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001. email	To Whyman, Ragle, Kristoff, and Vax at 5:32. Subject: Report on Second Plenary. (16 pages)	11/04/1993	P1/b(1)

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2009-0528-F
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RESTRICTION CODES

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P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

United States Department of State

Washington, D.C. 20520

Bureau of East Asian and Pacific Affairs
Office of Korean Affairs
Phone 647-7717 fax 647-7388

Date: Wednesday February 23, 1994

TO:

Agency	Name	Phone	FAX
NSC/NEC	- Bill Whyman	395-3543	395-1590
USTR	- Peter Collins	395-6813	395-3512
Commerce	- Jeff Donius	482-4390	482-4453
Treasury	- Norm Richter	622-1950	622-0605
	M Brettschneider	622-0335	622-0349
	Conrad Ouelette	622-1860	622-0391
Customs	- Alan Kent	927-0527	927-6892
State	OES/SCT Joe Richardson	e-mail	647-4658
	EB/TDC David Moran	e-mail	647-3251
	EB/TDC Y Anderson	e-mail	647-3251
	L/BA D Gallagher	(703)516-1535	516-1547
	L/EB Meg Pickering	647-7772	647-7115
	EUR/RPE Martha Kelley	e-mail	647-2469

FROM: Jim Zumwalt

SUBJECT: Clearance on DEC Reporting Telegram

Attached for your clearance is the second DEC reporting telegram on the February 17 half-day "executive session." This clearance request is partly informational, since many of you were not at the meeting, but any comments are welcome. The first 15 paragraphs report on the meeting itself and the final half of the message repeats the interim report, the text of which Dick Morford sent you earlier.

Please give me your comments by COB Thursday February 24 for incorporation into the final message. I look forward to seeing you on Monday when we will discuss next steps.

EEEEEEEEEEEEEEEEEEEEEEEE

DKT
JPZ
RM PC
PC MB
AK SC
JR DRM
DJG MNK

UNCLASSIFIED

EAP/K:J P Zumwalt:JPZ
02/23/94 647-7717 SEKEC 002378 94 EAP 00499
EB:D K Tarullo

EB:R Morford, USTR:P Collins, USDOC:P Cashman,
TREASURY:M Brettschneider, CUSTOMS:A Kent, JUSTICE:S Chemtob,
OES:J Richardson, EB/TDC:D R Moran, L/BA:D J Gallagher,
EUR/RPE:M N Kelley

PRIORITY SEOUL

ROUTINE PARIS

paris for oecd

E.O. 12356: N/A

TAGS: ETRD, EINV, OECD, KS

SUBJECT: dec: report on executive session of third plenary meeting, february 17, 1994

1. SUMMARY. ASSISTANT SECRETARY DANIEL K. TARULLO AND ASSISTANT FOREIGN MINISTER FOR ECONOMIC AFFAIRS SUN JOUN YOUNG MEET FOR TWO AND ONE-HALF HOURS ON FEBRUARY 17 TO DISCUSS THE DIALOGUE FOR ECONOMIC COOPERATION (DEC) INTERIM REPORT AND TO DECIDE HOW TO PROCEED OVER THE FINAL 3-4 MONTHS OF THE DEC. A/S TARULLO AND A/M SUN SIGNED AN INTERIM REPORT (PARAS 16-37) AND AGREED TO

UNCLASSIFIED

COMPLETE THE DEC FINAL REPORT BEFORE THE U.S.-KOREA ECONOMIC SUBCABINET TENTATIVELY SCHEDULED FOR JUNE 1994.

2. A/S TARULLO TOLD A/M SUN THAT THE DEC COULD END WITH A RINGING ENDORSEMENT OF KOREAN REFORMS, WHICH WOULD HELP REVERSE NEGATIVE BUSINESS ATTITUDES TOWARD KOREA, OR IT COULD END IN AN ACKNOWLEDGEMENT OF LIMITED PROGRESS AND REMAINING PROBLEMS. SUN AGREED THAT KOREA SHOULD IMPROVE ITS INVESTMENT CLIMATE, BUT GAVE NO ASSURANCE THAT KOREA COULD AGREE TO KEY CONCESSIONS ON IMPORTANT ISSUES SUCH AS INVESTMENT BEFORE THE END OF THE DIALOGUE. A/M SUN ALSO ASKED A/S TARULLO FOR HIS PRELIMINARY IDEAS FOR CONTINUING A DIALOGUE AFTER JUNE. TARULLO PROMISED ONLY TO CONSIDER A POST-DEC COOPERATIVE DIALOGUE. END SUMMARY.

3. ASSISTANT SECRETARY DANIEL K. TARULLO AND ASSISTANT FOREIGN MINISTER FOR ECONOMIC AFFAIRS SUN JOUN-YUNG MET FOR TWO AND ONE-HALF HOURS ON FEBRUARY 17. ALSO PRESENT WERE KWON, OKYU (ECONOMIC PLANNING BOARD), SUH YONG-HYUN AND CHOI KYONGLIM (MINISTRY OF FOREIGN AFFAIRS), KIM DONG-JIN (MOF), KIM CHUNG-GI, AND KIM JONG-HOON, (ROK EMBASSY). DICK MORFORD (STATE/EB), JOHN HOOG (EMBASSY SEOUL) AND JIM ZUMWALT (STATE/EAP) SAT IN ON THE U.S. SIDE.

4. ASSISTANT SECRETARY TARULLO SAID THAT ONLY A FEW MONTHS REMAIN IN THE ONE-YEAR DIALOGUE FOR ECONOMIC COOPERATION PROCESS AND MUCH WORK REMAINS TO BE DONE. ALTHOUGH KOREAN LIBERALIZATION EFFORTS THUS FAR MEAN THE US WILL NOT CONCLUDE THAT THE DIALOGUE HAS FAILED, THE LEVEL OF USG ENTHUSIASM WILL DEPEND ON KOREA'S WILLINGNESS TO IMPLEMENT TANGIBLE CHANGES IN ITS INVESTMENT CLIMATE AND INVESTMENT APPROVAL PROCESS BEFORE THE END OF THE DEC. A KEY TEST WILL BE WHETHER KOREA'S DEREGULATION PROGRAM MOVES BEYOND RHETORIC TO IMPLEMENTATION OF DIFFICULT STEPS.

5. ONE ACCOMPLISHMENT OF THE DEC, ASSISTANT SECRETARY TARULLO SAID, HAS BEEN TO INITIATE GOOD DISCUSSIONS IN IMPORTANT AREAS SUCH AS ADMINISTRATIVE PROCEDURES, TAXATION AND COMPETITION POLICY. WE MADE MODEST PROGRESS IN TAXATION AND THERE ARE POTENTIAL POSITIVE STEPS KOREA COULD TAKE IN ADMINISTRATIVE PROCEDURES AND COMPETITION POLICY. OUR DISCUSSIONS ON IMPORT PROCESSING CONTINUE, BUT THUS FAR THERE HAS BEEN LITTLE IMPROVEMENTS BEYOND THOSE AGREED TO IN PEI. A/S TARULLO URGED KOREA TO MAKE TANGIBLE PROGRESS IN EACH OF THESE AREAS. HE URGED SUN

TO CONSIDER THE CONCEPT OF A TRADE AND INVESTMENT OMBUDSMAN.

6. OVER THE NEXT THREE MONTHS, TARULLO PROPOSED WORKING TOWARDS A PACKAGE OF LIBERALIZING MEASURES WHICH THE US BUSINESS COMMUNITY WOULD SEE AS REPRESENTING A MAJOR IMPROVEMENT IN KOREA'S BUSINESS CLIMATE. THIS PACKAGE SHOULD INCLUDE: SECTORAL OPENINGS, REDUCING THE CRITERIA FOR DISAPPROVING FDI IN THE SCREENING PROCESS, AND IMPROVEMENTS TO THE INVESTMENT ENVIRONMENT IN AREAS SUCH AS DISTRIBUTION, LAND ACQUISITION, LEGAL SERVICES, AND INTELLECTUAL PROPERTY. ECOUNS HOOG NOTED THAT IN THE PAST, KOREAN LIBERALIZATION STEPS HAD BEEN HEDGED OR PROGRESS LATER BLOCKED BY BUREAUCRATS. IN THE DEC, THE US SEEKS UNAMBIGUOUS CHANGE WITH PRACTICAL BENEFITS TO U.S. BUSINESS.

7. A/M SUN SAID THAT THE KOREAN DELEGATION IS KEENLY AWARE OF THE PRESIDENTIAL INSTRUCTIONS TO STRENGTHEN US-KOREA RELATIONS. HE SAID THE FUNDAMENTAL INTERESTS OF KOREA AND THE US CONVERGE ON INVESTMENT ISSUES. THE THREE DEC PLENARY SESSIONS, HE NOTED, HAVE RESULTED IN IMPROVEMENTS TO THE CLIMATE FOR FOREIGN BUSINESS IN KOREA. ALTHOUGH WE NOW HAVE TENTATIVE RESULTS, KOREA WILL WORK HARD OVER THE NEXT THREE HECTIC MONTHS AND CONSULT CLOSELY WITH EMBASSY SEOUL. A/M SUN SAID THAT HE WANTS TO UTILIZE FULLY THE BLUE HOUSE TASK FORCE ON PROMOTING FOREIGN INVESTMENT AND THAT HE HOPED BY MAY TO HAVE AN "ATTRACTIVE REPORT" TO PUBLISH.

8. A/M SUN SAID HE UNDERSTANDS THAT THE US SEEKS AN INVESTMENT PACKAGE TO INCLUDE SECTORAL OPENINGS, AND PROGRESS ON DISTRIBUTION AND LAND ACQUISITION. KWON SAID THAT ADDITIONAL INVESTMENT OPENINGS WOULD BE EXTREMELY DIFFICULT BECAUSE OF STRONG INDUSTRY OPPOSITION. DIRECTOR SUH ADMITTED THAT MOFA IS ALSO "CONFUSED" ABOUT KOREA'S INVESTMENT SCREENING PROCEDURE AND THAT PREPARING AN EXPLANATORY PAPER WILL HELP CLARIFY THESE PROBLEMS.

9. EPB'S KWON SAID THAT MOF CLAIMS THAT INVESTMENT SCREENING PROCEDURES AND OTHER REGULATIONS ARE TRANSPARENT, BUT THAT THE ATTITUDES OF GOVERNMENT OFFICIALS RESPONSIBLE FOR ADMINISTERING THE RULES ARE A MAJOR PROBLEM. HE ADMITTED THAT MANY ROKG OFFICIALS ARE "PASSIVELY RESISTING" KIM ADMINISTRATION DIRECTIVES ON LIBERALIZATION. KWON SAID THAT THIS BUREAUCRATIC RESISTANCE WAS DUE TO BUREAUCRATIC RESENTMENT THAT THE KIM ADMINISTRATION WAS REDUCING PERKS AND INCREASING

AUDITS OF GOVERNMENT OFFICIALS. KWON ALSO ADMITTED THAT LOCAL GOVERNMENT OFFICIALS HAVE LITTLE INCENTIVE TO ENCOURAGE FOREIGN INVESTMENT IN THEIR REGIONS BECAUSE THESE OFFICIALS, WHO ARE OFTEN SENT FROM SEOUL, DO NOT HAVE THE REGION'S INTERESTS AT HEART AND BECAUSE LOCAL GOVERNMENT REVENUES, WHICH COME FROM SEOUL, DO NOT INCREASE AS THE LOCAL TAX BASE EXPANDS. KWON THOUGHT THAT LOCAL GOVERNMENT ELECTIONS NEXT YEAR WILL AMELIORATE THE FIRST PROBLEM AND THAT PLANNED CHANGES TO INCREASE LOCAL GOVERNMENT DEPENDENCE ON LOCAL TAXES WILL CREATE INCENTIVES TO LOCAL OFFICIALS TO ENCOURAGE FDI.

10. ONE OTHER IMPORTANT INVESTMENT ENVIRONMENT ISSUE, A/S TARULLO EXPLAINED, IS LIBERALIZATION OF LEGAL SERVICES. HE NOTED THAT U.S. ATTORNEYS, IF PERMITTED TO OPERATE IN SEOUL, WOULD WIDELY ADVERTISE THEIR SERVICES. BECAUSE LAW OFFICE PROFITS DEPEND ON CONCLUDING INVESTMENT DEALS, PRIVATE SECTOR ATTORNEYS WOULD COMPETE WITH EACH OTHER TO ATTRACT POTENTIAL FOREIGN INVESTORS TO SEOUL. TARULLO CAREFULLY NOTED THAT THE US IS NOT ASKING KOREA TO ALLOW FOREIGN ATTORNEYS TO PRACTICE KOREAN LAW, ONLY TO PRACTICE FOREIGN AND INTERNATIONAL LAW AND TO HIRE OR ESTABLISH PARTNERSHIPS WITH KOREAN ATTORNEYS. HE PREDICTED THAT IF KOREA LIBERALIZES ITS LEGAL SERVICES MARKET, FOREIGN ATTORNEYS WOULD BRING FOREIGN BUSINESS TO KOREAN ATTORNEYS RATHER THAN TAKING IT AWAY.

