



The U.S.-Korea Trade Agreement: *Opportunities for the U.S. Services Sector*

The U.S.-Korea Trade Agreement would provide significant commercial opportunities for U.S. exporters:

- Korea's commitments provide U.S. service suppliers with new opportunities and greater assurance of their rights and privileges in the robust Korean market.
- The U.S.-Korea Trade Agreement will set new, higher standards for addressing regulatory issues and includes a strong financial services chapter which would create a more level playing field for U.S. financial firms in Korea.
- The trade agreement's services provisions are structured to ensure coverage of new services areas without new negotiations.

Services Sector Overview

- The U.S. services sector accounted for 69 percent of total U.S. GDP in 2009 and was valued at \$9.8 trillion.¹
- The U.S. services sector employed over 98 million workers in 2009, with services accounting for approximately 83 percent of private non-farm employment.²
- Services accounted for over \$12 billion in U.S. exports to Korea over 2007-09 (average).³
- The Korean market offers areas of opportunity for U.S. exporters, particularly in travel, tourism, education, legal, insurance, technology, audiovisual, distribution, express delivery, environmental, professional, and financial services.⁴

Improved Market Access for U.S. Services Exporters to Korea

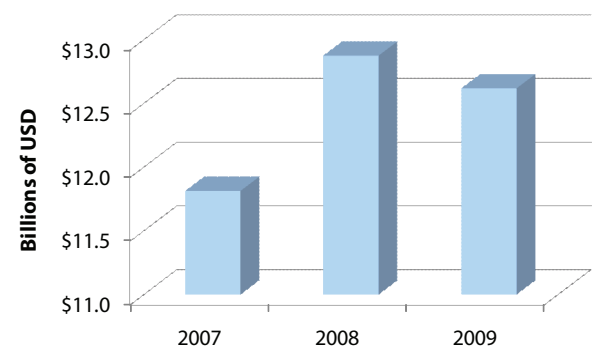
Overarching Services Provisions:

- Korea significantly improved upon its WTO commitments in services, providing meaningful market access commitments that extend across virtually all major service sectors and include services supplied both cross-border (such as through electronic means) as well as through a commercial presence.
- The trade agreement provides a "ratchet" clause under which liberalization undertaken autonomously by Korea will be captured and bound under the trade agreement. The Agreement also ensures that the United States will have the benefit of any trade concessions made by Korea in trade agreements concluded after the U.S.-Korea Trade Agreement enters into effect.

Specific Services Outcomes under the U.S.-Korea Trade Agreement:

- **Express Delivery Services:** Expedited customs clearance commitments would facilitate greater access to international delivery services and complement Korea's commitments to maintain an open and unrestricted market with a level playing field for private express carriers.
- **Legal and Accounting Services:** The trade agreement would allow access for the first time to foreign legal consulting services and over time permit U.S. law firms to enter into cooperative agreements with local firms, establish joint ventures, and hire local lawyers. Korea would also allow U.S.-registered CPAs or accounting corporations constituted under U.S. law to establish offices to provide consultancy services on U.S. and international accounting laws and standards; allow U.S. CPAs to work for Korean accounting corporations; and within 5 years, permit U.S. CPAs to invest in Korean accounting corporations.
- **Healthcare and Education Services:** Korea would guarantee access to the higher education and distance adult education market, as well as to the health care market in special economic zones.

U.S. Services Exports to Korea Averaged \$12.4 Billion



¹ U.S. Department of Commerce, Bureau of Economic Analysis, Services references BEA definition of private services-producing industries.

² U.S. Department of Commerce, Bureau of Economic Analysis, Services references BEA definition of private services-producing industries.

³ U.S. Department of Commerce, Bureau of Economic Analysis. 2009 is the latest year available for U.S. services exports to Korea.

⁴ U.S. Department of Commerce, U.S. & Foreign Commercial Service, 2010 Country Commercial Guide for Korea.

