



Stakeholders' Interest Relations in Korea's Services Trade Liberalization: A Political Economy Analysis

June Dong Kim



Founded in 1989, the Korea Institute for International Economic Policy (KIEP) is a government-funded research institute established to conduct studies, research and analyses of global economic issues that impact the Korean economy, and to help guide the nation toward effective international economic policies.

KIEP is responding to recent developments in the global economy, conducting a wide range of research projects that will offer significant implications for the government's New Northern and New Southern policies, a new trade policy regime that aims to support inclusive growth, and international macro-financial initiatives in line with the unfolding 4th Industrial Revolution.

We are committed to introducing policies that can elevate the nation's capacities for innovative growth, and to promote international discourse on issues that impact the global community, as we ensure that KIEP remains an influential global think tank that leads the formulation of international economic policies.

Since its founding, KIEP has conducted insightful studies on newly emerging economies and global regions, and has dedicated itself to the development of trade negotiations and national agendas.

KIEP will continue its policy research on global and regional economies, trade investment and international macro-finance, with the aim of contributing to sustainable growth as a responsible research institute, and establishing itself as a nationally reliable institute through the dedicated efforts of all KIEP members.

Korea Institute for International Economic Policy

Building C, Sejong National Research Complex, 370, Sicheong-daero, Sejong-si, Korea
Tel. 82-44-414-1251 Fax. 82-44-414-1144
www.kiep.go.kr

Working Paper 19-07

Stakeholders' Interest Relations in Korea's Services Trade Liberalization: A Political Economy Analysis

June Dong Kim

Working Paper 19-07

**Stakeholders' Interest Relations in Korea's Services Trade Liberalization:
A Political Economy Analysis**

**KOREA INSTITUTE FOR
INTERNATIONAL ECONOMIC POLICY (KIEP)**
Building C, Sejong National Research Complex, 370,
Sicheong-daero, Sejong-si, Korea
Tel: (822) 82-44-414-1251 Fax: 82-44-414-1144
URL: <http://www.kiep.go.kr>

Jae-Young Lee, President

Published Nov. 20, 2019 in Korea by KIEP
ISBN 978-89-322-4289-7 94320
978-89-322-4026-8 (set)
Price USD 3

© 2019 KIEP

Executive Summary

This paper seeks to analyze the major factors behind why each stakeholders in the legal, health, educational and audio-visual service sectors in Korea oppose liberalization in a qualitative political economy context as well as to provide alternative strategies for further liberalization in these four service sectors. In legal services, the foreign equity ceiling of 49 per cent for joint venture law firms may be lifted as long as the present regulation against the number of FLCs in a joint venture law firm exceeding the number of Korean lawyers is maintained. In health services, as a step-by-step approach, we can first consider a system where incorporated hospitals can be established and liquidated more freely by deregulating current limitations placed on the disposal of remaining properties, while an overly distribution of dividends is restrained. In educational services, in order to deregulate limitations regarding the disposal of remaining properties, it will be necessary to enhance the transparency of management and operation of private schools. In this regard, allowing school foundations to take the form of a limited liability company could be considered, since they would then become subject to external financial audit. In audio-visual services, it will be necessary to improve monitoring and implementation of intellectual property rights as well as competition policy when considering further liberalization.

The major factors compelling each stakeholder in the legal, health, educational and audio-visual services to oppose further liberalization can be summarized as a general mindset towards uniform equity and control, cultural factors preventing discussion on rational alternatives, insufficient government budget for universal services, lack of administrative capacity in policy implementation and monitoring, absence of a proper system to evaluate the quality of services, asymmetry of information, and persistence of acquired rents.

In order to correctly identify and understand the nature of problems, the highest priority should be placed on reducing the mistrust among the constituents. This is because mistrust among the constituents acts as the most important impediment when attempting value-creating negotiation strategies among each of the stakeholders. Meanwhile, to build trust among all constituents, free flow of information works as an important factor.

Therefore, the problems of mistrust and lack of free flow of information are the most important impediments to improve those constraints that were analyzed in the

selected service sectors. In addition, they are interlinked with each other, so that dealing with these problems simultaneously is a rational solution. In order to accomplish this, it is utmost important to develop the capability of each constituent to allow them to interpret specific pieces of information without distortion. In this regard, upgrading research and education of economics also becomes imperative.

Keywords: services trade liberalization, interest relations, mistrust

JEL Classification: F1

Contributor

June Dong Kim

Senior Research Fellow of the International Trade Department and Chair of the Strategic Committee at Korea Institute for International Economic Policy (KIEP). He joined KIEP in 1991 and served as the Senior Vice President of KIEP from June 2015 to April 2018. He specializes in trade in services and foreign direct investment. He has published several articles on trade and investment issues in *Economic Development and Cultural Change*, *Journal of Asian Economics*, and *Journal of East Asian Economic Integration*, etc. He holds a B.A. from the Seoul National University and earned his Ph.D. in Economics from the University of Chicago.

Contents

Executive Summary	3
1. Introduction	9
2. A Sectoral Analysis	13
2-1. Legal Services	13
2.2. Health Services	15
2.3. Educational Services	19
2.4. Audio-Visual Services	23
3. Conclusion and Policy Implications	28
References	32

Tables

Table 1. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Foreign Legal Consultancy Services	15
Table 2. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Health Services	19
Table 3. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Educational Services	22
Table 4. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Audio-Visual Services	27

Stakeholders' Interest Relations in Korea's Services Trade Liberalization: A Political Economy Analysis*

June Dong Kim[†]

1. Introduction

It is highly doubtful any economist could deny the argument that trade liberalization enhances efficiency in resource allocation and thus increases overall welfare. However, in order to implement trade liberalization, we need to face the task of overcoming opposition by domestic stakeholders or interest groups who wield political influence. Therefore, based on the basic proposition that each economic agent tries to maximize its utility under the given constraints, it is more effective to implement trade liberalization in the form of resolving the constraints that affect optimization motivation of each interest group, rather than merely arguing for the basic proposition on the economic effects of trade liberalization. For this purpose, a

* This paper draws on Kim (2004), which was published in Korean. The current paper updates the contents of Kim (2004) to reflect recent developments in Korea and add the legal service sector as one of the analyzed service sectors. In addition, this paper makes policy suggestions for further liberalizations in relevant service sectors. It does not necessarily represent KIEP's position. All errors are author's own.

[†] International Trade Department, Korea Institute for International Economic Policy, Building C, Sejong National Research Complex, 370 Sicheong-daero, Sejong-si, 30147, Korea. Tel: 82-44-414-1028, Email: jdkim@kiep.go.kr.

sectoral political economy approach¹ is better than any macroeconomic quantitative analysis,² since it can analyze the constraints that determine the activities of the sectoral interest groups and present the policy implications or strategies on how to improve those constraints.

