

S Korean police brace for more protests

Reuters

June 30, 2008

SEOUL – South Korean police said on Monday they have detained more than 100 people for violence at weekend rallies against a US beef import deal, with tensions expected to rise this week when the product returns to stores.

Analysts said the prospect of prolonged protests means further delays for President Lee Myung-bak's plans to implement pro-business reforms and will make overseas investors hesitate before putting their money into Asia's fourth-largest economy.

"I think that foreign investors will become a little more sceptical about the future of the Korean economy," said Yun Chang-hyun, a professor of finance at the University of Seoul.

South Korea and U.S trade officials said about a week ago they had reworked a beef import deal first struck in April which sparked mass street protests, caused Lee's support rate to plummet and led to a crisis for his four-month-old government.

Last week, South Korea started processing the first batch of U.S. beef to enter the country under new quarantine rules designed to allay Korean fears of mad cow disease by limiting imports to beef from younger cattle and prohibiting risky parts.

Older cattle are considered more at risk of the disease.

"U.S. beef sales will resume this week and we plan to offer it at around a 30 percent discount to promote sales," said Park Chang-kyu, head of beef importer A-Meat and a meat importers' association.

U.S. beef, banned for about three years after an outbreak of mad cow disease in the country in late 2003, returned to South Korea last year but was later banned after prohibited material was found. Australian beef has now become the main meat import.

When U.S. beef returns to South Korea for the first time in about nine months, it is expected to sell for about half the cost of similar cuts of Korean beef, even before discounts.

Quarantine checks that started last week on some 5,300 tonnes of U.S. beef frozen in storage in South Korea since October have been delayed by militant trade union members who blocked trucks leaving warehouses.

A survey published on Monday in the Chosun Ilbo newspaper said 57 percent of respondents thought it was time to end the rallies, which began in opposition to U.S. beef and later became a lightning rod for protests against President Lee.

Demonstrations at the weekend left hundreds injured as protesters smashed police buses and attacked conscripted riot policemen, who tried to turn back the crowds with clubs, shields and high pressure water cannons.

Police said they are questioning 130 protesters taken in at the weekend and also raided the offices of rally organisers at dawn on Monday.

Nine people have been formally arrested since late May for violence at the protests, police said.

Lee, who scored a landslide in a December election, has called for a crackdown on violent protests.

Analysts say he cannot implement his plans to cut corporate taxes and privatise state firms unless he can win back public support.

"The protests may force the Lee government to delay and dilute the partial privatisation of the state-owned financial institutions," Tom Byrne, senior vice president at Moody's, said in an e-mail interview last week.

Byrne said the "nationalistic mood" within South Korea may also complicate and curtail foreign participation in the domestic financial system, making it difficult for the country to reform its financial system into a competitive, regional centre.

Lee struck the beef deal to help a sweeping, bilateral free trade pact with the United States which studies said could lift the \$78 billion in annual two-way trade by \$20 billion.