₩24 trillion (\$21.8 billion) over the period 2008-17 with ₩12.1 trillion (\$10.5 billion) allotted for investments. The bulk of the money in this program will go to revamping agricultural business and enhancing the competitiveness of agricultural items (Dyck, 2015 and Aran, 2009).

In order to aid farmers, the government also focused on improving specialty items to compete against foreign imports. For instance, Jeju Island cultivates mandarin oranges, and with the imports of U.S. oranges, Jeju's exports were expected to decrease. In order to counteract the negative effect, the government funded programs to focus on the production of top quality tangerines and new marketing schemes while expanding the area under cultivation from 2770ha in 2010 to 4000ha in 2014 ("Korea-U.S. FTA into force," 2012).

In the run up to KORUS, both the Korean and the U.S. government faced continuous lobbying pressures from the industries expected to be most affected by the FTA. Portions of the agreement were renegotiated several times in view of opposition, both in the U.S. and Korea, leading to delay in the ratification of KORUS. The import duties for beef and pork were agreed to be eliminated by 2021 and 2014 respectively. Other provisions in the FTA were the 15 and 20-year delays of the tariff reductions on mandarin oranges and Fuji apples respectively, and a 5-year tariff phase-out plan for carrots, broccoli, cauliflower and peas as well as a 6-year phase-out plan for shelled walnuts (Schott, 2007).

In addition to reinvestment programs, direct payment has been set aside to make up for 85 percent of lost production in the case that over 80 percent of production is lost due to U.S. imports (“Korea to ease rural restrictions,” 2007). Another provision has been made so that those who wish to quit farming are eligible to receive cash support in lump sums (“Korea to ease rural restrictions,” 2007).

#### IV. THE AGRICULTURE LOBBY: SIZE, ORGANIZATION, AND STRATEGY

Although the Korean agriculture sector has been in decline in terms of number and contribution to the overall GDP of the economy, its ability and strategies to organize and seek broad public support to oppose trade liberalization has compensated for this weakening. We consider each of these factors in turn.

## A. The Agricultural Sector: Diminishing in Size

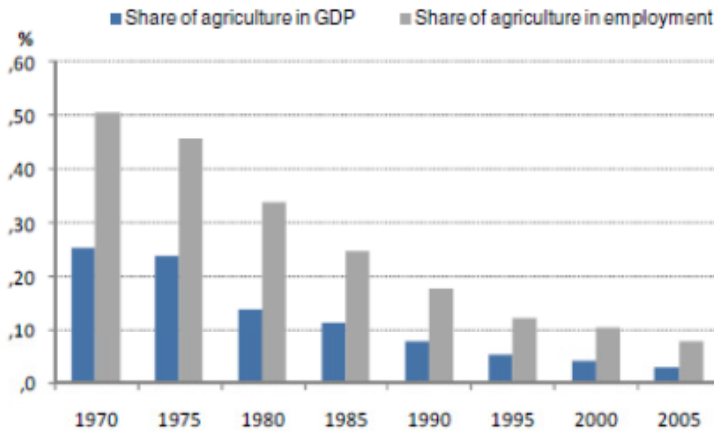
In 1963, the majority of South Koreans were farmers, with 63 percent of the population residing in rural areas. By 1990, Korea had 10 million farmers. However, 20 years later in 2010, there were only 3 million (Korean Statistical Information Service, 2015). Despite past growth (from 1945 to 1974, agricultural production averaged 3.4 percent growth per year, 6.8 percent from 1974 to 1979 and 5.6 percent from 1980 to 1986), by 1988, their contribution to GDP was below 10 percent and decreasing and as noted earlier, the agricultural sector now accounts for only about 2 percent of South Korea's GDP. Figure 1 shows the rapid declining importance of this sector to the Korean economy.

Within the agricultural industry, rice has continually been the most important product that makes up 18.3 percent of total agricultural production and over 74.8 percent of farming income (Im and Jeong, 2014). Other lucrative crops include mandarin oranges, apples, as well as cattle, hogs and poultry.

An important reason why the agricultural sector has protested against trade liberalization (both landowners and workers, thus fitting the specific factors model prediction) is that Korean agriculture is highly inefficient because farms are very small. A comprehensive study of the Korean agricultural sector by the OECD in 2008 summarizes the problems, noting:

About 62% of Korean farms are less than 1 hectare in size. In spite of policy reforms to facilitate structural adjustment, the average farm size has only increased from 0.94 hectare in 1975 to 1.43 hectare in 2005. At the same time, the average age of farmers has been increasing; currently, about 30% of farmers are more than 65 years old.

