The Honorable Sander M. Levin, Chairman, Subcommittee on Trade

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Levin Statement on U.S.-South Korea Free Trade Agreement

Problems with FTA much Broader than Beef

WASHINGTON, D.C. – Ways and Means Trade Subcommittee Chairman Sander M. Levin (D-MI) issued the following statement regarding the news that the U.S. and South Korea have reached a tentative understanding on access of U.S. beef in the Korean market:

"A last minute, unenforceable, untested, agreement on beef is not enough to satisfy Congress. The problem with this FTA has always been broader than beef -- it is the agreement's basic acquiescence to Korea's one-way street in manufacturing trade that is also unacceptable.

"We can't accept a model of trade that fails to stand up for U.S. businesses in the area that now represents 87% of our trade deficit with South Korea," said Rep. Sander Levin. "The FTA as negotiated will simply lock in a structure of one-way trade between the two industrialized nations and allow the Korean auto industry to continue an export driven strategy using the profits from their protected home market to fund R & D and broader incursions into the US and other major markets.

"The current FTA as negotiated is a missed opportunity for U.S. businesses and workers," said Rep. Sander Levin. "As we have made clear all along, there is a way to address the major imbalances and barriers in trade between our two countries, but the Administration has failed to do so in this Agreement."

Background

The Beef Protocol

· It was widely understood that Korea would reopen its market before the U.S. Congress would be asked to consider the Korea free trade agreement (FTA). However, the protocol announced today fails to ensure that the Korean beef market will remain open in the future. If Korea violates the protocol, the most serious consequence will be "consultations" between the United States and Korea, rather than an enforcement mechanism. And there is no consequence if Korea decides to terminate the protocol altogether.

Korea's Closed Automotive Market

· The facts tell the real story. Korea is the fifth largest producer, and the ninth largest consumer automotive market in the world. We now have an $11 billion deficit in automotive trade which is 87% of the total deficit between our two countries. In 2006, Korea sold 700,000 vehicles in the U.S.; the U.S. sold only 4,556 in Korea.

· It is important when evaluating this level of import penetration, to look at the figures for other nations. The average level of automotive imports in the 30 OECD countries is over 40%. Korea's auto import rate of 3.6% puts it at 30th out of 30, or the bottom of all OECD countries.

· The FTA fails to address the extensive use of discriminatory tax structures and non-tariff barriers used by Korea to keep its auto market closed. We also know through experience – two previous Korean formal automotive trade agreements that the United States called the 1995 and 1998 “Memorandums of Understanding” (MOUs) – that it is very difficult to move the Koreans to end these non-tariff barriers to U.S. exports.

· By giving away the 2.5% auto tariff and negotiating down the 25% pick-up truck tariff without linking it to concrete results in assuring the end of Korea’s unfair non-tariff barrier structure, USTR has locked in the status quo and worse in Korea. Korean automakers win $217 million in auto tariff reductions from the FTA while tariff reductions for U.S. automakers amount to just $12 million.

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