

**Remarks by U.S. Trade Representative Rob Portman
And
Republic of Korea Trade Minister Hyun-chong Kim
Launch of U.S.-Korea Free Trade Agreement
Mansfield Room, US Capitol
February 2, 2006
Washington, DC**

Ambassador Portman: First of all, thanks for the great turnout today. It's wonderful to see so many supporters for the launch of this agreement - from the business community and from the Hill. I'm sure this is a very exciting day for U.S. - Korean relations. It's a great day for U.S. trade policy.

It is my great pleasure to stand before you with the Republic of Korea's Trade Minister Kim, who will speak in a moment, and we are here to announce that our two countries are launching official and formal negotiations for a free trade agreement.

For more than 50 years, our two countries have stood side by side in war and peace. And President Bush's statement today put it so well. He said, "The United States and the Republic of Korea have a strong alliance and are bound together by common values and a deep desire to expand freedom, peace, and prosperity throughout Asia and the world." He's right. A successful negotiation and a comprehensive trade agreement will deepen our economic relationship and indeed will enhance the peace and security of the people in both of our countries.

The strong bipartisan support of this launch, and that includes the Members of Congress who will be joining us shortly, indicates the benefits of this agreement. We will see a lot of members of the business community with us here today, and I appreciate you being here, because this is a very significant commercial agreement that will create economic opportunities across the board for American workers, farmers, service providers and businesses.

On a personal note, this is the first launch of free trade agreement since I became U.S. Trade Representative about nine months ago and I can think of no country better to mark this milestone with than the Republic of Korea.

This will be our most commercially significant free trade negotiation launched in over 15 years. Korea is the world's 10th largest economy now with an annual GDP approaching \$1 trillion.

Its 49 million people enjoy a high standard of living and its economy has averaged a growth rate of nearly five percent per year for the past ten years.

South Korea is already our seventh largest trading partner with two-way trade amounting to about \$70 billion per year. U.S. exports to Korea run about 53 percent over the ten years since the WTO was established. Our exports in services have nearly doubled over the period.

This agreement will help level the playing field by bringing down tariffs to both countries. We have some information for you showing the current tariffs in the United States and Korea. And you can see for American exporters, there are distinct advantages here. It will also tackle so-called non-tariff issues such as regulatory standards, customs procedures and others which can complicate the ability to compete in foreign markets.

This will mean new opportunities for American workers, farmers, businesses, as I said earlier. Trade liberalization is truly an engine of economic growth. And it is truly an opportunity for these two growing dynamic economies, the United States and the Republic of Korea, to join together in a partnership of mutual benefit.

Several recent academic studies, some of which you have, will indicate this agreement will boost the incomes of both countries by several billions of dollars. This is truly a win-win proposition.

The second reason I'm so excited about this agreement is that it marks another critical step in U.S. engagement in Asia – the most dynamic and fastest-growing region in the world.

From our trade agreement with Singapore to a possible new agreement with Thailand and to our new Trade Policy Forum with India to trade and investment TIFA agreements with several nations, what we're doing with Malaysia, the U.S. is working very hard, and USTR is working very hard, to develop robust trade relationships in Asia.

We also continue to work closely with China as it has emerged as an economic powerhouse. We've also supported, as you know, the bids of Vietnam, Laos and Cambodia to join the WTO and bring them into the rules based system, and this is good for trade. And of course, trade liberalizations of APEC countries, led most recently by Korea, are very important to the United States and we look to active members of APEC to strengthen our economic relationships in the region. And finally our economic relationship with Japan is growing and deepening.

I am particularly pleased to be launching this free trade agreement discussion with a country that shares our strong belief in democracy and freedom. Korea today is an important partner and a leader in promoting those values not just in Asia but throughout the world.

Indeed, one need only look at the example of North Korea to see how belief in free markets and personal freedom are linked together.

As is so often the case, the biggest rewards require the most work and getting an agreement before Congress by the spring of next year will not be easy. We have some tough work ahead of us. No doubt, this will be a large and complicated undertaking.

We'll also be working against the clock because as many of you know trade promotion authority expires in mid 2007.