11. EPB'S KWON CLAIMED THAT THE MINISTRY OF JUSTICE NEGOTIATOR IN THE URUGUAY ROUND HAD SIMILAR IDEAS REGARDING LIBERALIZATION OF LEGAL SERVICES. UNFORTUNATELY THIS STEP WOULD REQUIRE CHANGING KOREAN LAW, AND THE KOREAN BAR ASSOCIATION, WHICH STRONGLY OPPOSES LIBERALIZATION, HAS TREMENDOUS INFLUENCE OVER THE NATIONAL ASSEMBLY JUDICIARY COMMITTEE. A/M SUN SAID HE PERSONALLY FAVORS LIBERALIZATION OF LEGAL SERVICES. HE POINTED OUT THAT CURRENT LAW RESTRICTS HIM FROM OPENING A CONSULTING FIRM AFTER RETIREMENT. IN LIGHT OF POLITICAL REALITIES, HE CONCLUDED, IT WOULD TAKE AT LEAST ONE TO TWO YEARS BEFORE THE ROKG COULD AGREE TO DO SO.

12. A/M SUN PROPOSED THAT THE US AND KOREA AGREE TO A POST DEC DIALOGUE ON GLOBAL ISSUES SUCH AS FREE TRADE AGREEMENTS AND APEC. SUN SAID THAT KOREA VALUES THE DEC BECAUSE IT TAKE A DIFFERENT APPROACH FROM EXISTING CHANNELS. HE ADMITTED THAT HE HAD NO CONCRETE THOUGHTS ON HOW TO PROCEED, BUT THAT HE WOULD LIKE TO HEAR USG VIEWS.

MRS. JOAN E. SPERO
UNDER SECRETARY FOR ECONOMIC
AND AGRICULTURAL AFFAIRS
DEPARTMENT OF STATE
WASHINGTON, D. C.

MR. HONG SOON YOUNG
VICE MINISTER
MINISTRY OF FOREIGN
AFFAIRS
SEOUL, KOREA

17. AS DIRECTED BY PRESIDENT CLINTON AND PRESIDENT KIM IN JULY 1993, THE GOVERNMENTS OF THE UNITED STATES AND THE REPUBLIC OF KOREA HAVE ESTABLISHED A DIALOGUE FOR ECONOMIC COOPERATION (DEC) TO IMPROVE THE CLIMATE FOR BUSINESS THROUGH DEREGULATION AND TO ENHANCE ECONOMIC COOPERATION. BY MEANS OF THE DIALOGUE THE TWO GOVERNMENTS SEEK TO ACHIEVE THE GOAL OF AN EXPANDED ECONOMIC PARTNERSHIP. A FIRST PLENARY SESSION OF THE DIALOGUE WAS HELD IN WASHINGTON ON SEPTEMBER 7 AND 8, 1993. SUBSEQUENT PLENARIES HAVE BEEN HELD IN SEOUL ON OCTOBER 21 AND 22, 1993 AND WASHINGTON ON FEBRUARY 16 AND 17, 1994.

18. DEREGULATION DISCUSSIONS IN THE DEC HAVE ECHOED THE THEMES PRESENTED BY THE KOREAN GOVERNMENT IN ITS FIVE YEAR ECONOMIC REFORM PACKAGE OF JULY 1993. IN THE THREE PLENARY SESSIONS, MUCH OF THE FOCUS HAS BEEN ON REDUCING REGULATIONS ON FOREIGN INVESTMENT IN KOREA. COUNTERPART GROUPS FROM THE RELEVANT AGENCIES HAVE BEEN ESTABLISHED TO CONSIDER TAXATION, COMPETITION POLICY AND ADMINISTRATIVE PROCEDURES. IN ADDITION, THE TWO DELEGATIONS HAVE REVIEWED IMPLEMENTATION OF RECOMMENDATIONS OF THE PRESIDENTS' ECONOMIC INITIATIVE REGARDING IMPORT CLEARANCE AND STANDARDS AND DISCUSSED U.S. IMPLEMENTATION OF TRADE MEASURES RELATED TO ANTI-DUMPING, SECTION 301 AND MARITIME AFFAIRS.

19. THE DELEGATIONS HAVE EXPLORED A NUMBER OF AREAS TO ENHANCE ECONOMIC COOPERATION. THESE INCLUDE INDUSTRIAL COOPERATION, SCIENCE AND TECHNOLOGY COOPERATION, MUTUAL EXEMPTION OF SOCIAL SECURITY TAXES, INDUSTRIAL RELATIONS, MUTUAL RECOGNITION OF TEST RESULTS, AND SURETY BOND REQUIREMENTS FOR CONSTRUCTION CONTRACTS.

20. WHILE SOME PROGRESS HAS BEEN MADE, MUCH WORK REMAINS TO BE DONE IN MOST AREAS PRIOR TO THE DEC FINAL REPORT. THE FINAL REPORT WILL BE SUBMITTED TO THE U.S.-KOREA ECONOMIC CONSULTATION IN JUNE 1994 FOR ITS CONSIDERATION AND REPORT TO THE PRESIDENTS. AN INTERIM REPORT OF PROGRESS RELATED TO MAJOR TOPICS UNDER CONSIDERATION IN THE DEC IS ENCLOSED. BOTH DELEGATIONS ARE DEDICATED TO

MAKING THE DIALOGUE A SUCCESS WHICH WILL IMPROVE THE CLIMATE FOR BUSINESS AND ENHANCE ECONOMIC COOPERATION BETWEEN OUR TWO COUNTRIES.

DANIEL K. TARULLO	SUN JOUN YUNG
ASSISTANT SECRETARY FOR	ASSISTANT MINISTER
FOR	
ECONOMIC AND BUSINESS AFFAIRS	ECONOMIC AFFAIRS
DEPARTMENT OF STATE	MINISTRY OF FOREIGN
AFFAIRS	

ENCLOSURE: INTERIM DEC REPORT ON THE STATUS OF ISSUES

21. END TEXT OF INTERIM REPORT. BEGIN TEXT OF ENCLOSURE:

- DIALOGUE FOR ECONOMIC COOPERATION, STATUS OF ISSUES

22. INVESTMENT: DISCUSSIONS ON INVESTMENT TOOK PLACE IN THE CONTEXT OF PRESIDENT KIM YOUNG SAM'S PLEDGE TO "MAKE KOREA ONE OF THE MOST ATTRACTIVE PLACES WHERE FOREIGNERS CAN INVEST." BOTH SIDES AGREED THAT INCREASING THE FLOW OF FOREIGN INVESTMENT BY IMPROVING THE INVESTMENT ENVIRONMENT IS A PRIMARY OBJECTIVE OF THE DEC.

23. THE U.S. IDENTIFIED ELEMENTS OF THE KOREAN INVESTMENT REGIME WHICH ACT TO DETER FOREIGN INVESTMENT, INCLUDING RESTRICTED SECTORS, THE APPROVAL/NOTIFICATION PROCESS, AND A NUMBER OF FACTORS WHICH AFFECT THE POST-ESTABLISHMENT INVESTMENT CLIMATE. IN ADDITION, THE U.S. SIDE POINTED OUT AREAS OF THE KOREAN INVESTMENT SYSTEM THAT WILL REQUIRE MODIFICATION TO COMPLY WITH OECD INVESTMENT INSTRUMENTS.

24. KOREA BRIEFED THE U.S. ON STEPS IT TOOK IN LATE 1993 TO IMPROVE THE APPROVAL/NOTIFICATION PROCESS AND INVESTMENT CLIMATE. THE KOREAN SIDE NOTED THAT IN JANUARY 1994, THE KOREAN GOVERNMENT ESTABLISHED AN INTERAGENCY TASK FORCE TO MAKE RECOMMENDATIONS BEFORE THE END OF THE DEC ON FURTHER STEPS TO IMPROVE THE INVESTMENT REGIME. THE KOREAN GOVERNMENT AGREED TO CONSIDER U.S. COMMENTS IN THIS INVESTMENT REVIEW.

25. ADMINISTRATIVE PROCEDURES. IN ITS TWO MEETINGS, THE WORKING GROUP ON ADMINISTRATIVE PROCEDURES DISCUSSED KOREA'S NEW BASIC LAW ON ADMINISTRATIVE REGULATIONS AND CIVIL COMPLAINTS, AS WELL AS U.S. LAW AND EXPERIENCE IN

SEVERAL AREAS OF ADMINISTRATIVE PRACTICES. BOTH SIDES AGREED ON THE IMPORTANCE OF STANDARDIZED AND TRANSPARENT ADMINISTRATIVE PROCEDURES FOR EFFICIENT ECONOMIC COOPERATION BETWEEN THE U.S. AND KOREA. IN VIEW OF THE IMPORTANCE AND TIMELINESS OF THE BASIC LAW, THE KOREAN SIDE INVITED U.S. SUGGESTIONS ON THE PRESIDENTIAL ENFORCEMENT DECREE TO BE PROMULGATED IN APRIL. THE GROUP DECIDED TO CONTINUE DISCUSSIONS ON THE CONTENT OF THE IMPLEMENTING DECREE, AS WELL AS ON THE POSSIBILITY OF MUTUAL TRAINING PROGRAMS AND THE ENACTMENT OF A KOREAN ADMINISTRATIVE PROCEDURES ACT.

26. TAXATION. TAX OFFICIALS FROM THE KOREAN AND US GOVERNMENTS MET IN WASHINGTON IN DECEMBER TO DISCUSS SEVERAL TAX ISSUES OF MUTUAL CONCERN. THEY AGREED THAT CERTAIN PROVISIONS OF THE U.S.-KOREA INCOME TAX CONVENTION (PARTICULARLY THOSE RELATING TO BUSINESS PROFITS) WOULD BE INTERPRETED AND APPLIED IN ACCORDANCE WITH INTERNATIONALLY ACCEPTED GUIDELINES SET FORTH IN THE COMMENTARIES TO THE 1992 OECD MODEL INCOME TAX CONVENTION. THEY ALSO AGREED THAT THEY WOULD CONTINUE TO STUDY WAYS TO ADDRESS OTHER TAX ISSUES WHICH ARE RELATED TO THE IMPLEMENTATION OF DOMESTIC TAX LAWS. THE U.S. DELEGATION ALSO AGREED THAT THE UNITED STATES WOULD CONTINUE TO WORK CLOSELY WITH THE OECD IN THE AREA OF TRANSFER PRICING.

27. COMPETITION POLICY. THE COMPETITION POLICY WORKING GROUP HAD FRUITFUL DISCUSSIONS ON A BROAD RANGE OF COMPETITION POLICY-RELATED ISSUES AT ITS FIRST MEETING ON FEBRUARY 14, 1994. THE U.S. SIDE RAISED ISSUES CONCERNING INTERNATIONAL CONTRACT NOTIFICATION, PREMIUM AND SALES PROMOTION RESTRICTIONS, CARTEL ENFORCEMENT AND EXEMPTIONS, EXCLUSIONARY TRADE ASSOCIATION PRACTICES, TELEVISION AND RADIO ADVERTISING BARRIERS AND COMPETITION POLICY CONSIDERATIONS OF DEREGULATION. THE KOREAN SIDE RAISED ISSUES CONCERNING EXTRATERRITORIAL ANTITRUST ENFORCEMENT, MULTILATERAL APPROACHES TO COMPETITION POLICY, ANTITRUST PERSONNEL EXCHANGES, PRIVATE ANTITRUST REMEDIES AND PREDATORY PRICING. THE WORKING GROUP AGREED TO MEET AGAIN WITHIN THE NEXT THREE MONTHS TO CONTINUE TO WORK ON THE FULL RANGE OF ISSUES DISCUSSED AT THE FIRST MEETING.

28. IMPORT CLEARANCE. THE WORKING GROUP ON IMPORT CLEARANCE MET IN SEOUL IN NOVEMBER 1993. KOREA BRIEFED THE U.S. ON ITS NEW CUSTOMS LEGISLATION AND ON THE KOREAN CUSTOMS ADMINISTRATION'S (KCA) DEVELOPMENT OF A MORE

ADVANCED COMPUTER SYSTEM. THE U.S. TOOK NOTE OF KOREA'S PROGRESS IN THESE AREAS AND ENCOURAGED THE KOREAN SIDE TO IMPLEMENT THE IMPROVEMENTS AS SOON AS POSSIBLE.

29. THE U.S. SIDE EXPRESSED CONCERN THAT THE KCA COMPUTER SYSTEM MAY NOT IMPROVE CLEARANCE OF MERCHANDISE CONTROLLED BY OTHER AGENCIES, AND NOTED THAT THE U.S. CONTINUES TO RECEIVE COMPLAINTS ABOUT KOREAN CARGO CLEARANCE. THE U.S. RECOMMENDED THAT KOREA CONTINUE TO TAKE STEPS TO IMPROVE ITS INTERAGENCY COORDINATION.

