Case Number: 2009-0528-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title:
Korea, Auto Agreement, 1997 [2]

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. paper	Super 301: Korean Auto Market Access. [with attachment and annotated] (8 pages)	09/15/1997	P1/b(1)
002. 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)
003. report	South Korea's Auto Industry. (11 pages)	08/19/1997	P1/b(1)
004. email	To Charles Pritchard from Sandra Kristoff at 7:57am. Subject: RE: Korea - Auto Talks and Super 301. (1 page)	09/17/1997	P1/b(1)
005. email	To Malcolm Lee from Sandr Kristoff at 7:05pm. Subject: RE: Briefing memo for Principals on Korea Autos. (1 page)	09/26/1997	P1/b(1)
006. draft	Earlier version of 002. (4 pages)	09/27/1997	P1/b(1)
007. paper	Super 301 Designation of Korea's Automotive Trade Policies. (1 page)	09/1997	P1/b(1)
008. cable	re: Efforts on Autos Continue. (1 page)	09/24/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

Korea, Auto Agreement, 1997 [2]

2009-0528-F
vz1405

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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.

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

b(1) National security classified information [(b)(1) of the FOIA]
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National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

FOLDER TITLE:

Korea, Auto Agreement, 1997 [2]

2009-0528-F
vz1405

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
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COLLECTION:

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

FOLDER TITLE:

Korea, Auto Agreement, 1997 [2]

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National Economic Council
Malcolm Lee
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RECORD ID: 9706518
RECEIVED: 25 SEP 97 16

TO: PRESIDENT

FROM: LEVIN, SANDER M
ASHCROFT, JOHN
BROWNBACK, SAM

DOC DATE: 22 SEP 97
SOURCE REF:

KEYWORDS: KOREA SOUTH
EXPORT CONTROLS
INTL TRADE
CO

PERSONS:

SUBJECT: LTR TO POTUS RE KOREAN VIOLATION OF AUTOMOBILE MOU

ACTION: PREPARE MEMO FOR BERGER   DUE DATE: 07 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
	DAVIS	BOUCHARD
	KRISTOFF	BRAINARD, L
	LEE	JONES, K
	SAMORE	KYLE
		SCHWARTZ

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DISPATCHED BY ______________ DATE ________ BY HAND   W/ATTCH

OPENED BY: NSSWD   CLOSED BY: DOC 1 OF 1

(0651)

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 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 John Ashcroft

Senator Sam Brownback

Senator John Rockefeller

Senator Spencer Abraham

Senator Richard Bryan

Senator Mike DeWine

Senator Byron Dorgan

Senator Richard Lugar

Senator Joseph Lieberman

Senator Jack Reed

Senator Rick Santorum

Barbara A. Mikulski

Senator Barbara Mikulski

THE WHITE HOUSE

WASHINGTON

September 24, 1997

MEMORANDUM FOR GLYN DAVIES
NSC Executive Secretariat

FROM: SUSAN BROPHY
Legislative Affairs

SUBJECT: Presidential Correspondence

Attached are copies of letters sent to the President by various Members of Congress. Since these letters address national security issues, we would appreciate your assistance in drafting a response.

Thank you very much for your assistance. If you have any questions, please feel free to call Chris Walker at x67500.

The following is a brief description of the letters:

1) Sen. Paul Coverdell (R-GA), concerning the U.S. Ambassadorship to Mexico,

2) Representatives Benjamin A. Gilman (R-NY), Porter J. Goss (R-FL) and Sam Gejdenson (D-CT), concerning the U.S. food assistance program for North Korea,

3) Rep. Martin Frost (D-TX) and others, concerning the "open skies" agreement between the U.S. and Japan,

4) Rep. Vic Fazio (D-CA), concerning the upcoming meeting with the Indian Prime Minister,

5) Rep. John P. Murtha (D-PA) and others, concerning the dumping of carbon steel plates in the U.S. market,

6) Rep. Eliot L. Engel (D-NY), concerning the imprisonment of 15 Puerto Ricans,

7) Rep. Amo Houghton (R-NY), concerning the Super 301 provision of U.S. trade law,

8) Sen. Ron Wyden (D-OR), concerning the "open skies" agreement between the U.S. and Japan,

9) Sen. John Ashcroft (R-MO) and others, concerning the Memorandum of Understanding between the U.S. and the Republic of Korea,

10) Rep. Edolphus Towns (D-NY), concerning the October 29 State Dinner at the White House,

11) Rep. Harold Rogers (R-KY) and Benjamin Gilman (R), concerning the Comprehensive Ban Treaty Preparatory Commission,

12) Rep. Gerald B. H. Solomon (R-NY), concerning NATO expansion; and,

13) Sen. Robert G. Torricelli (D-NJ) and others, concerning the September 4, 1997 bombing is Israel.