But I must say I've been very encouraged by the strides we've already made. In the past six to eight months, we've had a very intensive consultation period with the Republic of Korea. We've worked very closely on a number of trade issues to prepare ourselves for this day. And I'm happy to tell you today that we have in fact resolved a series of issues from strengthening

intellectual property rights protections to resolving a series of standards issues regarding the auto sector, addressing some key market access issues in pharmaceuticals and other issues. As you know, in just the past few weeks, South Korea has agreed to allow more U.S. films, more screen time in Korean cinemas, and taking important steps to open its market to U.S. beef exports.

I'm also encouraged by the support of this effort by members of Congress as I said earlier. I've heard from members of Congress who have urged us to move forward with these free trade talks and this urging has been bipartisan on both sides of the Capitol. You can also be sure that Congress will be an extremely important partner as we work through the many issues we still have on the table and to shape an agreement that will attract broad bipartisan support. I'm hopeful this will be an opportunity to make a unified statement on behalf of America as Republicans and Democrats alike in the belief in the benefits of opening markets and further engagement with the world.

We live in historic times economically and few countries better represent the promise of open markets, democracy and economic reform more than South Korea. Our countries have been allies for more than a half century. With this agreement, we can cement that friendship and create new opportunities for prosperity and peace for the people of both of our countries.

I'm now very pleased to be able to introduce my colleague who has distinguished himself in international circles and also in his own country with his determined leadership. Please welcome the Republic of Korea Trade Minister Hyun-chong Kim.

Minister Kim: Thank you, Rob, for those generous statements. Ladies and Gentlemen, distinguished Members of the Congress, and friends, I am very delighted to be here today to be able to announce the official launch of the bilateral free trade agreement between the two great nations of the Republic of Korea and the United States.

I was just the other day reading the State of the Union Address by President Bush. He referred to Staff Sergeant Dan Crane's sacrifice while fighting in Iraq, protecting that which was worth protecting.

As you know, Korea is also in Iraq. We are there with the third largest contingent of 3,000-plus troops. I think this is a testament to the enduring alliance that's existed in the last five decades. Today we'll be launching, the official launching of the bilateral free trade agreement between our two countries. This relationship will be taken to the next tier, to the next level.

I believe this is the most important event since the signing of the military alliance in 1953.

Back in the 1950s our per capita income was approximately 50 English dollars, and today we stand at 14,160 U.S. dollars, we're expected to hit US\$20,000 per capita income by the end of this year.

We have gotten to this point through trading ourselves out of poverty. We have taken steps to reform and to liberalize. For us, 70 percent of the GDP is dependent upon trade. It was very important that there was a nimble multilateral trading system.

Also the choice was very clear to us. We either reform and liberalize and become a developed country or we emulate North Korea, the Cuban model. We chose the former and that's where we are. Of course in that process we're the only country that moved from developing country to somewhat of a developed country when we made a transition from military dictatorship to democracy.

As part of the economic growth we really focused on projects. We built bridges, roads, we built factories and villages. In the 21st Century we are focusing on a different infrastructure and it's an invisible one. It's an invisible infrastructure named the Free Trade Agreement, and Korea has taken on an ambitious bilateral free trade program. We have currently finished numerous bilateral free trade agreements with various countries including ASEAN and Chile. We are currently negotiating with Canada, and obviously today with the United States.

My President, President Roh Moo-Hyun, in his New Year Address addressed the issue of polarization - the widening gap between the rich and the poor. I am personally of the view that this bilateral FTA between Korea and the United States will also be able to address that issue.

We must never forget that bilateral free trade negotiations, free trade agreements are there to benefit the consumers. According to our study, our GDP is supposed to increase by some \$13.5 billion, and for an individual, that translates into approximately \$290. For a family of four, that's \$1,200 per year. So this obviously will have numerous benefits for our consumers.

It is true that our largest trading partner today with Korea is the country to the west of us. That's China. I think we're probably the only country that refers to China as a western nation. [Laughter]. But yes, we currently have a trade surplus of US\$100 million per day with the Chinese. Our 14,000 corporations have invested some \$26 billion into China to be able to provide numerous benefits. But having said that, I think I'd like to emphasize that the United States is our most important partner. We cannot take an FTA in clinical isolation from the rest of the area. As my good friend Rob Portman has just stated, there is a geopolitical element also. We will not forget the importance of our alliance with the United States.