30. THE KOREAN SIDE EXPLAINED THAT DUPLICATE INSPECTIONS BY MORE THAN ONE AGENCY AND INSPECTIONS OF REPEAT SHIPMENTS HAVE BEEN REDUCED. KOREA NOTED THAT THERE SHOULD BE NO COMPUTER SYSTEM COMPATIBILITY PROBLEMS SINCE ALL AGENCIES USE THE SAME INTERNATIONAL COMPUTER STANDARD. KOREA ASSURED THE U.S. THAT IT WILL COORDINATE INTERAGENCY IMPORT CLEARANCE ISSUES, AND NOTED A U.S. PROPOSAL TO ESTABLISH A TRADE OMBUDSMAN POSITION.

31. INDUSTRIAL COOPERATION. THE U.S. COMMERCE DEPARTMENT REACTED FAVORABLY TO THE KOREAN MINISTRY OF TRADE, INDUSTRY, AND ENERGY'S (MOTIE) PROPOSAL ON KOREA-U.S. INDUSTRIAL COOPERATION AT THE FIRST DEC MEETING. AT THE NOVEMBER 1993 APEC MINISTERIAL, THE U.S. SECRETARY OF COMMERCE PRESENTED HIS KOREAN COUNTERPART WITH A REVISED PROPOSAL OUTLINING A FORMAT FOR PROCEEDING WITH DISCUSSIONS. BOTH SIDES AGREED TO ESTABLISH AN INDUSTRY ADVISORY GROUP, UNDER WHICH THE RELEVANT U.S. AND KOREAN INDUSTRIES AND GOVERNMENT OFFICIALS WILL MEET AND DISCUSS WAYS TO IMPROVE BUSINESS CONDITIONS AND FACILITATE CLOSER INDUSTRIAL COOPERATION. THE INDUSTRIES WILL REPORT PROGRESS TO THE DEC IN MARCH AND SUBMIT FINAL REPORTS TO SECRETARY BROWN AND MINISTER KIM, AND TO THE DEC, BEFORE THE CONCLUSION OF THE DEC. BASED ON THESE REPORTS, THE COMMERCE DEPARTMENT AND MOTIE WILL DETERMINE NEXT STEPS TO BE TAKEN, INCLUDING CONTINUED GOVERNMENT AND PRIVATE SECTOR COOPERATION. KOREA PROPOSED THAT THE U.S. HOST THE SECOND KOREA-U.S. TECHNOLOGY FAIR IN THE U.S. IN 1994.

32. IMPLEMENTATION OF TRADE MEASURES. BOTH SIDES AGREED TO CONSULT ON ANTI-DUMPING PROCEDURES AT A DATE TO BE AGREED UPON. THE KOREAN SIDE EXPRESSED CONCERNS ABOUT THE POTENTIAL INCONSISTENCY OF SECTION 301 AND/OR THE POSSIBLE REINSTATEMENT OF SUPER 301 WITH THE GATT AND THE SOON-TO-BE ESTABLISHED WTO AGREEMENT. THE U.S. SIDE REITERATED ITS POSITION THAT ITS PROCEDURES ARE IN CONFORMITY WITH ITS INTERNATIONAL OBLIGATIONS. NO

FURTHER DISCUSSIONS OF THIS ISSUE ARE PLANNED. THE KOREAN SIDE NOTED THE PROGRESS MADE IN THE AREA OF THE FMC INVESTIGATION OF MARITIME PRACTICES.

33. OTHER AREAS OF ECONOMIC COOPERATION. BOTH SIDES EXPRESSED SATISFACTION WITH THE RESULTS OF THE FIRST U.S.-KOREA JOINT COMMITTEE ON SCIENCE AND TECHNOLOGY HELD IN SEOUL IN DECEMBER 1993. THE U.S. TOOK NOTE OF KOREA'S REQUESTS FOR U.S. COOPERATION IN FOLLOW-UP ACTIVITIES INCLUDING THE SECOND KOREA-US SCIENCE AND TECHNOLOGY FORUM TO BE HELD IN WASHINGTON IN THE FIRST HALF OF 1994.

34. THE U.S. AND KOREA AGREED TO BEGIN NEGOTIATIONS ON A SOCIAL SECURITY "TOTALIZATION" AGREEMENT IN 1994, AND REQUESTED THEIR SOCIAL SECURITY AGENCIES TO INITIATE INFORMAL CONTACTS.

35. BOTH SIDES AGREED TO HOLD A PRELIMINARY MEETING ON LABOR ISSUES AT THE EARLIEST POSSIBLE DATE. KOREA NOTED ITS INTENTION TO FORMALLY REQUEST OPIC TO DELETE KOREA FROM THE LIST OF COUNTRIES ELIGIBLE TO RECEIVE OPIC BENEFITS.

36. PROGRESS WAS NOTED IN MUTUAL RECOGNITION OF STANDARDS, I.E. IN THE AREA OF REQUIREMENTS FOR ACCREDITATION OF KOREAN TESTING LABORATORIES UNDER THE FASTENER QUALITY ACT. KOREA WILL PROVIDE A PAPER ON THE MUTUAL RECOGNITION OF TYPE APPROVAL OF TELECOMMUNICATIONS EQUIPMENT.

37. PRELIMINARY DIALOGUE IN SEOUL AND AN INDUSTRY/GOVERNMENT MEETING IN FEBRUARY 1994 HELPED ENHANCE UNDERSTANDING OF HOW SURETY BONDING MAY BE OBTAINED AND FACILITATED INDUSTRY-TO-INDUSTRY DIALOGUE ON COOPERATIVE CONSTRUCTION VENTURES IN THE THIRD COUNTRIES. THE TWO SIDES AGREED TO EXPLORE THE SURETY BOND ISSUE FURTHER.

END TEXT OF ATTACHMENT

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Bureau of East Asian and Pacific Affairs
Office of Korean Affairs
Phone 647-7717 fax 647-7388

Date: Tuesday February 22, 1994

TO:

Agency	Name	Phone	FAX
~~NSC/NEC~~	~~- Bill Whyman~~	395-3543	395-1590
USTR	- Peter Collins	395-6813	395-3512
	Mary Ryckman	395-7271	395-3512
Commerce	- Jeff Donius	482-4390	482-4453
USDA	- R Macke	720-2258	690-1093
Treasury	- Cynthia Beerbower	622-0180	622-1051
	M Brettschneider	622-0335	622-0349
	Conrad Oueletto	622-1860	622-0391
Customs	- Alan Kent	927-0527	927-6892
Justice	- Stuart Chemtob	514-2523	514-4508
State	OES/SCT Joe Richardson	e-mail	647-4658
	EB/TDC David Moran	e-mail	647-3251
	EB/TDC Y Anderson	e-mail	647-3251
	E Ann Derse	e-mail	647-9038
	L/BA D Gallagher	(703)516-1535	516-1547
	EB/OIA Helen Hudson	e-mail	
	L/EB Meg Pickering	647-7772	647-7115
	EUR/RPE Martha Kelley	e-mail	647-2469
	EAP Sandra O'Leary	e-mail	647-6904

FROM: Jim Zumwalt

SUBJECT: Clearance on DEC Reporting Telegram

Attached for your clearance is the DEC reporting telegram. Please give me your comments by COB Wednesday February 23 for incorporation into the final message. I will send you separately the report on the February 17 half-day "executive session." Many thanks for your participation in the meetings last week.

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DKT
JPZ
RMM PC
MR SO
DEB DRM
HCH MNK
MB AK
AD JR
DJG C B
JD SC
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UNCLASSIFIED

EAP/K:J P Zumwalt:JPZ/JHoog/EB/ICP:CHarrop
02/22/94 647-7717 SEKEC 002373 94 EAP 00484
EB:D K Tarullo

EB:R M Morford, USTR:P Collins, USTR:M Ryckman, EAP:S O'leary,
EAP/K:D E Brown, EB/TDC:D R Moran, EB/OIA:H C Hudson,
EUR/RPE:M N Kelley, TREASURY:M Brettschneider, CUSTOMS:A Kent,
E:A Derse, OES/SCP:J Richardson, L:D J Gallagher +

PRIORITY SEOUL

PRIORITY PARIS

E.O. 12356: N/A

TAGS: ETRD, EINV, KS

SUBJECT: dec: report on third plenary meeting february 16, 1994

1. BEGIN SUMMARY. AT THE THIRD DIALOGUE FOR ECONOMIC COOPERATION PLENARY MEETING ON FEBRUARY 16 ASSISTANT SECRETARY TARULLO OUTLINED STEPS THE ROKG COULD TAKE TO REVERSE BUSINESS PERCEPTIONS THAT KOREA IS AN UNFRIENDLY PLACE TO INVEST. OPENING ADDITIONAL SECTORS TO FOREIGN DIRECT INVESTMENT AND IMPROVING THE INVESTMENT ENVIRONMENT BY LOOSENING RESTRICTIONS ON LAND ACQUISITION AND IMPEDIMENTS TO DISTRIBUTING FOREIGN PRODUCTS WOULD

HAVE AN IMMEDIATE IMPACT. A/S TARULLO ALSO STRESSED THE IMPORTANCE OF STREAMLINING THE INVESTMENT APPROVAL PROCESS AND URGED KOREA TO BRING ITS INVESTMENT REGIME IN LINE WITH PRINCIPLES EMBODIED IN THE OECD CODES.

2. MINISTRY OF FOREIGN AFFAIRS ASSISTANT MINISTER FOR ECONOMIC ISSUES SUN JOUN YOUNG EXPLAINED STEPS THE ROKG HAS RECENTLY TAKEN TO IMPROVE THE INVESTMENT ENVIRONMENT INCLUDING LOOSENING RESTRICTIONS ON OFFSHORE FINANCE AND LAND ACQUISITION. HE SAID THAT THE ROKG HAS ESTABLISHED A TASK FORCE THAT WILL MAKE RECOMMENDATIONS ON FOREIGN INVESTMENT BY LATE MAY. THIS TASK FORCE, SUN SAID, WILL CONSIDER USG REQUESTS FOR ADDITIONAL SECTORAL OPENINGS.

3. DURING THE AFTERNOON SESSION, A/S TARULLO AND A/M SUN LISTENED TO REPORTS ON IMPORT PROCESSING, ADMINISTRATIVE PROCEDURES, COMPETITION POLICY, TAXATION, FINANCIAL POLICY AND BANK SUPERVISION ISSUES. A/S TARULLO SAID THAT PROGRESS IN THESE AREAS WOULD, OVER THE LONG TERM, IMPROVE KOREA'S INVESTMENT CLIMATE. THE ROKG PRESENTED REPORTS ON ADMINISTRATION OF TRADE MEASURES, AND INDUSTRIAL COOPERATION, SCIENCE AND TECHNOLOGY COOPERATION, CONSTRUCTION SURETY BONDS AND MUTUAL RECOGNITION OF STANDARDS TESTING. THE US SIDE EXPLAINED THAT THE SOCIAL SECURITY ADMINISTRATION IS READY TO BEGIN TALKS ON A SOCIAL SECURITY TOTALIZATION AGREEMENT AND THAT THE US STANDS READY TO MEET ON LABOR ISSUES.

4. A/S TARULLO SAID THAT MUCH WORK REMAINS TO BE DONE IN THE NEXT THREE MONTHS IF THE USG AND THE AMERICAN BUSINESS COMMUNITY ARE TO CONCLUDE THAT THE DEC WAS A MAJOR SUCCESS. CONCRETE STEPS THAT HAVE AN IMMEDIATE IMPACT ON INVESTMENT WILL BE A CRITICAL FACTOR IN OUR FINAL EVALUATION OF THE DEC, TARULLO NOTED. (delegation list in paragraph 47.) END SUMMARY.

5. IN HIS OPENING STATEMENT, A/S TARULLO REVIEWED THE WORK NOW UNDERWAY IN THE DEC, BUT SAID MUCH REMAINS TO BE DONE TO EXERCISE THE BROAD MANDATE GIVEN THE GROUP BY THE TWO PRESIDENTS. HE REITERATED HIS COMMENT AT THE FIRST DEC PLENARY THAT THE RESULT OF THIS EFFORT MUST BE MEANINGFUL IMPROVEMENT IN KOREA'S REGULATORY AND BUSINESS ENVIRONMENT, AND THAT STRUCTURAL AND SYSTEMIC ISSUES MUST BE ADDRESSED IF THE USG IS TO CONCLUDE HONESTLY THAT THE CONDITIONS FOR ECONOMIC COOPERATION BETWEEN KOREA AND THE UNITED STATES HAD IMPROVED. IN REPLY, A/M SUN ACKNOWLEDGED THE IMPORTANCE OF THE PRESIDENTIAL MANDATE, AND REITERATED THE ROKG'S WILLINGNESS TO WORK HARD TO BRING THE DIALOGUE TO A SUCCESSFUL CONCLUSION.

