



TRANSCRIPT

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**United States Trade Representative Wendy Cutler
Press Conference, October 23, 2006
Jeju, Korea**

Robert Ogburn: Good Afternoon thank you very much everyone for coming today, to today's press conference, press briefing, from the U.S. delegation. Of course, it will be on the record. I would encourage all of you, when you ask questions, to please use the microphone in front of you, push the button and make sure the red light is on, so that everyone can hear you very clearly. We will be using an interpreter today, so please allow the interpreter to be able to interpret either way into Korean or into English. We would like to begin with an opening statement from the U.S. Trade Representative. Thank you very much.

USTR Wendy Cutler: Thank you. Good afternoon everyone and thank you for joining me today as the United States and Korea embark on the fourth round of the KORUS FTA negotiations. First, on behalf of my delegation, we want to give a special thanks to the Korean province of Jeju, for inviting us here this week to hold these important meetings on this beautiful island. Earlier this afternoon I had the opportunity to meet with the Governor of Jeju, as well as a number of National Assembly members from the Jeju region, and to learn more about the history of the island, and express our gratitude for Jeju's hospitality.

This morning we officially kicked off the forth round of the KORUS FTA negotiations. We have sixteen negotiating groups and two working groups meeting here this week. And again, both sides have brought large and dedicated negotiating teams to the table. The U.S. delegation is comprised of about 100 delegates from nearly 20 different government agencies. We have come to Jeju well prepared and ready to make progress. Since the third round of negotiations in Seattle, both sides have taken a number of steps to advance the negotiations. And these steps include teleconferences and videoconferences between several negotiating groups, including services and pharmaceuticals. And Ambassador Kim and I have been in frequent contact. In addition the government procurement negotiating group met last week in Geneva.

In a clear demonstration of the U.S. desire to make progress, this morning we tabled, meaning we provided to Korea, a set of improved tariff offers in agriculture, industrial goods and textiles. In industrial goods, we have moved nearly \$1 billion in trade to shorter timeframes for tariff elimination. In textiles, we have provided an offer that moves over \$1.3 billion in trade to shorter staging baskets. And in agriculture, in our offer, we have moved \$135 million in trade, representing 60% of Korea's exports in this sector to shorter timeframes for tariff elimination.

We have submitted these offers in an effort to spur progress this week in the talks. But we can't make progress alone. We look forward to working with our Korean colleagues to have a successful week. The progress we seek this week is not just limited to tariffs. It also involves movement on a series of non-tariff measures as well, that are addressed in various chapters of the FTA. So we look to this week to make progress on tariff elimination, and non-tariff measure reduction, and are committed to work with our Korean partners in this effort.

In sum, we are at the beginning of what is going to be an intense week of work, and my team and I are prepared to work through the tough issues with our Korean colleagues. Thank you and I'd be glad to take questions.

Robert Ogburn: Okay, the first question from the Associated Press please.

Q: (inaudible) from AP. Ms. Cutler, has the recent spike in international attentions over North Korea's claimed nuclear test made it more difficult to stop Korean officials from including (inaudible) Kaesong-made goods in the FTA, and therefore, do you expect South Koreans to drop the demand during this round? Thank you.

USTR Cutler: I have to say, almost every press briefing I do starts with a question on Kaesong. Let me just say that first, from a broader perspective, I think that recent events on the Korean peninsula just underscore the importance of the U.S.-Korean alliance and our mutual interest in strengthening and cementing these ties. And in this regard, we believe the KORUS FTA has an important role to play, by strengthening and taking to the next level our economic ties. We believe that our position on Kaesong is just reinforced by recent developments on the Korean peninsula, and our position, once again, is that this agreement is about the U.S. and the Republic of Korea, and about covering goods produced in the U.S. and in the Republic of Korea.

Robert Ogburn: Okay the next question from *JoongAng Ilbo* daily newspaper please.

Q: I'm from *JoongAng Daily*. I was wondering if there is a possibility for revised tariff offers to be submitted at this negotiation?

USTR Cutler: As I mentioned in my opening statement, the United States has tabled three revised, improved offers: one offer in agriculture, one offer in textiles, and one offer in industrial goods. And we look forward to Korea tabling offers this week as well, and I

encourage you to ask the same question to Ambassador Kim this evening when he briefs you.

Q: This is a follow-up question to the previous question. You said that the United States submitted three revised tariff offers this week and in your opening statement you mentioned very concrete figures. For example, in industrial goods, you said that nearly \$1 billion in trade will have a shorter timeframe for tariff elimination. Compared to the first tariff offer that the United States tabled, how much of an improvement is this and also I would like you to give us more concrete examples of what has been revised in the revised offers.

USTR Cutler: With respect to your first question, in our view, the industrial offer represents a significant improvement – a billion dollars in trade is a large figure in our trade relationship. So it represents a significant improvement. In the industrial sector it is largely comprised of auto parts.

Q: I am from *Seoul Economic Daily*. I have two questions. First question is – the United States and Korea have in mind the end of this year to be the deadline for the conclusion of the KORUS FTA. Considering the progress being made currently, do you think this is a feasible deadline? The second question is – as I understand it you have not yet made an official request to open up the Korea rice market. So could we understand that this represents the United States respecting the sensitivity of the product in Korea?

