



Harley-Davidson Motor Company 3700 W. Juneau Ave., Milwaukee, WI 53208 414/342-4680

March 3, 2006

PUBLIC VERSION

Via email: FR0608@ustr.eop.gov

Gloria Blue  
Executive Secretary  
Trade Policy Staff Committee  
Office of the United States Trade Representative  
600 17<sup>th</sup> Street NW  
Washington, DC 20508

Re: United States-Republic of Korea Free Trade Agreement  
Written Comments

Dear Ms. Blue:

In accordance with the Request for Comments and Notice of Public Hearing concerning the proposed Free Trade Agreement with the Republic of Korea ("Korea") published in the Federal Register Notice on February 9, 2006, Harley-Davidson Motor Company ("Harley") is pleased to offer the following comments in support of the Free Trade Agreement ("FTA") in relation to our motorcycle business and the great potential of the Korean market should the tariff and non-tariff barriers described below be removed.

#### Background

Harley-Davidson is an American manufacturing "success story" and a world famous brand. Since obtaining temporary relief under Section 201 in 1983, Harley's net revenues have increased nearly 25-fold, its American workforce has grown from 1600 to over 10,000 employees, and its investments in U.S. plant, property and equipment far exceed \$2.5 billion. Today, more than 300,000 premium heavyweight Harley-Davidson motorcycles (HTS 8711.40.60, 8711.50 and 8711.90) are sold annually in the U.S. and in over 60 foreign countries, a ten-fold increase over 1983 levels when USTR helped make Harley's turnaround possible. Success in export markets has been a key factor in the company's growth, and expansion into new export markets is vital to its business strategy.

Harley is seeking to expand its presence in Asia, the world's largest motorcycle market region. Harley is already the leading distributor of heavyweight motorcycles in Japan, where it sells more than 12,000 motorcycles per annum, all of which are manufactured in the United States. Korea, in particular, is a country of special opportunity for Harley due to the sheer size and demographics of the market and its advanced economic development. The burgeoning middle class and the rise of young urban professionals, with an affinity for U.S. culture and increasing discretionary income levels, make Korea an especially attractive market and customer base for Harley.

#### Korea's Barriers to Imports of Large Motorcycles

There is an excellent potential market for heavyweight motorcycles in Korea, since there are approximately 1.75 million motorcycles in use there, based on 2004 estimated statistics. The Korean market is currently dominated by small motorcycles. Consumption of heavyweight motorcycles is expected to grow as household incomes increase and provided current trade barriers are removed.

Harley has a dealer with two stores in Seoul and another in Kyungsan City to distribute its motorcycles. While Harley motorcycles are a mark of status in Korea, unfortunately, the government imposes significant barriers to the import and usage of heavyweight motorcycles and thus greatly restricts Harley's motorcycle sales potential.

- Highway Bans –Korea, unlike other developed countries, prohibits all motorcycle traffic on its tollways, major highways and designated bridges, despite the fact that Harleys are specifically engineered to be ridden safely, both at highway speeds and under other traffic conditions. Additionally, certain roads in Korea, including many new national roads, are sometimes designated "automobile-only", thereby also prohibiting motorcycles. Korea is the only major developed market in which heavyweight motorcycles are denied access to tollways and major highways, designated bridges and other roads. Traffic studies in other developed markets prove there is no underlying safety rationale for imposing such motorcycle bans. In fact, traffic safety statistics from other developed countries and research organizations demonstrate that tollways and major highways, for example, are actually safer for motorcyclists than are other types of roads, which have numerous intersections, two-way traffic and other hazards. Certainly, other countries and regions like Japan, Australia, the European Union and United States do not ban large displacement motorcycles from using tollways and major highways.

In short, these government imposed bans severely limit the utility and enjoyment of large displacement motorcycles, whether for basic transportation or leisure touring, and thus makes them undesirable to the average Korean consumer.

