Case Number: 2009-0528-F

# FOIA MARKER

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Folder Title:
Korea, Auto Agreement, 1997 [1]

Staff Office-Individual:
National Economic Council-Lee, Malcolm

Original OA/ID Number:
CF 1184

| Row: | Section: | Shelf: | Position: | Stack: |
|---|---|---|---|---|
| 23 | 5 | 8 | 2 | V |

# Withdrawal/Redaction Sheet
## Clinton Library

| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 001. email | To Jeffery Bader, James Gagnon, Sandra Kristoff, et al. from SitRoom at 9:31PM. Subject: Auto Talks: Talking Points. (2 pages) | 09/17/1997 | P1/b(1) |
| 002. email | To Jeffery Bader, James Gagnon, Sandra Kristoff, et al. from SitRoom at 9:31PM. Subject: Auto Dispute: Next Steps. (3 pages) | 09/19/1997 | P1/b(1) |
| 003. memo | For Don Phillips from David Marchick. Subject: State Department Views. (3 pages) | 08/27/1997 | P1/b(1) |
| 004. paper | Super 301: Korean Auto Market Access. [with attachment] (8 pages) | 09/15/1997 | P1/b(1) |
| 005. memo | For James Steinberg from Gwenyth Todd. Subject: Small Group. Record ID: 9706882 (4 pages) | 10/08/1997 | P1/b(1) |
| 006a. memo | For Dan Tarullo from Malcolm Lee. Subject: What We Have and Have Not Gotten. (1 page) | 09/29/1997 | P1/b(1) |
| 006b. list | Main USG Concerns Not Covered by Korean Proposal. (1 page) | 09/29/1997 | P1/b(1) |
| 006c. list | Outline of Korean Proposal. (2 pages) | 09/29/1997 | P1/b(1) |
| 007. memo | For the President from Daniel Tarullo, Samuel Berger, and Gene Sperling. Subject: Designation of Korea under Super 301. Reocrd ID: 9706654. (2 pages) | 09/30/1997 | P1/b(1) |
| 008a. memo | For Daniel Tarullo, Samuel Berger, and Gene Sperling from Malcolm Lee. Subject: Designation of Korea under Super 301. Reocrd ID: 9706654. (1 page) | 09/30/1997 | P1/b(1) |
| 008b. memo | Duplicate of 007. (2 pages) | 09/30/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

**RESTRICTION CODES**

**Presidential Records Act - [44 U.S.C. 2204(a)]**

P1 National Security Classified Information [(a)(1) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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|---|---|---|---|
| 009. email | From Malcolm Lee to James Steinberg, Diana Helweg, and Robert Malley at 6:45pm. Subject: FW: Readout of Korea Auto Principals Meeting. (1 page) | 09/29/1997 | P1/b(1) |
| 010. draft | Memo for Sandy Berger, Gene Sperling, Daniel Tarullo, and James Steinberg from Malcolm Lee. Subject: Super 301 Designation. Record ID: 9706583. (5 pages) | 09/27/1997 | P1/b(1) |
| 011. paper | Duplicate of 004. (8 pages) | 09/15/1997 | P1/b(1) |
| 012. email | Duplicate of 009. (1 page) | 09/29/1997 | P1/b(1) |

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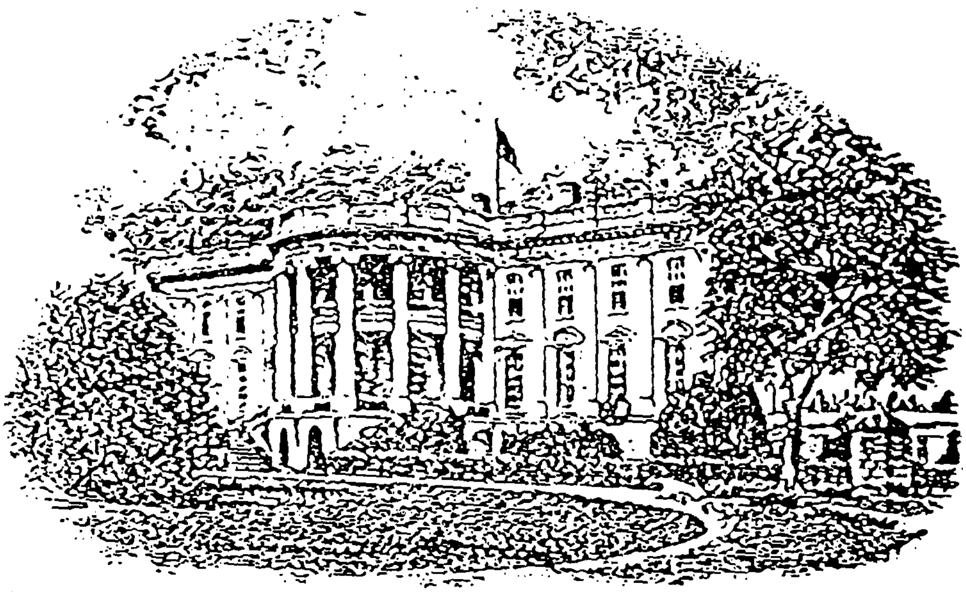
# The White House
## Office of Presidential Letters and Messages