Enclosures

JOHN ASHCROFT
UNITED STATES SENATOR • MISSOURI

FAX

Date: 9/23/97

To: President Bill Clinton

Fax: (__) 456 - 6221 / 6468

From: Senator John Ashcroft
by Taunya McLarty

Pages (including cover): 4

NOTE:

Please call (202) 224-6154 if you have any questions or have trouble receiving this fax.

SEP 25 11:30

RECORD ID: 9706529
RECEIVED: 25 SEP 97 17

TO: PRESIDENT

FROM: LEVIN, SANDER M
HOUGHTON, AMORY
DINGELL, JOHN D

DOC DATE: 23 SEP 97
SOURCE REF:

KEYWORDS: KOREA SOUTH — INTL TRADE
EXPORT CONTROLS — CO

PERSONS:

SUBJECT: LTR TO POTUS RE VIOLATION OF US - KOREA AUTOMOBILE TRADE AGREEMENT

ACTION: PREPARE MEMO FOR BERGER — DUE DATE: 07 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
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	SAMORE	KYLE
		SANDALOW
		SCHWARTZ

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DISPATCHED BY ______________ DATE __________ BY HAND W/ATTCH

OPENED BY: NSSWD — CLOSED BY: — DOC 1 OF 1

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

William O. Lipinski

Debbie Stabenow

Donald M. Payne

Sherwood Boehlert

James T. Walsh

Marcy Kaptur

Sidney R. Yates

Dick Gephardt

[illegible] Jr.

Joe Knollenberg

Lynn N. Rivers

Dave Camp

John J. LaFalce

[illegible]

Peter DeFazio

Jerry [illegible]

Jim Maloney

Tom Sawyer

Nancy L. Johnson

Jack Quinn

Letter to the President
Designate Korea Under Super 301

Frank Pallone, Jr.

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

SEP 23 '97 12:41 FR TO 94562604 P.01/06

F A C S I M I L E

To: The Honorable William Jefferson Clinton

From: Sandy Levin

Re: Super 301 for the Korean auto market

Date: September 23, 1997

SEP 23 PM 1:49

Fax: 456-2604

Pages: 6, including this cover page

CC: The Honorable Charlene Barshefsky, 395-4656
The Honorable William Daley, 482-4420

U.S. Congressman Sander M. Levin
2209 Rayburn House Office Building
Washington, DC 20515

Tel: (202) 225-4961
Fax: (202) 226-1033

SEP 25 11:30

THE WHITE HOUSE

WASHINGTON

September 24, 1997

MEMORANDUM FOR GLYN DAVIES
NSC Executive Secretariat

FROM: SUSAN BROPHY
Legislative Affairs

SUBJECT: Presidential Correspondence

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2) Representatives Benjamin A. Gilman (R-NY), Porter J. Goss (R-FL) and Sam Gejdenson (D-CT), concerning the U.S. food assistance program for North Korea,

3) Rep. Martin Frost (D-TX) and others, concerning the "open skies" agreement between the U.S. and Japan,

4) Rep. Vic Fazio (D-CA), concerning the upcoming meeting with the Indian Prime Minister,

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11) Rep. Harold Rogers (R-KY) and Benjamin Gilman (R), concerning the Comprehensive Ban Treaty Preparatory Commission,

12) Rep. Gerald B. H. Solomon (R-NY), concerning NATO expansion; and,

13) Sen. Robert G. Torricelli (D-NJ) and others, concerning the September 4, 1997 bombing is Israel.

Enclosures

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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

JUST ARRIVED

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:

DOCUMENT DISTRIBUTION

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.

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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.

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
006. draft	Earlier version of 002. (4 pages)	09/27/1997	P1/b(1)

COLLECTION:

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

FOLDER TITLE:

Korea, Auto Agreement, 1997 [2]

2009-0528-F
vz1405

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USTR

Non-Paper

ELEMENTS OF U.S.-ROK EXCHANGE OF LETTERS ON AUTOS

These elements would be incorporated into an exchange of letters effected before September 30, 1997 The language below is conceptual in nature. More detailed language is being developed.

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The USG welcomes the additional commitments made by the ROKG since 1995 with a view to improving market access for foreign passenger vehicles in Korea. These specific steps are outlined in Annex 1 of this document.

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-- Effective June 1, 1998, in the case of new standards for which no FMVSS equivalent exists, but which correspond to international (ISO or SAE) or other non-Korean national standards (including ECE or EEC), the ROKG will accept the manufacturer's certificate of conformity for tests conducted in the United States which indicate compliance with the other standard, if such exists. This allowance shall apply to current and future standards including Standard 41 (electro-magnetic compatibility) upon approval of the test site/laboratory by KATRI. The ROKG will inspect testing facilities upon request by U.S. companies and will normally grant approval within 30 days of the inspection.