- Tariffs and Taxes –Korea currently maintains motorcycle tariffs of 8%, a luxury tax of 5%, a VAT of 10% and a registration tax amounting to 5% of the retail selling price. These duties and taxes raise the retail price of a Harley motorcycle to levels far exceeding the means of most customers, adding in some cases nearly \$10,000 more per motorcycle than the cost in the United States.
- Absence of Ownership Titles for Motorcycles – Motorcycle importers face a number of problems related to, but distinct from, the automobile sector per se. For example, while motorcycles are licensed and registered in Korea, however, there is no procedure yet for title ownership. The absence of title ownership for motorcycles severely limits any opportunity for financing the purchase of the relatively more expensive heavyweight motorcycles manufactured by Harley, since financial institutions are reluctant to consider motorcycles as property that can be used as collateral for consumer loans. The absence of true ownership titles significantly affects the sale of Harley's premium motorcycles in Korea which currently cost \$25,000 or more, versus approximately \$15,000 – \$18,000 in the US, where retail financing is readily available.
- Noise Standard – Korea presently uses a noise standard based on ISO 362 with a 2d(B)A tolerance. However, Korea's standard makes it unique compared to other developed countries. We would urge it to harmonize its motorcycle noise test standard and numeric limits with those presently used in the European Union and other developed markets, the standard commonly known as ECE 41.
- Motorcycle Insurance – Insurance industry practice in Korea, unlike in other developed countries, precludes coverage for personal injury and collision for motorcycles. This makes the ownership of motorcycles, and particularly our premium heavyweight motorcycles, far less attractive to the Korean consumer.

### Conclusion

There is a high potential for very significant growth in the Korean motorcycle market where total motorcycle sales in 2005 were estimated to exceed 140,000 units. In the near term, 4-5 years, the unit sales of Harley-Davidson heavyweight motorcycles could potentially [ ] from approximately [ ] units annually to [ ] units annually should all the aforementioned barriers be removed. Along with sales of parts and accessories and general merchandise, our annual exports to Korea could increase to approximately [ ], with the potential for greater increases with the further expansion of distribution capabilities.

It should be emphasized that Korea does not have a heavyweight motorcycle industry, so Korean motorcycle manufacturers would not be affected by the relief sought by Harley hereunder. Harley-Davidson Motor Company appreciates the opportunity to bring these issues to the

Gloria Blue  
March 3, 2006  
Page 4

PUBLIC VERSION

attention of the TPSC and looks forward to working with the Department of Commerce and United States Trade Representative to resolve them through the FTA.

Please do not hesitate to contact the undersigned if you have any questions regarding this submission.

Sincerely,

Timothy K. Hoelter  
Vice President, Government Affairs

jn

cc: Scott Ki  
Jim Rice  
John Vanderwolf

PUBLIC VERSION

March 6, 2006

Ms. Gloria Blue  
Executive Secretary  
Trade Policy Staff Committee  
United States Trade Representative  
600 17th Street, N.W.  
Washington, DC 20508

Dear Ms. Blue:

I am writing on behalf of Trident Seafoods Corporation to comment on the initiation of negotiations to reach a free trade agreement with the Republic of Korea.

Korea is an important market for seafood processed in the United States. Approximately ten percent of all the seafood exported from the United States is sold in Korea. Korea purchases about \$400 million (U.S.) of worth of seafood products from the United States each year. It is a potential growth market for United States seafood products.

The Republic of Korea has very high tariff rates on seafood imported from the United States. The impact of these rates substantially impedes the export of U.S. seafood products, especially seafood from Alaska. Below are some of the major seafood products produced in the United States and exported to Korea, along with the duties imposed on those products by Korea:

<b>Product</b>	<b>Tariff Rate</b>
Pollock Roe	10%
Headed and Gutted Pollock	30%
Round Pollock	30%
Pollock Surimi	10%
Frozen Salmon	10%
Skate	27%
Cod Milt	10%
Cod Roe	10%

These duties impose substantial barriers to trade.

In addition, Korea does not necessarily impose its tariffs uniformly. It is our understanding that the surimi tariff rate with Thailand will soon be zero as a result of

trade negotiations with that country. This would result in surimi from Thailand having a substantial competitive advantage over U.S. product.

U.S. seafood companies with Korean ownership are able to import surimi processed in the United States into Korea without having this 10% duty imposed. Trident is a closely held, privately owned corporation. All of Trident's shareholders are United States citizens. The Republic of Korea's treatment of Korean-owned U.S. companies provides an enormous economic advantage to Korean-owned seafood companies over bona fide U.S. owned companies like Trident. We urge that this discrimination against truly U.S. owned companies be eliminated.

On behalf of Trident, I respectfully urge the United States Trade Representative to work toward complete elimination of these duties during negotiations of a Free Trade Agreement with Korea. If any duties remain after negotiations, the Republic of Korea should end the discriminatory basis upon which they duties are imposed against products of bona fide U.S.-owned corporations.

Sincerely,

/s/

Joseph T. Plesha  
General Counsel