

# Importance of Public Outreach to the FTA Policy: The Case of Korea

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## Abstract

*Trade liberalization measures could be political, social and economic issues. In Korea, FTAs have been one of hottest issues in recent years, but now Korea became one of countries with most extensive FTA networks in the world. The country needed to overcome various obstacles in building FTA networks. This paper overviews Korea's experience in improving public perception on FTA policy, while evaluating its public outreach.*

Keywords: FTA, Public Outreach, Trade liberalization, KORUS FTA, Korea

## 1. Introduction

A trade policy entailing the opening of trade, such as the promotion of FTAs, can have considerable influence on stakeholders' interests based on the import/export structure and induce a backlash from affected groups. In many cases, FTAs become political issues. As a result, a country's FTA policy is viewed as a political issue with considerable influence on public sentiment, thereby provoking a fierce debate over pros and cons. In Korea, the National Assembly tends to support or check the administration's FTA policy while keeping an eye on public opinion. For an FTA to be implemented, the administration has to get it ratified by the National Assembly, and therefore fostering public sentiment favorable to the FTA plays a crucial role in FTA policymaking. Accordingly, it is difficult to promote an FTA policy based only on its economic aspects, and therefore there is a need for considering various political and economic factors. All of the nine FTAs implemented by Korea have been controversial, but among these, the Korea-Chile FTA and the Korea-U.S. FTA (KORUS FTA) have produced the most resistance from various groups at the national level. The controversy over the FTA with Chile can be explained by the fact that it is Korea's first FTA, but the KORUS FTA sparked a fierce and wide controversy over political and economic issues as well as social and cultural ones.

The KORUS FTA features the most comprehensive content and the deepest deregulation to date, and this made it difficult for the negotiators to respond to a diverse range of issues raised over the FTA. With the opposition firmly established among civic organizations, the opposition party, and various special interest groups in the FTA negotiation process, the situation worsened, threatening the authority of the negotiators and even the administration. In addition, before the initiation of the negotiations, the U.S. established the prerequisites for several issues such as the screen quota and automobile, among others, and there were many issues that could potentially influence public sentiment in Korea, including the approval of beef imports (which were temporarily halted because of the reoccurrence of mad cow disease during the negotiations) and the revision of an officially signed agreement based on the Obama administration's request, among others.

With the launch of the official discussion in 2005, the KORUS FTA became effective in March 2012. Since then, there has been no controversy over the FTA. Many anti-FTA advocates have argued that Korea may lose its economic sovereignty and become an economic colony of

the U.S., but such an assertion no longer receives much attention.

During the Cold War, Korea's expansion of trade with the U.S. and dependence on the U.S. market played a decisive role in the country's rapid economic growth. A vast majority of Koreans supported the U.S. as the strongest ally, but the anti-American sentiment slowly surfaced during the process of democratization in the 1980s, which was exacerbated during the KORUS FTA negotiations by those opposing it. Here many groundless accusations were thrown based on ideological views, not on rational economic thinking.

## **2. Issues in Korea's FTA Promotion**

### **2.1 FTA and Affected Industries**

The very first special interest group arose from fishery and opposed Korea's FTA with Chile. According to Korea's laws, tariff-free importations were applied to marine products from local sites after Korea's pelagic fishing vessels sail overseas. Large numbers of deep-sea fishing companies entering Chile imported frozen skate (ray) and marine products on a duty-free basis but argued that the FTA would make it possible for their Chilean counterparts to export their products on a duty-free basis to Korea in the same manner, weakening their competitiveness. At the time, Korea's fishing industry placed considerable pressure on the negotiators, staging large street protests and suggesting the potential interruption in the supply of their marine products. However, when their illegal acts were exposed, domestic fishing companies no longer opposed not only the Korea-Chile FTA but also other FTAs under consideration. Instead, they were interested in the restructuring of their industry and received the government's support during the FTA negotiations with the U.S. and the E.U.

