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Folder Title:

Korea, Auto Agreement, 1997 [4]

Staff Office-Individual:

National Economic Council-Lee, Malcolm

Original OA/ID Number:

CF 1184

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23	5	8	2	v

Withdrawal/Redaction Sheet

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	To Jeffery Bader, James Gagnon, Sandra Kristoff et al from SitRoom at 7:40 am. Subject: Auto Dispute: Next Steps. (3 pages)	09/19/1997	P1/b(1)
002. email	To Jeffery Bader, James Gagnon, Sandra Kristoff et al from SitRoom at 9:31 pm. Subject: Auto talks: Talking Points. (2 pages)	09/19/1997	P1/b(1)
003. memo	For Don Phillips from David Marchick. Subject: State Department Views on Korea Auto Import Issue. (3 pages)	08/27/1997	P1/b(1)
004. report	U.S.-Korea Automotive Memorandum of Understanding Status Report. (10 pages)	08/07/1997	P1/b(1)
005. paper	Super 301: Korean Auto Market Access. (4 pages)	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 [4]

2009-0528-F

vz1407

RESTRICTION CODES

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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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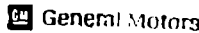
A UTOMOBILE

M ANUFACTURERS

A SSOCIATION

What America drives, drives America

American Automobile Manufacturers Association



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 5 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

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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.

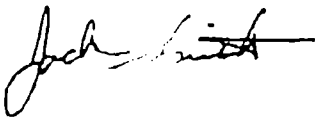
We believe that the Korean government's actions unquestionably deserve to be identified as priority practices that unfairly limit U.S. market access under Super 301. Failure by the Administration to insist that Korea adopt responsible and fair automotive trade policies will make it more difficult to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

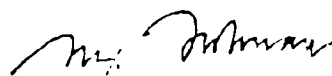
Sincerely,



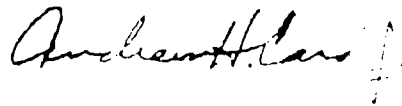
Robert J. Eaton
Chairman & CEO
Chrysler Corporation



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



Alex Trotman
Chairman & CEO
Ford Motor Company



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

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WASHFAX RECEIPT
DEPARTMENT OF STATE

C

B

S/S #

'97 AUG 28 AM 11

MESSAGE NO. 001688 CLASSIFICATION Confidential No. Pages 3
FROM: David Marchick EB/TPP 172532 5831A
(Officer name) (Office symbol) (Extension) (Room number)

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

TO: (Agency)	DELIVER TO:	Extension	Room No.
<u>Don Phillips</u>	<u>Don Phillips</u>	<u>395-3430</u>	<u>400</u>
<u>USTR</u>	<u>Sean Murphy</u>	<u>395-6813</u>	<u>407</u>
<u>USTR</u>	<u>Malcolm Lee</u>	<u>456-8288</u>	<u>389 OE0B</u>
<u>NEC</u>	<u>Charles Uthas / Andrew Gush</u>	<u>492-0669</u>	<u>4036</u>
<u>Commerce</u>			

FOR: CLEARANCE INFORMATION PER REQUEST COMMENT

REMARKS: _____

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Date: 7/5/2012
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003. memo	For Don Phillips from David Marchick. Subject: State Department Views on Korea Auto Import Issue. (3 pages)	08/27/1997	P1/b(1)

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US Automakers' Full Access To The Korean Automotive Market