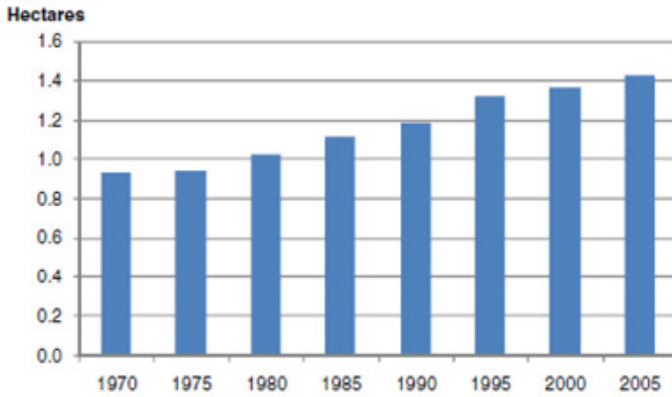
&lt;Figure 1&gt; Agriculture's Declining Role in the Korean Economy



Source: OECD 2008, p. 12.

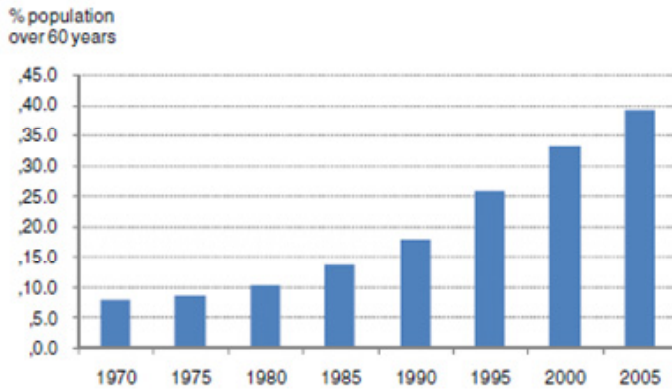
Not only has the small farm size (see Figure 2) made agriculture very inefficient, but also an aging population (see Figure 3) exacerbates the fear of farmers with respect to the opening of the agricultural market to imports. With few options for older farmers to find jobs in the urban sector and a high degree of inefficiency owing to the small size of farms, the alternative of organizing and lobbying to resist change appears more appealing than adjusting to the market—however successful other sectors of the Korean economy might be.

<Figure 2> Size of Korean Farms Over Time



Source: OECD, p. 13 (based on MAF statistics)

<Figure 3> Aging of the Farming Population in Korea



Source: OECD 2008, p. 14 (based on MAF statistics).

## **B. Political Organization of the Agricultural Sector**

We next consider how the agricultural industry has been effective in organizing to lobby and pressure the government. In doing so, we focus on the transition from dictatorship to democracy, the electoral system, and the bureaucracy as noted in the theoretical section.

In the past, the government was highly reliant on the support of the agriculture sector to appeal to farmers, as they represented the majority of the population. Because of Korea's tumultuous political past with over six separate republics over the past half-century and recent dictatorships, leaders consistently suffered from a lack of political legitimacy. In order to gain support, they tried to compensate by providing social protection measures. Because of this unique political condition, Korean farmers were able to secure government support for the last 40 years (Mah, 2007).

With the turn to democracy in 1993, when Korea's first civilian president in over 30 years, Kim Young-sam, came to power, the strength of the farming lobby increased. This was a drastic change from the military dictatorship and allowed for further organization of disadvantaged groups. The shift also began to hinder international liberalization efforts (Lee and Koo, 2006). Democracy then increased the ability of sectors to organize and lobby the government. In particular, farmers have proven to be well organized and politically powerful, with an extensive political reach beyond the size of their economic output. In terms of organization, they have been able to create a peak association, the National Council for Farmers' Organization (*nongmindanchehyupeuihoi*), which consists of 19 major agricultural interest organizations (Yu, 2005).

With respect to the electoral system in the new democracy, farmers

have secured a disproportionate amount of political power. Indeed, the representation of the urban population in the National Assembly in 2004 reflected only 86 percent of the population, while the representation of the rural sector reflected 149 percent of the population (Yu, 2005). This allowed the agriculture sector to further resist efforts for economic liberalization negotiations, therefore putting them at odds with the urban export-oriented Korean industrial sector.