With fishing companies satisfied, Korea's agricultural sector started to argue that Chile's fruits such as grapes were highly competitive at the global level and thus that Chile's natural environments would make it a powerful global producer of fruits. In terms of Chile's industrial structure, only the agricultural sector showed aggressive opposition to the FTA with Chile. In particular, in the late 1990s, when the unfavorable sentiment was somewhat diluted because of the opening of agricultural sector, domestic agricultural groups opposed the FTA with Chile as a means to build their political clout while fostering unity in the agricultural sector. They promoted an anti-FTA atmosphere while arguing the potential collapse of the agricultural sector.<sup>1</sup>

In this process, conservative media aggressively supported the FTA with Chile, whereas progressive and new media opposed it, arguing that the FTA would inflict substantial agricultural damage. Agricultural groups and economists opposing the FTA systematically publicized the potential collapse of the agricultural sector while portraying Chile as an agricultural power exporting diverse agricultural products to the world, including the U.S. and Europe. Here they used Chile's grapes, which are generally consumed as winter snacks by most people in Chile, as an example to provide support for their argument.

The government and FTA advocates responded to this argument while widely publicizing its benefits through seminars, newspaper/magazine articles, and broadcast discussions, among others. That is, they emphasized that Chile is located in the southern hemisphere and the nadir of the earth and that there is considerable difference in seasons between Chile and Korea. That is, they highlighted that the two countries have the opposite the harvest seasons and thus that Korea's agricultural section would see little damage from the FTA with Chile. With deserts to the

north and tundras to the south, Chile's tillable land is relatively small relative to the gross area, and in terms of the distance between the two countries, they are located at the opposite ends of the globe. Because of the lack of infrastructure for logistics, they argued that Korea's imports of fresh fruits (Chile's major exports) would increase only partially and thus that there would be little damage to Korea's agricultural sector.

In addition, the government attempted to weaken anti-FTA activists' arguments by countering them with scientific facts based on trade trends and forecasts, stressing that the agricultural sector would not collapse. However, the agricultural sector mobilized physical methods such as staging protests and rallies, and worse, some politicians and National Assembly members whose constituencies were based on rural areas joined anti-FTA rallies organized by the agricultural sector, exacerbating the negative atmosphere across the country. The Korea-Chile FTA was concluded after a great struggle in October 2002 and came into effect only in April 2004 because of the delay in the National Assembly's ratification. In this ratification process, the National Assembly and agricultural organizations demanded certain supplementary measures such as compensation for economic losses, and therefore the FTA was ratified in conjunction with the enactment of the FTA Special Law on the Agricultural.

Policymakers took advantage of the FTA Special Law to persuade farmers and anti-FTA activists, but the agricultural sector became more accustomed to government support with the support. However, the sector helped to turn anti-FTA rallies into larger gatherings and create powerful opposition, using it to draw additional government support. In contrast to policymakers' expectations, there was no serious damage to the agricultural sector even after the implementation of the FTA with Chile, but in accordance as the agreement, the government allocated a budget of KRW 200 billion (\$2 million) every year for seven years to agricultural projects. As a result, many farmers who saw no damage applied for financial support, and there were some efforts to strengthen anti-FTA arguments to secure additional financial support. Therefore, questionable political deals were rampant, and policies were driven by street protests, not by discussions and compromises between special interest groups and government officials in charge of promoting the FTA.

## 2.2 Public Opinion on the KORUS FTA

Since the beginning of the KORUS FTA discussion, the agricultural sector clarified their opposition, and their position was convincing because Korea imported huge quantities of agricultural products from the U.S. Policymakers responded to anti-FTA activists by providing some examples of exaggerated agricultural damage in the case of the Korea-Chile FTA, but the agricultural sector's argument strengthened over the course of the FTA negotiations. With the resumption of U.S. beef imports under specific conditions, which were temporarily halted because of mad cow disease during the negotiations, the agricultural sector and anti-FTA activists rapidly shifted public opinion against the government. Throughout most of the KORUS FTA negotiations, more than half of the people surveyed did not support the KORUS FTA.

With exaggerated arguments about the risk of mad cow disease, candlelight rallies demanding a stop to the FTA negotiations as well as to U.S. beef imports were held for almost four months across the country. In addition, the resistance to the imports, which was based mainly on potential threats to food safety, spread throughout the country. Further, with the controversy over the investor-state dispute, the FTA with the U.S. started to be perceived by

ordinary people as Korea's loss of policy sovereignty, and the opposition to the FTA peaked.