All free trade agreements, whether it be multilateral or bilateral will have various consequences. There will be certain sectors that make gains, huge gains perhaps, and then again there are those that will be adversely affected. We have not forgotten those that will be adversely affected. In our case, quite simply put, it's the agriculture sector. But we will be spending US\$119 billion over the next ten years to assist our farmers to make that adjustment, to become more competitive, and we will also be producing additional packages to assist them.

When I first floated this idea of a bilateral free trade agreement with the United States there were a lot of skeptics, including my staff, who said it was perhaps rather a crazy idea. But I would like to add that all good ideas started as crazy ideas. And as my counterpart Rob Portman has said, there's a lot of work ahead. We need to finish this very quickly. There will be some bumpy times but I think given that we have a good working chemistry we should be able to overcome any obstacles and this is something that we intend to finish to the end.

Thank you.

Ambassador Portman: Minister Kim, thank you very much. We have a good working relationship and an intensive set of negotiations already over the last six or eight months which gives us the confidence that we can move forward successfully together.

There are a number of Members of Congress here. I'm going to make a comment that the House Democrats currently are at a retreat, but five Democrat House Members issued statements today in support of the launch and others have written me encouraging the launch. So I want you to know the fact that House Democrats may not be present here indicates that they are somewhere in Virginia in a retreat, rather than not being supportive of the launch. But I would note that [inaudible] join us here to speak about the launch.

* * * * *

Ambassador Portman: We may have some other of my former colleagues showing up. In that case we'll certainly give them the floor. But at this time I'd like to open it up to questions for Minister Kim and for myself.

Question: I had a question for Minister Kim. These negotiations formally won't start for another 90 days. Do you expect your country to open the remainder of the beef market before that time? Or will the access for American beef become a negotiating issue for the FTA?

Minister Kim: Did you ever see that Burger King commercial where it says where's the beef? I guess that's your question. [Laughter]. Well, we're a member of the WTO and we comply with the, more specifically [inaudible] of the SPS agreement which states that basically in our SPS standards, we have to conform to the international standards, so that's what we talk about [inaudible]. We have done that. We have basically said we are going to be pursuant to the OIE standards. We have decided to commence the reimportation of beef of 30 months or less boneless and removing specified risk materials. We will keep to that position.

Question: The after-market is this boned, beef on bone [inaudible]?

Minister Kim: You're talking about the spare ribs I believe. I don't agree with the notion that you cannot sell a spare rib without beef, in my opinion.

Question: Ambassador Portman, you mentioned some progress between the two countries leading up to this announcement on issues like autos, I think is what you specifically mentioned, auto standards. Can you talk a little more about what progress was made in that area and where the two countries -- We know about beef and screen quotas, have there been other areas where differences have been narrowed or eliminated?

Ambassador Portman: As I said earlier, one of the reasons I'm optimistic about our ability to get to a good result is that we've had a very successful six to eight months of intense discussions over a broad range of issues. We did this because both Minister Kim and I were determined that we would not launch these trade talks unless we thought there was a very good prospect of getting to yes.

He said earlier that some of his staff were skeptical when he first raised the issue, and when he first came to me, frankly, we weren't sure that it was going to prove to be a successful exercise unless we could work through some of these differences and begin to narrow them. So in a number of areas we have, I mentioned intellectual property earlier, and the copyright law as an example. I mentioned autos, the auto emission issue. We were able to address the issue in a positive way. I mentioned the screen quota. This is something that has been in place for 40 years. It's been a perennial concern in the United States. We have made some progress there. The beef issue has just been discussed. As evidenced by the question on beef, we still have some issues and we expect, as we do in every one of our negotiations for a free trade agreement to continue to discuss those issues intently, to continue that negotiation.

The reality is we have found partners in good faith who are willing to make tough decisions and are willing to make what are sometimes politically difficult decisions in order to reach clear benefits to both parties of this agreement.

