



Committee On Finance

Max Baucus, Ranking Member

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“Decisions on U.S.-Korea Trade” Remarks to the Korea Economic Institute by Senator Max Baucus

Thank you very much, Ambassador Pritchard, for that kind introduction. Thank you, as well, to the Korea Economic Institute for organizing this event. I am very happy to be here with Ambassador Lee, and with all of you who have been so instrumental to the negotiations for a U.S.-Korea Free Trade Agreement.

A HALF CENTURY OF DECISIONS

We are here today because of a half century of fateful decisions. These decisions, spanning decades, have bound our nations to a common vision.

The first decision took just 10 seconds. On June 24, 1950, Secretary of State Dean Acheson called President Truman. Acheson delivered urgent news. North Korean forces had launched a massive attack into South Korea.

Without hesitation, President Truman decided to defend a nation against an aggressor. He decided to engage the newly-founded United Nations. And he decided to lead a common front for freedom.

The next day, the United Nations Security Council made a decision. It voted unanimously to condemn the attack. Twenty-four hours later, the Council called on UN members to commit their forces to repel North Korea's aggression. The United States, Canada, the British Commonwealth, Belgium, Luxembourg, Colombia, Ethiopia, France, and six other nations decided to answer that call. As a consequence of that decision, more than 460,000 American, Korean, and UN allied forces gave their lives.

Three years later, with a ceasefire in place, the Republic of Korea decided to defy conventional wisdom. Korea decided to transform itself from a simple agricultural economy into an industrialized, export-driven powerhouse. From dirt roads rose modern infrastructure. From dependence on foreign aid and grants rose a thriving economy that earned a current account surplus. From the verge of bankruptcy rose one of the world's mightiest economies.

These were decisions for the history books. But behind them all were a myriad of daily decisions. These, too, were decisions of courage and ambition. These were the decisions of 40,000 Americans who committed to stand guard on the Peninsula. These were the decisions of Korean families who saved to send their bright young children to study in America.

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These were the decisions of the nearly one million Koreans in the United States to risk everything to find a better life here, and contribute to America's continuing economic miracle. And these were the decisions of the 800,000 Koreans and Americans who travel between our two countries every year.

DECIDING TO DO MORE

Together, these daily and historic decisions forged bonds of respect, friendship, and security. These bonds have proved flexible to change, but steadfast in hardship. These bonds have proved imperative in adversity, and vital in opportunity.

These bonds enabled us to build a powerful, dynamic economic relationship. Korea today is the world's tenth largest economy. Korea is America's seventh largest trading partner. And Korea is America's sixth largest agricultural export market. Our economies trade nearly \$70 billion in goods each year. That's more than \$8 million in trade every hour of every day. A booming services export trade generates another \$14 billion every year.

American and Korean companies have invested more than \$21 billion in each others' growth and prosperity. Citigroup and Starbucks are in Korea. Hyundai and Samsung are in America. American and Korean foreign affiliates directly employ more than 120,000 workers. And indirectly, these foreign affiliates employ hundreds of thousands more.

Looking back at our successful history, I decided that America and Korea could do more. Seven years ago, I first called for a free trade agreement between our great economies. I have continued to do so ever since. And this February, I was honored to join with many of you to mark our decision to launch the most ambitious free trade agreement in more than a decade.

We made that decision to bring our nations prosperity. We made that decision to boost our exports by \$30 billion a year. We made that decision to secure more and better jobs for our workers, farmers, and ranchers. We made that decision to bring greater transparency and fairness to trade and investment. And we made that decision to make our economies more competitive.

NEW DECISIONS TO MAKE

We come now to a moment of opportunity, and a moment of urgency. We have little more than 6 months to negotiate an agreement with great potential. We come now to a moment once again laden with fateful decisions.

Will the administration decide to use this moment to rebuild the broken Congressional-Executive partnership on international trade? Will the administration press for this and other trade agreements that command broad support and bring us together? Or will the administration instead focus resources on controversial agreements that pull us apart?