In fact, there are some insightful papers on services trade liberalization. Among these, Mattoo and Wunsch-Vincent (2004) identifies approaches to securing free cross-border trade in services, focusing on obtaining market access and national treatment commitments as understood under the General Agreement on Trade in Services (GATS). Gootiiz and Mattoo (2009) finds that Doha round services negotiation promises greater security of access to markets but not any additional liberalizations by comparing applied trade policies with Uruguay Round (UR) commitments in services and the best offers made in the current Doha negotiations across countries. Hoekman and Mattoo (2013) reviews the limited progress achieved to date in the WTO and major regional agreements on services and possible explanations why trade agreements have not been more effective at integrating the services markets of participating countries. Borchert *et al.* (2014) describes a new Services Trade Restrictions Database (STRD) and uses this measure to establish stylized facts about the distribution of policy barriers across regions and sectors. However, there has been relatively little research of political economy analysis on liberalizing trade in services.³ In particular, it is even more difficult to find a paper on analyzing

¹ According to Wikipedia, political economy refers to the study of production and trade and their relations with law, custom and government; and with distribution of national income and wealth. http://en.wikipedia.org/wiki/Political_economy(accessed on May 30, 2019).

² Examples of macroeconomic quantitative analysis of services trade liberalization include Kang and Kim (1999) and Fiorini and Hoekman (2018). Kang and Kim (1999) simulates the effect of new round service negotiation on real GDP, employment and welfare of Korea using a computable general equilibrium method. Fiorini and Hoekman (2018) econometrically estimates the labor productivity effects of removing barriers to foreign direct investment in services on manufacturing sectors across countries.

³ Two exceptions include Hoekman *et al.* (2007) and Fung and Siu (2008). Hoekman *et al.* (2007) identifies and discusses hypotheses including standard political-economy factors, such as resistance of incumbents to erosion of rents, that may explain the slow progress on expanding and deepening the coverage of services liberalization commitments. Fung and Siu (2008) incorporates various unique characteristics of the service industries in a Grossman-Helpman style political

stakeholders' interest relations related to liberalizing trade in services broken down into some major sectors in a political economy context.⁴

With regard to trade in services, domestic regulations applied to both domestic and foreign service suppliers in the domestic market are much more important barriers than the border measures which restrict the entry of foreign service suppliers quantitatively. Hence, in order to analyze trade liberalization in service sectors, the changes in regulations rather than quantitative border restrictions should be the major subjects for analysis.

Some of the domestic regulations that impede free supply of services have justifiable rationality for legitimate policy objectives. However, many of them carry the nature of: vested interests of incumbent stakeholders in the domestic market; preference by the civil society for uniform equality and control; and/or cultural factors denying or ignoring reality as well as refusing to discuss rational alternatives, etc. In those service sectors where universal supply of services is necessary, the poor fiscal condition of the government is also an impediment to implementing further liberalization. Immature competition policy that fails to ensure fair competition in the domestic market, and the lack of sufficient government administrative capacity building in the area of monitoring whether legitimate government policies are appropriately implemented or not in the market, are also important factors that impede improvements in domestic regulations. In addition, an insufficient assessment scheme for ensuring quality of supplied services is a factor which needs to be improved. Along with these factors, the asymmetry of information between consumers and suppliers as well as among each supply channels is an important impeding factor that affects stakeholders.

This paper seeks to analyze the stakeholders' interest relations regarding trade liberalization in four service sectors of Korea – namely, legal services, health services, educational services, and audio-visual services – in a political economy

economy model and solve for the politically-determined service sector protection. However, these two papers analyze the broad service sector without breaking down their analyses into specific major sectors of the service industries.

⁴ Fink *et al.* (2002) and Harms *et al.* (2003) investigated the basic telecommunications sector and financial services sector, respectively, using an econometric estimation approach.

context. These service sectors are knowledge-intensive service sectors with strong interest groups that can wield political power and of a nature sensitive enough to have deterred further trade liberalization thus far. Unlike Kim (2004), which lacks sectoral policy suggestions, this paper makes some policy suggestions for further liberalization based on the analysis of the interest relations in the relevant service sectors. The analyses mainly depend on intensive interviews and round table discussions with members of such interest groups.⁵ Some arguments may not represent all the members of those interest groups, but they are worth taking into consideration when grasping the big picture surrounding trade liberalization of those services sectors.

⁵ Round table discussions took place among members of business associations representing various service sectors, members of non-governmental organizations (NGOs), researchers or professors specializing in relevant service sectors and government officials (regulators) who were in charge of the service sectors in question.

2. A Sectoral Analysis

2-1. Legal Services

The major role of lawyers had been representation at the courts. However, as economic activities increasingly become international in nature, there has appeared a new legal service activity that provides legal counseling on matters related with corporate transactions and disputes, particularly in the areas of corporate laws and trade laws. Henceforth, the emergence of a new legal service area with international effects due to the increase in international trade, appearance of new financial technology, continuous corporate restructuring, increase in privatization and cross-border mergers and acquisitions, growth of disputes related with intellectual property rights and competition laws, has led to an increase in the trade of legal services. As a result, this new area of legal services, referred to as foreign legal consultancy (FLC),⁶ has been increasingly liberalized to allow the entry of foreign lawyers and foreign law firms, which have been gaining momentum to advance overseas in the form of a commercial presence free to offer consultancy on legal matters related to international transactions.

As of October 21, 2019, there are 151 foreign legal consultants and 28 FLC firms registered in Korea.⁷ The area of FLC was liberalized in September 2009 to contracting parties of free trade agreements (FTAs) with Korea. The joint venture (JV) law firms of these foreign legal consultants have been allowed since March 2016, again to the contracting parties of FTAs. The employment of Korean lawyers was permitted also in March 2016, only by such joint venture law firms, which are further bound by such conditions that the foreign equity of the firm cannot exceed the ceiling of 49 per cent and the number of foreign legal consultants cannot exceed the number of Korean lawyers.

⁶ Foreign legal consultants are limited to providing consultancy services only in the legal areas they possess a license.

⁷ Source: Korean Bar Association. <http://www.koreanbar.or.kr/pages/search/search2.asp?parts=&searchtype=mname&searchstr=&sid01=%EC%84%9C%EC%9A%B8&gun1=&dong1=> (accessed on October 21, 2019).

At the point when the FLC market was liberalized in September 2009, the Seoul Local Bar Association expressed its concerns that, due to the entry of large foreign law firms with larger capital and superior knowhow, local lawyers might lose the opportunity to enter the potentially big market of consultancy on international laws. In particular, the Association suspected they would never gain the opportunity to enter the international transaction market in such areas as international finance, trade, or maritime transportation. However, this was because the local lawyers chose to merely oppose and delay the transition into a law school system to educate new lawyers, and thus failed to produce specialized lawyers.⁸

Although joint venture law firms were first approved in March 2016, so far no such joint venture law firms have been established in Korea. This is because the equity ceiling of 49 per cent for joint venture law firms makes the establishment of joint venture law firms unattractive to FLC firms, as they are left with no management control to wield over the firms. One of the major concerns regarding lifting this equity ceiling and allowing joint venture law firms to employ Korean lawyers without any condition is that these joint venture law firms which employ Korean lawyers may illegally provide legal counseling services in the area of Korean laws. In other words, joint venture law firms that employ one or two Korean lawyers may have the rest of foreign legal consultants that they employ conduct legal counseling service activities on Korean laws and then let the one or two in-house Korean lawyers merely place their signatures on the final documents prepared by these foreign legal consultants. This concern is particularly due to the fact that there are many foreign legal consultants currently active in the Korean FLC markets who were educated at Korean law schools and thus are fluent in the Korean language and possess sufficient knowledge of Korean laws.