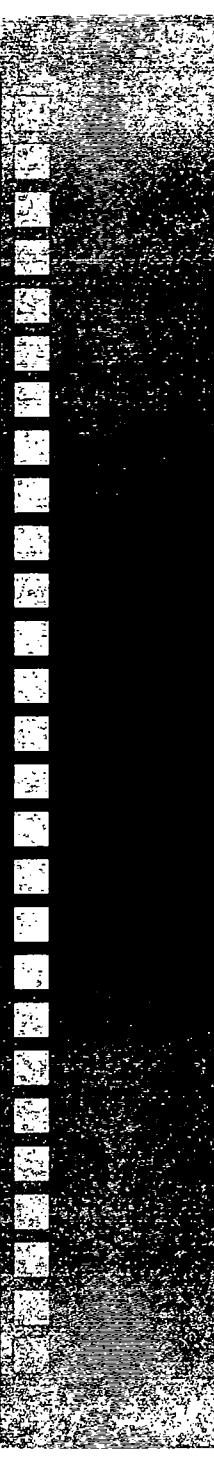
September 1997

KAMA Korea Automobile Manufacturers Association

Yen Presentation

American Automobile
Manufacturers Association

July 1997



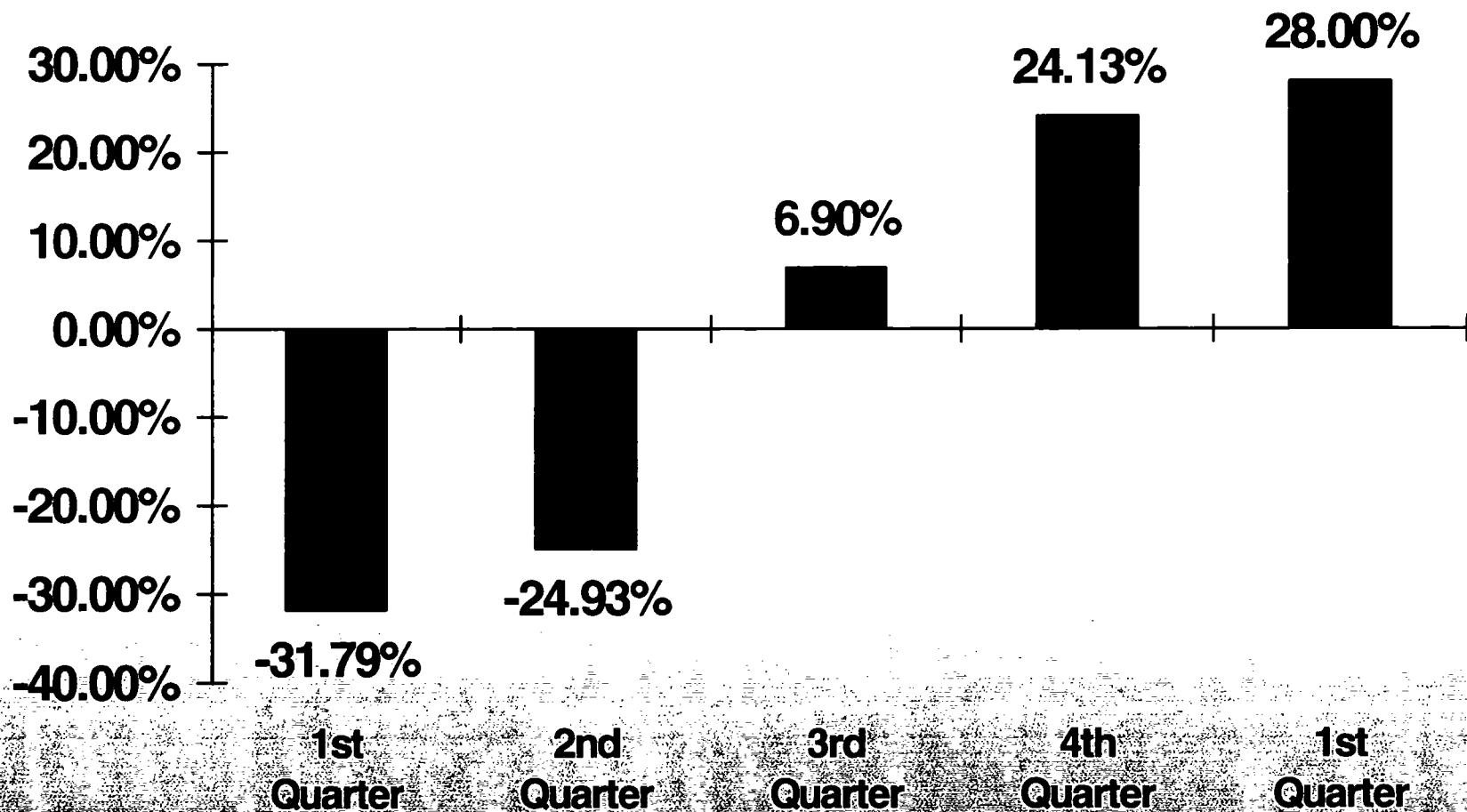
The effects of the excessively
weak yen are becoming apparent:

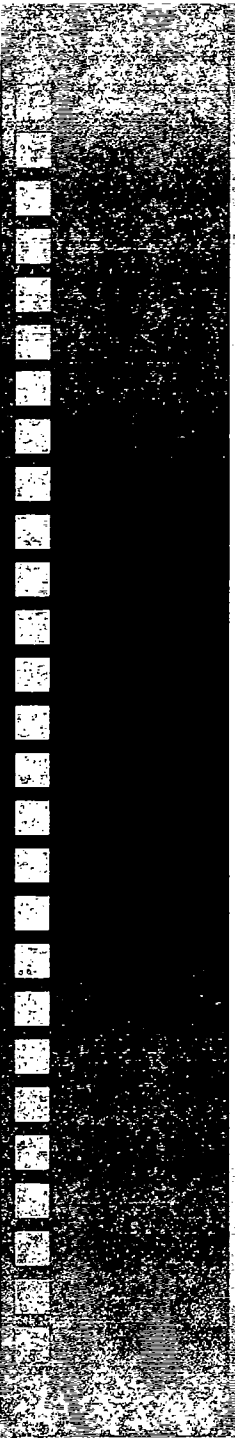
Motor vehicle exports from Japan to the U.S. have increased significantly since the second half of 1996:

PERIOD	% CHANGE FROM PREVIOUS QUARTER
First Quarter 1996	-31.79%
Second Quarter 1996	-24.93%
Third Quarter 1996	6.90%
Fourth Quarter 1996	24.13%
First Quarter 1997	28.0%

Motor Vehicle Exports From Japan to the U.S.