Question: [inaudible]

Minister Kim: Korea doesn't produce sugar. [Laughter]. Let me just say that we have not commenced negotiations. We have looked at some of these hard issues. I don't know a single free trade agreement whereby there are no exceptions, or a staged implementation period. So these are all issues that we will have to be making some very tough choices and tough decisions. But having said that, again, I would like to emphasize that we stand ready to make these tough decisions. They can be difficult. Nevertheless, they obviously affect industries and we intend to obviously address them. We will come up with our adjustment programs and develop initiatives [inaudible].

Question: Ambassador Portman, I heard that you have another FTA negotiation with another Asian countries, namely Malaysia. If that's the case, then do you have the ability to concentrate on U.S./Korea FTA and [inaudible]?

Ambassador Portman: The question was since we have an aggressive agenda out there and we mentioned the possibility of launching free trade discussions with Malaysia, will we have the time and the resources to devote to this agreement? The answer is absolutely. As been said by so many people in so many different ways, there are such clear benefits to this agreement. Some of the economic analysis that you have in front of you, but the bottom line is it's a win/win for both countries. It's an opportunity for us not only to have significant commercial gains but also to deepen our economic relationship while deepening our political relationship.

I mentioned earlier the importance of our presence in Asia as well. There I think is an opportunity for the United States to become even more engaged. As China, as Minister Kim has said, gained a bigger presence in the Korean market, the United States has had a smaller presence in the Korean market. My own personal view is it would be good to reverse that. Let the United States have a more prominent position not just in that market but in other markets in Asia. So this agreement is that important and we will be sure we have the resources to devote to it.

There's another issue which you didn't raise and I will, which is the WTO. Minister Kim addressed it earlier. To me there is no inconsistency between a free trade agreement with South

Korea and moving ahead with a very aggressive result in the Doha Round of the WTO negotiations. In fact in my view they are complementary. This has been our experience whether it's in Central America or whether it's with some of our trading partners in the Middle East. Where we have a free trade agreement, we find we have not only the ability to have a better relationship on the multilateral issues, but frankly because our free trade agreements are comprehensive, per your question on agriculture, which Minister Kim is fully aware of, and his are comprehensive too, by the way, and because they are demanding, it's relatively easy on the global stage, the multilateral talks to find some solutions.

So we think it's not only possible for us to work on different free trade agreements at the same time, but also to continue our efforts on the WTO front and we think those can be complementary.

Question: Could you tell me how do you see possibility of FTA with other East Asian countries, in particular with Japan?

Ambassador Portman: We have no discussions with Japan about a free trade agreement at this time. I mentioned earlier we have deepened our economic relationship with Japan in significant ways. We do work closely with Japan in the WTO context, with the Doha Round, and we're always eager to expand our economic ties there. They are strong allies and we have, as you know, a very healthy economic trading relationship.

With regard to other countries, we are working on a free trade agreement with Thailand. We continue to look at Malaysia as a potential partner. We have not made a decision there yet. We continue to work closely with the countries of Vietnam, Cambodia, and Laos with their interest in accession to the WTO. Vietnam, as you know, would be subject to a Jackson-Vanik waiver here in the U.S. Congress so this is one that will involve a politically tough but important debate here in the Congress.

So we have a new engagement with Asia and with the launch of this agreement today, we have begun a more intense trade relationship with the important economies, with the fastest growing, most dynamic region in the world.

Question: Forgive the repetition of the question. I couldn't quite hear how exactly he phrased it but I want to phrase mine as precisely as possible. Is there any understanding that the two of you have agreed to that you feel you have reached a disagreement, if and when it's finalized you will be less rigorous on the agriculture issue than previous U.S. free trade agreements?

Ambassador Portman: No.

Question: Mr. Minister? I'm sorry, my question had several double negatives in it. [Laughter]. I was wondering if there are any, if you feel that it's your understanding that this agreement will be any less rigorous on the agriculture issue than any previous U.S. free trade agreements, that the U.S.

Ambassador Portman: -- It's a little different question. [Laughter]. You said is there any understanding between us, and there is none.

Question: Sorry, let me rephrase. [Laughter]. [inaudible] will be less rigorous than the previous free trade agreements on the agriculture ..?

Minister Kim: I don't think so. I know there are several models that have been pointed out by my friend Rob Portman, and the one that I'm thinking about was the one between the U.S. and Bahrain whereby they signed up after two meetings. But of course ours may be longer. [Laughter].