*Facsimile from Anna Cushing -- Office of Presidential Letters*

*Phone: 202-456-5517*    *Fax: 202-456-5426*

To: Malcolm Lee

No. of pages (including cover): ~~8~~ 5    Date: 9/16

Phone: 69291    Fax: 69290

Comments: Please review/ comment / clear -
Call w/ any questions

Thanks
AC

**DRAFT OF BC LETTER**

**INITIALS:** BC / aec /

**DOCUMENT TITLE:** /slr/p/aama.ae

**DRAFT DATE / LETTER DATE:** Sep 17 1997 /

**CORRESPONDENCE #:** 3671314

**CLEAR WITH:**

**WHCC:**

CC: Wayna Wondwossen, 93
Sean Murphy - USTR

**CORRESPONDENCE ADDRESSED TO:**
C/O Mr. Andrew H. Card, Jr.
President and Chief Executive Officer
American Automobile Manufacturers Association
Headquarters
Suite 900, 1401 H Street, N. W.
Washington, D.C. 20005

**APPROVAL/ENCLOSURES/SPECIAL INSTR:**
w/ USTR Sean Murphy 56813
~~and Commerce Beverley Gallimore 482-393~~

---

Dear Friends:

Thank you for writing on behalf of the American Automobile Manufacturers Association and its member companies. I share your concerns regarding Korea's implementation of its commitments under the 1995 U.S.-Korea Automotive Memorandum of Understanding.

The 1995 MOU was an important first step toward eliminating market access barriers to the Korean automotive market, and I am disappointed that Korea has failed to further expand its market access for foreign-manufactured vehicles. Ensuring that our trading partners are in compliance with the commitments under international trade agreements is a top priority of my Administration -- we will continue to press Korea to undertake additional measures to eliminate trade barriers that deny the U.S. automotive industry effective access to the Korean market. We will not hesitate to use the tools provided by are trade laws, including Super 301, if such action is appropriate and necessary to ensure Korea's compliance of the MOU.

As always, I appreciate knowing your views, and I look forward to meeting with you next month to discues this and other important issues facing the

U.S. automotive industry. Again, thanks for writing.

# American Automobile Manufacturers Association

Chrysler Corporation Ford General Motors

SEP 9 1997

(94)

September 9, 1997

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The American Automobile Manufacturers Association (AAMA) and its member companies — Chrysler Corporation, Ford Motor Company, and General Motors Corporation — wish to express our growing frustration with the Republic of Korea's failure to honor its market-opening commitments under Korea's 1995 automotive trade agreement with the United States. Closed domestic markets are troubling under any circumstances. But the situation is particularly unacceptable when it is combined, as is the case in Korea, with government-directed policies to promote an extraordinary expansion of excess automobile capacity for export to open markets in the U.S. and around the world. We urge the Administration to respond to Korea's trade-distorting practices with serious and meaningful action.

In 1995, after almost two years of negotiations, the Administration achieved the U.S.-Korea Automotive Memorandum of Understanding to Increase Market Access for Foreign Passenger Vehicles in the Republic of Korea (MOU). We welcomed the agreement as a modest effort by the Korean government to begin reversing its long-standing policy of excluding imports from its automobile market. On the basis of that 1995 agreement, AAMA's member companies substantially expanded their investments in Korea with a view to increasing U.S. exports to that country.

However, despite a promising beginning under this new trade agreement, Korea has not lived up to its market-opening commitments. Import sales remain far below expectations. In all of 1996, Chrysler, Ford and General Motors imported less than 3900 vehicles into a total Korean market of 1.6 million vehicles. During 1997, the Korean government has not taken any positive action to promote imports. Instead, there has been a host of continuing violations of the 1995 MOU.

AAMA believes that the Korean government's maintenance of a sanctuary automobile market is directly fueling the Korean auto industry's aggressive international expansion. In the face of mounting global overcapacity in automotive production and despite the precarious financial position of the Korean manufacturers, Korean producers have continued to add capacity — reaching over 3.6 million units in 1996 — and have announced plans to increase production to over 6 million units annually by 2000. Allowing Korea to maintain a closed market while building huge auto assembly capacity potentially will result in the permanent loss of billions of dollars in U.S. automotive exports.

HEADQUARTERS
1401 H Street, N.W. Suite 900, Washington, D.C. 20005
202•326•5500 FAX 202•326•5567

DETROIT OFFICE
7430 Second Avenue, Suite 300, Detroit, MI 48202
313•872•4311 FAX 313•872•5400

The President
September 9, 1997
Page 2

This irrational buildup of excess capacity has led to Korean companies engaging in business arrangements which violate international trade rules. The United States government has now joined the European Community and Japan at the World Trade Organization in objecting to a discriminatory national car program in Indonesia that benefits a single Korean auto company.

