

[TRANSLATION]

June 30, 2007

The Honorable Susan C. Schwab
United States Trade Representative
Washington, D.C.

Dear Ambassador Schwab:

In the course of negotiations regarding Chapter Twelve (Cross-Border Trade in Services) of the Free Trade Agreement between our two Governments signed this day, the delegations of the Republic of Korea and the United States of America discussed the regulatory reform processes that their respective governments are contemplating or currently undertaking with regard to postal services and how those processes might affect competitive express delivery services.

In the context of those discussions, Korea indicated the following aspects, among others, of its postal reform plan:

Korea intends to expand gradually the exceptions to the Korean Postal Authority's monopoly to increase the scope of private delivery services that are permitted and to establish a scheme ensuring the independence of Korea's postal regulatory system. This will be done through amendments to the *Postal Service Act*, related laws, or their subordinate regulations.

(a) After these amendments are enacted, the items that private delivery service suppliers may handle will be classified based on objective standards such as weight, price, or a combination thereof. In determining the nature and extent of such amendments, Korea will consider various factors, including domestic market conditions, experiences of other countries with postal liberalization, and the need to ensure universal service. Korea plans to implement these amendments within the next five years.

(b) Over time, Korea also will address the issue of independence of its regulatory system for postal and express delivery services. The regulator of express delivery services will be separate from, and not accountable to, any supplier of postal or other delivery services after such reform. The decisions of, and the procedures used by, regulators should be impartial and transparent with respect to all market participants.

In applying these reformed criteria and regulatory system, Korea will provide non-discriminatory opportunities to all postal and express delivery service suppliers in Korea.

Sincerely,

[SGN/]
Hyun Chong Kim