Will we let today's political expediency govern our priorities? Or will we make the right decisions that keep tomorrow's prosperity in mind? Will our negotiating partner hesitate and backslide on its commitments? Or will our negotiations be forthright, sincere, and worthy of our nations' support?

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THE RIGHT DECISION

For five decades, our two nations have largely made the right decisions. Let us honor those decisions by making the right decisions in the months ahead. We know what these decisions are. We know how to make them. And I am confident that we will.

With the first round of negotiations behind us, we appear to be on the right track. We got off to a good start last week. The Koreans have put together an impressive and formidable negotiating team. The Office of the U.S. Trade Representative, led by our newly-confirmed Trade Representative Sue Schwab, is home to some of our finest public servants. I commend both negotiating teams for hitting the ground running, thanks to months of careful preparation.

But we all know that despite the good reports from last week, the toughest issues are still before us.

On beef, I am hopeful that Korea will very soon resume imports of boneless beef from the United States. The next step will be for Korea to fully reopen its market to U.S. beef — not just boneless but also bone-in and offal. I will not support an agreement that fails to accomplish this goal. An open market for U.S. beef is critical to the ranchers of my state of Montana. For too long, countries have hidden behind phony science to keep out American beef. That is unacceptable. An FTA with Korea must stand up for consumers. It must stand up for science. And it must stand up for fairness in agriculture trade.

On trade remedies, U.S. and Korean negotiators must not forget that the Constitution gives the Congress — not the administration — authority over international trade. The trade laws that Congress writes are not mere guidelines or recommendations. They are binding laws. And the administration must strictly follow them. The Trade Act of 2002 is very clear about what the administration can and cannot agree to on trade remedies. The administration may not enter into agreements that “lessen the effectiveness” of U.S. trade remedy laws — whether they are antidumping, countervailing duty, or safeguard laws. I helped draft these provisions of the Trade Act. And I can assure you that Congress will tolerate no deviation from them.

On autos, Korea’s web of tariffs, taxes, and discriminatory policies limit foreign cars to an unnatural 2.7 percent of the market. It is no secret that many in Congress — myself included — will assess a Korea FTA on whether it is able to pierce this web of protectionism. American car companies can compete and succeed in any market in the world. They just need a level playing field. The negotiators must satisfactorily resolve the autos issue for Congress to pass this FTA.

On pharmaceuticals, the United States has had longstanding concerns regarding the extent of transparency, innovation, and accountability in Korea’s market. And just one month before the beginning of FTA negotiations, Korea’s decided to change the rules of the game for pricing and reimbursement. That decision sent a disquieting and unwelcome signal. I hope that the negotiators understand the importance of this issue. They must tackle head on the very serious concerns that have been expressed.

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Finally, South Korea wants to allow goods produced in North Korea's Kaesong Industrial Complex to benefit from the FTA. We must be very candid. I understand the importance of Kaesong to South Korea's goal of reconciliation with the North. This issue alone, however, has the potential to sink the U.S.-Korea FTA. We already have many difficult and politically sensitive issues to deal with in these negotiations — beef, autos, and trade remedies, to name a few. The parties should not add issues, like Kaesong, that would overwhelm what can otherwise be a popular deal.

Clearly these are weighty and difficult issues. And they will be difficult to resolve. But their size and complexity are proportionate to this important economic relationship. Solving these issues will unlock this agreement's enormous potential. And this agreement has potential worthy of our nations' common past and fitting for our common future.

In his memoirs, President Truman recalled that he took just 10 seconds to decide to defend South Korea. Those 10 seconds made history, built a partnership, and shaped the future.

The United States and the Republic of Korea now have 6 months to make the right decision. Those 6 months can once again make history, renew a partnership, and shape the future.

Let us, once again, make the right decisions. Let us, once again, decide to join in a common vision. And let us, once again, lead a common front for freedom.

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