

Remarks by U.S. Trade Representative Susan C. Schwab

U.S.- Korea Business Council Luncheon

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(as prepared for delivery)

Acknowledgements and Introduction

- Thank you Bill (Rhodes). I am pleased to be here with the private sector leaders of the U.S.-Korea Business Council.
- We are honored to have Ambassador Sandy Vershbow with us. He is a skilled and insightful diplomat who has been instrumental in helping us achieve success in the U.S.-Korea Free Trade Agreement.
- I am also pleased that Ambassador Lee is here. He has been so eloquent in reminding us all of how this agreement will build on our 50-year bond as nations.
- A little over six months ago, pundits and journalists were penning obits of America's role in the global trading system and of our ambitious trade agenda.
- If they were right, I would have been getting a lot more sleep and spending a lot less time on airplanes and on Capitol Hill than I have since January.

- Instead, while the doomsayers and doubters puzzled over the ramifications of the collapse of American leadership in trade liberalization, the Administration went to work. The Office of the U.S. Trade Representative remains the same beehive of activity it has always been.
- We concluded a landmark Free Trade Agreement with Korea and reached out to Congress and found a clear and reasonable path on which to keep it and other important free trade agreements with Peru, Panama and Colombia moving forward to congressional consideration.
- In the meantime, we have been working earnestly to reach a breakthrough in the Doha Round.
- If we succeed in this effort, the chances for a new allocation of Trade Promotion Authority, which, unfortunately expires at the end of the month, should improve markedly.
- Today, let me briefly bring you up to date on these many efforts. Let me also thank you, in advance, for the diligence and energy I know I can count on from you when it comes to KORUS FTA specifically.

Doha Status

- First, here is the state of play on the World Trade Organization Doha Round discussions. Since the collapse of the talks last July, the United States has been leading the efforts to use a bottom up negotiating approach to

maximize the prospects for a breakthrough at a level of ambition that will meet the promise of a true development round. In the past several weeks and months the talks have intensified – and I have the frequent flier miles to show for the many visits with counterparts around the world in an effort to find a breakthrough.

- We have not yet found that breakthrough but President Bush and other leaders at the G-8 summit in Germany last week made a very clear statement that success in the Doha Round will advance our common goals for generating economic opportunity and spurring development around the world.
- The President summed it up well when he said open trade will improve lives faster than government. He acknowledged that the success in the Doha Round is, “going to be really hard,” but he affirmed that “...everybody (there was) committed to getting something done.”
- A spirit of commitment has characterized my recent meetings with counterparts from Europe, India, Brazil and other major trading nations. The sense of urgency is there. The question is can we translate the commitment and momentum into a meaningful breakthrough package that we can recommend be folded into the multilateral WTO process in Geneva. We will keep forging ahead in the hopes of finding a way to conclude a comprehensive and balanced agreement that will open new trade flows and promote the development goals of the Doha Round.

Status of Bipartisan Agreement with Congress

- Next, I am sure you are interested in an update on the bipartisan agreement with the Congress. We have been working intensely over the past four weeks to turn that agreement into formal text. I am pleased to say we should be able to do that any day now. When the text is ready, we will immediately make the text available to our trading partners – although we have made efforts to preview the anticipated product with them.
- Just how we incorporate the new labor and environmental provisions will vary with each agreement. With regard to the KORUS FTA, we look forward to working very closely with Korea on these new labor and environment provisions in the coming days.
- Korea already has strong environmental protections and high labor standards. In my view, the agreement with Congress simply provides an opportunity to affirm those standards on a reciprocal basis.
- The bipartisan path we have created with Congress will not alter the balance Korea and the United States worked so hard and so respectfully to achieve.

KORUS FTA

- Enough about process. What we should really focus on today is the agreement itself and the tremendous benefits that will flow from this

agreement for the people of the United States and Korea. I know that each of you has a sense of the potential significance of the agreement to the citizens and stakeholders in both countries. In many ways, this is the strongest, most consequential FTA we have concluded.

