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Transcript of Assistant USTR Wendy Cutler Press Roundtable on KORUS FTA

Shilla Hotel, Seoul, Korea

07/14/2006

Thank you. First I would like to take the opportunity to thank the Korean Government and the management and staff of the Shilla Hotel for doing such a wonderful job in hosting me and my delegation this week. I spent almost all of my time this week in the hotel, but if I had to be stuck in one building for an entire week due to our busy schedule and the weather, I can't think of a place as nice and friendly as this hotel. Today, we wrapped up the second round of negotiations with the KORUS FTA; it was a very busy week with the teams working around the clock. Overall, we made reasonable progress, we continued to develop a better understanding of each other's positions, and we bridged some differences, and in trade jargon this means we were able to remove some brackets from our texts.

I would like to highlight two specific areas of progress this week: first we agreed on the timeframes for tariff phase-outs for industrial goods, which is a very significant step, and we are nearing agreement on timeframes for the tariff phase-out for agricultural and textile products as well, and this will set the stage for the exchange of tariff offers by mid-August. This week we also exchanged our initial offers in services and investment, and also made progress in a number of other negotiating groups. FTA negotiations by their very nature are complex, particularly when you're talking about two large and sophisticated economies like the United States and Korea. In any FTA it is customary for the early negotiating rounds to focus on the less complex and very technical issues – and that is an accurate characterization of our meetings this week. Each FTA has its share of difficulties in controversial issues and the KORUS FTA is no exception.

On pharmaceuticals, I'm sure you're aware that things did not go as planned. And before elaborating, first let me make clear the United States' position is not to challenge the basic premise of Korea's national healthcare system nor are we trying to block reform. That is not our objective. We recognize Korea faces an aging population and rising healthcare costs. Indeed the United States and other countries face the same challenges. But what we are saying is that any reform should be transparent and fair – and should not disproportionately target foreign pharmaceutical products. Now going into these negotiations we had agreed to establish a special working group to discuss pharmaceutical trade issues. And to our surprise, upon our arrival in Seoul, we were informed that Korea was going to switch to a positive list system for the reimbursement of pharmaceutical products before we had the opportunity to have meaningful negotiations on these two issues. And in our view, the decision to proceed with this plan is inconsistent with both the mandate of the pharmaceuticals working group and the market opening spirit of the KORUS FTA. In short, Korea's decision precluded meaningful negotiations at this time. And accordingly, the work of the pharmaceutical working group was shut down. In order to ensure continued balance in the overall negotiations, we felt that it was appropriate to suspend work in two additional groups – trade remedies and services. We believe that this was a balanced and measured response that appropriately reflected our level of concern.

Clearly our preference would have been for all groups to have met this week as scheduled, but under the circumstances, we were left with no choice. With that said, while our differences and views in the pharmaceutical sector are challenging and difficult, they are not insurmountable. Ambassador Kim and I have agreed to continue to work together to get things back on track with respect to pharmaceuticals so as to allow for a productive third round during the week of September 4th in the United States. Before closing, I just want to emphasize that the United States continues to believe the FTA will generate significant commercial, economic, and strategic benefits for both our countries. We remain as convinced as ever that the KORUS FTA is the right path for the United States and Korea both now and for the coming generations. Thank you.

MODERATOR: We have time for a few brief questions. Please keep your questions brief and to the point. Thank you. The first question will come from Mr. Lim of Maeil Kyungje Shinmun.

QUESTION: There has been word that the negotiations on drug pricing was suspended not because of the pricing itself, but because Korea failed to keep up due to four conditions that we had promised to fulfill before the negotiations had begun. Is that true?

CUTLER: Once again, the work of the pharmaceutical working group was suspended because under the circumstances we were unable to have meaningful negotiations. By proceeding with its positive list approach, Korea effectively precluded that possibility.

MODERATOR: Do we have a second question? Mr. (inaudible) please.

QUESTION: John (inaudible) from Reuters. There were reports that some of the other discussion working groups broke down early. Did any other groups break down early? And secondly, could you just tell me a bit more what is the positive list and what are your objections to it?