Another complication was the additional negotiation. The Obama administration demanded additional negotiations on some parts of the signed agreement in June 2007. When the Korean government accepted this demand, a majority of the public doubted the economic feasibility of the KORUS FTA. In this process, anti-FTA activists argued for the abrogation of the agreement while denouncing both Korean and U.S. trade authorities. Accordingly, the government started to publicize the economic benefits of the FTA and the inevitability of additional negotiations through various media. It did not take long for the public to start trusting the government. The media highlighted the exaggerated risk of U.S. beef, and by the end of 2011, when the National Assembly ratified the FTA, a majority of citizens surveyed supported the KORUS FTA.

### 2.3 Asymmetry Between Pros and Cons

The trade policy entailing market opening invites an easy counterargument, and such a counterargument tends to be well perceived by the public. Counterarguments in TV discussions are generally concise and powerful. For example, when the ISD is applied to direct investment by hundreds of thousands of foreign investors, it becomes clear evidence of a counterargument. That is, any ISD may be denied in an FTA. By contrast, a supporting argument requires a longer and more logical explanation as well as a logical and persuasive message to convince others because it has to first explain its theoretical background and then describe the process in which desired policy effects are realized through various interactions in economic activity. If there is some error in the explanation, then the overall logic collapses. By contrary, a counterargument is possible even with no basis, and even when an argument is wrong, it is possible to avoid criticism by posing a different issue. This gives rise to asymmetry.

In addition, there is a problem with the media. In general, conservative media support FTAs, but because of their distinct nature, they tend to highlight "shocking" counterarguments regardless of their logic and rationale. Therefore, audiences are more likely to have favorable attitudes toward such counterarguments than bland supporting arguments. In addition, Korean firms tend to shy away from controversies while expecting the government to complete FTAs. For example, Yong-seong Park, the Doosan Group president and also the chairman of the Korea Chamber of Commerce and Industry, argued for the early ratification of the Korea-Chile FTA but quickly withdrew it a week later when agricultural organizations launched a consumer boycott movement against Doosan products.

Because of the development of SNSs, counterarguments disseminate easily and widely across all segments of society, including youths. This has promoted the government to respond appropriately. Some government ministries formed SNS response teams and tried to block inaccurate information, but they were limited in some ways. In particular, influential SNS users with tens of thousands of followers spread false information, which was then distributed to third parties by those followers. This induced the wide dissemination of unfavorable public sentiment.

In the process of promoting the FTA, exporters and FTA advocates kept silent, whereas the opposition camp started their organizational propaganda and campaigns to halt the FTA negotiations. This led the KORUS FTA negotiations into a blind alley, and large firms started to voice the necessity of concluding the negotiations. With the opposition camp's position on the KORUS FTA overwhelming that of its advocates, industries and firms such as the Federation of Korean Industries (consisting of special interest groups such as exporters), which had withheld

their opinions, started lobbying the government and appealing to the public. Under the slogans “an FTA highway for economic growth” and “a country founded on export growth,” they engaged in advertising campaigns in support of the FTA and actively participated in fostering favorable public sentiment.

### **3. Background for Improving Public Sentiment for Korea’s FTAs**

#### **3.1 Announcement of the FTA Road Map**

President Moo-Hyun Roh’s “participatory administration,” launched in February 2003, set the guidelines for the aggressive promotion of the FTA. This administration evaluated the FTA promotional schemes for a more comprehensive view than for an individual review and clarified the guidelines for FTAs with major trade partners in the future by announcing the “FTA promotion road map,” which organized the medium- and long-term FTA policy guidelines, in September 2003. In the short term, the administration established a phased promotional schedule in which FTAs would be pursued with Singapore, Mexico, and Japan. In the medium-term strategy included the ASEAN-Korea FTA, the China-Japan-Korea FTA, and the East Asia FTA, and the long-term strategy, FTAs with the U.S., China, and the E.U. Afterward, the government announced a revised road map in April 2004, which included FTA negotiations with India and Russia in the future.<sup>2</sup>

In the late 1990s, which marked Korea’s limitations in terms of its knowledge of internal and external promotional strategies for FTA negotiations, the government had considerable difficulty in achieving a consensus among the government, firms, affected sectors, NGOs, the National Assembly, and other various stakeholders. The process of appropriately facilitating diverse opinions into a single voice and engaging in discussions was not smooth even within the governmental agencies. At this time, anti-FTA groups highlighted the problem of closed-door negotiations and asserted the need for “transparent negotiations,” making substantial efforts to foster a negative FTA atmosphere.