Chrysler, Ford and General Motors are not alone in expressing growing exasperation with Korea's behavior as a trading partner. Korea's unfair auto trade practices have also been widely criticized by other nations at recent meetings of the Organization for Economic Cooperation and Development and in a joint visit to Seoul in July with representatives of the European Automobile Manufacturers Association. All efforts to have the Korean government honor its commitments to fair, open trade practices — not only with the U.S. but with other trading partners as well — have been met with complete intransigence.

We believe that the Korean government's actions unquestionably deserve to be identified as priority practices that unfairly limit U.S. market access under Super 301. Failure by the Administration to insist that Korea adopt responsible and fair automotive trade policies will make it more difficult to expand access for U.S. automobiles in that market and will encourage Korea to continue a pattern of irresponsible trade practices.

We look forward to working with the Administration to increase market opportunities for auto exports to Korea and to other markets around the world.

Sincerely,

Bob Eaton

Robert J. Eaton
Chairman & CEO
Chrysler Corporation

Alex Trotman

Alex Trotman
Chairman & CEO
Ford Motor Company

Jack Smith

John F. Smith, Jr.
Chairman, President, & CEO
General Motors Corporation

Andrew H. Card, Jr.

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President & CEO
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Malcolm Lee
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2009-0528-F
vz1404

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Ford Motor Company

John F. Smith, Jr.
Chairman, President, & CEO
General Motors Corporation

Andrew H. Card, Jr.
President & CEO
American Automobile
Manufacturers Association

# WASHFAX RECEIPT
## DEPARTMENT OF STATE

B

C

'97 AUG 28 A9:11

S/S #

MESSAGE NO. 001688 CLASSIFICATION ~~Confidential~~ No. Pages 3

FROM: David Marchick (Officer name) | EB/TPP (Office symbol) | 72532 (Extension) | 3831 A (Room number)

MESSAGE DESCRIPTION Memo: State Department Views on Korea Auto Import Issue

| TO: (Agency) | DELIVER TO: | Extension | Room No. |
|---|---|---|---|
| ~~Don Phillips~~ | ~~USTR~~ | | |
| USTR | Don Phillips | 395-3430 | 400 |
| USTR | Sean Murphy | 395-6813 | 407 |
| NEC | Malcolm Lee | 456-2255 | 388 OEOB |
| Commerce | Charles Uthus / Andrea Gush | 482-0665 | 4036 |
| | | | |

FOR: CLEARANCE [ ] INFORMATION [X] PER REQUEST [ ] COMMENT [ ]

REMARKS:

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ATTACHMENTS
Initials: VZ Date: 7/5/2012
2009-0526-F

S/S Officer:

FORM DS-1760
7-77

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OPTIONAL FORM 99 (7-90)

**FAX TRANSMITTAL** # of pages ▶ 4

| | |
|---|---|
| To MALCOLM LEE | From RUSS LA MANTIA |
| Dept./Agency | Phone # |
| Fax # | Fax # |

NSN 7540-01-317-7368 5099-101 GENERAL SERVICES ADMINISTRATION

United States Department of State

Washington, D.C. 20520

September 5, 1997

INFORMATION MEMORANDUM
UNCLASSIFIED

TO: EB - Mr. Larson

FROM: EB/TRA - Joel Spiro

SUBJECT: FMC Guidance on Waiver of Fees

For your information the FMC has provided the following press guidance on waiver or forgiveness of fees.

**Q: Can any fees assessed before October 15 (the payment date) be waived or forgiven?**

**A: No.**

1. The fees become debts when they are assessed -- i.e., upon entry in a port.

2. Debts cannot be waived or forgiven after they are assessed except under criteria (i.e., inability to pay) that are inapplicable to this situation.

3. Regulations issued jointly by the GAO and DOJ, however, authorize compromise of debts "if the agency's enforcement policy in terms of deterrence and securing compliance" will be served. 4 CFR 103.5

4. Chairman Creel has said that there is no evidence yet that the FMC's policies and objectives will be served by compromising these assessments: compromise would appear appropriate only in extraordinary circumstances.