Ambassador Portman: The U.S./Bahrain free trade agreement took two meetings of the negotiating team, and I would suggest that might be a good model for us, but ours might take a little longer. We have some more complex issues to address.

The understanding is it will be a comprehensive trade agreement, and as always there will be a balance between various sectors, the servicing sector, manufacturing sector, agriculture, investment issues, IPR issues, but we're just not at that point yet. We do know that we have a good platform on which to negotiate and that is the confidence building that came from the last six to eight months, and a feeling of trust and respect between the negotiating parties.

So we are already beginning the process of consulting with Congress informally. Tomorrow we will send an official notice to Congress beginning the 90 day period of consultation. And assuming the consultation goes well, which I believe it will, we will then immediately launch into intensive negotiations and we'll be prepared for that with the hopes of completing our work within the year. Again, I'm optimistic with the political will that I see on the Korean side and I see on our side that we can achieve that goal.

Minister Kim: As you know there will be about 21 or 22 chapters in the text where issues such as competition, investment, intellectual property rights, and obviously agriculture, industrial goods and other various issues that cover a comprehensive free trade agreement between two parties. And Rob Portman has pointed out that we will achieve a good balance. It will be highly liberalizing, highly comprehensive because, after all, it's supposed to benefit our consumers and that's what I'm going after. We're talking about, now that we'll be hitting \$20,000 per capita income towards the end of the year we should set a stage and the foundation, establish a foundation, to go forward to \$30,000, and we will be headed in that direction.

If I may also add in this regard, I know that the reporters asked whether we would be able to stay focused with doing an FTA with the United States while doing simultaneously with others. Well, we will stay focused. We will be at the same time pursuing other FTA negotiations. As I told you, we have currently held four or five negotiation rounds with Canada. We have held one round of negotiations with Mexico. We will probably commence with India in about a month or two. We expect to finish FTAs with 10 ASEAN countries. But I would have to emphasize that the negotiations with the United States is a priority for us.

Question: Did you say you hope to have the FTA done by the end of this year? Or within the next 12 months? And then everyone's commenting on how this will be a challenge. Do you have a work programming plan for how you'll meet this goal? Will you be meeting, once the full-up

negotiations begin will there be meetings on a monthly basis, every two weeks? And how do you get at the non-trade barriers, too? [Laughter].

Ambassador Portman: Let me answer the question about the work plan by saying it will be a very aggressive work plan. Wendy is our Assistant U.S. Trade Representative for the region and she has already begun the process of organizing from the USTR point of view. It will require significant resources. Thanks to the U.S. Congress we have some resources this year to devote to these kinds of important free trade agreement.

In terms of timing, I said I'd like to have it completed within the year. I was trying to be as ambiguous as I could be. [Laughter]. Your question talking about 11 months or 12 months or 13 months. I think it's, practically speaking it's important that it be done by the end of 2006. Why? Because I do think we need a few months to make sure it's well scrubbed, taking it up to Congress by March 30th is really our requirement because there's a 90 day period prior to the ability to move through the congressional process. So as a practical matter we would like to complete these negotiations by the end of the year.

Non-tariff barriers. We'll deal with them the same way we have dealt with them in other FTAs and the same way we deal with tariff barriers. Some of these are regulatory issues, some of them are issues that we've already had discussion of in the context of your IPR or I mentioned the auto issues, the pharmaceutical issues. So we will be providing the best information that we have as to why it's a barrier, and I have found again the Koreans are negotiating on all these issues in very good faith.

You heard Minister Kim talking about the OIE standards and the specific references within the WTO agreement regarding sanitary and phytosanitary issues. As you can tell he's an expert on trade and actually worked in the trade area for some time, a former Vice Minister. So we have a pretty good working relationship on these issues and we'll work through them and work [inaudible] the other issues.

Question: Ambassador Portman, [inaudible] from Agence France Press. Do you see these FTAs as a significant way for the United States to penetrate the Chinese market?

And to Minister Kim, how much steps would the South Korea government in terms of facing some groups in the farm sector which seem to be opposed to the FTA? [Laughter].

Minister Kim: I think in any free trade agreement trade agreement there's always an opposition because [inaudible]. And again, as I stated in my previous response, [inaudible]. We have not commenced negotiations. We have not established any principles. We have looked at some of these issues in a very, very hard way.

