

Korean Ambassador Says Still No Definite Agenda For Bilateral FTA Talks

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South Korean Ambassador Han Duk-soo yesterday (Sept. 30) said that while top U.S. and South Korean trade officials last week discussed the bilateral free trade agreement, the two sides have not yet agreed on a specific agenda for negotiations on issues that must be solved for the FTA to advance.

"We do not have any kind of a definite agenda yet on the table," Han told reporters after speaking at a Sept. 30 event organized by the New Democratic Leadership Council.

One of the major unanswered questions is the extent to which the two sides will discuss issues other than market access for U.S. automobiles and beef. Han said South Korea is ready to discuss these two issues, but declined to say whether his country would also be willing to address other issues.

Some U.S. stakeholders and members of Congress have urged the U.S. to seek broader changes to the U.S.-Korea FTA in areas including textile and investment provisions. During a high-level White House meeting on Sept. 17, U.S. officials discussed whether broader changes than on autos and beef are needed in order for the Obama administration to claim ownership of the FTA (Inside U.S. Trade, Sept. 24).

Despite the lack of specifics, Han expressed confidence that the U.S. and South Korea can adhere to the timeline set by President Obama to resolve outstanding issues related to the FTA by mid-November. He declined to say when trade ministers from the two countries would meet to begin talks on these unresolved issues.

According to the Office of the U.S. Trade Representative, U.S. and South Korean officials met on Sept. 23 on the sidelines of a meeting of the Asia-Pacific Economic Cooperation (APEC) forum and "exchanged views on the timing and venue of an upcoming Ministerial-level meeting on the trade agreement."

However, the two sides will need to conduct further consultations to decide on the precise timing and venue of that meeting, according to the USTR statement. During the meeting, Assistant USTR Wendy Cutler and Korea's deputy trade minister, Choi Seok-young, also discussed the "overall state of play on the agreement in each country," including the views of their respective stakeholders, the statement says.

Han stressed that South Korea wants talks taking place prior to Obama's trip to have a "lower profile," adding that there is "no clear timetable of meetings that can be made public." He noted that USTR Ron Kirk and South Korean Trade Minister Kim Jong-hoon had already exchanged "broad opinions" by phone, prior to the meeting in Japan last week.

After the event, Han was asked whether South Korea is concerned about how anti-international rhetoric among Tea Party groups might affect the passage of the FTA despite the view by some that

Republican gains in the November midterm elections would make it easier for Congress to pass the FTA.

"We are not very much worried about that," Han responded, adding that he was confident that the FTA would find bipartisan support in Congress after a mutually acceptable solution on the outstanding issues is reached. "I think the members of Congress will be quite sensitive to the national interest of United States and Korea in terms of their economic benefits, but also the geopolitical and the strategic implications this agreement has," he said.

Rep. Henry Cuellar (D-TX), who appeared at the event along with Rep. Adam Smith (D-WA), said he was confident the Korea FTA will ultimately be approved by Congress. "I believe if you put this agreement on the floor, it will pass," he said.

During his remarks, Han said objections to the beef and auto provisions of the agreement were based on "a lack of clear understanding" of the agreement, and he subsequently sought to downplay the negative impact the FTA would have on the U.S. auto and beef industries.

He said the issue of getting South Korea to remove its restrictions on imports of beef from U.S. cattle older than 30 months is "not so life and death" for the the U.S. beef industry because the industry is more concerned about securing the removal of Korea's 40 percent tariff on imported beef through the FTA's passage.

However, he noted that the removal of this restriction, which is in place due to concerns over the presence of bovine spongiform encephalopathy (BSE) in the U.S. herd, is important to members of Congress.

On autos, Han rejected the argument that South Korea's auto sector policies contribute to the U.S. trade deficit. Such an argument was made on Sept. 29 by Ways and Means Committee Chairman Sander Levin (D-MI). Levin said there is an imbalance because the U.S. imports far more from Korea than Korea imports from the U.S. He likened this trade imbalance to the "currency" imbalance with China, referring to the U.S. government view that China keeps the exchange rate of its currency at artificially low levels.

Han said in the first six months of 2010, the U.S. trade deficit with South Korea was low at \$400 million, compared with the \$56 billion trading volume between the two countries. He contrasted this with higher U.S. trade deficits with China and Germany.

He also argued that the U.S. share of South Korean auto sector had been low in the past because South Korean consumers have preferred smaller engine vehicles, while 94 percent of U.S. auto exports in 2009 were large engine vehicles.

However, he said U.S. market share had increased since 2000, and cited as an encouraging development that Ford's 2010 sales in South Korea are predicted to double from 2009 levels because of the success of its Taurus model.

Han said he had spent the last six months promoting the FTA around the U.S. and that he had heard concerns from U.S. businesses that they would be left behind if the FTA is not approved because South Korea is moving forward on other trade agreements.

Specifically, the European Union-South Korea FTA is scheduled to be signed on Oct. 6 and to be provisionally implemented in July 2011 when 99 percent of tariff benefits will be in place.

Han noted that California wine makers are concerned that if the U.S.-Korea FTA is not implemented before the EU-Korea deal, the U.S. would be the only major wine maker paying tariffs to export to Korea, since Korea already has a free trade agreement in effect with Chile.

However, Han said he was hopeful the U.S.-Korea FTA would be implemented before the EU-Korea deal is implemented. - Matthew Schewel