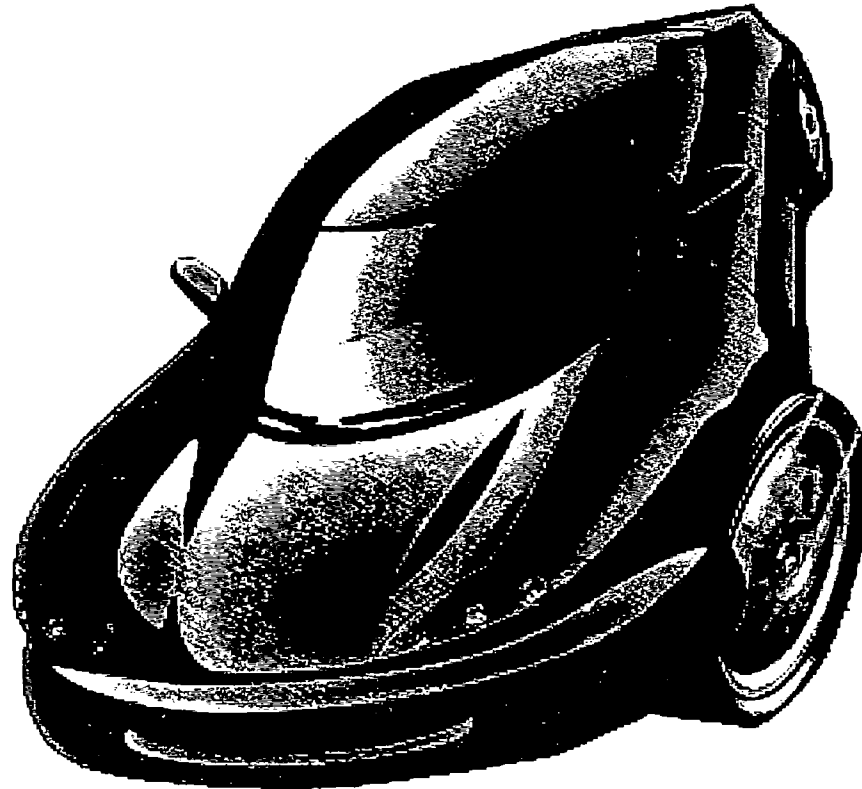
(% Change: Over Same Period Previous Year)



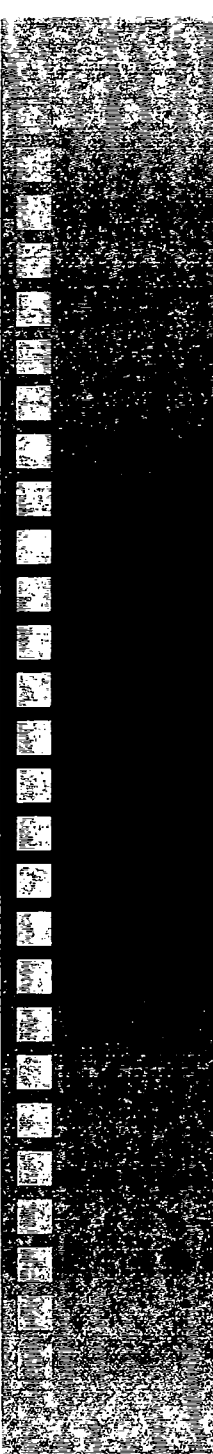


The weak yen is threatening
the viability of U.S.
companies' programs for
exports to Japan:

**A TYPICAL VEHICLE SOLD IN JAPAN FOR 2
MILLION YEN GENERATES THE EQUIVALENT U.S.
DOLLARS AT THE FOLLOWING EXCHANGE RATES:**