I. INVESTMENT -- OVERVIEW

6. INTRODUCING THE FIRST SET OF AGENDA ITEMS, A/S TARULLO NOTED THAT IMPROVEMENTS IN THE KOREAN INVESTMENT REGIME WOULD BE THE MOST TANGIBLE EVIDENCE OF A CHANGE IN THE ROK BUSINESS CLIMATE. SUCH IMPROVEMENTS, HE SAID, WOULD CONVINCE THE US BUSINESS COMMUNITY THAT PRESIDENT KIM'S CAMPAIGN TO DEREGULATE AND OPEN THE KOREAN ECONOMY IS MORE THAN JUST EMPTY RHETORIC. REFERRING TO THE TWO LETTERS HE HAD SENT A/M SUN ON INVESTMENT ISSUES, TARULLO NOTED THAT THE ISSUES HE RAISED -- OPENING ADDITIONAL SECTORS TO FOREIGN INVESTMENT, IMPROVEMENTS IN THE FOREIGN INVESTMENT APPROVAL PROCESS AND THE INVESTMENT ENVIRONMENT, AND THE HARMONIZATION OF KOREA'S INVESTMENT REGIME WITH OECD PRINCIPLES -- ARE KEY TO MEETING PRESIDENT KIM'S GOALS OF ATTRACTING MORE FOREIGN INVESTMENT.

7. A/M SUN REPLIED THAT THERE IS INDEED A CONVERGENCE OF US BUSINESS AND ROKG INTERESTS IN IMPROVING THE INVESTMENT CLIMATE; MUCH OF THE CONTENT OF TARULLO'S LETTERS, SUN SAID, HAS BEEN INCORPORATED IN THE KOREAN GOVERNMENT'S PROGRAM. ALTHOUGH THE BASIC DIRECTION OF KOREAN POLICIES TOWARDS FOREIGN DIRECT INVESTMENT (FDI) IS SET, SOME ADDITIONAL WORK, HE ACKNOWLEDGED, REMAINS TO BE DONE.

8. THE MOF REPRESENTATIVE SKETCHED THE IMPROVEMENTS MADE TO THE INVESTMENT CLIMATE LAST DECEMBER, ESPECIALLY NOTING THE EXPANSION OF OFFSHORE FINANCING OPPORTUNITIES FOR FOREIGN FIRMS. HE ALSO CITED THE NEW LAND ACQUISITION REGIME FOR FOREIGNERS, ROKG EFFORTS TOWARD MORE STABLE LABOR RELATIONS, CHANGES TO THE RETAINED EARNINGS TAX REGIME AND SIMPLIFIED VISA PROCEDURES FOR FOREIGN TECHNICAL EXPERTS. HE HANDED THE USDEL A COPY OF THE REVISED PRESIDENTIAL DECREE OF THE FOREIGN CAPITAL INDUCEMENT ACT.

9. IN RESPONSE TO A QUESTION ABOUT NEWLY-ANNOUNCED ROKG INVESTMENT TASK FORCES, MOF NOTED THE ESTABLISHMENT OF A MOF-LED TEAM LAST MONTH. IT IS CHARGED WITH ADDRESSING ISSUES RELATED TO THE INVESTMENT CLIMATE, THE OVERALL POLICY ENVIRONMENT, IMPROVEMENT OF GOVERNMENT SERVICES TO INVESTORS, AND EXPANDED PUBLIC RELATIONS EFFORTS IN PROMOTING FOREIGN INVESTMENT. THE TASK FORCE WILL ANNOUNCE THE RESULTS OF ITS WORK BEFORE MIDYEAR 1994, WITH IMPLEMENTATION OF THE RECOMMENDATIONS TO BEGIN IN THE SECOND HALF OF THE YEAR.

10. ECONOMIC PLANNING BOARD INTERNATIONAL POLICY COORDINATION OFFICE BILATERAL TRADE DIVISION DIRECTOR KWON SAID THAT KOREAN DEREGULATORY ACTIVITIES ARE CONCENTRATED ON OBTAINING PRIVATE SECTOR INPUT (THROUGH THE SOLICITATION OF RECOMMENDATIONS FROM A TASK FORCE LED BY THE FEDERATION OF KOREAN INDUSTRIES); TASK FORCES AT EPB AND MOTIE WHICH ARE WORKING ON A SPECIAL LAW ON DEREGULATION; AND MONITORING TEAMS AT THE BLUE HOUSE, WHICH ARE OVERSEEING THE ENTIRE PROCESS.

A. OPENING ADDITIONAL SECTORS TO FOREIGN INVESTMENT

11. A/S TARULLO REFERRED TO HIS DECEMBER LETTER REQUESTING THE OPENING OF TEN ADDITIONAL SECTORS OF PRIORITY INVESTMENT INTEREST TO US FIRMS AND ASKED FOR THE ROKG REACTION. MOF FOREIGN CAPITAL MANAGEMENT DIVISION DIRECTOR KIM SAID THERE HAS BEEN "NO PROGRESS." HE SAID THE PROBLEMS WERE PROCEDURAL -- THE DIFFICULTY OF ALTERING THE FIVE-YEAR LIBERALIZATION SCHEDULE ANNOUNCED LAST JULY -- AND SUBSTANTIVE. KIM EXPLAINED ONLY THAT THERE WERE "TRADITIONAL PROBLEMS" IN OPENING SECTORS EARLY OR COMPLETELY. THE MOF TASK FORCE ON INVESTMENT, HE SAID, WOULD REVIEW THE MATTER FURTHER; A/S TARULLO ASKED THAT THE ROKG KEEP THE EMBASSY INFORMED AS THE REVIEW PROCEEDS.

B. STREAMLINING THE APPROVAL PROCESS

12. TURNING TO THE ISSUE OF CRITERIA FOR REJECTING FOREIGN INVESTMENT, A/S TARULLO WELCOMED THE ROKG EFFORTS TO REDUCE THE SCOPE FOR REFUSING FDI, BUT NOTED THAT THE MINISTRY OF FINANCE STILL RETAINS BROAD AUTHORITY FOR REFUSING AN INVESTMENT PROJECT. IN THE CONTEXT OF AN OPAQUE ADMINISTRATIVE SYSTEM, THESE RESTRICTIONS RAISE THE UNCERTAINTY FOR POTENTIAL FOREIGN INVESTORS. A SUBSTANTIAL FURTHER NARROWING OF THESE CRITERIA, TARULLO SAID, WOULD SEND A POSITIVE SIGNAL ABOUT THE CHANGE IN ROKG ATTITUDES TOWARDS FOREIGN INVESTMENT. HE SUGGESTED THAT KOREA ONLY RETAIN RESTRICTIONS ON NATIONAL SECURITY AND PERHAPS ANTI-TRUST GROUNDS IN LINE WITH OECD NORMS.

13. THE ROKG SIDE MADE A LONG (AND SOMEWHAT CONTRADICTORY) EXPLANATION OF THE INVESTMENT APPROVAL PROCESS. MOF'S KIM SAID THAT THE ROKG HAD DELETED THREE CRITERIA AND NARROWED THE SCOPE OF THREE OTHERS. HE SAID THE ROKG RETAINED FOUR CRITERIA FOR REJECTING A FOREIGN DIRECT INVESTMENT. (NOTE: THIS EXPLANATION OMITS SEVERAL CRITERIA; BEFORE THE CHANGES THERE WERE FOURTEEN CRITERIA

FOR REJECTING FDI IN THE FOREIGN CAPITAL INDUCEMENT ACT AND ITS ENFORCEMENT DECREE. END NOTE)

14. MOF'S KIM CLAIMED THAT THE FOUR CRITERIA FOR REJECTING FDI ARE ALL CONSISTENT WITH OECD NORMS. HE SAID THAT 183 INDUSTRIES FALL UNDER THE CRITERIA OF "WHERE PROTECTION IS DEEMED NECESSARY." A/M SUN EXPLAINED THAT EVERY COUNTRY NEEDS SOME PROTECTION FOR INDUSTRIES THAT ARE NOT GLOBALLY COMPETITIVE. ALTHOUGH KOREA IS MOVING TOWARD GREATER LIBERALIZATION, IT WILL RETAIN RESTRICTIONS EVEN AFTER JOINING THE OECD.

15. WHEN MOFA NORTH AMERICAN TRADE DIVISION DIRECTOR SUH CLAIMED THAT REMAINING CRITERIA WERE ONLY USED TO DETERMINE WHETHER FDI SHOULD BE ALLOWED IN A CERTAIN INDUSTRIAL SECTOR NOT TO EVALUATE SPECIFIC INVESTMENT PROJECTS, MOF'S KIM DISAGREED. (IN A LATER SIDE CONVERSATION, EPB'S KWON SAID THAT THE CRITERIA ARE USED TO DETERMINE RESTRICTED SECTORS AS WELL AS TO EVALUATE INDIVIDUAL PROJECTS.)

16. IN ORDER TO ELIMINATE THE CONFUSION CAUSED BY THIS EXPLANATION, A/M SUN AGREED TO PROVIDE A WRITTEN EXPLANATION OF ROKG ADMINISTRATION OF THE FDI APPROVAL PROCESS AND THE NEW INVESTMENT CRITERIA. A/S TARULLO PROMISED THE USG WOULD REVIEW THAT PAPER TO IMPROVE OUR UNDERSTANDING OF THE ROKG INVESTMENT REGIME AND TO COMPARE ROKG ADMINISTRATION OF INVESTMENT APPROVALS WITH OUR 1989 AGREEMENT ON INVESTMENT AND KOREA'S URUGUAY ROUND COMMITMENTS ON SERVICES. (NOTE: IN ORDER TO HELP CLARIFY THE NUMEROUS MISUNDERSTANDINGS BETWEEN THE USG AND ROKG AS WELL AS THE MISUNDERSTANDINGS WITHIN THE ROKG, THE USG PLANS TO PROVIDE A DRAFT PAPER LAYING OUT OUR UNDERSTANDING OF THE INVESTMENT APPROVAL SYSTEM FOR THE ROKG TO USE IN PREPARING ITS PAPER. END NOTE)

C. IMPROVING THE INVESTMENT ENVIRONMENT
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17. LAND ACQUISITION. A/S TARULLO STRESSED THAT RESTRICTIONS ON LAND ACQUISITION HAVE DISCOURAGED FDI. HE SAID KOREAN RESTRICTIONS CREATE A SUBSTANTIAL UNCERTAINTY FOR FOREIGN INVESTORS BECAUSE THEY ARE UNSURE THAT THEY CAN UTILIZE THEIR LAND TO BEST EFFECT. SUBSTANTIAL PENALTIES ON FIRMS THAT CHANGE BUSINESS PLANS PREVENT THEM FROM REACTING TO MARKET CHANGES. TARULLO SAID THE USG IS CONCERNED ABOUT BOTH THE PROVISIONS OF KOREAN LAWS AND REGULATIONS AND THE BROAD ADMINISTRATIVE DISCRETION KOREAN OFFICIALS HAVE. USTR'S RYCKMAN POINTED OUT THAT THESE RESTRICTIONS RAISE THE COST OF DOING

BUSINESS IN KOREA AND MAKE OTHER ASIAN COUNTRIES APPEAR MORE ATTRACTIVE.

18. SUN REPLIED THAT THE ROKG WANTS TO PREVENT INVESTORS FROM SPECULATING IN LAND WITHOUT DETERRING FDI. EPB'S KWON ADDED THAT THE GOVERNMENT STRATEGY IS TO EASE SPECULATIVE PRESSURES BY INCREASING THE SUPPLY OF AVAILABLE LAND. IN RESPONSE TO USDEL'S ALLUSION TO SPECIFIC PROBLEMS NOW BEING FACED BY US FIRMS (PUNITIVE TAXES ON RESIDENTIAL PROPERTY AND POTENTIAL FORCED DIVESTMENT OF LAND BY A US FIRM BECAUSE OF THE FAILURE TO MEET REQUIRED RATIOS OF BUILDINGS TO TOTAL LAND AREA), MOF'S HAN NOTED THAT FIVE YEARS IS "A REASONABLE PERIOD" FOR COMPANIES TO OWN LAND WITHOUT DEVELOPING IT. HAN EXPLAINED THAT THE INDUSTRIAL PLACEMENT AND FACTORY ESTABLISHMENT ACT IS AIMED AT MAXIMIZING LAND USE AND DETERRING SPECULATION. HE SAID THAT THE ROKG IS CONSIDERING REVISING THIS LAW TO REDUCE THE LAND USE RATIO TO 30 OR 24 PERCENT IN MARCH OR APRIL. THE MINISTRY IS AWARE OF TEXAS INSTRUMENT'S SPECIFIC PROBLEM AND HAS TWICE ALLOWED A ONE-YEAR EXTENSION TO THE FIVE YEAR LIMIT ON HOLDING VACANT LAND WITHOUT TAX PENALTIES.