Another concern raised by the Korean Bar Association is that allowing the employment of Korean lawyers by FLC firms may lead to circumstances where many excellent Korean lawyers will be scouted by these FLC firms and thus the domestic legal service market can become dominated by foreign capital. Furthermore, local legal service stakeholders worry that, in these cases, the domestic legal service market may become too commercialized, for example, by emphasizing marketing or advertising, and thus may neglect the original purpose or duty of realizing social justice.

⁸ The law school system was introduced in 2009 in Korea.

Besides these concerns, domestic regulations in the area of ethics, etc., or to regulate conflicts of interest should be established, and the possibility to implement them in realistic terms needs to be considered. However, the dominant view is that the implementation of these regulations will be weak or vulnerable in Korea.

Table 1. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Foreign Legal Consultancy Services

Issue	Stakeholders	Constraints against further liberalization
Korean foreign legal consultants' illegal consultancy services on Korean law (if employment of Korean lawyers is allowed)	Korean Bar Association	Lack of monitoring and penalties for illegal activities by Korean foreign legal consultants employed in JV law firms regarding consultancy services on Korean law
Loss of opportunity to enter the FLC market	Seoul Local Bar Association	Delayed introduction of law school system
Leak of secret information	Korean lawyers	Weak implementation of ethics regulation and regulation on conflicts of interest

Source: Author's own analysis based on intensive interviews and roundtable discussions.

2.2. Health Services

The level of commitment in health services was lower than that of other service sectors at the Uruguay Round. In the current Doha Development Agenda (DDA) services negotiations, most industrialized members of the WTO such as the United States, European Union, Japan and Canada express explicitly the position of not discussing health services in the concession negotiations arguing that social policy purposes are most important in health services.

However, setting aside the WTO services negotiations, the trade environment for health services has been changing in that many countries already have been turning towards market-oriented directions by expanding the scope of liberalization to domestic and foreign private institutions, while the technology has been developed to enable certain forms of health services to be conducted electronically across countries. Amongst others, the supply of services in the form of commercial presence by

establishing hospitals in foreign countries has been increasing since the 1990s. In particular, mergers and acquisitions (M&As) of foreign hospitals have been increasing among industrialized countries. Even in Asia, we are seeing the establishment of networks of hospitals since the 1990s. For example, the Parkway Group Healthcare Pte. based in Singapore has been increasing M&As of hospitals and acquiring major shares of dental chains in Asia since the mid-1990s.

In terms of the domestic market size of Korea, as of 2018, the number of doctors per 100 thousand population was 239 in Korea, which is less than the OECD average, and the number of medical beds per one thousand population is 13.6, higher than the OECD average.⁹

In Korea, the establishment of for-profit foreign hospitals has been allowed in the Jeju Special Self-Governing Province since February 2006, and in free economic zones (FEZs) since January 2008. However, there have been no actual cases of for-profit foreign hospitals being established in Korea so far. In the case of Jeju Special Self-Governing Province, the decision was announced on December 5, 2018, to allow the Green Land Group based in China to establish a for-profit hospital, subject to the limitation that this hospital could only treat foreigners. Objecting to this limitation, the Green Land Group brought the matter before a court on February 14, 2019, asking for revocation of the regulation. However, this petition was not accepted and the permission to establish a for-profit hospital was revoked on April 17, 2019, due to the fact that the Green Land Group had not opened the hospital for 90 days since its approval. Following this, on June 1, 2019, the Green Land Group decided to withdraw from Jeju Special Self-Governing Province.

These developments provoked a heated debate on the pros and cons of this process. Those who were in favor of allowing the establishment of for-profit foreign hospitals argued for promoting the development of health services and the health industry and stimulating the regional economy through an increase of foreign medical tourists. On top of this, the Korean Hospital Association expressed its opinion in the WTO/DDA forum organized by the Korean Medical Association on August

⁹ Source: Republic of Korea Ministry of Health and Welfare, http://www.index.go.kr/potal/main/EachDtlPageDetail.do?idx_cd=2772 (accessed on October 21, 2019).

28, 2002 that if the establishment of domestic for-profit hospitals in the form of incorporated hospitals were to be allowed, small-sized hospitals having difficulties in acquiring adequate funding would more easily procure the funding they needed to raise their competitiveness.¹⁰ This opinion was accompanied by the argument that, in order to prepare for the opening up of health services and for-profit domestic hospitals to be allowed, the public nature of hospitals should be enhanced, and a large amount of R&D should be invested in health services. Therefore, the Korean Hospital Association proposed large-scale deregulation and investment for domestic hospitals before the opening up of health services to outside entities.¹¹ Building on this perspective, we will discuss this issue from now on not just in regard to foreign for-profit hospitals, but also domestic for-profit hospitals as well.

On the other hand, those who were against allowing the establishment of for-profit hospitals, mostly progressive NGOs, insisted that a gap would appear in the quality of treatment according to income levels. Also, they claimed, if for-profit hospitals were expanded, this would deteriorate public health services. They also worried that mechanisms to enhance the public nature of health services, evidence-based medicine, and monitor health services suppliers are insufficient in Korea. Therefore, they asserted that it is premature in Korea to let the consumers or regional communities decide on whether to allow for-profit hospitals, unlike in most other industrialized countries.¹²

Likewise, the discussion regarding whether to allow for-profit hospitals in Korea has been locked in a political frame. The anti-sentiment toward for-profit hospitals stems from an asymmetry in information. The Korean government has been arguing for the establishment of for-profit hospitals as a means of increasing the competitiveness of the medical service sector. Meanwhile, a group of NGOs maintain that medical costs will soar and unnecessary treatment will occur more frequently if for-profit hospitals are allowed.

¹⁰ Source: Korean Medical Association, "Medical Association Headline News." (September 2, 2002).

¹¹ This is the same argument put forth in the case of the Korean retailing industry. The Korean government deregulated domestic large-sized retail stores in 1993 before it opened up this sector externally in 1996, allowing domestic retailers to prepare for external liberalization in advance.

¹² In most other industrialized countries for-profit hospitals are not prohibited outright. Rather, the consumers or regional social communities can select for-profit hospitals among various forms of hospitals.

In relation to this issue, one problem cited is the compulsory designation of medical treatment institution under the health insurance law. Namely, all the medical institutions, drug stores and health institutions are designated medical treatment institutions where the national health insurance system applies. This is not in the form of contracts between health service suppliers and subscribers, but mandatory by law. However, when compared to the compulsory designation systems at medical treatment institutions, a contractual system based on the use of medical treatment institutions could alleviate the rigidity in the health service market. Doing so could also contribute to protecting public health and ensuring sound fiscal condition of health insurance by preventing oversupply of health services and abuse or misuse of health services due to asymmetric distribution. However, the implementation of this kind of contractual system on the use of medical treatment institution should be based on social consensus between health service suppliers and subscribers, and Korea provides a difficult environment for such a system because contract-related practices lack maturity in the culture.