With negative perceptions of the FTA overwhelming positive ones, trade authorities clearly recognized the necessity of more firmly institutionalizing the process of promoting FTA policies, which then reflected no specific rules. Accordingly, the government implemented “Procedural Rules for Promoting FTAs.” These rules were enacted by the presidential decree 224 immediately after the Korea-Chile FTA came into effect in June 2004 and consisted of 6 chapters and 26 articles. These rules were revised in August, 2008. With the FTA negotiations conducted according to these specific rules, the controversy over procedures was reduced to a certain extent, but these rules started to fade with a critical comment on a poorly implemented public hearing on the KORUS FTA negotiations.

In addition, anti-FTA groups fostered a sense of sympathy based on the fact that the public was very interested in exerting their rights to know the content of trade negotiations and particularly that it was necessary to provide affected industries and people with related information and to enhance negotiation transparency. Accordingly, the National Assembly decided to install a trade negotiation advisory committee in which industrial circles, experts, and interested parties could take part in the process of making trade policies by legislating the Law of Trade Procedures (effective July 2012). This committee was mandated to provide government trade organizations with advice on all major phases in the conclusion and implementation of trade



pacts, and the government was required to report major trade issues to the National Assembly. After the conclusion of negotiations, the committee had to provide a comprehensive evaluation of FTA effects on the domestic economy, national finance, industries, and employment, among others, which formed the conditions under which public sentiment had considerable influence on trade policies.

### 3.2 Establishment of the FTA Promotion System

The turning point in Korea's efforts to promote FTAs may be its decision to promote the KORUS FTA. The U.S. has led economic standards in the global context and has shown a high level of international competitiveness, having considerable influence on the world economy. Therefore, it was natural for affected sectors to voice their concern over the FTA with the U.S. In Korea, a majority of people have favorable attitudes toward the U.S., but a substantial number are against it for various reasons. Therefore, any decision on the initiation of negotiations with the U.S. required serious economic assessments and analyses of various economic and political factors and thus decision making at a high level of government. On the other hand, through the KORUS FTA, Korea expected to construct a system of institutional FTA support. On August 11, 2006, Korea established the KORUS FTA Conclusion Support Committee, and on May 15, 2007, the committee was expanded and reorganized into the "FTA Domestic Countermeasure Committee," which facilitated the formation of favorable public sentiment toward the FTA by taking exclusive charge of providing the public with information on the conclusion and ratification of the FTA. It also gathered opinions, managed social conflicts, supported the National Assembly, and proposed complementary measures, among others.

One of the most important roles of the Domestic Countermeasure Committee was to draw public support for the FTA through public outreach. At the beginning of 2006, an organization opposing the KORUS FTA was established after the decision on promoting the FTA was announced to turn the public against the government's FTA policy. As a result, the government struggled to find ways foster favorable public sentiment and established the "Korea-U.S. FTA Conclusion Support Committee." Therefore, this committee placed great emphasis on public relations programs to get the public to support the FTA but had some difficulty in gathering opinions from interested parties and using personnel and material resources for the private sector's FTA use plans.

### 3.3 Trade Adjustment Assistance System (TAA)<sup>3</sup>

In terms of the public's strongly unfavorable opinion on the process by which the FTA with the U.S. was promoted, the Korean government started to consider various countermeasures for affected industries while fostering favorable public sentiment. The discussion on the Trade Adjustment Assistance System (TAA) started in October 2004, and the bill submitted to the National Assembly at the end of 2005 was enacted at the 259<sup>th</sup> extra session of the National Assembly in April 2006. This law was expected to make the domestic industrial structure more sophisticated and promote the balanced development of the national economy by making it possible to support corporate reorganization and worker job transfer and reemployment. These efforts were seen to address potential damage to trade arising from increased imports as a result of the FTA.

The Trade Adjustment Assistance Law went into effect in April 2007, following the “Special Law on Support of Farmers and Fishermen according to FTA Conclusion,” which was enacted in March 2004, and encompassed a support plan for the manufacturing and service sectors, making it possible to minimize losses for firms and workers. Seven firms were designated as TAA firms and received a loan of KRW 2.25 billion won on average from 2008 to August 2012.