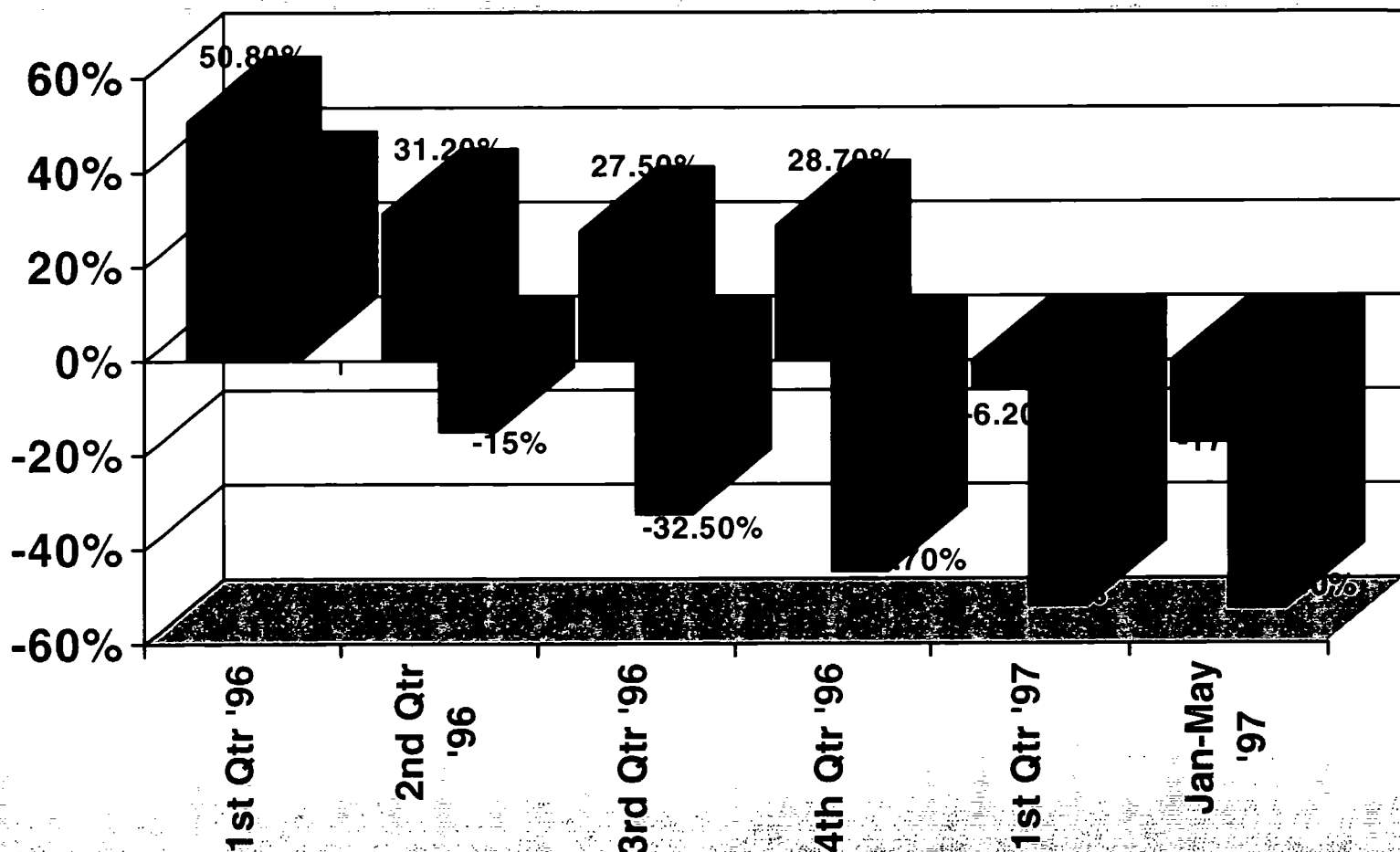
¥80/\$	\$25,000
¥100/\$	\$20,000
¥125/\$	\$16,000



AAMA member company exports to Japan did not decline until 1997, but exports to Japan from U.S.-based transplant operations have fallen precipitously over the past year:

U.S. Sales In Japan

(% Change From Previous Year)



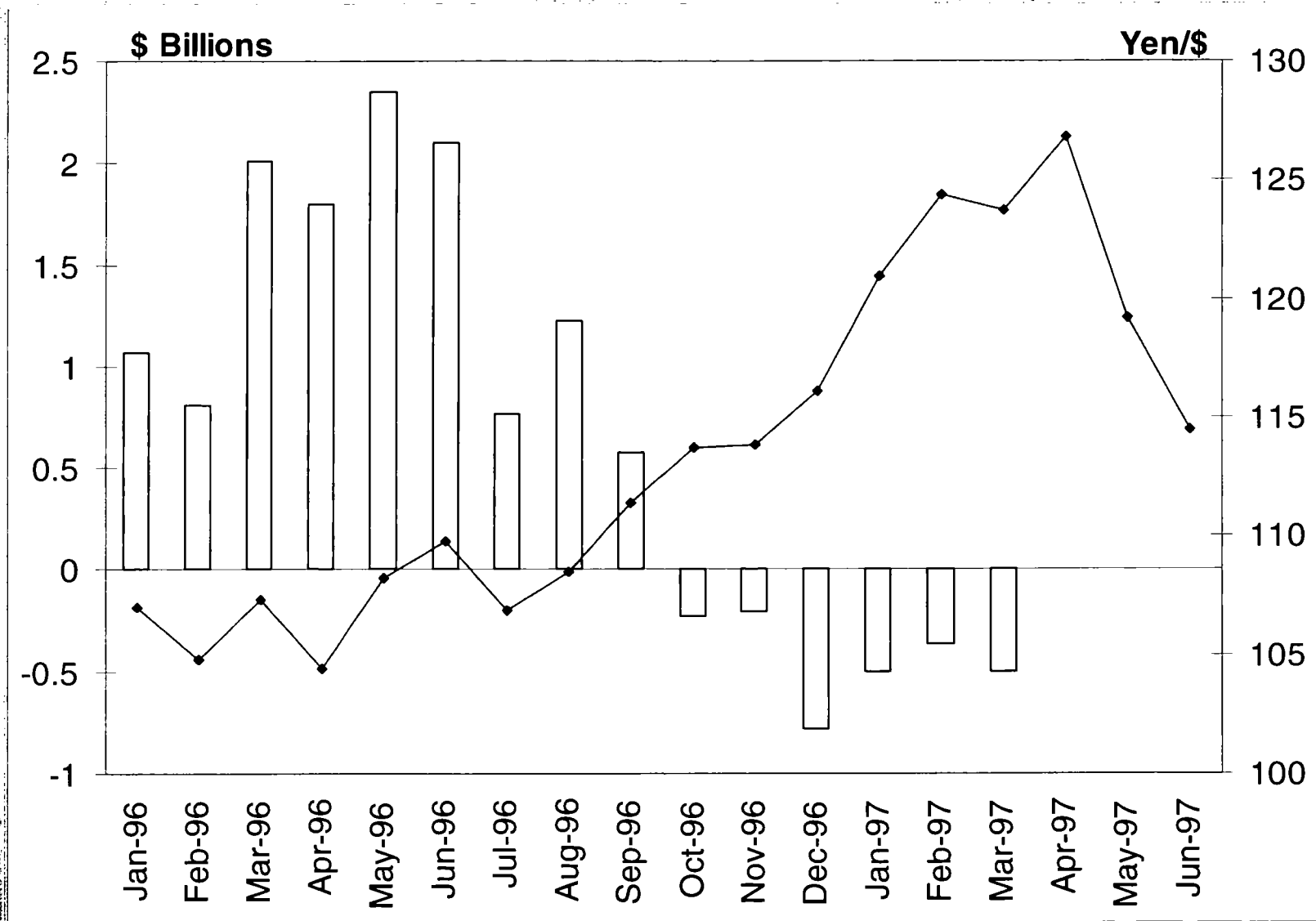
AAMA U.S.-Built Vehicle Sales in Japan
 Japanese-U.S. Built Vehicle Sales in Japan

