

Statement by Assistant U.S. Trade Representative Wendy Cutler
Closing Press Briefing
KORUS FTA – 5th Round
Big Sky, Montana – Dec. 8, 2006

Thank you all for coming here this afternoon. I know some of you would prefer to be on the ski slopes, so would I, but it's not an option. But I do hope that you have had the opportunity to enjoy the magnificent scenery here at Big Sky. I want to thank the Big Sky Chamber of Commerce who did such a great job of putting this round together and I want to express my deep appreciation to Sen. Max Baucus, who invited us here to hold the fifth round of the KORUS FTA negotiations in the beautiful state of Montana. I am pleased to tell you that I have good news to report today. After a week of detailed back and forth discussions by negotiators of 14 different negotiating groups and 2 working groups, I am pleased to report that we made good progress this week. Now let me just provide some specific areas where we have made progress.

First in the Industrial Market Access discussions, we made a lot of movement with respect to narrowing our differences on the text and we also exchanged new tariff offers. Both sides agreed to improve their industrial tariff offers in key products in such important sectors as chemicals and electronics. The United States improved its industrial market access offer with respect to 300 tariff lines worth just about \$700 million. Korea agreed to improve its tariff offers on over 200 lines worth about \$400 million. Clearly, the tariff negotiations on the industrial side are moving in the right direction.

With respect to the text in this area, we made progress with respect to agreeing to get rid of what we call border charges, charges that parties are made to pay at the border and we also locked in an agreement not to put in new border taxes in the future.

We made further progress in narrowing our differences in the text in the services area. In the services area, the sector of express delivery remains a priority for my government. And I was pleased to hear that we are working constructively with our Korean colleagues to develop an approach that would provide meaningful market access in this sector for US suppliers.

In the professional services area, which is the priority for the Korean side, we discussed the possibility of creating a committee to focus on issues concerning qualification requirements. Right before we came to Montana we exchanged with our Korean colleagues new clarifications of our existing nonconforming measure lists. My negotiators have informed me that based on their discussions this week that the technical and clarification work on these lists is essentially completed. Looking ahead, we are now ready to start the give and take on these lists.

We remain concerned that Korea is seeking a lot of exceptions still in the services area, particularly in sectors that are of major commercial interest to the United States including: telecommunications, online video, broadcasting, and gas and electricity. We will continue to push hard on Korea to further open these markets.

On IPR, intellectual property protection, we also make progress this week. Specifically, we reached agreement on certain provisions regarding enforcement, copyrights, and the part of the text under called General Provisions. Specifically, movement was made on border protection measures for in-transit merchandise, deterrent penalties for trademark counterfeit and copyright piracy and patent disclosure requirement.

In the competition negotiating group, we agreed on appropriate procedural guarantees that should be provided in the resolution of anti-trust cases. This includes the ability of respondents

to review and rebut evidence against them and to cross-examine witnesses. We also made important progress in the environment and labor chapters, which are very important areas for the United States in the negotiations.

Let me just briefly touch on textiles: I just received a report from Scott Quesenberry who is leading the talks this week Commerce Minister Deputy Lee in Washington. Textiles remains an important part of the KOR-US FTA talks, and as I explained to you on Monday, Ambassador Kim and I decided that it was appropriate to elevate the level of the textiles discussions.

Today's meeting was positive and we believe it will set the tone for further advancements in this sector. They agreed on further technical exchanges prior to our next negotiating round, which will hopefully set the stage for progress to be made at the next round.

While I am pleased with these developments that I just outlined, I am less pleased that we did not make progress in two priority areas for the United States in negotiations—automotive and pharmaceuticals. In the automotive sector, the Korean side offered no new proposals this round. But we do understand that Korea is working on counter proposals. In our view Korea knows what it needs to do in this sector to provide a level playing field for U.S. automotive manufacturers in Korea. And I welcome Ambassador Kim's statement that he made earlier this week, that in his view it should be possible to reach an agreement on the issues in this sector.

In pharmaceuticals we were disappointed that Korea showed no willingness to work constructively with us to address our concerns as they proceed with the DERP implementing regulations. Failure to make progress in these two important areas is extremely troubling for my government and will certainly be a subject of intense discussion over the coming days and weeks.

But like our last round, the Jeju round, I think we did make good progress this week. In the coming weeks we look to building on this progress through various channels. A number of negotiating groups have agreed to exchange information and to hold video conferences between now and the next round. The SPS Negotiating Group will be meeting later this month in Washington, and the Market Access Group has agreed to regular teleconferences in order to build on the progress they made this week in Montana.

Commerce Secretary Gutierrez will be in Seoul next week, and I'm sure he'll use the opportunity to underscore the importance the Administration attaches to the successful conclusion of KORUS FTA. Looking ahead I'm sure that Ambassador Kim and I will be in frequent contact, and I also anticipate there will be other high level contacts between Korean officials and U.S. officials. Korea will host our next round of negotiations, the 6th round. This upcoming round will be held the week of January 15th in Korea.

In sum, we still have a lot of work ahead of us, particularly in the most sensitive sectors. By no means do I want to minimize the challenges that we face going ahead, but based on what we achieved this week I remain confident that we can do this deal. Thank you, I'd be happy to take any questions.

