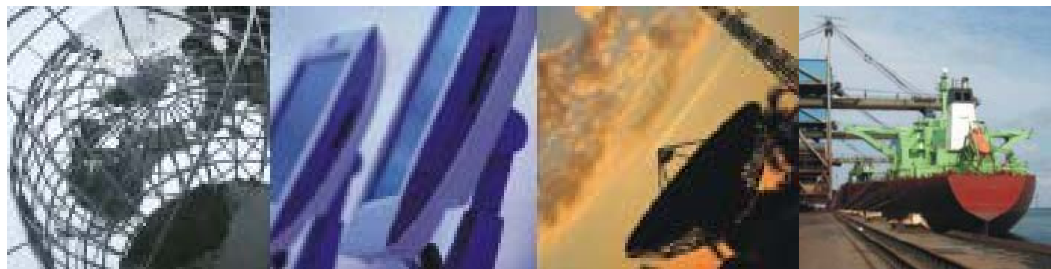
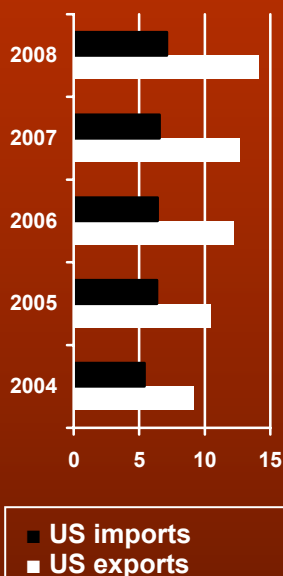


KOREA: A MAJOR MARKET FOR US SERVICE PROVIDERS

- US services exports to Korea, 2008: \$14 billion
- US services imports from Korea, 2008: \$7 billion
- US services surplus with Korea: \$7 billion

US-Korea Services Trade, 2004 – 2008 (\$ billions)



The US-Korea Free Trade Agreement: Advancing Services Trade with a Crucial Market

The Coalition of Service Industries welcomes President Obama's June 27, 2010 announcement to move forward on the US-Korea Free Trade Agreement. This Agreement is the most commercially significant FTA for the US service sector since NAFTA. US crossborder exports of services to Korea were \$14 billion in 2008, while imports were \$7 billion, netting a US services trade surplus of \$7 billion.

The FTA provides substantial new trade and investment opportunities, investor protections, regulatory transparency, and other benefits. It is comprehensive, ensures that new US services will automatically receive liberal treatment, and provides that any additional liberalization undertaken autonomously by Korea will be captured under the Agreement.

The Agreement is likely to have a powerful strategic impact on economic relationships in the region. The fact that the United States will have preferred access to this vast, fast-growing market is likely to cause other countries, such as Japan, to rethink their trade relationships with the United States. Some key benefits for services in this Agreement:

- ❑ **TELECOMMUNICATIONS SERVICES.** The Agreement will allow US companies to own up to 100% of a telecommunications operator in Korea, and will assure nondiscriminatory access for US companies to Korea's public telecommunications network, including submarine cable landing stations, and it includes new safeguards to help protect technology choice. It also requires Korea to ensure transparency in the regulation of the telecom sector and commitments to ensure that its regulatory body is separate from, and not accountable to, any supplier of public telecommunications services.
- ❑ **COMPUTER AND RELATED SERVICES.** The Agreement covers cross-border delivery of computer and related services. Importantly, the negative list approach ensures that as new, previously-unforeseen services are introduced, they will automatically be covered under the Agreement.
- ❑ **ELECTRONIC COMMERCE.** The Agreement assures the non-discriminatory treatment of digital products, and assures that Korea will not impose customs duties, fees, or other charges on digital products transmitted electronically. Korea also agreed to duty-free treatment for digital products imported on a physical medium.
- ❑ **GOVERNMENT PROCUREMENT.** The Agreement expands access for US service suppliers to the Korean government procurement market by expanding the coverage of Korea's commitments and lowering the threshold for central government goods and services procurements to which US suppliers will have non-discriminatory access.



- ❑ **AUDIOVISUAL SERVICES.** The Agreement improves market access for US audiovisual companies, including by halving the screen quota applicable to the theatrical exhibition of US motion pictures, and decreasing the domestic content quotas applicable to the broadcast of films and animation programming. Under the Agreement, certain foreign investment restrictions will be lifted, including for program providers and providers of IPTV. In addition, the Agreement provides standards for protection and enforcement of intellectual property rights for emerging technologies.
- ❑ **EXPRESS DELIVERY SERVICES.** Among its provisions, the Agreement includes an appropriate definition of express delivery services, and a positive statement ensuring at least the same level of market access as exists at the time the Agreement takes effect. The Agreement also contains important customs clearance provisions for express shipments, and a legally binding side letter that clarifies the existing Korea Postal law and embraces principles for ensuring a level playing field for private express providers in the future.
- ❑ **INSURANCE & FINANCIAL SERVICES.** South Korea is the world's eighth largest insurance market, with total premium volume of more than \$65 billion, only slightly behind China, at \$68 billion. The Agreement commits Korea to MFN and national treatment provisions across the sector, and provides the full range of establishment rights, including joint ventures, wholly-owned subsidiaries, or branches, as well as the standard range of services provided on a cross-border basis, including marine-aviation-transport (MAT) insurance, reinsurance, retrocession, intermediation (agency & brokerage), and services auxiliary to insurance. The Agreement will also ensure a more level playing field between private insurers and government-owned Korea Post.

US financial services suppliers will enjoy the right to 100% ownership in the financial services sector and extensive rights to establish in the legal form that best suits their business model. Non-discriminatory, national treatment will be extended to all aspects of financial services business, including the types of services that can be provided and the clients that can be served. US financial services suppliers will have the right to supply specific financial services on a cross-border basis, including portfolio management services.

Korean financial regulatory authorities will also, for the first time, be bound by regulatory transparency rules. The US-Korea FTA is also the first of any trade agreement to contain, in the financial services annex, specific reference to data transfer, enabling US companies to freely transfer customer data into and out of Korea.

LEGAL SERVICES. The Agreement made strides on legal services, opening Korea for the first time to foreign legal advisory services. Korea also committed to phase in additional liberalization that will permit foreign lawyers to more freely associate with Korean lawyers and offer a broader range of services.