

DRAFT
Subject to Legal Review for Accuracy, Clarity, and Consistency

[Month][Date], 2007

[Addressee]

Dear :

In connection with the signing on this date of the Republic of Korea-United States Free Trade Agreement(the “Agreement”), I have the honor to confirm the following understandings reached by the Governments of Korea and the United States during the course of negotiation of Chapters Twelve (Cross-Border Trade in Services) and Eleven (Investment) of the Agreement:

- (1) During the negotiations, the Parties discussed certain measures related to resource recycling and of low-emission motor vehicle distribution. The Parties shared the understanding that these measures relating to: (i) duties of recycling products and packaging materials; (ii) the submission of recycling performance plans and results; (iii) payment of applicable recycling levies; (iv) duties of low-emission motor vehicle distribution; and (v) the submission and approval of plans to distribute low-emission motor vehicles are not inconsistent with Article 11.8 (Performance Requirements) of Chapter Eleven (Investment) of the Agreement.
- (2) During the negotiations, the Parties discussed regulations that prohibit an enterprise from concurrently holding two or more business licenses to supply different services. The Parties shared the understanding that, for the purpose of the Agreement, such restrictions are not inconsistent with Article 12.4 (Market Access) of Chapter Twelve (Cross-Border Trade in Services) of the Agreement.
- (3) During the negotiations, the Parties discussed regulations that restrict the establishment, extension, or transfer of educational institutions within certain geographical areas. The Parties shared the understanding that such restrictions are not inconsistent with Article 12.4 (Market Access) of Chapter Twelve (Cross-Border Trade in Services) of the Agreement.
- (4) During the negotiations, the Parties discussed a measure that allows local higher education institutions to jointly operate curricula with higher education institutions organized under Korean law, or with foreign higher education institutions that have obtained accreditation from foreign government or authorized foreign accreditation bodies. The Parties shared the understanding that such a measure is not inconsistent with Article 11.3 (National Treatment) of Chapter Eleven (Investment) and Article 12.2 (National Treatment) of Chapter Twelve (Cross-Border Trade in Services) of the Agreement.
- (5) During the negotiations, the Parties discussed a measure that may require investors to give priority to use of domestically produced grains as raw materials for producing liquor. The Parties shared the understanding that such a measures

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typically is not inconsistent with Article 11.8 (Performance Requirement) of Chapter Eleven (Investment) of the Agreement.

- (6) During the negotiations, the Parties discussed regulations that control exit of rail transportation companies from their service. The Parties shared the understanding that such restrictions are not inconsistent with Article 12.4 (Market Access) of Chapter Twelve (Cross-Border Trade in Services) of the Agreement.
- (6) During the negotiations, the Parties discussed regulations on zoning and land use. The Parties shared the understanding that measures concerning zoning and land use are not inconsistent with Article 12.4 (Market Access) of Chapter Twelve (Cross-Border Trade in Services) of the Agreement.

I have the honor to propose that this letter and your letter in reply confirming that your Government shares these understandings shall constitute an integral part of the Agreement.

Sincerely,

[Signature]

[Name]

[Reply Letter Forthcoming]