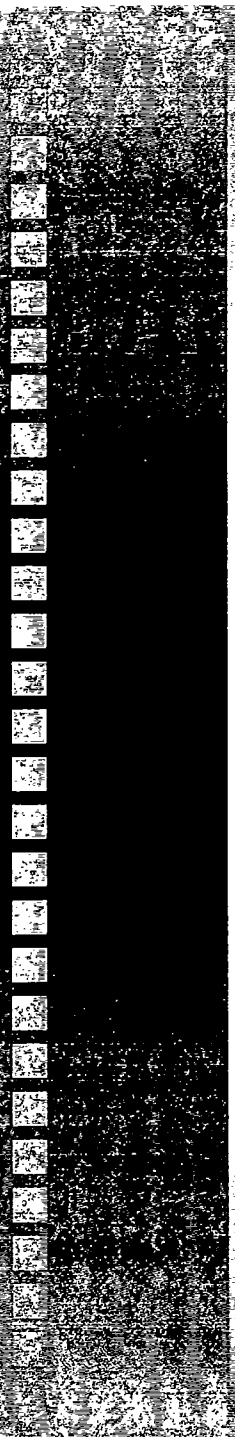


Last year's improvement in
the bilateral trade
imbalance has reversed:

Improvement in U.S. Trade Balance with Japan

(Versus Same Month Previous Year)





Japan must not be allowed to export its problems, and its unemployment to the U.S. Trade tensions will rise with the trade deficit, unless Japan takes action to increase domestic demand, deregulate, and open its market.

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American Automobile Manufacturers Association



August 13, 1997

To: Sean Murphy, USTR
Charles Uthus, Department of Commerce
cc: Donald Phillips, USTR
Henry Misisco, Department of Commerce
Malcolm Lee, National Economic Council
David Marchick, Department of State

From: Steve Collins
Director, Economics and International Affairs
American Automobile Manufacturers Association

This memo is a response to your request for clarification and further direction concerning AAMA and its member companies' views on the status of U.S.-Korean automotive trade issues. In several recent meetings, AAMA and USTR/DOC have reached a somewhat closer understanding of our current mutual perspectives and objectives concerning Korea, but it is critical that we maintain a close ongoing dialogue over the coming weeks as the Administration reviews its policies and options regarding Korea's automotive trade practices.

You have specifically requested additional direction concerning AAMA's views on issues which will be raised during the forthcoming consultations with the Korean Government on the implementation of the 1995 MOU. We have discussed these issues with Chrysler, Ford and GM and are passing on to you the joint recommendations for positions and talking points on each of the major MOU issues.

In an effort to reaffirm and clarify our current views concerning trade with Korea, I want to take the opportunity to restate AAMA's overall position on Korea's automotive trade practices, following the filing of our 301 petition on July 10, and the joint AAMA/ACEA July 14-16 visit to Seoul.

1. Request for USG designation of Korean government actions as priority foreign country practices under Section 301.

As you know, on July 10, AAMA officially petitioned the Administration to designate Korea's auto trade practices as "priority foreign country practices" under Super 301. I want to emphasize that this was not a decision which was made frivolously, or without an understanding at the highest levels of our companies of the seriousness of the action. However, the deteriorating situation for auto importers in Korea's domestic market, combined with Korea's illogical, aggressive, disruptive and legally questionable global automotive investment and export expansion, requires dramatic action.

