

Posted on Mon, Apr. 02, 2007

U.S., South Korea reach free trade deal

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SEOUL, South Korea --

The United States and South Korea concluded a landmark free trade agreement Monday, officials said, culminating 10 months of negotiations in a final week of intense haggling that just beat a key U.S. legislative deadline.

The deal, which requires approval by lawmakers in both countries, is the biggest for the United States since the North American Free Trade Agreement, which took effect in 1994. It is the largest ever for South Korea.

South Korea and the U.S. agreed to eliminate and lower tariffs and other trade barriers in a wide range of industrial goods and services, including financial services. The agreement also covered sectors such as e-commerce.

"The free trade agreement we are announcing today is a historic accomplishment," Deputy U.S. Trade Representative Karan Bhatia told reporters. "It is an agreement for the 21st century."

Negotiations began last June in Washington amid much fanfare. Both sides strongly advocated a deal, saying it would boost economic growth in two countries, which already do more than \$75 billion (56 billion euros) in trade a year.

But disputes in areas such as automobiles and agriculture slowed progress, forcing a final round of intense talks in Seoul since last Monday.

South Korea, under pressure from farmers who were worried that eliminating protections for rice would destroy the domestic industry, succeeded in keeping the staple food out of the deal.

But Seoul agreed to lower tariffs on other agricultural goods, including American oranges.

The two sides also agreed to eliminate and phase out tariffs on automobiles, with South Korea also agreeing to change its auto tax structure for larger vehicles, which the Washington claimed was discriminatory.

South Korean automakers sold 730,863 vehicles in the United States in 2005, while American auto companies sold only 5,795 in South Korea, according to Commerce Department figures.

The issue of American beef imports, absent from South Korean markets for more than three years after mad cow disease was discovered in the U.S. in 2003, was not an issue in the free trade talks. Still, Washington apparently came away with expectations it may be on the way toward resolution.

Assistant U.S. Trade Representative Wendy Cutler, the chief U.S. negotiator for the talks, said an expected certification of U.S. beef next month as safe to eat by the World Organization for Animal Health will pave the way.

"When this classification comes out we look to Korea (South) Korea to promptly reopen its market to American beef," Cutler said.

In the final round of talks in Seoul, South Korean Trade Minister Kim Hyun-chong, Bhatia and their subordinates held eight days of marathon talks, sometimes going all night, to clinch the deal.

The negotiators were under pressure because U.S. President George W. Bush must notify Congress that he plans to sign a trade agreement 90 days before his special Trade Promotion Authority expires July 1, meaning the agreement had to be concluded by April 1.

That so-called "fast track" authority allows Congress to ratify or reject, but not modify, trade deals negotiated by the White House.

Shortly after midnight Monday in Washington, the White House released the text of a letter from Bush to congressional leaders, dated April 1, stating his intention to enter into a free trade agreement with South Korea.

He said the agreement "will generate export opportunities for U.S. farmers, ranchers, manufacturers, and service suppliers, promote economic growth and the creation of better paying jobs in the United States, and help American consumers save money while offering them greater choices."

But South Korean labor and farm groups have denounced the deal, demonstrating on the streets of the country, especially the capital Seoul, saying an influx of U.S. imports will cost jobs and harm livelihoods.

A protester set himself on fire Sunday shouting "Stop the Korea-U.S. FTA" outside the hotel where negotiators were meeting. He was being treated for third-degree burns, police said.

South Korean president Roh Moo-hyun acknowledged that there have been "many conflicts" within South Korea regarding the free trade deal with the U.S. "Things will settle down after the striking of a deal today," he said.

U.S. businesses welcomed the agreement.

"For (South) Korea, this FTA is not only the largest deal ever completed, but it also ensures Korean products will have preferential access in the U.S. market, the largest in the world, ahead of its competitors, most notably Japan and China," the American Chamber of Commerce in Korea said in a statement.

Associated Press Writers Burt Herman and Kwang-Tae Kim in Seoul contributed to this report.