Drafted: EB/TRA/OTP: RALa Mantia
SEMA 7985, x79982, 9/5/97

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**Freedom of Information Act - [5 U.S.C. 552(b)]**

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# Withdrawal/Redaction Marker
## Clinton Library

| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 006a. memo | For Dan Tarullo from Malcolm Lee. Subject: What We Have and Have Not Gotten. (1 page) | 09/29/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

## RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

P1 National Security Classified Information [(a)(1) of the PRA]
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# FAX TRANSMISSION

U.S. TRADE REPRESENTATIVE
600 17TH STREET, NW, RM 401
WASHINGTON, DC
202-395-3430
FAX: 202-395-3512

**To:** MALCOLM LEE **Date:** 9/29/97

**Fax #:** x 69290 **Pages:** 4 , including this cover sheet.

**From:** Donald M. Phillips
Asst. U.S. Trade Representative
for Asia Pacific & APECAffairs

**Subject:** KOREAN AUTOS

**Comments:** PER DAN'S REQUEST TO CB.

# Withdrawal/Redaction Marker
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| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 006b. list | Main USG Concerns Not Covered by Korean Proposal. (1 page) | 09/29/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 006c. list | Outline of Korean Proposal. (2 pages) | 09/29/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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6519

# United States Senate

WASHINGTON, DC 20510

September 22, 1997

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

In 1995, the United States and the Republic of Korea signed a Memorandum of Understanding (MOU) to provide U.S. automobile manufacturers access to one of the largest markets in the world and one of the fastest-growing markets in Asia. We have been monitoring Korea's implementation of the 1995 MOU, and it concerns us greatly that automotive imports in Korea remain at less than one percent and that the Korean government has violated the 1995 agreement.

Trade barriers premised on Korean laws and policies designed to undermine trade concessions deny U.S. automobile manufacturers and Korean consumers the benefits they had expected under the 1995 MOU and the WTO agreements. Furthermore, these barriers allow Korea to enjoy a "free ride" on U.S. concessions.

Since the 1995 Agreement, government-sanctioned policies, including harassment of citizens who buy or lease imported cars, have escalated. Korea has reclassified minivans and sport utility vehicles, effectively boosting import taxes on these vehicles by as much as $1,500. Also, Korea's discriminatory automotive taxation regime has not improved overall and still may effectively double the price consumers pay for an imported vehicle.

Of equal concern is the uncertainty Korea's restrictive policies create for future U.S. negotiations with Korea. We question whether American companies can rely on agreements to be productive and long-lasting if U.S. automobiles cannot enter the Korean market on fair terms as already negotiated.

The 1995 MOU was a minimal first step toward opening Korea's automotive market, but the government has also shown little willingness to negotiate further market-opening

The President
September 22, 1997
Page 2

initiatives or even abide by its 1995 commitments While Korea is ultimately accountable for remedying the market barriers it has erected unilaterally, the United States must take an active role in requiring Korea to implement market remedies to which it has agreed. Therefore, we urge you to name Korea's automotive trade policies as "priority practices" under the Super 301 unfair trade provision and to seek further commitments from Korea to provide real market access.

Sincerely,

Senator Carl Levin

Senator Sam Brownback

Senator Spencer Abraham

Senator Mike DeWine

Senator Joseph Lieberman

Senator Jack Reed

Senator John Ashcroft

Senator John Rockefeller

Senator Richard Bryan

Senator Byron Dorgan

Senator Richard Lugar

Senator Rick Santorum

The President
September 22, 1997
Page 3

Senator Barbara Mikulski

# Withdrawal/Redaction Marker
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| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 007. memo | For the President from Daniel Tarullo, Samuel Berger, and Gene Sperling. Subject: Designation of Korea under Super 301. Reocrd ID: 9706654. (2 pages) | 09/30/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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**Presidential Records Act - [44 U.S.C. 2204(a)]**

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|---|---|---|---|
| 008a. memo | For Daniel Tarullo, Samuel Berger, and Gene Sperling from Malcolm Lee. Subject: Designation of Korea under Super 301. Reocrd ID: 9706654. (1 page) | 09/30/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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|---|---|---|---|
| 008b. memo | Duplicate of 007. (2 pages) | 09/30/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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## Clinton Library

| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 009. email | From Malcolm Lee to James Steinberg, Diana Helweg, and Robert Malley at 6:45pm. Subject: FW: Readout of Korea Auto Principals Meeting. (1 page) | 09/29/1997 | P1/b(1) |

**COLLECTION:**

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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## Clinton Library

| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 010. draft | Memo for Sandy Berger, Gene Sperling, Daniel Tarullo, and James Steinberg from Malcolm Lee. Subject: Super 301 Designation. Record ID: 9706583. (5 pages) | 09/27/1997 | P1/b(1) |

**COLLECTION:**

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National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**

Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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UNCLASSIFIED
NSC/RMO PROFILE

RECORD ID: 9706557
RECEIVED: 26 SEP 97 14

TO: BERGER

FROM: CARD, ANDREW

DOC DATE: 25 SEP 97
SOURCE REF:

KEYWORDS: KOREA SOUTH
NSA CORRESPONDENCE
IMPORT CONTROLS

PERSONS:

SUBJECT: ANDREW OF AMERICAN AUTOMOBILE MANUFACTURERS ASSOC LTR TO BERGER RE KOREAN VIOLATION OF AUTO TRADE MOU

---

ACTION: PREPARE MEMO FOR BERGER

DUE DATE: 02 OCT 97 STATUS: S

STAFF OFFICER: PRITCHARD

LOGREF:

FILES: WH NSCP: CODES:

D O C U M E N T   D I S T R I B U T I O N

| FOR ACTION | FOR CONCURRENCE | FOR INFO |
|---|---|---|
| PRITCHARD | CARAVELLI | BANDLER |
| | KRISTOFF | BOUCHARD |
| | LEE | KYLE |
| | SAMORE | SCHWARTZ |

COMMENTS: ______________________________

DISPATCHED BY ______________ DATE ______________ BY HAND W/ATTCH

OPENED BY: NSSWD CLOSED BY: DOC 1 OF 1

UNCLASSIFIED

# American Automobile Manufacturers Association

Chrysler Corporation Ford General Motors

ANDREW H. CARD, Jr.
President and Chief Executive Officer

September 25, 1997

9/25/97

The Honorable Samuel R. Berger
Assistant to the President
National Security Council
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. Berger:

As September 30 approaches, the American Automobile Manufacturers Association would like to reiterate our views regarding options under consideration by the Administration regarding our request that Korea be designated under "Super 301" for unfair trade practices in auto trade.

First, we are very disturbed that, despite Korea's clear violations of the 1995 MOU, there is still reluctance from some within the Administration to designate Korea under Super 301. We are very aware of political concerns that have been raised about Korea's upcoming elections. However, we believe that failure to act now -- and the message which that non-action conveys -- will do far greater harm to U.S. interests than proceeding with a 301 investigation. A new administration in Seoul would in all likelihood be reluctant to tackle these tough issues without the incentive of a set negotiating deadline. This is also an opportunity to move U.S.-Korea relations forward, by showing that the bilateral relationship has matured to the point that trade concerns can be discussed separately from other important aspects of the relationship, as the U.S. does in disputes with most other OECD trading partners.

Given the high visibility of this issue, a failure to designate Korea could also be interpreted by other countries as a sign that the U.S. will not strictly enforce existing trade agreements. It could also undermine our continuing efforts to put pressure on Japan to open its market, and may damage ongoing attempts to resolve the U.S. auto dispute with Indonesia.

We are also disturbed that concessions from Korea that have little or no commercial significance may be accepted by the Administration as demonstrating adequate progress to avoid a Super 301 designation. What has been offered thus far barely qualifies as a starting point, and will not result in any volume increase in import sales.

SEP 25 18:10

To accept a minimal package of concessions as sufficient progress by the government of Korea to avoid Super 301 designation cannot, in our view, be justified. It would clearly leave Korea "off the hook", with no guarantee that any new government will make any significant market opening efforts at a later date.

Sincerely,

Andy Card

Andrew H. Card, Jr.

I hope you will contact me should you have questions.

American Automobile
Manufacturers Association

1401 H Street, NW, Suite 900
Washington, DC 20005

# FAX

Date: 9/25/97

Number of pages including cover sheet: 3

To:
Mr. Samuel Berger 465-2883

From: Andrew H. Card, Jr.

Phone: 202-326-5501

Fax phone: 202-326-5504

**REMARKS:** ☐ Urgent ☐ For your review ☐ Reply ASAP ☐ Please comment

Please see the attached. Original to follow by mail.

# Withdrawal/Redaction Marker
## Clinton Library

| DOCUMENT NO. AND TYPE | SUBJECT/TITLE | DATE | RESTRICTION |
|---|---|---|---|
| 011. paper | Duplicate of 004. (8 pages) | 09/15/1997 | P1/b(1) |

**COLLECTION:**
Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

**FOLDER TITLE:**
Korea, Auto Agreement, 1997 [1]

2009-0528-F
vz1404

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**American Automobile Manufacturers Association**

General Motors

Malcolm x69290

ANDREW H. CARD, Jr.
President and Chief Executive Officer

September 26, 1997

Jeff:

I tried to reach you by phone late this afternoon, but I know it's a very busy week. What I wanted to tell you is that our companies met with Don Phillips and the team negotiating with the Koreans this morning. Basically they told us that the Koreans brought nothing meaningful to the table yesterday and we don't expect any great surprises from their meetings today.

Don gave us a summary of his ideas for a proposed settlement (attached) and I wanted to give you the companies' joint feedback:

1. The elements of a package which could be concluded this week, summarized under item #I in the attached document, contain a few elements which are, in principle, directionally correct. But, as a whole, the package contains no commercially significant concessions. We certainly don't believe the package of concessions outlined in this paper is nearly compelling enough to delay designating Korea under 301 on Tuesday.

2. This document proposes, as a follow-up, advising the Koreans privately that, if they are not more forthcoming and are unwilling to effectively address the MOU and other market access problems, the US will initiate a Section 301 by June 1998. This is not an acceptable back-up.

