

Levin Says Korea Auto Barriers Need to Be Fixed; Kirk Says Proposals Being Developed

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Daily Report for Executives™

November 2009

A day after U.S. Trade Representative Ron Kirk said USTR is developing proposals to narrow the differences over the U.S.-Korea free trade agreement so it could be presented to Congress, Rep. Sander Levin (D-Mich.), in a Nov. 6 letter to Kirk, said more needed to be done to address nontariff barriers that shut U.S. automakers out of the Korean car market.

Recent auto incentive programs in Japan and Korea demonstrate that the playing field for trade in automobiles is still not level, Levin, the House Ways and Means Trade Subcommittee chairman, said. He pointed to Korea's version of the "Cash for Clunkers" program as demonstrating how U.S. automakers remain significantly disadvantaged in the Korean market, and said that similar problems exist in the Japanese market.

"[E]specially now, given the current economic crisis, the Obama Administration must do everything it can to ensure U.S. auto exports can compete on a level playing field," Levin and other lawmakers said. "Provided that opportunity, we are confident that American automakers can succeed in these markets. We therefore urge you to take all steps necessary to open the South Korean and Japanese markets to U.S. autos."

Kirk late Nov. 5 told the U.S.-Korea Business Council that the United States is committed to working out differences and successfully concluding the U.S.-Korea free trade agreement, and USTR is developing proposals to close the gaps, including in auto trade. He also said that USTR is looking at concerns related to beef and agriculture, as well as nontariff barriers.

Discriminatory Incentives Described

Levin, in his letter, said that the Koreans had for years used a menu of rotating nontariff barriers to keep out foreign competition, and that the market share for foreign brand autos in the Korean and Japanese markets was extremely low. Because the foreign market share of cars in the Korean market is so low, domestic automakers are essentially the only car makers benefitting from the government's stimulus program.

In Japan, Levin said that 87 percent of Japanese autos are eligible for a Japanese incentive program, but only 38 percent of foreign autos and no U.S. autos are eligible for the stimulus. "For instance, while a consumer can use the incentives to purchase a Toyota Land Cruiser, a consumer cannot use them to buy a Ford Explorer. Unsurprisingly, the program's major benefactors are thus Japanese automakers," Levin said.

Japan's incentives are not available for the purchase of vehicles entering the market through the "Preferential Handling Procedure," which includes most foreign autos, including U.S. autos, Levin said.

Levin contrasted the Japanese and Korean stimulus programs with the U.S. program. "By comparison, consistent with our trade obligations, all foreign autos were potentially eligible for the U.S. Cash for Clunkers program. As such, South Korean and Japanese automakers benefitted accordingly from the initiative," Levin said.

The letter was also signed by Sens. Carl Levin (D-Mich.) and Debbie Stabenow (D-Mich.); House Ways and Means Committee Chairman Charles Rangel (D-N.Y.); Reps. John Dingell (D-Mich.), Fred Upton (R-Mich.), Vernon Ehlers (R-Mich.), Dale Kildee (D-Mich.), Thaddeus McCotter (R-Mich.), Gary Peters (D-Mich.), Betty Sutton (D-Ohio), and Candice Miller (R-Mich.).

USTR Committed to Korea FTA

In the letter, Levin urged Kirk to consider a March 2, 2007, auto caucus proposal.

Kirk said that President Obama had charged USTR with reviewing the pending free trade agreements to find a way forward. The speech was the first time Kirk had directly addressed the pending Korea FTA since beginning a broad-based review of U.S. trade policy. He said that it was a legitimate question to ask why the administration had not already ratified the U.S.-Korea FTA, given the strategic and economic importance of the agreement.

The administration needs the broadest possible political support for the agreement, Kirk said.

USTR is developing proposals to address auto trade concerns, he said. "America's market is completely open to Korean autos. All we are asking for the same for America's automotive industry, to be able to compete on a level playing field in the Korean market," Kirk said.

The administration will consult closely with lawmakers and U.S. stakeholders to ensure there is political backing domestically for its proposals, he said

"It is precisely because our political and economic relationship is so important, we will take whatever time is necessary to get this right, so we can get the broadest possible political support to move forward," Kirk told the council, whose members are some of the strongest proponents for passage of the agreement.

Obama and Korean President Myung-bak Lee have already discussed the potential of the agreement, Kirk said, noting that Obama and Lee would discuss the agreement again when Obama travels to Asia in mid-November. For his part, Kirk has met with Korea's trade minister five times in the past seven months, and will meet him again in Asia.

Election Promises to American People

Kirk said that USTR's review of the Korea FTA, and the other pending FTAs, was about keeping President Obama's election promise to the American people that U.S. trade policies work for U.S. families and workers, as well as American businesses. As important as it is to strengthen

relationships with U.S. trading partners, trade needs to be done in a manner in concert with American values, and in a way fair to all American workers and families, Kirk said.

“President Obama and I are very much concerned that it's time to pay attention to those who have been critical or may not be the strong believers of our trade policy, and it's time to take their concerns and considerations into account,” Kirk said.

For too long a time, the Korean playing field in trade was far from level, he said. “And we're still dealing with the legacy of Korea's long closed market, especially with respect to the automotive sector,” Kirk said.

House Democratic leaders, in a joint statement issued in June 2007 shortly before the Korea FTA was signed, said they could not support it. The statement faulted the FTA for not addressing nontariff barriers effectively, especially in the auto sector where South Korea exported over 700,000 cars to the United States, and the United States exported less than 5,000. “These numbers illustrate deep-seated and fundamental problems in market access and a heavily one-sided trading relationship that can be expected only to undercut support for the agreement far beyond the automotive sector,” the members said.

Following Kirk's remarks, William Rhodes, chairman of the U.S.-Korea Business Council, said that he believed that Kirk's heart was in right place. However, he feared delays in the passage of the U.S.-Korea FTA, saying 350,000 jobs in the United States could be lost if a recently signed Korea FTA with the European Union was implemented before the U.S.-Korea FTA.

The U.S. Chamber of Commerce Nov. 6 released a report that found the United States could suffer a net loss of nearly 350,000 jobs, \$35 billion in export sales, and \$40 billion in gross domestic product if it fails to implement its pending trade agreement with Korea while the European Union moves ahead with its own agreement with Korea.

“If we delay, American workers and farmers will be put at a competitive disadvantage in Korea,” Myron Brilliant, U.S. Chamber of Commerce senior adviser for international affairs, said. “U.S. manufacturers and service providers will be undercut in the Korean market, and we'll feel the job losses at home.”