With respect to the bureaucracy (which we consider in more detail in discussing the reorganization of the government in the next section), both the Korean agricultural ministry (the Ministry of Agriculture and Forestry) as well as a government funded organization known as the National Agricultural Cooperative Federation (NACF) supported the farm lobby. These groups argued that the government should suspend its FTA negotiations with Chile until after conclusion of the Doha Round (Yu, 2005).

### **C. A Strategy of Framing and Coalition Building**

One of the most effective methods used by the agricultural sectors to oppose government policies on trade has been the clever use of framing. From self-victimizing to appealing to cultural and health advocacy to resisting “imperialism,” the agricultural industry has been extremely successful in publicizing its plight.

In 2003, during the Cancun meeting of the Doha Round of the WTO, Lee Kyung-hae, a prominent Korean farmer, climbed atop a barricade holding a banner that read “WTO Kills Farmers,” and proceeded to stab himself in the heart and fall into the crowd (LaMoshi, 2003). This act



provided the Korean farming movement with a martyr and inspired further protests throughout the negotiations. It also served to highlight the plight of Korean farmers facing a globalized world, and allowed the use of powerful rhetoric against economic liberalization. By equating the rise of international competition to the suicide of its own farming population, the rural population of South Korea spread the concept that FTAs were detrimental to their livelihood.

In other acts of violence, lawmakers from rural areas swarmed stages to physically block debates on the Korea-Chile FTA in 2004, with 15,000 farmers and activists causing a ruckus outside the National Assembly building (Yu, 2005). In addition, thousands of farmers swam 50 miles off of the South Korean coast to Jeju Island to emphasize the effects that the KORUS FTA would have on tangerine production (Ahn, 2007). These protests publicized discontent, leading to riots elsewhere in Korea, both peaceful and violent rallies, meetings with local lawmakers, and statements to the public, the government, and politicians. This approach has been particularly effective, as the rapid urbanization of Korea has left the majority of the population with rural ties and therefore strong identification with the cause of the farmers.

Another framing strategy used by the farmers was to emphasize health concerns. The rise of mad-cow disease led to much protest over the import of U.S. beef, which allowed Korean farmers to oppose the KORUS FTA, calling for phasing out Korean tariffs only over 15 years (Cooper and Manyin, 2007). In addition, there was a ban on U.S. beef that was not lifted until 2007 after the World Organization for Animal Health determined that the U.S. was a “controlled risk” country (Lee and Koo, 2006). After the ban on beef was lifted, a candlelight vigil was held in

May of 2008, which drew 2,500 protesters (“South Koreans Hold Candlelight,” 2008). The Korean agricultural sector has publicized these health problems by appealing to the press, summoning images of infected Pul-Kogi, a common Korean variety of barbequed beef. In some cases, misinformation was used to create support for a ban on beef, using “a television news program aired thinly sourced—and later scientifically refuted—claims that Koreans carry a gene making them more susceptible to mad cow disease than Americans (“S. Koreans Have New Regard for Beef,” 2008).”

One of the most powerful framing strategies that Korean farmers used was fear of international pressure, an effective technique in light of Korea’s colonial history. After the 1997-1998 Asian Financial Crisis, Korea was forced to secure a bailout from the International Monetary Fund (IMF) totaling \$57 billion. This loan allowed the IMF to impose conditions on Korea’s economy, many of which were seen to be highly onerous, and characterized as being driven by U.S. corporate interests rather than financial concerns. Korea managed to pay off the loan nearly three years in advance to regain its autonomy (“South Korea Pays Off,” 2001). By comparing the IMF’s consultations and invasive restructuring of the Korean economy to policies of the WTO and bilateral agreements, Korean farmers sought to portray liberalization in a negative light.

These framing strategies have been useful in increasing the political power of the agricultural lobby. In March 2006, farmers moved to build a broader coalition by allying with left-wing radicals who deemed KORUS as “the second IMF-imposed liberalization” and other members of anti-American organizations. South Korean protectionists also sought the support of labor unions and leftist NGOs. These include the Korean

Federation of Trade Unions, the Korean Teachers and Education Workers Union, and the Korean Federation of University Student Councils (Lee and Koo, 2006). Others against the KORUS FTA included Korean filmmakers, who would be disadvantaged by the import of U.S. movies.

## V. THE KOREAN GOVERNMENT: INTERESTS, ORGANIZATION, AND STRATEGY

The agricultural lobby has been highly successful in achieving its protectionist ends. However, the government has not been passive in the face of this lobbying effort. Over time as the leaders' interests have changed with the transformation of the Korean economy, the Korean government has responded with its own re-organizational efforts and strategy to counter the agricultural sector.