We believe that, if the US is unwilling to designate Korea under Super 301 on Tuesday, at a minimum, it should announce publicly that it will initiate a Section 301 action, absent meaningful market opening progress by March 31, 1998. To our members, meaningful market opening includes not just addressing their violations of the 1995 MOU, but taking major additional steps to increase market access for imported vehicles - i.e. in reducing tariffs, taxes, reversing consumer fears, etc.

We appreciate the time and effort which you and your staff are putting into this issue and look forward to the Administration sending the Korean government a clear and tough message next week. If you have any questions, or need to get in touch with me over the weekend, I can be reached at 703-243-8515 or, on my mobile phone, at 202-316-3125.

Andy

Andrew H. Card

HEADQUARTERS
1401 H Street, N.W. Suite 900, Washington, D.C. 20005
202•326•5500 FAX 202•326•5567

DETROIT OFFICE
7430 Second Avenue, Suite 300, Detroit, MI 48202
313•872•4311 FAX 313•872•5400

USTR

Presented to US industry rep 9/26/97

## Outline of Acceptable Package

I. Agreed Measures/Actions

1. Implement equalization of Subway bond-tax rate by October 31, 1997.
2. Postpone reclassification of Minivans as passenger vehicle until January 1, 2000. Postpone increase in tax rate until January 1, 2005.
3. Announce plans to move to self-certification; target date January 1, 2000.
4. Self-certification pilot program.
5. Increase threshold in safety compliance test to 1,500 in January 1, 1998.
6. Exemption from standards completion test, for US manufacturers that can test to Korean Standards, effective June 1, 1998.
7. Accept manufacturer certificate of conformity for standards introduced after 1995
8. Agree to participate actively in WP 29 and to join "Parallel Agreement" when US, Japan and EU do.
9. Financing reform: agree to implement new legislation in way that will achieve US objectives.
10. Financing reform: agree to authorize retention of ownership papers by April 1, 1998. Agree to institute collateralization system that will facilitate auto sales and leasing in 1998.
11. Market Access/Registration Data - implement by 1/1/98

II. Reinvigorated Bilateral Dialogue

1. Agree over the 1998 and 1999 Calendar year to consult at least twice a year or more frequently upon request of other Party. First round of consultations to be held no later than April 1, 1998.
2. In these consultations agree to review implementation of MOU (including above measures) and any other policies or practices which impede achievement of the objectives of the MOU with view towards effectively addressing any problems.

US Actions

1. US will announce (as part of the Super 301 report) that it will review the implementation of the agreement and the extent to which its objectives are being achieved by June 1, 1998.

2. Not to be announced publicly. If USG determines at the June 1998 review that the MOU is not being properly implemented and/or that Korea is unwilling to address effectively problems which are preventing the MOU from achieving its objective, the USG will initiate a 301 petition . The USG would accelerate this investigation with the aim of completing it by the end of 1998 (Normally, one-year would be allowed for the investigation.)

Chrysler

Chrysler suggestion Sue & Phillip

**Super 301 back-up Proposal**

- Announce publicly that Korea's automotive restrictions will not be designated under Super 301 on September 30. [an explanation about their elections or something may be in order to explain why this is not occurring.]

- Absent sufficient, meaningful progress in meeting the obligations of the Memorandum of Understanding, a Section 301 case will be opened on February 1, and considered on an expedited basis. [The 301 statute provides for an 18 month time limit. The clock should be considered to be ticking as of September 30 even though the case was not initiated until February 1.]

- This will provide the necessary leverage to continue to negotiate meaningful concessions from the Koreans, and will address foreign policy concerns associated with the elections.

# American Automobile Manufacturers Association

Chrysler Corporation Ford General Motors

SEP 9 1997

(94)

September 9, 1997

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The American Automobile Manufacturers Association (AAMA) and its member companies — Chrysler Corporation, Ford Motor Company, and General Motors Corporation — wish to express our growing frustration with the Republic of Korea's failure to honor its market-opening commitments under Korea's 1995 automotive trade agreement with the United States. Closed domestic markets are troubling under any circumstances. But the situation is particularly unacceptable when it is combined, as is the case in Korea, with government-directed policies to promote an extraordinary expansion of excess automobile capacity for export to open markets in the U.S. and around the world. We urge the Administration to respond to Korea's trade-distorting practices with serious and meaningful action.

In 1995, after almost two years of negotiations, the Administration achieved the <u>U.S.-Korea Automotive Memorandum of Understanding to Increase Market Access for Foreign Passenger Vehicles in the Republic of Korea</u> (MOU). We welcomed the agreement as a modest effort by the Korean government to begin reversing its long-standing policy of excluding imports from its automobile market. On the basis of that 1995 agreement, AAMA's member companies substantially expanded their investments in Korea with a view to increasing U.S. exports to that country.