Another area we should consider when we discuss opening up health services is the liberalization of movement by medical professionals such as doctors and dentists. Crucial elements in regard to this issue include license accreditation and the alignment of license management systems. According to the General Agreement on Trade in Services (GATS) Article 6.6, it is specified that in sectors where specific commitments regarding professional services are undertaken, each Member shall provide for adequate procedures to verify the competence of professionals of any other Member. Therefore, when specific commitments in medical professionals are undertaken without providing for objective procedures of assessment regarding recognition of qualifications of foreign medical professionals, this can be cause for dispute by other Members even should the concerned Member choose to recognize the qualifications of foreign medical professionals of those Members with which it holds a Mutual Recognition Agreement (MRA).

These assessment procedures for qualifications are also closely related with the ex-post management system for licenses. In most of advanced industrialized countries, a special private organization is entrusted by law to administrate the issuance of licenses and quality control measures after issuing a license. However, Korea lacks efficiency in the management of licenses, for instance failing to sufficiently monitor medical activities after licenses have been acquired and/or to implement proper

quality control protocols. Meanwhile, the Korean Medical Association regards reinforcing this kind of management system of license as an unduly restrictive regulation.

Table 2. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Health Services

Issue	Stakeholders	Constraints against further liberalization
Allowance of for-profit hospitals (incorporated hospitals)	NGOs Korean Hospital Association	Lack of public health system (lack of government budget) to alleviate concerns over contributing to inequality in health service use
Compulsory designation system of medical treatment institutions	NGOs	Lack of mature culture for contracts in Korean society
Recognition of medical professional qualifications and alignment of licensing management system	Korean Medical Association	Lack of efficient system for license management Lack of consensus among domestic medical professionals regarding validity of regulation

Source: Author's own analysis based on intensive interviews and roundtable discussions.

2.3. Educational Services

As of April 1st, 2019, the total number of higher educational institutions in Korea stood at 430, identical to the previous year.¹³ The total number of registered students in higher educational institutions in Korea was 3,326,733, lower by 1.5% compared with the previous year. The total number of foreign students in higher educational institutions in Korea was 160,165, increasing by 12.6% compared with 2018. The total number of professors in 2019 was 157,684, increasing by 5.0% compared with 2018. Meanwhile, it is extremely difficult to accurately identify international trade statistics that are consistent with the classification system of educational services. Currently, it is only possible to identify exports and imports of consumption abroad in

¹³ Source: Republic of Korea Ministry of Education, "2019 Basic Educational Statistics in Korea." (Press Release released on 29 August, 2019).

educational services. As of 2018, Korea's expenditure on overseas education recorded 3,551.1 million US dollars, while revenue from incoming students from abroad was only 112.9 million US dollars.¹⁴ This is not only because the number of Korean students abroad dominates the number of inbound foreign students but also because the ratio of self-financing is much higher in the case of outbound Korean students.

For the case of commercial presence, not only the advanced countries such as England and Australia but also developing countries – the member countries of the Association of South-East Asian Nations (ASEAN) in particular – have been increasingly attracting the establishment of campuses of foreign colleges or universities since the early 2000s. Meanwhile, in the case of cross-border supply, in fact, remote education via the internet has been remarkably developing and numerous colleges and universities have nowadays online degree programs.¹⁵

With regard to liberalization of trade in educational services, the Korean Teachers and Education Workers Union (KTU) is basically of the position that education is a form of public services and hence cannot be viewed under the market principle. Therefore, the KTU argues that educational services are not subject to international trade. However, this is a denial of the reality of the matter, considering that studying abroad has already been liberalized. This kind of position of denying reality makes further communication difficult. The KTU is actively opposing opening up of the higher education sector, and this seems to be also due to the worry that entry of foreign higher educational institutions will enlarge the autonomy of domestic colleges and universities and thus affect elementary and middle school education.¹⁶

In particular, the KTU adheres to the position that for-profit colleges and universities should never be allowed, grounded on the concern that they may be operated only for profit and thus neglect the basic duty of educational institutions. Therefore, for those who oppose liberalization of trade in educational services, their concerns include that the domestic educational institutions broadly lack accountability.

¹⁴ Source: Economic Statistics System, Bank of Korea. <http://ecos.bok.or.kr> (accessed on June 10, 2019).

¹⁵ UCLA, Duke University and Stanford University have been running the online degree programs since the early 2000s.

¹⁶ In other words, the KTU worries that if domestic colleges and universities gain full autonomy over selecting their students, this will lead to a stratification in high schools and thus impeach the principle of equality in high school education.

Meanwhile, according to Article 35 of the Law on Private Schools, in the event that a school foundation disbands, all remaining properties must be transferred to another school foundation or entity which operates other educational businesses. However, this limitation can be interpreted as equal to the condition that foreign universities may enter Korea only with the purpose of community service or missionary work, since the return of investment is uncertain when a foreign university exits from Korea.

Meanwhile, it is projected in the near future that the population eligible to enter colleges or universities will fall lower than the capacity of colleges or universities in Korea. Therefore, in order to facilitate restructuring of private colleges or universities and thus alleviate the problem of oversupply and enhance the competitiveness of domestic colleges or universities, it is necessary to expand the scope of where remaining properties be transferred to in the case of a school foundation disbanding.

With regard to the improvement proposal, the KTU is opposing it since they view that current management or operation procedures at domestic private colleges or universities are not transparent. In other words, they worry that if current regulations on the disposal of remaining properties of private schools are eliminated this could forfeit the opportunity to rectify corrupt activities at domestic private schools established with non-educational purposes such as real estate investment. Therefore, only if the transparency of management or operation of private schools is secured can we alleviate these worries involved with the deregulation of limitations on the disposal of remaining properties. Also, for the protection of the incumbent students, such measures as commissioned education and surety insurance should be established as well.

On the other hand, it is important to ensure the fiscal conditions of domestic private colleges or universities are stable before external liberalization. In this regard, we may think of introducing admissions in return for financial contributions. However, the KTU and other NGOs are strongly against this proposal since it reinforces inequality among social stratum or among colleges and universities. This is due to the reality in Korea that students easily graduate from colleges or universities in general without undergoing strict management over their academic affairs, i.e. they are not required to fully apply themselves to graduate. Therefore, conditions for accepting donation-based admission system will be met only after domestic private colleges or universities themselves try to guarantee strictness in academic management.

For consumers, it is most important to guarantee the quality of educational services supplied from abroad. Since the intrinsic purpose of liberalizing trade of educational services is to upgrade domestic education by supplying high quality educational services, the quality of services supplied by foreign educational institutions should be guaranteed to exceed a certain required level. This is not only to protect the basic rights of students who are the consumers of the educational services but also to maintain the value of domestic studies. However, there is at present no internationally established quality assurance system. In particular, current educational authorities lack assessment on curriculums at foreign colleges or universities.

Consumers also worry that liberalization of trade in educational services may lead to an increase in tuition. This is in part due to distrust on the part of consumers. In other words, consumers are of the view that, even though there is a trade-off between tuition and the quality of educational services supplied, the increase of tuition by domestic colleges or universities has not been linked with a rise in the quality of educational services.

Table 3. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Educational Services

Issue	Stakeholders	Constraints against further liberalization
Public services not subject to be traded	KTU	Communication culture which denies reality
Deregulation of limitations on remaining properties	KTU, NGOs	Lack of transparency in management of domestic colleges or universities
Donation-based admission system	KTU, NGOs Local private universities	Social inequality and disparity among universities Questions regarding strict academic management
Establishment of quality assurance and accreditation	Consumers	Inadequate assessment of curriculums for foreign universities
Increase in tuition	Consumers, NGOs	Distrust on the relationship between tuition and quality of educational services supplied

Source: Author's own analysis based on intensive interviews and roundtable discussions.