19. EPB'S KWON SAID THAT ALTHOUGH THE ROKG ALLOWS THE PURCHASE OF LAND BY FOREIGN BUSINESSES AND IS DEVELOPING INDUSTRIAL PARKS, INVESTORS MAY NOT AVAIL THEMSELVES OF SUCH OPPORTUNITIES BECAUSE OF HIGH LAND PRICES. THEREFORE THE GOVERNMENT WILL REDUCE LAND PRICES OF INDUSTRIAL SITES BY 20-30 PERCENT BY SHARING WITH INVESTORS THE CAPITAL DEVELOPMENT COST FOR UTILITIES ON THESE SITES.

20. THE ROKG IS ALSO DEVELOPING A NEW FRAMEWORK FOR EASING THE SHORTAGE OF POTENTIAL FACTORY SITES, KWON EXPLAINED. KOREA IMPOSES MANY RESTRICTIONS ON LAND PURCHASE THAT AFFECT BOTH FOREIGN AND DOMESTIC INVESTORS. FOR EXAMPLE, ONLY 2.3 PERCENT OF LAND IS KOREA IS ALLOCATED TO HOUSING, INDUSTRIAL AND COMMERCIAL USE WITH THE REST RESTRICTED TO FARMING OR FORESTRY. THESE RESTRICTIONS, KWON EXPLAINED, RAISE THE PRICE OF LAND FOR INDUSTRIAL DEVELOPMENT. KOREA PLANS TO DIVIDE ARABLE LAND INTO "PROMOTIONAL AREAS" (WHERE RESTRICTIONS ON INDUSTRIAL DEVELOPMENT ARE EASED) AND NON-PROMOTIONAL AREAS (WHERE RESTRICTIONS ARE RETAINED.) LIKEWISE, FOREST LAND WILL BE DIVIDED INTO QUASI-PROTECTION AREAS AND NON-PROTECTION AREAS. KWON SAID THAT THE TOTAL LAND AREA OF THE "PROMOTIONAL" AND "QUASI-PROTECTION" AREAS ACCOUNTS FOR 25 PERCENT OF KOREA'S LAND AND ALL ACTIVITIES EXCEPT FOR LARGE SCALE DEVELOPMENT AND POLLUTING ACTIVITIES WILL BE ALLOWED.

21. A/S TARULLO EXPRESSED CONCERN ABOUT THE DEGREE OF ROKG DEREGULATION AND NATIONAL TREATMENT WITH REGARD TO THE LAND ACQUISITION ACT. HE SAID THAT WHEN POTENTIAL INVESTORS LOOK AT LOCALES, THEY WANT PREDICTABLE RULES. AFTER REVISIONS TO THE LAND ACQUISITION ACT, THE KOREAN GOVERNMENT CAN STILL IMPOSE PENALTIES ON FOREIGN BUSINESSES. THIS ELEMENT OF UNCERTAINTY, HE SAID, RAISES THE COST OF DOING BUSINESS IN KOREA. IN ADDITION, DIFFERENTIAL TREATMENT OF FOREIGNERS RAISES QUESTIONS ABOUT NATIONAL TREATMENT. OECD STUDIES, TARULLO SAID, SUGGEST ALMOST NO LINK BETWEEN FOREIGN INVESTMENT AND SPECULATION. WHENEVER THERE IS DISCRIMINATION BETWEEN FOREIGN AND DOMESTIC INVESTORS, FOREIGN INVESTMENT SUFFERS.

22. DISTRIBUTION. A/S TARULLO SAID THAT DISTRIBUTION IS AN IMPORTANT SECTOR FOR EXPORTERS AND INVESTORS. MOREOVER, FDI IN DISTRIBUTION CAN ENHANCE THE EFFICIENCY OF THE KOREAN ECONOMY. HE NOTED PROBLEMS FACED BY FOREIGN FIRMS IN THE DISTRIBUTION SECTOR, IN SUCH AREAS AS RESTRICTIONS ON THE NUMBER OF OUTLETS AND FLOOR SPACE, DUAL PRICE LABELLING, AND DEFERRED PAYMENT FOR IMPORTS.

23. MOTIE TRADE COOPERATION BUREAU DIRECTOR GENERAL HAN SAID THAT THE ROKG HAS "SINCERELY FOLLOWED" ITS THREE STAGE BLUEPRINT, WHICH BEGAN IN 1989. RESTRICTIONS ON FDI IN DISTRIBUTION WILL BE ELIMINATED IN TWO YEARS, AND SMALL KOREAN DISTRIBUTORS NEED THIS TIME TO PREPARE. IN THE MEANTIME, MOTIE'S HAN ASSERTED, "3,000 SQUARE METERS OF FLOOR SPACE AND 20 OUTLETS ARE ENOUGH TO DO BUSINESS IN KOREA." HAN SAID THAT THE DUAL PRICE LABELLING REQUIREMENT DOES NOT DISCRIMINATE AGAINST IMPORTED PRODUCTS, BUT MOTIE IS "POSITIVELY CONSIDERING" ELIMINATION OF THE REQUIREMENT.

24. MOF'S KIM POINTED OUT THE LARGE GAP BETWEEN THE KOREAN AND INTERNATIONAL INTEREST RATES MAKES IT DIFFICULT TO ABOLISH RESTRICTIONS ON OFFSHORE FINANCE. THE ROKG HAS LOOSENED OFFSHORE FINANCE RESTRICTIONS ON HIGH TECHNOLOGY COMPANIES AND MANUFACTURERS (UP TO 75 PERCENT OF INVESTMENT FOR HIGH TECHNOLOGY FIRMS AND 50 PERCENT FOR ORDINARY MANUFACTURERS), KIM EXPLAINED, BUT ADDED THAT IT IS "TOO EARLY" TO ALLOW SUCH FINANCING FOR THE DISTRIBUTION SECTOR. TREASURY'S BRETTSCHNEIDER POINTED OUT THAT THE ISSUE IS ONE OF LONG STANDING, AND REMINDED THE ROKG THAT IT HAD EARLIER TOLD US THE ISSUE WOULD BE ADDRESSED IN THE THIRD STAGE FINANCIAL DEREGULATION BLUEPRINT. IT HAS NOT BEEN. A/M SUN NOTED HIS SURPRISE AT THE GREAT DIFFERENCE IN INTEREST RATES IN KOREA AND IN THE UNITED STATES, AND SAID THE DISTRIBUTION SECTOR "IS NOT AT THE TOP OF THE LIST FOR LIBERALIZATION."

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25. MOF ADDED THAT INTEREST RATE CONTROLS ARE STILL NECESSARY; THE KOREAN STOCK MARKET IS RISING AND FOREIGN FUNDS FLOWING IN, AND THE BOP ACCOUNT IN THE BLACK. FOREIGN FUNDS INFLOWS, THEREFORE, WOULD STIMULATE INFLATION. IN RESPONSE TO AN MOF COMPLAINT THAT THE BILATERAL FINANCIAL POLICY TALKS (FPT), AND NOT THE DEC, WERE THE PROPER FORUM FOR A DISCUSSION OF SUCH ISSUES, A/S TARULLO SAID THAT THE FINANCIAL ISSUES ARE OF ENORMOUS IMPORTANCE. WE RAISE THE ISSUE IN THE DEC NOT TO PREEMPT THE FPT TALKS, BUT TO UNDERSCORE THE ISSUE'S IMPORTANCE TO U.S. COMPANIES.

26. A/M SUN PROMISED TO TAKE NOTE OF USG ARGUMENTS ON DISTRIBUTION ISSUES SUCH AS DUAL PRICE LABELLING, DEFERRED PAYMENTS, OFFSHORE FINANCING AND RESTRICTIONS ON OUTLETS AND FLOORSPACE. THE ROKG PROMISED TO PROVIDE A LIST OF AREAS WHCIH WILL REMAIN CLOASED TO FOREIGN DISTRIBUTION AFTER FULL "OPENING" IN JANUARY 1996.

27. INVESTMENT APPEALS/STRENGTHENING INVESTMENT OFFICES. A/S TARULLO SAID OUR DESIRE FOR AN INDEPENDENT APPEALS PROCESS FOR INVESTMENT DECISIONS WOULD ENHANCE LINE AGENCIES TRANSPARENCY BECAUSE AN APPEALS MECHANISM PREEMPTIVELY CHECKS AGENCIES CONSIDERING THE CASES. TARULLO ALSO ASKED ABOUT HELP DESKS AT MOF AND MOTIE, ASKING IF THEY HAVE THE NECESSARY INFLUENCE TO TAKE CARE OF PROBLEMS BROUGHT TO THEIR ATTENTION. TARULLO URGED A SYSTEM IN WHICH FOREIGNERS WITH PROBLEMS CAN GET QUICK, CLEAR, AND JUSTIFIABLE ANSWERS.

28. A/M SUN SAID HE WANTED TO TAKE A PRAGMATIC, NOT A LEGALISTIC APPROACH. HE SAID WE SHOULD WAIT AND SEE WHETHER THE TASK FORCE RECOMMENDS CREATIONS OF AN APPEALS PROCESS. SUN SAID HE WOULD INVESTIGATE WHETHER EXISTING INVESTMENT OFFICES COULD BE STRENGTHENED AND THEIR AUTHORITY ENHANCED. MOF ADDED THAT THE ULTIMATE GOAL IS TO PROVIDE A ONE-STOP SYSTEM FOR INVESTORS, BUT THAT MOF IS READY AND WILLING TO HELP INVESTORS NAVIGATE THE APPROVAL PROCESS.

INVESTMENT -- NEXT STEPS
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29. SUMMING UP, A/S TARULLO NOTED THAT THE USG WOULD BE SEEKING FURTHER INFORMATION ON ROKG ADMINISTRATION OF THE INVESTMENT APPROVAL PROCESS INCLUDING THE DISAPPROVAL CRITERIA. THE USG WILL UTILIZE THIS INFORMATION TO EVALUATE KOREA'S IMPLEMENTATION OF URUGUAY ROUND COMMITMENTS AND OUR 1989 BILATERAL INVESTMENT AGREEMENT. HE SAID THE US EMBASSY WOULD KEEP IN CLOSE TOUCH WITH THE FOUR INVESTMENT TASK FORCES. TARULLO ASKED THE ROKG TO

APPRISE EMBASSY SEOUL AND ALLOW IT TO COMMENT ON TASK FORCE DELIBERATIONS. A/S TARULLO PROMISED THAT THE USG WOULD FOLLOW UP ON ITS REQUEST FOR EXPEDITED OPENING OF ADDITIONAL INVESTMENT SECTORS.

II. ADMINISTRATIVE PROCEDURES

30. STATE/OFFICE OF THE LEGAL ADVISOR ATTORNEY DENNIS GALLAGHER REPORTED BROAD AGREEMENT IN THE SECOND MEETING OF THE ADMINISTRATIVE PROCEDURES WORKING GROUP ON THE NEED FOR TRANSPARENT, STANDARDIZED ADMINISTRATIVE PROCEDURES. THE USG HAS AGREED TO SEND COMMENTS IN EARLY MARCH ON A KOREAN DRAFT PRESIDENTIAL ENFORCEMENT DECREE TO BE PROMULGATED IN APRIL. THE MAIN AREAS OF USG CONCERN ARE TRANSPARENCY AND PROTECTION OF CONFIDENTIAL INFORMATION. A/S TARULLO NOTED THAT USG RESOURCES WOULD CONTINUE TO BE AVAILABLE IN THIS AREA TO THE ROKG AFTER THE DEC. A/M SUN AGREED THAT GOOD PROGRESS HAD BEEN MADE IN THIS AREA AND THAT DISCUSSIONS WOULD CONTINUE.

III. COMPETITION POLICY

31. JUSTICE/ANTITRUST DIVISION SPECIAL COUNSEL STUART CHEMTOB REPORTED THAT THE COMPETITION POLICY WORKING GROUP MET ON FEBRUARY 14. HE SAID THE ROKG EXPLAINED THAT LEGISLATION EXPECTED IN SEPTEMBER WOULD REDUCE THE INTERNATIONAL CONTRACT NOTIFICATION REQUIREMENTS. HE ALSO REPORTED THAT THE ROKG AGREED TO SURVEY THE VARIOUS RESTRICTIONS ON SALES PROMOTIONS AND PREMIUMS, AND TO DISCUSS AT THE NEXT MEETING THE TIMING AND SUBSTANCE OF ANY REDUCTIONS IN THESE RESTRICTIONS. CHEMTOB ALSO SAID THE ROKG AGREED TO EXAMINE THE EXAMPLES PROVIDED BY THE USG OF EXCLUSIONARY KOREAN TRADE ASSOCIATION PRACTICES, PARTICULARLY WHEN THE ASSOCIATIONS WERE ACTING ON BEHALF OF GOVERNMENT REGULATORS. THE USG ALSO ASKED THE ROKG TO LOOK AT MEMBERSHIP CRITERIA OF THE ASSOCIATIONS WHICH HAD THE EFFECT OF EXCLUDING U.S. FIRMS.