- **Audio-Visual Services:** The trade agreement would: (1) improve market access for U.S. broadcasting and audiovisual service providers, e.g., through a commitment by Korea to allow, within three years, 100 percent foreign ownership of program providers for U.S. firms that establish a Korean subsidiary; (2) lead to a decrease in Korean TV content quotas for film and animation and an increase in the allowable content from a single country; (3) lock in all other Korean content requirements at the least restrictive level allowed under current law, including the motion picture screen quota; and (4) result in a commitment by Korea to permit U.S. investment in IPTV and the binding of Korean content quotas in the platform.
- **Other Professional Services:** Korea offered guaranteed access in other areas, including research and development services, services incidental to mining, maintenance and repair of equipment, and environmental services.
- **Financial Services:** Under the trade agreement, U.S. financial institutions would be able to establish or acquire financial institutions in Korea and choose the corporate form that best meets their business needs. The trade agreement also ensures that U.S. financial regulators would continue to have flexibility to take action in order to ensure the integrity and stability of financial markets or address a financial crisis. U.S. financial services suppliers would also have the ability to supply a clearly defined list of financial services “cross-border”, including portfolio management services for investment funds. Additionally, Korea would implement several reforms that would contribute to transparency of rules and procedures in the sector including regional integration of data processing. In the insurance sector, Korea has committed to begin the process of ensuring that the same rules and regulations apply equally to both cooperatives selling insurance and Korea Post as well as to private insurers.
- **Telecommunications:** In addition to removing foreign ownership limitations, providing for cost-oriented access to facilities and networks, and safeguarding technology choice, the agreement would also expand Korea’s commitments on mobile services and includes a provision to guarantee that the regulatory body is independent from any public telecom services supplier and impartial to all market players.
- **E-Commerce:** As well as ensuring non-discriminatory and duty-free treatment of all digital products, outlining principles that ensure consumers’ reasonable access to the Internet, and facilitating the use of electronic authentication, the agreement would recognize the importance of cross-border data flows and encourages Parties to refrain from imposing or maintaining unnecessary barriers to electronic information flows. In addition, the agreement acknowledges the importance of on-line consumer protection and provides for enforcement cooperation.

Foreign Competition in the Korean Market

- Korea signed a trade agreement with the EU in 2009, which is scheduled to enter into force in July 2011. Korea presently has FTAs in force with ASEAN, Chile, India, Singapore, and EFTA. It also recently signed an FTA with Peru, which is also scheduled to enter into force this year. In addition, Korea is negotiating new agreements with Australia, Canada, Colombia, New Zealand, and Turkey; is considering launching FTA negotiations with China; and is exploring re-launching its stalled negotiations with Japan.

Other Key U.S.-Korea Trade Agreement Commitments for the Services Sector

- **Government Procurement:** Korea and the United States are members of the WTO Agreement on Government Procurement and already enjoy open and transparent access to each other’s government procurement markets. The U.S.-Korea Trade Agreement enhances this relationship by increasing the procurements to which U.S. suppliers will be ensured non-discriminatory access by reducing the goods and services threshold to \$100,000 from \$203,000 for central government entities. The Agreement also incorporates important improvements that reflect the emerging practices in procurement, such as reducing the tendering period for “off-the-shelf” goods and services and encouraging the use of electronic tenders.
- **Customs Procedures:** The U.S.-Korea Trade Agreement requires transparency through the publication of customs measures to ensure that the U.S. and Korean private sectors have access to customs laws and regulations. To the extent possible, those interested will be given an opportunity to comment on generally applicable customs regulations proposed by the United States or Korea. The trade agreement requires simplified customs procedures for the timely and efficient release of goods in order to facilitate “just-in-time” supply chain logistics systems, as well as procedures intended to reduce delays in customs clearance.
- **Investment:** The U.S.-Korea Trade Agreement establishes a stable legal framework for U.S. investors and investments in Korea, backed by a transparent, binding international arbitration mechanism. All forms of investment are protected under the Agreement. With few exceptions, U.S. investors would be treated as well as Korean investors (or investors of any other country) in the establishment, acquisition, and operation of investments in Korea.
- **Transparency:** The U.S.-Korea Trade Agreement includes strong transparency obligations, with commitments that the national governments of both parties would to the extent possible publish proposed regulations in advance, allow a reasonable opportunity to comment, address significant substantive comments received, publish final regulations in an official journal of national circulation, and provide sufficient time between publication of the final regulation and implementation of the regulation to allow stakeholders to adjust. The U.S.-Korea Trade Agreement also includes strong anticorruption provisions obligating the Parties to adopt and maintain anti-bribery measures in international trade and investment. Parties further commit to maintain appropriate penalties and procedures to enforce such anticorruption rules, and to protect persons who report any of the criminal acts comments received, and publish final regulations in an official journal of national circulation. Provisions that address corruption in international trade and investment are also included.