Even when accepting that renowned foreign colleges or universities provide a high quality of services, certain misgivings could remain on the part of the consumers, but this is a matter of perception, not a matter of distrust. In this case, we may find the cause lies in the fact that education on “rational consumption,” i.e. that higher tuition deserves to be paid if such high quality education brings higher profit in the future, has been not sufficient in Korea’s elementary and middle school education process.

2.4. Audio-Visual Services

Audio-visual services cover the culture industry, also referred to as the contents industry, which is one of the most promising industries in the 21st century. It links with various other high value-added industries such as printing, cartoons, music, games, movies, animation, broadcasting, advertising, character, intellectual information and contents solution, according to the Korea Culture & Tourism Institute. As of 2017, in the Korean contents industry, the number of total firms is 105,475, total sales are 113.2 trillion won, total value added is 44 trillion won, the ratio of total value added to GDP is 2.6%, and total number of employment is 644,847.¹⁷

With regard to terrestrial radio and television broadcasting, foreign entry is prohibited. Cable television and satellite broadcasting services have been partially liberalized. In the movie projection services, there is a compulsory screening requirement for Korean movies, called the “screen quota.” There are also quantitative requirements on Korean contents in programs of various broadcasting services which is sometimes called the “program quota.” In addition, there is a limitation on the number of retransmission channels in cable and satellite television broadcasting services in that the total number of retransmissions of foreign channels cannot exceed 10 per cent of the total number of channels.

In the area of audio-visual services, the so-called Cultural Solidarity for Screen Quota (CSQO) was established in June 2000 in order to protect the screen quota system. The screen quota was set as 90 days on January 1st, 1967 and further

¹⁷ Source: Korea Culture & Tourism Institute. <http://stat.mcst.go.kr/mcst/WebPortal/public/subject/subject02.html> (accessed on October 21, 2019).

expanded to 146 days (40 per cent) in 1985. During the negotiation process for the Bilateral Investment Treaty (BIT) with the United States in the late 1990s and also the free trade negotiation with the United States (KORUS FTA) in the early 2000s, the CSQO took an active role in opposing further liberalization of audio-visual services, in particular in preventing reduction of the screen quota. However, despite these efforts, the screen quota was reduced to 73 days (20 per cent) on July 1st, 2006, just prior to the initiation of negotiations for the KORUS FTA.¹⁸

The basic argument of the CSQO concerning the screen quota is that, if it were lifted, the Korean movie industry would suffer from the unfair practices of foreign major distributors. Those who are against reducing the screen quota argue that the screen quota needs to be recognized as a safeguard against the anti-competition problems of block-booking between movie distributors and owners of theaters. In this regard, under the current circumstances where there is an increasing trend of vertical integration of distribution and projection by the domestic movie producers, there still is a lack of study on whether this kind of reasoning remains valid.¹⁹ If unfair activities still persist, owing to the market dominant position of foreign distributors, we need to present a feasible scheme to monitor and prevent them in order to persuade those opposing further reduction of the screen quota.²⁰

Concerning the screen quota, there is also the problem of distortion in the distribution of revenue from movie projections between movie producers and theater owners (movie projectors), depending on the nationality content of movies. In other words, a larger share of the revenue goes to theater owners in the case of projecting the Korean movies than in the case of projecting the foreign movies.²¹ This amounts

¹⁸ For more details on the history of the screen quota, see Choi (2004), pp. 354-360.

¹⁹ There is also an argument that block-booking is not an unfair practice for compulsory purchase, but an efficient contract in which movie producers who make more than 200 movies every year produce large numbers of movies at a low cost and transact various movies by grouping under the circumstances that high box-office records are uncertain. See Hanssen (2000) and Kenny and Klein (2000).

²⁰ This accompanies the problem that it is difficult in fact to acquire the actual contract between the theater owner and the distributor. Furthermore, theater owners have no incentive to accuse the major distributors due to the concern of retribution measures.

²¹ The ratio of revenue share for the foreign movies is said to be 6:4 between movie makers and

to an attempt to rectify a distortion in revenue structure with another distortion. Therefore, if theater owners are reluctant or passive to elimination or reduction of the screen quota because they are afraid of losses in the ratio of revenue share due to the lifting of the screen quota, we can regard them as not interested in solving the distortion in a reasonable way, but only in avoiding a decrease in short-term profit.

In recent circumstances where such new media as internet, YouTube and VOD services have become more prominent, the reason why the movie industry puts importance on the screen quota, a restriction measure in theaters, is its role as the “first window” that the movie has in the mass media. Namely, in the case of “second window” services like VOD, the price gap is big depending on the fact on whether it was projected in theaters or not. Thus the screen quota can increase the chances of the Korean movies to be projected in theaters, and can thus contribute to the creation of profits of the domestic movie industry. In addition, the new mass media have a problem that the current environment lacks monitoring and implementation of intellectual property rights in these fields.

On the other hand, the Korean movie industry is opposed to the idea that the screen quota could be replaced by subsidies for the production of Korean movies, arguing that subsidies in the production of Korean movies would lead to a decrease in the overall quality of Korean movies.²² Instead, we could consider a plan where each local government provides subsidies for the construction of theaters which can screen high quality Korean movies. In this way, low-budget independence movies and artistic movies can be introduced to the general public, helping to establish the true identity of the Korean culture. However, this plan must overcome the constraints of a lack of budget on the part of the local governments.

In the area of broadcasting services, the typical regulation on contents is the compulsory program quota. This was introduced in order to protect the nation’s cultural

theater owners, while the ratio of revenue share for Korean movies is known to be 5:5 between movie makers and theater owners. This is a form of compensation for theater owners for any losses caused by the screen quota. However, movie makers are presumed to persuade theater owners that this ratio can be raised up to 7:3 once the screen quota is lifted.

²² This argument can be supported by the fact that in the past when the importation of foreign movies was allowed, a policy of granting the import quota of the foreign movies to those producers who produced more than a certain number of the Korean movies, only resulted in a decrease in the quality of Korean movies.

identity rather than for competition policy reasons. However, Korean terrestrial broadcasting contents are assessed to have competitiveness nowadays since they deal with subjects that fit well in the Korean sentiment and they are casting Korean actors and actresses whom the viewers are familiar with. Therefore, it can be argued that it is now possible to ease the compulsory program quota in the case of terrestrial broadcasting services. Furthermore, some are of the opinion that the compulsory program quota of the terrestrial broadcasting services raises distortions by increasing the price of animations that are made in Korea and movies that are produced in other countries than the United States.²³ Hence, these kind of distortions impose a burden on the terrestrial broadcasting companies. Meanwhile, the real problem lies in broadcasting services of niche programs such as can be seen in cable television services or satellite television services. For these services, it is crucial to facilitate production of contents by increasing outsourced production by independent producers. However, a specific criteria necessary for supporting independent producers has not been established yet.