USTR Cutler: With respect to your first question, on the timeframe of the negotiations, we are still trying to conclude the negotiation by the end of this year or early next year. We believe there is a window of opportunity for a successful KORUS FTA to be considered under our legislative authority, trade promotion authority, which expires this July. But this doesn't mean that the United States or Korea are going to rush to conclude this agreement, just for the sake of concluding it before TPA expires. We're both seeking an agreement that address our national interests and that will receive the needed support from our stakeholders, so it could be ratified by our respective legislatures. And that is why the United States is trying hard to make progress in these negotiations, and I think it's evidenced by our tabling of three new, improved offers at the outset of this round.

Robert Ogburn: Also, to be fair to everyone, let's try to limit ourselves to one question per person.

Q: You have not yet answered my second question.

USTR Cutler: Well we'll let you ask two. But from now on, just one per person. With respect to your question, I believe it was about opening up the rice market. Let me just explain a little about trade negotiations, and that is, typically we try to focus on the less sensitive issues first, in an effort to make progress and build confidence and to make as much progress as possible. So I would not read anything into the fact that we haven't started officially negotiating on rice. Let me just say that this is not unique for rice, there are other sensitive issues in the negotiation that we're kind of putting aside for now, once

again, so that we can focus on the easier issues, the middle issues, make progress, and then get to the more difficult issues at the end of the negotiation.

Robert Ogburn: Okay, now we'll go to a question from the *Korea Herald* please.

Q: I'm So-jun from the *Korea Herald*. I was wondering, do you think the U.S. Congress would politicize the FTA issue when it comes to a vote if South Korea still keeps the Kaesong and Hyundai tour programs going?

USTR Cutler: I'm sorry if....?

Q: If South Korea keeps the Kaesong and Hyundai tours.

USTR Cutler: I'm focused now on negotiating the agreement and you're asking me a hypothetical question of what Congress will think when we bring the agreement for ratification on a specific issue. I prefer not to speculate.

Q: I'm from ITN. This morning from the head delegate Lee Hae-nim, I heard that this was a very difficult negotiation, and I'm wondering in what aspect is this round of the KORUS FTA so difficult, and you said that you are expecting some progress this week and I was wondering in what area you expect such progress.

USTR Cutler: With respect to your first question – why this is a difficult negotiation – I think it's difficult for a number of reasons, but one of the key reasons is it's a negotiation between two partners, and two large trading partners. Korea is our 7th largest trading partner and we're Korea's 2nd largest trading partner. We have \$72 billion in two-way trade, so it's only natural that there are a lot of issues at hand to be negotiated and, frankly, a lot of concerns and sensitivities on both sides that need to be addressed.

With respect to your second question – I mean we're hoping for progress, once again, on the tariff issues and that would be, for us, mainly progress in agriculture and industrial, but we recognize that our Korean colleagues are looking for progress on textiles. But we're also looking for progress in the areas that have to do with rules and text and dealing with non-tariff measures, and for the United States, our priorities lie in many chapters, including automotive, pharmaceuticals, intellectual property protection, investment and other areas. And I sincerely hope that I have good news for you on all of these issues on Friday, at the end of our round.

Robert Ogburn: Maybe one or two more questions. Does *Jeju Ilbo* have a question?

Q: I am Kim Dae-suk from *Jeju Daily*. This afternoon, I understand that you had the meeting with the Jeju Governor, where he explained the history of Jeju and also the importance of Jeju tangerines to Jeju people. Jeju tangerines not only have economic value, but it also represent our culture and our history. Can you respond to concerns that you will review the issue of Jeju tangerines in the FTA talks? Can you be more specific

about this issue, and also I'm wondering if Jeju tangerines have been discussed at all in the FTA talks until now?

USTR Cutler: Well you're correct, this afternoon, as I mentioned, I did meet with the Governor of Jeju and with a few National Assembly officials from the region, and they all took the opportunity, and I welcome the opportunity, not only to hear about the island of Jeju, but to hear about the sensitivities with respect to any opening of the Jeju citrus market. And the governor urged me to carefully consider these sensitivities as we move forward in the negotiations, and he suggested that we treat Jeju citrus as a sensitive product or as a special product in the negotiations. I listened very carefully to the remarks made this afternoon. I think I have a more complete understanding of the importance of the citrus industry to Jeju Island, and as we proceed in the negotiation, we will take the sensitivities into consideration.

Robert Ogburn: Okay, one last question please.

Q: The question is – I am (inaudible, Lee Jae-huk?) from the *Maeil Daily*, and looking at the United States tariff offers, they seem very conservative. Is this the strategy that the United States adopts or is it that the United States prefers more of a phase-out of the tariffs? Is that what the United States is targeting? In the third round of talks, Korea suggested three items in which Korea said that if these three items are not accepted, then Korea will not propose its revised tariff offers, so I'm wondering what the status of this is?

USTR Cutler: Well, maybe you should be negotiating, because I think that you know more about the negotiations than I do. Let me just say that, with respect to our tariff offers, when we left Seattle we improved both our textiles and industrial offers. We said on arrival in Jeju that we improved our industrial, agriculture and textile offers, and so I don't think that there is any doubt that we are serious about this negotiation, serious about eliminating tariffs in this negotiation, and very serious as well about getting rid of the non-tariff measures in our respective markets through the FTA. Thank you very much. Thank you so much.