

KORUS FTA: THE PATH AHEAD TO RATIFICATION

Wendy S. Cutler

Assistant U.S. Trade Representative for Japan, Korea and APEC Affairs

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Good afternoon. Thank you for having me here today to talk about the KORUS FTA. It is great to be back in Seoul and to see all of you who provided such important input and support to us during the negotiations.

It is hard to believe that the last time I spoke to this group was over a year and a half ago in March 2006, just after we launched the FTA and were in the process of preparing for the negotiations.

Back then, my remarks were focused on making the case of why it was in our mutual interest to conclude a high-quality, comprehensive, and balanced FTA between our two countries. I am very pleased to be here with you again after we successfully concluded a landmark deal.

I am extremely proud to have been part of this accomplishment, but there is truly no rest for the weary, as we have now moved into the ratification phase. A whole new set of challenges face us as we seek approval of the deal by both our legislatures.

Next Steps – Ratification

Since we signed the KORUS FTA on June 30, discussion in the United States on the merits of the deal has begun in earnest. This is very different from what happened in Korea. Whereas in Korea the FTA was headline news throughout the negotiations last year, people in the United States were largely unaware of our efforts until the past few months. But, this is not unusual. It is typical in the United States for public interest in our FTAs to develop post-signature, and it is also customary for concerns about a trade deal to increase as the time for Congressional consideration comes closer.

I recall our Korean counterparts inquiring after a round of talks in the United States, whether or not anyone in my country cared about or was even aware of what we were doing. We told them then that our turn would come – and that has certainly proven true. The debate over the merits of this deal has sprung up across

the United States and I expect it will only become more intense as we get closer to a vote.

As in the course of any trade deal, there are both supporters and opponents of the KORUS FTA. Regrettably, the opponents usually have the loudest voices, with the greatest incentive to get out ahead of the debate.

Just as Korea has been able to work through many of the issues that were most difficult for their stakeholders in these negotiations, I believe that we will also reach a majority view in the United States that Congressional approval of the KORUS FTA is in our national interest – for economic, political, and strategic reasons.

To this end, the Administration and the business community in the United States are actively working on a variety of fronts to educate the public and stakeholders about the benefits of this deal and to deepen understanding about Korea and why it is an important trade partner. Many in the U.S. still don't recognize Korea as the advanced and sophisticated economy it has transformed itself into. We are working actively to remind our public that Korea is now the 11th largest economy in the world, with PCI close to \$20,000, a strong democracy,

and a close ally and friend. As our 7th largest trading partner, with two-way trade in 2006 at \$78 billion, its market offers enormous opportunities for U.S. exporters. And, according to the recent study, by the U.S. International Trade Commission, the KORUS FTA will add more than \$10 billion to the U.S. economy. We also need to remind our public that Korea is not standing still. It is actively pursuing FTAs with other trading partners.

Educating the public will also mean dismantling the myths and misunderstandings about the FTA, most notably with respect to the automotive provisions in the deal.

Some have argued that the KORUS FTA is structurally flawed, in that it will provide increased access to the U.S. market for Korean cars, but will fail to prevent Korea from continuing to impose non-tariff barriers that are responsible for making it the most closed auto market in the world.

The Administration, however, believes that the agreement that we achieved on autos is a very strong deal for U.S. automakers that will level the playing field for U.S. automakers and ensure that they have a fair opportunity to compete in Korea. The Agreement addresses each of the barriers that U.S. automakers

identified as priorities for the negotiations – including in the areas of tariffs, taxes, standards, and enforcement. Simply put, the automotive-related provisions in this Agreement are the strongest in any U.S. FTA to date.

I am firmly convinced that in the end our efforts to educate the public and overcome misperceptions about the deal will prove successful for several reasons. First, the Administration remains strongly committed to Congressional passage of the FTA. Just this past weekend, President Bush in his weekly radio address, called on Congress to ratify all four FTAs currently awaiting ratification; he called the KORUS FTA a “landmark agreement,” and said “this agreement would strengthen our relationship with a democratic partner in a critical part of the world.” Secretary Rice was equally unequivocal in her speech to the Council of Foreign Relations last week when she stated that the KORUS FTA “will strengthen the U.S. economy and help our democratic ally to enhance its security and prosperity in a rapidly changing Asia. We fully support our free trade agreement with Korea and we look to Congress to approve it.” And, my own boss, Ambassador Schwab, has said, “When the history of the early 21st century is written, I hope the KORUS FTA will be listed among its great achievements. It should stand as example of American and Korean leadership in trade...[and] be

remembered as a bipartisan achievement in the effort to offer a better life to the people of the United States and Korea.”