In the case of retransmission services of foreign cable television channels, the business community in related sectors is of the view that there will be no problem increasing the current 10 per cent quota, since the current quota is not exhausted and binding. However, the reason why the current quota is yet to be exhausted is because there is distortion in domestic cable television services with regard to the revenue sharing scheme between the system operator (SO) and the program provider (PP). In other words, in the case of the United States, the revenue of PP comprises 10 per cent of advertisement revenue and 90 per cent of subscription fees, while the ratio of subscription fees is quite low in Korea. This can be interpreted that the SO's which are connected with the regional power groups bring in a large portion of subscription fees, which are a more stable source of revenue. This kind of distorted distribution ratio of subscription fees leads to a poor profit structure, which makes foreign channels reluctant to enter the domestic market.

²³ One segment of the compulsory program quota is that the ratio of content of a specific country cannot exceed 60 per cent of the total broadcasting time. This regulation is targeted at preventing contents originating in the United States from dominating the broadcasting services.

Table 4. Stakeholders' Interest Relations Regarding Further Liberalization of Trade in Audio-Visual Services

Issue	Stakeholders	Constraints against further liberalization
Screen quota, Market dominant unfair activities by distributors (block-booking)	Movie producers	Lack of monitoring and administering competition policies against block-booking
Distortion of revenue sharing between producers and theater owners	Movie producers Theater owners	Lack of efforts to resolve the distortion in a reasonable way (preoccupation with short-term profit)
Creation of profits in the new mass media	Movie and music producers	Lack of monitoring and implementation of intellectual property rights
Subsidies in construction of theaters in local governments	Movie producers	Lack of budget in local governments
Compulsory program quota	Movie industry	Lack of supporting criteria for independent movie producers
Quota on retransmission of foreign channels	Broadcasting business community	Distortion in distribution of subscription fees between SO and PP (SO connected with regional power groups)

Source: Author's own analysis based on intensive interviews and roundtable discussions.

3. Conclusion and Policy Implications

This paper takes notice of the fact that analyses based on quantitative estimation or simulations of the economic effects of opening-up markets have had certain limitations when it comes to the smooth accomplishment of actual market opening. In other words, market opening could be accomplished as planned if we first qualitatively analyze and then remove the constraints determining the opposing positions of stakeholders or interest groups who would be exposed to competition after opening of the market. In this regard, we analyzed the constraints that affected the optimization incentives of the stakeholders based on their concerns against market opening in the four sectors of services in Korea, before presenting rational policy measures to improve those constraints. This section seeks to provide some policy implications and suggestions to mitigate the concerns of stakeholders opposing further market opening by improving the constraints that surround them.²⁴

In legal services, the major concern with further liberalization measures to lift the foreign equity ceiling of 49 per cent of joint venture law firms, and allowing these joint venture law firms to employ Korean lawyers without any conditions, is that these joint venture law firms which employ Korean lawyers may illegally provide legal counseling services in the area of Korean laws. In this case, joint venture law firms that employ one or two Korean lawyers may have the rest of FLCs that they employ conduct the legal counseling service activities on Korean laws and then let the one or two in-house Korean lawyers merely place their signatures on the final documents prepared by these FLCs.²⁵

However, the present regulation that the number of FLCs in a joint venture law firm cannot exceed the number of Korean lawyers is sufficient to prevent this kind of illegal activity. Thus, the equity ceiling of 49 per cent for joint venture law firms is too excessive a limitation and can be lifted for further liberalization in the FLC market.

In health services, the major issue is whether to allow for-profit hospitals. With regard to this issue, we might propose to establish a Korean-type for-profit hospital

²⁴ In Kim (2004), we did not provide sectoral policy suggestions for further liberalization.

²⁵ As we have previously analyzed, this concern is particularly due to the fact that there are many FLCs who are active in the Korean FLC markets who were educated and have graduated from Korean law schools and thus are fluent in Korean and have sufficient knowledge of Korean laws.

system. It could be more desirable to name these hospitals differently, as “incorporated hospitals” rather than “for-profit hospitals.” In this way, policies to facilitate investment would make it possible to enhance the public nature of hospital services and at the same time to develop them as an industry. As a step-by-step approach, we could first consider a system where incorporated hospitals can be established and liquidated more freely by deregulating the limitations placed on the disposal of remaining properties,²⁶ while an overly distribution of dividends is restrained. Even when allowing the establishment of incorporated hospitals, the current health insurance system needs to be maintained. As long as the current health insurance system remains intact, there is less possibility that incorporated hospitals aiming for pure commercial interests will emerge. In addition, it will be necessary to set up a mandatory external financial audit system for incorporated hospitals.

In educational services, the most contentious issue is deregulation of limitations placed on the disposal of remaining properties. In order to deal with oppositions raised by NGOs and the Korean Teachers and Education Workers Union (KTU), it is necessary to enhance the transparency of management and operation of private schools. In this regard, allowing school foundations to be established in the form of a limited liability company could be considered, since this company would then become subject to external financial audit. In addition, it is crucial to guarantee strict academic management of private schools in order to introduce a donation-based admission system, which would greatly contribute to sound financial conditions at private schools.

In audio-visual services, the main reason behind the adamant opposition by movie makers and NGOs against reducing the screen quota was the role that movies play as the “first window” for mass media, not to mention the unfair practices of block-booking in the area of competition policy. Thus, it is necessary to improve monitoring and implementation of intellectual property rights as well as competition policy when considering further liberalization.

This paper analyzed the major factors behind why each of the stakeholders in legal, health, educational and audio-visual services oppose liberalization in a qualitative political economy context. These factors can be summarized as: a general

²⁶ Currently, the remaining properties of a liquidated hospital shall be restored to the central government, a local government or a medical corporation that shall be non-profit.

mindset towards uniform equity and control, cultural factors hindering discussions on rational alternatives, insufficient government budget for universal services, lack of administrative capacity in policy implementation and monitoring, absence of a proper system to evaluate quality of services, asymmetric information, and persistence of acquired rents.

This list of factors is not a comprehensive one and hence it is necessary to identify and analyze the interests of each constituent more thoroughly in order to carry forward further market liberalization without undue friction. Namely, among the three steps that Odell (2000) explained as the value-creating negotiation strategies – that is, to identify the interests of each constituents, to design creative alternatives, and to test the designed solutions – the first step is to correctly identify and understand the nature of problems, the objectives of stakeholders and their priorities.²⁷

In order to accomplish this first step, the communication skills of each constituent should be upgraded, and for this, the highest priority should be placed on reducing the mistrust among the constituents. This is because mistrust among the constituents acts as the most important impediment when implementing value-creating negotiation strategies among each stakeholder.

Meanwhile, to build trust among all constituents, free flow of information works as one of the most important factors. So far, it can be argued that each of the constituents do not make public the necessary information lest the others interpret it in a distorted light. On the other hand, constituents to whom access to information is limited raise the wall of mistrust against others precisely for this reason.

Therefore, the problems of mistrust and lack of free flow of information are the most important impediments to improve the constraints that were analyzed in the aforementioned service sectors. In addition, they are interlinked with each other, so that dealing with these problems simultaneously is a rational solution. In order to accomplish this, it is utmost important to develop the capability of each constituent to not interpret specific information in a distorted manner. In this regard, upgrading the research and education of economics also becomes imperative.