### 3.4 Government’s FTA Public Relations

The government understood the difference in opinions on FTAs between supporters and opponents and thus attempted to foster favorable public sentiment by developing extensive FTA public relations campaigns both before and after the initiation of the FTA negotiations with the U.S. in 2006. The government recognized the public’s unfavorable attitudes toward its decision to re-import U.S. beef and thus had no choice but to turn to public relations campaigns to secure necessary support for the KORUS FTA. Public opinion became increasingly important during the National Assembly’s rushed ratification of the KORUS FTA and the Korea-E.U. FTA.

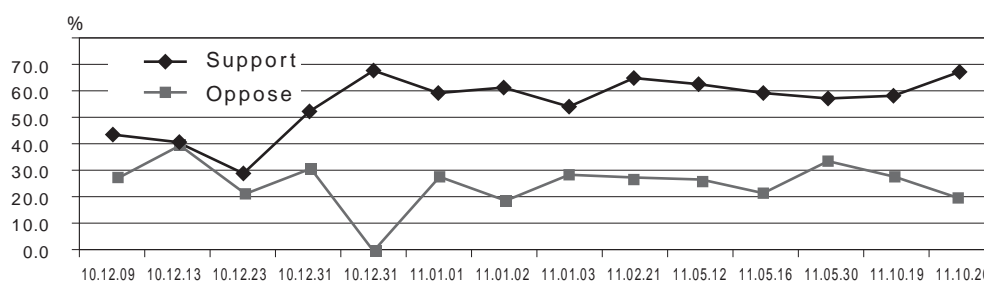
The FTA Domestic Countermeasure Headquarters, under the Ministry of Strategy and Finance, and trade authorities began engaging in various activities to develop domestic support for the ratification of the bilateral FTAs with the U.S. and the E.U. through public relations campaigns targeting the public, presentations to the National Assembly, and interactions with interested parties, among others. In 2009, after the bill for the ratification of the Korea-E.U. FTA was submitted, they created a foundation for support at the level of the National Assembly by reporting on the FTA to the National Assembly members and their aides (27 times), providing relevant data (62 times), producing detailed data, and supporting the National Assembly, particularly the Committee on Foreign Affairs, Trade, and Unification. In addition, they attempted to secure support for the Korea-E.U. FTA by launching a total of 48 Korea-E.U. FTA public relations campaigns, including regular briefings at the Ministry of Foreign Affairs and Trade and interviews with domestic and foreign media outlets, among others, in 2010. Further, they provided a better understanding of the Korea-E.U. FTA while launching public relations campaigns by contacting E.U.-related business and academic communities a total of 27 times from the submission of the bill to its ratification.

During this period, they explored necessary countermeasures by conducting surveys on the KORUS FTA and evaluating FTA trade statistics by monitoring media and conducting case studies as well as updating and explaining data, among others. After the conclusion of additional negotiations on the FTA with the U.S., they focused their attention on grasping the major controversies by intensifying their monitoring of the media. In addition, they focused more on analyzing daily trends in newspaper articles and broadcast coverage both at home and abroad and paid close attention to online trends by assessing content on Naver, Daum Agora, and various online news sites, among others. Further, relevant authorities under the Prime Minister conducted joint analyses of media reports.

They also collected opinions from interested parties (policy consumers) and experts and combined their opinion-gathering processes to focus on various parties such as firms, scholars, and experts through private advisory councils, debate forums, and meetings. They also improved public opinion on interested parties by engaging activities such as hosting hearings for on-site opinions (through a total of 21 district presentations in 2010), seminars, and meetings with firms. They provided a broader understanding of the KORUS FTA by engaging in various online

activities, including the promotion of government websites (e.g., [www.fta.go.kr](http://www.fta.go.kr) and [www.mofat.go.kr](http://www.mofat.go.kr)), e-People, and Naver “Jisik-In,” among others, while making efforts to accept opinions of interested parties (policy consumers) at all times and facilitating two-way communication. In addition, trade authorities faithfully gathered policy consumers’ opinions by aggressively launching public relations campaigns targeting the media, providing interviews and meetings with domestic and foreign reporters, contributing to newspapers and magazines, and distributing press releases and publicity materials. In 2011, the Trade Minister’s office hosted a total of 74 interviews and meetings on the KORUS FTA. In addition, for the Korea-E.U. FTA, it participated in a total of 27 related interviews with newspapers and broadcast networks and 9 briefings for the media and distributed 12 press releases.