### A. Interests

Though the farming sector has been extremely powerful in protecting its own interests, the Korean government had its own motivations for protecting the agriculture industry. Fear of overpopulated urban areas as well the desire for self-sufficiency has led the government to stall trade negotiations for many years, and Korea only joined the GATT in 1967. But as the electronics, auto, and semiconductor industries have lobbied for market opening with their strong vested interest in the opening up of foreign markets in light of their competitive success, the balance of lobbying has also shifted over time.

One of the reasons that the Korean government had been so adamant about slowing the process of trade liberalization was because it feared congestion in urban areas. The large movement of people to the cities would result in greater competition for urban jobs and land, thus creating various socio-economic problems for both the urban and rural populations. However, this has been a difficult claim to pursue that does not meet WTO rules for restrictions and as Korea has successfully urbanized, this reason has carried little weight in FTA negotiations. Therefore, the Korean government has seldom used concerns about food supply as a major reason for postponing negotiations (Beghin, Bureau, and Park, 2003).

Nevertheless, the Korean government has consistently sought to secure delays in opening its agricultural market, arguing that it is responsible for ensuring that an adequate food supply is available to its population. For example, the Korean government has pursued a policy of self-sufficiency in rice by increasing production and limiting consumption (Dyck, 2015). However, this actually hurt the population, as they have to pay the price of protectionism.

Furthermore, domestic farming was deemed important for national security with the fear of possible disruptions within the global food market that could result in a starving population. Because of these concerns, Korea has postponed the tariffication of rice for 20 years since 1995 due to the 1994 Uruguay Round of trade negotiations. Another argument that supports this delay is the possibility of reconciliation with North Korea, which has faced severe rice shortages (Beghin, Bureau, and Park, 2003).

In the aftermath of the Asian financial crisis, Korea found that the GATT/WTO approach did little to stimulate the economy, and that FTAs were the best method to diversify economic markets and increase access

for its products (Sohn and Koo, 2011). Especially with Japan and China's greater economic liberalization, the Korean government began to seek greater liberalization policies that would reduce its protectionist measures in exchange for market opening to aid its industries that were achieving global success and prevent them from falling behind the competitors (Lee and Koo, 2006).

## **B. Organization**

The government has also struck back against the powerful agricultural lobbying efforts by restructuring government organizations to garner greater support for liberalization. A key example is the reorganization of the Ministry of Foreign Affairs into the Ministry of Foreign Affairs and Trade (MOFAT) and the Office of the Ministry for Trade (OMT), which was designed to coordinate trade policies and negotiations (Koo and Jho, 2013). Given its previous shortcomings when it came to the Korea-Chile FTA against the Ministry of Agriculture and Forestry as well as against various farmer organizations, the OMT has "slowly but steadily institutionalized the idea and practice of promoting economic and strategic partnership through FTAs," which has given it a greater edge when it comes to combating rival institutions (Park and Koo, 2007). The OMT gained power and encouraged domestic coalition policy changes, playing a greater role in the international bargaining arena. As its legitimacy rose, it was granted greater authority after 2006, which greatly aided the process of negotiations with the United States (Lee and Koo, 2006). This top-down method of supporting FTAs appeared to be effective, as it reduced the ability of protectionist ministries to work with the agricultural lobby to

block negotiations. Still, by 2013, power had shifted to the Ministry of Trade, Industry and Energy and the OMT was closed with a change in government.

### **C. Strategy: Framing and the Strategic Use of International Agreements**

The farm lobby was not alone in using a framing strategy. The Korean leadership has systematically appealed to the fragile nature of Korea's international position and the paramount need to pursue trade liberalization for both economic and security reasons (Sohn and Koo, 2011). The main tools for leverage in this regard have been to emphasize the fear of growing economic competition particularly from China, and the potential threats to the U.S.-Korea alliance. The other approach that the government has successfully used has been to strategically employ international trade agreements to provide leverage versus domestic political interests.

During the first FTA negotiation discussions with Chile, Korean government officials expressly framed their concerns with being left behind in the global trading system. As Chung Hae-kwan, of the Ministry of Foreign Affairs and Trade, noted, "Korea has no time to take a wait-and-see stance in the global FTA race as the importance of FTAs becomes larger, [...] against this backdrop, the pursuit of FTAs is not a matter of choice for Korea, but rather a necessity for future economic growth ("Chile-South Korea FTA In Force," 2004)." In the context of the KORUS negotiations, President Roh Moo-hyun noted, "China is surging. South Korea is trapped between China and Japan, and thus needs to address this undesirable situation sooner rather than later. One of the most

effective ways to realize this goal is to improve our country's competitive edge against China and Japan in the U.S. market through a KORUS FTA (Lee and Koo, 2006)."