²⁷ See Odell (2000), pp. 33-34.

References

- Borchert, Ingo, Batshur Gootiiz, and Aaditya Mattoo. 2014. "Policy Barriers to International Trade in Services: Evidence from a New Database." *World Bank Economic Review*, 28(1): 162-188.
- Choi, Byung-il. 2004. "Conflict of Culture and Trade: Screen Quota and BIT Negotiation between Korea and U.S." Mo, Jongryn and Byung-il Choi eds. *Success and Failure of the Korean Trade Negotiations: From Rice to Screen Quota*, 341-381. (In Korean)
- Fink, Carsten, Aaditya Mattoo and Randeep Rathindran. 2002. "Liberalizing Basic Telecommunications: The Asian Experience." Paolo Guerrieri and Hans-Eckart Scharrer eds. *Trade Investment and Competition in the Global Economy: The Case of the International Telecommunications Regime*. Hamburg Institute of International Studies and the Istituto Affari Internazionali, Nomos Verlagsgesellschaft, Baden Baden.
- Fiorini, Matteo and Bernard Hoekman. 2018. "Trade Agreements, Regulatory Institutions and Services Liberalization." *Global Policy*. Volume 9, Issue 4: 441-450.
- Fung, K. C. and Alan Siu. 2008. "Political Economy of Service Trade Liberalization in the Doha Round." *Pacific Economic Review*, 13(1): 124-133.
- Gootiiz, Batshur and Aaditya Mattoo. 2009. "Services in Doha: What's on the Table?" *Journal of World Trade*, 43: 1013-1030.
- Hanssen, F. Andrew. 2000. "The Bock Booking of Film Reexamined." *Journal of Law and Economics*, 43(2): 395-426.
- Harms, Philipp, Aaditya Mattoo and Ludger Schuknecht. 2003. "Explaining Liberalization Commitments in Financial Services Trade." *Review of World Economics*, 139(1): 82-113.
- Hoekman, Bernard, and Aaditya Mattoo. 2013. "Liberalizing Trade in Services: Lessons from Regional and WTO Negotiations." EUI Working Papers, RSCAS 2013/34, Robert Schuman Center for Advanced Studies, Global Governance Program-50.
- Hoekman, Bernard, Aaditya Mattoo, and André Sapir. 2007. "The political economy of services trade liberalization: a case for international regulatory cooperation?" *Oxford Review of Economic Policy*, 23(3): 367-391

- Kang, In-Soo and June Dong Kim. 1999. "Economic Effect of WTO New Round Service Negotiation on Korean Economy." *Kukje Tongsang Yunku*, 4(2): 363-392. (In Korean)
- Kenny, Roy. W. and Benjamin Klein. 2000. "How Block Booking Facilitated Self-Enforcing Film Contracts." *Journal of Law and Economics*, 43(2): 427-435.
- Kim, June Dong. 2004. "Analysis of Interest Relations Regarding Liberalization of Selected Services Sectors in Korea." *Hankook Kyungje Yunku*, 12: 63-88. (In Korean)
- Korean Medical Association. 2002. "Medical Association Headline News." (September 2)
- Mattoo, Aaditya and Sacha Wunsch-Vincent. 2004. "Pre-empting Protectionism in Services: The Gats and Outsourcing." *Journal of International Economic Law*, 7(4): 765-800.
- Odell, John S. 2000. *Negotiating the World Economy*. Ithaca: Cornell University Press.
- Republic of Korea Ministry of Education. 2019. "2019 Basic Educational Statistics in Korea." Press Release. (August 29)

[Online]

- Bank of Korea. Economic Statistics System, <http://ecos.bok.or.kr>, accessed on June 10, 2019.
- Korea Culture & Tourism Institute. <http://stat.mcst.go.kr/mcst/WebPortal/public/subject/subject02.html>, accessed on October 21, 2019.
- Korean Bar Association. <http://www.koreanbar.or.kr/pages/search/search2.asp?parts=&searchtype=mname&searchstr=&sid01=%EC%84%9C%EC%9A%B8&gun1=&dong1=>, accessed on October 21, 2019.
- Republic of Korea Ministry of Health and Welfare. http://www.index.go.kr/potal/main/EachDtlPageDetail.do?idx_cd=2772, accessed on October 21, 2019.
- Wikipedia. http://en.wikipedia.org/wiki/Political_economy, accessed on May 30, 2019.

국문요약

본 논문은 한국의 법률, 보건의료, 교육, 시청각서비스 등을 대상으로 시장개방에 반대하는 이해관계자들을 제약하는 요인들을 정치경제학적 측면에서 분석하여 추가적인 시장개방에 대한 대안을 제시하고자 하였다. 분석결과 각 부문에 작용하는 제약 요인들로는 획일적 평등성 및 통제를 지향하는 인식, 합리적 대안의 논의를 거부하는 문화적 요소, 보편적 서비스를 제공하는 데 필요한 정부재정의 부족, 정부정책의 이행·감독 측면에서 행정적 능력배양의 미흡, 서비스 질에 대한 평가체계의 미비, 정보의 비대칭성, 각 경제주체들의 기득권 집착 등인 것으로 파악되었다. 이러한 요인들을 해소하여 추가개방 관련 합리적 대안을 마련하기 위해서는 각 경제주체 간 '상호 불신'의 문제와 정보 공개 문제가 동시에 다루어져야 한다.

핵심용어: 서비스 개방, 이해관계자, 상호 불신, 정보 공개

김준동(金準東)

미국 University of Chicago 경제학 박사

대외경제정책연구원 무역통상실 무역투자정책팀 선임연구위원 겸 대외전략위원회 위원장

(現, E-mail: jdkim@kiep.go.kr)

저서 및 논문

『국내 외국인직접투자의 경제적 효과 및 투자환경 개선방안』(공저, 2009)

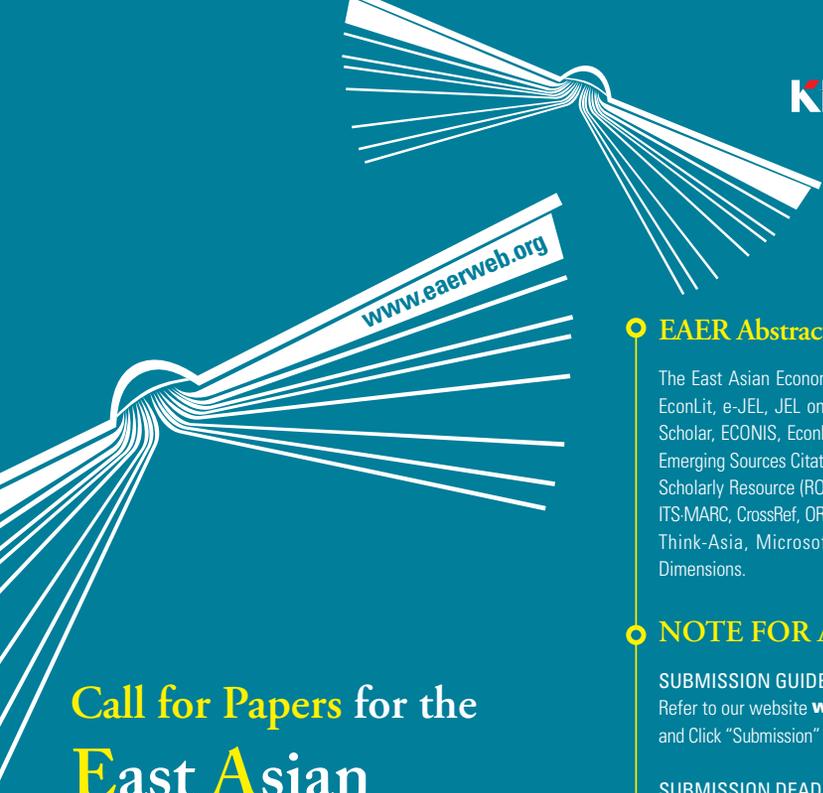
“Productivity Spillover Effect of Foreign Direct Investment into Korea”(공저, 2010)