**Figure 1. Trends in KORUS FTA support and opposition**



Source: Korea’s Ministry of Foreign Affairs and Trade (2012)

### 3.5 President’s Leadership

Public opinion worsened because of the spread of ideological opposition to the FTA with the U.S. and particularly to the four conditions set by the U.S. The opposition camp continued to strengthen its anti-FTA influence by using these four conditions as the core basis for its opposition. In this regard, President Moo-Hyun Roh stated during the exterior economic ministerial meeting on July 21, 2006, that “the 4 prerequisites are wasting truth controversy which is becoming an obstacle to promoting FTA and such a controversy should be ended soon” and clarified his position by stating that “I will declare such an interpretation as a presidential decision.”

Then, on August 20, 2006, he made it clear during a special news conference with the Associated Press that “the 4 prerequisites or the 4 pending issues are different only in expression, but actually they were a necessary thing for fostering the atmosphere for FTA negotiations with the U.S.” In particular, he emphasized that the screen quota was an issue that he promised and that U.S. beef imports needed to be allowed regardless of the FTA outcome.

The KORUS FTA faced many more controversies than other trade negotiations and sparked a fierce debate over its advantages and disadvantages, and therefore, without the president’s determination and provision of necessary authority to the negotiating body, its conclusion would have been unlikely. President Roh himself accurately perceived the necessity of the FTA and finally led to its conclusion by persuading or directing those ministries that held an opposing point of view. The FTA with Chile was the first one for Korea, and therefore it took a long time to conclude and involved a complex trial-and-error process. However, the president failed to make decisions on important issues, leaving them to relevant ministers. As a result, the quality of the



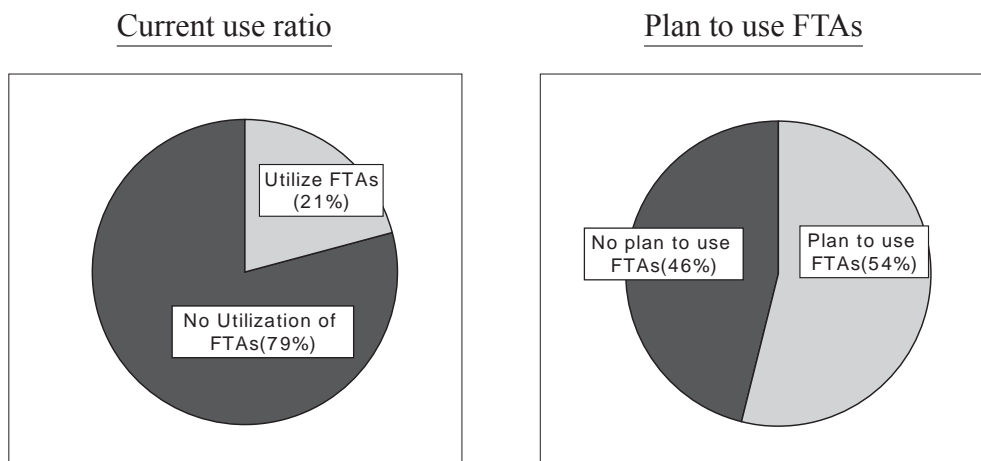
FTA was poor, and its negotiations were slow.

#### 4. Conclusion

Within a decade, Korea transformed itself from a country with few FTAs into a representative FTA country. A diverse range of factors enabled this achievement, including the development of countermeasures for affected sectors to address arguments against FTAs, the intensification of public relations campaigns targeting the public, and the president's exertion of leadership. In the process of promoting its FTAs, Korea faced huge social costs while anti-FTA organizations strengthened their ability to systematize themselves and their solidarity.

Accordingly, future FTAs are likely to be determined based on strict economic feasibility standards and require careful analyses of their impacts based on diverse factors. In particular, it is necessary for relevant authorities to determine how they would promote a given FTA by carefully incorporating the opinions of interested parties, civic organizations, and autonomous entities at the local level and making efforts to reflect these opinions even in the process of forming FTA policies and engaging in official negotiations with FTA partners.

**Figure 2. Use of Korea's FTAs**



Source: Cheong and Cho (2011).

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<sup>1</sup> Korea's early FTAs allowed narrow liberalization in agriculture. Refer to Cheong and Cho (2010) for detailed discussion.

<sup>2</sup> For more detailed information on the FTA road map, see Roh and Cheong (2005).

<sup>3</sup> The discussion on the TAA is based on Cheong (2006, 2010).

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