CUTLER: First of all, the pharmaceutical working groups work was suspended. In response, the work of the trade remedies and services negotiating groups was suspended as well. In terms of your question on the positive list, let me just be very brief. Korea currently follows a negative list approach. That means all drugs are listed up for reimbursement unless specified. What they're proposing is to go to a positive list and they're claiming they are doing this in an effort to curtail health costs and to achieve healthcare reform. In our view, this approach just will not achieve that objective. The positive list system as explained to our delegation by the Ministry of Health would discriminate against innovative drugs which are the types of drugs that are mainly supplied by U.S. and other foreign companies.

MODERATOR: Okay, do we have a third question please? Mr. Hong from Donga Ilbo?

QUESTION: As far as the positive list is concerned, there have been reports that the prices of the innovative drugs produced by the U.S. will go up once this positive list is withdrawn. My question is, have political factors or anti-FTA sentiment influenced the suspension of the negotiating groups?

CUTLER: Once again the groups were suspended due to our belief that by going forward with the positive list approach, Korea was not agreeing to the mandate of the pharmaceuticals working group nor was it operating in a spirit consistent with the FTA. Let me just say the FTA is about improving market access and providing more benefits for our respective constituents. In our view, the positive list as currently explained to us by the Ministry of Health, represents a step backwards – and that's not what FTA negotiations are about. We're talking about liberalizing trade, not curtailing trade.

MODERATOR: Do we have another question from the floor please? Mr. (inaudible).

QUESTION: Ms. Cutler, how much of a cloud has been cast over the overall negotiations due to developments this week? Are you still confident that you can reach an agreement to submit to the U.S. Congress by the end of this year? Also, did you hold any negotiations with (inaudible)?

CUTLER: I'm sorry, could you just repeat the first part of your question?

QUESTION: How much of a cloud has been cast upon the overall negotiations by the developments this week? Are you still confident that you can reach an agreement by the end of this year as you had earlier stated? Also, did you have any talks at all today?

CUTLER: Obviously, as the chief U.S. negotiator for the KORUS FTA, I would have preferred for all the negotiating groups to meet intensively this work according to their schedule. Under the circumstances this was not possible. But I'm also committed to finding a way to bridge our differences in this sector so all the groups can get back to the table and hopefully make up the work that they weren't able to conduct this round. I'm extremely pleased that Ambassador Kim shares my sentiment. I understand he is doing a press conference at

six so I encourage you to ask him the same question.

MODERATOR: Do we have another question please?

QUESTION: Wait my second question please.

MODERATOR: Oh, I'm sorry.

QUESTION: Did you meet today at all? My last question – did you have any meetings today at all?

CUTLER: No negotiating groups met today.

MODERATOR: Do we have any other questions? Mr. Song from (inaudible)?

QUESTION: Why was the pharmaceutical meetings suspended on the 13th and not the 12th? The second question is, if there is no progress in the pharmaceutical sector, what will be your future schedule?

CUTLER: Could you just remind me what day of the week was the 13th?

QUESTION: It was yesterday. Thursday.

CUTLER: Okay, I'm just having a tough time with days because this seems like one long day. (laughter) Let me answer your question by saying I don't agree with either of the date that you put forth. The pharmaceutical working group's work was suspended on Tuesday which I believe was the 11th.

QUESTION: Why weren't other groups cancelled earlier given that the pharmaceutical working group was cancelled on the 11th? Why were the other groups cancelled today?

CUTLER: Once again, that's not accurate. The services and trade remedies group were cancelled or suspended mid-week.

QUESTION: (Woman begins asking question in Korean.)

MODERATOR: Excuse me. Excuse me. We'll call. Do we have a question from the western press please? Question from the western press? Ms. Koo from (inaudible).

QUESTION: Hi. Sorry. I was just wondering – going back to the gentleman's question – you said mid-week and that happened to be the 13th? Could I clarify on that part?

CUTLER: You know, frankly, I don't want to get into a discussion of the sequence of days. I don't think that's productive. Let me just say that a number of groups suspended work. We're trying our best to get the work back on track in the pharmaceuticals sector so all the groups can come back. We're working now to schedule our next round the week of September 4th in the United States. We're continuing with those plans. We're looking forward to Ambassador Kim and his team coming to the United States. And I just look forward to working with him intensively in the coming days and the coming weeks to get the things back on track – to get the groups back at the table and to make progress and work hard so we can have a successful KORUS FTA.