- We already have a robust trade relationship with Korea. We moved some \$78 billion worth of goods between our two countries last year. That makes Korea our 7th largest trading partner.
- And this is happening without the FTA. Imagine the potential opportunities for people in both countries when we implement this agreement and remove the many remaining tariffs and non-tariff barriers.
- For Korea, it will provide preferential access relative to its competitors in Asia and elsewhere to the U.S. market – the largest in the world. Korean companies of all sizes will have the opportunity to benefit. It will help grow the economy and promote additional investment in Korea, helping to advance Korea's goal of increasing per capita income, and becoming an increasingly competitive, dynamic economic center. This is our chance to encourage the reformers and visionaries in Korea's government.
- Now, as we know, trade is not a zero sum game. In fact, trade-liberalizing agreements may be the most important form of positive sum activity in economic policymaking today. The KORUS FTA will open new opportunities in Korea that American producers have never had. It will generate billions in savings from tariff elimination. It will allow American

manufacturers, farmers, ranchers, manufacturers, and service providers a unique set of opportunities to sell into Korea's fast growing markets. Studies indicate that the agreement will add anywhere from \$17 to \$44 billion a year to the U.S. economy. That could mean \$500 for a family of four.

- In a broader sense, the further integration of our economy with Korea's is an exciting chance for the United States to continue playing a meaningful role in Asia as it undergoes a remarkable economic transformation. As countries in this region take steps toward closer trade and investment ties, the United States should be taking similar steps. And our footprint should be deep and defined!
- Once completed and enacted, this trade agreement also stands to trigger a wave of trade liberalization and economic reform throughout the region.
- As compelling as these economic facts are, for me, the KORUS FTA represents a broader historical geopolitical and strategic opportunity. For over 50 years, the United States and Korea have built an alliance of shared sacrifice in war and shared values in peace. The KORUS FTA is the ideal way to build on that relationship and ensure the next 50 years will be one of shared prosperity and security.

The Challenge Ahead

- Of course, before we begin enjoying that prosperity we need to sign the agreement and secure its approval by the U.S. Congress and Korea's National Assembly.
- We looking forward to signing the agreement here in Washington on June 30. Before you look at your calendars, I will acknowledge that, yes, this is a Saturday. But I have read the endorsements and plaudits from dozens of companies and trade organizations so know I will see some of you for the festive event!
- But I must tell you in all honesty, we have our work cut out for us. True, it is a strong agreement with a substantial trading partner. True, there is not a congressional district in the country that will not benefit from this agreement. But, let's face it, the politics of trade are tough in most countries in the world, and trade votes in the United States will always be tough and this one is no different.
- Let me be clear, there are opponents of this deal who are determined to see it voted down for parochial or reasons that have nothing to do with the potential benefits to the U.S. economy. And there are elected officials who will only become more attentive to well-organized opponents as we get more fully in the throes of the 2008 election season.
- I believe opponents of KORUS represent a minority of the population. But they will be a determined and vocal minority. We have seen over and over in trade debates that while opponents of trade lack the factual advantage, we

can always count on them to have the rhetorical advantage and an unswerving dedication to their cause.

- Therefore, we must not be complacent. KORUS is too important. We have to answer our opponents not only with facts but with the energized passion to match theirs. The stakes could not be higher.
- Your views need to be made clear – in letters, in emails, in newspapers, websites, radio call in programs. Your CEOs need to be engaged in this campaign to educate the American people and their elected representatives. The employees of your companies, your neighbors, and your colleagues from all around the country need to hear from you.
- 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 an example of American and Korean leadership in trade and as a key event in America's engagement in one of the most economically vibrant regions in the world. It should be remembered as a bipartisan achievement in the effort to offer a better life to the people of the United States and Korea.
- I am sure you want the history books to say the same thing. You have a great opportunity to start writing that history. We have a spirited campaign ahead of us and need to count on your support!!
- Thank you.