

Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying at the Commission's Public Reference Section, 450 Fifth Street, NW., Washington, DC 20549. Copies of such filing will also be available for inspection and copying at the principal office of the Exchange. All submissions should refer to File No. SR-Phlx-96-25 and should be submitted by August 22, 1996.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.

Margaret H. McFarland,  
*Deputy Secretary.*

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## OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

### Identification of Korea as a Priority Foreign Country in Telecommunications Trade

**AGENCY:** Office of the United States Trade Representative.

**ACTION:** Notice of identification.

**SUMMARY:** The Acting United States Trade Representative (USTR) hereby identifies Korea as a priority foreign country under section 1374 of the Omnibus Trade and Competitiveness Act of 1988 (the Act). Upon such designation, the USTR is required to negotiate with the Government of Korea for the purpose of entering into a bilateral trade agreement which addresses specific negotiating objectives set by the USTR. If negotiations are unsuccessful, the USTR is required to take appropriate action to achieve U.S. negotiating objectives.

**DATES:** The identification of Korea as a priority foreign country was made on July 26, 1996.

**FOR FURTHER INFORMATION CONTACT:** Sean Murphy (202-395-6813), Office of Asia and Pacific Affairs, or Laura B. Sherman (202-395-3150), Office of the General Counsel, Office of the U.S.

Trade Representative, 600 17th Street, NW., Washington, D.C. 20508.

**SUPPLEMENTARY INFORMATION:** Section 1374 of the Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 3103) provides that the USTR may identify countries that maintain barriers that deny U.S. telecommunications products and services mutually advantageous market opportunities. In making identifications, the U.S. Trade Representative must take into account factors such as: (a) the nature and significance of the acts, policies and practices that deny mutually advantageous market opportunities to telecommunications products and services of United States firms; (b) the economic benefits (actual and potential) accruing to foreign firms from open access to the United States market; (c) the potential size of the foreign market for telecommunications products and services of United States firms; (d) the potential to increase U.S. exports of telecommunications products and services, either directly or through the establishment of a beneficial precedent; and (f) measurable progress being made to eliminate the objectionable acts, policies or practices.

In 1989, the U.S. Trade Representative identified Korea as a "priority foreign country" that denied U.S. telecommunications products and services providers "mutually advantageous market opportunities." At that time, many of the specific negotiating objectives were focused on improving access for competitive U.S. telecommunications products and services to Korea Telecom(KT), which was the monopoly telecommunications service provider. In 1992, the United States and Korea concluded a series of agreements that improved access to procurement by KT and addressed concerns relating to the standards-setting process, provision of value-added services and the Korean government's approval of telecommunications equipment. As a result of those agreements, the USTR determined that Korea had met the negotiating objectives set out in 1989. Pursuant to section 1377 of the Act, the USTR has annually reviewed the effectiveness and operation of the telecommunications agreements reached with Korea and entered into subsequent agreements to address problems in implementation of them.

Changes in the Korean telecommunications market since 1992 have created new barriers for U.S. providers of telecommunications goods and services that are not covered by the existing agreements with Korea. KT is

no longer the only service provider as competition by private firms and other government-owned entities is being allowed. Yet Korean Government intervention in procurements by private Korean companies and other practices cited by U.S. telecommunications products and services providers create effective barriers to access to the Korean market. The Korean Government's policies and actions relating to the promotion of domestic manufacturing of high-technology telecommunications products results in additional lost opportunities for U.S. suppliers. At the same time, Korean manufacturers have unrestricted access to the United States market for telecommunications products. Korean limitations on foreign ownership of telecommunications services are more restrictive than those of the United States. Korea firms are taking advantage of this more favorable access to increase their penetration into the U.S. telecommunications goods and services market.

The potential Korean market for telecommunications products and services is significant, particularly with the recent award of cellular and other licenses which is estimated to result in procurements of \$6.5 billion. The total Korean market for telecommunications equipment and services during the 1996-2000 period is estimated at \$100 billion. As U.S. telecommunications products and services are the most competitive in the world, there is tremendous potential to increase U.S. exports to the Korean market. Before deciding to identify Korea as a priority foreign country, the United States held intensive consultations with Korea beginning in March 1996, to achieve improved market access. No progress was made in eliminating Korea's objectionable policies and practices. As a result, to achieve mutually advantageous market opportunities as our respective telecommunications markets have evolved, I have identified Korea as a priority foreign country under Section 1374. Consequently, the United States will seek to negotiate an agreement with Korea that achieves U.S. objectives. If these negotiations are unsuccessful, action will be taken under section 1376(b) of the Act. The United States does not intend to use the full negotiating period provided in the Act to make a determination on next steps if it becomes clear that progress is not being made.

Charlene Barshefsky,

*Acting U.S. Trade Representative.*

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