# A Missed Opportunity for Service-led Growth

[Joint op-ed from the Ambassadors of the United States, the United Kingdom, Australia, and the European Union]

Yesterday, the National Assembly passed a bill that has the ostensible goal of opening Korea's legal market and enabling joint venture partnerships between Korean and international law firms. We are concerned, however, that the legislation, which is overly restrictive, will not achieve its goals. For example, due to the legislation's equity limitations, an international legal firm would have to give up a wholly independent local office to establish a joint venture with only minority control over its business and unlimited liability. That is unlikely.

This bill is a missed opportunity to fully realize the potential of our free trade agreements to create jobs, boost economic growth, attract investment, reduce costs, enhance the quality of service delivery, and improve competitiveness.

Korean lawyers and the 1,500 young professionals who graduate from law schools every year will miss opportunities to work for joint venture firms and gain valuable international experience. Korean legal firms will miss opportunities to access new business and expertise that joint ventures could bring. And Korean consumers, and all sectors of Korean industry seeking to operate globally, will be denied better access to the comprehensive and cost-effective services joint ventures can offer.

Perhaps most profoundly, Korea will miss the opportunity to take a meaningful step towards developing a vibrant services sector and becoming a regional services-hub at a time when traditional growth drivers like manufacturing are under increasing pressure.

The bill put to the National Assembly yesterday forms the third and final phase of legal services liberalisation under Korea's Free Trade Agreements (FTAs) with the European Union, the United States, and Australia. With no clear timeline beyond the agreed third phase, it is unclear whether Korea's legal services market will ever be further liberalised. This lack of certainty deters potential foreign investment and the jobs and growth that it brings.

Moreover, passage of the bill will create bilateral economic issues between our countries that will take time and effort to resolve. The overly restrictive nature of the bill is incompatible with FTAs painstakingly negotiated with our countries.

Countries all over the world are finding new GDP growth in their service sectors. Strong services make a strong economy. In Australia, for example, liberalised services have helped to deliver 25 years of continuous economic growth without a recession. The services sector now accounts for around four out of five jobs and 70% of Australia’s GDP.

The Korean experience likewise indicates that when Korean firms enter the world stage, they not only survive, they thrive. In the industries of film, autos, music, engineering and construction, Korean companies are global leaders precisely because of their ability to compete in an open market. Korea’s financial services regulators recognized this when they revised regulations last summer to allow foreign firms to use global business practices in Korea. They shared a vision that market forces, coupled with Korean ingenuity, ultimately strengthen Korean companies and the Korean economy.

We fully support Korea’s ambition to develop its service industries and enhance their contribution to its economy’s continued growth. And we are confident that these issues can be constructively resolved with our friends and partners in the Korean government. But we are concerned that the decision taken this week to further delay opening of the legal market runs in the opposite direction. It represents, in many respects, a missed opportunity to build on the positive momentum in our already strong economic relationships.