31. ACCORDING TO CHEMTOB, DETAILED DISCUSSION OF ADVERTISING BARRIERS WAS PUT OFF TO THE NEXT MEETING WHEN REPRESENTATIVES OF THE MINISTRY OF INFORMATION WOULD BE PRESENT, BUT THE US DELEGATION AT THE COMPETITION POLICY TALKS NOTED THAT CONVERSION OF PERMANENT TO TEMPORARY ADVERTISING SLOTS WOULD IMPROVE THE ACCESS OF NEW MARKET ENTRANTS TO ADVERTISING TIME. EPB'S KWON TOLD USDEL THAT THE EPB PLANS TO REVIEW THE KOREAN BROADCAST COMMISSION'S ROLE WITH A VIEW TOWARD DEREGULATING.

32. KOREA ALSO RAISED SEVERAL ISSUES AT THE COMPETITION POLICY MEETING, CHEMTOB REPORTED. JUSTICE AND THE FEDERAL TRADE COMMISSION WELCOMED THE POSSIBILITY OF INTERNSHIPS OF ROKG OFFICIALS. THE TWO SIDES ALSO DISCUSSED PREDATORY PRICING IN THE INTERNATIONAL CONTEXT AND THE USG AGREED TO CONSIDER ON A CASE BY CASE BASIS THE POSSIBILITY OF INTERVENING IN TREBLE DAMAGE SUITS INVOLVING KOREAN DEFENDANTS. JUSTICE EXPLAINED ITS POLICIES REGARDING ENFORCEMENT OF US LAWS IN CASES INVOLVING INTERNATIONAL TRANSACTIONS. THE PARTIES AGREED TO A SECOND MEETING AT THE END OF APRIL OR BEGINNING OF MAY.

IV. TAXATION

33. TREASURY/OFFICE OF THE GENERAL COUNSEL INTERNATIONAL TAX COUNSEL CYNTHIA BEERBOWER PRAISED THE MOU AGREED IN DECEMBER IN WASHINGTON AND THE DECISION TO FOLLOW OECD COMMENTARIES IN INTERPRETING THE U.S.-ROKG INCOME TAX CONVENTION. SHE REQUESTED THAT THE ROKG CONSIDER PUBLISHING THE MOU FOR THE BENEFIT OF THE BUSINESS COMMUNITY; A/M SUN SAID THE ROKG WOULD CONSIDER THE REQUEST. SUN AGREED TO FUTURE TALKS TO RESOLVE REMAINING ISSUES. BEERBOWER RAISED THE ISSUE OF KOREAN REQUIREMENTS TO PAYMENT DISPUTED TAX ASSESSMENTS BEFORE THE APPEALS PROCESS IS EXHAUSTED.

V. FINANCIAL DEREGULATION/BANK SUPERVISION

34. MARTHA BRETTSCHNEIDER (TREASURY/OFFICE OF ASIA AND NEAR EAST NATIONS) REPORTED THAT DISCUSSIONS ON FINANCIAL DEREGULATION BETWEEN TREASURY AND THE MINISTRY OF FINANCE WOULD CONTINUE AND THAT THE USG WAS STILL CONCERNED ABOUT LACK OF TRANSPARENCY AND INCONSISTENT APPLICATION OF KOREAN BANKING REGULATIONS. SHE NOTED THAT THE ROKG HAD ASKED TO PARTICIPATE IN OCC TRAINING AND THAT THE OCC WAS EXAMINING THIS POSSIBILITY.

VI. TRADE ISSUES: FMC, 301, AND ANTI-DUMPING

35. A/M SUN EXPRESSED APPRECIATION FOR THE SATISFACTORY RESOLUTION OF THE FMC MATTER. MOTIE'S HAN WELCOMED THE CONCLUSION OF THE URUGUAY ROUND AND SAID THE U.S. AND KOREA SHOULD MEET TO DISCUSS UNIFORM IMPLEMENTATION OF THE DUMPING CODE AND SOME UNRESOLVED ISSUES, SUCH AS U.S. ANTI-CIRCUMVENTION PROVISIONS. THE US SIDE REITERATED ITS OFFER TO MEET TO DISCUSS US ADMINISTRATION OF

ANTI-DUMPING LAWS. A/M SUN EXPRESSED THE ROKG'S VIEW THAT U.S. TRADE ACTIONS UNDER SECTION 301 VIOLATES GATT AND WTO PRINCIPLES AND UNDERMINES THE MULTILATERAL TRADING SYSTEM. HE HOPED THAT THE U.S. WOULD NOT REINVOKE "SUPER 301."

36. A/S TARULLO RESPONDED THAT SECTION 301 WAS AN ADMINISTRATIVE MECHANISM FOR ALERTING THE USG TO VIOLATIONS OF TRADE AGREEMENTS, AND OFTEN LED TO PURSUIT OF GATT REMEDIES BY THE USG. HE NOTED THE ROKG COMMENTS, BUT EMPHASIZED THAT PROGRESS IN THE DEC PROCESS WAS THE BEST WAY OF AVOIDING ANY FUTURE 301 IDENTIFICATIONS.

VII. IMPORT CLEARANCE
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37. U.S. CUSTOMS SERVICE ACTING ASSISTANT ADMINISTRATOR FOR INTERNATIONAL AFFAIRS ROBERT MALL PRAISED THE GOOD BILATERAL RELATIONS BETWEEN CUSTOMS SERVICES AND THE SIMPLIFIED, MORE FACILITATIVE PROCEDURES OF THE NEW KOREAN CUSTOMS LAW. HE SAID THE USG WAS PLEASED THAT THE TIMETABLE FOR IMPLEMENTATION OF THE LAW HAS BEEN ACCELERATED, AS THE USG WAS CONCERNED OVER POSSIBLE DELAYS IN IMPROVEMENTS. HE NOTED CONTINUING DELAYS IN PROCESSING, ESPECIALLY WHEN MORE THAN ONE AGENCY WAS INVOLVED IN THE RELEASE PROCESS. HE SUGGESTED THAT THE ROKG CONSIDER (1) AN INSTITUTIONALIZED INTERAGENCY PLANNING PROCESS TO COORDINATE, SIMPLIFY, AND STANDARDIZE PROCEDURES, AND (2) A TRADE OMBUDSMAN POSITION WITH AUTHORITY TO SETTLE POLICY CONFLICTS AND RESOLVE DISPUTES.

38. ROK EMBASSY CUSTOMS ATTACHE LEE RESPONDED THAT AN INTERAGENCY GROUP HAD BEEN FORMED AND HAD ALREADY SIMPLIFIED CLEARANCE PROCEDURES FOR FISH AND MARINE PRODUCTS AND POULTRY AND MEAT. HE SAID THAT ROKG CUSTOMS WOULD TRY TO RESOLVE ANY PROBLEMS FACED BY U.S. EXPORTERS. HE ALSO NOTED THAT THE ROKG WAS CURRENTLY WORKING TO ENSURE EFFICIENT INTERAGENCY AUTOMATION BY ADOPTING STANDARDS WHICH WOULD ALLOW ALL AGENCIES TO INTERFACE WITH KOREAN CUSTOMS. A/M SUN SAID AN OMBUDSMAN POSITION WAS HARD TO VISUALIZE IN THE KOREAN SYSTEM, AND MALL REPEATED THAT SOME KIND OF COMPLAINT OFFICE WAS NECESSARY. LEE REFERRED TO EXISTING CUSTOMS CHANNELS -- THE CUSTOMS AUDIT OFFICE AND THE HELP DESK -- AND A/M SUN ASKED THAT ANY COMPLAINTS BE DIRECTED TO HIM DURING AND EVEN AFTER THE DEC.

VIII. INDUSTRIAL COOPERATION AND S AND T COOPERATION
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39. MOTIE'S HAN PRAISED THE U.S. PROPOSAL FOR AN INDUSTRY ADVISORY GROUP ON INDUSTRIAL AND COMMERCIAL COOPERATION. THE ROKG LOOKS FORWARD TO ESTABLISHMENT OF THIS GROUP AND HAS AGREED THAT COOPERATION SHOULD OCCUR AT THE LEVEL OF PRIVATE FIRMS AND THAT PRIORITY AREAS SHOULD BE IDENTIFIED. THE ROKG HAS CREATED A KOREAN-AMERICAN COOPERATION FOUNDATION WITH FOUR MILLION USDOLS OF PUBLIC AND PRIVATE MONEY TO PROMOTE INDUSTRIAL AND TECHNOLOGICAL COOPERATION (JOINT BUSINESS VENTURES, U.S. TECHNOLOGY TRANSFER TO KOREAN SMES, FEASIBILITY STUDIES OF U.S.-KOREAN COOPERATION, ETC.). HE ACKNOWLEDGED U.S. BUDGETARY CONSTRAINTS, BUT HOPED THE U.S. WOULD RECONSIDER THE POSSIBILITY OF A U.S. COUNTERPART FOUNDATION. HE REPORTED THAT THE 1993 KOREA-U.S. TECHNOMART IN SEOUL WAS A SUCCESS, AND SAID THE ROKG WOULD PARTICIPATE ACTIVELY IN THE 1994 TECHNOMART IN THE U.S.

40. COMMERCE OFFICE OF THE PACIFIC BASIN DIRECTOR PETER CASHMAN RESPONDED THAT NINE HIGH TECHNOLOGY AREAS HAD BEEN IDENTIFIED FOR THE ADVISORY GROUP AND THAT NINE TRADE ASSOCIATIONS HAD ALREADY BEEN CONTACTED. HE SAID THE PROGRAM SHOULD SUCCEED IN BRINGING COMPANIES TOGETHER, AND THAT A FINAL REPORT SHOULD BE PREPARED FOR THE DEC BY THE SUMMER. A/S TARULLO NOTED THAT S&T COOPERATION WAS BEST FURTHERED BY GENERAL POLICIES OF THE ROKG, SUCH AS DEREGULATION, RATHER THAN BY THE INTERVENTION OF GOVERNMENT GROUPS.

IX. SOCIAL SECURITY TOTALIZATION AGREEMENT

41. THE USG REPORTED THAT KOREA WAS INCLUDED IN THE SOCIAL SECURITY ADMINISTRATION'S NEGOTIATING PLAN, AND THAT INFORMAL CONTACTS BETWEEN U.S. AND ROKG WOULD SOON BEGIN.

X. LABOR

42. A/M SUN SAID THAT THE U.S. HAD AGREED TO MEET ON LABOR ISSUES IN MARCH, THAT HE WELCOMED DEPARTMENT OF LABOR AND OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) PARTICIPATION, AND THAT HE WAS AWAITING THE U.S. AGENDA. THE ROK EMBASSY LABOR ATTACHE STATED THAT OPIC ISSUES SHOULD BE DISCUSSED IN THE WORKING GROUP, THAT HUMAN RIGHTS GROUPS ABUSED THE OPIC ANNUAL HEARING PROCESS, AND THAT THE ROKG DID NOT HAVE AN OPPORTUNITY TO COMMENT ON THE LABOR DECISIONS WHICH FORMED THE BASIS OF OPIC'S DECISION. STATE/EAP ECONOMIC OFFICER HEIDT RESPONDED THAT DOL WILL HOST THE MEETING, AND WILL ORGANIZE AN AGENDA THE WEEK OF FEBRUARY 21.

MUT' RECOGNITION OF TEST RESULTS

43. THE ROKG REPORTED THAT THE NATIONAL INSTITUTE FOR STANDARDS AND TECHNOLOGY AGREED AT THE FEBRUARY 1 WASHINGTON MEETING TO GIVE ALL NECESSARY INFORMATION AND CONSULT WITH THE ROKG ON LAB ACCREDITATION BEFORE IMPLEMENTING THE NEW LAW ON MUTUAL ACCREDITATION OF LABORATORIES TESTING FASTENERS (NUTS AND BOLTS). THE KOREANS PROMISED A PAPER ON MUTUAL RECOGNITION OF TESTING OF TELECOMMUNICATONS EQUIPMENT.

CONSTRUCTION ISSUES

44. MINISTRY OF CONSTRUCTION OVERSEAS COOPERATION DIVISION DEPUTY DIRECTOR BANG EXPRESSED APPRECIATION FOR A GOOD MEETING SET UP BY THE USG ON FEBRUARY 15. HE NOTED A COMMON INTEREST IN COOPERATION ON THIRD COUNTRY CONSTRUCTION PROJECTS. HE RAISED THE ISSUE OF SURETY BOND REQUIREMENTS AS AN ACCESS BARRIER TO THE U.S. MARKET AND SAID THE MATTER WOULD REQUIRE FURTHER DISCUSSION. HE SAID THE ONE HUNDRED PERCENT BONDING REQUIREMENT WAS TOO STRICT AND KOREAN COMPANIES WITHOUT PRIOR PERFORMANCE IN THE U.S WERE LIKELY TO BE REJECTED WHEN THEY SOUGHT BONDING. HE THEN SAID THAT THE U.S. HAD NOT OBJECTED TO A KOREAN PROPOSAL FOR A "CONSTRUCTION COOPERATION CHANNEL", WITH USG PARTICIPATION AS AN OBSERVER WHEN NECESSARY.