『DDA 협상 지연의 요인 분석과 국제적 대응방안』(공저, 2012) 외

KIEP Working Papers (2018–19)

- | | | |
|--------|-------|--|
| ■ 2019 | 19-01 | Push vs. Pull Factors of Capital Flows Revisited: A Cross-country Analysis
Tae Soo Kang and Kyunghun Kim |
| | 19-02 | Deeper Regional Integration and Global Value Chains
Nakgyoon Choi |
| | 19-03 | Repercussions of Negatively Selective Migration for the Behavior of Non-migrants when Preferences are Social
Oded Stark, Wiktor Budzinski |
| | 19-04 | The Effect of Export Insurance and Guarantees on Export Performance: An Empirical Analysis for Korea
Kyunghun Kim and Hyelin Choi |
| | 19-05 | New Delhi's 'Act East' and the India-ASEAN Engagement: What They Mean for India-Korea Relations in the Indo-Pacific
Jagannath P. Panda |
| | 19-06 | Institutional Quality, Trade Costs and Comparative Advantage
Sangkyom KIM and Soon Chan Park |
| | 19-07 | Stakeholders' Interest Relations in Korea's Services Trade Liberalization: A Political Economy Analysis
June Dong Kim |
| ■ 2018 | 18-01 | Vietnam's Low National Competitiveness: Causes, Implications and Suggestions for Improvement
LE Quoc Phuong |
| | 18-02 | Financial Market Integration and Income Inequality
Jae Wook Jung and Kyunghun Kim |
| | 18-03 | Exchange Rates and Firm Exports: The Role of Foreign Ownership and Subsidiaries
Hyelin Choi and Hyo Sang Kim |
| | 18-04 | A Quantitative Trade Model with Unemployment
Kyu Yub Lee |
| | 18-05 | A Study on the Dynamics of Foreign Trade and the Issues of Regional Economic Integration in Central Asia
Kodirjon Maxamadaminovich Umarkulov
Nakgyoon Choi and Soonchan Park |

- 18-06 Sources of Comparative Advantage in Services: Institution vs. Social Capital
Nakgyoon Choi and Soonchan Park
- 18-07 Determinants and Consequences of Corporate Social Responsibility: Evidence from the Revision of the Company Act in India
Woong Lee
- 18-08 Investment Puzzle: Deeper Roots
Sujin Kim
- 18-09 Anatomy of the Trade Collapse, Recovery, and Slowdown: Evidence from Korea
Sooyoung Lee
- 18-10 The Effect of Restructuring on Labor Reallocation and Productivity Growth: An Estimation for Korea
Hyelin Choi, Sung Chun Jung and Subin Kim
- 18-11 The Impact of Trade Liberalization in Africa
Jae Wook Jung



www.eaerweb.org

Call for Papers for the East Asian Economic Review

With great pleasure, the *East Asian Economic Review* is welcoming submissions.

AIMS and SCOPE

The *East Asian Economic Review* is an economic journal, for the promotion of interdisciplinary research on international economics. Published as a quarterly by the Korea Institute for International Economic Policy, a Korean government-funded economic think-tank, the Journal is global in perspective and covers both theory and empirical research.

The Journal aims to facilitate greater understanding of all issues pertinent to diverse economies of East Asia through publication of rigorous analyses by renowned experts in the field. The EAER connects policy and theory, providing empirical analyses and practical policy suggestions for the economies in the region.

TOPICS COVERED

The *East Asian Economic Review* brings together articles from many different realms of economics at both regional and global levels. Issues relevant to East Asia's diverse economy are the major focuses. Specific areas of interest include, but are not limited to:

- Trade and Investment Issues
- Economic Integration
- APEC
- ASEAN
- ASEM
- International Finance
- Liberalization of Financial Services and Capital
- International Cooperation for Korean Unification

EAER Abstracting and Indexing Services

The East Asian Economic Review is indexed and abstracted in EconLit, e-JEL, JEL on CD, OCLC WorldCat, ProQuest, Google Scholar, ECONIS, EconBiz, EBSCO, British Library, SSRN, RePEc, Emerging Sources Citation Index (ESCI), Directory of Open Access Scholarly Resource (ROAD), DOAJ and registered to Ulrichsweb, ITS-MARC, CrossRef, ORCID, SHERPA/RoMEO, Korea Citation Index, Think-Asia, Microsoft Academic, Dow Jones Factiva and Dimensions.

NOTE FOR AUTHORS

SUBMISSION GUIDELINE:

Refer to our website www.eaerweb.org and Click "Submission" menu at the top of the main page.

SUBMISSION DEADLINE:

The Journal is published every March, June, September and December of each year and submissions are accepted for review on an ongoing basis.

REVIEW PROCESS:

We have introduced a "fast-track" system, which takes four to five weeks on average from submission to the first round review in order to provide quick and authoritative decisions to the authors. In general, the Journal's manuscript decision process includes submission, editorial decision on whether the paper should be reviewed, peer review, decisions after review, revision, acceptance in principle, final submission and acceptance, proofs, advance online publication, and print publication.

For further information regarding submission,

Contact EAER Editorial Office:

[30147] 3rd Floor, Building C, Sejong National Research Complex, 370 Sicheong-daero, Sejong-si, Korea.

Tel: 82-44-414-1171/1251 FAX: 82-44-414-1044

Email: eaer@kiep.go.kr

Website: www.eaerweb.org

AWARD FOR EAER

The East Asian Economic Review Award is given annually to articles that have made exemplary contributions to advance the public as well as academic understanding of international economics. Every article published in the Journal is given an honorarium of KRW 2,500,000; and annual nominations for the outstanding and noteworthy articles include KRW 5,000,000 prize and a detailed nomination statement describing how the selected papers have contributed to the knowledge of international economics



Stakeholders' Interest Relations in Korea's Services Trade Liberalization: A Political Economy Analysis

June Dong Kim

This paper seeks to analyze the major factors behind why each stakeholders in the legal, health, educational and audio-visual service sectors oppose liberalization in a qualitative political economy context as well as to provide alternative strategies for further liberalization. It is found that those factors include general mindset towards uniform equity and control, cultural factors preventing discussion on rational alternatives, insufficient government budget for universal services, lack of administrative capacity in policy implementation and monitoring, absence of a proper system to evaluate the quality of services, asymmetry of information, and persistence of acquired rents. In order to make rational alternatives for further liberalization, it is necessary to address simultaneously the problem of 'mistrust' and lack of free flow of information.