We have about 3.5 million farmers, that's 7.5 percent of the Korean population. Sixty percent of them are over the age of 60 and so when you take those facts together you basically realize what you have to do. That's why we will be spending \$ billion dollars in a support program as well as other programs that my colleague, the Ag Minister, is currently scrutinizing.

So we will continue towards, well, we'll try to increase our competitiveness and try to finish this FTA [inaudible] in one year's time. We will be addressing the sensitive agriculture sector so proper adjustments can be made. But no, we have not come to any agreements or understanding as to what we will do in that sector.

Ambassador Portman: The question about China, just a comment to repeat what I said earlier. We do think it's very important that the U.S. have a presence in the Asian area that reflects the dynamism and the economic success of the region. The United States will not be left behind. That was the point I was making about us being sure that we had a major presence in these markets. That includes South Korea which is one of the growing dynamic markets where U.S. presence is strong. We'd like it to be stronger. In terms of penetration to the China market, I'm not sure that's how we look at it, but we certainly look at it in terms of having an important balance in the Asia Pacific area.

I'm told that this room, we only have it for a few more minutes so we'll take a couple more questions.

Question: Minister Kim, a lot of these questions are obviously going round and round in agriculture. For those of us who were in Hong Kong, the idea of Korean farmers is something that doesn't necessarily make you think of a group that supports free trade. Do you think you're going to be able to pull off this kind of market opening with a bunch of farmers who would have resisted it in WTO and it doesn't seem like they'd want to go further in a trade agreement.

Minister Kim: How much time did you say we had? [Laughter].

Ambassador Portman: Ding. [Laughter].

Minister Kim: Well, there's always reticence, undoubtedly. Let's not beat around the bush about that. But then again, 70 percent of our GDP is dependent on trade. We have to trade ourselves out. For instance, Japan is a huge domestic market and they're spending on foreign trade up to 25%. So we have no choice. We have continued to reform and liberalize. Reforms without benefit of liberalization cannot be done overnight. So this is something that we have done since the 1997-1998 financial crisis, and we have continued to restructure. We are keenly cognizant of the importance of keeping competitive.

Agriculture has been difficult in this obviously because there's a [inaudible] multi-functionality. There are multiple interests involved here. For us, food security is real. It's after all back in the 1950s when there was a Korean war and people starved to death because there was no food. And there is North Korea to the north of us. The concept of food security is real, and this is something that we have to take into account so therefore it affects our national psyche when we say we refer to staples such as rice, for instance.

Having said that, though, we continue to make headways. We will continue to convince our farmers that they will have to find some niche markets. Also, instead of being defensive about it, we will also have to think offensively. Will there be products, agriculture products that we can export to the United States? For instance, California oranges which are three or four times more expensive than the local grown ones in China, for instance, they sell well. So there must be

certain products of ours, agriculture products, which we should be able to sell to the United States and we will continue to persuade our farmers to take a close look at these type of products.

Question: Ambassador Portman, as you know, South Korea did industrial zone in Kaesong N. Korean area. Will you accept [inaudible]?

Minister Kim: The answer is yes. [Laughter].

Ambassador Portman: The free trade agreement we are in the process now of launching and soon we'll negotiate between the Republic of Korea and the United States. And as is the case with all of our free trade agreements, it will relate to those products. So there will be products that are originating in the Republic of Korea.

Your question seems to be will we accept products from another country through Korea and the answer to that would be, that would not be consistent with our free trade agreements so I'd have to answer it that way.

It's not an issue we have frankly begun discussion about, but it will be an agreement between the Republic of Korea and the United States.

I want to thank so many people for coming. I see a number of members of the business community who have spent a lot of time on this already and understand that there are benefits from the U.S. point of view as well as the Korean point of view. I want to thank the congressional staff here, the committee staff, who after all are more important than Members in moving some of these bills through the process because they are detailed, they're complex, and they require a lot of hard work and effort.

I feel very confident that we have a momentum with today's launch to be able to achieve our ambitious timeframe and to achieve some ambitious developments in the interest of the citizens of both of our countries. Thank you all very much. Thank you, Minister Kim.

(END)