

Ford and South Korea dig in heels over trade deal

By Doug Palmer

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WASHINGTON - South Korea has no intention of renegotiating a free trade deal with the United States to address U.S. auto industry complaints about the pact, a South Korean official said on Wednesday.

"This is a good agreement for the U.S. and for Korea. Korea could not give any further concession on automobiles. There's no intention to change this agreement at all," said Seok-young Choi, economic affairs minister at the South Korean embassy.

Choi spoke with reporters after a senior official at Ford Motor Co warned of a fight in the U.S. Congress that could damage the entire free trade agenda unless the pact is renegotiated to address an "ever-changing pattern" of South Korean barriers to keep out auto imports.

"Korea is the most closed automotive market in the world among major developed nations, period. It is number 30 of the 30 top auto markets among the developed countries," Stephen Biegun, Ford's vice president for international governmental affairs, said during a panel discussion on the pact.

Ford has emerged as the biggest industry opponent of the free trade agreement, which the White House wants Congress to approve. Although General Motors has taken a neutral position on the pact, top Democrats such as House of Representatives Speaker Nancy Pelosi of California and leading presidential candidate Sen. Hillary Clinton of New York also have demanded changes in the deal's auto terms.

Biegun complained the agreement does little to improve the huge imbalance in U.S. automotive trade with South Korea, although the Bush administration says the pact includes unprecedented terms to pry open that market.

KEEP OUT FOREIGN CARS

While the United States imports about 700,000 cars from South Korea each year, it only exported 4,000 cars to that country last year. The main reasons are discriminatory taxes and regulations meant to keep out foreign cars, Biegun said.

The agreement does address some current "non-tariff barriers" but South Koreans have been inventive in finding new ways to keep out auto imports, Biegun said.

The pact undermines U.S. ability to prevent Seoul from imposing new regulatory barriers by immediately removing remaining U.S. tariffs instead of gradually phasing them out,

Biegun said. A special auto dispute settlement mechanism hailed by the White House is too weak to be effective, he said.

Choi called Biegun's concern "totally unreasonable" and said the U.S. auto industry was blaming South Korea for its own chronic problems. "The U.S. auto industry has little interest in penetrating the Korean market," as shown by its disregard for Korean consumer preferences, he said.

"The U.S. government should do something for the U.S. auto industry, but why should Korea?" Choi said.

Myron Brilliant, president of the U.S.-Korea Business Council, said it would be a "huge mistake" for the United States to renegotiate the trade pact, but there may be other ways of addressing Ford's concerns.

Brilliant predicted Congress would approve the agreement because the overall economic and geopolitical benefits make it "too big to fail." There's a short window for Congress to vote in March through June before the U.S. presidential election campaign delays action until at least 2009, Brilliant said.

South Korea's legislature could vote before December on the pact or possibly early next year, Choi said.