However, despite a promising beginning under this new trade agreement, Korea has not lived up to its market-opening commitments. Import sales remain far below expectations. In all of 1996, Chrysler, Ford and General Motors imported less than 3900 vehicles into a total Korean market of 1.6 million vehicles. During 1997, the Korean government has not taken any positive action to promote imports. Instead, there has been a host of continuing violations of the 1995 MOU.

AAMA believes that the Korean government's maintenance of a sanctuary automobile market is directly fueling the Korean auto industry's aggressive international expansion. In the face of mounting global overcapacity in automotive production and despite the precarious financial position of the Korean manufacturers, Korean producers have continued to add capacity — reaching over 3.6 million units in 1996 — and have announced plans to increase production to over 6 million units annually by 2000. Allowing Korea to maintain a closed market while building huge auto assembly capacity potentially will result in the permanent loss of billions of dollars in U.S. automotive exports.

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This irrational buildup of excess capacity has led to Korean companies engaging in business arrangements which violate international trade rules. The United States government has now joined the European Community and Japan at the World Trade Organization in objecting to a discriminatory national car program in Indonesia that benefits a single Korean auto company.

Chrysler, Ford and General Motors are not alone in expressing growing exasperation with Korea's behavior as a trading partner. Korea's unfair auto trade practices have also been widely criticized by other nations at recent meetings of the Organization for Economic Cooperation and Development and in a joint visit to Seoul in July with representatives of the European Automobile Manufacturers Association. All efforts to have the Korean government honor its commitments to fair, open trade practices — not only with the U.S. but with other trading partners as well — have been met with complete intransigence.

We believe that the Korean government's actions unquestionably deserve to be identified as priority practices that unfairly limit U.S. market access under Super 301. Failure by the Administration to insist that Korea adopt responsible and fair automotive trade policies will make it more difficult to expand access for U.S. automobiles in that market and will encourage Korea to continue a pattern of irresponsible trade practices.

We look forward to working with the Administration to increase market opportunities for auto exports to Korea and to other markets around the world.

Sincerely,

Bob Eaton

Robert J. Eaton
Chairman & CEO
Chrysler Corporation

Alex Trotman

Alex Trotman
Chairman & CEO
Ford Motor Company

Jack Smith

John F. Smith, Jr.
Chairman, President, & CEO
General Motors Corporation

Andrew H. Card, Jr.

Andrew H. Card, Jr.
President & CEO
American Automobile
Manufacturers Association

House letter to President Clinton on Super 301 for Korea's auto market

| | |
|---|---|
| Sander Levin | Amo Houghton |
| | |
| John Dingell | Fred Upton |
| Dale Kildee | David Bonior |
| Martin Frost | Lane Evans |
| John Conyers | Ron Dellums |
| Sue Kelly | Phil English |
| John Lewis | Jim McGovern |
| Jim Barcia | Howard Berman |
| Richard Neal | Louise Slaughter |
| Ron Klink | John Peterson |
| [repeat] | David McIntosh |
| | |
| Dick Lipinski | Debbie Stabenow |
| Donald Payne | Sherry Boehlert |
| James Walsh | Marcy Kaptur |
| Sidney Yates | Dick Gephardt |
| J.C. Watts, Jr. | Joe Knollenberg |
| Lynn Rivers | Dave Camp |
| John LaFalce | Ralph Regula |
| Peter DeFazio | Jerry Solomon |
| Jim Maloney | Tom Sawyer |
| Nancy Johnson | Jack Quinn |
| | |
| Frank Pallone, Jr. | Steve LaTourette |

Congress of the United States
House of Representatives
Washington, DC 20515

The Honorable William Jefferson Clinton
President of the Unites States
The White House
Washington, D.C. 20500

September 23, 1997

Dear Mr. President:

We are writing to urge you to designate the Republic of Korea's automotive trade policies as "priority practices" under the Super 301 provision of U.S. trade law.

Korea's market for automobiles is one of the fastest growing in the world and could be an important destination for U.S. exports. Despite the efforts of the U.S. government and the world's automakers, however, the Korean market remains closed to non-Korean cars and trucks.

Two years ago, your Administration negotiated an agreement with the Korean government to provide new access to that country's automotive market. While the Korean government implemented some of the provisions of the agreement, such as a small reduction in the enormous tax/tariff burden on imported autos, most of its actions actually have served to restrict the market yet further. The government repeatedly has taken steps, such as the threat of special tax audits, to officially discourage the purchase of imports. Moreover, Korea continues to levy an array of nine separate taxes, in addition to an import tariff, that disadvantage imports.

The express purpose of the 1995 agreement was to "substantially increase market access for foreign passenger vehicles" in Korea. However, the Korean government's unwillingness to change its policies has undermined this goal.

Even without a trade agreement, these actions would merit serious consideration under Super 301. But because we have already negotiated an agreement which these actions clearly violate, we believe that designation under Super 301 is unavoidable. It is our understanding that the Korean government has been less than willing to negotiate further market-opening initiatives, despite the continued low level of auto imports in Korea. We urge you to take strong action under U.S. law to gain Korea's cooperation in opening its market to U.S. auto exports.