KORUS Opportunity Stories

Examples of Specific Companies in the Services Sector that will Benefit from KORUS

Pactrans (Illinois): Established in 1985, Pactrans is headquartered in Bensenville, IL, with more than 70 employees in the United States. It is a woman and minority-owned and operated full service international logistics company. Pactrans has over 25 years of experience handling and arranging ocean/air freight transportation, customs brokerage, international trading/sourcing, inland transportation, warehousing/distribution, and supply chain management. Pactrans is also a client of the Commerce Department's Minority Business Development Agency.

Pactrans's network includes more than 1,200 global partners developed over the last 25 years, which allows it to provide worldwide coverage, and seamless service for its clients. In Korea, Pactrans has long-standing strategic alliances and partnerships with several of the key corporations in the local freight market.

Currently, about 10 percent of Pactrans's business is related to freight arrangements to and from Korea, but Pactrans recognizes that there is a potential for a lot more business that can profitably be developed. Pactrans sees the U.S.-Korea Trade Agreement as a marketing tool, which will reduce the cost of doing business for its clients, as well as simplify import and export processes. [Pactrans believes that if the U.S.-Korea Trade Agreement is implemented, it will allow it to double its current volume with Korea. An increased volume with Korea would enable Pactrans to create more jobs and prevent any future job elimination.](#)

Philadelphia International Medicine (Pennsylvania): Leonard Karp, President and CEO of a company owned and operated as a consortium of academic medical centers in the Philadelphia, PA region, wrote to the U.S. Department of Commerce to express his strong support for the U.S.-Korea Trade Agreement:

"Philadelphia International Medicine, a company founded in 1999 to market the services of Philadelphia area hospitals internationally, is keenly interested in the trade agreements which will remove barriers hindering the export of medical services. [In particular, the U.S.-Korea Trade Agreement contains specific language that would allow U.S. hospitals to establish medical facilities in key foreign trade zones in Korea, and would permit U.S. licensed physicians to practice in these facilities.](#)

"My company already has served as consultants for development of U.S.-style academic medical centers in the Incheon Free Economic Zone and in the Jeju Special Economic Zone. [The KORUS Trade Agreement would help remove barriers that hinder development of such medical centers.](#)

["Inclusion into the trade agreement strengthens the rights of U.S. health care organizations and practitioners by making it more difficult for the Korean legislature and executive branch to remove those benefits through changes in domestic legislation."](#)

Stoic International (Texas): Stoic International of San Antonio, Texas helps companies in their growth towards a global market share. Stoic offers freight forwarding, international marketing, custom brokerage services, commerce management, tradeshow support and representation, and marketplace expansion. Stoic International promotes international trade with the United States by and through distribution, resell, manufacture representation and brokering. They conducted more than \$2 million in sales in Korea in 2010 with indicators of more growth in 2011.

Since the inception of the parent company in 2006 Stoic's business growth has been steady and progressive. They have worked with companies all over the world, and encountered certain challenges in some countries due to our government's foreign policy, but nothing insurmountable. One country of exceptional note is South Korea. The duties and tariffs encountered in getting products from the USA into South Korea have been historically prohibitive.

Stoic believes that the U.S.-Korea Trade Agreement would benefit almost any company in the United States wanting to trade in Korea. They have had several clients based in the USA who have only done one or two shipments to Korea before leaving the marketplace based solely upon the entrance barriers Americans face. The KORUS Agreement is not a magic wand that will give Americans success in the Korean market, but it will get the door open to at least compete fairly with other countries in the Korean market. [Any delay on getting this trade agreement in place will cause all competitive advantages to be lost to the EU. With the trade agreement in place many companies would attempt to again enter the Korean marketplace with fresh American produce, food products, coffees, and ethnic-type food stuffs \(Tex-Mex cuisine – tortillas, tamales, Texas styled BBQ sauces and rubs\).](#)