Finally, on the security front, President Lee Myung-bak in a press conference in the U.S. argued that: "But also just one more important point gentlemen is that the KORUS FTA is not just about economic matters. The KORUS FTA will be the culmination and the beginning of a new Relationship—a comprehensive partnership between the two countries—between Korea and the United States ("South Korean President Discusses U.S.-South Korea Relations," 2008)."

While the process of signing the Korea-Chile FTA led to political problems, it was also an intelligent move on the part of the Korean government. By starting with a somewhat inconsequential FTA with such a small country, the Korean government was able to gauge the reaction to economic liberalization, and was able to utilize its past weaknesses to strengthen its negotiation abilities in the future.

The Korean government has also pursued FTAs with distant economies, including Australia, Mexico and New Zealand. This move is extremely strategic in nature: countries in the southern hemisphere have different growing seasons than Korea, which will allow for varied imports and exports instead of competing directly with Korean agricultural products at the same time.

Another successful method that the Korean government has utilized to mitigate the protests of the agricultural sector is the process of "phasing out" tariffs on items. As noted earlier, several Korean FTAs have involved the reduction of tariffs over a period of time. This allows the government to proceed with negotiations while temporarily protecting certain sectors.

This gradual transition gives the agricultural sector time to make their products more competitive by using government investments for farming development, rather than causing large-scale displacements through a rapid transition to a liberalized economy.

## VI. SUMMARY AND CONCLUSION

Historically, as in most developed countries, the agricultural sector has been effective in resisting trade liberalization. Theories of trade policymaking, discussed in Section II of this paper, provide significant light on the elements of the interplay between the agricultural lobby and the government in Korea. As we have seen, the Korean agricultural sector, which has been in rapid decline and consists mainly of small farmers, has lobbied along sector specific factor lines. In addition, the institutional context of lobbying is highly important. Key factors here include the transition from dictatorship to democracy, which allowed interest groups, agriculture in particular, to strengthen its organizational success; the nature of the Korean legislative system that leads to rural overrepresentation; and the bureaucratic structure that initially favored a protectionist stand led by the Ministry of Agriculture and Forestry.

Yet a purely static political economic analysis can be misleading. Faced with a declining but well-organized and strategically clever farm lobby, the Korean government has systematically pursued a set of organizational strategies to strengthen the hands of liberalizing ministries and interests in the government. In addition, it has countered the very successful framing strategies pursued by agricultural interests such as equating economic



liberalization with destruction of rural livelihoods, the importation of food that poses health dangers, and the loss of economic sovereignty. The leadership's counter-framing strategy has focused on the need for Korea to continue to economically position itself between China and Japan to maintain a healthy economy, keep up with the rush to FTAs, while at the same time, point to the security links with its key FTA partners such as the United States. Furthermore, it has used FTAs systematically to open up the Korean market by first starting with relatively small countries in a different hemisphere like Chile and moving on to big players such as the U.S., EU, and India. Of course, this strategy has been accompanied by significant financial aid to the agricultural sector; but the very fact the Korea has been able to move this far and this fast differentiates from other countries in the region.

For example, the Japanese agricultural lobby has continued to resist the government's effort to open agricultural markets and delayed significant FTA negotiations like the recently concluded Trans-Pacific Partnership that will abolish tariffs on farm products. Similarly, the EU and the U.S. continue to massively subsidize their agricultural sector—a key stumbling block for successful completion of the Doha Round of the WTO. Korea, by contrast, is continuing its FTA strategy of global economic opening to benefit its most competitive industries.

What are the broader implications of Korea's strategy? Every nation has dealt with the transition from an agrarian-based economy to an industrialized one. Smith once theorized that greater trade would lead to greater specialization. But with this specialization comes a loss of jobs for those who are no longer as productive. How should the country deal with these inefficient industries? As we have seen, there are a host of

approaches to overcome protectionist pressures, but the Korean government has recognized the need to provide compensation to those who lose from trade liberalization. Since the agricultural protestors have hindered nearly every major international trade negotiation, striking the precarious balance between the economic and social welfare of the state has become a difficult, but necessary task. Though the Korean government has been hampered in its trade liberalization efforts by the agricultural sector in the past, it has implemented serious governmental reforms and found unique strategies to continue the process of economic liberalization without devastating an industry that still provides a livelihood to millions of people.

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