Sincerely,

Letter to the President
Designate Korea Under Super 301

John D. Dingell | Fred Upton

Dale E. Kildee | David E. Bonior

Martin Frost | Lane Evans

John Conyers Jr. | Ronald V. Dellums

Sue Kelly | Phil English

John Lewis | Jim McGovern

Jim Barcia | Howard L. Berman

Richard E. Neal | Louise M. Slaughter

Ron Klink | John E. Peterson

Sue Kelly | David McIntosh

Letter to the President
Designate Korea Under Super 301

Letter to the President
Designate Korea Under Super 301

Frank Pallone, Jr.

[illegible]

DRAFT OF BC LETTER

**INITIALS:** BC / aec /

**DOCUMENT TITLE:** /slr/p/aama.

**DRAFT DATE / LETTER DATE:** Sep 17 1997 /

**CORRESPONDENCE #:** 36713

**CLEAR WITH:**

**WHCC:**

CC: Wayna Wondwossen, 9

Sean Murphy - USTR

**APPROVAL/ENCLOSURES/SPECIALINSTR:**

w/ USTR ~~Sharon~~ Sean Murphy 56813

~~and Commerce Beverley Gallimore 482-3~~

**CORRESPONDENCE ADDRESSED TO:**

C/O Mr. Andrew H. Card, Jr.
President and Chief Executive Officer
American Automobile Manufacturers Association
Headquarters
Suite 900, 1401 H Street, N. W.
Washington, D.C. 20005

---

Dear Friends:

Thank you for writing on behalf of the American Automobile Manufacturers Association and its member companies. I share your concerns regarding Korea's implementation of its commitments under the 1995 U.S.-Korea Automotive Memorandum of Understanding.

The 1995 MOU was an important first step toward eliminating market access barriers to the Korean automotive market, and I am disappointed that Korea has failed to further expand its market access for foreign-manufactured vehicles. Ensuring that our trading partners are in compliance with the commitments under international trade agreements is a top priority of my Administration -- we will continue to press Korea to undertake additional measures to eliminate trade barriers that deny the U.S. automotive industry effective access to the Korean market. [We will not hesitate to use the tools provided by are trade laws, including Super 301, if such action is appropriate and necessary to ensure Korea's compliance of the MOU.]

As always, I appreciate knowing your views, and I look forward to meeting with you next month to discuss this and other important issues facing the

U.S automotive industry. Again, thanks for writing.

**Lee, Malcolm R.**

**From:** SitRoom
**Sent:** Tuesday, September 23, 1997 10:21 PM
**To:** Bader, Jeffrey A.; Gagnon, James M.; Kristoff, Sandra J.; Kyle, Robert D.; Lee, Malcolm R.; Norris, John J.; Pritchard, Charles (Jack) L.; Suettinger, Robert L.; Panerali, Kristen E.
**Subject:** TRADE-KOREA-USA

**CLASS:** INTERNATIONAL
**ORIG:** Reuter
**PREC:** RUSH
**TOR:** 970923213122 R0159635

a2767
^BC-TRADE-KOREA-USA
^U.S. senators urge action on S.Korea car trade

WASHINGTON, Sept 23 (Reuter) - More than a dozen U.S. senators on Tuesday urged President Bill Clinton to take action against what they said were unfair car trade practices by South Korea.

In a letter signed by Sen. Jay Rockefeller, a West Virginia Democrat and 12 colleagues, the senators said they were concerned at implementation of a 1995 agreement with the United States to open up South Korea's car market to more foreign imports.

``Since the 1995 agreement, government-sanctioned policies, including harassment of citizens who buy or lease imported cars, have escalated," they wrote (to) Clinton.

They said Seoul's tax policies discriminate against imported vehicles and in some cases effectively double the price Korean consumers pay for cars.

The foreign share of Korea's car market is less than one percent and U.S. automakers have accused Korea of creating a sanctuary market to help finance new production capacity to boost sales abroad.

The senators supported a demand by U.S. auto manufacturers that the administration launch an unfair trade proceeding against South Korea under the so-called Super 301 trade law, which eventually could lead to trade sanctions.

The U.S. Trade Representative's office next week will publish a list of its priorities under the Super 301 law.

U.S. and South Korean trade negotiators will hold a round of discussions on Thursday and Friday in an effort to resolve the dispute before the report is released next Tuesday.

But the senators said they were concerned whether any new agreement would be carried out.

``We question whether American companies can rely on agreements to be productive and long-lasting if U.S. automobiles cannot enter the Korean market on fair terms as already negotiated," the senators wrote. ^REUTER

RB-- 09/23/97 21:29:00

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Malcolm Lee
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Korea, Auto Agreement, 1997 [1]

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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
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