Question 1:

I want to ask you a question regarding rice. It was mentioned that the rice cannot be exceptional to the market opening under the KORUS FTA, and it was also mentioned in the second round of the negotiations. I understand the importance of the rice market opening to the

United States, but in addition to the conceptual explanation of the opening market for the rice, please explain specifically how to open the rice market. What is your view on the specific opening of the rice market, for example, reducing the tariff, or revising MMA—money market access? For your reference, people's view in Korea is that there is no way for the United States to enter Korea's rice market regardless of whether they are using tariff measures or MMA measures.

Cutler:

Let me just say that we know that the rice market is extremely sensitive for Korea. We've also made it clear to Korea that we are seeking a comprehensive FTA. In the Agriculture Group this week we started discussing items that Korea has designated in its tariff offer list, in the undefined category. So we're starting to discuss sensitive sectors. We did not get to the rice sector, but at some point we are going to discuss rice. It's not unusual in negotiations for the most sensitive issues to be discussed at a late stage and at senior levels. And I think I'm echoing something that the Chief Agriculture Negotiator from Korea said earlier to you, and I agree with him.

Question 2:

Regarding the service sector's (?), as far as I know the United States is not interested in interested in commercially opening the market of gas and electricity so far. But you just mentioned that the U.S. will push Korea to open further the markets regarding gas, electricity, and broadcasting. What is your specific plan on the market opening in these sectors?

Cutler:

I mentioned the sectors we place priority on. The sectors you just mentioned are on our priority list, and we intend to work with Korea to see how we can achieve increased access for our suppliers in these sectors and the other sectors that I mentioned earlier.

Question 3:

Given the importance that Congress has attached to opening the Korean market to American beef, has there been any progress on that issue this week?

Cutler:

First, let me just say I've had the opportunity to talk to a number of reporters during the week. And I've seen some of you in some restaurants here, and I understand that a number of you have enjoyed delicious Montana beef while in the United States. You've told me it's delicious. You've told me it's not expensive. And you look extremely healthy. So I would hope that when you return to Korea you will urge your government to work with us and quickly re-open this market.

As I said earlier this week, technically re-opening the beef market is not part of the FTA negotiations. But this problem is in the back drop of everything we've been doing this week here in Montana. Put simply, in the United States we will not have stakeholder and Congressional support for KORUS FTA agreement no matter how good it is unless the Korean beef market is fully opened. In my meetings with Ambassador Kim this week I have underscored repeatedly the importance of Korea taking the necessary steps to re-open its market. And I will conclude on the beef issue to by just saying that we will shortly be requesting consultations with the

government of Korea to clarify its import and inspection procedures so we can get this beef market finally opened.

Question 4:

According to what I heard from the meeting between Ambassador Kim and the journalist yesterday, he just mentioned that only if we are able to overcome the difficulties regarding the trade remedies we can create some momentum for the automotives. That means if the United States will not accept the proposals of Korea in terms of the trade remedies there will be no progress to be made in automotive and pharmaceutical sectors. That also means that how much progress is to be made in terms of automotive and pharmaceutical sectors will largely depend on the progress to be made in trade remedies. What do you think about that?

Cutler:

Being a trade negotiator is a difficult job. In a free trade agreement there are a lot of issues on the table. Each side brings priority issues to the table. And each side comes to the table with issues where they have limited flexibility. And the challenge facing Ambassador Kim and me is to really come up with a package, which balances and addresses each side's priorities and sensitivities. My view is that we both need to continue working hard. We know what we need in the agreement, and we'll both need to look at the overall package and see if indeed we have an agreement that's balanced, high-quality, and comprehensive, and that can gain the necessary stakeholder support at home to be ratified by our respective legislatures.

Question 5:

How many more rounds of negotiations are we going to have in your view?

Cutler:

I just mentioned that we've scheduled the 6th round. Ambassador Kim and I discussed today whether further rounds would be needed after the 6th round. We both agree that we shouldn't schedule a 7th round but keep it open as a possibility. My personal view is, and I don't think I'm going out on a limb by saying, I suspect that we'll need a 7th round. I should add that in addition to formal negotiating rounds, the work that goes on through various channels and at various levels of government between rounds is extremely important. I anticipate that the frequency of contact at all levels, the negotiator level and more senior levels, will intensify in the coming weeks if indeed we are going to be in a position to achieve an agreement by early next year.

Question 6:

I want to ask a question regarding trade remedies. About Korea's suggestions regarding trade remedies, is the Ambassador Susan Schwab from the USTR in a position to give Korea a responsible answer or does it require a more senior level officer to answer questions from Korea?

Cutler:

Let me just say that we will be bringing home Korea's proposals in the trade remedies area. I will be reporting the proposals to Ambassador Schwab and I will look to her for guidance with respect to how to proceed.

In closing, I hope you all had a really good week here. I know that coming to Montana from Korea is an extremely long journey. I know you had to take a lot of connecting flights and some of your flights were delayed. We appreciate you coming here and hope it was good week for you too. I hope you have a little time to enjoy the beautiful scenery, and I will look forward to seeing you all in Seoul.