45. A/S TARULLO RESPONDED THAT THE USG HAD ORGANIZED A SEMINAR ON U.S. BONDING PRACTICE AND THAT TWO U.S. COMPANIES ACTIVE IN THE KOREAN MARKET HAD EXPRESSED INTEREST IN ARRANGING MORE BONDS IN THE U.S. HE NOTED THAT FOR A KOREAN COMPANY WITH NO ASSETS, ARRANGING FOR A BOND WAS RELATIVELY EASY WHEN THE ROKG GAVE A ROUTINE REPATRIATION COMMITMENT. HE ALSO STRESSED THAT THE BONDING REQUIREMENT APPLIED TO ALL COMPANIES, BOTH FOREIGN AND DOMESTIC, AND THAT THE REQUIREMENT OF FULL PERFORMANCE BONDING APPEARED TO BE APPROPRIATE AND THAT OTHER COUNTRIES WERE MOVING IN THAT DIRECTION.

CONCLUSION

46. A/S TARULLO CONCLUDED THAT ALTHOUGH WE HAVE ALREADY MADE PROGRESS IN IDENTIFYING ISSUES OF CONCERN AND PROPOSING IMPROVEMENTS TO ACCELERATE DEREGULATION IN KOREA AND ENHANCE BILATERAL COOPERATION, MUCH WORK

REMAINS TO BE DONE IN THE NEXT THREE MONTHS IF THE USG
AND AMERICAN BUSINESS COMMUNITY IS TO DETERMINE THAT
THE WAS A MAJOR SUCCESS. ESPECIALLY IMPORTANT, HE
SAID, ARE IMMEDIATE, CONCRETE MEASURES TO EASE BARRIERS
TO ENTRY AND IMPROVE KOREA'S INVESTMENT ENVIRONMENT.

DELEGATION LISTS

KOREA:

SUN, JOUN YUNG
ASSISTANT MINISTER FOR ECONOMIC AFFAIRS
MINISTRY OF FOREIGN AFFAIRS (MOFA)

HAN, YONG SOO
DIRECTOR GENERAL, TRADE COOPERATIN BUREAU
MINISTRY OF TRADE, INDUSTRY, AND ENERGY (MOTIE)

KIM, JU-SUB
DEPUTY DIRECTOR GENERAL, ORGANIZATION BUREAU
MINISTRY OF GOVERNMENT ADMINISTRATION

KWON, OKYU
DIRECTOR BILATERAL TRADE DIVISION
INTERNATIONAL POLICY COORDINATION OFFICE
ECONOMIC PLANNING BOARD

SUH, YONG HYUN
DIRECTOR, NORTH AMERICA TRADE DIVISION
MINISTRY OF FINANCE

PARK, YOUNG MAN
DIRECTOR, INTERNATIONAL TAX DIVISION
MINISTRY OF FINANCE

YOO, BYUNG-RIN
DIRECTOR, TRADE COOPERATION DIVISION I
MINISTRY OF AGRICULTURAL, FORESTRY, AND FISHERIES

JU, SOON SIK
DIRECTOR, INTERNATIONAL AFFAIRS DIVISION
FAIR TRADE COMMISSION

BANG, JAI-YOUNG
DEPUTY DIRECTOR, OVERSEAS COOPERATION DIVISION
MINISTRY OF CONSTRUCTION

United States Department of State

Washington, D.C. 20520

Bureau of East Asian and Pacific Affairs
Office of Korean Affairs
Phone 647-7717 fax 647-7388

Date: Monday February 28, 1994

TO:

Agency	Name	Phone	FAX
Commerce -	Jeff Donius	482-4390	482-4453
Justice -	Stuart Chemtob	514-2523	514-4508
USTR	Peter Collins	395-6813	395-3512
Treasury	Meg Lundsager	622-0335	622-0349
Treasury	Norm Richter	622-0180	622-0605
NSC	William Whyman	395-3543	395-1590
USDA	Renee Schwartz	720-2258	690-1093
Customs	Alan Kent	927-0527	927-6892
Labor	Glenn Halm	219-8838	219-5613
State/EB	Richard Morford	647-1326	e-mail
State/OES	Joe Richardson	647-4658	e-mail
State/EB	David Moran	647-3251	e-mail
State/E	Anne Derse	647-9038	e-mail
State/L	Dennis Gallagher	(703) 516-1535	

FROM: Jim Zumwalt

SUBJECT: Clearance on DEC Paper for use with Business Community

Attached is a draft DEC fact sheet for use as a handout in discussions with the business community. Please give me your comments by COB Wednesday March 27 for inclusion in the final paper. We will fax you the final version of the paper and provide copies to Embassy Seoul and various business groups.

SEKEC 2468

Dialogue for Economic Cooperation (DEC)

will improve market access

Last July, President Clinton and President Kim launched the Dialogue for Economic Cooperation (DEC) to improve the climate for U.S. and Korean business. The DEC channels U.S. input into President Kim's deregulation program and explores areas of potential economic cooperation. DEC will report to the annual U.S.-Korea Subcabinet in June. Issues include:

Investment: Both countries want an improved investment climate in Korea. The U.S. seeks the opening of additional sectors, streamlined investment approval and screening procedures, and better conditions for existing foreign investment. A Korean government task force will recommend improvements in the treatment of foreign investment in late May.

Taxation: In December, U.S. and Korean tax officials agreed on issues of "permanent establishment", transfer pricing, and taxation of royalty payments. In May, they will discuss appeals and improving the dispute settlement process.

Competition Policy: The U.S. has asked Korea to end international contract screening, reduce restrictions on premiums and sales promotions, strengthen enforcement of the Anti-Monopoly Act, investigate exclusionary trade association practices, and open television and radio advertising slots to new-to-market companies. The group meets again in late April.

Administrative Procedures: To enhance transparency, confidentiality, and standardization of rulemaking procedures, the U.S. has worked closely with the Korean Government as it drafts the implementing decree of the new Basic Law on Administrative Regulations and begins drafting a Korean Administrative Procedures Act.

Import Clearance: The U.S. seeks to ensure implementation of the customs Presidents' Economic Initiative (PEI) recommendations and improve coordination among Korean import clearance agencies.

The two sides are also discussing **industrial cooperation**, **labor**, **mutual recognition of standards**, **construction surety bonds**, **science and technology**, and **dumping** and have agreed to negotiate a **social security** totalization agreement.

The DEC is an opportunity for Korea and the United States. If successful, the DEC will improve business conditions, boost U.S.-Korea relations, and provide a model of how cooperative, bilateral efforts can advance the interests of both countries.

Dialogue for Economic Cooperation (DEC)
U.S. Government Contacts

U.S. Senior Official	Daniel Tarullo Assistant Secretary of State for Economic and Business Affairs
Coordinator	Richard Morford State Department 202-647-1326
Investment	Jim Zumwalt State Department 202-647 7717
Taxation	Norm Richter Treasury Department 202-622-0180
Competition Policy	Stu Chemtob Justice Department 202-514-4508
Administrative Procedures	Dennis Gallagher State Department 202-736-1547
Import Clearance	Alan Kent U.S. Customs Service 202-927 6892
Industrial Cooperation	Jeff Donius Commerce Department 202-4390
Labor	Glenn Halm Labor Department 202-219-8838
Standards	Peter Collins USTR 202-395-6813
Construction Surety Bonds	Jeff Donius Commerce Department 202-482 4390
Science and Technology	Joe Richardson State Department 202-647-4658
Social Security	To be filled in

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. email	To Whyman, Ragle, Kristoff, and Vax at 5:32. Subject: Report on Second Plenary. (16 pages)	11/04/1993	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Security Council
International Economic Affairs (William Whyman)
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FOLDER TITLE:

Korea December, 1993: Vol. 1 [2]

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b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

For Bill Whyman

1) Brown letter to Kim Chulsu
2) Kim Reply
3) 6/93 ROKG Proposal
4) 4/93 ROKG Proposal
5) Proposal for Joint ~~[illegible]~~ committee on Industry + Tech. Coop.

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

August 31, 1993

His Excellency Kim Ch'ul-su
Minister of Trade, Industry and Energy
Kwacheon, Korea

Dear Mr. Minister:

I would like to take this opportunity to respond to your Ministry's "Proposal for Industrial Cooperation Between Korea and the United States," which you presented to me this past spring and which has been the subject of discussion by our staffs since then.

Our Presidents' recent announcement of the "Dialogue for Economic Cooperation" (DEC) reflects their commitment to creating an ever stronger and more dynamic economic relationship between the United States and Korea in the coming years. I believe that the theme of your proposal, closer cooperation between U.S. and Korean firms, is an essential part of that process. Having reviewed your proposal and having also considered commercial issues of interest to U.S. business in Korea, it is my view that the Commerce Department and Ministry of Trade, Industry and Energy (MTIE) can, and should, work together to improve U.S.-Korea industrial cooperation. Let me emphasize, however, that any joint initiative concerning technology development must be in the mutual economic interest of both countries.

Our efforts to improve industrial cooperation should not be confined to technology. It is important that other sectors and issues of concern to U.S. and Korea business also be addressed to build a commercial relationship that promotes longlasting confidence and trust among our business communities. For example, one of the most important concerns of U.S. business in Korea at the moment is the investment environment. For our efforts to be successful, the continued difficulties associated with operating a business in Korea must be alleviated so that, eventually, U.S. firms will choose Korean partners based solely on advantages found in the Korean market. Commerce is of course willing to review with MTIE all viable means for expanding on the progress on technology we have already achieved, for example, in the Presidents' Economic Initiative and Technology Subgroup.

I expect we will have the opportunity to meet later this year in Seattle and would like to discuss U.S.-Korea industrial cooperation further with you at that time. In the meantime, I propose that our representatives develop a joint agenda of issues to be addressed. I understand that your Assistant Minister, Park Un-Suh, and officials from our International Trade Administration and Technology Administration have already met several times to discuss the proposal. I suggest that discussions continue informally through those channels for the time being. When we have the opportunity to meet, a more formal dialogue can be initiated.

We believe the recent meeting between our Presidents marks the beginning of a new and important period in U.S.-Korea economic relations. I look forward to working with you to ensure that American and Korean business interests are fully represented in the efforts of our respective administrations.

Sincerely,

Ronald H. Brown

Ronald H. Brown

Z

OFFICE OF MINISTER OF TRADE, INDUSTRY AND ENERGY
Seoul, Korea

September 6, 1993

The Honorable Ronald H. Brown
Secretary of Commerce
Department of Commerce
Washington, D.C. 20230

Dear Secretary Brown:

Thank you for your letter of August 31 and for your comments on our proposal for U.S.-Korean industrial cooperation. Your emphasis on the overall context of technology cooperation is particularly well taken.

We fully recognize the importance of improving Korea's foreign investment climate as a prerequisite to the success of our proposal. As you may know, the new Korean government has given this matter a high priority in its 5-Year plan for a "New Economy." In implementing this plan, we are especially concerned to reduce bureaucratic involvement at the entry and management levels, which many foreign businessmen tell us is the principal disincentive to investing in Korea. I hope to explain our objectives, and how we intend to achieve them, in greater detail when we next meet.

Of course, I look forward to seeing you in Seattle in November. In addition, I think it would be very useful if we could meet in Seoul at a time of your convenience. Let me, therefore, reiterate my earlier invitation to you to visit Korea. Moreover, I gather from President Clinton's remarks here last July that he would be favorably disposed toward the idea of a visit to Korea by a high-ranking U.S. trade official such as yourself during 1993.

I can well understand some of your concerns on the linkage between Korea's industrial cooperation proposal and other aspects of the U.S.-Korean economic relationship. These need to be discussed and resolved as soon as possible, and I would welcome the opportunity to meet with you for that purpose in the very near future.

Sincerely yours,

Chulsu Kim

Chulsu Kim
Minister

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Proposal for Korea-U.S. Industrial & Technological Cooperation

June 1993

Ministry of Trade, Industry & Energy
Republic of Korea

CONTENTS

In order to promote industrial and technological cooperation by the government and private sectors between Korea and the U.S., the Korean-American Fund for Industrial Cooperation (KAFIC) has been created to finance the specific activities to be undertaken.

I. Main Projects for Industrial and Technological Cooperation

1. Feasibility Studies to Promote Korea-U.S. Industrial and Technological Cooperation

The cost of conducting the feasibility studies will be partially funded by the KAFIC. Seven areas of industry have been selected for the initial studies : aviation, machine tools, semiconductors, environmental facilities, computers, telecommunications, and medical instruments. Various related organizations and institutes are currently working on the studies.

2. Forums for Exchange of Information

To encourage the exchange of information on the aforementioned seven selected fields to be studied, the Korean government will sponsor conferences and trade shows for each specific industry. Through such forums, Korean government will support the establishment of joint ventures and technology transfer, and provide pertinent information to small and medium-sized businesses to support their participation in the projects.