Second, we have broad and significant support from the business community for this Agreement. The business coalition supporting the deal – of which many of you are members – is the largest for any FTA to date, with participation by over 500 companies of all sizes from a broad range of industries – from manufacturing to financial services to information technology. And, this coalition is growing as more and more companies that have never actively worked for an U.S. FTA in the past, are throwing their resources into the getting this deal approved. But, frankly, we need more support from every company in this room.

Third, we are actively engaged in grass-roots efforts to educate people across the country about what this deal will mean for the United States. These efforts have already proven to be successful, as evidenced by the strong number of positive editorials that have been written in local papers around the United States. For example, a Detroit News editorial – a newspaper from the heart of the U.S. auto industry – says “Rejecting [the KORUS FTA] would hinder America’s competitiveness...” The Seattle Times says that “This pact between two important allies who share many of the same values will benefit the United States in general

and our state in particular. Washington's Congressional delegation should support it." Similar statements touting the Agreement both for its benefits to the United States overall or to specific states or localities have been in the Orlando Sentinel, San Jose Mercury News, and the Chicago Tribune – to name a few. Ambassador Lee Tae-shik has played an important role in these grassroots efforts, and we appreciate all of his support.

Fourth, let me comment on Congressional support. Based on our own and the business community's meeting on the Hill with individual members, we know that there is support in the U.S. Congress for this deal. But, it is not unusual for Members to refrain from publicly announcing their voting intentions on controversial trade agreements until they come up for a vote as is happening with respect to our Peru FTA now as its vote approaches. In our view, this explains why we are not seeing more outward public signs of the support that does exist among Members for the KORUS FTA.

What will also be critical to our efforts to gain Congressional approval of the KORUS FTA is the full reopening of the Korean market to U.S. beef products. Without this step, key Congressional leaders have made clear that they will not be in a position to support the Agreement. Our first round of technical talks on beef

last week did not lead to any breakthroughs; but I am confident that we can press forward and conclude a new beef protocol that is in line with international science and that will bring safe, affordable U.S. beef to Korean consumers, despite the opposition of a few activist groups.

Of course, Korea has its own concerns to address in seeking approval for the deal by the National Assembly. I learned first hand of some of these concerns during a series of meetings with key National Assembly Members yesterday. We know that certain domestic constituencies remain concerned in Korea about the potential impact of market opening on their way of life. But, I was also pleased to hear from each legislator I spoke with that public support for the KORUS FTA here in Korea is still estimated to be in the 60 to 70 percent range.

Probably the greatest challenge to our ability to get the deal ratified is that the issue is being taken up during a highly politically charged time in both the United States and Korea . The U.S. presidential campaign season is in full swing. And, in Korea, the presidential election is two months away and the National Assembly elections are six months away. I guess it is not surprising given all the unique hurdles we have faced in getting this far that we would also face such a challenging political environment.

Conclusion

Despite the challenges that both the United States and Korea face in achieving approval of the KORUS FTA by their legislatures, in the end, I believe that it will be approved.,

I look at it this way. Skeptics said from the outset of these negotiations that while our intentions were good, we couldn't do this deal. They argued that 10 months was too short a time to complete such complex negotiations with two large trading partners. They said that we wouldn't be able to find common ground to address each side's sensitivities – from trade remedies to agriculture to pharmaceuticals. They said that the legacy of tension in the U.S.-Korea trade relationship would prevent any deal from coming together. Yet, we brought home a strong, balanced agreement that has gained the attention of our trading partners throughout the region.

Now, some are saying that this deal will have trouble getting through our respective legislatures. But, I wholeheartedly believe that we will once again prove our skeptics wrong – and both sides' legislatures will approve this deal. I know that this phase of this process will be every bit as challenging as the

negotiations were, but in the end it will be worth it because it is the right thing to do – it is good for Korea, it is good for the United States, and it is too important to our respective economic, political, and strategic interests to let this opportunity pass. Let me conclude with a Korean proverb that sums it all up: “A building built with a lot of effort will not fall.”