- Agreement that until there is a harmonized headlamp standard, ROK will accept both U.S. and EU headlamp standards, and that ROK will accept documentation from tests performed by U.S. manufacturers in the United States for either standard.

- The USG welcomes the ROKG's intention to participate fully in the WP 29 talks and to join the "parallel agreement."

Financing Reform

The USG welcomes the enactment of recent legislation in Korea pertaining to installment financing for automobiles. The legislation is an important step toward a more open and competitive auto finance regime in Korea and toward addressing U.S. concerns.

The ROKG has asserted that this legislation will substantial address U.S. concerns over auto financing apart from the ability of installment finance providers to secure loans by using the subject vehicles as collateral (ie, collateralization). In this regard, the ROKG will indicate its commitment to drafting implementing regulations for the new law which ensure that our governments' shared objectives are advanced.

- Korea will also commit to draft and introduce legislation to the National Assembly by June 30, 1998 to authorize installment finance companies to secure loans on leased autos (ie, collateralization) and to enable the dealer or finance provider to repossess the collateral if the lessee is delinquent.

- Interim steps which the ROKG will take toward the adoption of a system of genuine collateralization and repossession include:

    -- Effective immediately, the ROKG will ensure that providers of loan repayment guarantee insurance shall not discriminate against or restrict insurance from dealers or purchasers of imported vehicles.

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Market Access/Registration Data

- Agreement on methodology for measuring registration data to be implemented by January 1, 1998. The specific methodology to be used will be worked out between the ROKG and USG by November 1, 1997.

Improving Public Perception

- Upon announcement of this agreement, the ROKG will state publicly the need to enhance consumer perception of imported autos in Korea as fundamental to liberalization of the autos sector.

III. **Commitment to a Reinvigorated Bilateral Dialogue on Autos**

Both Governments agree that achieving the goals of the 1995 MOU -- in particular, the goal of substantially increasing market access for foreign passenger vehicles in the ROK and improving consumer perception of imported vehicles in Korea -- requires vigorous and sustained efforts on both sides. In order to enhance these efforts, the USG and ROKG agree to renew and strengthen the consultative process provided for under the 1995 MOU, as follows:

- Both governments agree to consult at least twice a year or more frequently upon request of either party. In this regard, the USG and ROKG agree that the next round of routine consultations under this reinvigorated mechanism will be held not later than April 1, 1998.

- In the context of these routine consultations, both governments agree to review the operation of and implementation of the 1995 MOU, the measures described in Annex 1 of this document, the implementation of actions detailed in Part II above, and other policies or measures including tariffs, taxes (including transition from the use of engine-displacement in assessing taxes and reduction of the overall burden of cascading taxes), standards/certification, auto-finance issues, and consumer perception issues, which may impede the achievement of the goals of the MOU.

- The objective of these routine consultations shall be to develop jointly an agreed plan of action to address in an effective manner any obstacles which may impede the ability of foreign manufacturers to compete on an equal terms with Korean manufacturers. This commitment reinforces the goals embodied in the 1995 MOU, Annex 1 of this document, or Part II above. Both governments agree to work to remove expeditiously such obstacles.

- Both Governments agree to bring promptly to the attention of the other side any actions taken by other government or the private sector which may have an adverse effect on trade in the functioning of the 1995 MOU, including the implementation of specific obligations embodied in Annex 1 of this document, or Part II above, or the achievement of the goals of the MOU. Both governments agree to work expeditiously to resolve such problems.

- In this regard, the ROKG reiterates its commitment to promoting an enhanced consumer perception of foreign-manufactured automobiles in Korea and announces that the relevant ROKG ministries/agencies will jointly or independently hold quarterly public briefings to update the Korean general public of ongoing and proactive efforts to promote competition in the autos sector and to promote enhanced consumer perception of foreign-manufactured autos.

- By not later than June 1, 1998, USG and ROKG officials will report to their respective Ministers regarding progress in implementation of the 1995 MOU and achievement of its objectives, the commitments detailed in Part II above, and progress toward development the action plan referenced immediately above.

ANNEX 1

(Revised version of the ROKG non-paper of September 10, 1997 will be attached)

American Automobile Manufacturers Association

Chrysler Corporation   Ford   General Motors

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 large 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,

Robert J. Eaton
Chairman & CEO
Chrysler Corporation

Alex Trotman
Chairman & CEO
Ford Motor Company

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

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

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007. paper	Super 301 Designation of Korea's Automotive Trade Policies. (1 page)	09/1997	P1/b(1)

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

FOLDER TITLE:
Korea, Auto Agreement, 1997 [2]

2009-0528-F
vz1405

RESTRICTION CODES

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
008. cable	re: Efforts on Autos Continue. (1 page)	09/24/1997	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
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