Fields of Study and Related Organizations (tentative)

Aerospace

KAIA(Korea Aerospace Industries Association)

AIAA(Aerospace Industry Association of America)

Telecommunications

EIAK(Electronic Industry Association of Korea)

TIA(Telecommunication Industry Association)

Computers

EIAK(Electronic Industry Association of Korea)

AEA(American Electronics Association)

Machinery Tools

KOMMA(Korea Machine Tool Manufacturers Association)

AMT(Association for Machine Tool Technology)

3. Private-Sector Industrial & Technological Cooperation

Potential projects for private-sector Korea-U.S. industrial and technological cooperation include : joint ventures in Korea, the U.S., or third countries ; commercialization of U.S. technology in Korea ; joint technology development for commercialization ; and joint advances into third countries.

Part of the total cost of conducting the feasibility studies and carrying out business plans for joint projects will be drawn from the KAFIC. Emphasis will be placed on projects in high-tech industries, especially those involving small and medium-sized firms and research institutions.

4. Methods to Promote Technology Transfer

"Techno-Marts" to promote Korea-U.S. technology exchanges will be organized to provide firms with an opportunity to display their technology available for licensing or joint projects. The first "Techno-Mart" is scheduled to be held in Seoul Oct. 4~8, 1993, following which the Korea Institute of Industrial Technology and an appropriate counterpart organization in the U.S. may take turns sponsoring these vital sources of information.

Greater utilization will be made of trade and industry publications, such as those published by the Korea Trade Promotion Corporation and the Small and Medium Industry Promotion Corporation, by private companies in the U.S. and Korea.

5. Improving the Investment Environment in Korea

In order to improve environment for foreign investors, the Korean government will deregulate 50 industries in which joint investment is currently obligatory and 224 industries in which foreign investment is currently restricted. The changes are to be implemented from July 1993.

The third stage(1993~97) of Korea's ongoing financial liberalization and market opening plan will expand the scope of foreign-invested firms in Korea which are allowed to raise overseas financing. (Such permission is currently restricted to firms engaged in high-tech manufacturing.)

Administrative regulations on private business activities will be drastically reduced from July 1, 1993, when the Special Act for Business Deregulation comes into effect. Under the Special Act, regulations on factory land acquisition and construction, as well as rules on obligatory employment, will be vastly curtailed. Moreover, obligatory export inspections will be abolished (except in cases of international treaty or for reasons of safety) after Dec. 31, 1993.

In order to make it easier for foreign investors to purchase land for legitimate business uses, the newly proposed Foreigners' Land Acquisition and Management Act will, in principle, allow all foreign investors to acquire land (shifting from the present positive-to a negative-list system). For manufacturing companies' land acquisition procedures will be simplified to require only notification of acquisition.

The government is also studying the establishment of Free Investment Zones for industries involved in advanced technology. In order to promote investment in the zones, foreigners will be allowed to acquire land and draw on foreign loans including commercial loans. Furthermore, investment procedures for foreigners, including those for constructing factories, will be simplified.

II. Establishment of the Korean-American Industrial Cooperation Fund(KAFIC)

1. Contribution Plan

From 1993 to 1997, the KAFIC will receive $10 million from the Korean government and two private business groups, the Korea Foreign Trade Association and the Federation of Korean Industries.

2. Projects and Financial Support

Fifty-percent of the cost of conducting feasibility studies in the seven areas of aviation, machine tools, semiconductors, environmental facilities, computers, telecommunications, and medical instruments will be provided by KAFIC.

KAFIC will also finance fifty-percent of the cost of conducting feasibility studies for individual projects and drawing up business plans for cooperation between U. S.-Korean firms within specific high technoolgy industries, especially those involving small to medium-sized firms and research institutions.

3. Financing Conditions

KAFIC will provide up to 50%(not exceeding 50 thousand dollars) of the financial cost without no terms for repayment. In such cases, if the project proves successful, loans from KAFIC are given a two-year deferral on repayment on an installment basis, with no interest charged for the first three years.

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A PROPOSAL FOR INDUSTRIAL COOPERATION

BETWEEN

KOREA AND THE UNITED STATES

April, 1993

Ministry of Trade, Industry and Energy

Republic of Korea

The Korean Government invites the United States to work together to help U.S. and Korean industries compete with even greater success in the world economy. The thrust of such cooperation would be to encourage joint projects, business partnerships, and alliances to take advantage of the recognized technological prowess of the United States in combination with Korea's proven manufacturing capability. Its purpose would be to promote business ventures which would capitalize on growing market opportunities around the world, particularly in the Pacific Rim, Europe and the Commonwealth of Independent States.

By working together to strengthen their respective economies, the United States and Korea would also succeed in shifting the focus of their trade relationship away from resolution of disputes to broad industrial and technological cooperation that would yield tremendous benefits for both countries.

Five Point Action Plan

The Korean Government proposes a Five Point Action Plan to promote industrial and technological cooperation between the two countries. The centerpiece will be the creation of the Korean-American Fund for Industrial Cooperation ("KAFIC"), which will finance the specific activities to be undertaken.

<u>Point One</u>: **Comprehensive Plan to Promote Korea-U.S. Industrial and Technological Cooperation**

A basic feature of the Action Plan is to prepare a comprehensive study to promote industrial and technological cooperation. This study, which will be prepared by experts in the field, will serve as the blueprint for Korea-U.S. business cooperation and could cover the following areas:

- Combining advanced U.S. technology and Korean manufacturing to produce high-quality products;

- Establishing joint ventures to compete in markets and for projects in third countries, such as China and the CIS;

- Promoting technology transfer and facilitating investment between the United States and Korea in specific target industries; and

- Encouraging joint development of key technologies between U.S. and Korean businesses and industries.

Point Two: **Arranging and Promoting Forums for Exchange of Information**

- The Korean Government will encourage the exchange of information by sponsoring seminars, conferences, and trade shows for specific industries, including computer, semiconductor, telecommunications, aviation, biotechnology and environmental protection industries. Such forums are likely to stimulate joint venture formation and will be particularly helpful to smaller businesses which do not otherwise have the information or contacts to easily construct such agreements.

- These forums also can serve as a vehicle whereby barriers to investments or technology transfer could be jointly identified and communicated to the Korean Government.

Point Three: **Financial Assistance for Joint High-Tech Projects Involving Smaller Medium-Sized Firms.**

- Financial assistance will be provided for feasibility studies for joint projects between individual U.S.-Korean firms within specific high-tech industries, especially for those involving small to medium-sized firms.

Point Four: **Encouraging Joint Research and Development Projects**

- The Korean Government will promote joint research and development between U.S. and Korean industries and research institutions, both public and private, in the following two ways:

  - By encouraging U.S. participation in Korea's strategic research projects, the so-called G-7 Projects.

  - By providing financial support to cooperative development of technologies by small and medium-sized businesses, universities, and research institutes.

Point Five: **Establishing Information Flows**

- The Korean Government will sponsor "TechnoMarts" to give U.S. and Korean firms the opportunity to display their technology, which is available for licensing or joint projects. The first "TechnoMart" will be held in Seoul in October 1993, after which the Korea Institute of Industrial Technology and an appropriate counterpart organization in the U.S., such as the National Technical Information Service, may take turns sponsoring these vital sources of information.

Implementing the Five Point Action Plan

The Korean Government proposes the following steps to implement the above program:

Korean-American Fund for Industrial Cooperation

- The "Fund" will be established jointly by the two governments and/or private sectors for the purpose of financing the various tasks which will be identified under the Five Point Action Plan.

- The Korean Government will arrange for the Korea-U.S. Economic Council to make an unconditional contribution of $300,000 as seed money to this fund.

Institutional Framework

- A Joint Committee on Industry and Technology Cooperation should be established in order to provide leadership and to administer the program devised under the Five Point Plan. The Korean Government suggests a joint committee between the United States and Korea, which would be composed of members of both the private and public sectors and be represented by the Assistant Minister of Korea's Ministry of Trade, Industry and Energy and his counterpart in the U.S. Department of Commerce. The joint committee would work closely with existing government channels, including the Technology Subcommittee of the President's Economic Initiative.

- A Private Sector Leadership Initiative should be established.

  - The Korean Government suggests that the Korea-U.S. Economic Council of Korea and an appropriate U.S. counterpart organization work together to provide overall leadership in due course within the private sector. Their efforts would be buttressed by industry-specific cooperation committees composed of representatives from U.S. and Korean industries.

5

(Preliminary Draft)

<u>Arrangement on the Establishment of</u>

<u>the Joint Committee on Industry and Technology Cooperation</u>

0351 <u>between the Ministry of Trade, Industry and Energy, Republic of Korea</u>

<u>and the Department of Commerce, the United States of America</u>

The Ministry of Trade, Industry and Energy of the Republic of Korea and the Department of Commerce of the United States of America (hereinafter referred to as the "Parties"),

- Recognizing that, because their bilateral trade volume has been stagnant, bilateral trade should be increased, and that the environment for industrial cooperation is being substantially improved as a result of Korea's economic reform policy,

- Desiring to strengthen and develop bilateral industrial and technological cooperation, based on principles of equality and mutual benefits,

have agreed as follows:

1. The Parties will endeavor to promote industrial and technological cooperation between enterprises and related organizations of both countries in order to increase balanced bilateral trade and improve the international competitiveness of industries of both countries.

2. To this end, the Parties set up a Joint Committee on Industry and Technology Cooperation, in accordance with the laws and regulations of both countries, which will be in charge of:

a. developing policies for promoting industrial and technological cooperation between both countries;

b. identifying and removing impediments to industrial and technological cooperation between both countries;

c. promoting and supporting the organizing of industry-specific forums, seminars and symposiums;

d. fostering the exchange of information dealing with industrial and technological development strategies between both countries;

e. identifying and fostering joint projects such as joint ventures, technical cooperation, and joint advances into third countries;

f. supporting joint research and development to commercialize technologies between both countries;

g. developing policies for promoting trade between both countries;

h. supporting projects to be carried out by the Korean-American Foundation for Industrial Cooperation established by the Korean side, such as cooperation projects with the U.S. Trade and Development Agency (TDA) and the U.S.-Asia Environmental Partnership (US-AEP); and

i. supporting current business consultation channels, such as those between the U.S. National Technical Information Service (NTIS) and the Korea Institute of Industry and Technology Information (KINITI), the U.S. Foreign and Commercial Service (FCS) and the Korea Trade Promotion Corporation (KOTRA), and the U.S. Trade and Development Agency (TDA) and the Small and Medium Industry Promotion Corporation (SMIPC) of Korea.

3. The Joint Committee on Industry and Technology Cooperation will be composed of up to 20 representatives from each Party, its respective ministries and related private organizations.
The Joint Committee shall meet on a mutually agreed date once a year, alternately in Seoul and Washington, D.C.

4. The Joint Committee shall operate in conjunction with the Korea-U.S. Economic Consultation and the Technology Subgroup, which are the current government-level consultation channels for economic cooperation.

5. a. This Arrangement will enter into force on the date of signature.

b. This Arrangement will be valid for five years. It will be extended for a subsequent five-year period unless one of the Parties informs the other Party in writing, at least three months in advance, of its intention to terminate this Arrangement.
The termination of this Arrangement will not affect the validity of any activities in progress under this Arrangement.

c. This Arrangement may be modified by mutual consent of the Parties.

Done in Seattle on the 18th of November, 1993, in duplicate in the English language.

For the Ministry of Trade,
Industry and Energy of the

For the Department of Commerce,
of the United States

< Korean Delegation >

Chair: Assistant Minister for Trade Policy,
Ministry of Trade, Industry and Energy (MOTIE)

Members:

- Government

. Director General of Trade Cooperation Bureau,
Ministry of Trade, Industry and Energy (MOTIE)

. Director General of Machinery Industry Bureau,
Ministry of Trade, Industry and Energy (MOTIE)

. Director General of Electronics and Information Industry Bureau,
Ministry of Trade, Industry and Energy (MOTIE)

. Director General of Economic Cooperation Bureau,
Ministry of Finance (MOF)

. Director General of Customs and Clearance Bureau,
Office of Customs Administration (OCA)

- Private Sector

. Representatives from seven industry-specific organizations

※ The seven industries include aviation, machine tools, semiconductors, computers, environmental facilities, telecommunications, and medical instruments

. One representative recommended by the Korea-U.S. Business Council

. Director-General of the Korean-American Foundation for Industrial Cooperation

KOREA DEC 1/28/99

① Sun Kim –
1. OK on invest; we're doing many
2. Compare with OECD – no; but not sure real reasons.

③ Review of DEC context

④ 1/2 + half of June – DEC subcommittee / US-Korea

⑤ Tax agreement required

⑥ ~~Competition Policy~~ meet last week in July.
- premium discounts
- cartel enforcement
- trade assos

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* Put together a Timeline/Activity list of DEC meetings/outcomes