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White House, key senator in standoff over South Korean trade deal

By Shailagh Murray
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Senate Finance Committee Chairman Max Baucus (D-Mont.) has a beef with the South Korean trade deal, and it could hurt President Obama's prospects for winning quick approval of the pact.

The U.S.-Korea Free Trade Agreement is a key item on Obama's job-creation agenda, as his chief of staff reiterated Wednesday. "We want Korea," William M. Daley told reporters at a breakfast organized by Bloomberg News.

But Baucus, whose committee oversees trade issues, is siding with cattle ranchers from his home state who were shut out of the deal. He has pledged opposition until South Korea reconsiders restrictions on the many U.S. beef exports it has barred. Baucus's stand is a major obstacle to the White House and Republicans who are eager to bring the long-delayed pact to the Senate floor.

"I don't support Korea until Korea opens up its market," Baucus said in an interview Wednesday. By failing to resolve the beef dispute, he said, "they didn't help at all, the administration or the Koreans."

Baucus has not said whether he will merely vote against the agreement or will use the full force of his authority as finance

chairman to block it indefinitely. The senator said he is working behind the scenes with U.S. trade officials to tweak the agreement to ensure Montana ranchers get a better deal.


"When I see that, I'll support Korea," Baucus said.

The beef issue, which reflects the fear of many South Koreans that U.S. beef is unsafe, is more about politics than economics. The United States and South Korea overcame another protracted dispute over automobiles to complete the trade deal late last year. But the beef debate has proved volatile, and Seoul's negotiators have signaled that they will give no more ground beyond a 2008 concession to allow imports of beef from U.S. cattle that are less than 30 months old.

Many U.S. cattle farmers would benefit under

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the pact. U.S. beef exports have been rising sharply since 2008, and the exclusion for older beef covers only a small portion of the potential exports.

The National Cattlemen's Beef Association said many beef producers would benefit from the 40 percent drop in tariffs on the bulk of what they sell. The association does not want a standoff over older beef to stand in the way of a final deal.

The U.S. beef industry would see \$15 million in new tariff benefits in the pact's first year alone and about \$325 million in tariff reductions annually once the deal is fully implemented, the association said.

Obama made clear in his State of the Union speech that he considered finishing the trade deal a top priority. "I ask this Congress to pass it as soon as possible," the president said.

The treaty is the most significant trade pact since the North American Free Trade Agreement in 1993. The administration says it will create tens of thousands of American jobs in manufacturing, agriculture, services and other sectors by boosting U.S. exports by up to \$11 billion.

The deal also represents a crucial step in Obama's efforts to strengthen ties with the business community and its Republican

supporters on Capitol Hill. GOP lawmakers want to combine the Korea pact with languishing trade treaties with Colombia and Panama. Republicans hope Obama will endorse quick passage of all three deals in a speech Monday to the U.S. Chamber of Commerce.

"That's been a big piece of the business community's mantra for a long time: trade," said Daley, who was an adviser to President Bill Clinton on NAFTA and became Obama's chief of staff last month. "Just about every Republican I've engaged with in one way or the other at social events or calls, when I got the job . . . all of them that I've talked to, they all go right to Korea and the trade issue, because I think there's a belief that, you know, that can help the economy."

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