



Committee On Finance

Max Baucus, Ranking Member

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BAUCUS SPEAKS ON UPCOMING US-KOREA TRADE NEGOTIATIONS
Ambassador Schwab, Korean Ambassador Lee join Baucus at dinner in Bozeman, MT

Washington, D.C. – U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, will speak this evening before the Montana Farm Bureau regarding trade relations between the U.S. and Korea. The two nations will commence a fifth round of negotiations on a bilateral free trade agreement on Monday in Big Sky, Montana. Also attending the dinner, which was held at the Montana Farm Bureau Headquarters in Bozeman, were United States Trade Representative Susan Schwab and Korean Ambassador Lee Tae-Sik, both of whom are also in Montana this weekend. The text of the Senator's remarks follows here:

Tonight's dinner is a very special event, and it is really the perfect way to kick off the fifth round of Korea –U.S. free trade negotiations. I want to thank everyone for coming this evening, Ambassador Schwab and Ambassador Lee in particular. And thank you to our hosts for this evening, the Montana Farm Bureau.

Having these trade talks here in Montana gives us a chance to show our state off to our Korean guests, and to our visitors from Washington, DC. Even in winter, the country here is majestic. You have to see it to believe it. And when you see it first hand, you can't help but make the connection between this amazing natural beauty and the high quality of Montana's agricultural products.

I thank Ambassador Lee, for joining us. It is an honor to have him here. And it is a mark of the importance that Korea has attached to these historic negotiations. I am glad that you had a chance to see a bit more of Montana this weekend. Ambassador Lee was in Missoula earlier today, not for the football game but to visit the Korean War Memorial there.

More than fifty years ago, Koreans and Americans, fighting side-by-side, forged a bond between our countries. That bond has been strengthened over the interceding years, through trade, tourism, investment and other exchanges. And agriculture has always been an important part of that relationship.

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The Korean War decimated the Korean milling industry. All four of the mills in the South were destroyed. The U.S. sent shipments of wheat flour under our Food for Peace Program. When the Korean milling industry rebuilt their first mill in 1953, the U.S. wheat industry was there to help. That collaboration continued as other modern mills were built in Korea. And in 1956, the U.S. began to ship wheat, instead of wheat flour, to Korea. Over the intervening half a century, South Korea grew into one of the most sophisticated wheat markets in the world, and a satisfied customer for more than a million tons of U.S. wheat every year.

The historical ties between our countries make this FTA unique. For 50 years, we have worked together for peace and prosperity in Asia and around the world. And let's not forget that the FTA is a big deal for both of our economies. Korea is our 7th largest trading partner and our 7th largest export market. Last year, a total of \$72 billion in goods and services was traded between our countries. A free trade agreement could raise both our incomes by billions of dollars a year. That is why I first called for free trade agreement negotiations with Korea in 1999. And that is why I have pushed hard for these negotiations ever since.

Montana farmers and ranchers recognize that trade is hugely important to our agriculture. Exports account for more than a quarter of the value of agricultural production. One out of every three acres planted in the United States is producing for export. For some crops, like wheat, cotton, and peas and lentils, it is even more. And every dollar of exports creates nearly another dollar and a half in supporting activities to process, package, finance and ship agricultural products. So our farm exports, which reached a record \$62.4 billion in 2005, generated an additional \$92 billion in supporting business activities.

Here in Montana, three out of every five acres planted to wheat is destined for export. Agriculture gave Montana nearly half of its \$1 billion in exports last year. And Korea was one of our top ten export markets. In fact, five of the top ten export markets for all Montana products are in Asia. That is why I focus so much on strengthening trade ties with that region.

I recognize that getting an agreement on agriculture will not be easy. But it is absolutely vital to ensuring the benefits of this FTA. A lot of those benefits will come from bringing down barriers to agricultural trade. Right now, Korea's average agricultural tariff is 52 percent. That's nearly five times greater than the U.S.

Barley exports are limited by restrictive tariff-rate quotas and very high out-of-quota tariffs. The tariffs on beef and beef offals range from eight to forty percent.

Despite these high barriers, Korea is still our sixth largest agricultural trade partner, importing more than \$2 billion in U.S. farm products in 2005. There is demand for high quality U.S. products in Korea. And that demand will only grow under an FTA. That will certainly benefit Montana. And it will benefit Korean consumers even more. Right now, it is estimated that they pay as much as ten times as much as consumers in other countries for their food.

Let me say a little bit more about beef. I have made no secret of my view. Trade in the full range of U.S. beef products for animals of any age will have to be a part of this agreement. Korea used to be our second largest market for beef. Korea used to buy more than \$800 million dollars in beef a year. We need to re-establish that trade. There is no scientific justification for excluding bone-in beef, or offals, or meat from animals more than 30 months old. There is no scientific justification for rejecting shipments when a bone chip is found, either. I am confident that, relying on the scientific evidence and international standards, we can find a solution that will allow Korean consumers to enjoy delicious Montana beef.

Now, I am very happy to introduce you to Ambassador Susan Schwab. And I am happy to introduce Ambassador Schwab to Montana. We are really lucky to have her as the United States Trade Representative. She has long been a staunch supporter of American agricultural producers in our trade negotiations. In fact, her first job in trade policy was as an agricultural trade negotiator with USTR.

As you know, she went toe-to-toe with the Europeans, the Brazilians and the rest of the world last July in Geneva. She refused to accept what she knew would not be a good deal for U.S. farmers and ranchers. She has been able to bring an end to the softwood lumber dispute with Canada. She has kept market access for U.S. beef at the top of the list in our negotiations with Peru, Colombia, Vietnam, and Russia. As a result, we have gotten those countries to lift their bans on our beef. And I know that she will do the same with Korea.

And now I give you the United States Trade Representative, Ambassador Susan Schwab.

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