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

AAMA believes that Korean automakers' sanctuary domestic market is directly fueling its aggressive international expansion. We strongly suspect the expansion may have been conducted in a manner which violates other U.S. or international trade rules. Finally, that explosion in global capacity, now projected to reach an estimated 6-7 million units within four years, much of which will be targeted to the U.S. market and will increasingly harm the interests of the U.S. auto industry and its workers.

But the main reason a Super 301 designation is warranted is that over the past year, the Korean Government has reneged on its major commitments undertaken in the MOU to:

- "substantially increase market access for foreign passenger vehicles in the ROK"
- "improve consumer perceptions in Korea of foreign passenger vehicles"
- "establish an automotive taxation regime in ROK that is not discriminatory against foreign vehicles"
- "not take any new measures that directly or indirectly adversely affect market access for foreign passenger vehicles"
- "promote international harmonization of standards and certification."

And in repeated exchanges between AAMA, its member companies and Korean officials, it has become clear that the government has completely reversed course in its intentions concerning market liberalization and is actively resisting even negligible market opening efforts.

We believe that the government's actions unquestionably deserve the serious and severe response from the U.S. which designation as a priority country under Super 301 conveys. In the face of that government's frankly outrageous actions, anything less than such a severe U.S. response will be calculated to signal the ultimate supremacy of U.S. political interests over its economic interests and will be fully taken advantage of by the Korean government and producers. It will also be a signal to other countries that are tempted to abrogate future trade agreements that the U.S. will not take tough action to enforce agreements.

In looking back on the announcement of the MOU in September 1995, I noted Ambassador Kantor's commitment that "although I have not designated Korea's auto practices as a Priority Foreign Country Practices under Super 301, we will monitor closely the quantitative and qualitative criteria in the agreement and will examine whether a WTO case would be appropriate". The USTR announcement of the MOU also noted "The United States will assess implementation of Korea's commitments and will measure the actual effects they have on foreign passenger vehicle sales in the Korean market."

Finally, I also want to directly reassure you that AAMA and its member companies intend to communicate from its senior officers to the White House and members of the Cabinet, as well as the Congress, their strong belief that USTR should accept the industry's petition to designate Korea under Super 301.

2. MOU Consultations

As discussed in our meetings, AAMA is very uneasy with the scheduling of this round of consultations in the middle of the Super 301 decision-making process. Certainly, the aggressively hostile attitude shown AAMA and ACEA officials last month from all of Korean Ministries, but particularly MOTIE and MOFA, confirms our belief that the government is unwilling to seriously address the auto trade issue and will not consider any major new proposals to encourage market liberalization.

Given this situation you may be taking on an impossible task which could complicate the decision of whether to proceed with Super 301 designation. The industry's threshold for adequate and meaningful market-opening measures has substantially increased this year as a result of the government's violation of its 1995 Commitment to "take all necessary steps to fully and effectively implement the MOU" and "to not take any new measures that directly or indirectly adversely affect market access for foreign passenger vehicles". With the Korean government backsliding in many areas of the MOU, the odds for obtaining concessions from Seoul which will meet the industry's market opening threshold is not high.

For all these reasons, the timing of this consultation is problematic. However, we will, of course, provide you with any assistance and support possible before and during the meetings. If it would be helpful for an industry representative to accompany you, that can be arranged. Alternatively, if you wish to arrange meetings with the companies' local representatives in Seoul, we can also schedule them.

With regard to the U.S. strategic objectives in these consultations, AAMA respectfully offers the following recommendations:

Overall priority:

Given the political environment in Korea, it's unlikely that USTR will achieve meaningful progress during this round of consultations. Therefore, AAMA strongly recommends that the messages conveyed by the USG focus on the big picture and the

serious strains in U.S.-Korean trade relations which are being caused by the Republic of Korea's actions and attitudes.

We urge you to emphasize that the U.S. views the Republic of Korea's active violations of both the spirit and the specific commitments of the MOU as completely unacceptable. Furthermore, its repeated statements that the government "has no tools" to address the closed domestic market is indefensible and will induce a severe response in the U.S. unless Korea takes bold and dramatic efforts to promptly improve market access for imported autos.

AAMA also recommends that the U.S. set forth clear markers or indications of the scope of action which it believes necessary if meaningful market opening is to be achieved. We believe that those markers must be bold and dramatic, and not merely incremental gestures. While we recognize that it is not reasonable to expect that the government agree to immediately implement the entire package of major market opening actions, a direct acknowledgment by the government of the complete inadequacy of the MOU, as implemented, in achieving its stated objectives is required. Because of its dismal track record under the MOU, the Republic of Korea must promise a solid and irreversible commitment to meaningful, comprehensive actions to significantly improve, in a very short period, market access opportunities for imported vehicles.

Our member companies believe that the U.S. should convey a clear and specific marker of the pace of market opening to Korean officials so that there is a clear indication of the level of proactive activity expected by the U.S. over the next several years. AAMA recommends that the U.S. convey its firm expectation that future actions by the Korean government will allow foreign auto producers to sell their products in Korea as they do in any other OECD country will lead to a 5% market share for imported vehicles by the year 2000. Post-2000, we would expect total import share to reach 10% in a reasonable period of time. *

Korean government objectives:

We have asked our companies' representatives in Seoul for their assessment, based on conversations with government officials, of what Korea's expectations of the MOU consultations are. Their findings about the ROKG's positions are as follows:

1. Satisfy the USG with some marginal improvements in market opening and certification procedures.
2. Take the USG's requests into account in a positive manner, if they are compelling.
3. Refuse demands if they are extreme such as the revision of the tariff and tax system, arguing that they are related to internal affairs with impact on local auto companies.

