



ADVANCING GLOBAL COMMUNICATIONS

www.tiaonline.org

2500 Wilson Boulevard, Suite 300
Arlington, VA 22201-3834 USA

Tel: +1.703.907.7700
Fax: +1.703.907.7727

February 7, 2007

The Honorable Susan C. Schwab
United States Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Schwab:

On behalf of the Telecommunications Industry Association (TIA), I would like to express our support for the ongoing KORUS Free Trade Agreement (FTA) negotiations. As you may know, TIA is a leading trade association for the information and communications technology (ICT) industry, with approximately 600 member companies that manufacture or supply the products and services used in global communications. TIA represents its members on the full range of public policy issues affecting the industry and forges consensus on industry standards.

TIA believes that a comprehensive and commercially meaningful US- Korea FTA will provide significant new opportunities for economic growth in both countries. A free trade agreement between the Republic of Korea and the United States would benefit both countries' ICT manufacturers, suppliers and service providers by establishing greater market access, assuring a rules-based and predictable business climate, and encouraging further bilateral investment.

The Republic of Korea is already a very important market for the United States. In 2005, U.S. ICT exports to Korea topped \$400 million, making Korea the 9th largest destination for U.S. ICT providers. Likewise, the U.S. is an important market for Korean ICT manufacturers, as U.S. imports from Korea surpassed \$6.3 billion in 2005. However, as the large U.S. deficit in ICT trade suggests, Korea maintains significant barriers to U.S. ICT products and services that need to be addressed in the negotiations. Unfortunately, however, the ICT community has been repeatedly disappointed by the outcome of the negotiating rounds. TIA and its members are concerned that there have been no significant breakthroughs in several key areas, including content restrictions for audiovisual services, foreign ownership restrictions, and choice of technologies on the part of service providers. We are particularly concerned that little progress was made on these issues during the sixth negotiating round in Seoul last month, leaving little time to resolve these major differences before the March 31st deadline.

Below, we reiterate our position on several key areas:

Technology Neutrality: The principle of technology neutrality ("technology choice") is one of the most critical issues for regulated sectors like telecommunications. Markets and innovation benefit most when ICT manufacturers and suppliers engage in demand-driven competition, standards are competitively and openly developed, and governments do not interfere either to curb market failures or enhance market champions.



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While a multilateral agreement in the Asia Pacific Economic Cooperation (APEC) on technology neutrality principles is important for regional goals, a bilateral free trade agreement with Korea that underscores the principles of demand-driven, competitive market practices in standards development and deployment is critical.

The United States and Korea have shown the ability to resolve technological issues, such as in the case of Wireless Internet Platform for Interoperability (WIPI). At the same time, the compromise reached on Korea's licensing for Portable Wireless Internet Services in the 2.3 GHz band did not fully meet the objective of providing "technology choice" or the principle of technology neutrality. The US-Korea FTA should reinforce the principle of technology neutrality, and that competition and openly developed and transparent processes are important to the growth and deployment of ICT systems and the development of internationally recognized standards.

In the telecommunications services chapter of an FTA, TIA reiterates its support of the inclusion of language in the U.S.-Korea FTA calling for technology neutrality in the communications sector. The language should require parties to specify legitimate public policy reasons for denying the application of this key principal. Our members believe that this language is important to avoid the arbitrary denial of technology choice.

Audiovisual content: Korea currently maintains a very restrictive environment for audiovisual services. Because content often dictates the types of devices used by consumers, TIA has long supported the ability of consumers to access and utilize their choice of legal audiovisual content. Accordingly, we encourage the liberalization of Korea's audiovisual services market, especially with respect to new, interactive services.

Independent Regulatory Body: TIA encourages Korea's telecommunications regulatory body to be separate from, and not accountable to, any supplier of public telecommunications services or government agency. This is critical to ensuring fairness, impartiality and regulatory integrity for each country's communications industry.

Protection of Intellectual Property Rights: Internationally recognized agreements on protection of intellectual property rights and business practices would be furthered in an FTA with Korea. This is essential for global competition, innovation and expanding business practices worldwide.

Foreign Ownership Requirement: The Korean Government is applauded for taking steps to ease foreign investment restrictions in telecommunications services, and allowing foreign ownership of up to 100 percent for simple international resale services interconnected to the Public Switch Telephone Network. However, foreign ownership in Type 1, facilities-based telecom services is still capped at 49 percent, restricting telecom services market access for facilities-based telecom firms. TIA believes that higher caps will encourage further investment into the Korean market.



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As stated above, TIA strongly supports the ongoing U.S.-Korea free trade negotiations, but can no longer accept the lack of significant progress. From the perspective of TIA and its member companies, a successful agreement must include strong, binding commitments on the key areas discussed above.

In summary, as a representative of approximately 600 member companies, I urge you to please make significant progress during the seventh round of negotiations, which are scheduled to begin in Washington DC the week of February 12. We will be following those discussions closely, and we very much look forward to the successful conclusion of the negotiations by March 31, 2007.

On behalf of TIA and our member companies, I look forward to our future cooperation on this FTA. If you have any questions about our positions, or if there are other ways we can assist you, please feel free to contact Michael Nunes at mnunes@tiaonline.org, or 703.907.7725.

Sincerely,

A handwritten signature in black ink that reads 'Grant Seiffert'. The signature is written in a cursive, flowing style.

Grant Seiffert
President