

COMMUNICATION FROM THE REPUBLIC OF KOREA

Negotiating Proposal for Construction Services

The following communication has been received from the delegation of the Republic of Korea with the request that it be circulated to the Members of the Council for Trade in Services.

I. BACKGROUND

1. The construction services sector is vital in establishing public infrastructure and promoting national economic growth. For Korea, the construction industry has always played a key role in its rapid economic development since the 1960s. In 2000, it accounted for 14.5% share of the GDP, which is much higher than the figure of most industrialized economies.

2. Liberalization of the construction services sector would greatly contribute to the development of infrastructure and the creation of employment, especially in developing countries. Considering that only about 7% of the world's construction market, which amounts to a total of \$3.4 trillion in volume, is open to foreign bidders, there is much need for further liberalization.

II. SCOPE OF THE NEGOTIATIONS

This proposal covers the following sub-sectors:

- General construction work for building (CPC 512)
- General construction work for civil engineering (CPC 513)
- Installation and assembly work (CPC 514, 516)
- Building completion and finishing work (CPC 517)
- Other (CPC 511, 515, 518)

3. This proposal focuses on barriers in the construction services industry that restrict market access to foreign companies, including domestic regulations, and discriminatory treatment of domestic and foreign companies. In particular, the negotiations should address the following measures:

- (a) Prohibition of commercial presence of foreign companies, limitation on foreign investment in local corporations, and restrictions on the commercial activities of foreign companies;
- (b) Prohibiting or limiting the participation of foreign companies in bidding procedures and the imposition of discriminatory requirements on bids by foreign companies;

- (c) Requirements regarding local subcontracting, hiring of local workers, and local procurement of materials;
- (d) Discriminatory treatment of foreign companies in taxation and remittance of earnings.

III. EXPECTATIONS FROM THE NEGOTIATIONS

4. Korea proposes the following:

- (a) Removal of discriminatory regulations on commercial presence;
 - (b) Elimination of discriminatory treatment against foreign companies in bidding procedures;
 - (c) Relaxation of local content or local use requirements in the performance of contracts;
 - (d) Elimination of discriminatory provisions against foreign companies in taxation and remittance of earnings.
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