4. ROKG will consider a petition to the WTO if the USG designates Korea as a “priority foreign country” under Super 301.

5. Arrange a trade-issues related seminar in the U.S. with Korean automakers participating.

6. Send a formal letter to the USG to address the improvements achieved

7. Emphasize the recent difficulties of the Korean auto industry:

Among Korea’s talking points will likely be the following:

1. How can the USG complaint to Korea about a negative trade balance in one industry sector when the U.S. maintains an overall positive trade balance.

Suggested response: Korea’s negative trade balance is not the fault of the U.S. It’s generated by Korea’s reliance on U.S. capital goods and its non-competitive Dram chip. It also reflects the structural problems the Korean economy is currently facing that have been acknowledged by the ROKG in the press: an excessive amount of bureaucracy in both industry and government, the double digit escalation of labor costs and local financing costs in Korea which are several points higher than international levels. All of these factors have made Korean products less competitive internationally.

2. U.S. automakers have a 50% share of the market for vehicles with 3000cc engine and above. What the U.S. companies need to do is offer a broader range of products.

Suggested response: The commitment to increase market share for imports was not confined to the 3000 cc and above. The reason U.S. companies have a high share in the 3000cc and up segment is that the Korean industry is not competitive in that sector. Ford and Chrysler both have entries in the 2000cc and below segment in which the Korean companies are competitive locally. But the price sensitivities caused by tariff and cascading taxes puts imports at the greatest competitive disadvantage in that category.

3. The U.S. maintains a 25% tariff on imported pickup trucks.

Suggested response: Korea is not even a player in this market segment so they are the wrong government to be in a position to raise the issue.

Presentation by Andrew H. Card
President and CEO
American Automobile Manufacturers Association
U.S.- Korea Business Council
June 9, 1997

Good Morning -

I want to thank Rick Van Nelson for inviting me to participate in this special plenary session meeting of the US-Korea Business Council on the automotive industry. There has been considerable tension between the United States and Korea concerning automotive trade issues over the past several years. And these tensions are growing rather than diminishing, leading to the possibility of more serious confrontations on trade issues between our two countries.

The reasons for this growing confrontation is captured in these two charts . They tell the whole story.

The first chart tracks the growth in Korea automobile and truck production over the twenty year period between 1980 and what is projected for the year 2001. You can see the dramatic growth in Korean auto production -- just passing the one million unit level in about 1990, and projected to reach between five and six million units worldwide little more than a decade later. That is a phenomenal and unprecedented level of growth in this business.

What has attracted particular attention in the global auto community is the second set of bars in this chart, showing the level of Korea's domestic sales. What it demonstrates is both good news and bad news from the US perspective . The good news is that Korea has become a vibrant and rapidly growing market for automobiles and truck sales, which is close to hitting the two million figure for annual sales. Putting that into a North American context -- last year total car and truck sales in Korea were greater than total sales in our two NAFTA partners, Canada and Mexico, combined.

But the bad news is quite clearly represented in this chart. which shows the total automotive import penetration level in Korea. Imported cars and trucks from every region in the world -- North America, Europe, Japan, even Korea's partners in WTO-illegal arrangements like Indonesia -- total .4% of the huge Korea market.

And it is the disparity shown in these two charts -- Korean automakers explosive and aggressive investment in auto capacity all over the world, while maintaining a

hermetically sealed domestic market -- that has been the cause of growing frustration and irritation among governments and industry leaders in many nations.

In an attempt to ease some of these tensions, in 1995 the United States sought and entered into a special bilateral automotive trade agreement with Korea. The official title of this agreement summarized its clear objective: It was "The US-Korea Memorandum of Understanding (MOU) to Increase Market Access For Foreign Passenger Vehicles In The Republic of Korea".

The then U S Trade Representative Mickey Kantor acknowledged at the time that this agreement was only a first step in creating a more competitive environment in Korea for US and other imported cars. He added that "the United States will assess the implementation of Korea's commitments and will measure the actual effects they have on foreign passenger vehicle sales in the Korean market."

Now that we are coming upon the two year mark under this market opening agreement, let's take a look at the results and how the US auto companies assess the effectiveness of the 1995 agreement in increasing sales opportunities for imports.

The agreement provides for a number of major goals:

The first is "To substantially increase market access for foreign passenger vehicles in the Korea'.

In 1995, imported vehicle sales in Korea totaled 6,921 units. Last year, in the first full year of implementation of the MOU that figure rose to 10,315 units. Or in market share terms, total auto imports increased their market share from 0.4% to 0.6%.

The second stated goal of the 1995 agreement was "to improve consumer perceptions in Korea of foreign passenger vehicles."

Why was this even necessary? Because Korea has a long history of actively discouraging consumers from purchasing imported vehicles through practices as mandatory tax audits of purchasers of imported cars -- which by the way is a very effective deterrent.

While we believe the Korean government did make some efforts in the early months of the agreement to signal to its consumers that the government was no longer actively discouraging the purchase of imports, since late 1995 the situation has been seriously deteriorating. A national so-called frugality campaign, which was inspired or at least tolerated by the government for many months, came to be focused squarely in Korea on imported goods. You suddenly couldn't buy imported liquor, clothes, and cosmetics. And the impact on imported car sales was also dramatic. The import deep freeze was so

great that our dealers in Korea said that days would go by without a single customer walking in the showroom door.

Finally on May 9, under much pressure, the Government issued an official notice that "the frugality campaign is a movement aimed at transforming the nation's consumption patterns based on lavishness and extravagance into those on rationality. Then it is not reasonable to discourage the purchase of foreign goods simply because they are imported even though such purchase is made on the merits with a view to enhancing the nation's credibility in the international community, the government will continue to avert discriminatory treatment, if any, against foreign goods and services and to refrain from taking measures which might contribute impediments to imports".

But the damage has already been done and many of our investments made based on expectations raised as a result of the 1995 MOU have been severely damaged.

The other goals of the 1995 Agreement concerned taxation, advertising, standards and certification and finance. Overall, AAMA's assessment is that, there has been some progress, the system remains hostile to foreign auto imports and the expansion of market access for imports in the auto sector since the agreement became effective is woefully inadequate. Clearly, additional action is required.

And this point has been made by senior Administration officials and members of Congress in the past several months. Among the recent visitors to Seoul who have raised the issue were:

- Vice President Gore
- Speaker Gingrich
- Rep. John Dingell
- Undersecretary Eisenstadt - May 2, 1997 -- "Korea has one of the toughest business climates in the world to deal with. We deal with a closed market in the area of autos and telecommunications".

Given what the Administration characterizes as a "closed domestic market" Korea's aggressive auto export plans to the US will be viewed with increased alarm.

This chart shows that Korean automakers' exports to the US last year totaled over 200,000 units and their published export plans call for US exports increasing to 450,000 units within three years. In contrast, GM, Ford and Chrysler together shipped 3,900 units to Korea last year and, in the current unfriendly domestic market environment, are not optimistic about significant increases in the near future.

So what kind of action is needed on the part of the Korean government to improve the situation in their closed auto market?

Let's start with tariffs and taxes. The total end cost of import cars to the Korean consumer continues as a severe disadvantage when compared to domestic cars. In the US, the total tax and tariff differential cost of a Ford Mondeo vs. Hyundai Sonata is \$73. The same two cars selling in Korea, however, results in a price differential of \$2600 in favor of the Hyundai.

Given the import market share well below 1%, we see absolutely no justification for Korea's auto tariff rate to remain any higher than the US tariff of 2.4%. In addition, AAMA believes the Korean government should move towards a nondiscriminatory automotive tax regime.

Regarding standards and certification measure, AAMA recommends that the Korean Government agree to establish a self-certification system by the year 2000 along with the adoption of an internationally accepted and recognized set of standards and certification procedures.

With regard to financing, while there was some initial progress made in beginning to open the auto financing system in the 1995 agreement, there has been no indication from the government to expect any further liberalization in the near future. Our companies continue to face a range of limitations on the services that we can provide in Korea. During the next round of consultations, AAMA believes the Korean government should agree to a specific timetable to further liberalize automotive financing regulatory restrictions.

As you may hear from the presentation by Mr. Lee, there is a persistent disagreement between Korean and the US on the number of imports sold in the Korea market. Each side uses different systems and methodologies for collecting and reporting on auto imports. We should find a way of resolving this problem by settling on a common system to determine and report on numbers forming the basis for calculating import share of the Korea market.

Finally, while Korea and the US pursue bilateral automotive negotiations, there is growing recognition of the need to develop a broader regional perspective in developing sectional trade agreements based on free market principles. At the recent APEC Ministerial meeting in Montreal, the automotive sector was proposed to be the subject of just such a regional sectional initiative. The US government is actively reviewing the proposal with a view to making a final decision on the matter prior to the November 1997 APEC Summit meeting. AAMA believes that the US-Korea Business Council should support this initiative and recommend that autos be included in the APEC Action Plan considered for adoption by the heads of government at the November APEC Summit.

The Korean government should recognize that it is their own interest to be more proactive and forthcoming in addressing these continuing problems in their auto sector. In the absence of such a demonstrated commitment by Korea, tension will continue to escalate until we will face a decision point of considering looking to a trade sanctions

situation. There should be no doubt that US automanufacturers will allow their markets and investments, both in Korea and around the world to be threatened unfairly.

And I may add that it was a most disturbing sign of the governments' intention that I was informed by USTR Friday that a new round of consultations on the 1995 MOU between the two governments which the US had sought for all of this year have now been postponed by the Korean government from next week until September or later.

These kinds of actions give signals that poison the well of trade relations between our two countries.